

BRABank ASA

4th 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...

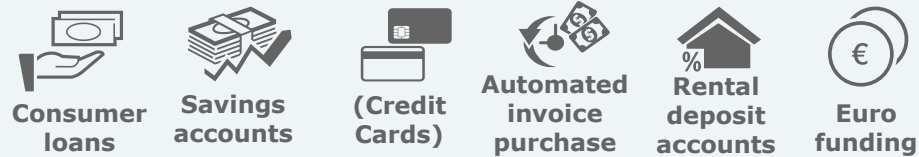
- Fully digital bank offering consumer loans, savings accounts, automated invoice purchase and SME financing
- Proven value chain with inhouse credit analysis and operations, broad distribution network and forward flow agreement with Kredinor
- Roots back to 2003. Rebranded to Easybank and strategically 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

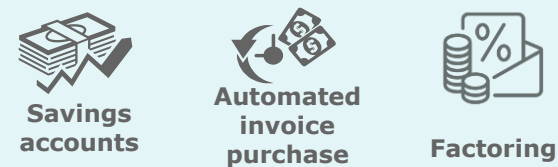
- Easybank and BRABank joined forces in October 2020 with Easybank as surviving entity - enabling a more competitive bank with substantial synergy upside, scaling opportunities and increased self-funding capabilities
- 44 000 loan/credit card customers - 21 600 deposits customers
- Listed on Euronext 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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3 Merger update and outlook



Q4 2020 highlights

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

Key financial figures, MNOK

	Q4-20-adjusted ¹	Q4-19	2020-adjusted ¹
Interest income	158.6	84.7	381.0
PBT	23.5	20.2	72.0
ROE	6.1%	10.9%	7.8%
EPS	0.76	1.27	0.71
C / I	32.0%	27.6%	29.6%
Gross loans	6 248	2 804	6 248

Equity ²	# of shares	BVPS
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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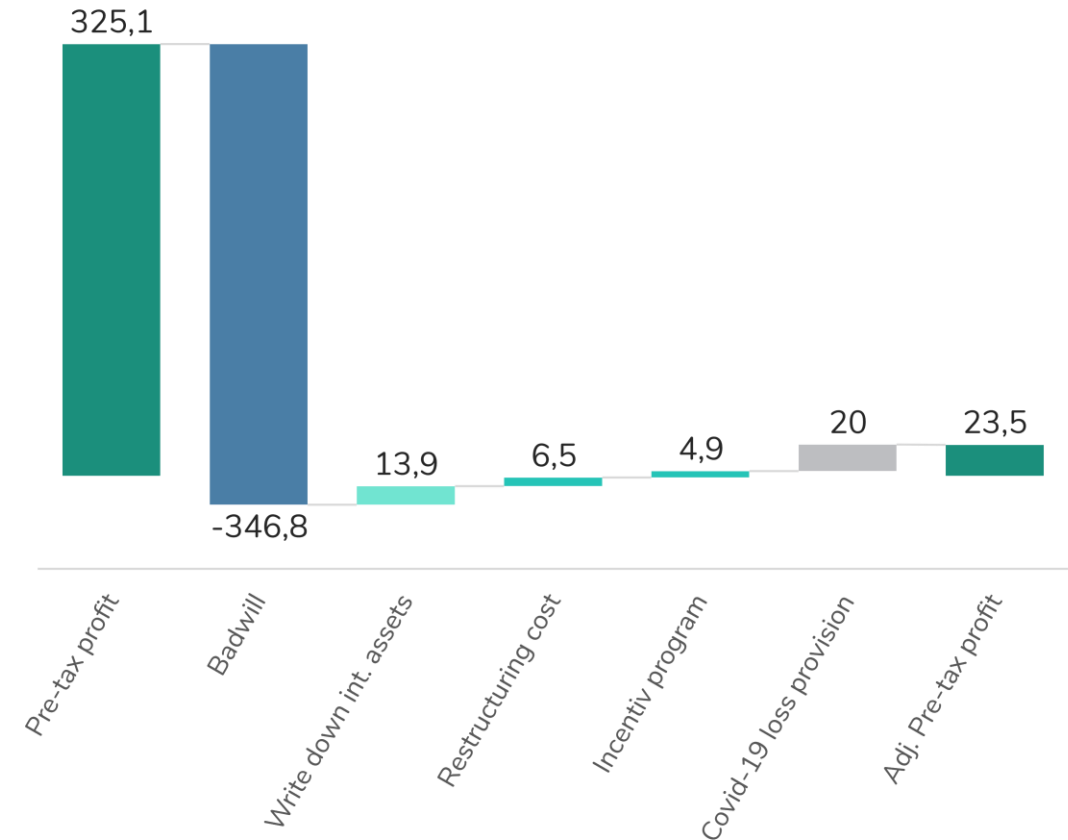
Significant one-offs affecting underlying Q4 results

