

# BRAbank ASA

## 4<sup>th</sup> quarter results presentation

18 February 2021



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# BRABank ASA at a glance

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## Creating a leading digital niche bank with a Nordic footprint

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

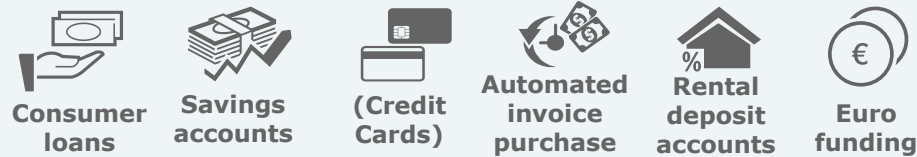
- Fully digital bank offering consumer loans, savings accounts, automated invoice purchase and SME financing
- Proven value chain with inhouse credit analysis and operations, broad distribution network and forward flow agreement with Kreditor
- Roots back to 2003. Rebranded to Easybank and strategically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

### ...enabled by the recent Easybank / BRABank merger

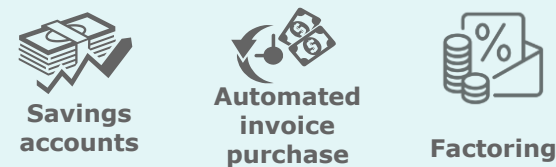
- Easybank and BRABank joined forces in October 2020 with Easybank as surviving entity - enabling a more competitive bank with substantial synergy upside, scaling opportunities and increased self-funding capabilities
- 44 000 loan/credit card customers - 21 600 deposits customers
- Listed on Euronext 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

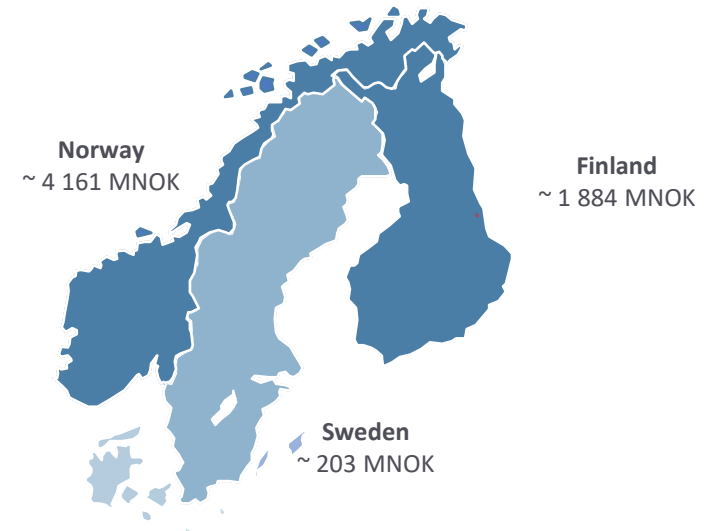
#### B2C



#### B2B



### Gross loans 6 248 MNOK – geographical mix Q4 2020



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## 1 Highlights and development Q4

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## 2 Financial results Q4





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## 3 Merger update and outlook

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# Q4 2020 highlights

<b>Financials</b>		<ul style="list-style-type: none"> <li>Profit before tax 325.1 MNOK                             <ul style="list-style-type: none"> <li>23.5 MNOK excluding extraordinary items</li> </ul> </li> <li>Total income 138.8 MNOK</li> <li>CET1 Capital ratio of 21.8%                             <ul style="list-style-type: none"> <li>Buffer provides operational flexibility</li> </ul> </li> </ul>
<b>Extraordinary items</b>		<ul style="list-style-type: none"> <li>Merger related badwill (negative goodwill)</li> <li>Write down of intangible assets</li> <li>Increased loan loss provisions</li> <li>Pre-merger tax effects</li> <li>Restructuring costs related to merger</li> </ul>
<b>Credit quality</b>		<ul style="list-style-type: none"> <li>Improvement in underlying credit quality</li> <li>Significantly lower inflow to debt collection</li> <li>Still uncertain long-term impact of Covid-19</li> </ul>
<b>Merger</b>		<ul style="list-style-type: none"> <li>Restructuring cost 25.5 MNOK (Q3&amp;Q4) - ~60% below merger plan estimate</li> <li>Rightsizing of organization completed</li> <li>Scalable business model starting to materialize</li> <li>Streamlining of value chain and cost synergies on track</li> </ul>

## Key financial figures, MNOK

	<i>Q4-20-adjusted<sup>1</sup></i>	<i>Q4-19</i>	<i>2020-adjusted<sup>1</sup></i>
<i>Interest income</i>	158.6	84.7	381.0
<i>PBT</i>	23.5	20.2	72.0
<i>ROE</i>	6.1%	10.9%	7.8%
<i>EPS</i>	0.76	1.27	0.71
<i>C / I</i>	32.0%	27.6%	29.6%
<i>Gross loans</i>	6 248	2 804	6 248
<b><i>Equity<sup>2</sup></i></b>	<b><i># of shares</i></b>	<b><i>BVPS</i></b>	
1 170	94 794 380	12.34 NOK	

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

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

IFRS9 implemented from January 2020, historical numbers have not been restated. Figures prior to merger are Easybank ASA

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

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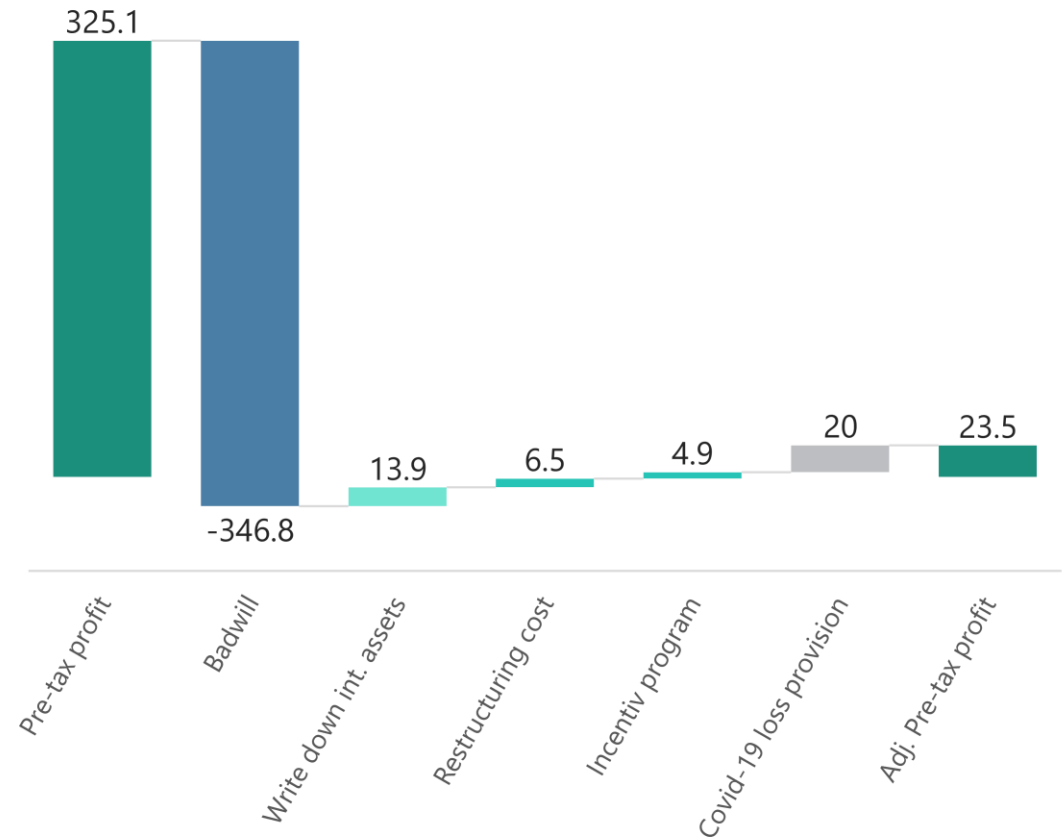
# Significant one-offs affecting underlying Q4 results

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## Comments

- Merger related badwill (negative goodwill) of 346.8 MNOK due to merger consideration being lower than former BRABank's book value
- Write down of intangible assets primarily due to updated assessment and valuation of IT and former BRABank/Monobank fintech investments
- Restructuring costs include severance payments, IT, office rental and merger integration (19 MNOK in Q3)
- Increased Covid-19 loan losses provision
- Merger one-offs expected to affect Q1 2021 are limited

