

easybank

***BRABANK***

12 November 2020

# 3<sup>rd</sup> quarter results presentation



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## Highlights Q3 2020 - Easybank

- 1 Profit before tax NOK 22,4 million, Total income 68,2 million
- 2 Annualized ROE 13,8%, EPS NOK 1,42
- 3 CET1 Capital ratio of 19,7% (21,1% including YTD profit)
- 4 Improved credit quality, uncertain long-term impact Covid-19
- 5 Q4: BRABank merger and Merkur Market listing completed
- 6 Merger: New organization model completed and first stage of IT- integration successfully implemented

### Key Figures

	NGAAP	NGAAP*	NGAAP
(in MNOK)	Q3-20	Q3-19	YTD-20
Interest income	59,1	69,6	181,4
PBT	22,4	21,8	46,4
ROE	13,8%	12,1%	9,8%
EPS	1,42	1,38	0,99
Cost/Income	29,5%	25,7%	29,0%
Gross loans	2 667	2 853	2 667
Consumer loans	2 556	2 613	2 556

PBT: Profit before tax, ROE: Return On Equity (excluding tier-1 capital), EPS: Annualized Earnings per share

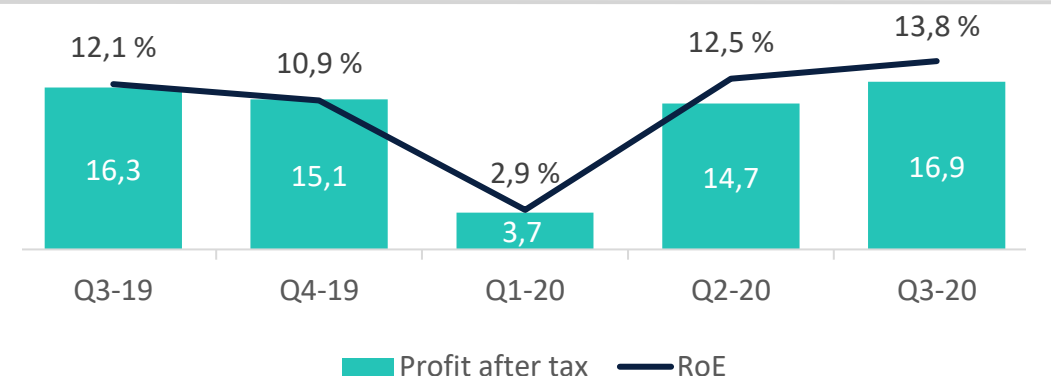
\* IFRS9 implemented from January 2020, historical numbers have not been restated

# Improved profitability & capital adequacy

- Profitability restored after Q1 COVID-19 impact
  - ROE improved
- Merger to further improve long term profitability
  - Economies of scale
  - Cost synergies
- Well capitalised
  - CET1 well above requirement

