



# BNK Banking Corporation Limited Investor Presentation

April 2019

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# Executive Summary

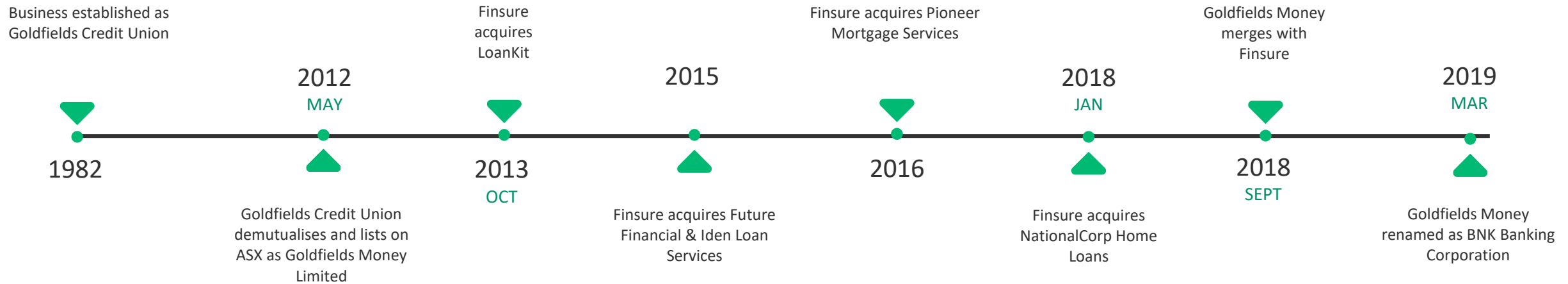
- Diversified financial services company following merger with Finsure in Sept 2018, recently renamed BNK Banking Corporation Limited
- Two complementary divisions underpinned by established intellectual property
  - Banking: BNK Bank and Better Choice
  - Mortgage broking aggregation: Finsure and other owned brands
- Experienced management and broad executive capability across lending, customer service and product manufacturing
- Unique value proposition in that BNK offers a mortgage marketplace. If we can't offer you the best rate for your loan we will find a provider that can
- Technology-enabled model provides platform to expand product portfolio informed by industry leading data and insights
- Agility to respond quickly to changing market environment and build scale as a challenger bank
- Near-term investment to drive growth, with a clear focus on improving capital efficiency and profitability over time

Unique business combination

Technology-enabled and data-driven

Speed & agility

# Proud 37 year operating history



# Key Financial and Operational Highlights – 1H19

## KEY OPERATIONAL METRICS

**\$13.7m**

PRO FORMA  
NET REVENUE

**\$1.6m**

PRO FORMA  
UNDERLYING NPAT

**24%**

TRANSACTION ACCOUNT  
DEPOSIT MIX

Increased by +33% in 1H19

**22%**

HQLA (LIQUIDITY)  
RATIO %

Sound liquidity position

**91%**

COST TO INCOME  
RATIO (C:I%)

Investing in Growth

## KEY GROWTH METRICS

**1,581**

AGGREGATION & WHOLESALE  
LOAN WRITERS

Growth of +15% PCP

**\$6.8b**

AGGREGATION  
SETTLEMENTS

Growth of +11% PCP

**\$338m**

WHOLESALE  
SETTLEMENTS

Growth of +166% PCP

**\$35.5b**

AGGREGATION  
LOAN BOOK

Growth of +25% PCP

**\$2.5b**

MANAGED  
LOAN BALANCE

Growth of +53% PCP

## KEY FINANCIAL STRENGTH METRICS

**2.00%**

NET INTEREST MARGIN  
(NIM%)

**18.7%**

CAPITAL ADEQUACY RATIO  
(CAR%)

