

# 3rd quarter 2022 results presentation

Lea bank ASA

October 27<sup>th</sup> 2022

**Lea**  
bank



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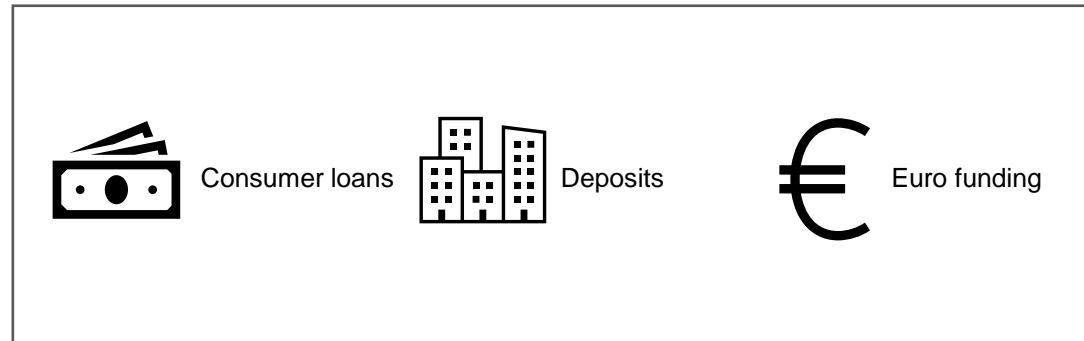
# Lea bank ASA at a glance

## Digital niche bank with a Nordic 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, ~1,400 shareholders. Braganza AB largest shareholder. Other large shareholders include Alfred Berg Norge/Aktiv, Hjellegjerde Invest, Skagerrak Sparebank and Fondsavanse

### Product portfolio



### ...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 6,090 MNOK – geographical mix Q3 2022



# Q3 2022 highlights

## Surpassing 6 billion in gross loans

### Financials



- Profit before tax 37.0 MNOK (profit after tax 28.6 MNOK)
- Positive trend in gross loans - growth of 252 MNOK
- CET1 Capital ratio 23.1% (incl. YTD profit)

### Credit quality



- Higher provisions to reflect increased uncertainty in macro conditions
- Downside risk mitigated by forward flow agreements in Norway and Finland

### Capital



- Call of tier 1 & 2 capital in September totalling 44 MNOK
- Awaiting update on new Pilar 2 requirement from the FSA

### Key financial figures, MNOK

	Q3-22	2022 YTD	2021
<i>Interest income</i>	140.3	401.8	531.2
<i>PBT</i>	37.0	114.7	170.1
<i>ROE, annualized</i>	8.8%	9.1%	10.7%
<i>ROE adj.<sup>1</sup>, annualized</i>	11.0%	11.6%	13.2%
<i>EPS, annualized</i>	1.21	1.23	1.35
<i>EPS pre-tax, annu.</i>	1.56	1.61	1.79
<i>C / I</i>	31.0%	31.9%	34.1%
<i>Gross loans</i>	6,090	6,090	5,489

<i>Equity<sup>2</sup></i>	<i># of shares</i>	<i>BVPS</i>
1,314	94,840,526	13.85 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

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

2) Equity excluding tier 1 capital

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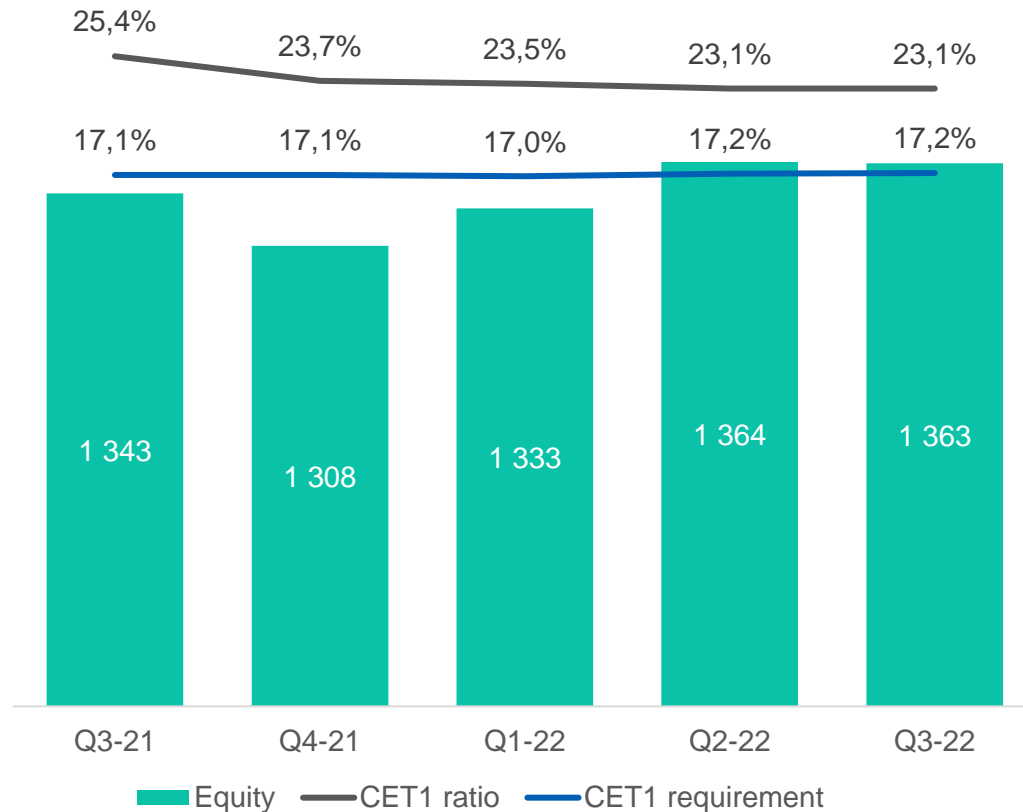
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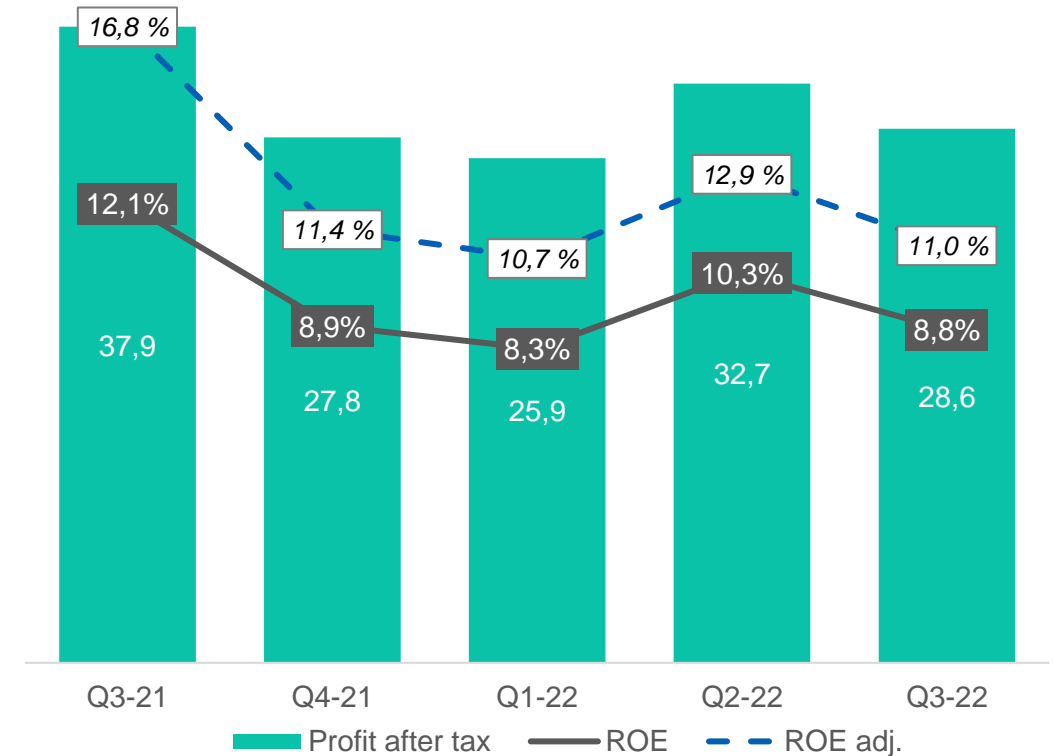
# Strong capital buffer and continuous profit generation