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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

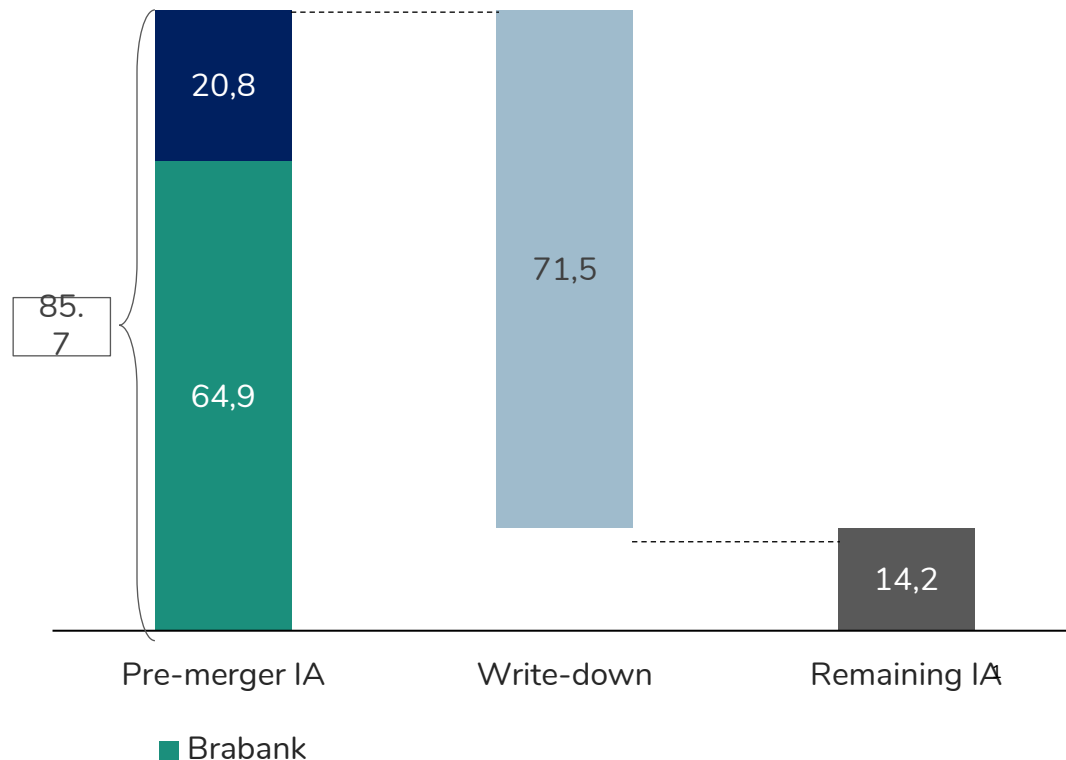
MNOK



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 14.2¹ 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