**14bps**

CREDIT LOSS  
PROVISION RATE

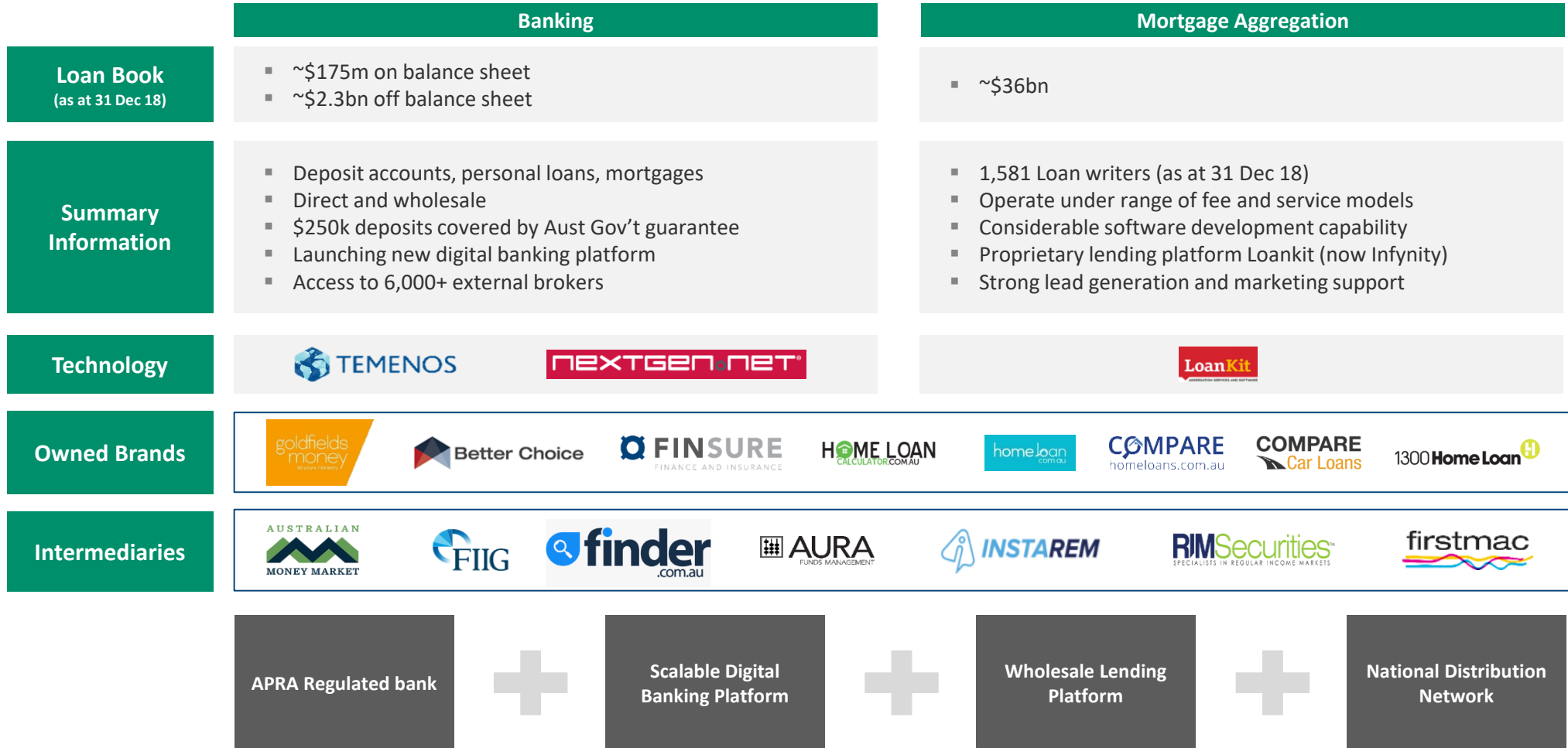
**\$175m**

ON-BALANCE SHEET  
LOANS

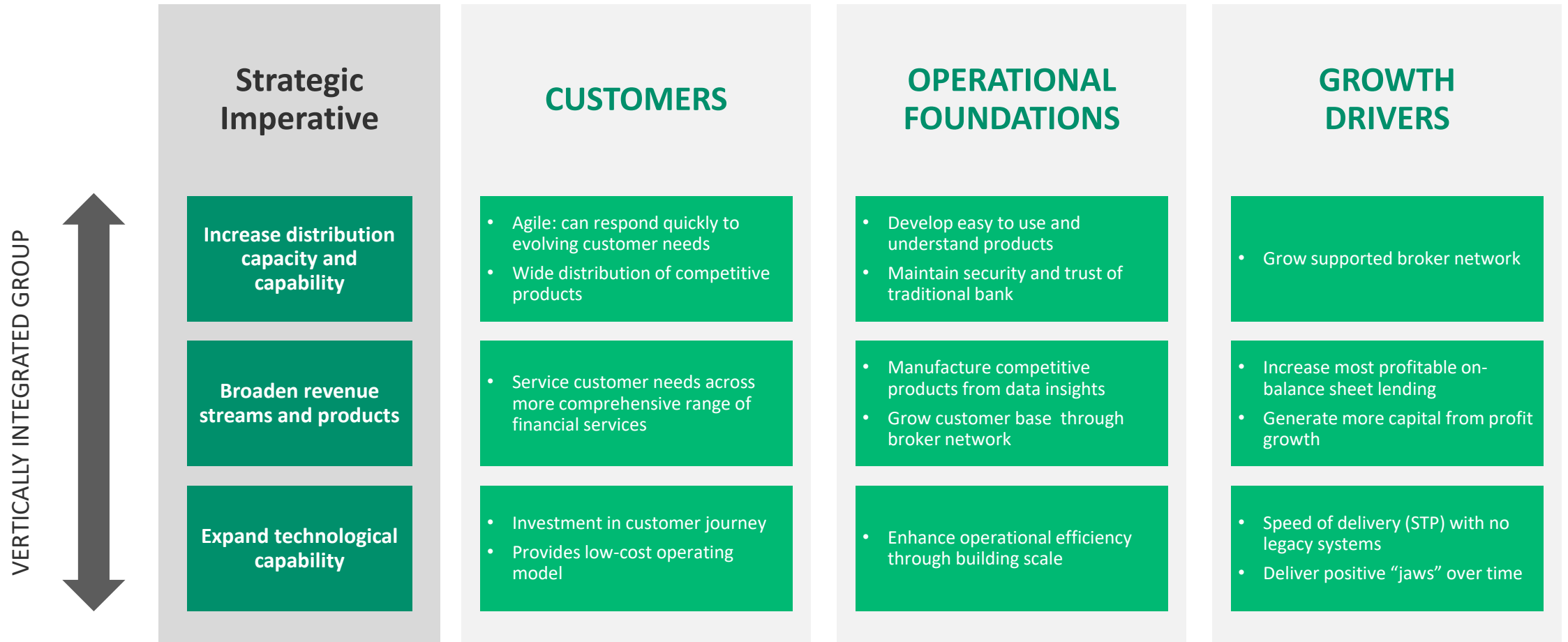
**\$2.3b**

OFF-BALANCE SHEET  
LOANS

# Merged Infrastructure

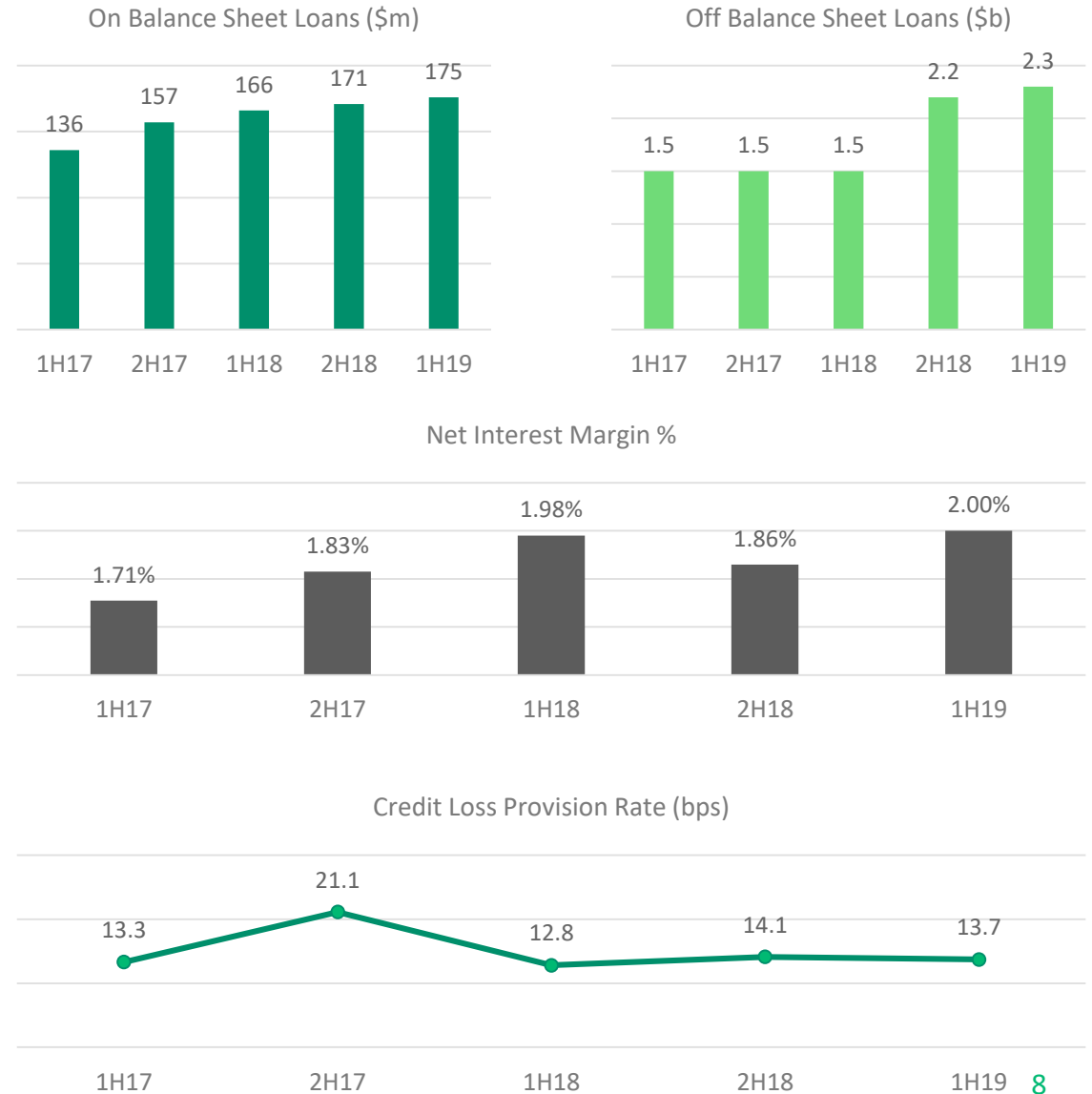


# Merger creates a unique mortgage marketplace



# Banking Business

- Goldfields Money Limited re-named as BNK Banking Corporation Limited (February 2019)
- Provides simple and easy to understand deposit accounts, personal loans and mortgages – based on values of simplicity, honesty and transparency
- Operating Brands:
  - Goldfields Money (WA branches)
  - BNK Bank (digital, national) launched in 2019
  - Better Choice Home Loans (wholesale, national)
- Considerable capability across credit lines, underwriting, servicing, fulfilment and product manufacturing
- Delivers broad range of banking products both direct and via third party intermediaries through API-enabled technology platform
- Strong track record and capability in compliance, risk management and customer service
- Aim to build scale by growing product range and capitalising on market opportunities