## Well above capital requirement

Equity and CET1 ratio<sup>1</sup>, MNOK



Profit after tax and Return on Equity, MNOK



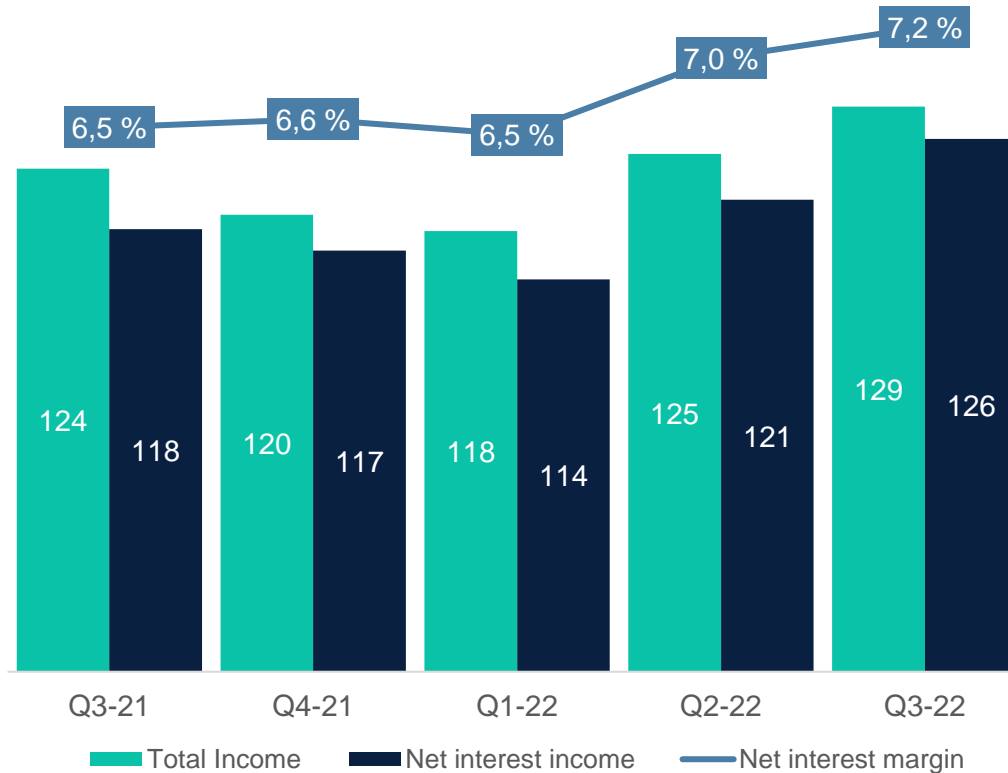
1) CET1 ratios for Q1, Q2 and Q3 include YTD unaudited profit

