

# BRAbank ASA

1<sup>st</sup> quarter 2021 results presentation

29<sup>th</sup> April 2021



# Disclaimer

This Presentation from BRABank ASA ("BRABank" or the "Company") includes among other things forward-looking statements. Certain such forward-looking statements can be identified by the use of forward-looking terminology such as "believe", "may", "will", "should", "would be", "expect" or "anticipate" or similar expressions, or the negative thereof, or other variations thereof, or comparable terminology, or by discussions of strategy, plans or intentions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources, reflect the current views with respect to future events and are subject to material risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. Neither BRABank nor any of its officers or employees provides any assurance as to the correctness of such forward-looking information and statements. The Company does not intend, and assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to its actual results.

By attending or receiving this Presentation you acknowledge that you will be solely responsible for your own assessment of the market and the market position of BRABank and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of BRABank's business and the securities issued by BRABank.

This Presentation speaks as of the date of the presentation. Neither the delivery of this Presentation nor any further discussions of BRABank with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of BRABank since such date.

# BRABank ASA at a glance

## Digital niche bank with a Nordic footprint

### Consumer finance with a strong presence in the Nordic market...

- Fully digital bank offering consumer loans, savings accounts, automated invoice purchase and SME financing
- Proven value chain with inhouse credit analysis and operations, broad distribution network and forward flow agreement with Kreditor
- Roots back to 2003. Rebranded to Easybank and strategically turned around in 2016, resulting in one of the most profitable start-up niche banks
- HQ in Oslo and regional office in Bergen

### ...leveraged by a digital platform and strategic partnerships

- Easybank and BRABank joined forces in October 2020 with Easybank as surviving entity - enabling a more competitive bank with substantial synergy upside, scaling opportunities and increased self-funding capabilities
- Strategic partnerships with Convene, Conta, Horde, husleie.no, debet.no and more
- Listed on Euronext Growth at Oslo Børs, ~1 600 shareholders. Braganza AB largest shareholder. Other large shareholders include Hjellegjerde Invest, 4finance Group, Skagerrak Sparebank, Alfred Berg Norge/Aktiv, Fondsave

### Product portfolio

#### B2C



Consumer loans



Savings accounts



(Credit Cards)



Automated invoice purchase



Rental deposit accounts



Euro funding

#### B2B



Savings accounts



Automated invoice purchase



Factoring

### Gross loans 5 699 MNOK – geographical mix Q1 2021



# Table of contents

**1** Highlights and development Q1

---

**2** Financial results Q1

---

**3** Merger update and outlook

---



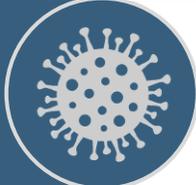
# Q1 2021 highlights

**Financials** 

- Profit before tax 36.8 MNOK (profit after tax 27.9 MNOK)
- Total income 124.8 MNOK
- CET1 Capital ratio of 21.9%

**Credit quality** 

- Sale of non-performing loans in Norway reduces downside risk
- Improvement in credit quality
- Still uncertain long-term impact of Covid-19

**Covid-19 impact** 

- Lower demand for consumer financing
- Covid-related regulations in Finland continues
- The consumer finance market is expected to normalize in parallel with lifting lockdown restrictions

**Merger** 

- No significant merger related one-off costs
- Scalable business model starting to materialize
- Streamlining of value chain and cost synergies on track

## Key financial figures, MNOK

	Q1-21	Q4-20-adjusted <sup>1</sup>	2020-adjusted <sup>1</sup>
Interest income	139.8	158.6	381.0
PBT	36.8	23.5	72.0
ROE	9.4%	6.1%	7.8%
EPS	0.29	0.76	0.71
C/I	34.0%	32.0%	29.6%
Gross loans	5 699	6 248	6 248

Equity <sup>2</sup>	# of shares	BVPS
1 197	94 794 380	12.62 NOK

Note on key figures: PBT: Profit before tax, ROE: Annualized Return On Equity (excluding tier-1 capital), EPS: Annualized Earnings per share, C/I: Cost to income

Figures prior to merger October 1<sup>st</sup> 2020 are Easybank ASA

1) Adjusted: Badwill, write-down intangible assets, restructuring costs and other one-off costs and additional Covid-19 loan loss provision