- Unique value proposition in that BNK offers a mortgage marketplace. If we can't offer you the best rate for your loan we will find a provider that can

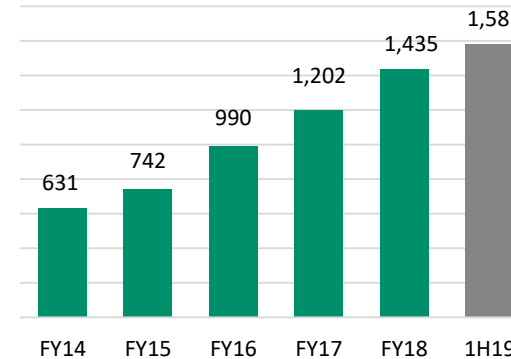




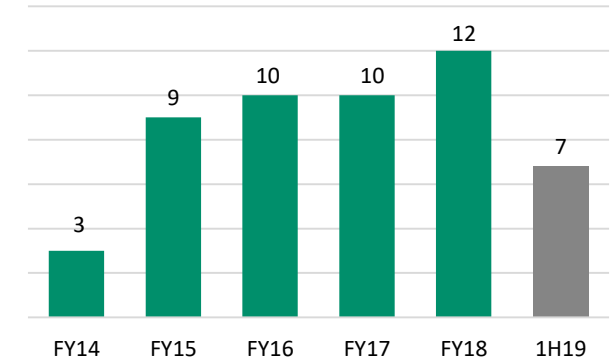
# Aggregation Business

- One of the strongest distribution networks in Australia, accounting for ~1 in 8 of all new loans written in the mortgage broking market
- Provides complete solution to loan writers to maximise sales productivity under flexible fee and service models
- Proprietary lending platform (LoanKit) enables loan writers to provide market-leading and low cost service, including lead generation and marketing collateral
- Mortgage intelligence generates valuable insights for developing competitive lending products
- Lending portfolio growth diversifies revenues through commission income and recurring transactional fees (now approx. half of group revenue)
- Aim to grow mortgage broker network through leading aggregation and mortgage management offering
- A complete mortgage marketplace

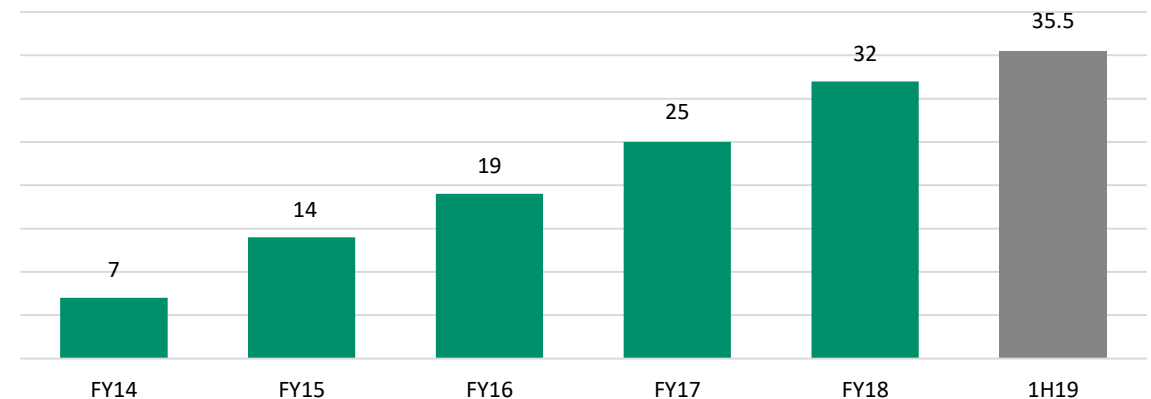
Total Loan Writers



Total Loan Settlements (\$b)