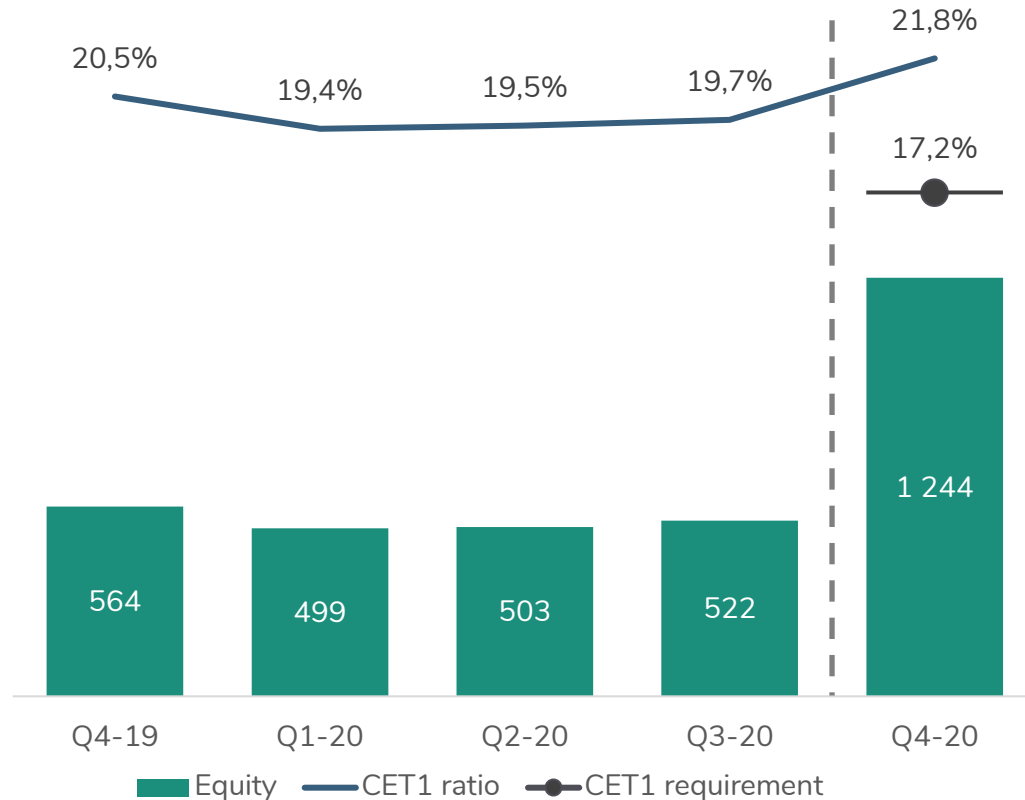
1) As of opening balance 1 October 2020

Buffer to capital requirement

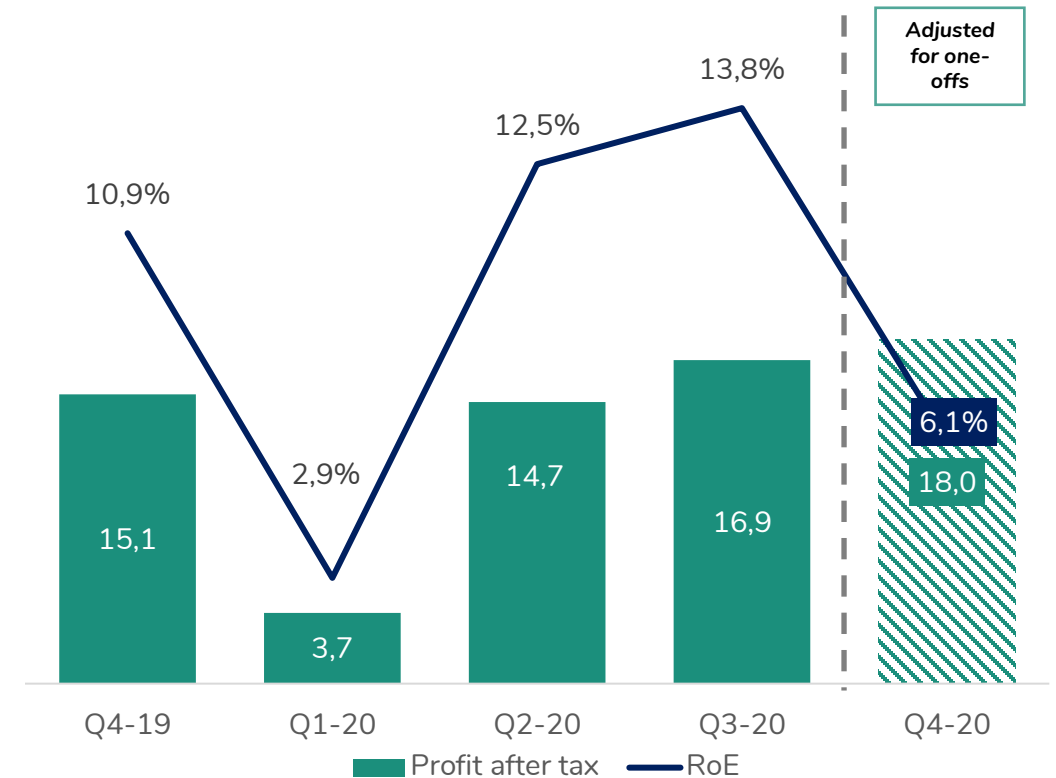
Provides operational flexibility

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Equity and CET1 ratio, MNOK



Profit after tax and Return on Equity¹, MNOK