# Stable yield development

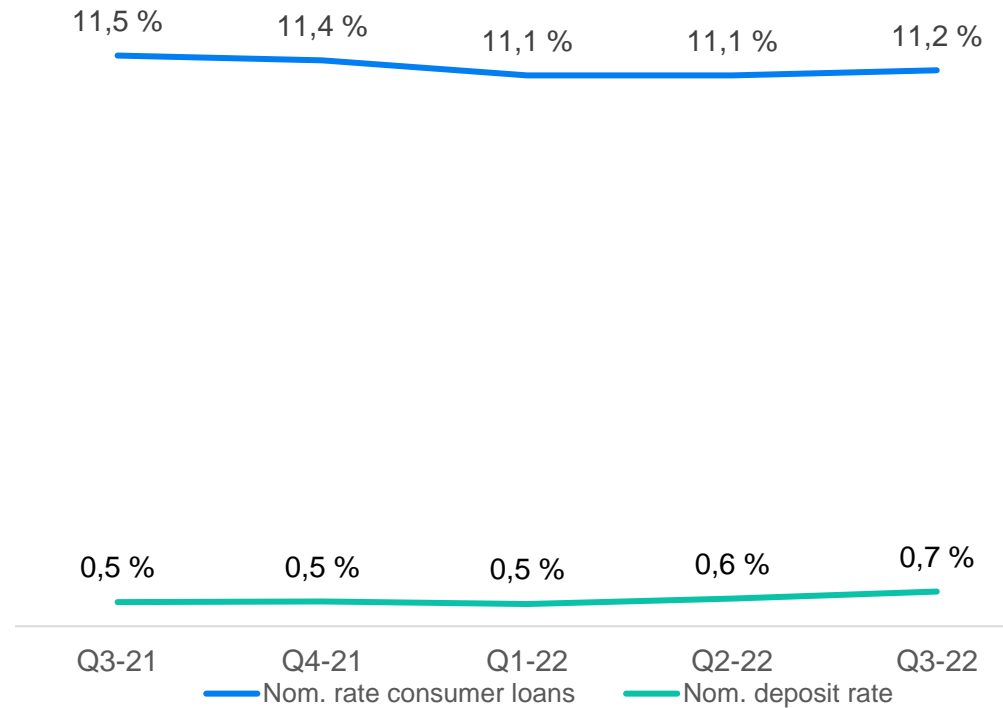
Margin pressure in Norway offset by positive development in Finland

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

MNOK / % of total assets



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



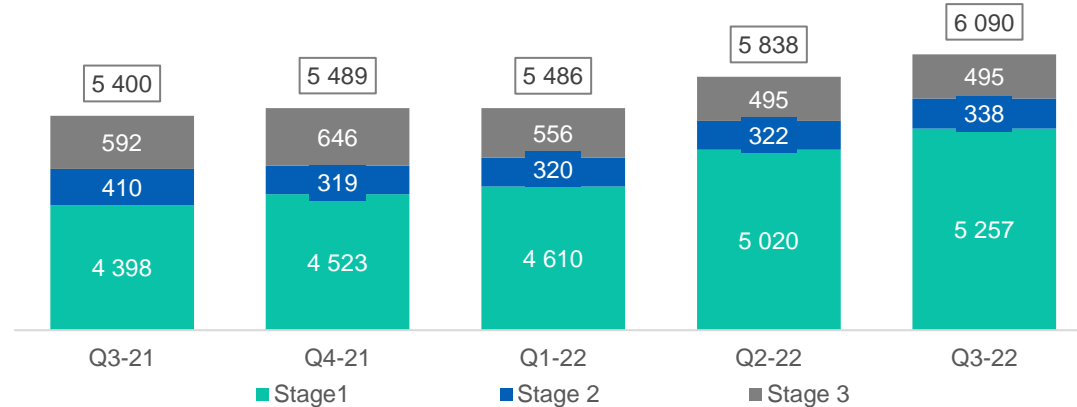
1) All figures are end of quarter and nominal



# Increased interest-bearing portfolio

## Share of volumes outside of Norway continue to increase

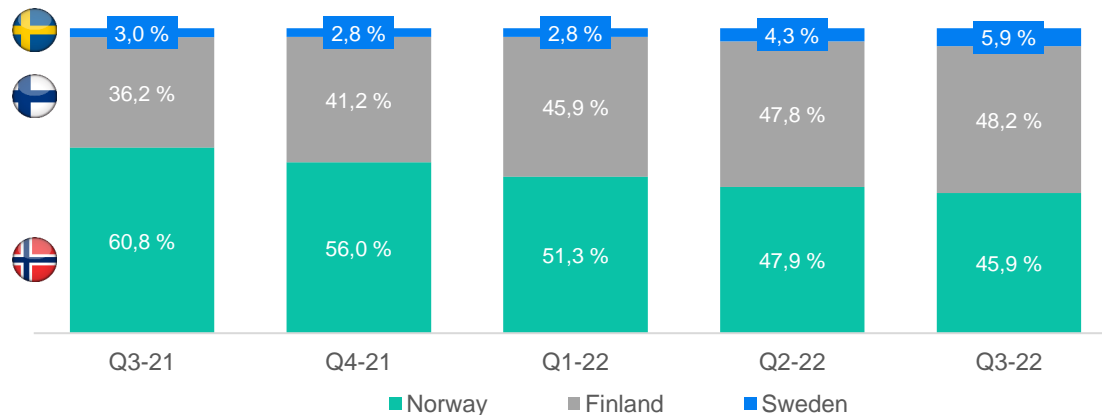
### Gross lending, MNOK



### Comments

- Gross loans increased by 252 MNOK from last quarter, stage 1 portfolio increased by 237 MNOK
- Increasing gross loans in Finland and Sweden, stabilizing development in Norway
- Volumes outside of Norway represent 54.1% - following strategic focus on international markets