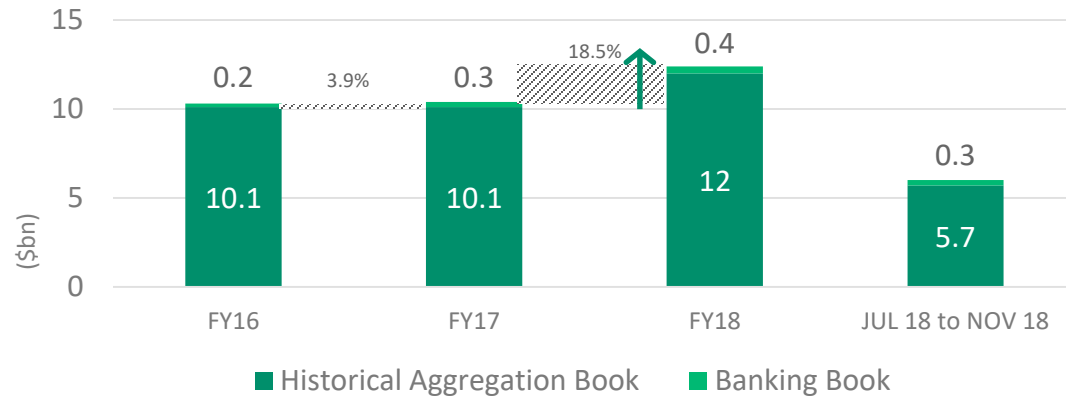


Total Loan Book (in \$b)