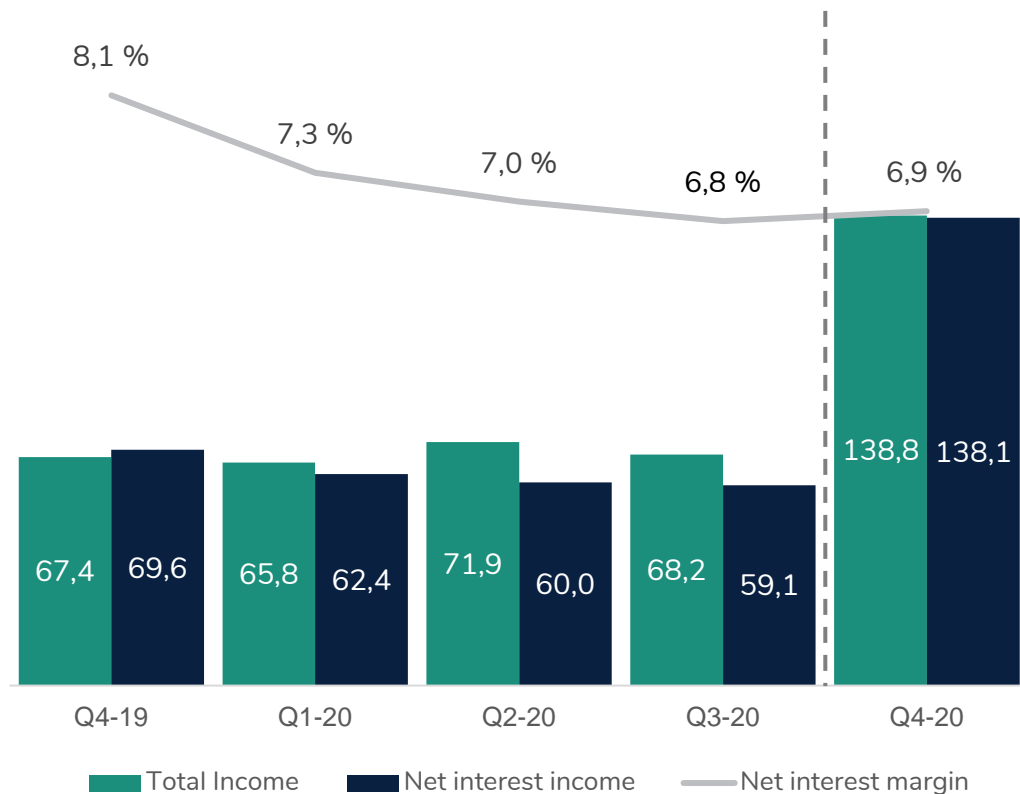
Note: All figures left of the dotted line are standalone Easybank throughout the presentation, if not stated otherwise

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

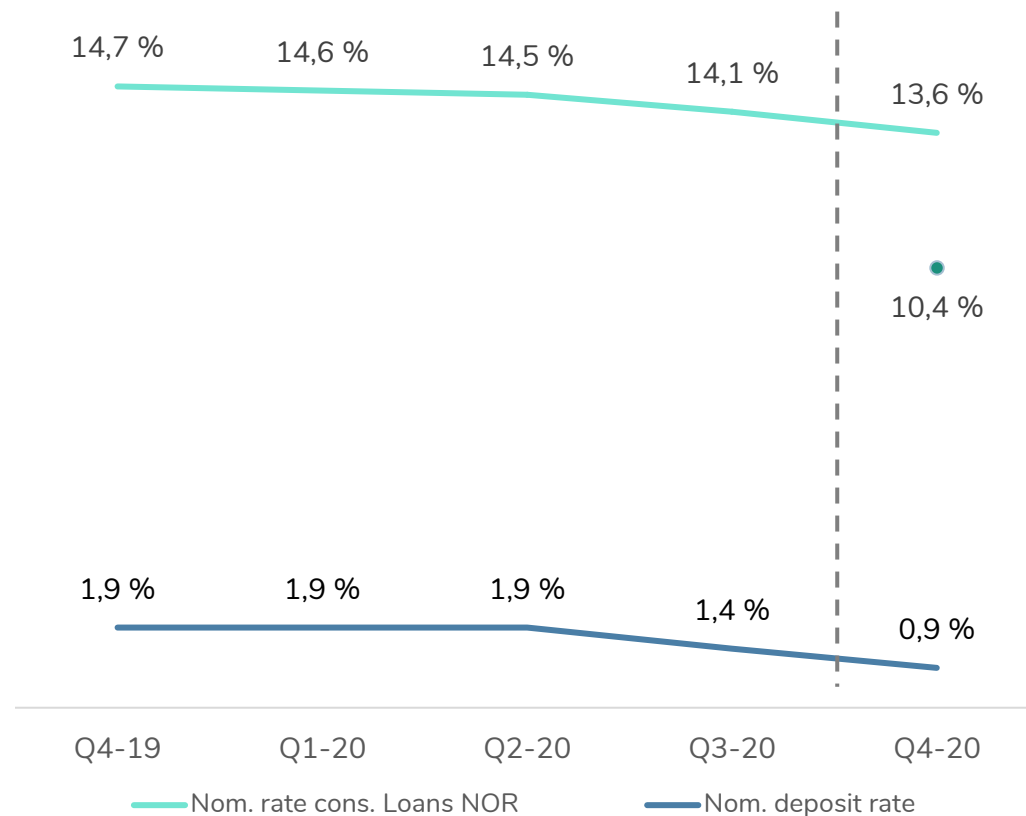
Slight improvement in net interest margin