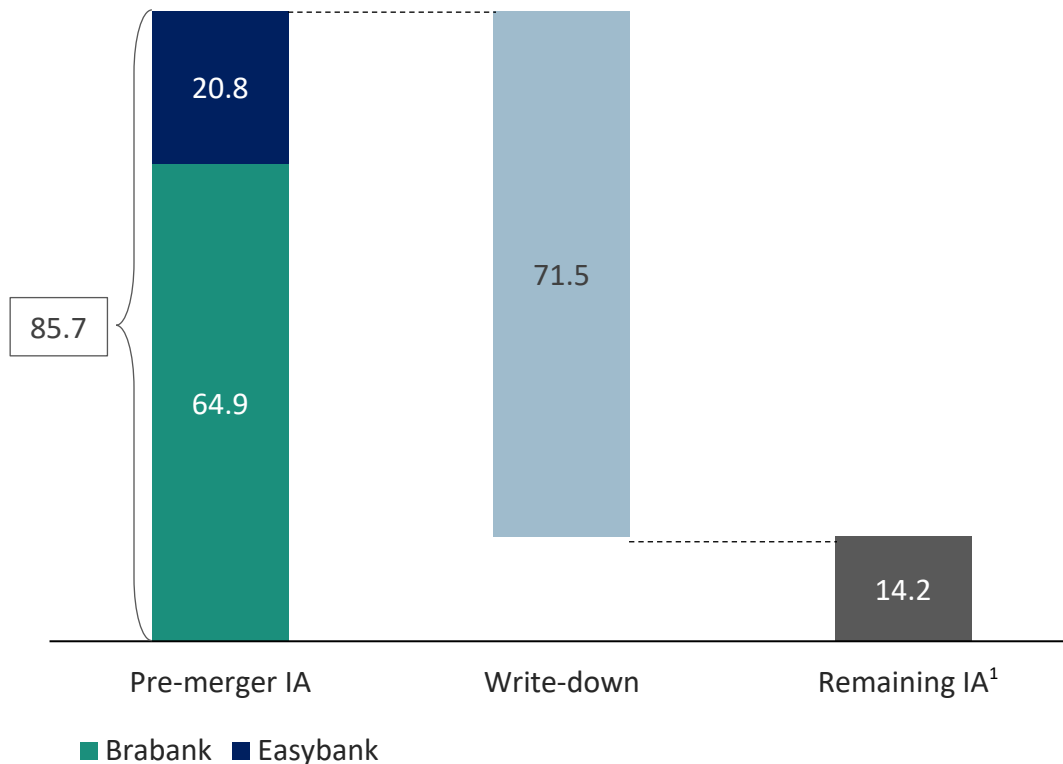
MNOK



# Write-down of intangible assets

## De-recognition of 71.5 MNOK assets related to the merger

### Intangible assets, MNOK



### Assessment of intangible assets

- The assets have been analysed and valued based on the future economic benefit it is expected to add to the new bank
- The two banks used, prior to the merger, different criteria for recognising and measuring intangible assets related to external and internal IT costs
- The analysis has identified a need to write down intangible assets with 71.5 MNOK, resulting in a remaining 14.2<sup>1</sup> MNOK of intangible assets on the balance sheet
- The write down partially reduced the equity 43.8 MNOK (after tax), while the remaining 13.9 MNOK impacted the P&L
- The write-down has no implication for CET1

