

ASX Announcement

November 22, 2018

Please find attached an update to this morning's announcement, Lodgement of Restricted Bank Licence application.

The announcement and accompanying slide deck included within that announcement have been updated with additional information.

ASX Announcement

22 November 2018

## **Confirmation of Lodgement of Restricted Bank Licence application to APRA**

### **Highlights**

- Restricted Authorised Deposit-taking Institution (RADI) licence application formally submitted to APRA
- Experienced banking and payments services management team
- Leverages Novatti's existing financial services, technology and commercial relationships

**Novatti Group Limited** (ASX: NOV) is pleased to announce it has lodged an application for a Restricted Authorised Deposit-taking Institution (RADI) licence submitted to The Australian Prudential Regulatory Authority (APRA). The work to get to this point has been extensive, with the preparation and first engagement with APRA commencing in 2017.

The aim is to form a leading migrant services bank within the group, leveraging digital technologies such that new sophisticated and meaningful services can be offered from a low-cost digital bank. At this point no part of Novatti Group Ltd is a bank, nor is it conducting any banking business.

CEO of Banking Services Guy Carvalho, who has previously had senior roles at ANZ and Australia Post, leads the application process and future operation. The management and operations team is made up of experienced banking and payments industry executives. External specialists have been engaged for legal, technology, risk and regulatory guidance to support building the application.

The consumer led focus will be on delivering an innovative suite of digital first banking solutions to migrants in Australia through a culturally appropriate, customer centric approach.

Migrants to Australia are highly aspirational. Their focus on creating a new life includes building financial stability through work and investment. The migrant banking journey goes from needing a bank account, remittance services, personal and home loans through to business loans often in a relatively short time frame. Some 220,000 new migrants, on average arrive in Australia each year and innately have unique banking requirements shaped by their ethnic and cultural backgrounds that too often impede on their ability to access basic banking services.

Novatti has capitalised on this opportunity to naturally extend its range of financial service offerings and leverage off its domain knowledge, expertise, deep cultural understanding of

migrant needs and modern technology to deliver a new class of innovative solutions for migrants.

Novatti has already realised the strength of this market through many of its other core financial service solutions such as its Vasco prepaid card, inbound and outbound remittance services, cross border payments solutions and Chinapayments.com.

The RADI is a new regulatory framework whereby the licensee can launch limited banking services whilst further applying for a full banking licence. APRA review and process the application as the relevant regulatory body.

### **About Novatti Group Limited**

Novatti is an award-winning global software technology, utility billing and payment services provider. Both through technology and services, Novatti helps economies, corporations and consumers digitise cash transactions. Novatti's robust and efficient software solutions include Consumer Digital Wallets, Branchless Banking, Mobile Money, Bill Payments, Remittance Services and Voucher Management Systems. Novatti's transaction processing services include Flexepin, an open-loop cash voucher service, Flexewallet for remittance and compliance services, Chinapayments.com for bill payment services for Chinese consumers and Vasco Pay a prepaid reloadable Visa card.

[www.novattigroup.com](http://www.novattigroup.com)

*\* Flexewallet Pty Ltd, Holder of AFSL No 448066 and registered with AUSTRAC as a Remittance Network Provider*

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Project  
International

# Creating Australia's largest migrant bank



Novatti is not a 'bank' and cannot conduct any 'banking business'.  
It has applied for a Restricted banking licence that would enable it  
to form a 'bank' and to conduct a 'banking business'.

# The banking sector is about to change forever.

Novatti through Project International will offer ground-up exposure to a revolution in the banking sector that has an exceptional low risk factor.

- A new regulatory environment aimed at increasing competition and customer choice
- Reduced capital requirements for a restricted licence
- Ability for digital banks to be much more profitable than legacy banks



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# Success in a new environment

- Project International has the factors to be successful in this new environment by leveraging off Novatti's experience
- Novatti has strong payments experience. We process 3 million payments per day from all over the world
- Novatti has experience with the development of digital payment platforms
- Experienced executive and operating team
- Project International is seeking to tap into a different and substantial market. While many "neo banks" are chasing millennials and people disillusioned with the traditional banking system, we are targeting new migrants

# 1 million

**Chinese and Indian migrants in Australia**



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# What do we see as the opportunity?

