

ASX Announcement

7 November 2022

## Novatti to launch International Bank of Australia

### Highlights

- Restricted banking licence granted by the Australian Prudential Regulation Authority
- Business to be known as International Bank of Australia
- Novatti holds a 91% interest in International Bank of Australia

**Novatti Group Limited (ASX:NOV) (Novatti or Company)**, a leading fintech that enables businesses to pay and be paid, is pleased to announce that its dedicated banking subsidiary International Bank of Australia Pty Limited<sup>1</sup> (**IBOA**), has been granted a Restricted Authorised Deposit-taking Institution (**RADI**) licence by Australia's banking regulator, the Australian Prudential Regulation Authority (**APRA**).

The banking business will launch as the International Bank of Australia.

Managing Director of Novatti, Peter Cook, said: "Being granted a restricted banking licence is a very significant milestone in the delivery of Novatti's long term strategy, and is the culmination of several years of investment and development.

"We see banking services as significant across card issuing, merchant acquiring, billing and cross-border payments as it underpins the infrastructure and capability to Novatti's core payments business while also giving us the ability to increase margins. The delivery of this licence, and now the launch of International Bank of Australia, has therefore formed a core part of Novatti's growth strategy for so long. In addition, the bank has the strong advantage of being able to leverage Novatti's existing payments ecosystem and global footprint to help win customers quickly.

"We are absolutely delighted to be able to now move ahead and launch the International Bank of Australia, with a name that speaks to Novatti's truly global ambitions."

CEO of International Bank of Australia, Guy Carvalho, said: "A key focus for the bank will be partnering with fintechs, such as Novatti, who need an innovative and nimble banking partner. For a long time, we have known that traditional banks have not been able to keep up with the requirements of the disruptive business models of fintechs, particularly those offering alternative ways to make or accept payments, domestically or internationally. IBOA will overcome this challenge, leveraging technology to enable the seamless end-to-end movement of money.

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<sup>1</sup> Formerly known as Novatti IBA Pty Ltd.

“In addition, we see huge potential in the significantly underserved migrant sector. The bank will have the advantage of being able to leverage Novatti’s existing payments ecosystem and global operating base to reach potential customers overseas and enable them to set-up bank accounts and transact before they even set foot in Australia. This is an incredibly unique service which will provide significant value to potential customers who want to get their lives sorted before reaching Australia.”

A RADl licence is an authority granted by APRA under section 9 of the Banking Act 1959 (Cth) to permit a body corporate to conduct banking business in Australia, which is for a limited period and is subject to specific requirements and restrictions. It allows holders to conduct limited banking business as a restricted authorised deposit-taking institution before meeting the requirements of the full prudential framework, including time to seek the level of investment required to operationalise the business, test their operational model, progress their compliance with the full prudential framework and their application for an authorised deposit-taking institution (**ADI**), licence. An important part of the restricted phase is the expectation that a RADl will progress to an ADl licence and, as such, the restricted phase is for a maximum period of two years. The RADl will either progress to an ADl licence or exit banking business after the period. Further information on RADls and the path towards an ADl licence is set out in the following APRA publication: [ADIs: New entrants - a pathway to sustainability \(apra.gov.au\)](https://www.apra.gov.au/publications/ADIs-New-entrants-a-pathway-to-sustainability).

As part of IBOA securing the licence, Novatti finalised a Series A equity round for IBOA Group Holdings Pty Ltd (**IBOA Group**)<sup>2</sup>, which heads Novatti’s dedicated banking division and is parent entity of IBOA. Through this funding round, Novatti will make an additional \$5 million investment, retaining a 91% interest in IBOA Group. Commitments under the Series A round were first announced to ASX in October 2021<sup>3</sup> and have since evolved with Novatti taking the opportunity to increase its interest in lieu of a portion of the third party commitments. The aggregate \$8 million in new funding under this round will enable the International Bank of Australia to launch and build the banking business.

Mr Cook noted: “Novatti was able to make this further investment in the International Bank of Australia by leveraging its strong balance sheet. This includes a cash balance at the end of the September quarter of \$14.5m, with a further \$12.8m expected as a special dividend from Reckon Limited on 21 November.<sup>4</sup> The strength of our balance sheet has enabled us to increase our position in this very exciting new opportunity.”

This announcement follows some of Novatti’s other recent growth-focused achievements, including:

- Five year average annual revenue growth reaching 76% in FY22
- 98% year-on-year increase in September quarter sales revenue
- 53% reduction in cash used across past two quarters

<sup>2</sup> Formerly known as Novatti B Holding Company Pty Ltd.

<sup>3</sup> ASX Announcement dated 7 October 2021, “Series A funding for new banking business enables plan for growth”.

<sup>4</sup> Based on special dividend as announced by Reckon Limited on 27 October 2022.

Novatti Managing Director, Peter Cook, and International Bank of Australia CEO, Guy Carvalho will be hosting an online investor briefing, followed by Q&A, on Monday, 7 November 2022, at 10.30am (AEDT). Investors and Analysts can register at: <https://novatti.com/investor-briefing/>

## Ends

Investors can view all Novatti announcements and join the discussion at Novatti's Investor Community Hub at: <https://announcements.novatti.com/>

For further information, contact:

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This announcement has been approved for release to the ASX by Peter Cook, Managing Director.

## About Novatti Group Limited (ASX:NOV)

Novatti is a leading fintech that enables businesses to pay and be paid, from any device, anywhere. From corner stores and start-ups to global organisations, our solutions will unlock your ambitions. Solutions include issuing, acquiring, processing, and billing, while Novatti also holds a restricted banking licence through its 91% owned subsidiary International Bank of Australia Pty Limited.

## About International Bank of Australia

International Bank of Australia is authorised by the Australian Prudential Regulation Authority (APRA) to operate under a Restricted Authorised Deposit-taking Institution licence until 2 November 2024. Under this authority International Bank of Australia has restrictions on the amount of deposits it can take, is not required to meet the full ADI prudential framework and will not be offering banking products to the general public.