

1st quarter 2023 results presentation

Lea bank ASA

April 27th 2023

Lea
bank



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Lea bank ASA at a glance

Digital niche bank with an international footprint

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

- Lea bank has a fully digital bank offering focusing on consumer loans and deposits
- Focus on creating shareholder value through continuous profit generation, optimizing capital allocation and evaluation of growth versus dividends
- Listed on Euronext Growth at Oslo Børs, ~1,300 shareholders. Braganza AB largest shareholder. Other large shareholders include Alfred Berg Norge/Aktiv, Hjellegjerde Invest, Skagerrak Sparebank and Fondsaveanse

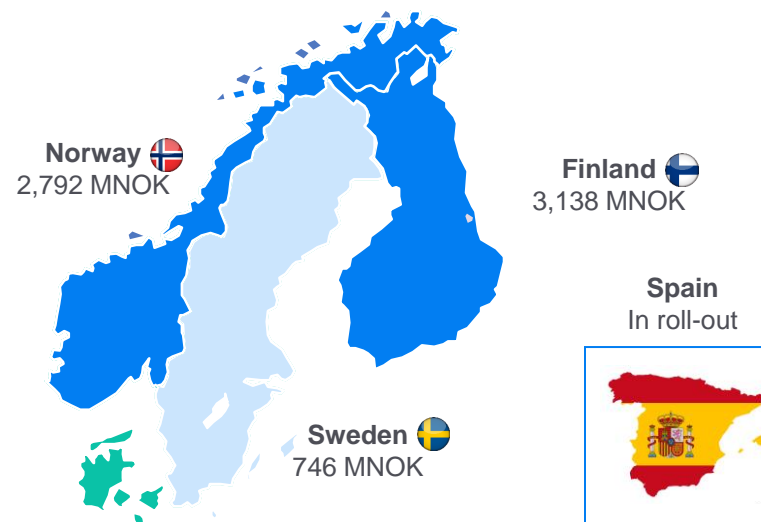
Product portfolio

Consumer loans		Deposits
<p>Short term financing</p>	<p>Debt consolidation</p>	<p>Savings accounts with attractive terms in NOK and EUR</p>

...leveraged by a scalable digital platform

- Scalable operation model on the back of leading technological solutions, cost efficient value chain and cross-border operations
- Proven value chain with inhouse credit analysis and operations, broad distribution network and forward flow agreements for defaulted loans
- Focus on core markets in the Nordics - utilize our digital advantage in other European markets in the future

Gross loans 6,677 MNOK – geographical mix Q1 2023



Q1 2023 highlights

Q1 financials



- Profit before tax 36.4 MNOK (profit after tax 27.6 MNOK)
- Positive trend in gross loans - growth of 390 MNOK
- CET1 Capital ratio 20.6% (post dividend accrual)

Credit quality



- One-off sale of NPL stock in Norway in early Q2 reduces uncertainty around stage 3 going forward
- More challenging credit performance in Sweden and Finland. Higher amount sold on the forward flow agreement in Finland contributes to higher loan loss in Q1

Capital



- European systemic risk board recommended to lower threshold from 32 BNOK to 5 BNOK for applying the Norwegian systemic risk buffer – applicable from 31.12.23
- Finland decided to implement systemic risk buffer of 1% from April 2024

Key financial figures, MNOK

	Q1-23	Q1-22	2022
<i>Interest income</i>	160.7	128.1	554.3
<i>PBT</i>	36.4	34.3	186.4
<i>- Dividend</i>			70.2
<i>ROE, Annualized</i>	8.4%	8.3%	11.1%
<i>ROE adj.¹, annualized</i>	9.2%	10.7%	13.5%
<i>EPS, annualized</i>	1.16	1.09	1.48
<i>EPS pre-tax, annu.</i>	1.53	1.45	1.96
<i>C / I</i>	30.3%	33.3%	30.7%
<i>Gross loans</i>	6,677	5,486	6,287
Equity²	# of shares	BVPS	
1,327	95,174,187	13.94	

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

1) ROE adjusted subtracts excess capital from the calculation (capital req. + mgmt. buffer)

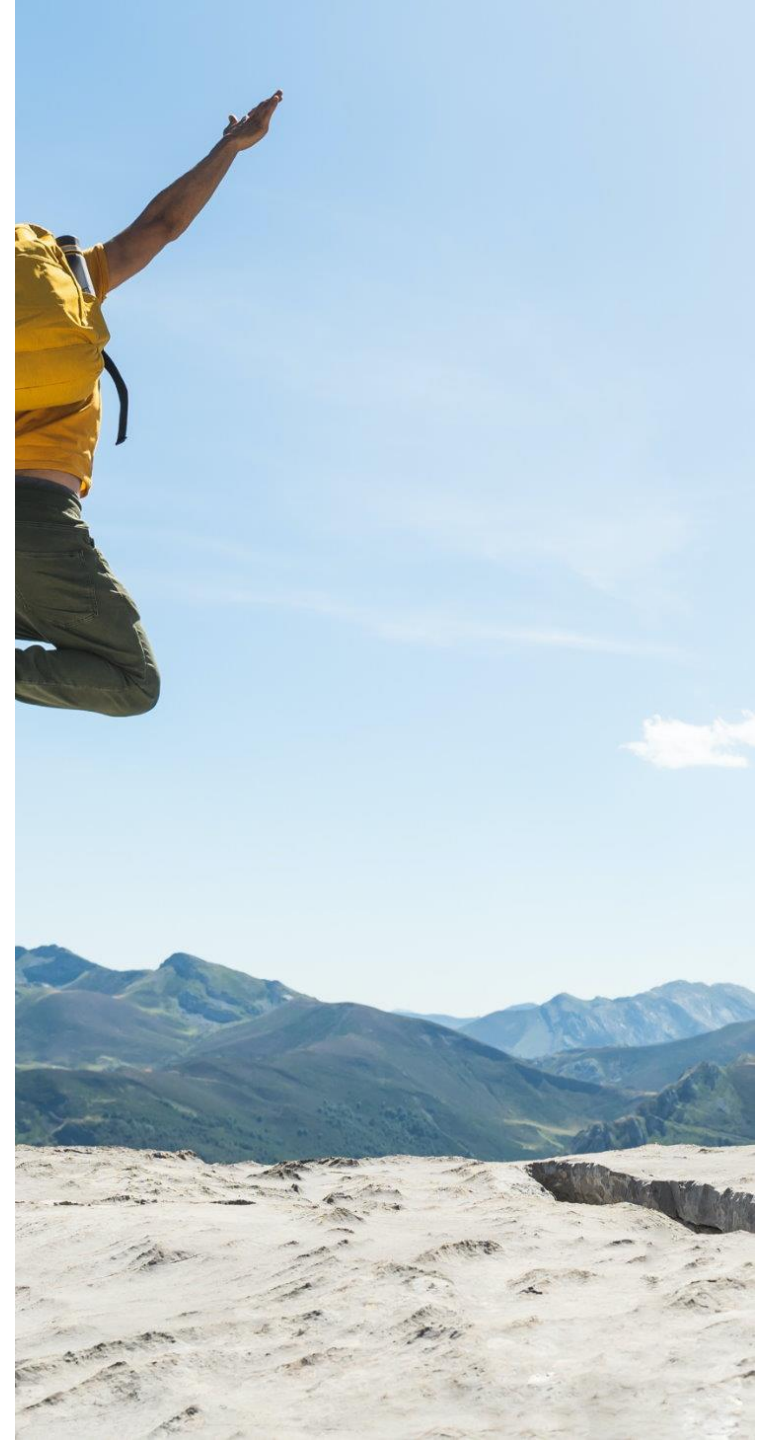
2) Equity excluding tier 1 capital and reduced by proposed dividend