2) Book value (excl. tier 1 capital) of equity per share

# Table of contents

**1** Highlights and development Q1

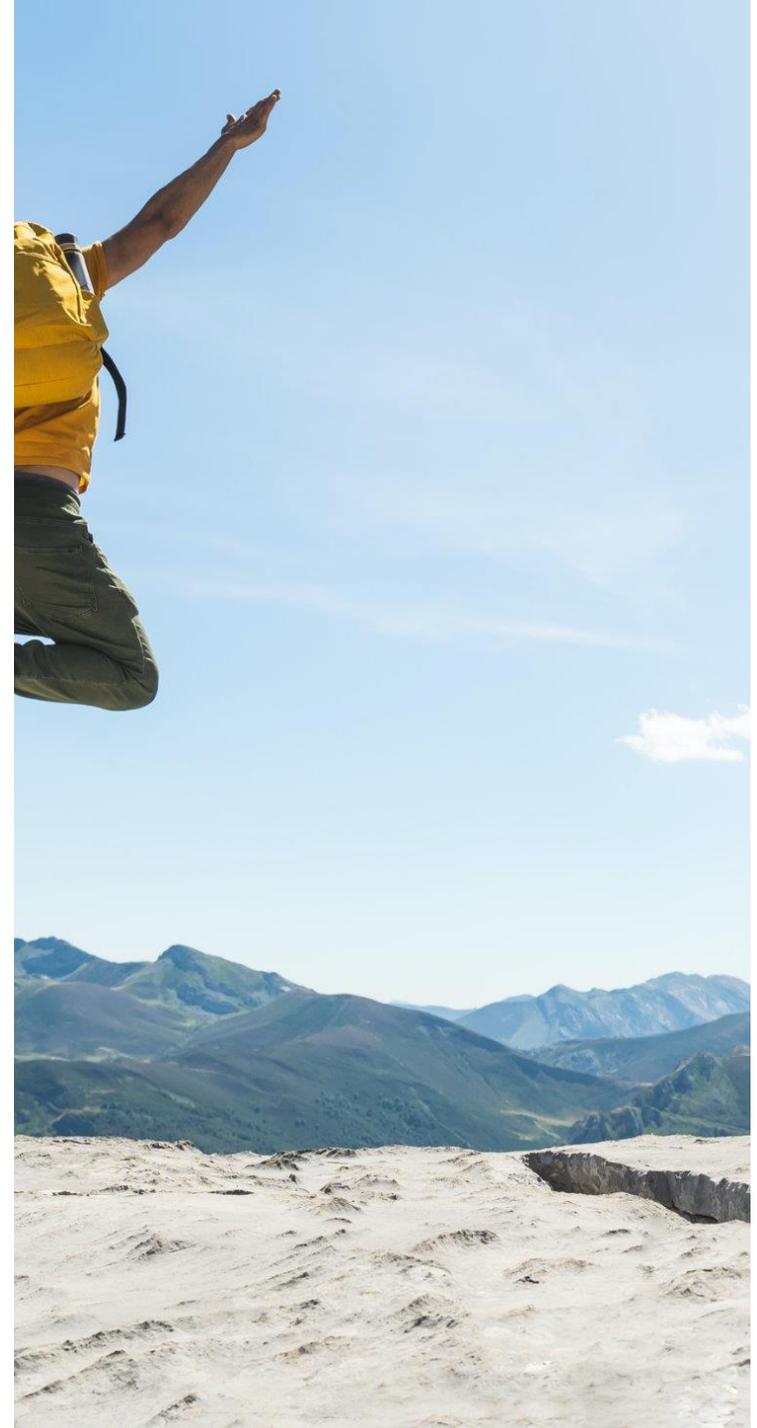
---

**2** Financial results Q1

---

**3** Merger update and outlook

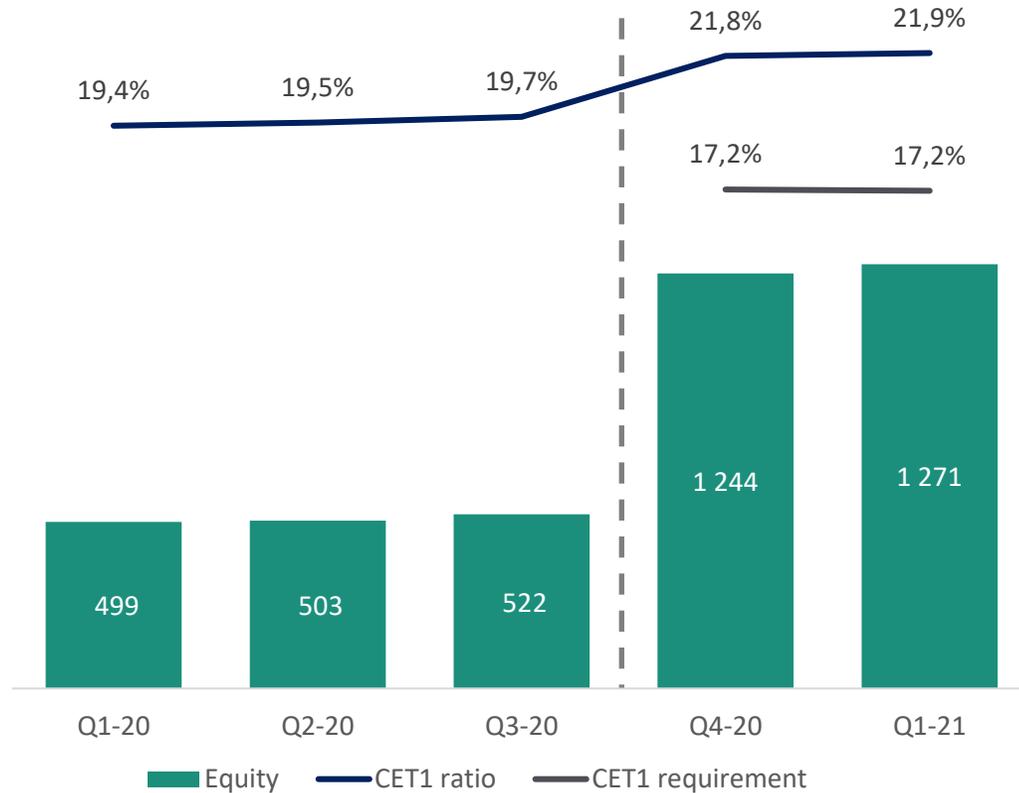
---



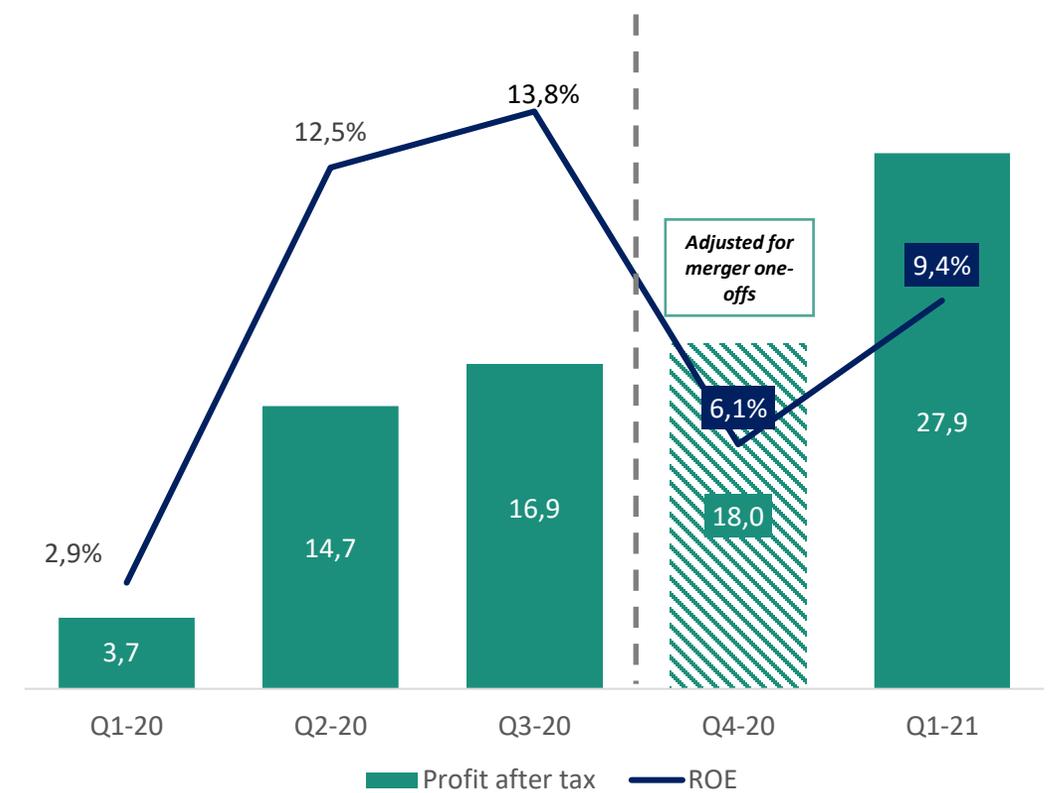
# Solid buffer to capital requirement

## Provides operational flexibility and growth capacity

Equity and CET1 ratio, MNOK



Profit after tax and Return on Equity<sup>1</sup>, MNOK

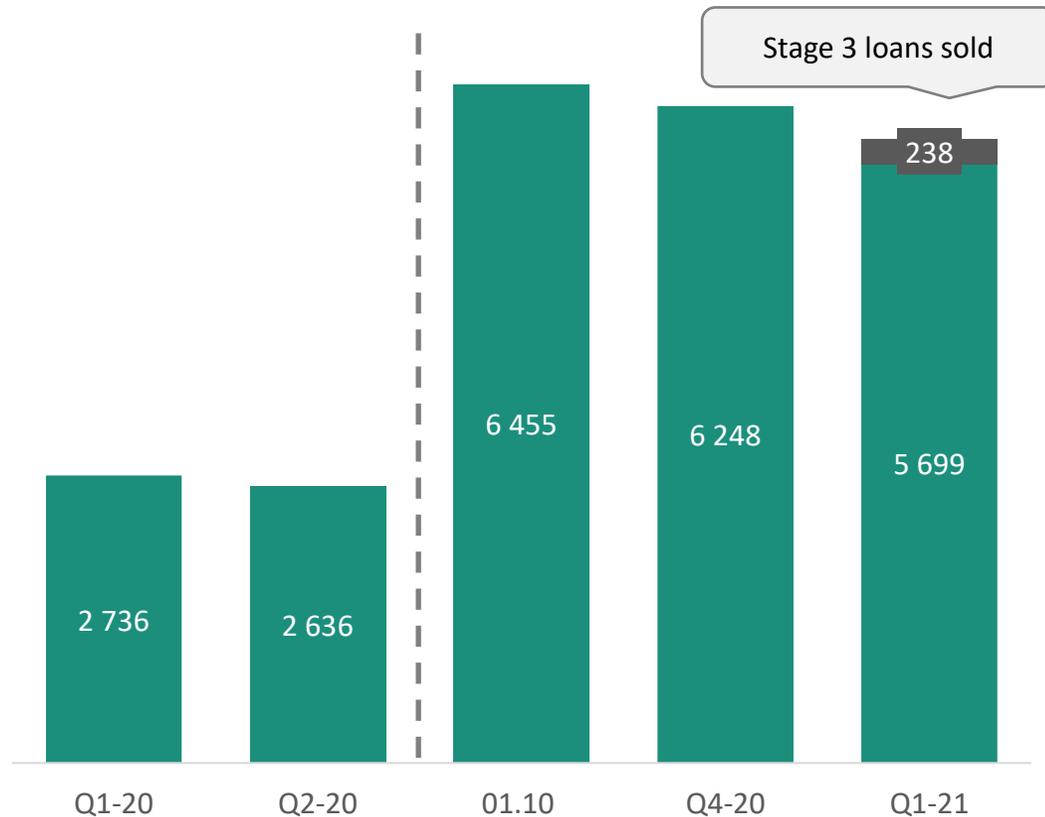


Note: All figures left of the dotted line are standalone Easybank throughout the presentation, if not stated otherwise  
 1) Equity used in the ROE calculation for Q4 2020 is the average of the opening balance as of 1 October and 31 December