Net interest income and net interest margin of total assets

MNOK / % of total assets



Yields end of quarter¹



1) All figures are end of quarter and nominal

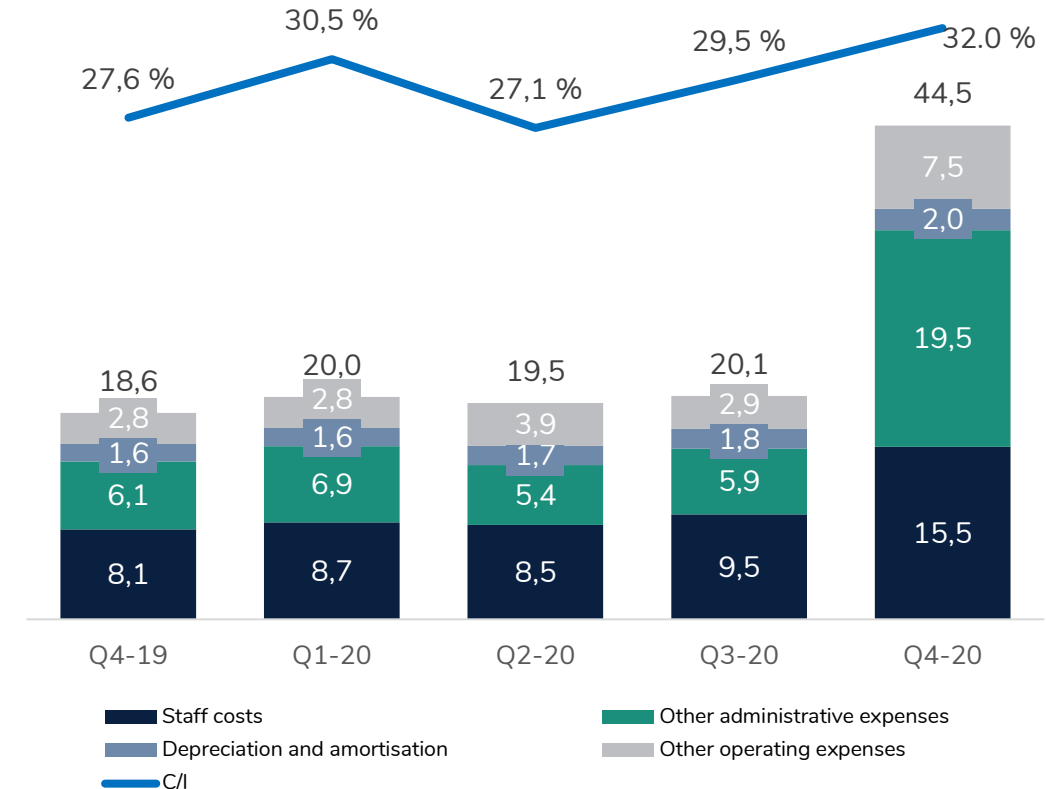
New cost base with competitive C/I

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- 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