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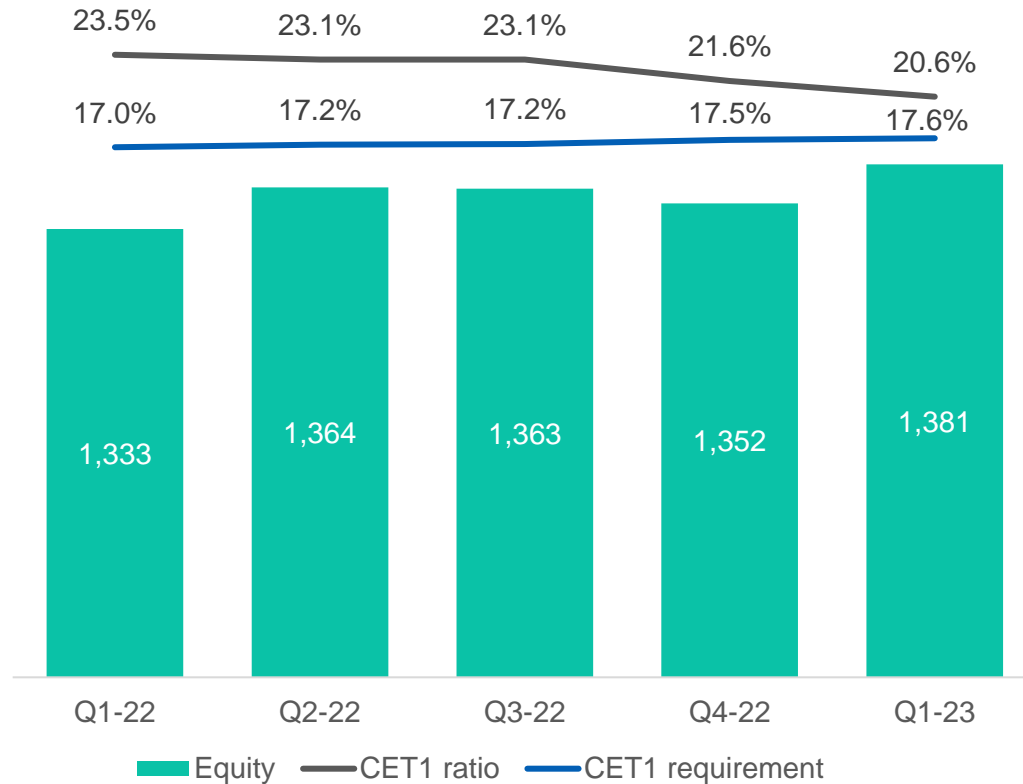
3 Outlook



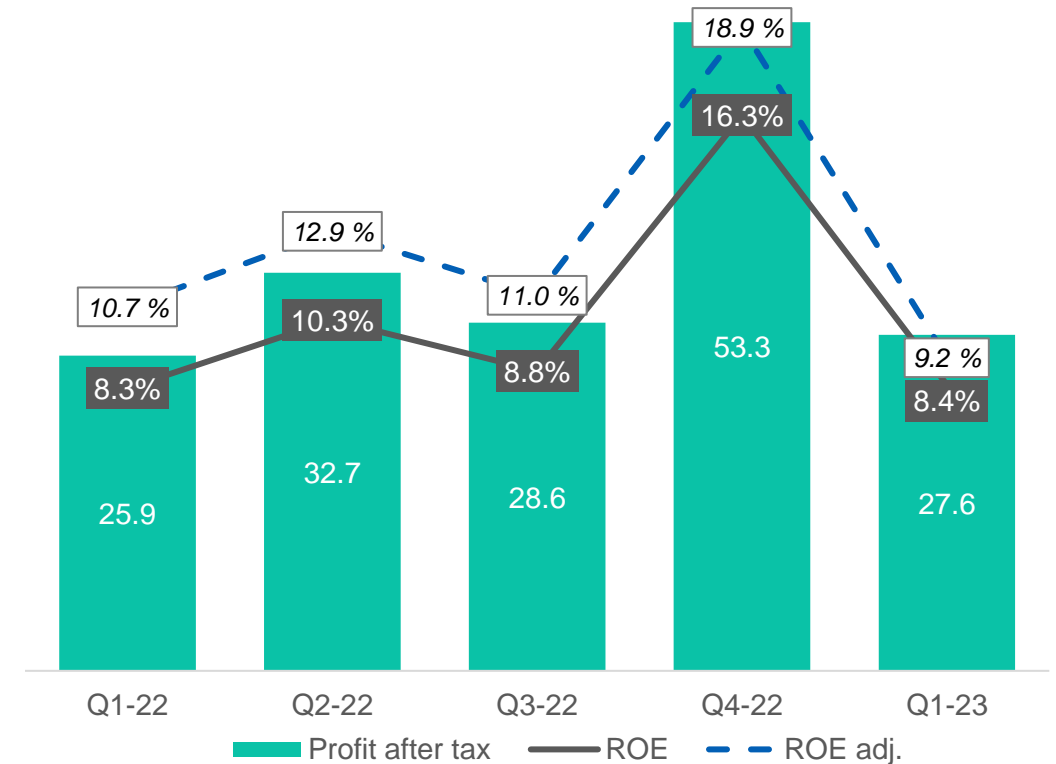
Solid Q1 profits and capitalization

Well above CET1 requirement

Equity and CET1 ratio^{1, 2}, MNOK



Profit after tax and Return on Equity, ROE adj³ MNOK

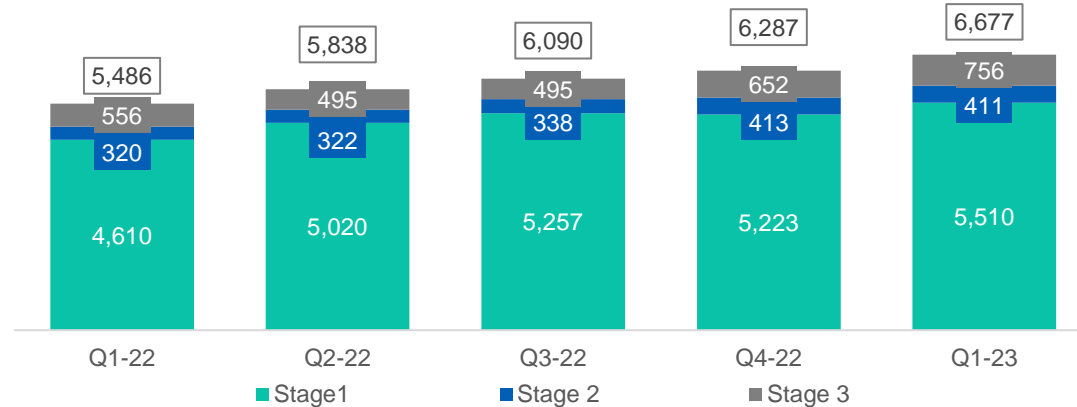


1) CET1 ratios for Q1, Q2 and Q3 include YTD unaudited profit
 2) Equity reduced by annual dividend accrual in Q4-2022
 3) ROE adjusted subtracts excess capital from the calculation (capital req. + mgmt. buffer)