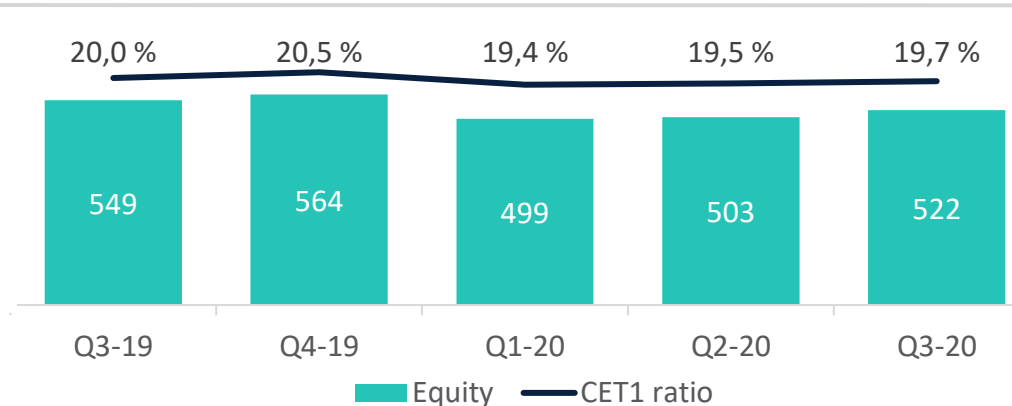
Profit after tax and Return on Equity

NOK million



Equity and CET1 ratio\*

NOK million



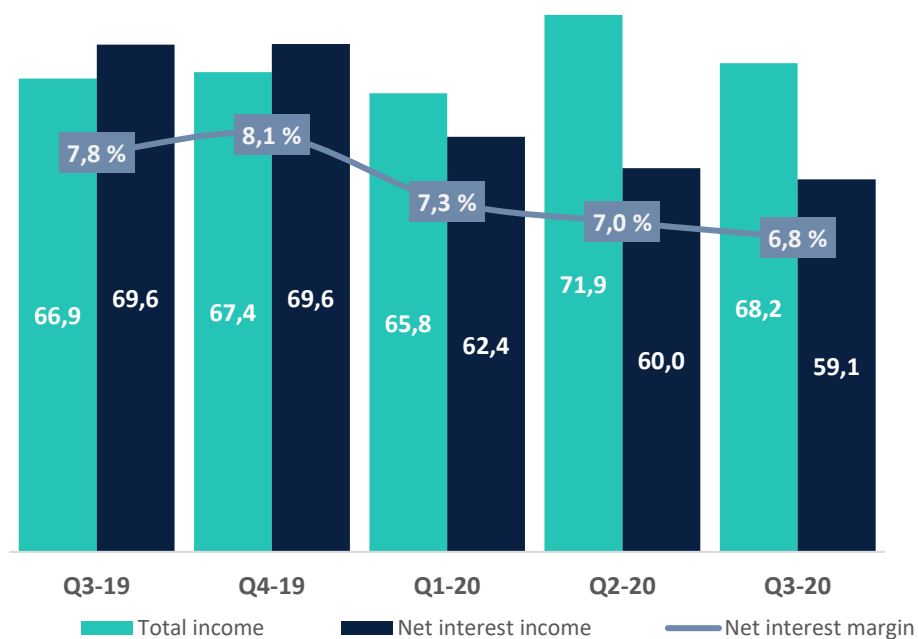
\* CET-1 ratio Q3-19 includes profit as of 1H 2019, Q4-19 includes full year profit. Q1-20, Q2-20, Q3-20 excludes YTD profit



# Net interest income & margins

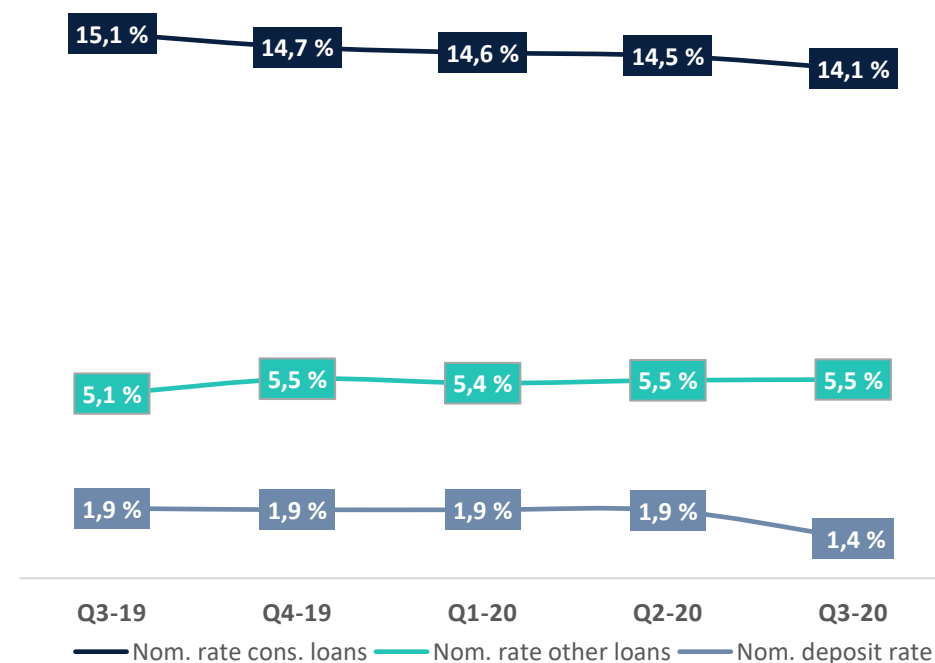
## Net interest income and net interest margin of total assets