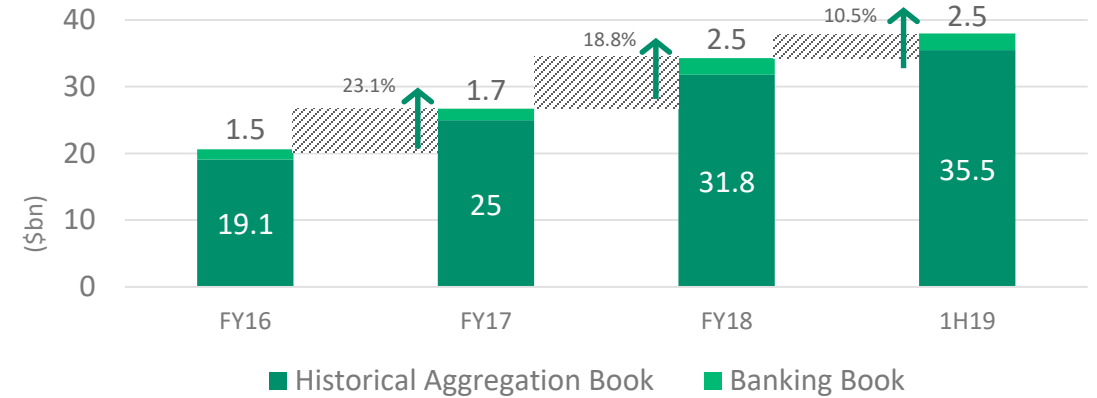


# Market Share

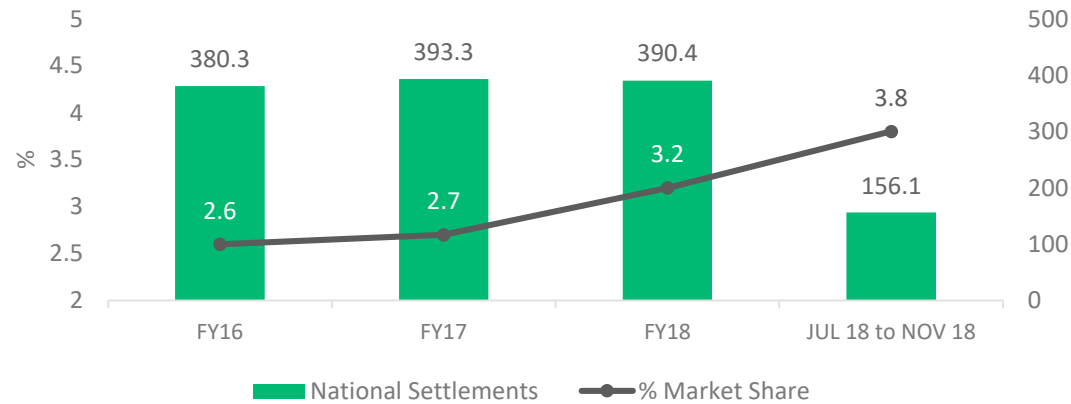
Residential Settlements



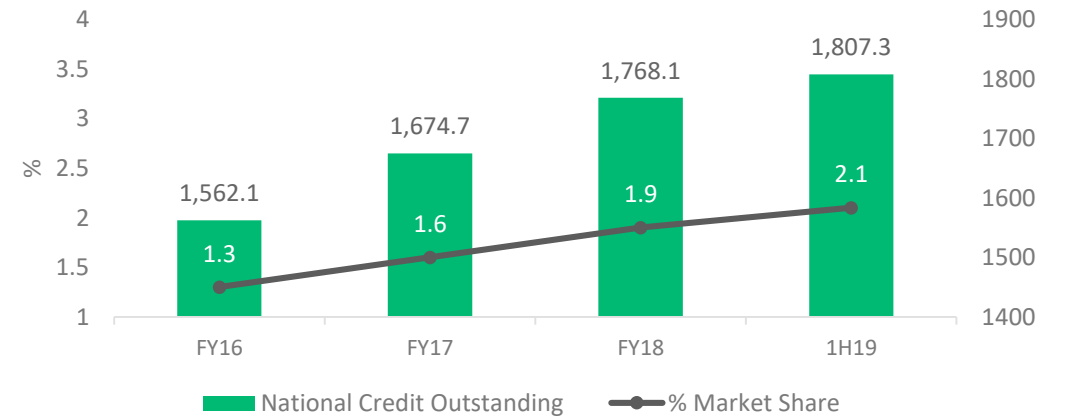
Outstanding Residential Loans



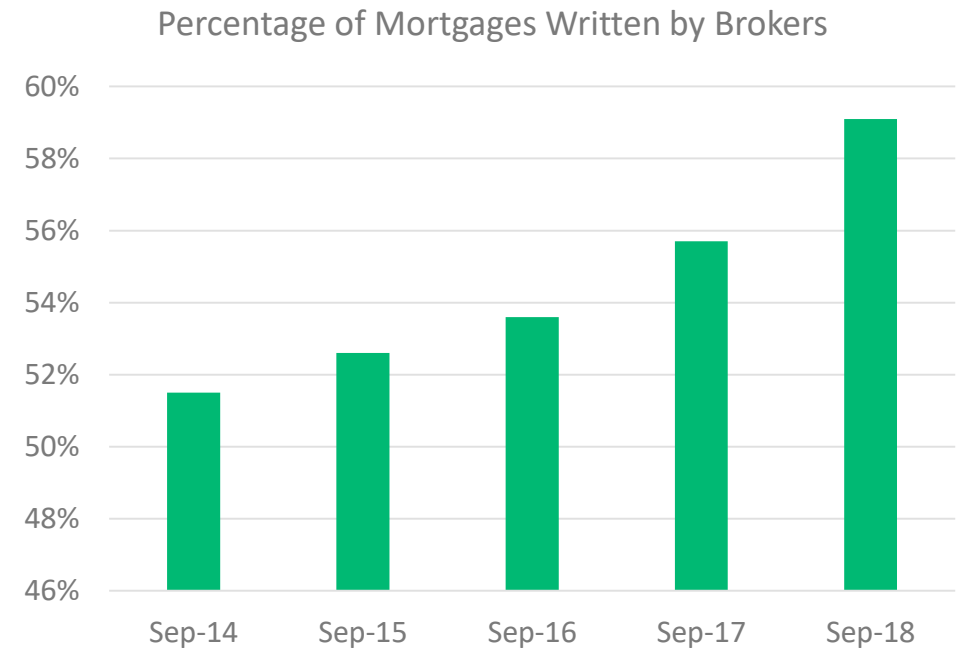
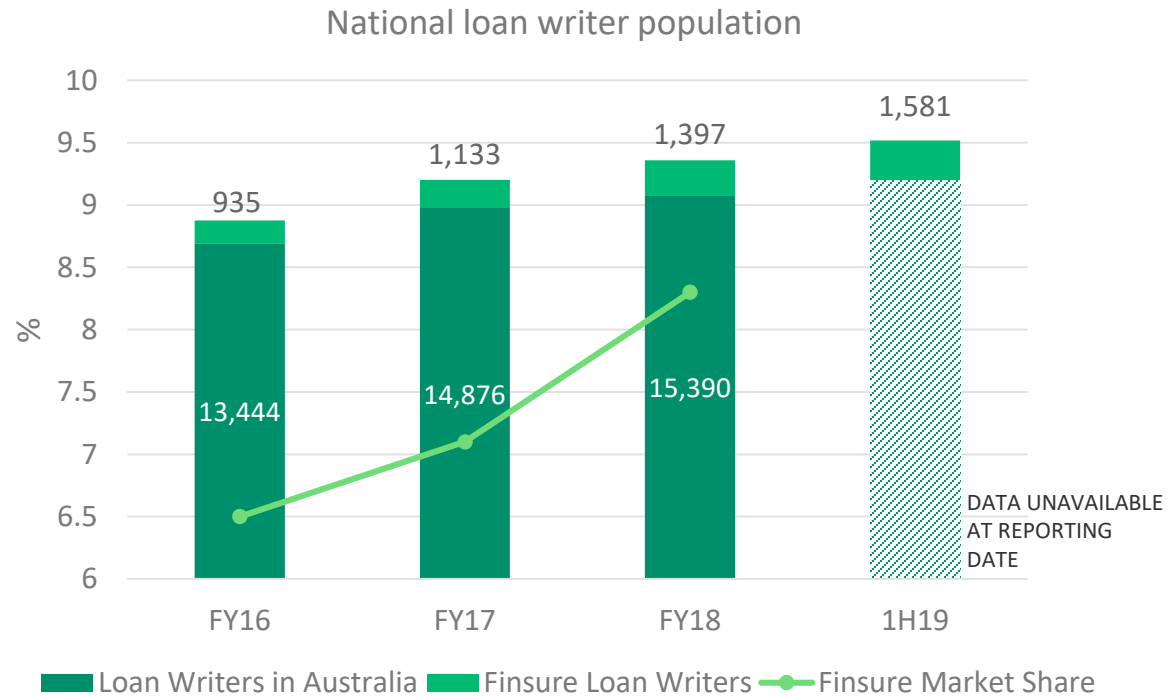
Growing Share of Flat Market