# Lower demand for unsecured loans

Gross lending reduction driven by portfolio sale and Covid-19 impact

## Gross lending, MNOK



## Comments

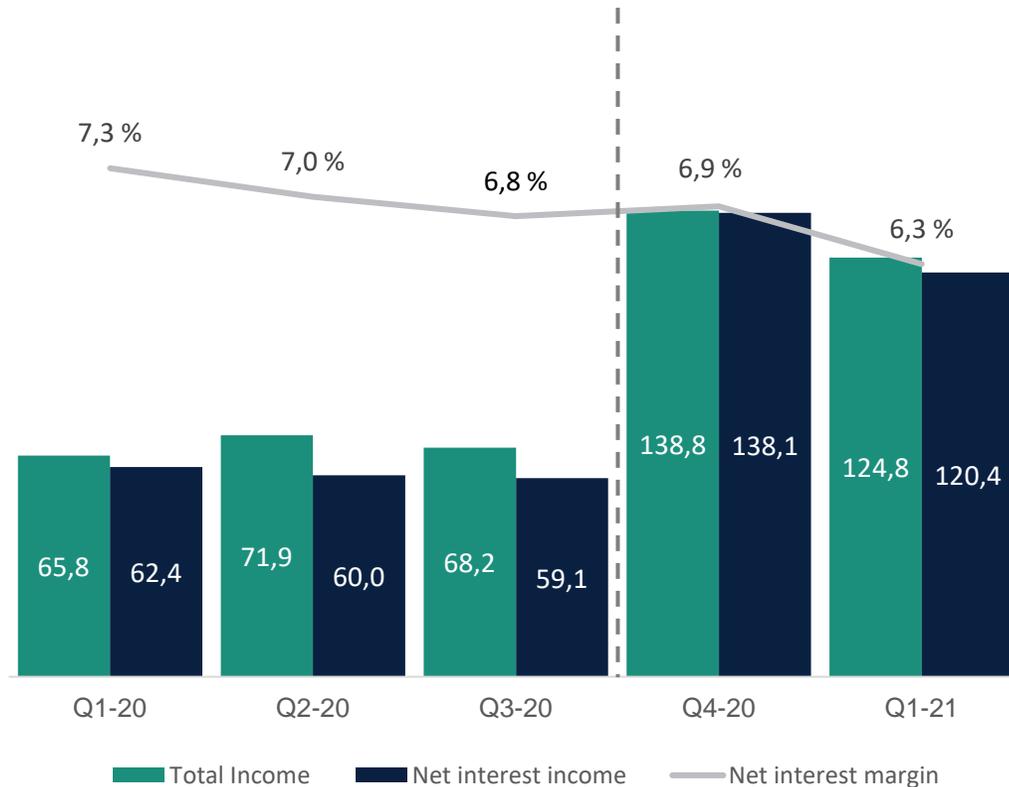
- One-off sale of defaulted loans of 238 MNOK
- Additional sale of defaulted loans of 65 MNOK under forward flow agreement with Kredinor
- Lower demand for consumer financing
- Decline in the Norwegian unsecured market

# Decline in net interest margin, but attractive risk/reward

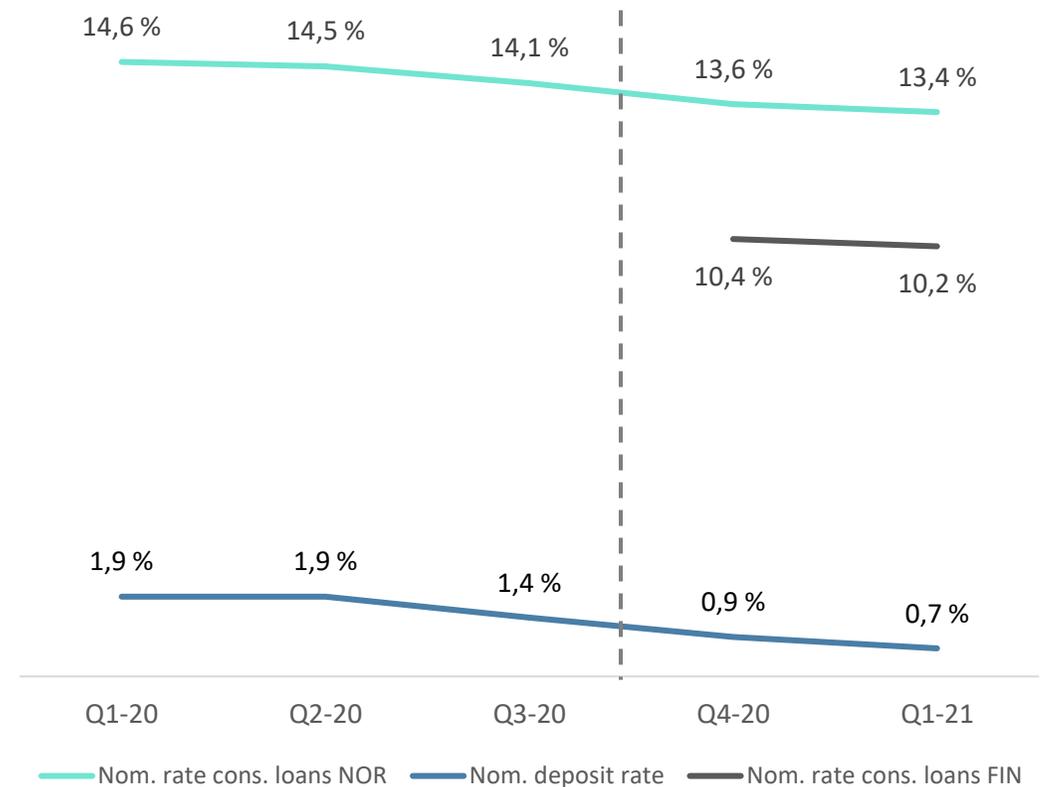
However, improved credit quality and declining funding cost