Increased gross loans

Share of volumes outside of Norway continue to increase

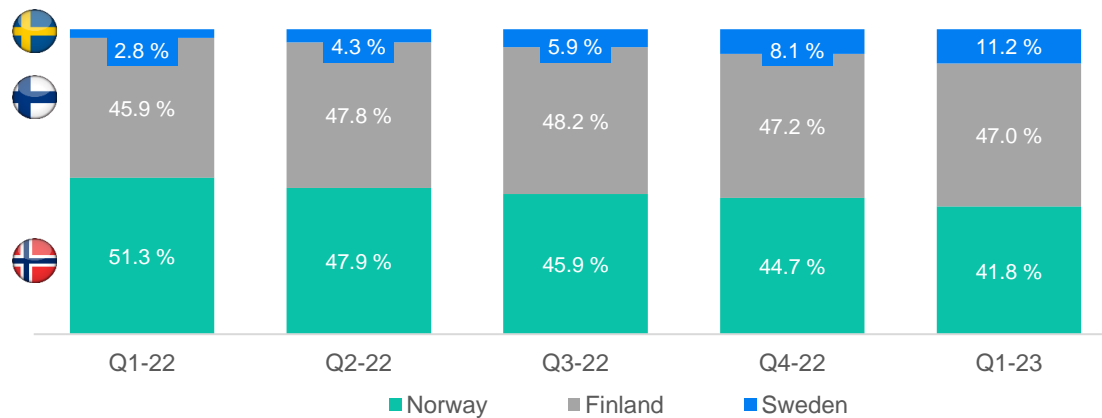
Gross lending, MNOK



Comments

- Gross loans increased by 390 MNOK from last quarter
- Volumes outside of Norway represent 58.2% - following strategic focus on international markets

Geographical mix, gross loans

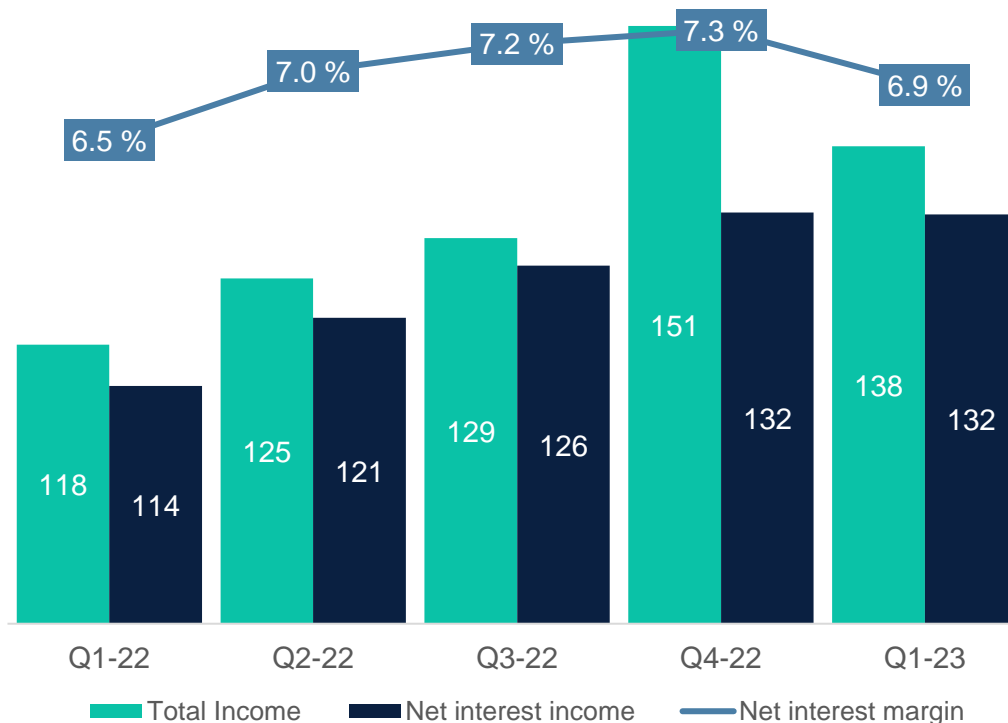


Stable margin development

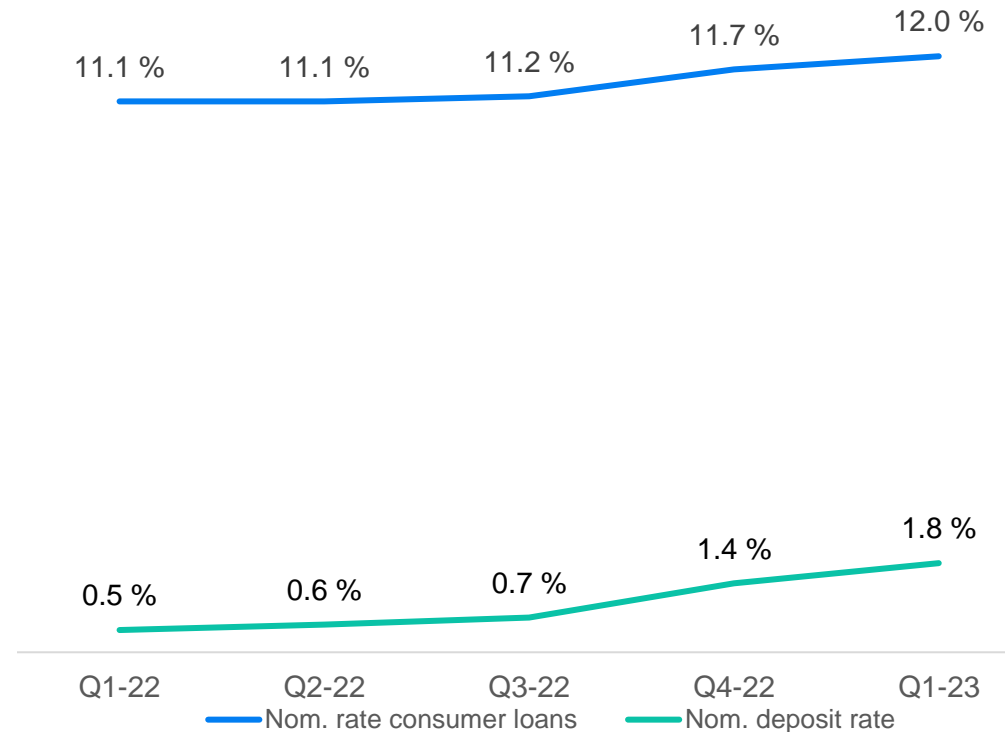
Increased funding cost partly offset by increased lending margins