NOK million / % of total assets



## Yields (end of quarter)

% of relevant balance

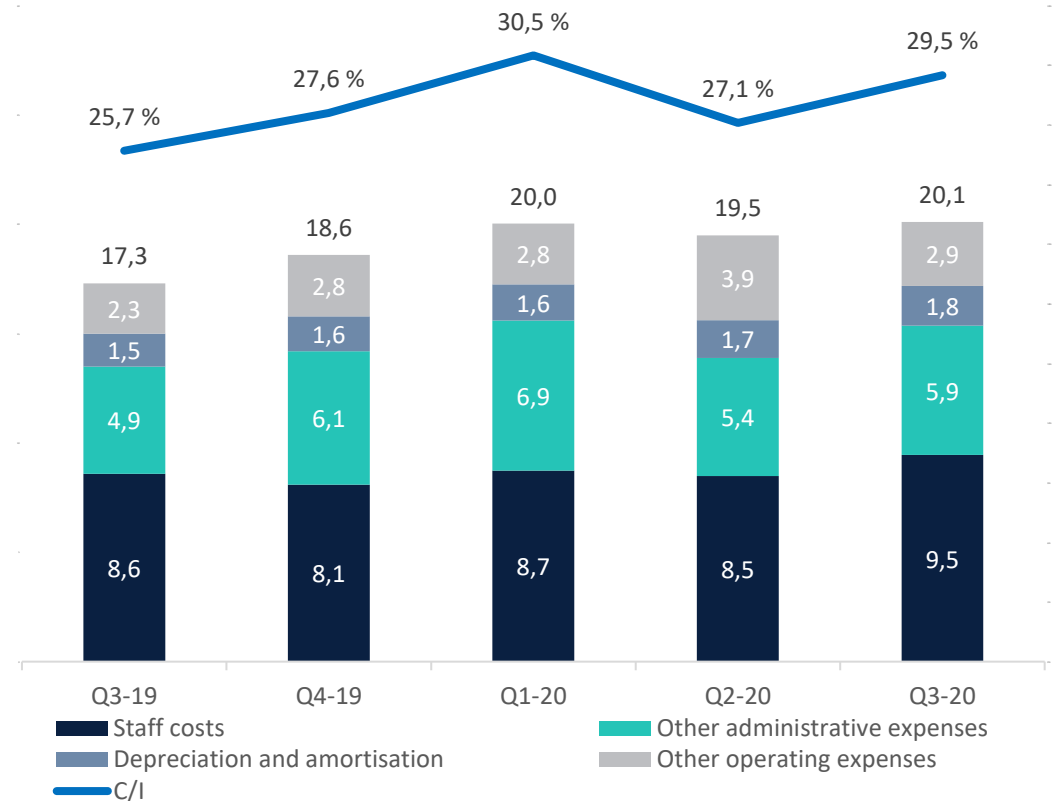


# Stable cost base with proven scalability

- NOK 2,0 million in extraordinary merger related costs
- Solid cost control
  - Stable OPEX since 2016 in range of NOK 17-20 million each quarter
- Highly competitive C/I-ratio
  - C/I 26,5% excluding merger related costs
- Operation model with proven scalability