## Net interest income and net interest margin of total assets

MNOK / % of total assets



## Yields end of quarter<sup>1</sup>



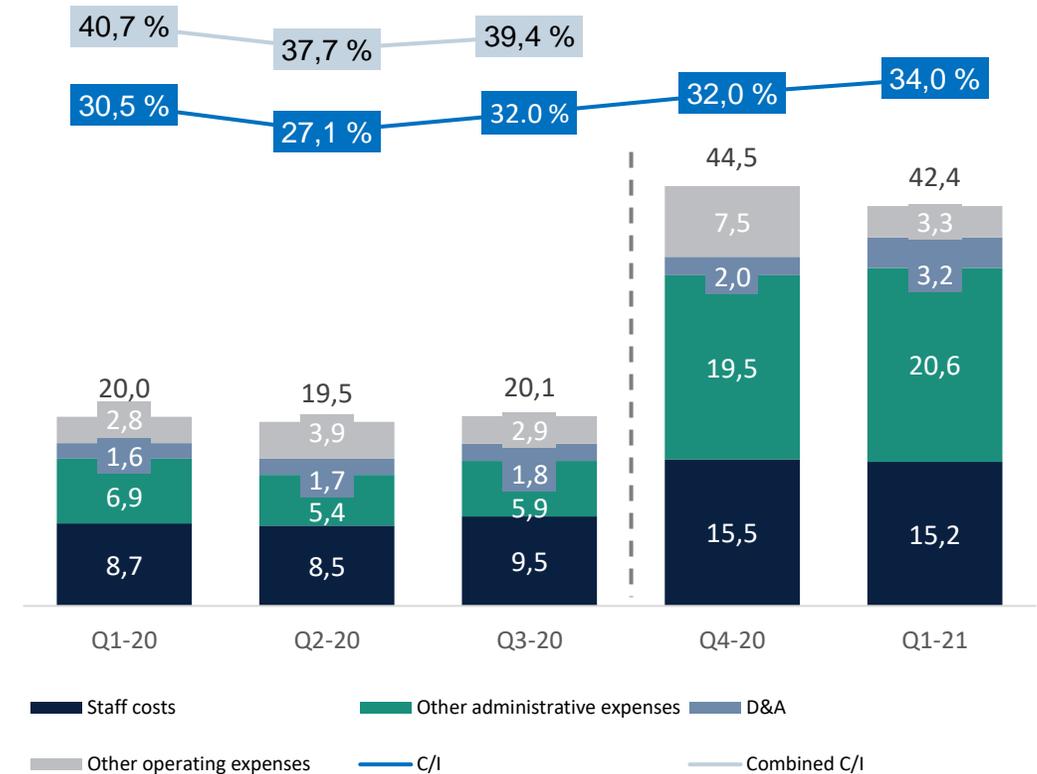
1) All figures are end of quarter and nominal

# New cost base established with competitive C/I

- Rightsizing of the organization completed, new organization was in place end of October
- Competitive C/I ratio at 34.0 %
- Ambition to further reduce other administrative expenses, primarily related to IT
- Management has established a cost synergy plan to secure a leading C/I ratio

## Operational C/I-ratio<sup>1</sup>

MNOK

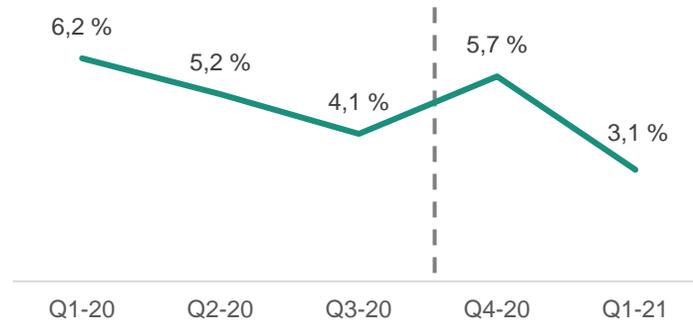


1) Q4-20 adjusted for merger related one-offs. Combined C/I calculated as sum of pre-merger BRABank and Easybank

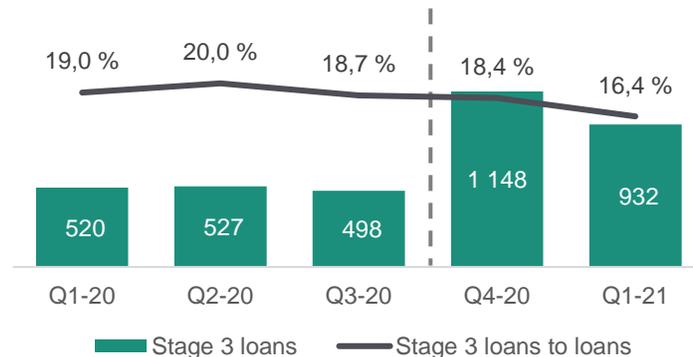
# Improved credit quality

## Forward flow agreement and sale of defaulted loans reduce downside risk

### Improvement in loan loss ratio



### Improvement in stage 3 ratio



### Comments on credit quality development

- Improvement in stage 3 driven by sale of defaulted loans with outstanding claims totaling approximately MNOK 238. These loans originated mainly from old BRABank/Monobank acquired prior to the merger, and the sale yield a neutral earnings impact in Q1 2021
- The forward flow agreement with Kredinor is still valid until year-end 2023 for all new cases sent to debt collection in Norway. Former BRABank had a forward flow agreement with Axactor until May 2020 and has not sold new loans in Norway since May 2019
- The bank has no forward flow agreement in Finland at the moment. This will be reconsidered depending on commercial terms. New management has after the merger strengthened provisions in both stage 2 and stage 3 for the Finnish portfolio
- Provisions related to uncertainty around Covid-19 of 40 MNOK

Note: Coverage ratio = Expected credit loss / Gross loans

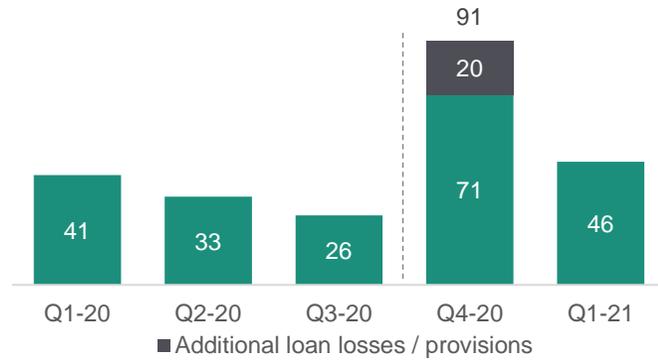
1) Note that stand alone Easybank figures are used for the period 19Q4 - 20Q3 and the combined bank for Q4 20