1) As of opening balance 1 October 2020

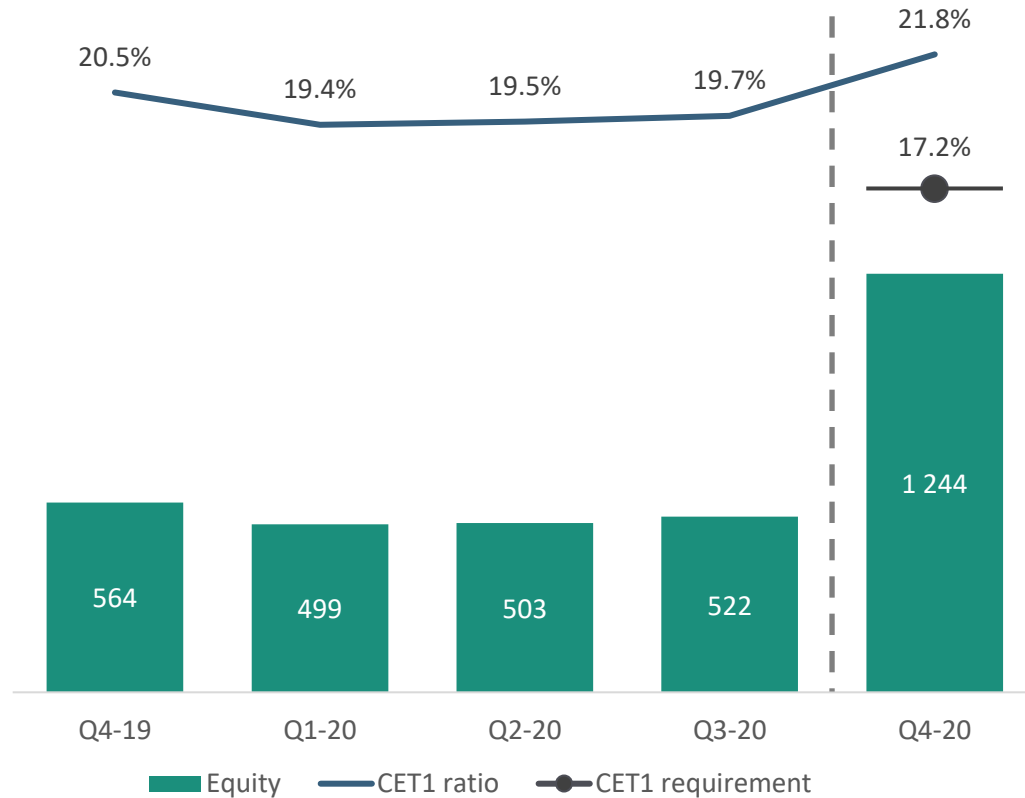


# Buffer to capital requirement

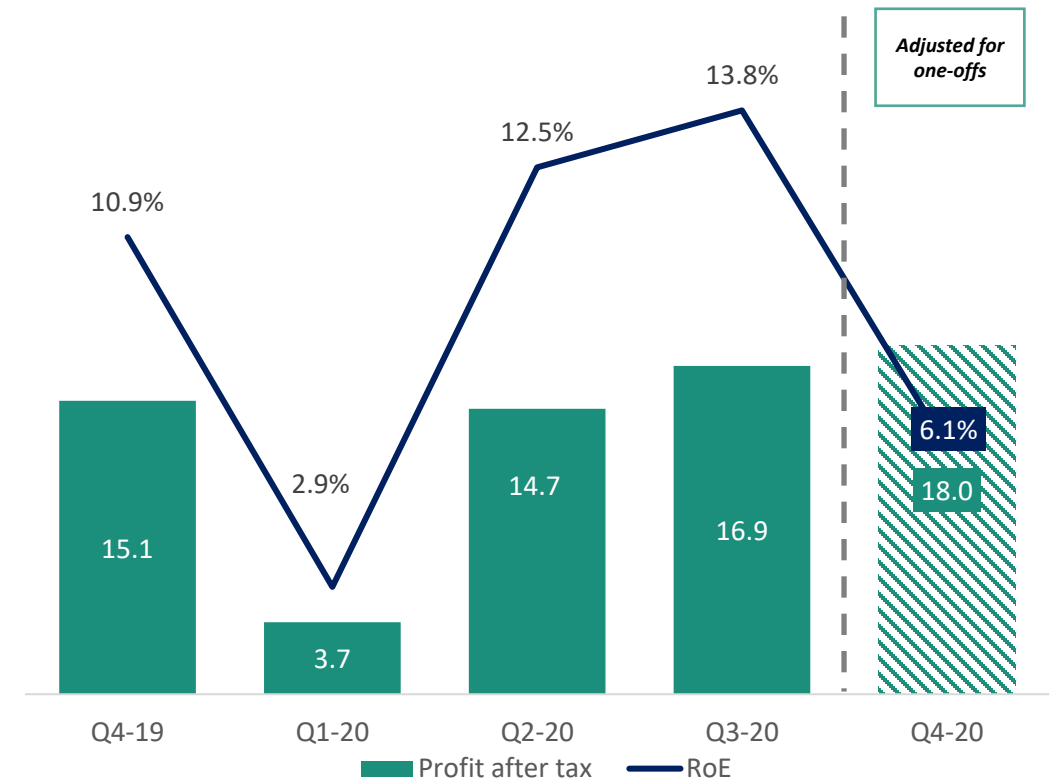
Provides operational flexibility

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Equity and CET1 ratio, MNOK



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



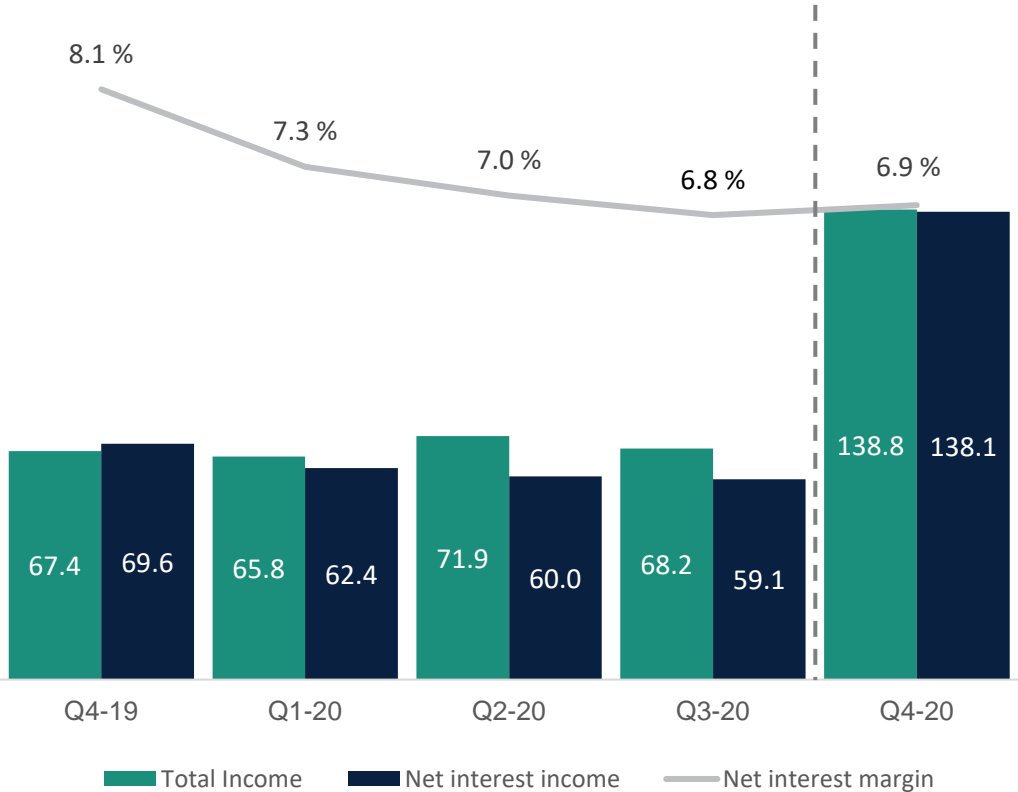
Note: All figures left of the dotted line are standalone Easybank throughout the presentation, if not stated otherwise

1) Equity used in the ROE calculation for Q4 is the average of the opening balance as of 1 October and 31 December

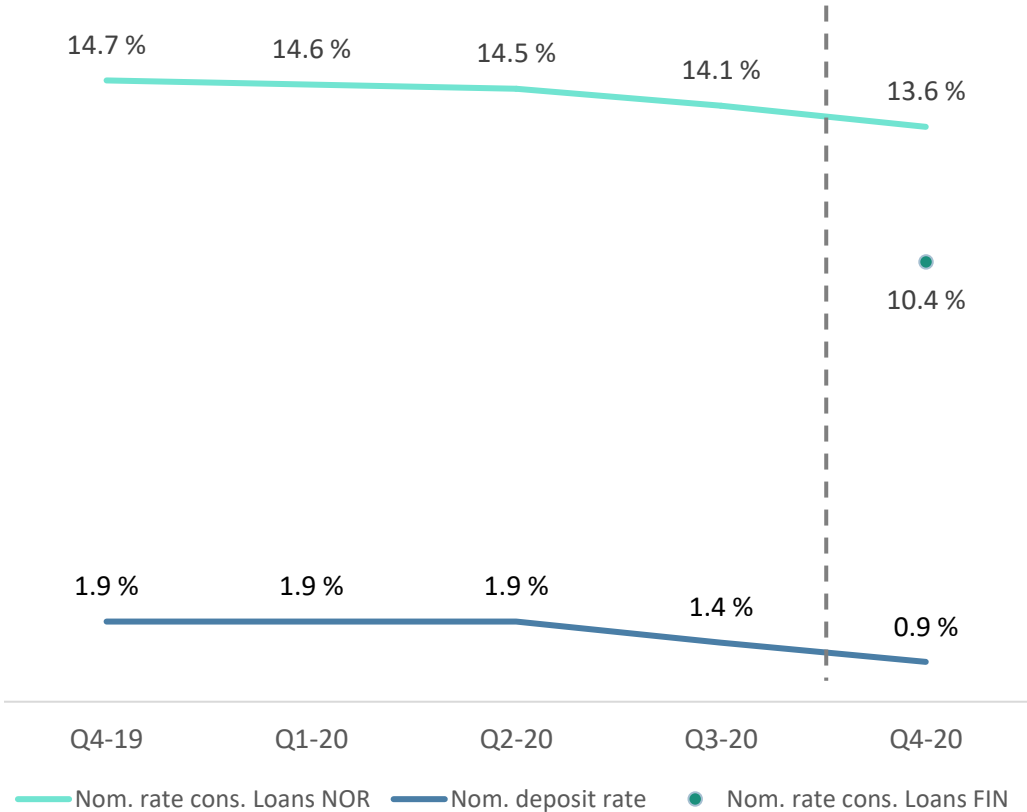
# Slight improvement in net interest margin

Net interest income and net interest margin of total assets

MNOK / % of total assets



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



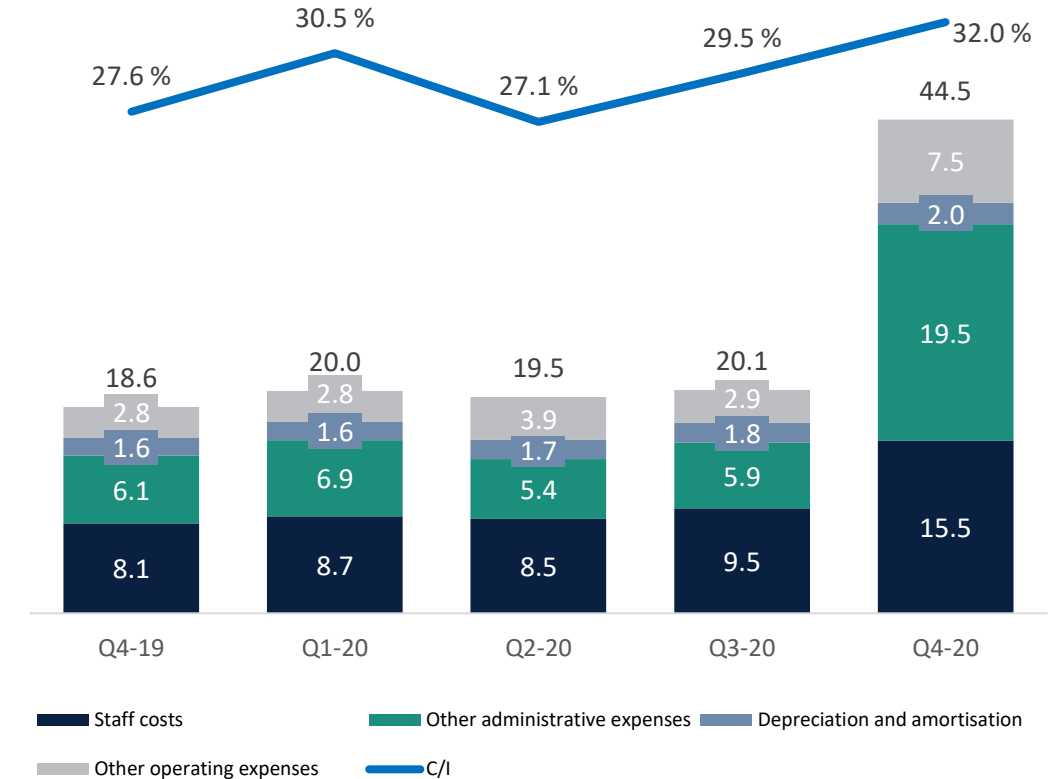
1) All figures are end of quarter and nominal

# New cost base with competitive C/I

- Rightsizing of the organisation completed
- New organisation in place end of October
- Underlying competitive C/I ratio at 32.0 %
- 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 expenses ex one-offs C/I-ratio