## Operational expenses & C/I-ratio

NOK million

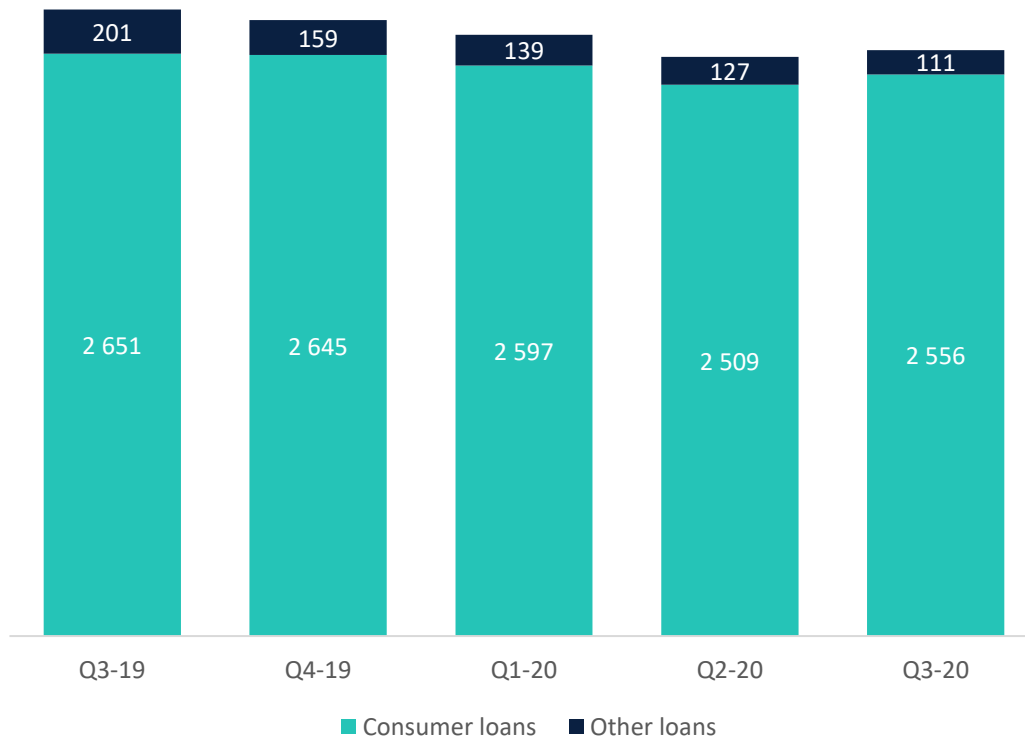




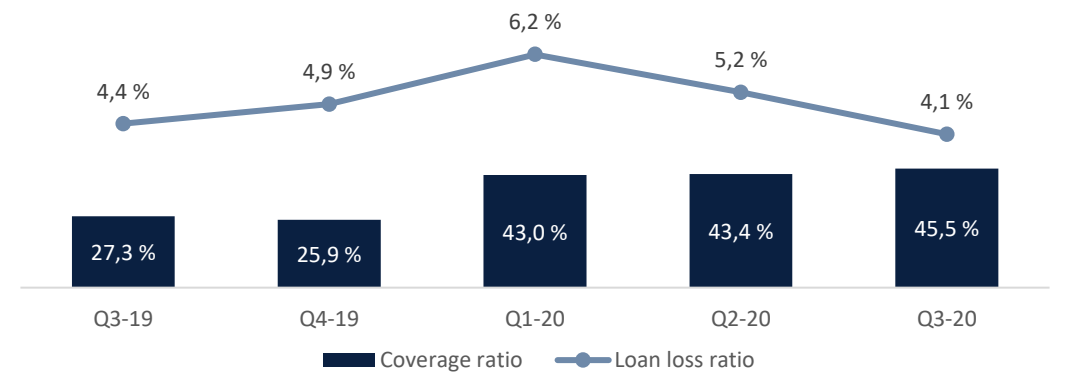
# Credit quality improved during Q3

## Gross lending

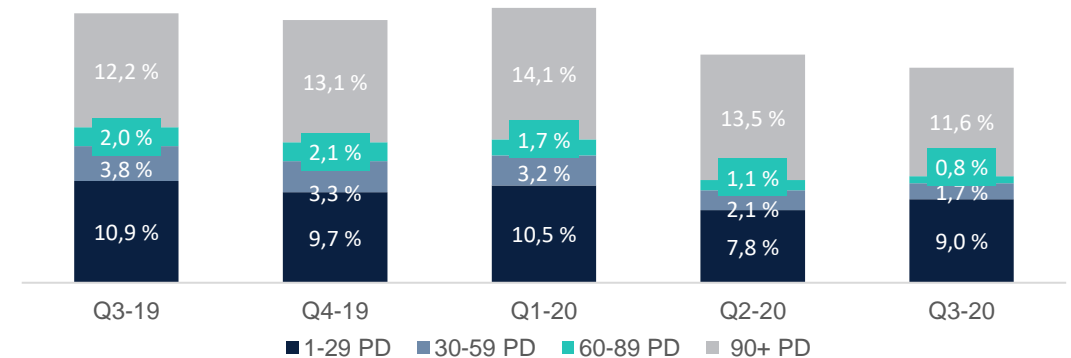
NOK million



## Coverage and loan loss ratio



## Loans past due





# Forward flow agreement with Kreditor extended

- Forward- flow agreement reduces downside risk as non-performing loans late in the collection process are sold on an ongoing basis to Kreditor to a pre-defined price
- Extension of existing agreement from July 2017
  - Agreement extended to end December 2023
  - Terms identical to original agreement





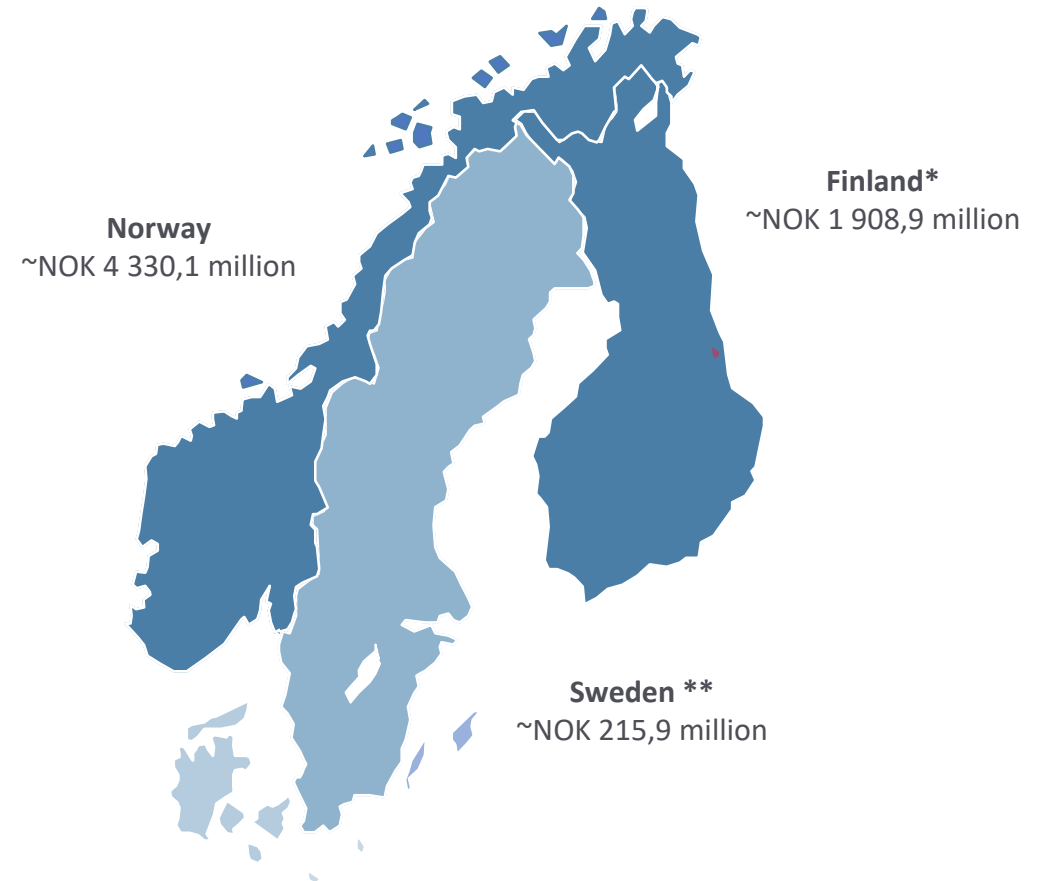
# ***BRA BANK***

Creating a leading digital niche bank in B2C and SME with a Nordic footprint

# Easybank and BRABank to join forces

## Gross loans – geographical mix Q3 2020

- Aspiration to become a leading digital niche bank B2C and B2B (SME segment) with a Nordic footprint
- Reaching critical volume and self-funding capability, to drive attractive return on equity and shareholder value
- Substantial economy-of-scale opportunities in a combined bank due to current double banking setup and high degree of overlap in IT systems
- Targeting one of the lowest cost/income ratios in the market