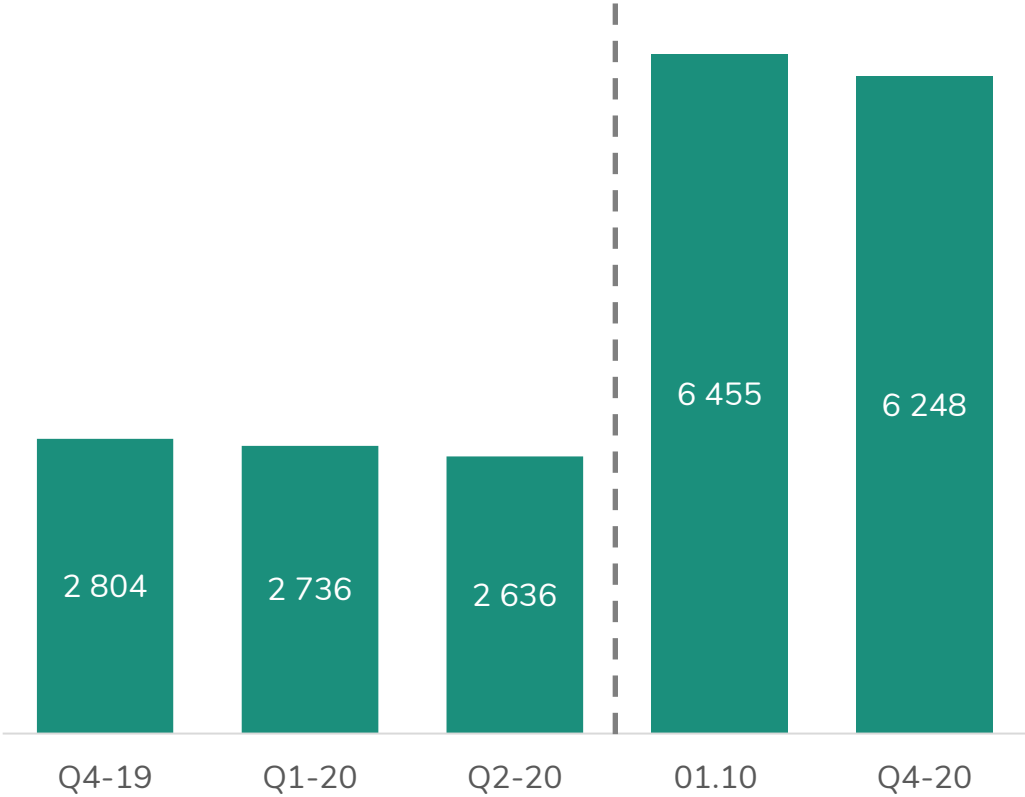
MNOK



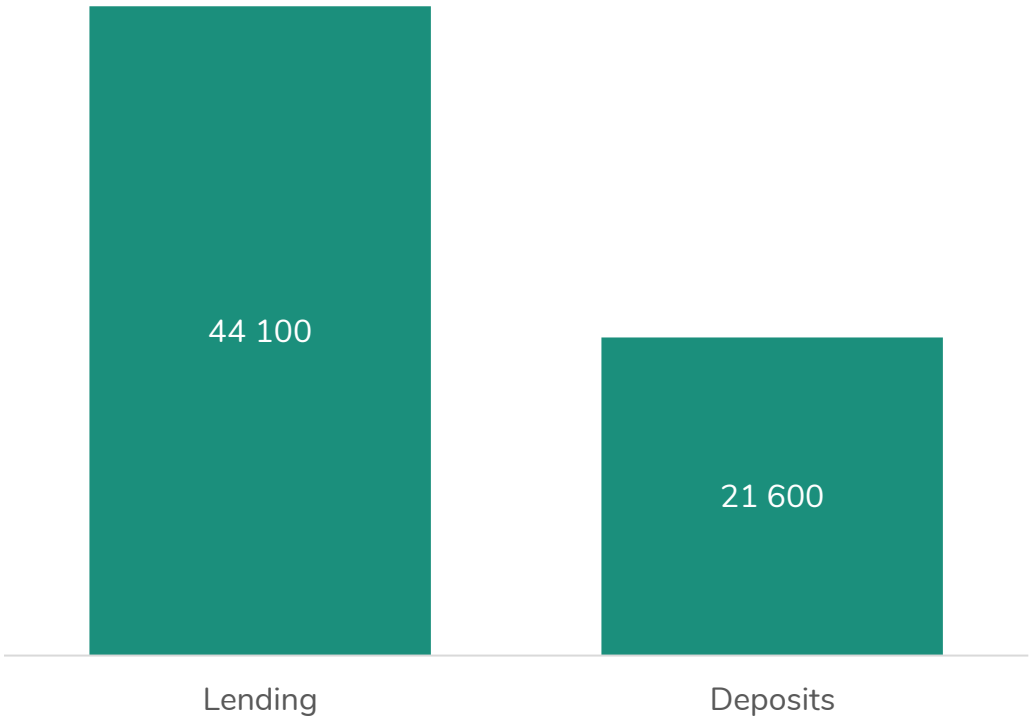
Lower demand for unsecured loans driven by Covid-19