Net interest income and net interest margin of total assets

MNOK / % of total assets



Yields end of quarter¹

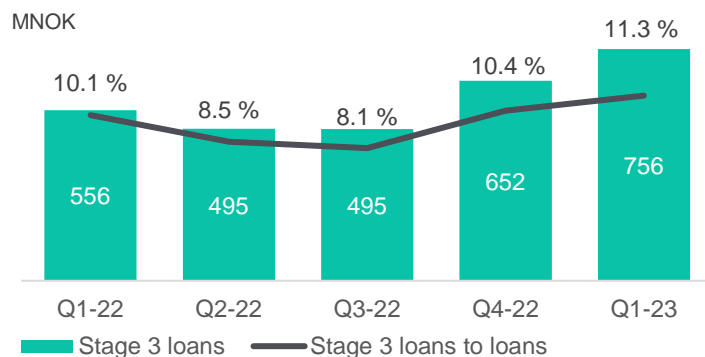


1) All figures are end of quarter and nominal

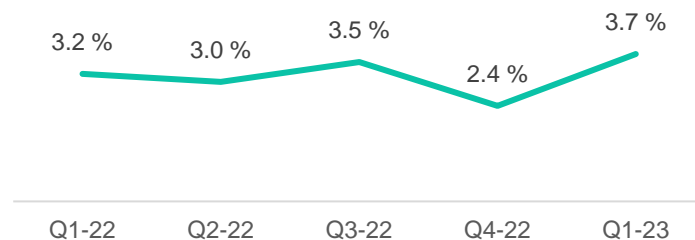
Credit quality development

Increased uncertainty driven by macro conditions

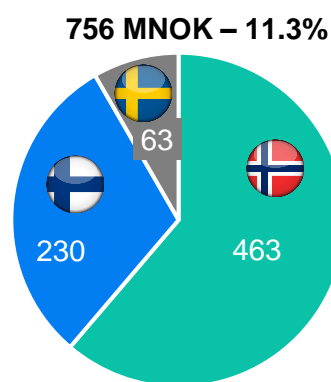
Stage 3 ratio



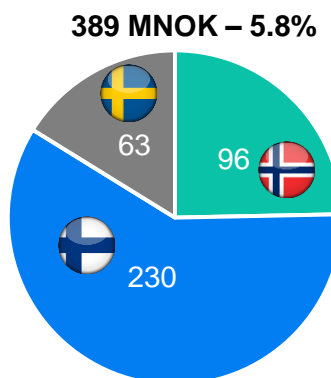
Loan loss ratio



Stage 3 allocation per country, Q1 2023



Stage 3 allocation post early Q2 sale



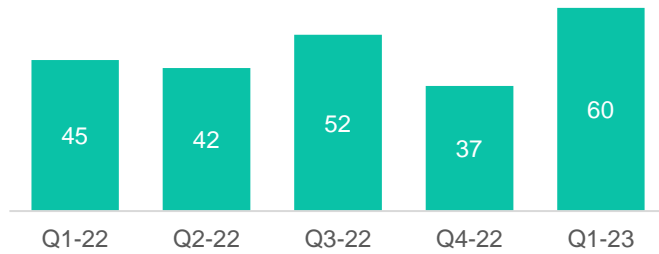
Comments on credit quality development

- Higher loan loss in Q1 driven by increased provisions in stage 2 and higher volume sold on the forward flow agreement in Finland
- New default definition (as of Q4 2022) contributes to increased stage 3 now compared to 2022. More performing customers will be under this definition be classified as defaulted¹
- Increase in stage 3 from last quarter driven by increased inflow in Sweden and Finland
- One-off sale of non-performing loans in Norway in early Q2 reduces uncertainty around stage 3 going forward
- Stage 3 of 5.8% in Q1 adjusted for the one-off sale

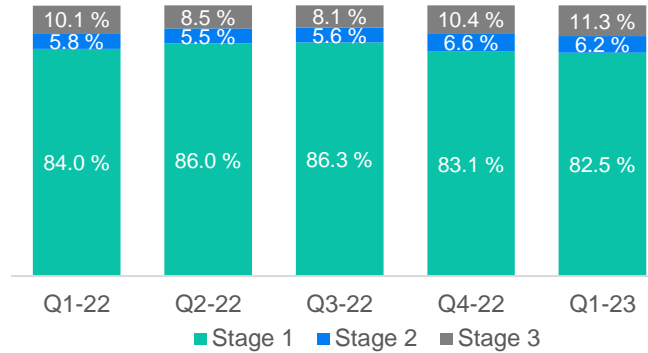
1) From Q4 2022, stage 3 volumes also include volumes where the claim against the customer has not necessarily entered debt collection