Growing Ahead of Market



# Market Share



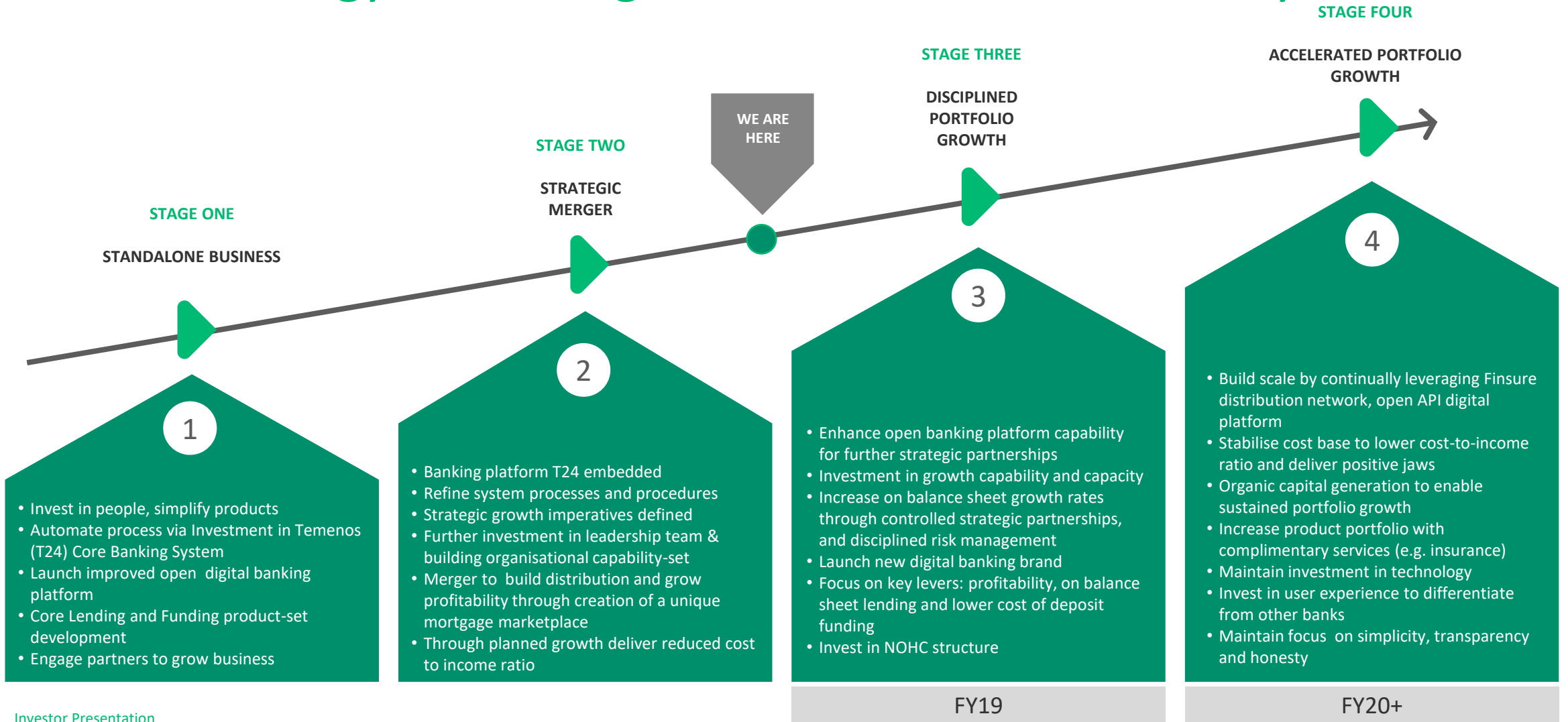
# Key Profitability Indicators

	Revenue Type	Description	Percentage of 1H19 Net Revenue* (%)	Nature of Revenue	Key Performance Indicators (KPI's)	1H19 KPI Performance
BANKING	On-balance sheet lending	Monthly net interest margin	14%	Recurring	<ul style="list-style-type: none"> <li>On-balance sheet loans</li> <li>Net interest margin (NIM)</li> </ul>	<ul style="list-style-type: none"> <li>\$175m Dec18 spot balance</li> <li>2.0% over 1H19</li> </ul>
	Non-interest income	<ul style="list-style-type: none"> <li>Other banking income</li> <li>Bailment fee income</li> </ul>	14%	Transactional & Recurring	<ul style="list-style-type: none"> <li>Number of loans originated</li> <li>Bailment funding limits</li> </ul>	<ul style="list-style-type: none"> <li>670 over 1H19</li> <li>\$15m Dec18 spot balance</li> </ul>
	Off-balance sheet lending	Monthly net interest margin	23%	Recurring	<ul style="list-style-type: none"> <li>Outstanding loan balances</li> </ul>	<ul style="list-style-type: none"> <li>\$2.3b as at Dec18</li> </ul>
AGGREGATION	Loan writer fees	<ul style="list-style-type: none"> <li>Monthly subscription fees</li> <li>Software as a Service (SaaS)</li> <li>Transaction fees</li> </ul>	25%	Recurring & Transactional	<ul style="list-style-type: none"> <li>Number of loan writers</li> <li>Number of transactions</li> </ul>	<ul style="list-style-type: none"> <li>1,581 as at Dec18</li> <li>102k over 1H19</li> </ul>
	Aggregation commissions	Upfront and ongoing commissions	24%	Recurring	<ul style="list-style-type: none"> <li>Settlement value</li> <li>Outstanding loan balances</li> </ul>	<ul style="list-style-type: none"> <li>\$6.8b during 1H19</li> <li>\$35.5b as at Dec18</li> </ul>
<b>STATUTORY NET REVENUE</b>						
<b>\$11m</b> (or \$13.7m on a proforma basis)						
<b>OPERATING EXPENSES</b>						
<b>\$10m</b> (or \$13.6m on a proforma basis, including \$1.6m of merger transaction costs)						
<b>LENDING LOSSES</b>						
Nil P&L charge during 1H19 (provision balance of \$0.3m represents 13bps of lending assets)						
<b>ORGANIC CAPITAL GENERATED - NPAT</b>						
<b>\$0.7m - 1H19</b> (or \$1.6m on a proforma underlying basis)						



\* Revenue numbers exclude changes in NPV

# Growth Strategy: Balancing Investment and Profitability



# Longer-term Growth Opportunities

- Regulatory changes (e.g. open banking) supports growth in lending book
- Disciplined capital deployment and funding source diversification
- Non-operating holding company structure (NOHC) application
- API-enabled partnering to broaden product and service offering
- Positive operating leverage to drive profitability and cash flows

# Appendix

# Board Of Directors



**Peter Wallace**

**Chairman & Non Executive Director**

Mr Wallace was appointed a director in August 2014. He has more than 45 years of experience from a range of appointments held within the banking and financial services industry. Mr. Wallace was previously the Head of Corporate (Western Australia) for Bell Potter Securities Ltd where he directed capital raisings for several large publicly listed companies as well as provided a variety of corporate advisory services to both private and publicly owned companies. Over the past 30 years he also held executive management positions with Westpac Banking Corporation, Challenge Bank Ltd and National Australia Bank Ltd. Previous public company experience includes directorships with Tethyan Copper Ltd, Rural Aus Investments Ltd and Decmil Engineering Ltd.

During the past three years he has served as a director of the following listed companies:

- Katana Capital Limited – appointed 19 September 2005
- Neptune Marine Services Limited – appointed 8 July 2011

Mr Wallace is a Senior Fellow of the Financial Services Institute of Australia, a Fellow of the Australian Institute of Company Directors and an Associate Fellow of the Australian Institute of Management. He is Chair of the Remuneration Committee and a member of the Audit Committee, Credit Committee and Risk & Compliance Committee.



**Derek La Ferla**

**Deputy Chairman & Non Executive Director**

Mr La Ferla was elected as a Director in November 2015. He has over 30 years' experience as a corporate lawyer and Company Director. He is a Non-executive Director of Sandfire Resources NL, Veris Limited and Threat Protect Limited and is a member of the AICD Council (WA Division). He has held senior positions with some of Australia's leading law firms and is a Partner with large independent Western Australian law firm, Lavan. During the past three years he has served as a director of the following listed companies:

- Veris Limited –appointed 28 October 2011
- Sandfire Resources NL – appointed 17 May 2010
- Threat Protect Australia Limited – appointed 3 September 2015

Mr La Ferla is Chair of the Audit Committee and a member of the Risk & Compliance Committee and Remuneration Committee.