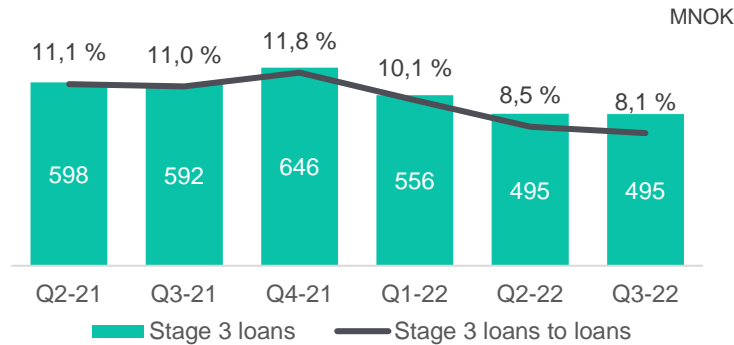
### Geographical mix, gross loans



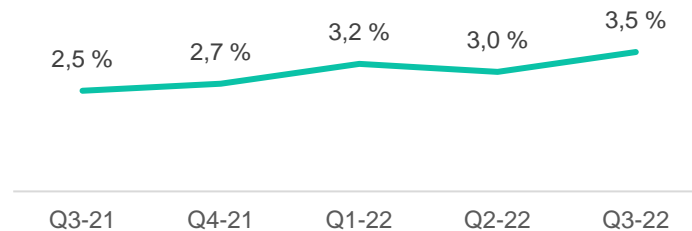
# Credit quality development

Increased uncertainty driven by macro conditions

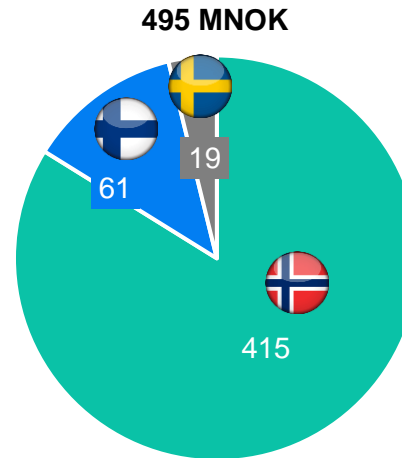
## Improvement in stage 3 ratio



## Loan loss ratio



## Stage 3 allocation per country, Q3 2022



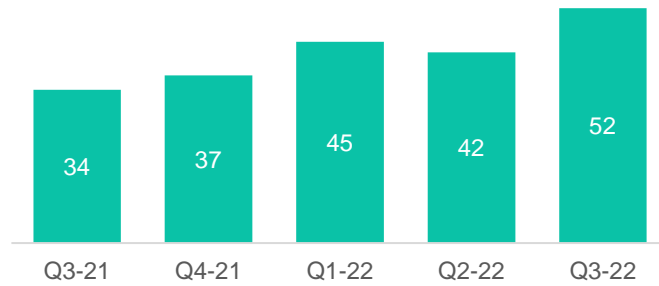
- **Norway:** Covered by the forward flow agreement with Kreditor since 2017 – selling late in the collection process
- **Finland:** Forward flow agreement in place - selling early in the collection process
- **Sweden:** The stage 3 portfolio was sold February 2022

## Comments on credit quality development

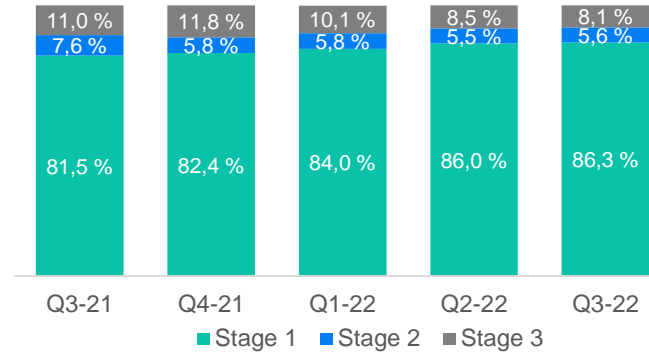
- Higher loan allowance in Finland as a result of increased uncertainty around macro conditions
- Forward flow in Norway and Finland contribute to keep the stage 3 ratio low
- Continuous de-risking of portfolio resulting in stage 3 ratio of 8.1% by end of Q3
- Since 2021 Lea bank has sold defaulted loans with outstanding claims of ~1,100 MNOK neutral P&L impact. This reduces uncertainty and confirms provisions levels