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\* EUR/NOK 11.1 \*\* SEK/NOK 105



# Key figures Q3\* - “New BRABank”

	easybank	<b>BRABANK</b>
<b>P&amp;L</b> (NOK mill)	<b>Q3-20</b>	<b>Q3-20</b>
Net interest income	59,1	71,1
OPEX (excl. extraordinary items)	18,1	39,6
Profit before tax (excl. extraordinary items)	24,4	11,4
Profit before tax (reported)	22,4	(47,0)
<b>Balance sheet</b> (NOK mill)	<b>Q3-20</b>	<b>Q3-20</b>
Gross lending	2 666,7	3 788,2
Equity	522,5	781,3
CET **	21,1%	19,1%



	<b>BRABANK</b> <i>Consolidated</i>
<b>P&amp;L</b> (NOK mill)	<b>Q3-20</b>
Net interest income	130,1
OPEX (excl. extraordinary items)	57,7
Profit before tax (excl. extraordinary items)	35,9
Profit before tax (reported)	(24,6)
<b>Balance sheet</b> (NOK mill)	<b>Q3-20</b>
Gross lending	6 454,9
Equity	1 303,8
BVPS***	NOK 12,97

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\* All numbers are unaudited    \*\* Including year-to-date (YTD) results

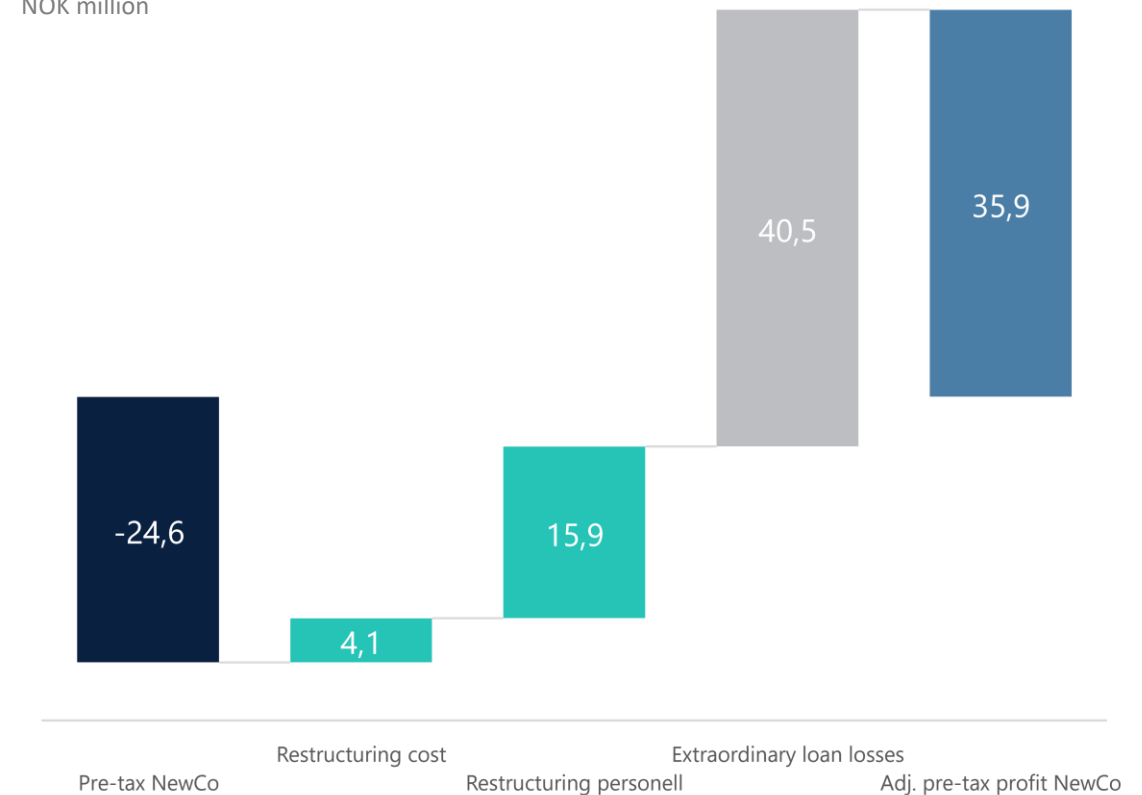
\*\*\* Book value of equity per share

# Underlying Performance «New BRABank» Q3

- Merger costs NOK 4,1 million
  - Merger costs (auditors, lawyers, financial support)
  - Listing cost Merkur Market - Oslo Stock Exchange
- Restructuring costs personnel NOK 15,9 million
  - Rightsizing organization
  - Resources moved to Oslo
- Extraordinary loan losses in “old” BRABank
  - Cross misuse in Norwegian portfolio
  - Alignment to Easybanks IFRS model
  - Updated risk model implemented in IFRS9 model for Finland
  - Uncertainties related to the stage 3 portfolio in Finland

## Adjusted Pre-tax profit “New” BRABank

NOK million



# A clear merger plan with defined targets

## PHASE 1: Year 1



Restructure and build the combined bank

- Establish the new organisation
- Create common value chain for consumer loans in the Nordics
- Simplify product portfolio to reduce complexity and cost
- Manage IT migrations and phase-outs
- Harmonise and utilise collection agreements