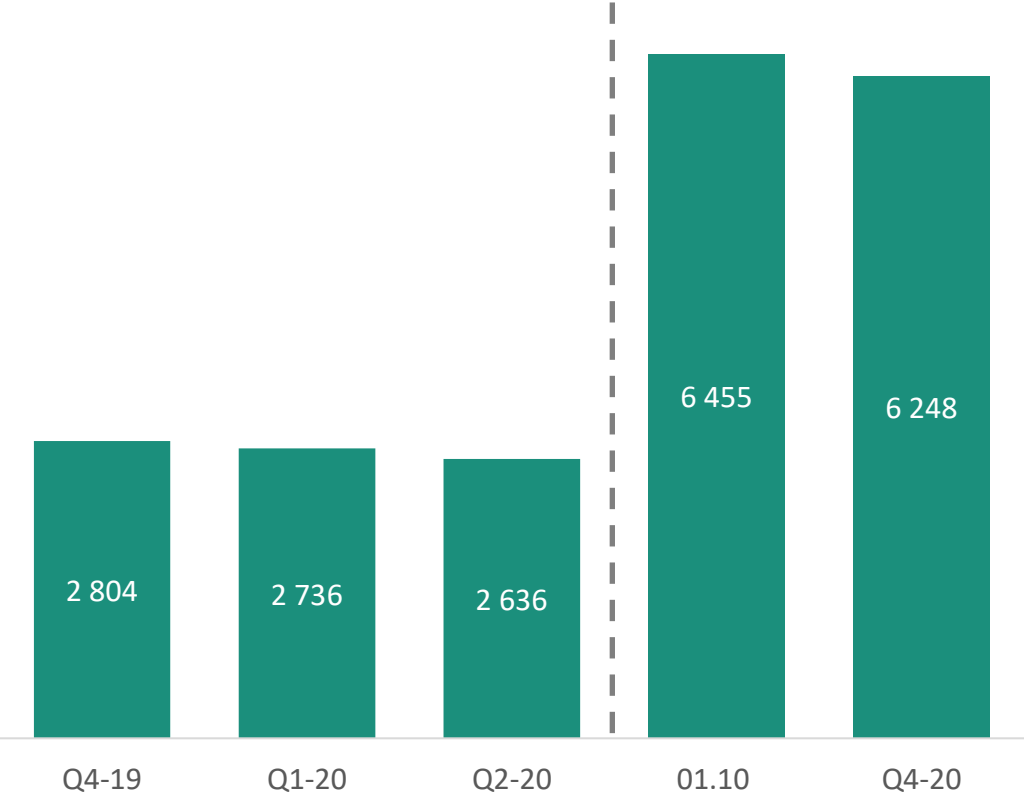
MNOK



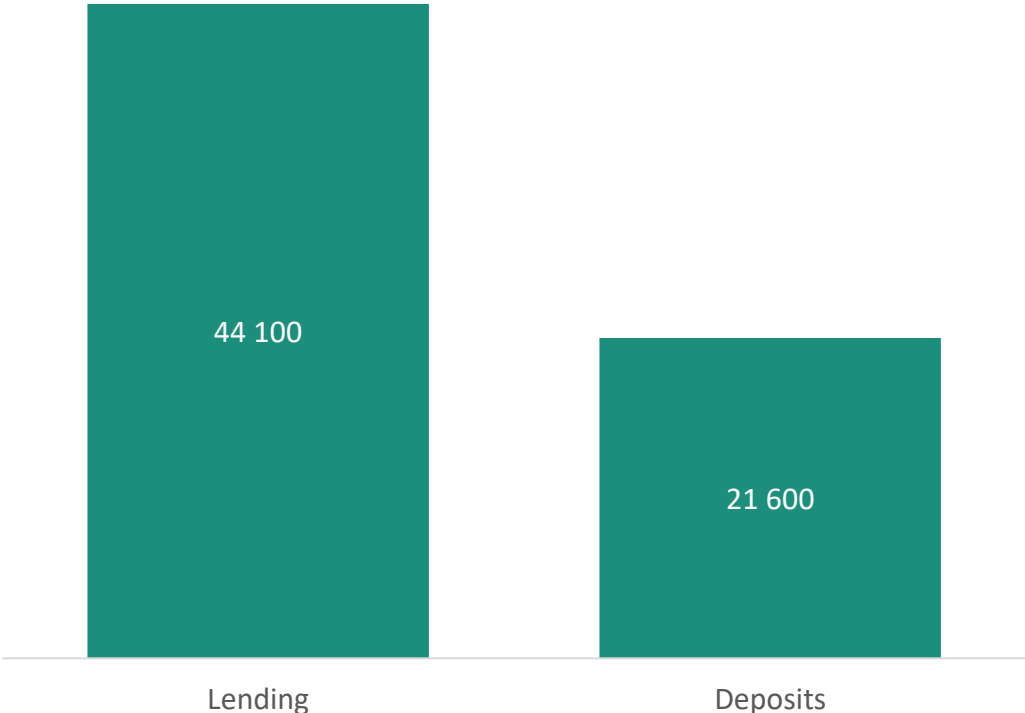
# Lower demand for unsecured loans driven by Covid-19

## Gross lending & number of customers

Gross lending, MNOK



Number of customers 31.12.2020



# Extraordinary loan losses and provisions related to merger

## Updated loan loss methodology and Covid-19 drive extraordinary losses, MNOK

Extraordinary losses	Pre-merger	Q3	Q4	Total after merger
Updated risk model for Finland impact on stage 2		13.0	2.0	<b>15.0</b>
Uncertainties related to the stage 3 portfolio in Finland		15.0	3.0	<b>18.0</b>
Cross default, Norway		10.5	-1.0	<b>9.5</b>
Uncertainties related to the stage 3 portfolio in Norway			5.0	<b>5.0</b>
Other		2.0		<b>2.0</b>
Covid-19	20.0		20.0	<b>40.0</b>
<b>Total</b>	<b>20.0</b>	<b>40.5</b>	<b>29.0</b>	<b>99.5</b>

## Operational improvements related to risk management

- Management has made several improvements in the debt collection process and the methodology for loan loss provisions
- Despite improved underlying credit risk performance, these changes lead to increased loan losses in Q3 and Q4, mostly through increased provisions
- The increased provision makes BRABank more robust to handle uncertainty going forward
- Additionally, the bank has increased its loan loss reserve with 20 MNOK related to Covid-19, and this reserve constitutes of 40 MNOK as of 31.12.2020

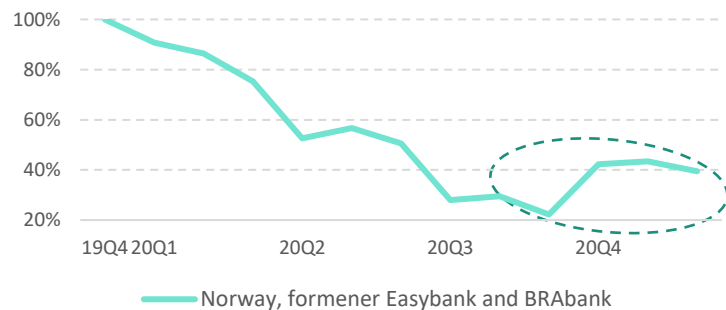
Reported loan loss, Q4

90.8

# Improvement in underlying credit quality

Forward flow agreement combined with higher provisions reduces downside risk

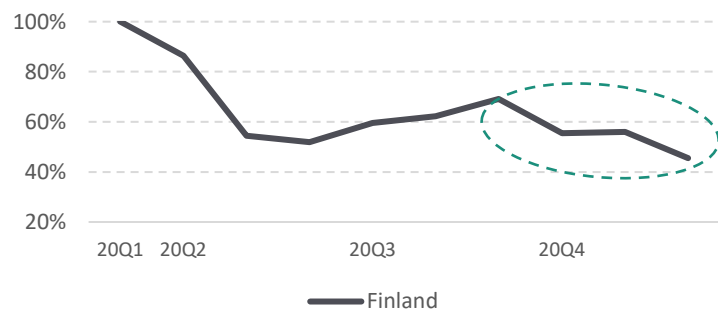
## Sent to collection, Norway – indexed to 100% @Q4 2019