# Credit quality overview

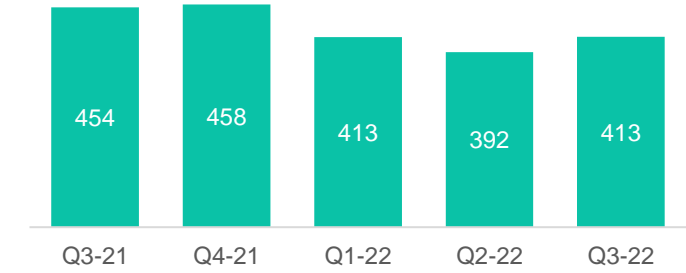
## Loan losses, MNOK



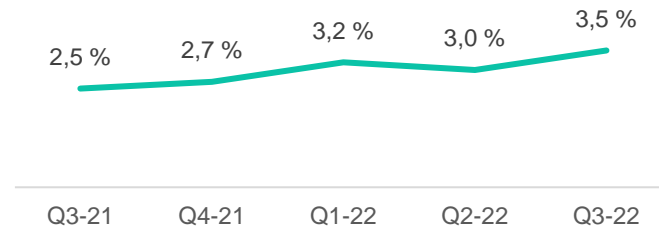
## Stage allocation



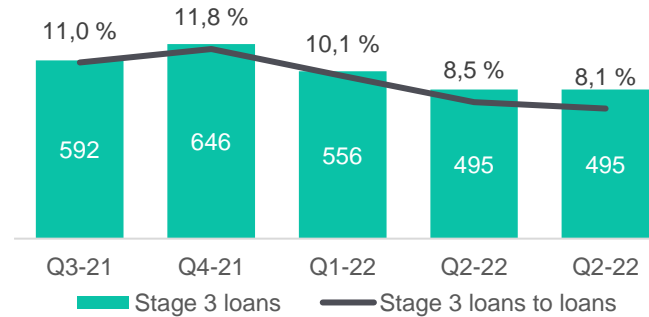
## Provisions, MNOK



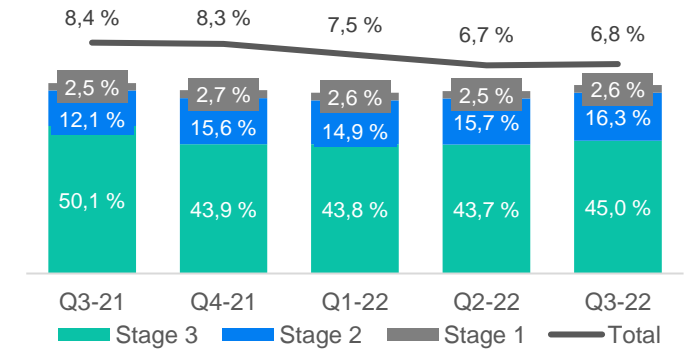
## Loan loss ratio<sup>1</sup>



## 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					
<i>Income Statement (Amounts in thousands)</i>	Q3-2022	Q2-2022	2022 YTD	Q3-2021	2021
Interest income	140,257	133,427	401,832	130,975	531,219
Interest expense	-13,932	-12,439	-40,388	-12,522	-60,382
<b>Net interest income</b>	<b>126,325</b>	<b>120,988</b>	<b>361,444</b>	<b>118,453</b>	<b>470,837</b>
Commission and fee income	7,896	7,097	20,580	7,186	28,803
Commission and fee expenses	-1,072	-1,361	-3,305	-2,059	-9,612
Net change in value on securities and currency	-4,082	-1,756	-6,407	223	-3,210
Other income	44	31	88	-83	678
<b>Net other income</b>	<b>2,786</b>	<b>4,011</b>	<b>10,956</b>	<b>5,267</b>	<b>16,659</b>
<b>Total income</b>	<b>129,111</b>	<b>124,999</b>	<b>372,400</b>	<b>123,720</b>	<b>487,496</b>
Salary and other personnel expenses	-15,700	-15,316	-46,939	-14,634	-62,907
Other administrative expenses	-19,831	-19,939	-58,913	-20,611	-84,671
- of which marketing expenses	-1,699	-923	-3,446	-1,173	-3,558
Depreciation	-2,600	-2,508	-7,559	-3,140	-12,366
Other expenses	-1,850	-1,565	-5,289	-996	-6,447
<b>Total operating expenses</b>	<b>-39,982</b>	<b>-39,328</b>	<b>-118,700</b>	<b>-39,381</b>	<b>-166,391</b>
<b>Profit before loan losses</b>	<b>89,129</b>	<b>85,671</b>	<b>253,700</b>	<b>84,339</b>	<b>321,105</b>
Loan losses	-52,123	-42,277	-138,956	-34,035	-151,001
<b>Profit before tax</b>	<b>37,006</b>	<b>43,394</b>	<b>114,744</b>	<b>50,305</b>	<b>170,104</b>
Tax	-8,393	-10,705	-27,495	-8,398	-42,030
<b>Profit after tax</b>	<b>28,613</b>	<b>32,689</b>	<b>87,249</b>	<b>37,879</b>	<b>128,074</b>

## Comments on income statement

- Profit after tax Q3-22 of 28.6 MNOK, compared to 37.9 MNOK last year
- Interest income in Q3-22 of 140.3 MNOK, compared to 131.0 MNOK last year – driven by higher volumes
- Interest expense in Q3-22 of 13.9 MNOK, compared to 12.5 MNOK last year – driven by higher funding cost and volumes
- OPEX in Q3-22 of 40.0 MNOK, compared to 39.4 MNOK last year – continuous strong cost focus
- C/I improved from 31.8% to 31.0% compared to last year
- Loan losses in Q3-22 of 52.1 MNOK compared to 34.0 MNOK last year, reflecting annual loss ratio of 3.5% compared to 2.5% last year

# Balance sheet

NGAAP			
Balance sheet (Amounts in thousands)	30.09.2022	30.09.2021	31.12.2021
<b>Assets</b>			
Cash and deposits with the central bank	50,154	49,991	49,980
Loans and deposits with credit institutions	190,562	169,229	351,774
Gross loans to customers	6,090,391	5,399,838	5,488,704
Loan loss provisions	-413,302	-454,084	-457,667
Certificates, bonds and other securities	985,827	1,644,786	1,514,166
Deferred tax asset	107,960	147,141	137,538
Other intangible assets	26,951	15,173	15,719
Fixed assets	7,613	11,825	10,204
Other assets	19,729	51,121	19,455
<b>Total assets</b>	<b>7,065,885</b>	<b>7,035,020</b>	<b>7,129,873</b>
<b>Equity and liabilities</b>			
Loan from central bank	0	0	0
Deposits from customers	5,545,223	5,510,527	5,568,411
Other liabilities	70,396	77,035	149,419
Tier 2 capital	87,522	104,092	104,203
<b>Total liabilities</b>	<b>5,703,141</b>	<b>5,691,655</b>	<b>5,822,033</b>
Share capital	189,681	189,589	189,589
Share premium reserve	660,322	659,989	659,989
Tier 1 capital	49,012	75,732	75,805
Other paid-in equity	12,944	9,631	11,404
Other equity	450,786	408,424	371,053
<b>Total equity</b>	<b>1,362,745</b>	<b>1,343,365</b>	<b>1,307,839</b>
<b>Total equity and liabilities</b>	<b>7,065,885</b>	<b>7,035,020</b>	<b>7,129,873</b>

## Comments on balance sheet

- Gross loans of 6,090 MNOK at 30.09.2022 compared to 5,400 MNOK 30.09.2021. Increase in stage 1 portfolio of 859 MNOK last 12 months
- Liquidity balance of 1,227 MNOK at 30.09.2022 compared to 1,864 at 30.09.2021, reduced according to plan
- Deferred tax assets of 108.0 MNOK driven by tax losses carried forward prior to the merger
- Solid capital base - CET1 of 23.1 % (incl. 2022 profit), compared to 30.09.2021 of 25.4 %
- Total equity of 1,363 MNOK, BVPS of 13.85 NOK