Credit quality overview

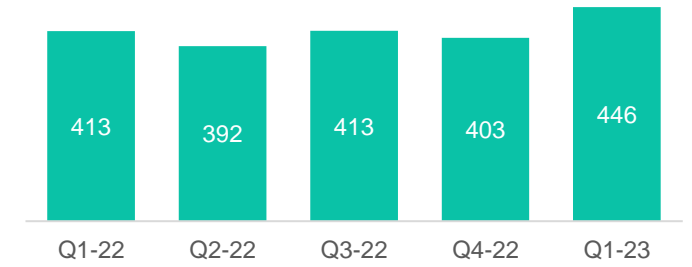
Loan losses, MNOK



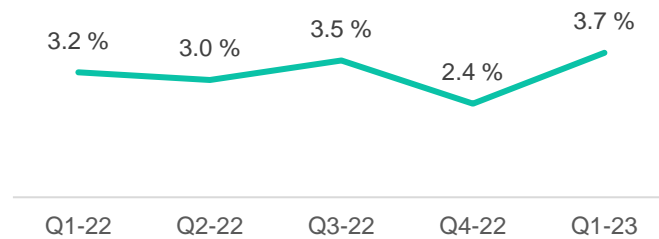
Stage allocation



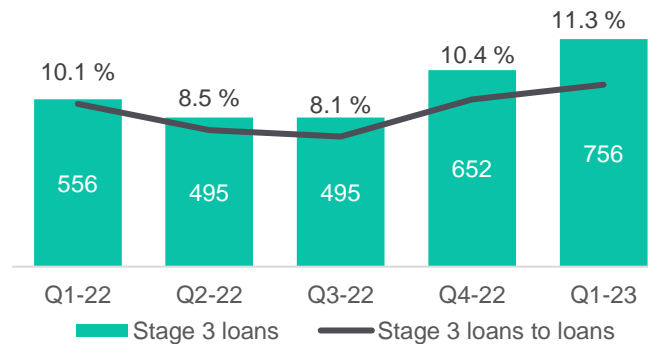
Provisions, MNOK



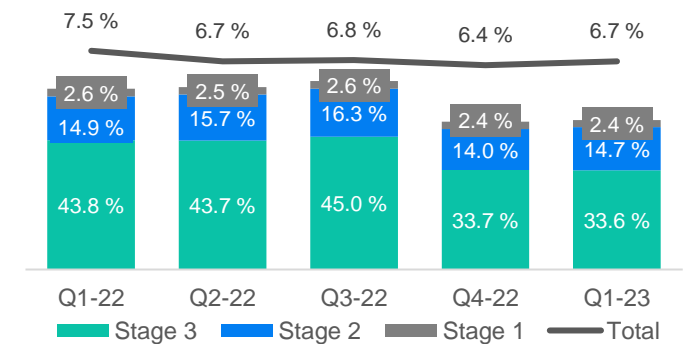
Loan loss ratio¹



Non-performing loans², MNOK



Total provision ratio³



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			
<i>Income Statement (Amounts in thousands)</i>	Q1-2023	Q1-2022	2022
Interest income	160,705	128,148	554,259
Interest expense	-29,193	-14,017	-61,123
Net interest income	131,512	114,131	493,136
Commission and fee income	8,726	5,587	28,766
Commission and fee expenses	-1,080	-871	-4,740
Net change in value on securities and currency	-763	-569	5,594
Other income	12	13	220
Net other income	6,894	4,160	29,841
Total income	138,406	118,291	522,977
Salary and other personnel expenses	-14,934	-15,923	-62,600
Other administrative expenses	-20,421	-19,143	-79,170
- of which marketing expenses	-912	-824	-3,883
Depreciation	-3,465	-2,450	-10,833
Other expenses	-3,131	-1,874	-8,046
Total operating expenses	-41,952	-39,390	-160,649
Profit before loan losses	96,454	78,901	362,327
Loan losses	-60,073	-44,556	-175,968
Profit before tax	36,381	34,345	186,359
Tax	-8,819	-8,398	-45,782
Profit after tax	27,563	25,947	140,577

Comments on income statement

- Profit before tax Q1-23 of 36.4 MNOK, compared to 34.3 MNOK last year
- Interest income in Q1-23 of 160.7 MNOK, compared to 128.1 MNOK last year – driven by higher volumes and interest rate
- Interest expense in Q1-23 of 29.2 MNOK, compared to 14.0 MNOK last year – driven by higher volumes and interest
- Weaker yield on liquidity portfolio in Q1 driven by increased credit spreads resulting from uncertainty in banking industry, and weaker results driven by currency effects
- OPEX in Q1-23 of 42.0 MNOK, compared to 39.4 MNOK last year – demonstrating strong focus on cost control
- C/I improved to 30.3% compared to last year of 33.3%
- Loan losses in Q1-23 of 60.1 MNOK compared to 44.6 MNOK last year, reflecting annual loss ratio of 3.7% compared to 3.2% last year

Balance sheet

NGAAP	31.03.2023	31.03.2022	31.12.2022
Balance sheet (Amounts in thousands)			
Assets			
Cash and deposits with the central bank	50,685	49,988	50,402
Loans and deposits with credit institutions	496,705	289,262	322,201
Gross loans to customers	6,676,559	5,486,168	6,286,924
Loan loss provisions	-445,922	-412,773	-403,373
Certificates, bonds and other securities	989,545	1,300,676	961,163
Deferred tax asset	82,937	129,140	91,756
Other intangible assets	28,730	16,936	29,380
Fixed assets	8,051	9,468	8,775
Other assets	32,270	22,079	20,256
Total assets	7,919,560	6,890,945	7,367,484
Equity and liabilities			
Loan from central bank	0	0	0
Deposits from customers	6,325,948	5,316,978	5,791,333
Other liabilities	130,473	136,579	142,315
Tier 2 capital	81,830	104,311	81,746
Total liabilities	6,538,251	5,557,867	6,015,394
Share capital	190,348	189,681	189,681
Share premium reserve	662,360	660,322	660,322
Tier 1 capital	54,165	75,875	54,114
Other paid-in equity	13,750	11,929	13,405
Other equity	460,684	395,270	434,568
Total equity	1,381,309	1,333,077	1,352,089
Total equity and liabilities	7,919,560	6,890,945	7,367,484

Comments on balance sheet

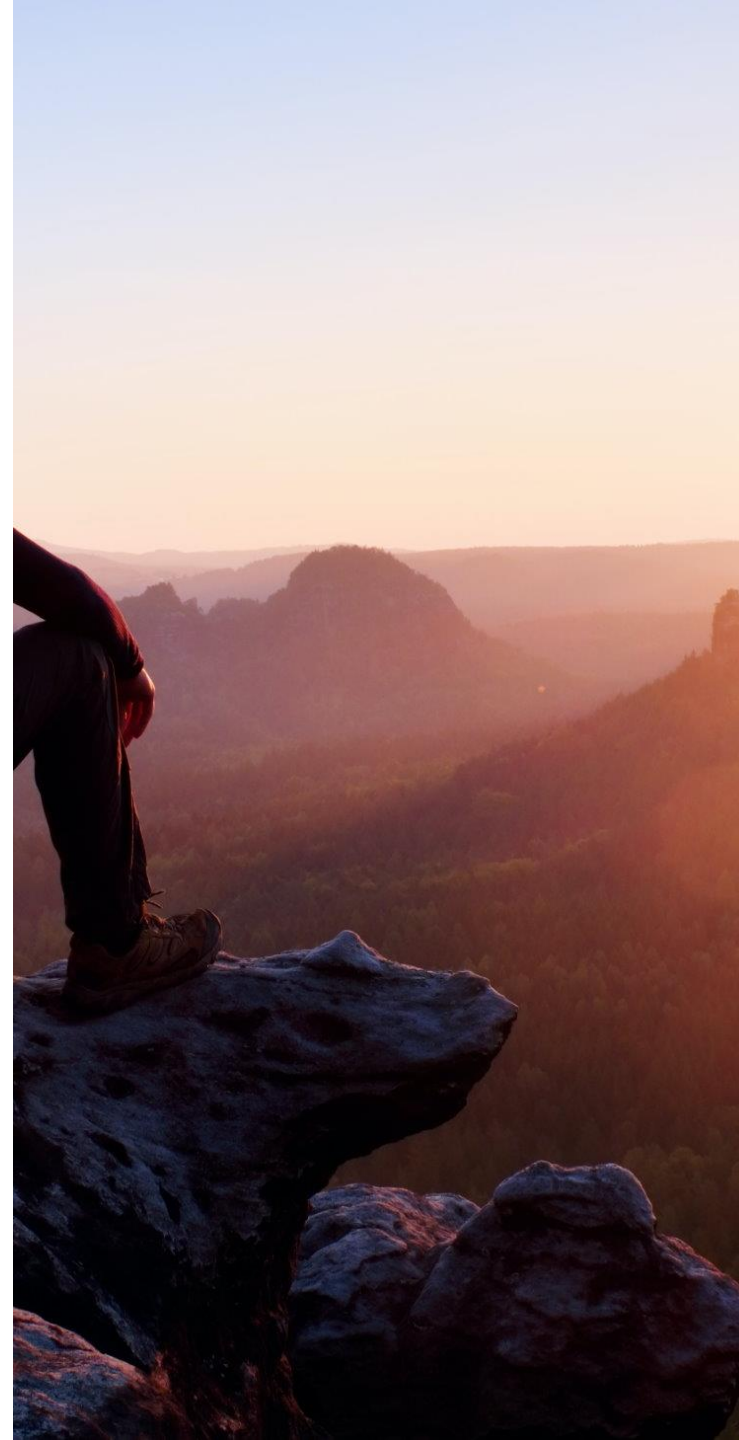
- Gross loans of 6,677 MNOK at 31.03.2023 compared to 5,486 MNOK 31.03.2022 and 6,287 MNOK 31.12.2022 driven by underlying growth and currency effects
- Liquidity balance of 1,537 MNOK at 31.03.2023 compared to 1,640 at 31.03.2022, and 1,334 at 31.12.2022
- Deferred tax assets of 82.9 MNOK (originated from tax losses carried forward prior to the merger in Q4 2020)
- Solid capital base - CET1 of 20.55 % (incl. 2023 profit and dividend accrual), compared to 31.03.2022 of 23.48 %, however weak Norwegian currency impact capitalization
- Total equity of 1,381 MNOK, BVPS of 13.94 NOK. Equity as of 31.12.22 and 31.03.2023 has been reduced by dividend accrual of 70.2 MNOK