2) Total = Total provision / Gross loans

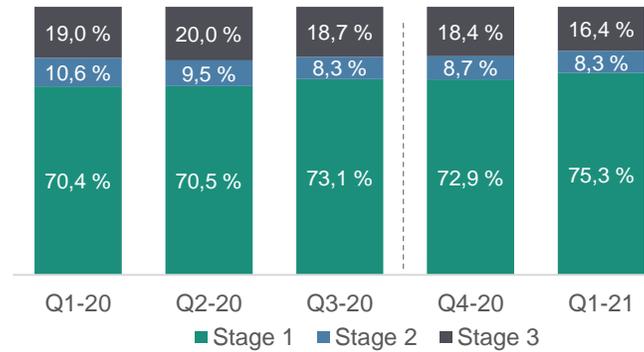
# Loan losses and provisions overview

De-risked loan balance following the sale of old BRAbank/Monobank portfolio

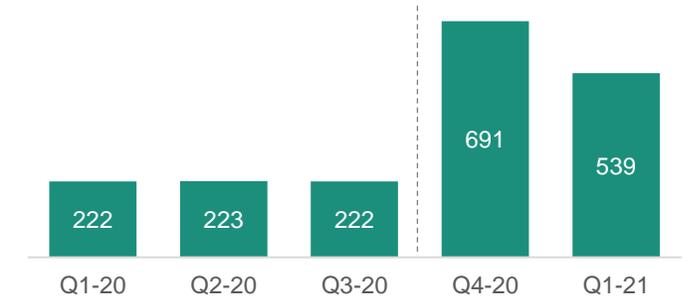
Loan losses, MNOK



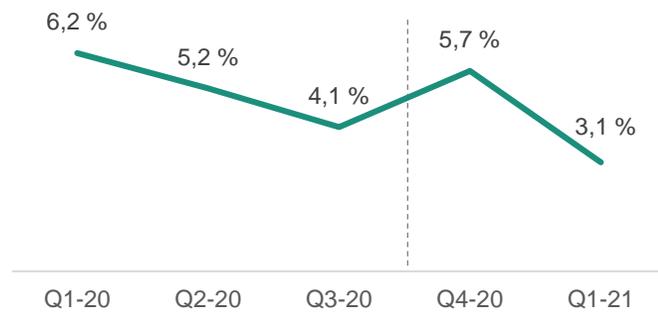
Stage allocation



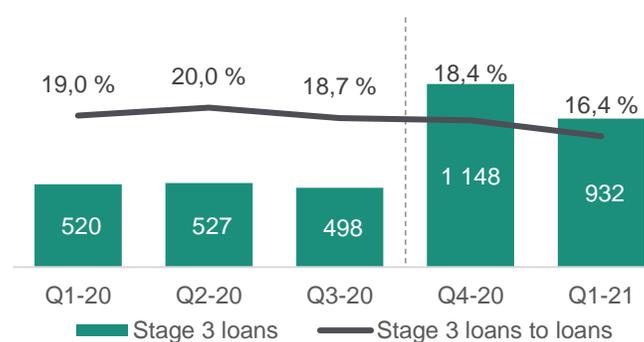
Provisions, MNOK



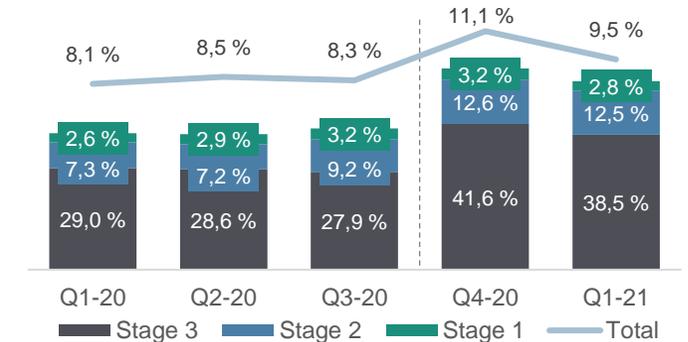
Loan loss ratio<sup>1</sup>



Non-performing loans<sup>2</sup>, MNOK



Total provision ratio<sup>3</sup>



1) Loan loss ratio = monthly loan losses p.a / monthly avg. gross loans

2) Non-performing loan ratio = stage 3 ratio

3) Total = Total provision / Gross loans

# Income statement

	NGAAP	NGAAP	NGAAP
<i>Income Statement (Amounts in thousands)</i>	Q1-21	Q1-20	2020
Interest income	139 810	76 746	381 009
Interest expense	-19 445	-14 347	-61 512
<b>Net interest income</b>	<b>120 365</b>	<b>62 399</b>	<b>319 498</b>
Commission and fee income	6 606	6 501	22 392
Commission and fee expenses	-1 147	- 885	-5 620
Net change in value on securities and currency	-1 104	-2 226	8 040
Other income	83		348
<b>Net other income</b>	<b>4 439</b>	<b>3 389</b>	<b>25 160</b>
<b>Total income</b>	<b>124 803</b>	<b>65 788</b>	<b>344 658</b>
Salary and other personnel expenses	-15 246	-8 743	-48 729
Other administrative expenses	-20 552	-6 863	-41 275
- of which marketing expenses	- 570	-1 111	-2 427
Depreciation	-3 234	-1 645	-17 411
Gain from bargain purchase			346 804
Other expenses	-3 343	-2 782	-21 915
<b>Total operating expenses</b>	<b>-42 375</b>	<b>-20 033</b>	<b>217 474</b>
<b>Profit before loan losses</b>	<b>82 428</b>	<b>45 755</b>	<b>562 132</b>
Loan losses	-45 592	-40 819	-190 605
<b>Profit before tax</b>	<b>36 836</b>	<b>4 936</b>	<b>371 527</b>
Tax	-8 966	-1 234	7 321
<b>Profit after tax</b>	<b>27 870</b>	<b>3 702</b>	<b>378 847</b>

- Profit after tax for Q1 of 27.9 MNOK
- Cost / income ratio of 34.0 % for Q1
- Income statement includes former Easybank's results from 01.01.2020 to 30.09.2020 and results from the merged bank from 01.10.2020 to 31.12.2020

# Balance sheet

	NGAAP	NGAAP	NGAAP
<i>Balance sheet (Amounts in thousands)</i>	31.03.2021	31.03.2020	31.12.2020
<b>Assets</b>			
Cash and deposits with the central bank	50 097	123 492	50 145
Loans and deposits with credit institutions	337 161	204 431	197 198
Gross loans to customers	5 698 991	2 735 395	6 247 811
Loan loss provisions	- 539 415	- 222 430	- 690 530
Certificates, bonds and other securities	2 058 665	476 179	1 462 138
Deferred tax asset	170 602	33 454	179 568
Other intangible assets	14 030	21 442	13 502
Fixed assets	16 177	859	1 303
Other assets	29 456	12 980	35 888
<b>Total assets</b>	<b>7 835 764</b>	<b>3 385 803</b>	<b>7 497 024</b>
<b>Equity and liabilities</b>			
Loan from central bank		95 000	
Deposits from customers	6 359 583	2 708 272	6 061 318
Other liabilities	100 304	43 951	86 778
Tier 2 capital	104 513	40 000	104 456
<b>Total liabilities</b>	<b>6 564 400</b>	<b>2 887 223</b>	<b>6 252 553</b>
Share capital	189 589	331 799	189 589
Share premium reserve	659 989	127 111	659 989
Tier 1 capital	74 752	35 000	74 710
Other paid-in equity	8 048	7 177	7 669
Other equity	338 986	- 2 507	312 513
<b>Total equity</b>	<b>1 271 364</b>	<b>498 580</b>	<b>1 244 470</b>
<b>Total equity and liabilities</b>	<b>7 835 764</b>	<b>3 385 803</b>	<b>7 497 024</b>

- Gross loans of 5 699 MNOK at 31.03.2021 compared to 6 248 MNOK at 31.12.2020
- Loan losses provisions of 9.5 % at 31.03.2021
- Strong liquidity balance of 2 445 MNOK at 31.03.2021
- Deferred tax assets of 171 MNOK driven by tax losses carried forward prior to the merger
- Solid capital base - CET1 of 21.9 %
- Total equity of 1 271 MNOK