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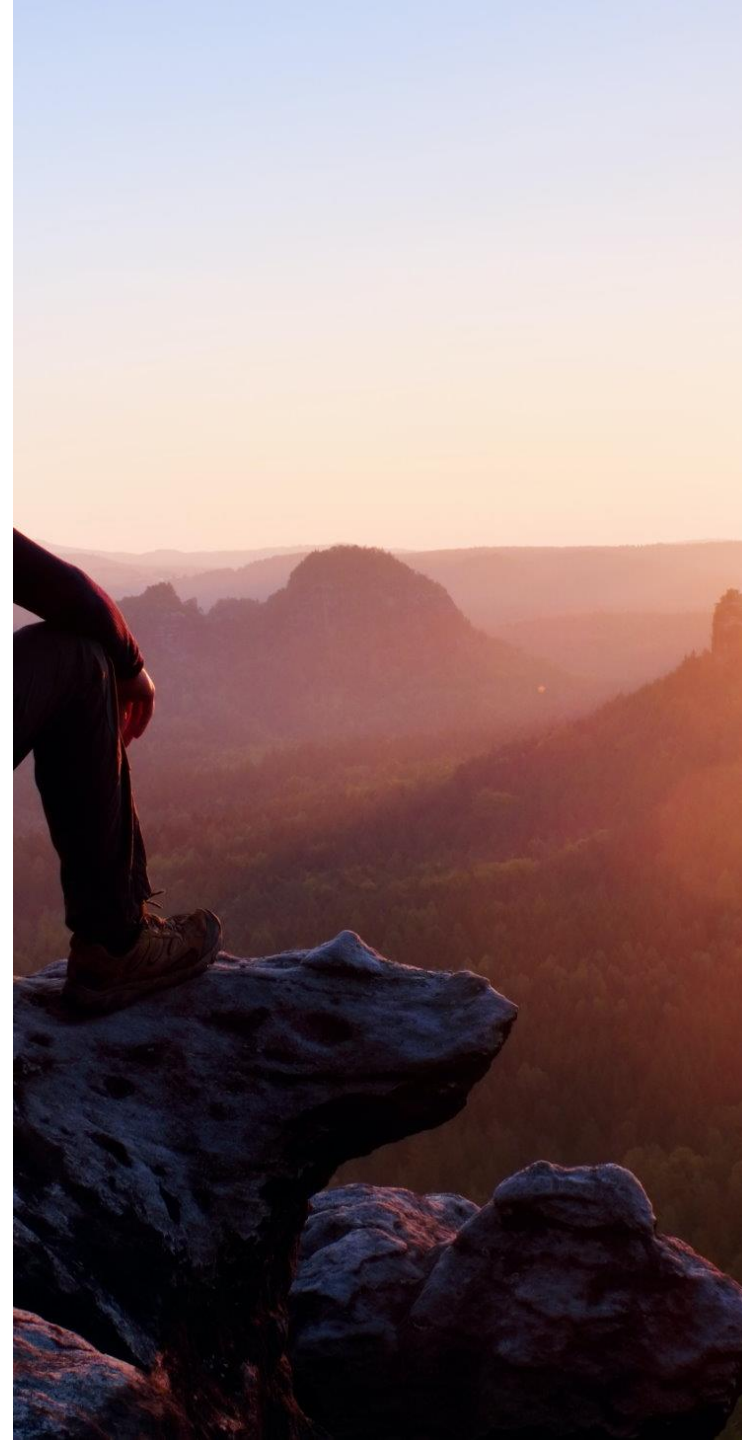
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## 2 Financial results Q3

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## 3 Outlook

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## Summary

- ✓ Strong growth - surpassing 6 billion in gross loans
- ✓ Continuous profit generation despite increased loan loss provisions
- ✓ Increased volatility in macro economic factors
- ✓ Well capitalized – CET1 of 23.1%
- ✓ Developed platform for international expansion

### Key figures, Q3 2022

Interest income	Profit before tax	Equity
140.3 MNOK	37.0 MNOK	1,363 MNOK

## Outlook

1 <b>Core markets</b>	<ul style="list-style-type: none"> <li>• Capitalize on increasing interest rates</li> <li>• Maintaining leading cost to income ratio</li> </ul>
2 <b>Credit risk</b>	<ul style="list-style-type: none"> <li>• Focus on mitigating stage 3 risk through forward flow agreements</li> <li>• Continue to monitor the second-hand market for defaulted loans</li> </ul>
3 <b>Regulatory framework</b>	<ul style="list-style-type: none"> <li>• Lea bank will initiate a redomiciliation project to explore strategic options to change domicile</li> <li>• Continue to capitalize on changing capital requirement regulations on volumes outside of Norway</li> </ul>
4 <b>International expansion</b>	<ul style="list-style-type: none"> <li>• Ready for launch in Spain</li> <li>• Focus on effective and controlled scaling</li> </ul>