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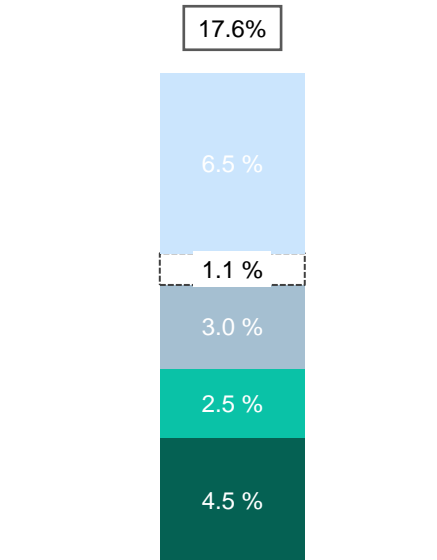
Positive changes in Pillar 1 capital requirements

Geographical differences emphasize effective capital allocation

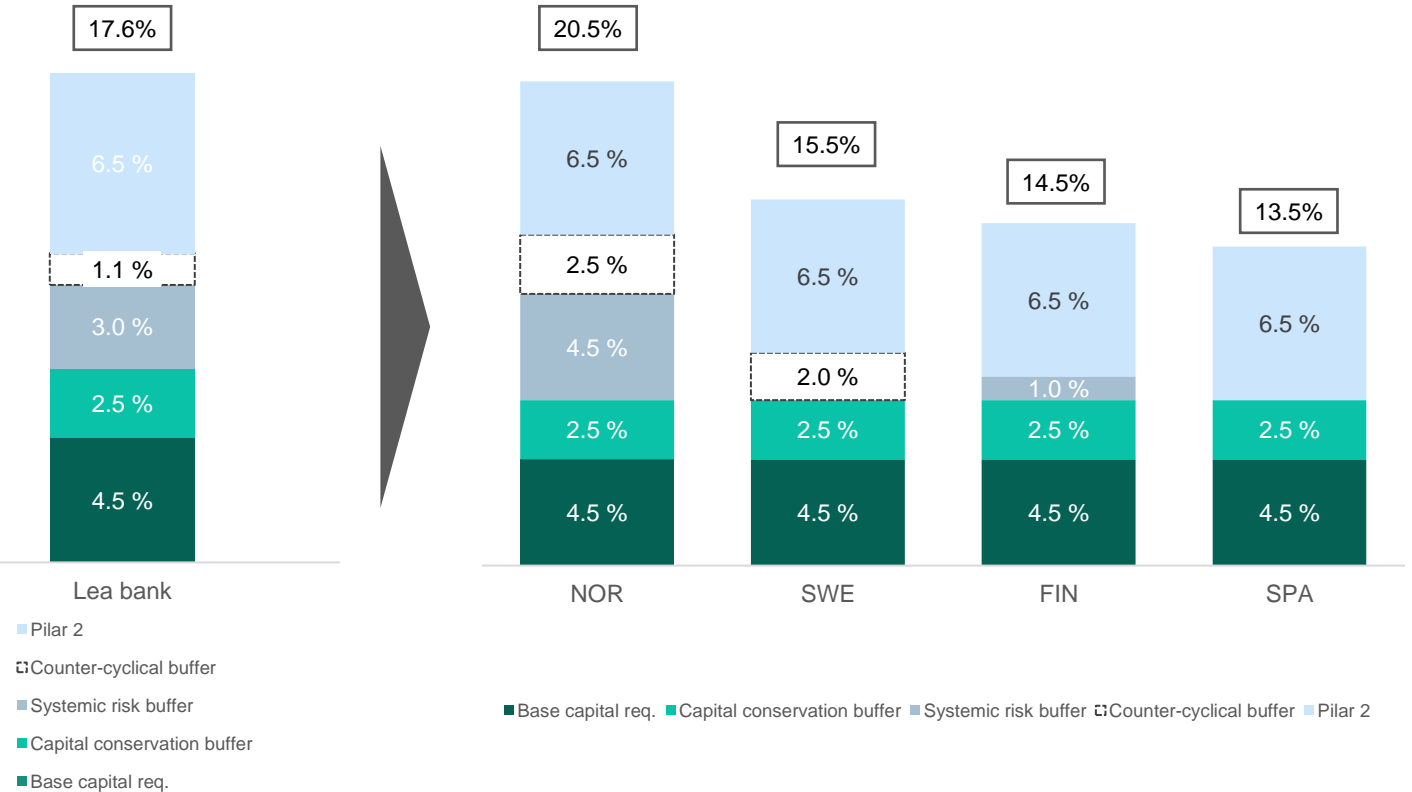
Comments

- Ongoing harmonization of capital requirements within the EU – will provide more equal competitive terms for Norwegian banks operating in foreign markets
- Systemic risk buffer increased to 4.5% in Norway from Q1 2024 and reciprocity on systemic risk buffer delayed with one year - to be implemented from Q1 2024
- European Systemic Risk Board has recommended to other EEA states to reduce threshold from 32 BNOK to 5 BNOK for applying the Norwegian systemic risk buffer – applicable from 31.12.23
- Finland implementing systemic risk buffer of 1% from April 2024
- Lea bank is expecting to receive new Pillar 2 in H2 2023

Current CET1 requirement, Lea



Assumed CET1 requirements from Q2-2024¹



Note: All capital requirements in the right-hand graph subject to changes from local governments