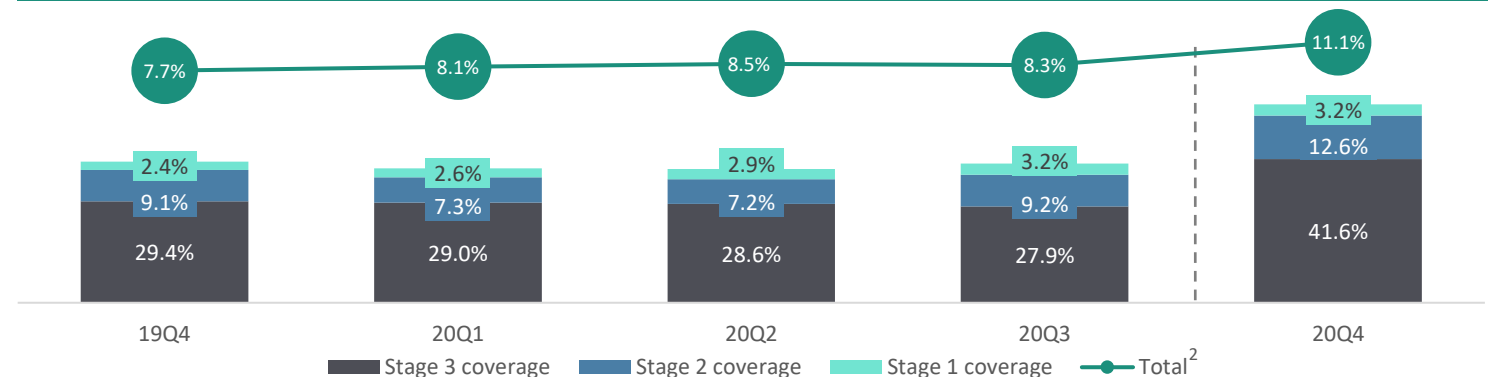
## Comments on credit quality development

- Inflow to debt collection is well below 50% in 2020 compared to the peak in the Norwegian market late 2019
- Inflow to debt collection in Finland is significantly lower than early 2020 compared to peak Q1 2020
- The forward flow agreement with Kreditor is still valid throughout 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 price conditions. The improved provisions level as of 31.12.2020 reflects the absence of a forward flow agreement

## Sent to collection, Finland – indexed to 100% @Q1 2020



## Increased loan loss provision<sup>1</sup>



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

# Income statement

	NGAAP	NGAAP*	NGAAP	NGAAP*
<i>Income Statement (Amounts in thousands)</i>	<b>4Q.2020</b>	<b>4Q.2019</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Interest income	158 604	84 669	381 009	340 690
Interest expense	-20 546	-15 038	-61 512	-62 396
<b>Net interest income</b>	<b>138 058</b>	<b>69 631</b>	<b>319 498</b>	<b>278 294</b>
Comission and fee income	2 377	9 851	22 392	42 552
Comission and fee expenses	-2 770	-14 485	-5 620	-57 035
Net change in value on securities and currency	855	2 436	8 040	7 459
Other income	280	0	348	111
<b>Net other income</b>	<b>742</b>	<b>-2 198</b>	<b>25 160</b>	<b>-6 913</b>
<b>Total income</b>	<b>138 800</b>	<b>67 433</b>	<b>344 658</b>	<b>271 381</b>
Salary and other personell expenses	-22 039	-8 075	-48 729	-32 284
Other administrative expenses	-23 106	-6 146	-41 275	-27 148
- of which marketing expences	-1 016	-1 390	-2 427	-7 578
Depreciation	-12 220	-1 577	-17 411	-5 940
Gain from bargain purchase	346 804	0	346 804	0
Other expenses	-12 333	-2 793	-21 915	-9 440
<b>Total operating expenses</b>	<b>277 106</b>	<b>-18 592</b>	<b>217 474</b>	<b>-74 812</b>
<b>Profit before loan losses</b>	<b>415 906</b>	<b>48 841</b>	<b>562 132</b>	<b>196 569</b>
Loan losses	-90 803	-28 677	-190 605	-110 390
<b>Profit before tax</b>	<b>325 103</b>	<b>20 164</b>	<b>371 527</b>	<b>86 179</b>
Tax	18 479	-5 067	7 321	-21 571
<b>Profit after tax</b>	<b>343 582</b>	<b>15 099</b>	<b>378 847</b>	<b>64 609</b>

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

- Income statement includes former Easybank's results from 01.01.20 to 30.09.20 and results from the merged bank from 01.10.20 to 31.12.20
- Reported Opex for Q4 is 277.1 MNOK. Adjusted for one-off effects Opex for Q4 is 44.4 MNOK
- Adjusted cost / income ratio of 32.0% and 29.6% for Q4 and 2020 respectively
- Adjusted profit after tax for Q4 is 18.0 MNOK



# Balance sheet

	NGAAP	NGAAP*
<i>Balance sheet (Amounts in thousands)</i>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Assets</b>		
Cash and deposits with the central bank	50 145	54 351
Loans and deposits with credit institutions	197 198	154 717
Gross loans to customers	6 247 811	2 804 258
Loan loss provisions	-690 530	-91 746
Certificates, bonds and other securities	1 462 138	468 304
Deferred tax asset	179 568	135
Other intangible assets	13 502	20 471
Fixed assets	1 303	872
Other assets	35 888	83 265
<b>Total assets</b>	<b>7 497 024</b>	<b>3 494 628</b>
<b>Equity and liabilities</b>		
Loan from central bank	0	0
Deposits from customers	6 061 318	2 806 011
Other liabilities	86 778	49 442
Tier 2 capital	104 456	75 000
<b>Total liabilities</b>	<b>6 252 553</b>	<b>2 930 452</b>
Share capital	189 589	331 707
Share premium reserve	659 989	127 092
Tier 1 capital	74 710	0
Other paid-in equity	7 669	7 159
Other equity	312 513	98 218
<b>Total equity</b>	<b>1 244 470</b>	<b>564 176</b>
<b>Total equity and liabilities</b>	<b>7 497 024</b>	<b>3 494 628</b>

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

- Gross loans of 6 248 MNOK at 31.12.20 compared to 6 455 MNOK at 01.10.20
- Loan losses provisions of 11.1% at 31.12.20
- Strong liquidity balance of 1 710 MNOK at 31.12.20
- Deferred tax assets of 180 MNOK driven by tax losses carried forward prior to the merger
- Solid capital base - CET1 of 21.8%

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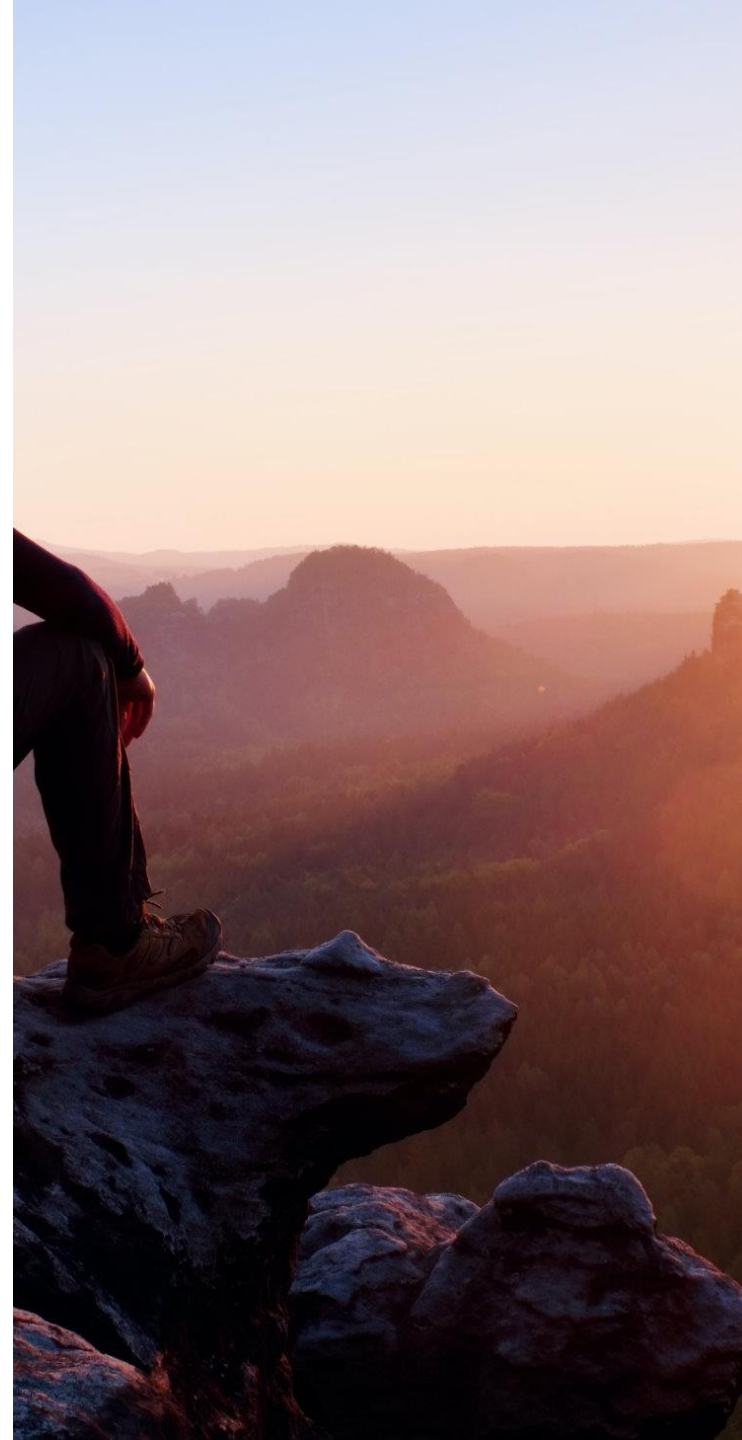
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## 2 Financial results Q4