# Table of contents

## 1 Highlights and development Q1

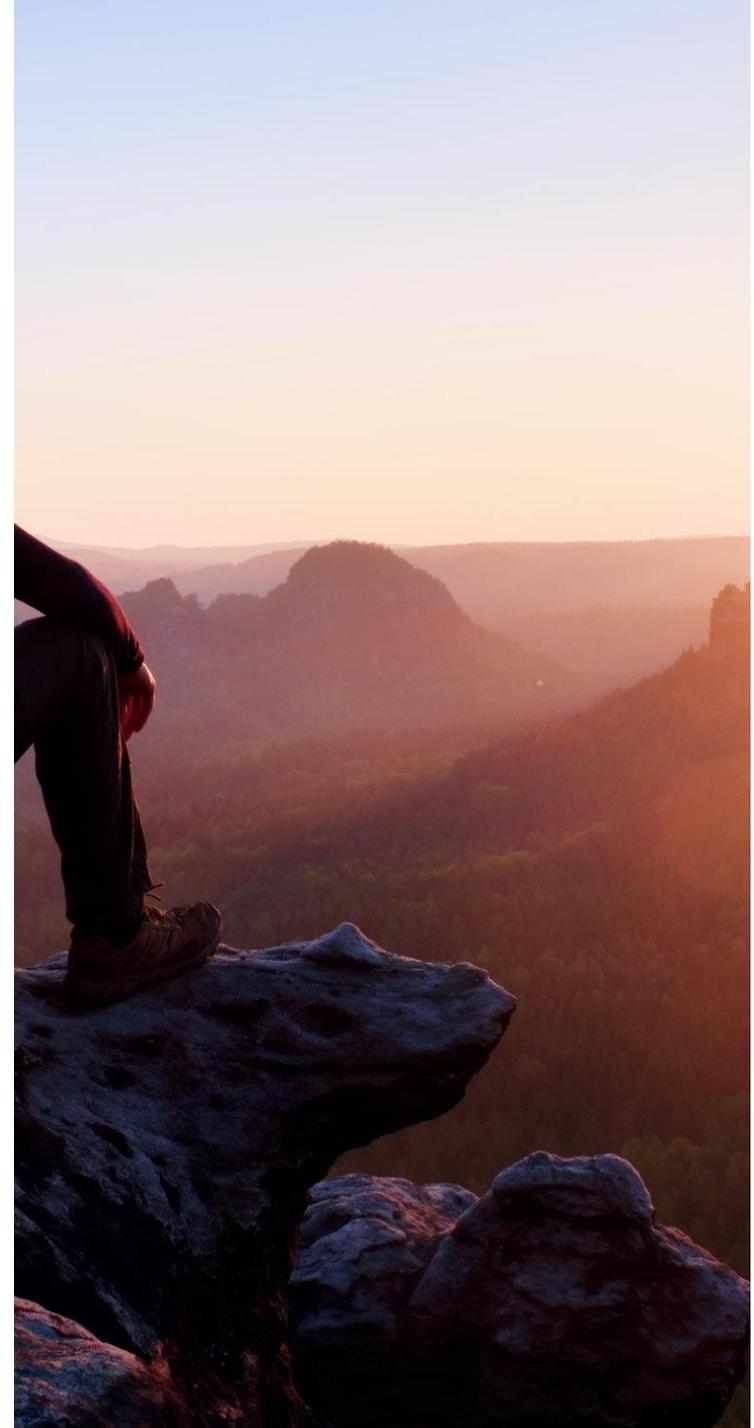
---

## 2 Financial results Q1

---

## 3 Merger update and outlook

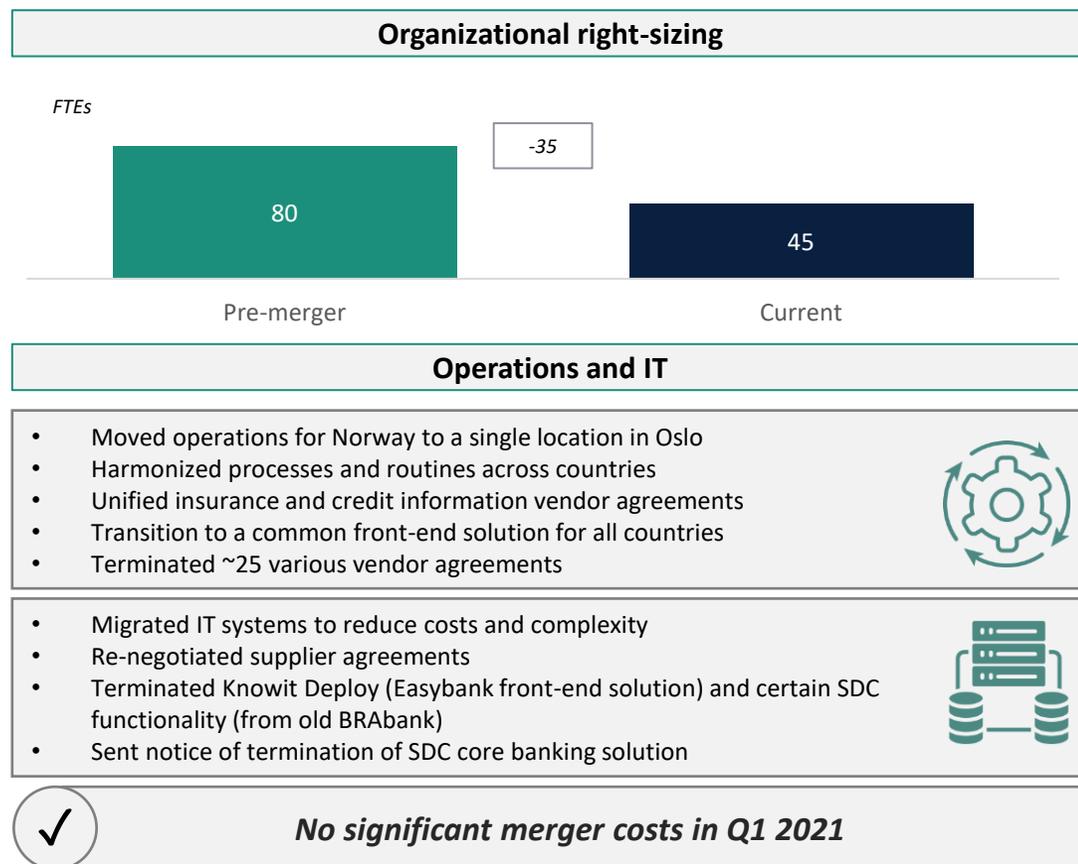
---



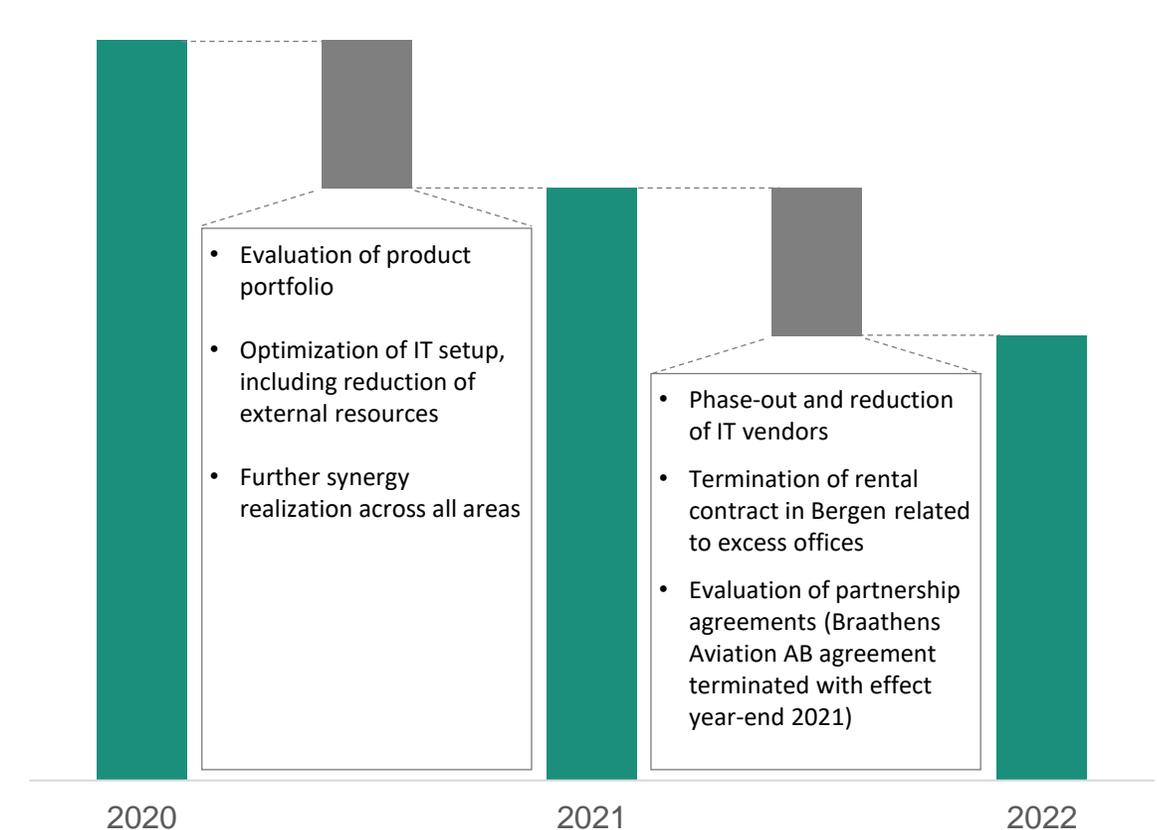
# Merger update

## First phase of synergy realization completed

### Completed merger-related initiatives as of Q1 2021



### Key initiatives to establish target cost base



# Outlook

## Summary of quarter

- ✓ Interest income of 140 MNOK, PBT of 37 MNOK
- ✓ No significant merger-related one-offs and synergy realization on track
- ✓ Sale of defaulted loans
- ✓ Solid underlying credit quality
- ✓ Well capitalized creating operational flexibility

1

**Utilize cross-border distribution model**

- Utilize the efficient distribution model across Norway, Finland and Sweden
- Optimize capital allocation

2

**Streamline New BRABank**

- Affect cost savings and utilize scale to create leading cost/income ratio
- Improve profitability