**Simon Lyons**

**Managing Director**

Mr Lyons was appointed Chief Executive Officer on 18 January 2016 and became Managing Director on 23 October 2017. Mr Lyons has been involved in the day to day management of financial services business for the last 25 years. Prior to that he served as an Army Officer with the Australian Defence Force. He commenced his business career at Porter Western Limited as a stockbroker in 1994 and was a Director and shareholder of Porter Western when the business was sold to Macquarie Bank in 1999. With the business under new ownership, Mr Lyons became the State Manager for Macquarie Bank in Western Australia before transferring to a national role as Head of Broking (Distribution and Development) in Sydney. In 2005, Mr Lyons became the Head of Macquarie Private Wealth – Asia and spent several years working at establishing or acquiring wealth management businesses for Macquarie Bank throughout Asia. After leaving Macquarie Bank in 2008 Mr Lyons went on to establish and manage wealth management businesses to service clients looking for stockbroking or fixed income investments, Prior to joining the Company, Mr Lyons was the Director WA for the Fixed Income Investment Group (FIIG).



# Board Of Directors



**John Kolenda**

**Executive Director**

Mr Kolenda was appointed a Director on 13 March 2018. Mr Kolenda is the Managing Director of Finsure Group, and has extensive experience in the mortgage broking and aggregation sector. Finsure was ranked sixth in BRW Magazine's Fast 100 List in 2016 after being ranked second in its top 100 Fast Starters list in 2015. The company was ranked second when the SmartCompany top 50 was named to celebrate Australia's fastest growing SMEs in 2014-15.

Mr Kolenda was the General Manager Sales & Distribution at Aussie Home Loans for ten years from 1994, before founding X Inc, which was a successful mortgage aggregator before its merger with the mortgage broking operations of Ray White in 2007. He was also the Executive Director of the merged entity Loan Market Group.

Mr Kolenda founded several businesses before launching Finsure Group in 2011.

Mr Kolenda co-founded and chairs Aura Group Pty Ltd, a boutique corporate advisor and investment house. Aura Group has more than \$600 million in assets under management and advice.

John is an investor and non-executive director of ASX-listed The Agency Group Australia Limited – a high quality disruptive real estate brand which has expanded nationwide and experienced significant growth in agent numbers, listings and settlements.

Mr Kolenda is a member of the Credit Committee and Remuneration Committee.



**Peter Hall**

**Non Executive Director**

Mr Hall was elected as a Director in November 2015 and is an experienced financial services industry professional. Previous Board and industry appointments include: Non-Executive Director of BLSSA Pty Ltd (the licensing Board for Advantedge Financial Services, a NAB subsidiary), Chair of the CoreLogic RP Data sponsored Residential Valuation Industry Advisory Group, Ministerial Advisory Board Member for NSW Housing Minister and Chairman and Council Member of the Lenders Mortgage Insurance sub-committee. Mr Hall has also held the senior executive position of Country Executive of Genworth Financial Aust. & NZ and Managing Director of Genworth Financial Mortgage Insurance Aust. & NZ.

Mr Hall holds a Graduate Diploma of Management, has completed Executive Management Programs at GE's global management college, a Senior Associate of the Financial Services Institute of Australia and has received a Distinguished Service Award from the Australian Securitisation Forum.

Mr Hall is the Chair of the Risk & Compliance Committee, Chair of the Board Credit Committee and is also a member of the Audit Committee.



**Don Koch**

**Non Executive Director (from June 2019)**

Mr Don Koch will be joining our Board of Directors as a Non-Executive Director from June 2019. Mr Koch is an accomplished senior executive with 30 years' experience in the global financial services sector, both in board and senior management positions.

He was CEO of ING Bank in Australia from 2009 to 2012 before transferring to become CEO of ING Bank Italy from 2012 to 2016. He most recently ran a program for ING Asia as a joint venture with a large local bank within China, the largest digital economy in the world. As the former CIO and part of the team that launched ING Direct in Australia, he has a strong understanding of digital banking from a technology, operational, strategic and governance perspective.

# Our Executive Team



**Jussi Nunes**

Group Chief Financial Officer

Jussi joined Goldfields Money/Finsure as Group Chief Financial Officer, in December 2018, to lead the financial management framework of the recently merged entity. He has 18 years of banking and financial management experience, which started at GE Capital Europe through the FMP graduate program and continued through several financial leadership positions within key consumer financing businesses in Europe and Australia. Jussi joined ANZ Bank in 2008 to run the finance function for several of their consumer finance businesses, from where he transitioned into leading the financial control function of Group Treasury in 2010. Whilst at Group Treasury he was promoted to Global Head of Finance for Group Treasury and Balance Sheet Trading, which he performed until 2015. Jussi left ANZ in 2015 to head the Product Finance function for Commonwealth Bank of Australia's entire institutional bank (excluding traded risk) where he enjoyed significant success as a trusted business advisor and in developing a world-class Finance function of the future.



**Allan Savins**

GM - Banking & Wholesale

Allan has over 35 years' experience within the financial services industry and is responsible for the banking and wholesale divisions within the Goldfields Group. Prior to Finsure and Goldfields, Allan was employed by RESIMAC Limited (Homeloans Limited) in May 2007 where he held the positions of Group Chief Operating Officer and Chief Commercial Officer. He was also the Chairman of Finsure Finance and Insurance Pty Ltd and 1300 HomeLoans from launch to December 2015, representing RESIMAC's shareholding interests, as well as a board member of RESIMAC Financial Services Pty Ltd operating in New Zealand. Prior to RESIMAC, Allan held a role at Societe Generale Sydney as Director, Structured Finance and Securitisation, and was a founding member of Bluestone Group, holding positions such as Head of Lending and Operations both in Australia and New Zealand. Allan started his career in banking and finance with the State Bank of NSW (Colonial State Bank) for over 16 years. Allan commenced in the branch network and subsequently held positions such as Credit Administrator – Commercial and Corporate Credit, Account Manager – Commercial and Corporate Recoveries, Lending Manager / Team Leader – Commercial Business, Account Manager – Business Banking, as well as Secretary to the Bank's Credit Committee.