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## 3 Merger update and outlook

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# Merger with strategic fit and low execution risk

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## Improve Profitability

- Capitalize on the scale of the combined bank to increase profitability
- Targeting highly competitive Cost/Income

## Increase growth capabilities

- Reaching critical volume and increase self-funding capability
- Drive attractive return on equity and shareholder value

## Expand operation

- Complementary products, market segments and geographical coverage
- Forming a strong distribution network and strategic partnerships

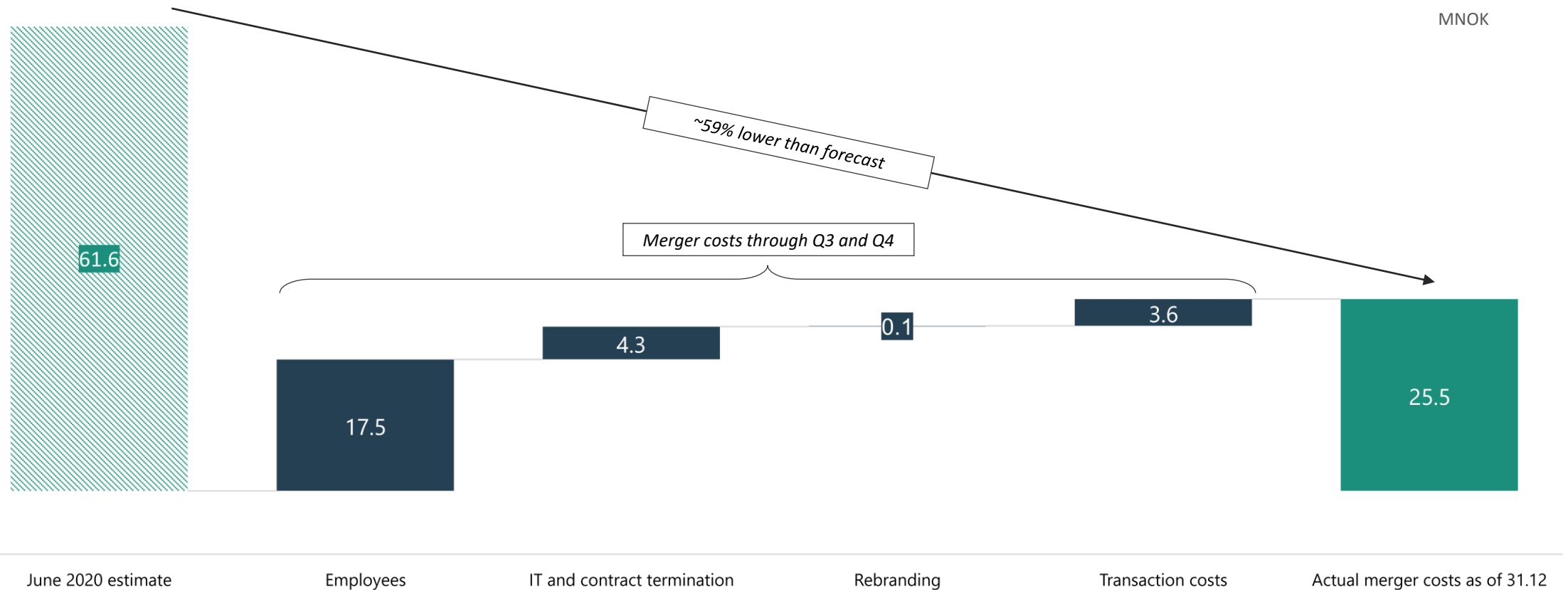
# Restructuring related merger costs

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Integration near completed significantly ahead of scheduled time and cost

Merger costs significantly lower than merger plan estimate (June 2020). Furthermore, merger one-offs going forward are limited

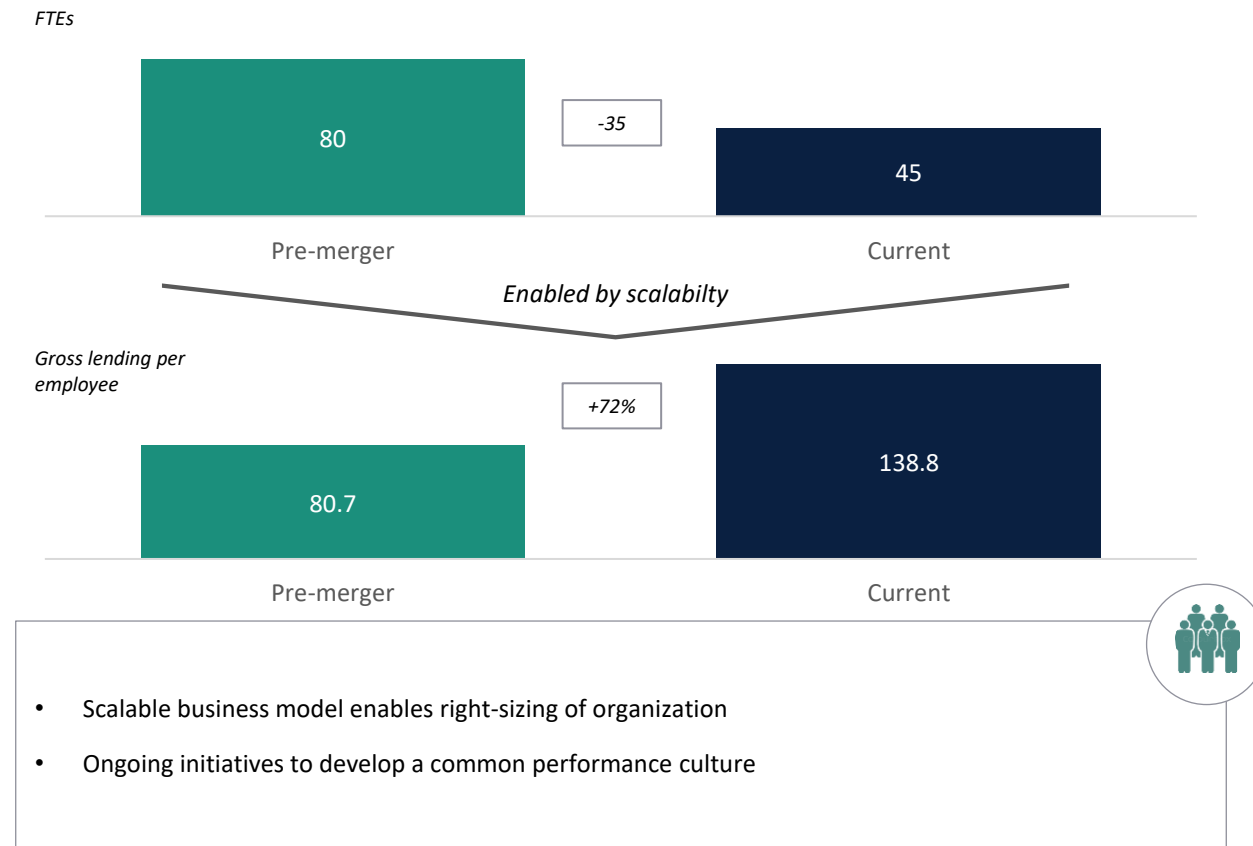
MNOK



# Merger status: Synergy realization

## Initiatives carried out in the first quarter post merger

### Organizational right-sizing on the back of proven scalability



### Overview of other initiatives

#### **Operations:**

- Moved operations for Norway to a single location in Oslo
- Harmonized processes and routines across countries
- Unified insurance and credit information vendor agreements
- Started transition to a common front-end solution for all countries
- Harmonization of collection processes and agreements

#### **IT:**

- IT migrations to reduce costs and complexity
- Controlled phase-out of duplicate systems (AML, front-end, risk, core systems)
- Re-negotiation of supplier agreements
- Ongoing harmonization of IT hosting
- Reducing use of external consultants

#### **Write-down of IA:**

- Write down of intangible assets, primarily related to IT investments
- Fully completed in Q4