3

**Continue to improve credit quality**

- Continue with improvements in debt collection process, and risk and pricing models (optimizing risk/reward cross Nordics)
- Handle Covid-19 uncertainty

4

**Develop new sources of income**

- Focus on SME segment
- Strategic partnerships



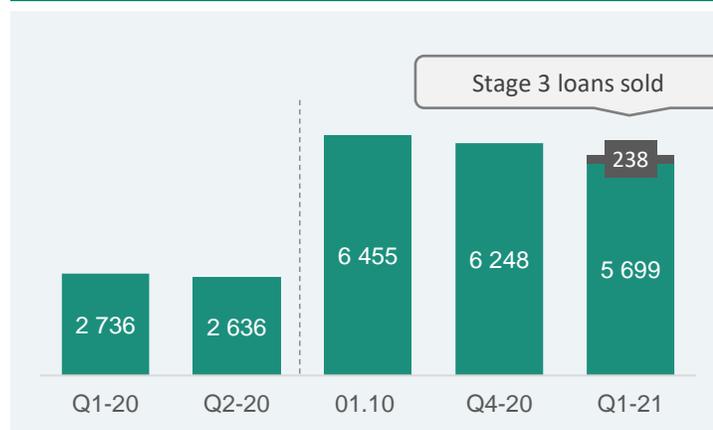
A

# Appendix

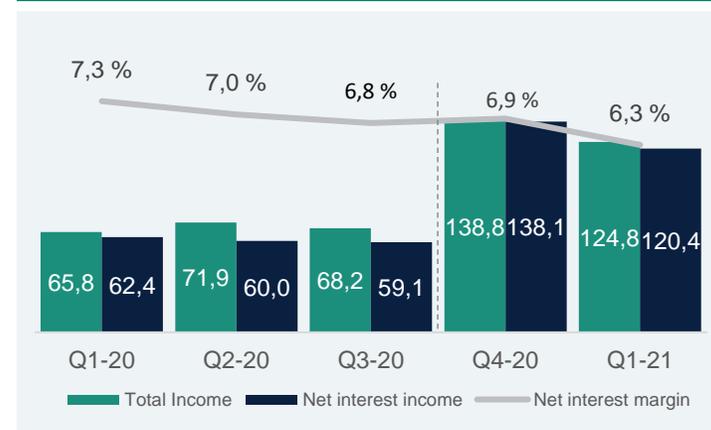
# Financial overview

Figures in MNOK

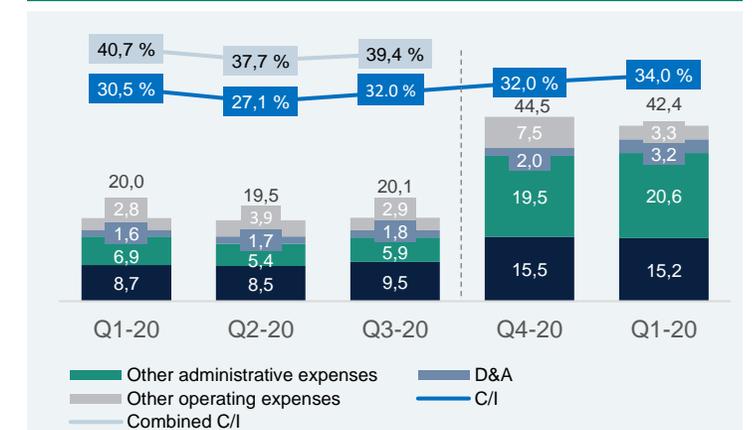
## Gross lending



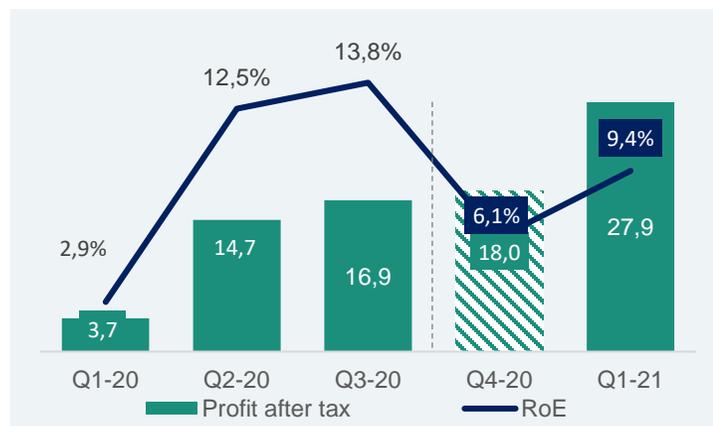
## Net income and margin of total margin