Gross lending & number of customers

Gross lending, MNOK



Number of customers 31.12.2020



Extraordinary loan losses and provisions related to merger **BRABANK**

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	15.0
Uncertainties related to the stage 3 portfolio in Finland		15.0	3.0	18.0
Cross default, Norway		10.5	-1.0	9.5
Uncertainties related to the stage 3 portfolio in Norway			5.0	5.0
Other		2.0		2.0
Covid-19	20.0		20.0	40.0
Total	20.0	40.5	29.0	99.5

Reported loan loss, Q4 **90.8**

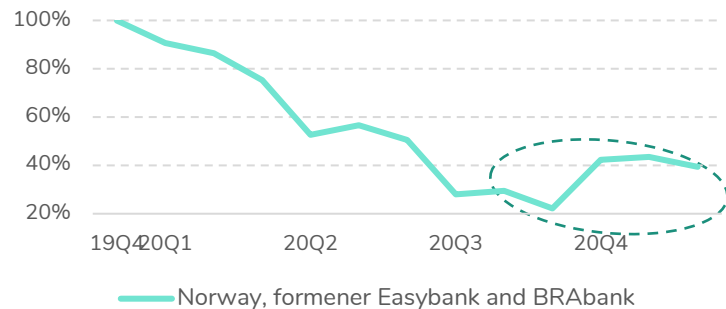
Operational improvements related to risk management

- 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

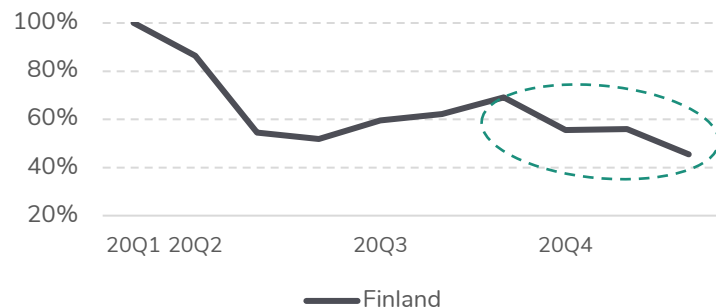
Improvement in underlying credit quality

Forward flow agreement combined with higher provisions reduces downside risk

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



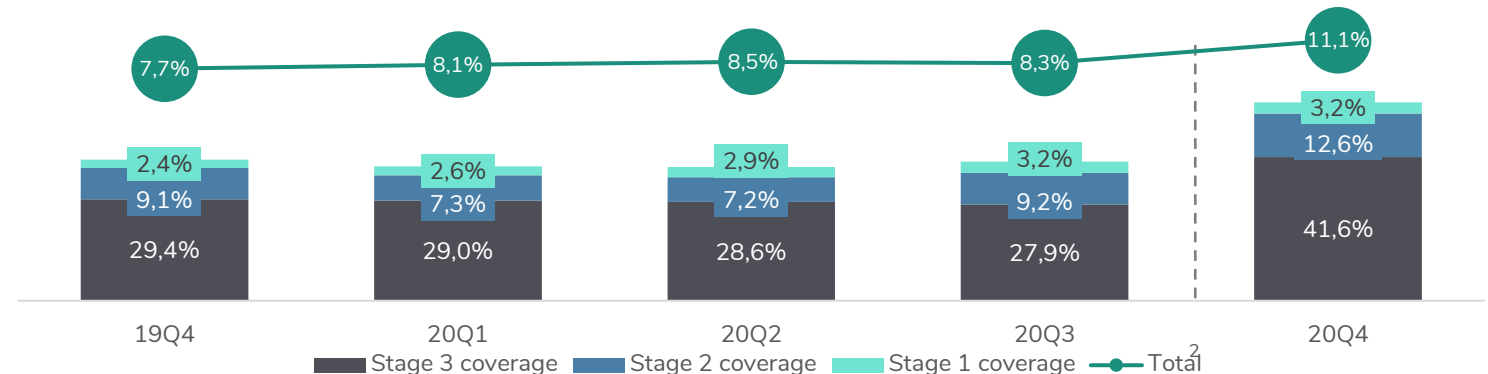
Sent to collection, Finland – indexed to 100% @Q1 2020



