

ASX Release, 30 August 2019

## **BNK DELIVERS MAIDEN NPAT OF \$3.6M, STRONG REVENUE AND LOAN BOOK GROWTH**

BNK Banking Corporation Limited (ASX:BBC) (“BNK” or the “Group”) is pleased to provide audited financial results for the year ended 30 June 2019.

### **GROUP FINANCIAL HIGHLIGHTS (all growth rates vs FY18)**

- Maiden NPAT of \$3.6m up \$4m from FY18 loss of (\$0.41m)<sup>1</sup>
- Pro-forma underlying NPAT of \$5.2m<sup>2</sup>
- Net Revenue growth to \$30.2m up 492%
- Total Loan book growth to \$40.6b up 18.9%
- Banking and wholesale settlements growth of 61.2% and 49.9% respectively
- Aggregation settlements growth to \$12.6b up 5% materially outperforming peers and system
- High quality bank loan book with loan loss provisions of 12bps, down 2bps
- Deposits growth to \$287m up 47%
- Net Interest Margin grew to 195bps up 5%
- Cash & liquid holdings of \$97.9m up 111%
- Capital Adequacy Ratio of 20.4%
- NTA of 0.65 per share, down from 0.87
- Broker network of 1,674 up 16.7%
- Aggregation market share 3.93% up 23%

### **POST MERGER SCALE AND OPERATING LEVERAGE DRIVING PROFITABLE GROWTH**

BNK is pleased to report its maiden positive NPAT of \$3.6m in FY19, an improvement of \$4m from FY18, driven by the post-merger scale, market share gains and accelerating loan book growth. The business also invested significantly in people, systems and platforms with operating expenditure growth expected to slow - contributing to future operating leverage.

During the year the business successfully integrated BNK (Bank), Better Choice (Wholesale) and Finsure (Aggregation) with staff and processes now well embedded, new banking products established and available for distribution through wholesale and aggregation channels. The business was rebranded to BNK Banking Corporation. BNK was also bolstered by the appointments of Group CFO Jussi Nunes, COO Lisa Stedman and non-executive directors Don Koch and Jon Denovan.

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<sup>1</sup> Statutory Profit comprises the full 12 months of BNK Bank, and Finsure Group from the 17th September 2018

<sup>2</sup> Proforma Underlying Profit comprises the full 12 months of BNK Bank and Finsure Group and adjusts the period profits for non-recurring items

BNK Managing Director Simon Lyons said, “This result has been nearly four years in the making, which has seen us invest in technology and smart people to improve processes and create efficiency. We have become an agile banking group that can react at speed to the changing needs and circumstances of our customers and we have distribution at scale.”

### **IMPRESSIVE LOAN BOOK GROWTH**

BNK is also pleased that it reached a major milestone of \$40.6b of loans under management during June 2019, an increase of 18.9% from FY18.

A key focus of the business was wholesale and banking settlements which grew 49.9% and 61.2% respectively year on year, proving the processing capability of the group. Importantly, banking settlements continued to accelerate post-merger with Q4 settlements of \$33.5m up 80% from Q3 and up 548% on Q4FY18. This momentum continued into the new financial year with record monthly banking settlements in July 19 of \$19m up 375% vs July 18.

BNK’s aggregation business Finsure grew its number of loan writers to 1,674, an increase of 16.7% on the previous year, increased settlements to \$12.6b and grew its market share to an estimated 3.93%. This performance materially outperformed system and ASX-listed peers. Finsure continued its strong financial growth as well as delivering an EBITDA of \$11.02m in FY19 for the group.

### **STRONG BALANCE SHEET FOR FY20 GROWTH**

The business grew cash and liquidity holdings by 111% to \$98m to position for FY20 growth.

The banking business successfully grew the deposit book by 47% to \$287.1m and improved the mix of transaction accounts vs term deposits to 19.8%, up 14.5% vs FY18. This assisted the NIM to grow to 1.95% for the period, up from 1.86% in FY18 again a material outperformance relative to ASX listed peers.

Asset quality was maintained throughout the period with a loan loss rate of 12bps provisioned across the portfolio vs 14bps in FY18.

Off balance sheet lending via aggregation and wholesale remain capital light. The banking business’ Capital Adequacy Ratio improved to 20.35% as a result of capital raisings and improved capital settings during the year, providing further capacity for growth.