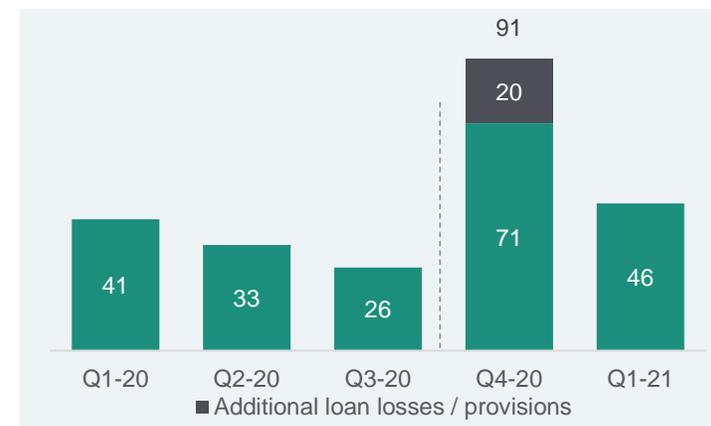
## Opex and Cost / Income<sup>1</sup>



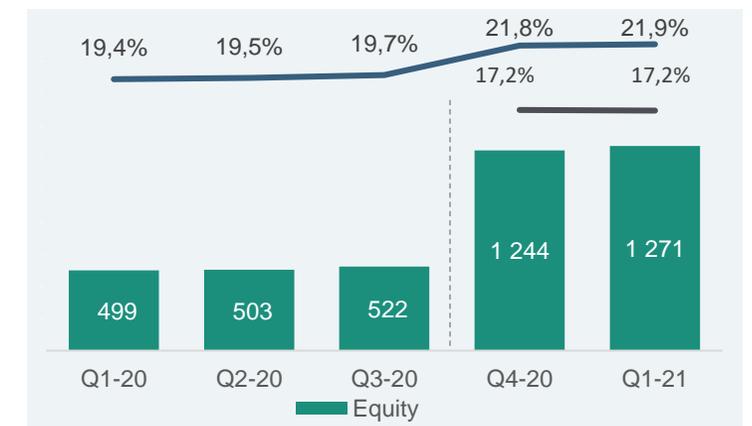
## Profit after tax<sup>2</sup> and ROE



## Loan losses



## Equity and CET1 ratio

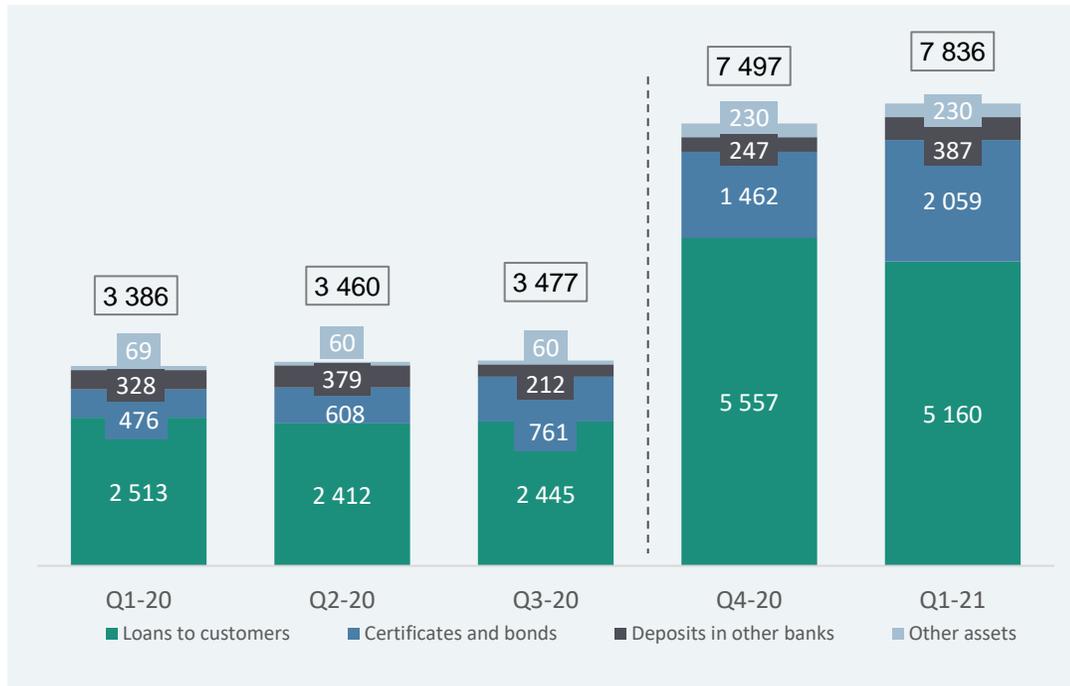


1) Q4-20 opex adjusted for merger related one-offs  
2) Q4 profit after tax is adjusted for one-offs

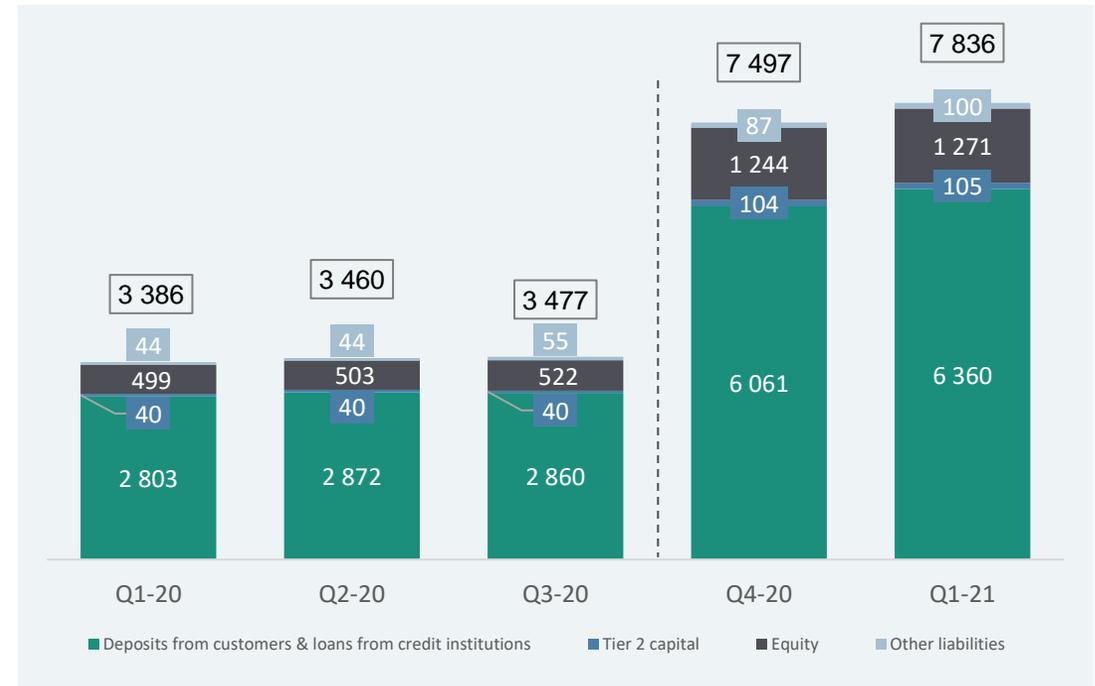
# Balance sheet structure

## Strong funding and liquidity position

Total assets, MNOK



Equity and liabilities, MNOK



- Deposit ratio: 123%
- Liquidity coverage ratio: 1 379% total (197% EUR)
- Net stable funding rate: 197% total (180% EUR)

# Initiatives in first phase of merger plan

Year 1	Action	Costs (MNOK)	Status
Merger	<ul style="list-style-type: none"> <li>Formally merged the entities</li> </ul>	3.1 in Q3 0.5 in Q4	✓
Listing	<ul style="list-style-type: none"> <li>Listing cost Euronext Growth (former Merkur Market)</li> </ul>	1.0 in Q3	✓
Establish the new organization	<ul style="list-style-type: none"> <li>New management team and organization in place</li> </ul>	15.9 in Q3 1.6 in Q4	✓
Manage IT migrations and phase-outs	<ul style="list-style-type: none"> <li>IT migration and contract termination to reduce costs and simplify operations</li> <li>Unified SDC platforms and sent notice of termination on the related contract</li> </ul>	4.4 in Q4	✓
Harmonize and utilize collection agreements	<ul style="list-style-type: none"> <li>Reuse of Easybank's approach to collection and collection processes across the Nordics</li> <li>Harmonized collection agreements and processes</li> </ul>	-	✓
Create common value chain for consumer loans in the Nordics	<ul style="list-style-type: none"> <li>Established scalable platform for cross-Nordic distribution</li> </ul>	-	✓
Simplify product portfolio to reduce complexity and cost	<ul style="list-style-type: none"> <li>Notice of termination of cooperation agreement with Braathens Aviation AB, ending 31 December 2021</li> <li>Started probing of potential disposal of credit card portfolio including IT-system</li> <li>Simplify product offering going forward</li> </ul>	2022 impact Ongoing/TBD	✓ <i>Ongoing</i>

# BRAbank ASA shareholders

## Top 20 shareholder list as of 28 April 2021

	Investor	Shares	Ownership
1	Braganza AB	10 383 899	11.0 %
2	Hjellegjerde Invest AS	5 815 834	6.1 %
3	Skagerrak Sparebank	4 409 380	4.7 %
4	Banque Internationale a Luxembourg	3 483 313	3.7 %
5	Fondsavanse AS	3 072 986	3.2 %
6	Ladegaard AS	2 581 654	2.7 %
7	Farvatn Private Equity AS	2 540 163	2.7 %
8	Umico - Gruppen AS	2 468 779	2.6 %
9	Verdipapirfondet Alfred Berg Norge	2 374 760	2.5 %
10	Skandinaviska Enskilda Banken AB	2 197 650	2.3 %
11	Shelter AS	1 945 486	2.1 %
12	Raiffeisen Bank International AG	1 879 972	2.0 %
13	Lindbank AS	1 838 007	1.9 %
14	Songa Capital AS	1 720 456	1.8 %
15	MP Pensjon PK	1 637 767	1.7 %
16	Verdipapirfondet Alfred Berg Aktiv	1 469 589	1.6 %
17	HSBC Bank Plc	1 367 606	1.4 %
18	Jenssen & Co AS	1 287 879	1.4 %
19	Krogsrud Invest AS	1 250 000	1.3 %
20	Jolly Roger AS	1 149 074	1.2 %
	<b>Sum 20 largest shareholders</b>	<b>55 001 603</b>	<b>58.0 %</b>
	Other shareholders	39 792 777	42.0 %
	<b>Total number of shares</b>	<b>94 794 380</b>	<b>100.0 %</b>

## Comments

- 1 610 shareholders as of 28 April 2021
- The BRAbank share (ticker BRA) was registered on Euronext Growth (former Merkur Market) on 2 October 2020
- Management holds a total of 2 730 046 shares, corresponding to 2.9% of shares outstanding
- Members of the board represents a total of 3 153 381 shares, corresponding to 3.3%
- Current market capitalization of 976 MNOK

# BRAbank ASA

## BRAbank ASA

Holbergs gate 21

0166 Oslo

Norway



+47 22 99 14 00



post@brabank.no

ir@brabank.no