# A

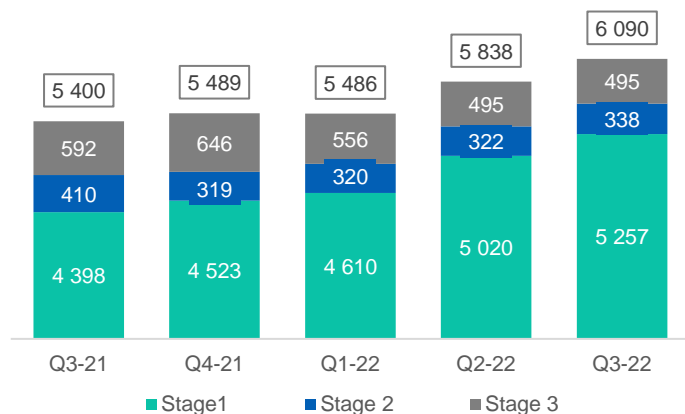
## Appendix



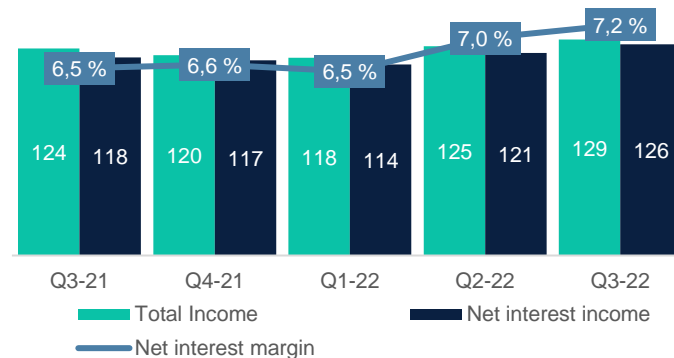
# Financial overview

## Figures in MNOK

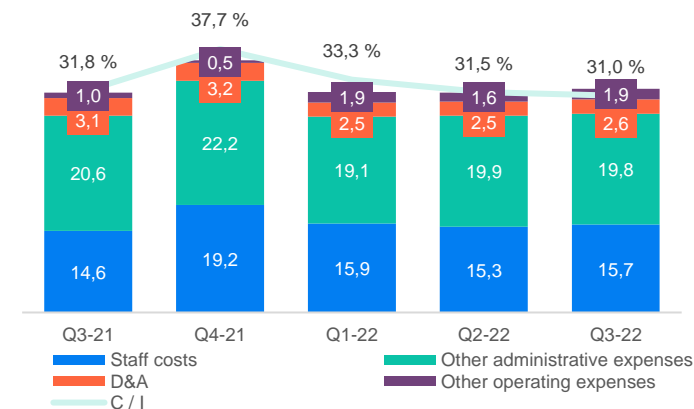
### Gross lending



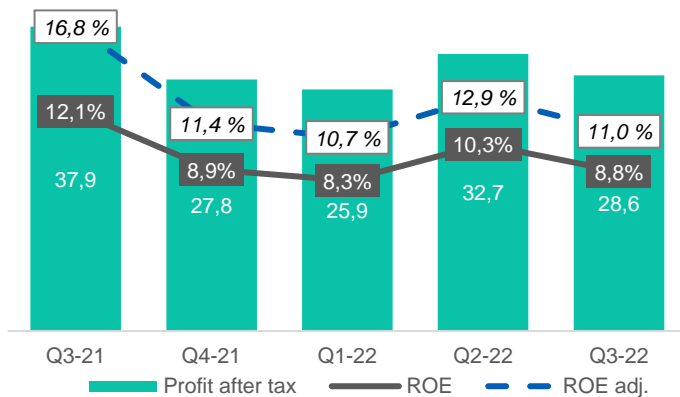
### Net income and margin of total margin



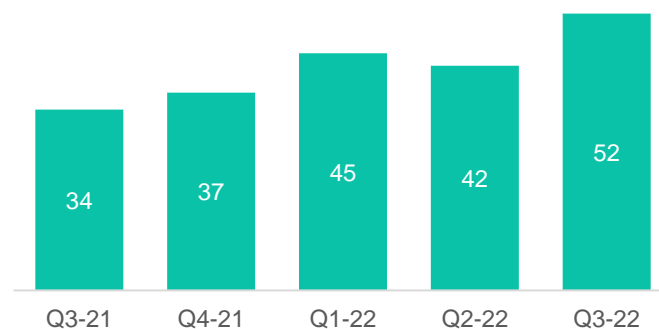
### Opex and Cost / Income



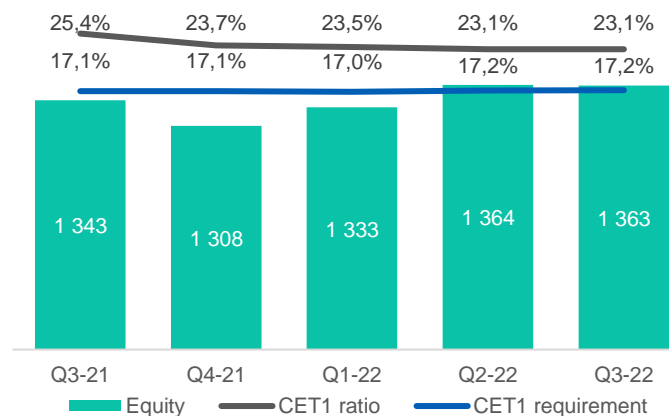
### Profit after tax and ROE<sup>1</sup>



### Loan losses



### Equity and CET1 ratio<sup>2</sup>



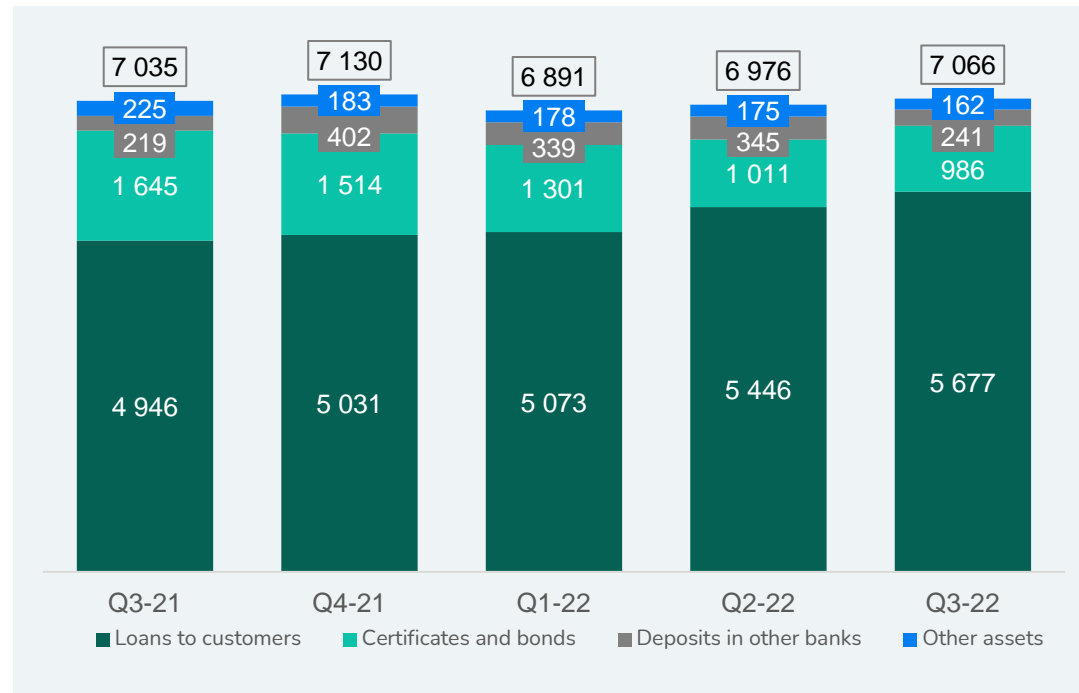
1) ROE adjusted subtracts excess capital from the calculation (capital req. + mgmt. buffer)