#### **Other:**

- Improved or terminated supplier contracts
- Automation of manual processes
- Harmonized IFRS models<sup>1</sup>
- Compile data warehouse

1) IFRS9 models are not fully harmonized as of Q4. However, related databases have been merged, hence a common IFRS9 framework has been established

# Outlook

1

## Streamline New BRABank

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

2

## Continue to improve credit quality

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

3

## Utilize cross-border distribution model

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

4

## Develop new sources of income

- Expand product portfolio
- Focus on SME segment





# A

## Appendix

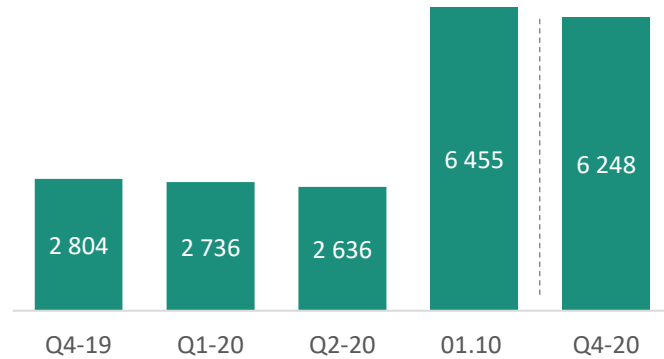


# Financial overview

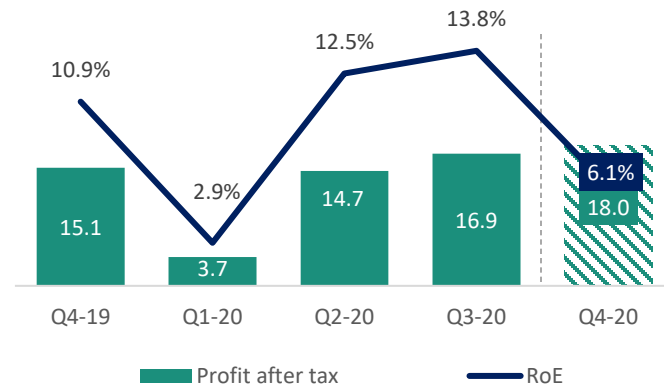
Figures in MNOK

**BRABANK**

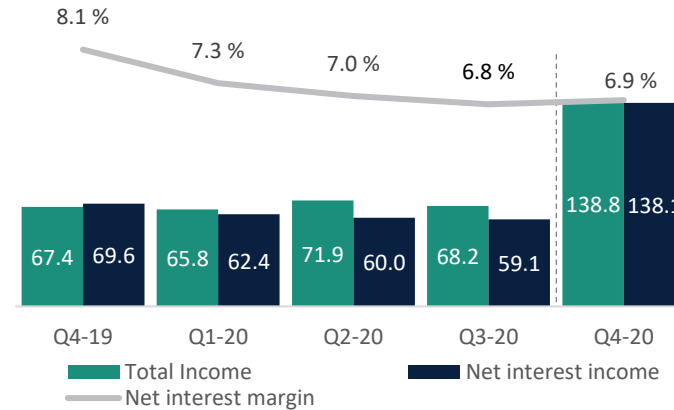
## Gross lending



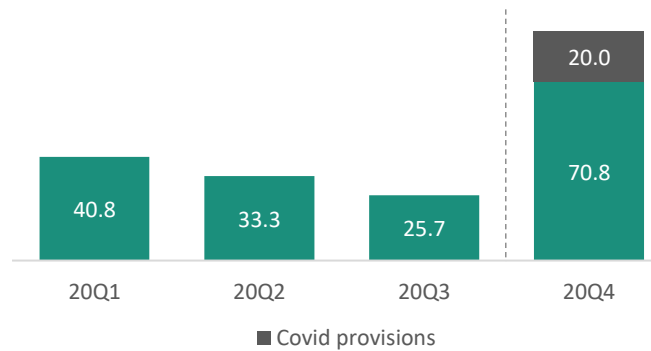
## Profit after tax and ROE<sup>2</sup>



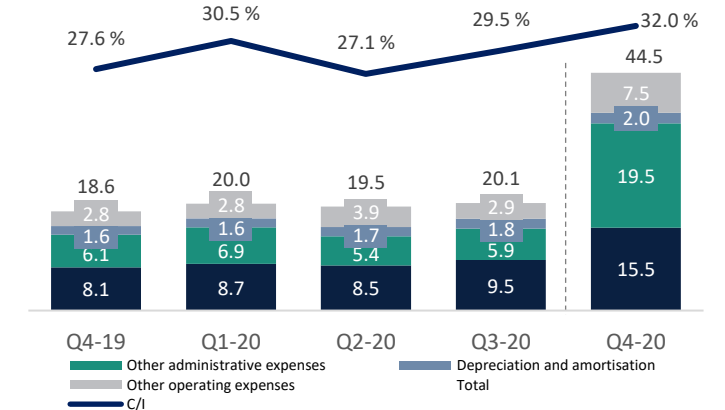
## Income and interest margin



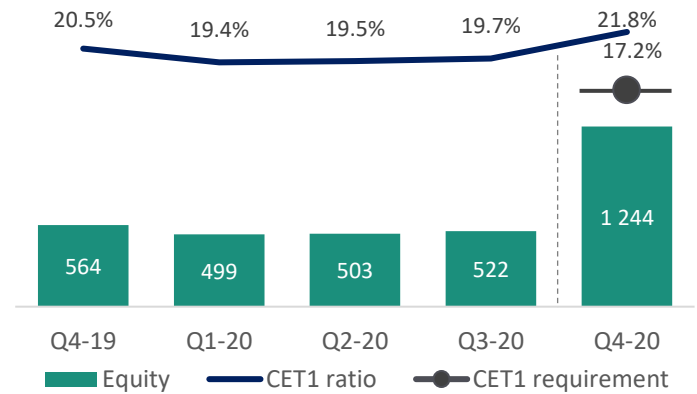
## Loan losses



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



## Equity and CET1 ratio



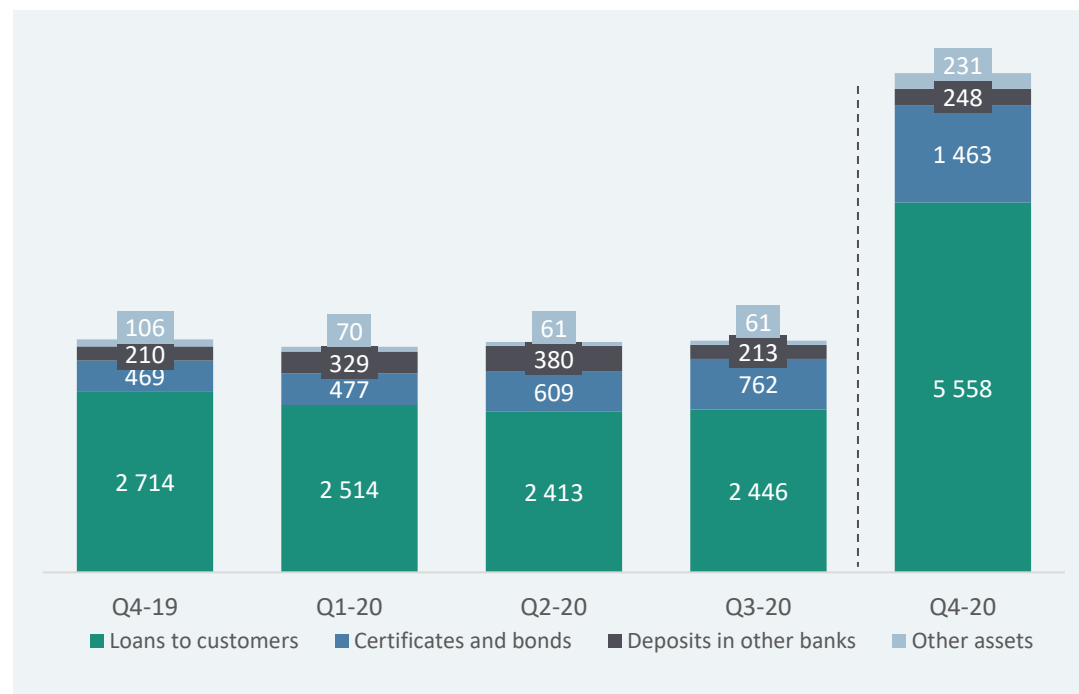
1) Opex adjusted for merger related one-offs