## PHASE 2: Year 2



Capitalise on synergies & reprising

- Quickly reach attractive profitability
- Capitalise on synergies to improve profitability
- Reach substantial self-funding capability
- Reprising of the combined bank as a leading digital niche bank

## PHASE 3: Year 2-3



Further expansion and potential public listing

- Deliver competitive ROE
- Utilise B2C and B2B setup to create a differentiated and robust business model
- Potential public listing of company
- Expand to more countries

**Estimated merger & restructuring costs NOK 62 million (June 2020) - On track**

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# Phase I: Restructure and build the combined bank

Year 1	Action	Costs (NOK mill)	Status
Merger and listing	<ul style="list-style-type: none"> <li>• Merger costs</li> <li>• Listing cost Merkur Market</li> </ul>	4,1 in Q3	✓
Establish the new organization	<ul style="list-style-type: none"> <li>• New management team and organization in place</li> <li>• Majority of restructuring costs taken in Q3</li> </ul>	15,9 in Q3	✓
Create common value chain for consumer loans in the Nordics	<ul style="list-style-type: none"> <li>• In process with harmonizing value chain across the Nordics</li> </ul>		✓
Simplify product portfolio to reduce complexity and cost	<ul style="list-style-type: none"> <li>• Started to evaluate product portfolio</li> <li>• Simplify product offering going forward</li> </ul>		✓
Manage IT migrations and phase-outs	<ul style="list-style-type: none"> <li>• No major IT integration needed, no down-time experienced</li> <li>• Migration of some portfolios in Q4</li> </ul>		✓
Harmonise and utilise collection agreements	<ul style="list-style-type: none"> <li>• Reuse of Easybank's approach to collection and collection processes across the Nordics</li> <li>• Process to harmonize and utilize collection agreements</li> </ul>		✓



# Spin off technology platform – Strategic agreement with Stacc

- Intellectual property rights issued to Stacc for commercialisation
  - Case procedure systems
  - Online banking
  - Credit card application system
- Revenue split of future revenues between Stacc & BRABank
  - Stacc will establish a subsidiary to ensure progress
- Partnership agreement established concerning systems maintenance



# Outlook

## 1. Execution of merger with BRABank

- *Affect cost savings*
- *Improve profitability*

## 2. Streamline New BRABank and improve competitive position

- *IT-systems and processes*
- *Leading Cost/income ratio*

## 3. Utilize efficient cross-border distribution model

- *Norway, Finland and Sweden*

## 4. Develop new sources of income

- *Focus on SME segment*

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# Appendix

*Creating a leading digital niche bank in  
B2C and SME with a Nordic footprint*

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# Income statement – Easybank

<i>(Amounts in thousands)</i>	NGAAP	NGAAP*	NGAAP	NGAAP*	NGAAP*
	Q3 2020	Q3 2019	YTD Q3 2020	YTD Q3 2019	Full year 2019
Interest income	71 705	85 662	222 405	256 021	340 690
Interest expense	-12 618	-16 069	-40 965	-47 359	-62 396
<b>Net interest income</b>	<b>59 087</b>	<b>69 593</b>	<b>181 440</b>	<b>208 663</b>	<b>278 294</b>
Comission and fee income	7 528	8 701	20 015	32 701	42 552
Comission and fee expenses	-995	-13 387	-2 850	-42 550	-57 035
Net change in value on securities and currency	2 467	2 030	7 185	5 023	7 459
Other income	68	4	68	111	111
<b>Net other income</b>	<b>9 068</b>	<b>-2 652</b>	<b>24 418</b>	<b>-4 715</b>	<b>-6 913</b>
<b>Total income</b>	<b>68 155</b>	<b>66 942</b>	<b>205 858</b>	<b>203 948</b>	<b>271 381</b>
Salary and other personell expenses	-9 457	-8 579	-26 690	-24 208	-32 284
Other administrative expenses	-5 908	-4 858	-18 169	-21 002	-27 148
- of which marketing expences	-92	-658	-1 411	-6 188	-7 578
Depreciation	-1 821	-1 506	-5 191	-4 363	-5 940
Other expenses	-2 923	-2 267	-9 583	-6 647	-9 440
<b>Total operating expenses</b>	<b>-20 109</b>	<b>-17 210</b>	<b>-59 632</b>	<b>-56 220</b>	<b>-74 812</b>
<b>Profit before loan losses</b>	<b>48 046</b>	<b>49 732</b>	<b>146 226</b>	<b>147 728</b>	<b>196 569</b>
Loan losses	-25 688	-27 957	-99 802	-81 713	-110 390
<b>Profit before tax</b>	<b>22 358</b>	<b>21 775</b>	<b>46 423</b>	<b>66 015</b>	<b>86 179</b>
Tax	-5 476	-5 444	-11 158	-16 504	-21 571
<b>Profit after tax</b>	<b>16 882</b>	<b>16 331</b>	<b>35 265</b>	<b>49 511</b>	<b>64 609</b>

\* IFRS9 implemented from January 2020, historical numbers have not been restated