2) CET1 ratio includes YTD unaudited profit

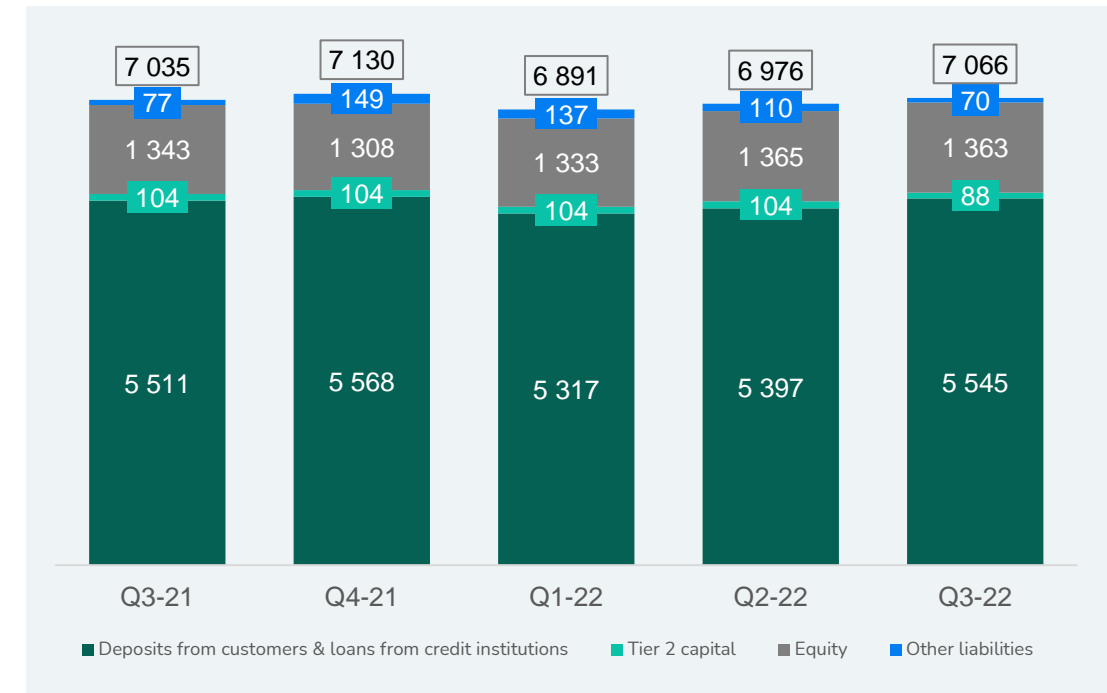
# Balance sheet structure

## Strong funding and liquidity position

### Total assets, MNOK



### Equity and liabilities, MNOK



- Deposit ratio: 98%
- Liquidity coverage ratio: 617% total (518% EUR, 141% SEK)
- Net stable funding ratio: 165% total

# Lea bank ASA shareholders

## Share price development

### Top 20 shareholder list as of October 14 2022

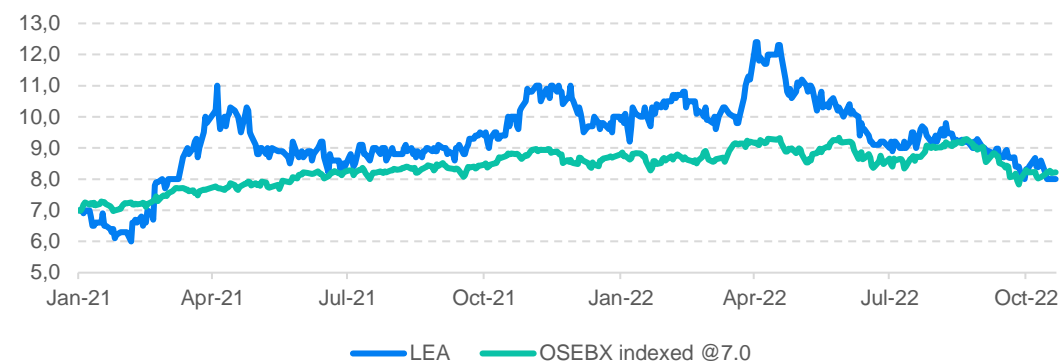
	Investor	Shares	Ownership
1	Braganza AB	10,383,899	10.9 %
2	Hjellegjerde Invest AS	7,600,000	8.0 %
3	Skagerrak Sparebank	4,409,380	4.6 %
4	Fondsavanse AS	3,371,048	3.6 %
5	Verdipapirfondet Alfred Berg Norge	3,088,045	3.3 %
6	Altitude Capital AS	3,077,380	3.2 %
7	Verdipapirfondet Alfred Berg Aktiv	2,719,589	2.9 %
8	Vida AS	2,581,654	2.7 %
9	Umico - Gruppen AS	2,168,779	2.3 %
10	Skandinaviska Enskilda Banken AB <sup>1</sup>	2,111,750	2.2 %
11	Shelter AS	1,945,486	2.1 %
12	Jenssen & Co AS	1,845,879	1.9 %
13	Lindbank AS	1,838,007	1.9 %
14	Verdipapirfondet Alfred Berg Norge	1,700,000	1.8 %
15	MP Pensjon PK	1,632,767	1.7 %
16	HSBC Bank Plc <sup>1</sup>	1,299,776	1.4 %
17	Krogsrud Invest AS	1,250,000	1.3 %
18	Jolly Roger AS	1,203,147	1.3 %
19	Thon Holding AS	1,081,211	1.1 %
20	DNB Bank ASA <sup>1</sup>	1,004,164	1.1 %
<b>Top 20 shareholders</b>		<b>56,311,961</b>	<b>59.4 %</b>
Other shareholders		38,528,565	40.6 %
<b>Total shares</b>		<b>94,840,526</b>	<b>100.0 %</b>

1) Nominee account

### Comments

- ~1,400 shareholders as of October 14 2022
- The Lea bank share (ticker LEA) was registered on Euronext Growth (former Merkur Market) on 2 October 2020
- Management holds a total of 978,079 shares, corresponding to 1.0% of shares outstanding
- Members of the board holds a total of 460,611 shares, corresponding to 0.5%
- Current market capitalization of ~800 MNOK

### Share price development – OSEBX indexed to Lea bank @ 01.01.21



# Lea bank ASA

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bank