1) Countercyclical buffer in Sweden increases to 2.0% June 2023

Focus areas

1 Core markets	<ul style="list-style-type: none"> • Aim to maintain interest margins despite increasing funding costs • Navigate through an uncertain macroeconomic environment
2 Funding structure	<ul style="list-style-type: none"> • Diversify funding sources to mitigate currency risk and increase funding capabilities • Launch deposit products in Sweden early Q2 2023 and Finland thereafter
3 Capital	<ul style="list-style-type: none"> • Changes in systemic risk buffer may influence market dynamics in the Norwegian market • Expecting new Pillar 2 requirement from the FSA in H2 2023 • Ongoing project for redomiciliation

Summary of the quarter

- ✓ Solid profitability
- ✓ Gross loans growth of ~ 390 MNOK
- ✓ Industry leading cost / income of 30.3%
- ✓ Well capitalized – CET1 of 20.6%

Key figures, Q1 2023

<i>Interest income</i>	<i>Profit before tax</i>	Equity
160.7 MNOK	36.4 MNOK	1,381 MNOK



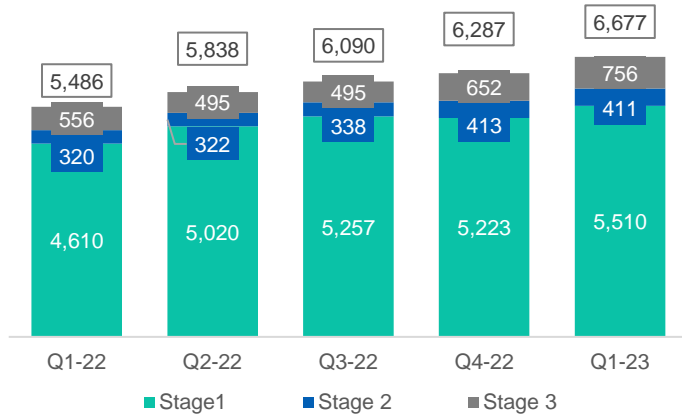
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Appendix