**Simon Bednar**

GM Aggregation

An executive with 15 years experience covering a Sales, Business Consultancy, project management, IT operations, and executive recruitment, primarily focused within the Finance Sector

Simon has a Bachelor of Engineering and spent 8 years as Chief Operating Officer for one of Australia's leading software providers to the Financial Services Industry. During this time, he was responsible for driving vertical products into the Mortgage Industry and was operationally responsible for the Microsoft Consulting division. This division provided high-end consulting services to the Australian market in the areas of Project Management, .NET, SharePoint, CRM Dynamics and BizTalk. It also developed specific vertical solutions for various markets.



**David Maher**

Head of Marketing & Direct Sales

David has spent over 15 years working in finance and real estate, both in Australia and abroad. He brings valuable experience working across a number of disciplines in the financial services sector including, marketing, analytics, product development and strategic planning.

As Head of Marketing for the company, David is responsible for the overall strategy and execution of marketing activities across BNK, Finsure and Better Choice.

Furthermore David is also manages Finsure's lead generation channel, 1300HomeLoan, as well as Finsure's direct sales teams, SMART Finance and Australian Asset Aggregation.



**Steve Ellis**

Chief Risk Officer

Steve joined Goldfields Money Limited in July 2016 as the Risk and Compliance Manager. Steve has over 20 year's commercial experience across banking, financial services and asset management firms. He started his career at the Reserve Bank of Australia in Bank Supervision before working for the newly formed APRA. Since then Steve has developed a solid background in financial markets and derivatives risk management, having held senior positions at St George Bank, Abbey National Bank and Commonwealth Bank.

In 2006 Steve developed and launched a macro economic hedge fund at RAB Capital London and, most recently, developed a UCITS platform and actively managed a commodity based retail investment product whilst based in Hong Kong as a Partner at Baker Steep Capital Managers LLP.

# 1H19 Financial Results

## REVENUE & PORTFOLIO PERFORMANCE

### Key Comments

- Reported results comprise full six months of Goldfields Money, and Finsure from the 17<sup>th</sup> of September 2018.
- Net interest margin growth (NIM%) growth to 2.0% due to positive funding mix achieved.
- Stable capital adequacy ratio (CAR%) supporting organic loan book growth.
- Strong focus on lending credit quality continues to translate to low provisioning requirements.

Financial Highlights \$AUD m	1H19 Proforma	1H18 Reported	1H19 Reported	Var %
<b>Key Financial Metrics</b>				
Net Upfront Commission	2.4	-	1.6	n/a
Net Trail Commission	6.8	-	5.0	n/a
Net Interest Income	1.0	1.6	1.6	11%
Net Other Income	3.4	1.1	3.2	lge
<b>REVENUE</b>	<b>13.7</b>	<b>2.5</b>	<b>11.5</b>	<b>lge</b>
<b>EXPENSES</b>	<b>13.7</b>	<b>2.5</b>	<b>10.4</b>	<b>lge</b>
<b>TAX</b>	<b>(0.2)</b>	<b>0.0</b>	<b>0.3</b>	<b>lge</b>
<b>NPAT</b>	<b>0.1</b>	<b>0.1</b>	<b>0.7</b>	<b>lge</b>
<b>NPAT – underlying</b>	<b>1.6</b>	<b>0.4</b>	<b>1.3</b>	<b>lge</b>
<b>Key Operating Metrics</b>				
Loan Book – On B/S \$ (m)	175	166	175	6%
Net Interest Margin – NIM (%)	2.00%	1.98%	2.00%	1%
Credit Loss Provision rate (bps)	0.14%	0.13%	0.14%	6%
Capital Adequacy Ratio – CAR (%)	18.7%	17.9%	18.7%	4%
Loan Book – Off B/S \$ (m)	37.8	0.0	37.8	lge
Loan Writers #	1,581	Nil	1,581	n/a

\* Compares 1H19 Proforma vs. 1H18 Proforma

# 1H19 Financial Results

## OPERATING EXPENSES

### Key Comments

- Overall cost increase supporting continued business growth, through investing in people, processes and systems.
- Investment in people represents right-sizing of banking operations, improving capability to support growth.
- IT expense growth follows implementation of T24 core banking platform.
- Proforma 1H19 expense base includes transaction costs of \$1.6m.

Operating Expenses \$AUD m	1H19 Proforma	1H18 Reported	1H19 Reported	Var %
<b>Key Expense Categories</b>				
Employee Expense	7.8	1.1	5.6	lge
Information Technology Expense	0.5	0.2	0.6	Lge
Professional Services Expense	0.6	0.2	0.5	lge
Occupancy Expense	0.6	0.1	0.5	lge
Marketing Expense	1.0	0.1	0.7	lge
Other Expense	3.1	0.8	2.5	lge
<b>Operating Expenses</b>	<b>13.7</b>	<b>2.5</b>	<b>10.4</b>	<b>lge</b>
<b>Operating Expenses – underlying</b>	<b>12.0</b>	<b>2.0</b>	<b>9.4</b>	<b>lge</b>

\* Compares 1H19 Proforma vs. 1H18 Proforma

# 1H19 FINANCIAL RESULTS

## BALANCE SHEET

### Key Comments

- Lending assets show healthy y-o-y growth of +6% whilst maintaining strong credit quality.
- Lending book growth underpinned by increasingly diversified deposit book (24% transaction accounts as at Dec18).
- Transactional account balances increased by 33%, during the half, supporting lower cost of funds.
- Growth in equity represents \$24m capital raised during 2018, as well as investment in the acquisition of Finsure.

ASSETS \$AUD m	1H18 Reported	1H19 Reported
Cash and Investments	57.7	67.5
Loans and advances	165.7	175.8
NPV asset	-	227.8
Other assets	3.7	61.3
<b>TOTAL ASSETS</b>	<b>227.1</b>	<b>532.5</b>

LIABILITIES \$AUD m	1H18 Reported	1H19 Reported
Deposits	205.5	217.0
NPV liability	-	193.3
Other liabilities	1.2	24.7
<b>TOTAL LIABILITIES</b>	<b>206.7</b>	<b>435.0</b>

EQUITY \$AUD m	1H18 Reported	1H19 Reported
Contributed Equity	19.8	96.3
General and Other Reserves	0.9	1.3
Retained Earnings	(0.3)	(0.0)
<b>TOTAL EQUITY</b>	<b>20.4</b>	<b>97.5</b>

# CONTACT

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