The group is profitable, maintains strong asset quality and has grown capital, cash & liquidity holdings in anticipation of furthering our growth trajectory.

## OUTLOOK

BNK aims to be the bank of choice for all enterprising Australians. A smart and agile bank that is focused on providing solutions to a broad range of Australians who are not well serviced by the bigger banks.

“Our target market is not defined by age demographics but rather is a mix of people who as a combined group we call ‘enterprising Australians’. These are customers who have unique needs and often by nature of their employment or business arrangements have complex or unusual financial affairs. These are high value customers, but often bigger banks have little capability to properly assess and understand the customers’ position. We aim to keep building our systems and processes and employ good people who can properly assess these customers and assist them to get what they need faster than other banks and in a more personal way.”

“This is an underserved market which is a bonus for us, customers are value focused rather than priced focused – of course they want value for money, but turnaround times, service and post settlement customer care are also important to them, as are the right products that address their unique needs.”

Based on a strategy of sustainable but accelerated portfolio growth, BNK is pleased to provide the following 3-year compound annual growth rate targets across the business:

Business Metric	FY19 Growth Rate % (YoY)	Target 3 Year CAGR % (FY20-22)
On Balance Sheet Loans	25.7%	40% - 50%
Pro-Forma Net Income <sup>3</sup>	14.7%	15% - 25%
Pro-Forma Operating expenses <sup>3</sup>	24.3%	5% - 10%
Pro-Forma NPAT <sup>3</sup>	10.0%	30% - 40%
Net Interest Margin <sup>4</sup>	1.95%	1.90% - 2.10%
Finsure Brokers	16.7%	8% - 13%
Transaction Account Mix (%)	14.5%	10% - 20%

The key pillars to achieving the BNK growth targets are:

- Smart product manufacturing enabled by leveraging data & existing distribution channels to accelerate higher margin wholesale and banking settlements in our targeted customer segments
- Continuing growth of market share through broker recruitment and innovation on our technology platforms

<sup>3</sup> Pro-Forma Profit comprises the full 12 months for BNK Bank and Finsure Group

<sup>4</sup> Net Interest Margin (NIM) please note target denotes a range rather than growth factor

- Leverage FY19 investment and technology to continue to create efficiencies in our processing capability and to manage cost growth
- Maintain sound risk management and balance sheet management and continue improvement in our funding mix

“The current market conditions are extremely supportive of our strategy and BNK expects continued strong net revenue growth driven by distribution synergies and lower operating expense growth. This in turn accelerates our operating leverage to deliver on our NPAT growth targets.”

“Banking in our view remains a people business. We will continue to combine technology with simple and effective processes and really smart people to grow our market share and deliver value to shareholders and customers alike,” he concluded.

ENDS

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## Who is BNK Banking Corporation Limited?

BNK Banking Corporation Limited (BNK) is a diversified financial services company with two key operating divisions in banking and mortgage broking aggregation:

### Banking

The company has operated as an APRA-regulated authorised deposit-taking institution (ADI) for over 37 years. As such our customers benefit from the Australian government deposit guarantee scheme for deposits up to \$250,000.

The bank provides simple and easy to understand deposit accounts, personal loans and mortgages under a number of brands: Goldfields Money, which is used in the Goldfields region of Western Australia, complemented by the Better Choice Home Loans brand, distributed via mortgage brokers nationally.

BNK Bank plans to offer a new range of product under the BNK brand later this financial year. The Company is continuing to develop its new digital banking platform which will enable it to deliver a broad range of banking products directly to customers, as well as through third party intermediaries across Australia.

### Mortgage Aggregation

The Aggregation division, operating as Finsure, provides one of the largest distribution networks in the country as well as valuable market insights that assist BNK with product development. The business services 1,674 mortgage brokers and manages a loan book in excess of \$38bn.

This unique combination allows BNK to develop competitive products that meet its changing customer needs, leveraging its low-cost, technology-driven model. BNK is focused on becoming a challenger bank of scale through building its product portfolio, growing its diversified distribution network and pursuing API-enabled partnering opportunities.

The Company is listed on the Australian Securities Exchange (ASX:BBC).

You can read more about us at [www.bnk.com.au](http://www.bnk.com.au) and [www.finsure.com.au](http://www.finsure.com.au).