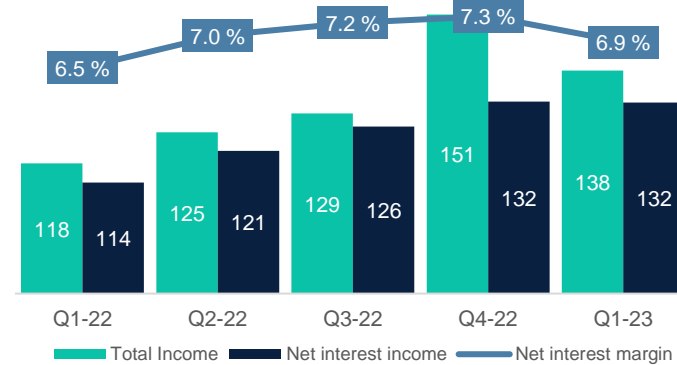
Financial overview

Figures in MNOK

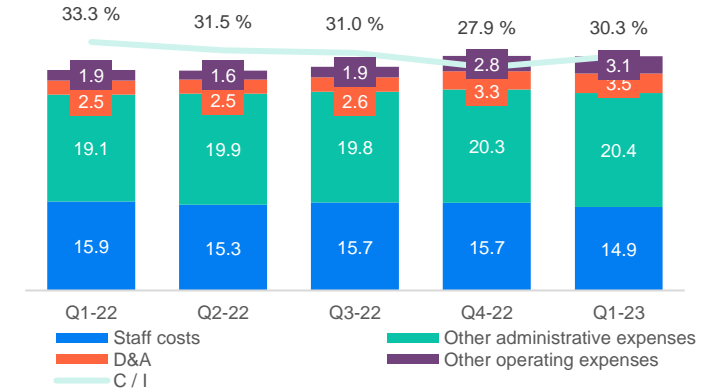
Gross lending



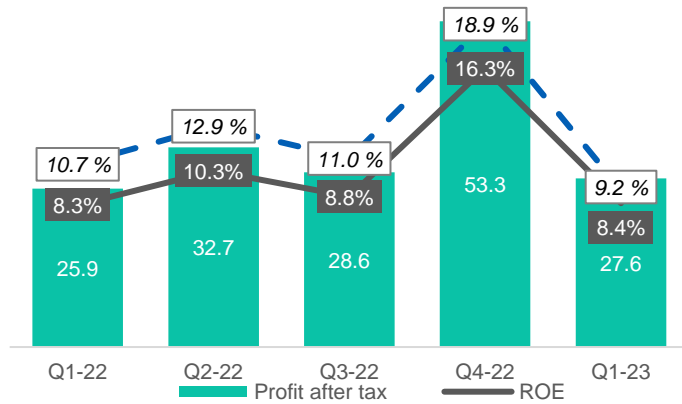
Net income and margin of total margin



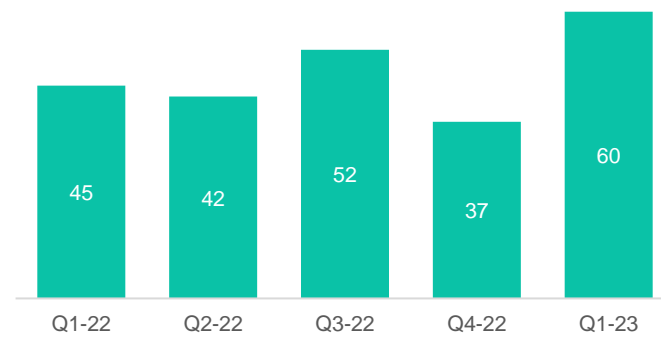
Opex and Cost / Income



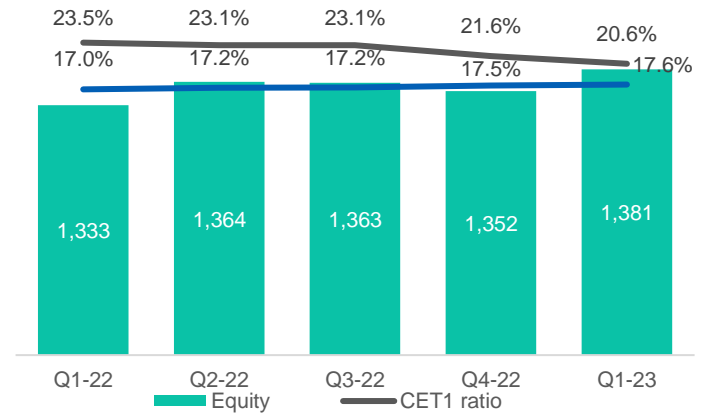
Profit after tax and ROE¹



Loan losses



Equity and CET1 ratio²



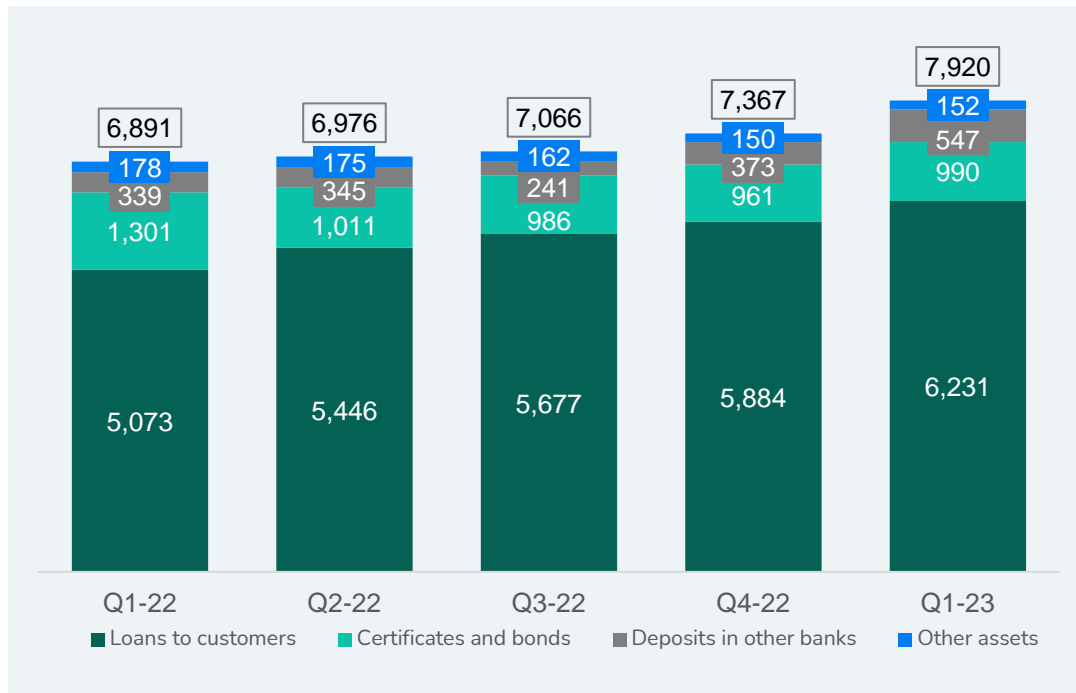
1) ROE adjusted subtracts excess capital from the calculation (capital req. + mgmt. buffer)

2) CET1 ratio includes YTD unaudited profit

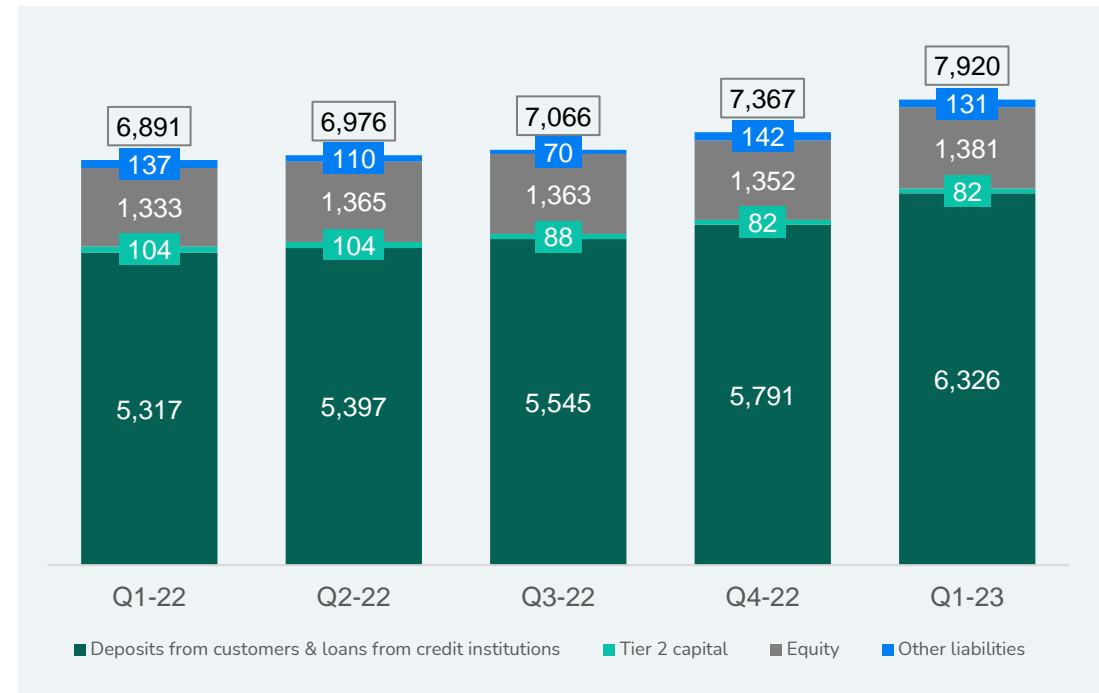
Balance sheet structure

Strong funding and liquidity position

Total assets, MNOK



Equity and liabilities, MNOK



- Deposit ratio: 102%
- Liquidity coverage ratio: 682% total (549% NOK, 488% EUR, 702% SEK)
- Net stable funding ratio: 153% total

Lea bank ASA shareholders

Top 20 shareholder list as of April 18th 2023

	Investor	Shares	Ownership
1	Braganza AB	10,383,899	10.9 %
2	Hjellegerde Invest AS	7,600,000	8.0 %
3	DNB Bank ASA ¹	5,473,852	5.8 %
4	Skagerrak Sparebank	4,409,380	4.6 %
5	Fondsavanse AS	3,371,048	3.5 %
6	Altitude Capital AS	3,127,380	3.3 %
7	Verdipapirfondet Alfred Berg Norge	3,088,045	3.2 %
8	Verdipapirfondet Alfred Berg Aktiv	2,719,589	2.9 %
9	Vida AS	2,581,654	2.7 %
10	Umico - Gruppen AS	2,143,779	2.3 %
11	Shelter AS	1,945,486	2.0 %
12	Jolly Roger AS	1,885,482	2.0 %
13	Jenssen & Co AS	1,845,879	1.9 %
14	Lindbank AS	1,838,007	1.9 %
15	Verdipapirfondet Alfred Berg Norge	1,700,000	1.8 %
16	MP Pensjon Pk	1,632,767	1.7 %
17	Krogsrud Invest AS	1,125,000	1.2 %
18	Thon Holding AS	1,081,211	1.1 %
19	Varde Norge AS	1,050,000	1.1 %
20	Nordic Private Equity AS	1,000,000	1.1 %
	Top 20 shareholders	60,002,458	63.0 %
	Other shareholders	35,171,729	37.0 %
	Total shares	95,174,187	100.0 %

1) Nominee account

Comments

- ~1,300 shareholders as of April 18th 2023
- The Lea bank share (ticker LEA) was registered on Euronext Growth (former Merkur Market) on 2 October 2020
- Management holds a total of 1,362,740 shares, corresponding to 1.4% of shares
- Members of the board holds a total of 493,537 shares, corresponding to 0.5%
- Current market capitalization of ~820 MNOK, trading after dividend

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