# Balance sheet - Easybank

<i>(Amounts in thousands)</i>	<b>NGAAP</b>	<b>NGAAP*</b>	<b>NGAAP*</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>31.12.2019</b>
<b>Assets</b>			
Cash and deposits with the central bank	50 294	54 181	54 351
Loans and deposits with credit institutions	161 363	117 623	154 717
Loans to customers	2 666 704	2 852 534	2 804 258
- Loan impairment	-221 925	-93 595	-91 746
Certificates and bonds	0	0	0
Shares and other securities	749 566	554 681	457 112
Shareholding in group companies	11 192	11 148	11 192
Deferred tax asset	26 890	0	135
Other intangible assets	20 862	20 371	20 471
Fixed assets	611	917	872
Other assets	7 656	4 820	9 451
Other receivables	3 610	75 351	73 814
<b>Total assets</b>	<b>3 476 823</b>	<b>3 598 032</b>	<b>3 494 628</b>
<b>Equity and liabilities</b>			
Loan from central bank	135 000	0	0
Deposits from customers	2 724 533	2 909 320	2 806 011
Other liabilities	43 505	45 514	39 090
Accrued expenses and deferred revenue	11 299	19 119	10 352
Tier 2 capital	40 000	75 000	75 000
<b>Total liabilities</b>	<b>2 954 336</b>	<b>3 048 953</b>	<b>2 930 452</b>
Share capital	94 813	331 707	331 707
Share premium reserve	364 097	127 092	127 092
Tier 1 capital	25 000		0
Other paid-in equity	7 211	7 159	7 159
Other equity	31 365	83 121	98 218
<b>Total equity</b>	<b>522 487</b>	<b>549 078</b>	<b>564 176</b>
<b>Total equity and liabilities</b>	<b>3 476 823</b>	<b>3 598 032</b>	<b>3 494 628</b>

\* IFRS9 implemented from January 2020, historical numbers have not been restated

# P&L combined entity\* (before merger)

- Reported profit and loss statement for Easybank and BRABank per Q3 2020
- Operating expenses and loan losses affected by restructuring costs and extraordinary loan losses
- Combined Q3 2020 profit before tax of NOK 35,9 million, excluding restructuring&merger costs and extraordinary loan losses

	Easybank			BRABank			Combined
	Q1 2020	Q2 2020	Q3 2020	Q1 2020	Q2 2020	Q3 2020	Q3 2020
<i>(Amounts in thousands)</i>							
Interest income	76 746	73 954	71 705	98 450	90 636	84 007	155 712
Interest expense	14 347	14 000	12 618	14 794	12 771	12 954	25 572
<b>Net interest income</b>	<b>62 399</b>	<b>59 954</b>	<b>59 087</b>	<b>83 656</b>	<b>77 865</b>	<b>71 053</b>	<b>130 140</b>
Comission and fee income	6 501	5 987	7 528	6 442	4 917	4 970	12 498
Comission and fee expenses	885	969	995	1 683	812	965	1 960
Net change in value on securities and currency	-2 226	6 944	2 467	1 206	-4 525	3 266	5 734
Other income	0	0	68	0	0	0	68
Net other income	3 389	11 961	9 068	5 965	-420	7 272	16 340
<b>Total income</b>	<b>65 788</b>	<b>71 915</b>	<b>68 155</b>	<b>89 621</b>	<b>77 445</b>	<b>78 325</b>	<b>146 480</b>
Salary and other personell expenses	8 743	8 490	9 457	12 076	12 340	33 117	42 575
Other administrative expenses	6 863	5 398	5 908	24 571	17 981	18 036	23 944
Depreciation	1 645	1 726	1 821	6 522	6 439	6 427	8 248
Other expenses	2 782	3 877	2 923	0	0	0	2 923
<b>Total operating expenses</b>	<b>20 033</b>	<b>19 490</b>	<b>20 109</b>	<b>43 169</b>	<b>36 760</b>	<b>57 580</b>	<b>77 689</b>
Loan losses	40 819	33 295	25 688	58 270	23 143	67 750	93 437
<b>Profit before tax</b>	<b>4 936</b>	<b>19 129</b>	<b>22 358</b>	<b>-11 818</b>	<b>17 542</b>	<b>-47 005</b>	<b>-24 646</b>
Tax	1 234	4 448	5 476	-2 954	4 385	-11 739	-6 263
<b>Profit after tax</b>	<b>3 702</b>	<b>14 681</b>	<b>16 882</b>	<b>-8 864</b>	<b>13 157</b>	<b>-35 266</b>	<b>-18 384</b>

# Balance sheet combined entity\* (before merger)

- Combined gross loan balance of NOK 6,5 billion
- Combined equity of NOK 1,3 billion
- Strong liquidity position of NOK 2,5 billion