“Project International” is our code name for our goal to launch the leading migrant bank in Australia for which we are currently applying for a banking licence.

Our primary focus will be on migrants from China and the Indian sub-continent with an innovative suite of digital first solutions and a culturally appropriate customer centric approach that is like no other.



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# Why be a bank?

A banking licence provides the ultimate legitimacy to offer financial services and engenders maximum trust from consumers.

Non-bank financial service providers, although generally regulated through other licences, do not hold the same consumer trust.

Since Novatti has experience operating under an Australian Financial Services Licence and a remittance services registration, a bank licence is a further step for the group to broaden its licence profile.



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# Why do we target migrants?

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Migrants are aspirational, focused on creating wealth and highly employable. A banker's dream.

Migrants have unique banking needs shaped by their ethnic and cultural backgrounds and the life journey they have chosen.

Migrants seek trusted relationship partners that understand this journey. It is not just about banking.



# What will differentiate Project International?

Project International is creating a migrant platform that will serve the needs of migrants from the day they begin their journey and guide them even before then.

We will create an ecosystem of thousands of like-minded consumers and trusted service providers, engaging, sharing and helping each other, removing the angst of the unknown. We aspire to be their community bank.



# Why will Project International be successful?

- The market is large
- It is a market Novatti has experience in
- We will be first in
- Traditional banks have not done a good job in meeting the needs of migrants



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# Overview of the migrant market

**7 million**  
migrants in Australia

**\$9 billion**  
per year sent overseas

**\$7 billion**  
of this to China and India

**46%** of migrants  
come from India and China





# New migrants

The new migrant group is skilled and strongly aspirational. Of 220,000 new migrants each year 69% are skilled and 26% come to a job.

They are strongly aspirational and ready to play a part in the Australian economy and we will offer them a partnership to support them through every stage of their financial life.

2018/19 Migration Plan Department of Home Affairs  
<https://www.homeaffairs.gov.au/about/corporate/information/fact-sheets/20planning>



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# Of the 7 million Australians who are migrants...

3.3 million have arrived in the last 10 years.  
1 million plus have arrived in the last 4 years.

This market is under-serviced and underdeveloped. Many Australians have migrant heritage and therefore understanding of being a migrant. Our aim is to become the first choice bank for recent and new migrants and a specialist alternate bank to migrants who are more established.

# 7 million

migrants in Australia



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# Remittance is a powerful and easy entry point for Project International

With \$7 billion being sent to China and India alone our new bank will gain a share in the remittance space by offering this cheaper, faster and more direct.





# The profit opportunity is significant

Big-4 bank ROEs average around 14% - and that's with staffed branches, multiple legacy technology platforms, massive process inefficiencies, product-centric operations and expensive staff costs.

Global experience of new digital bank entrants (Neo-banks) sees ROEs up to 3 times greater than legacy market incumbents.



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# Novatti Group Limited (ASX: NOV)

Project International is part of the ASX listed Novatti Group Limited.

With 20 years of success providing B2B technology platforms and managing payments for B2B customers all over the world, the decision to establish a consumer facing migrant bank was a logical next step for our business.



# Project International will exist within the structure of Novatti Group

Novatti has:

- A strong balance sheet with no debt
- An Australian Financial Services Licence
- Remittance registration
- Diverse income streams
- High level of recurring income
- A scalable business model
- Good access to capital



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# Existing market exposure

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Novatti already deals with 100,000 remittance and payments customers via our partners.

Novatti also owns Vasco Pay which is already established and offers a prepaid card and remittance service to the student market.





# Novatti gives low risk exposure to a range of megatrends

- The growth of banking in currently under banked areas of the world
- Trading in cryptocurrencies
- Digital banking
- The rise of the fintech sector in general
- Diversification of banking in Australia
- The increasingly "border-less" character of banking

Find out more on [www.novattigroup.com](http://www.novattigroup.com)



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