2) Q4 profit after tax is adjusted for one-offs

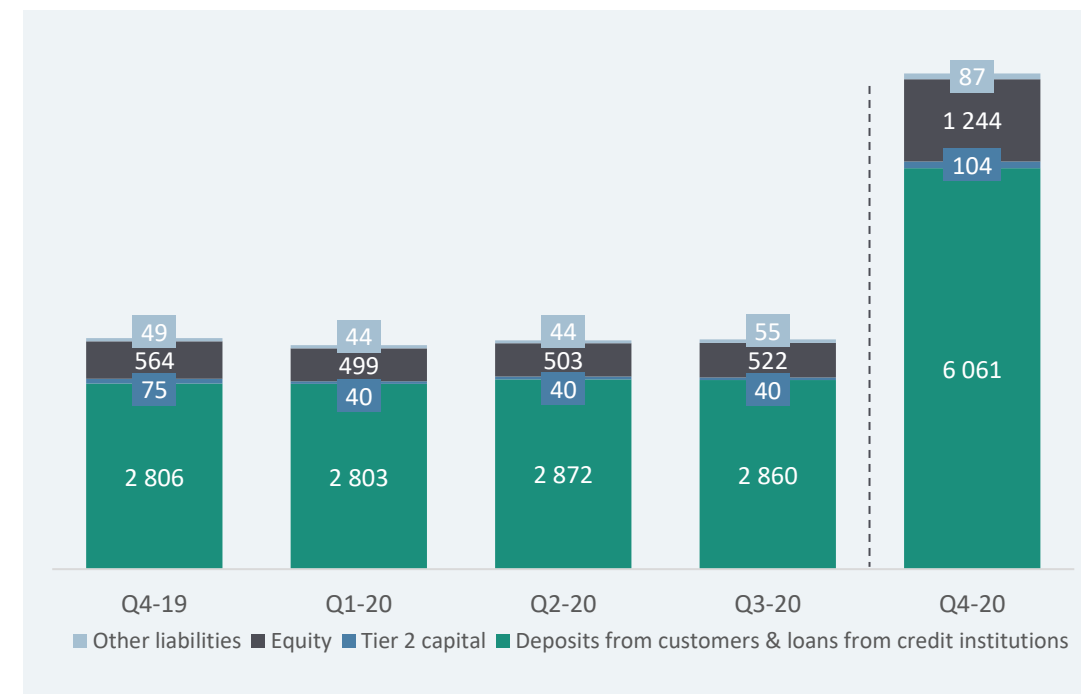
# Balance sheet structure

## Strong funding and liquidity position

Total assets, MNOK



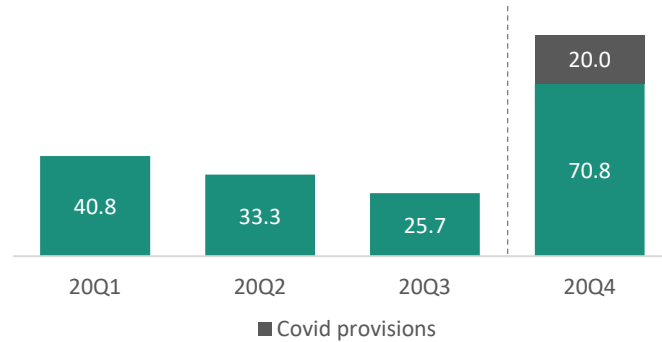
Equity and liabilities, MNOK



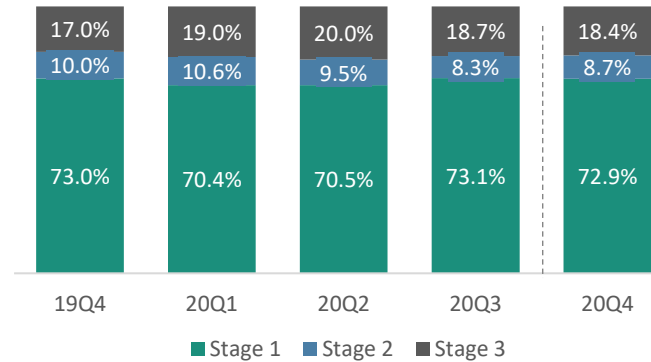
- Deposit ratio: 109%
- Liquidity coverage ratio: 965% total (150% EUR)
- Net stable funding rate: 180% total (145% EUR)

# Loan losses and provisions overview

## Loan losses



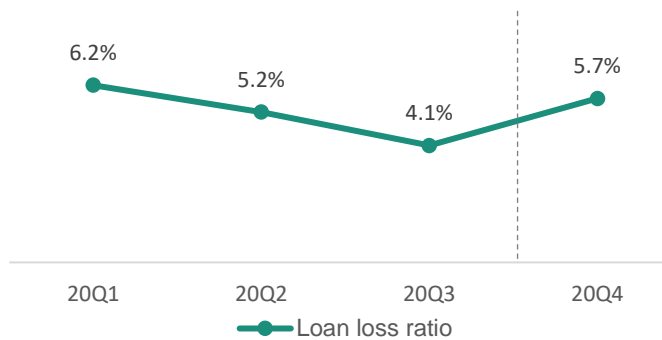
## Stage allocation



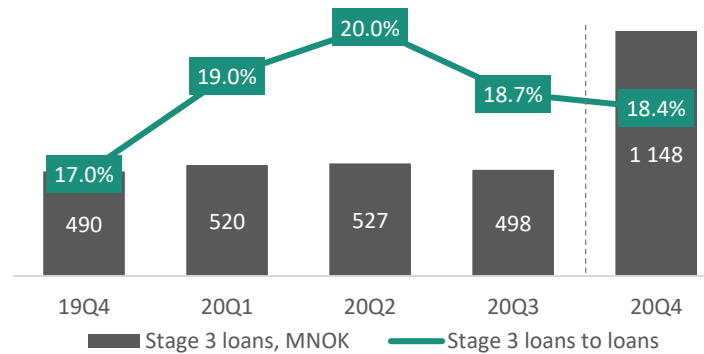
## Provisions



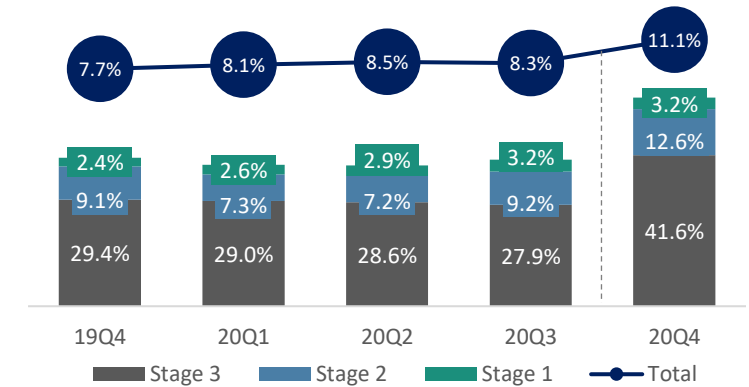
## Loan loss ratio<sup>1</sup>



## Non-performing loans<sup>2</sup>



## Total provision ratio<sup>3</sup>



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

2) Non-performing loan ratio = stage 3 ratio

3) Total = Total provision / Gross loans

# Phase 1 initiatives in merger plan

Year 1	Action	Costs (NOK mill)	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	✓
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>Harmonized collection agreements and processes</li> </ul>	Ongoing/TBD	✓
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>	Ongoing/TBD	✓
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>

# Strong and stable shareholder base

## Top 20 shareholder list as of 15 February 2021

	Investor	Shares	Ownership
1	Braganza AB	9 615 991	10,1 %
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	2 197 651	2,3 %
11	Songa Capital AS	1 945 665	2,1 %
12	Shelter AS	1 945 486	2,1 %
13	Raiffeisen Bank International AG	1 879 972	2,0 %
14	Lindbank AS	1 838 007	1,9 %
15	MP Pensjon PK	1 701 677	1,8 %
16	Netrom AS	1 611 371	1,7 %
17	Verdipapirfondet Alfred Berg Aktiv	1 469 589	1,6 %
18	Nordic Private Equity AS	1 393 840	1,5 %
19	HSBC Bank Plc	1 367 606	1,4 %
20	Jenssen & Co AS	1 287 879	1,4 %
<b>Sum top 20</b>		<b>55 001 603</b>	<b>58,0 %</b>
Other		39 792 777	42,0 %
<b>Total number of shares</b>		<b>94 794 380</b>	<b>100,0 %</b>

## Comments

- 1 586 shareholders as of 15 February 2021
- The BRA-ME share was registered on Euronext Growth (former Merkur Market) on 2 October 2020
- Management holds a total of 2,701,714 shares, corresponding to 2,9% of shares outstanding
- Members of the board represents a total of 3,102,281 shares, corresponding to 2,9%
- Current market capitalization of approx. MNOK 635

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