	Easybank			BRAbank			Combined
(Amounts in thousands)	31.03.20	30.06.20	30.09.20	31.03.20	30.06.20	30.09.20	30.09.20
<b>Assets</b>							
Cash and deposits with the central bank	123 492	50 342	50 294	0	0	0	50 294
Loans and deposits with credit institutions	204 431	328 664	161 363	45 436	48 003	85 031	246 393
Loans to customers	2 735 395	2 635 836	2 666 704	4 318 932	3 895 123	3 788 191	6 454 895
- Loan impairment	-222 430	-223 369	-221 925	-350 216	-359 233	-424 467	-646 393
Shares and other securities	476 179	608 217	760 758	1 389 585	1 788 654	1 458 865	2 219 623
Shareholding in group companies	11 192	11 192	11 192	0	0	0	11 192
Deferred tax asset	33 454	29 006	26 890	107 406	103 021	114 772	141 663
Other intangible assets	21 442	20 433	20 862	73 202	69 919	64 860	85 722
Fixed assets	859	750	611	11 793	10 590	9 303	9 914
Financial derivatives	0	0	0	0	11 478	15 131	15 131
Other assets	7 386	5 544	7 656	0	0	0	7 656
Other receivables	5 594	4 171	3 610	18 728	10 851	3 067	6 677
<b>Total assets</b>	<b>3 385 803</b>	<b>3 459 594</b>	<b>3 476 823</b>	<b>5 614 866</b>	<b>5 578 406</b>	<b>5 114 751</b>	<b>8 591 574</b>
<b>Equity and liabilities</b>							
Loan from central bank	95 000	135 000	135 000	0	0	0	135 000
Deposits from customers	2 708 272	2 737 411	2 724 533	4 688 086	4 644 921	4 202 852	6 927 384
Other liabilities	32 878	34 224	43 505	52 362	51 634	66 192	109 697
Financial derivatives	0	0	0	4 697	0	0	0
Accrued expenses and deferred revenue	11 073	10 266	11 299	0	0	0	11 299
Tier 2 capital	40 000	40 000	40 000	64 282	64 340	64 398	104 398
<b>Total liabilities</b>	<b>2 887 223</b>	<b>2 956 901</b>	<b>2 954 336</b>	<b>4 809 427</b>	<b>4 760 895</b>	<b>4 333 442</b>	<b>7 287 778</b>
Share capital	331 799	331 799	331 799	125 184	125 184	125 184	456 983
Share premium reserve	127 111	127 111	127 111	755 567	755 554	755 554	882 665
Tier 1 capital	35 000	25 000	25 000	49 582	49 625	49 668	74 668
Other paid-in equity	7 177	7 194	7 211	223	223	223	7 434
Other equity	-2 507	11 588	31 365	-125 117	-113 075	-149 319	-117 953
<b>Total equity</b>	<b>498 580</b>	<b>502 693</b>	<b>522 487</b>	<b>805 439</b>	<b>817 511</b>	<b>781 309</b>	<b>1 303 796</b>
<b>Total equity and liabilities</b>	<b>3 385 803</b>	<b>3 459 594</b>	<b>3 476 823</b>	<b>5 614 866</b>	<b>5 578 406</b>	<b>5 114 751</b>	<b>8 591 574</b>

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\* All numbers are unaudited



# Shareholder base – “New BRABank”

## Top 30 shareholder as of 10 November 2020

#	Investor	Shares	Shares %
1	Braganza AB	9 615 991	10,14 %
2	Hjellegjerde Invest AS	5 712 463	6,03 %
3	Skagerrak Sparebank	4 409 380	4,65 %
4	Verdipapirfondet Alfred Berg	3 844 349	4,06 %
5	Banque Internationale À Luxembourg	3 483 313	3,67 %
6	Fondsavanse AS	3 072 986	3,24 %
7	Umico - Gruppen AS	2 618 779	2,76 %
8	Ladegaard AS	2 581 654	2,72 %
9	Farvatn Private Equity AS	2 540 163	2,68 %
10	Skandinaviska Enskilda Banken AB	2 197 651	2,32 %
11	Songa Capital AS	1 945 665	2,05 %
12	Shelter AS	1 945 486	2,05 %
13	Raiffeisen Bank International AG	1 879 972	1,98 %
14	Lindbank AS	1 838 007	1,94 %
15	MP Pensjon PK	1 701 677	1,80 %
16	Netrom AS	1 611 371	1,70 %
17	Nordic Private Equity AS	1 393 840	1,47 %
18	HSBC Bank Plc	1 367 606	1,44 %
19	Jenssen & Co AS	1 287 879	1,36 %
20	Krogsrud Invest AS	1 250 000	1,32 %
21	Jolly Roger AS	1 149 074	1,21 %
22	Thon Holding AS	1 081 211	1,14 %
23	Independent Oil & Resources Plc	890 000	0,94 %
24	Bara Eiendom AS	883 179	0,93 %
25	7Fjell Ventures AS	826 581	0,87 %
26	Byholt AS	767 159	0,81 %
27	Sportsmagasinet AS	752 811	0,79 %
28	Whitetail Webservice Ltd	705 009	0,74 %
29	Roger Jørgensen	620 701	0,65 %
30	Trippel-L AS	611 118	0,64 %
<b>Total top 30</b>		<b>64 585 075</b>	<b>68,13 %</b>
Other		30 209 305	31,87 %
<b>Total</b>		<b>94 794 380</b>	

- 1 756 shareholders as of 10 November 2020
- The BRA-ME share was registered on Merkur Market on 2 October 2020
- Management holds a total of 3,025,070 shares, corresponding to 3,2% of shares outstanding
- Members of the board represents a total of 2,956,615 shares, corresponding to 3,1% of shares outstanding.
- Current market capitalization of approx. MNOK 615