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

Increased loan loss provision¹



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*
Income Statement (Amounts in thousands)	4Q.2020	4Q.2019	31.12.2020	31.12.2019
Interest income	158 604	84 669	381 009	340 690
Interest expense	-20 546	-15 038	-61 512	-62 396
Net interest income	138 058	69 631	319 498	278 294
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
Net other income	742	-2 198	25 160	-6 913
Total income	138 800	67 433	344 658	271 381
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
Total operating expenses	277 106	-18 592	217 474	-74 812
Profit before loan losses	415 906	48 841	562 132	196 569
Loan losses	-90 803	-28 677	-190 605	-110 390
Profit before tax	325 103	20 164	371 527	86 179
Tax	18 479	-5 067	7 321	-21 571
Profit after tax	343 582	15 099	378 847	64 609

*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*
Balance sheet (Amounts in thousands)	31.12.2020	31.12.2019
Assets		
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
Total assets	7 497 024	3 494 628
Equity and liabilities		
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
Total liabilities	6 252 553	2 930 452
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
Total equity	1 244 470	564 176
Total equity and liabilities	7 497 024	3 494 628

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

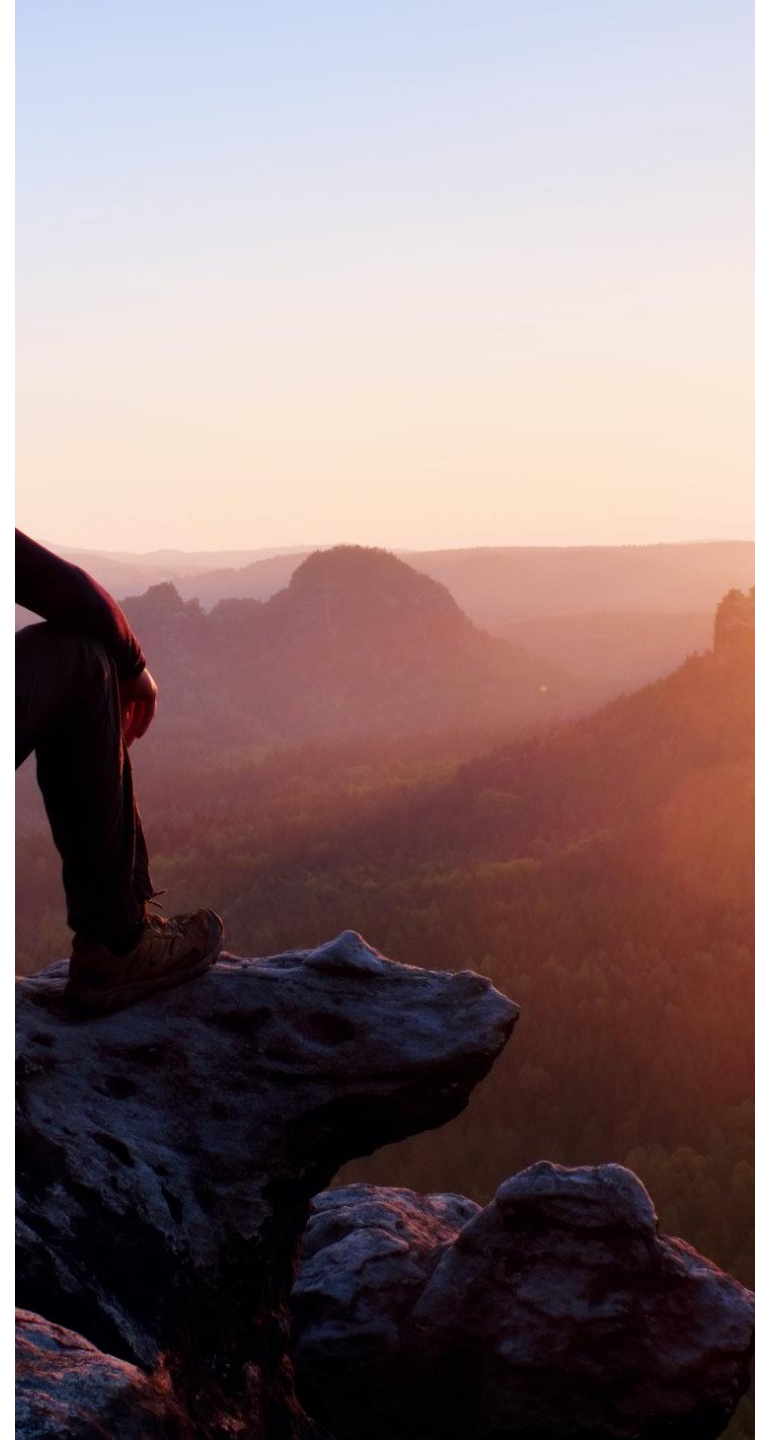
- Gross loans of 6 248 MNOK at 31.12.20 compared to 6 455 MNOK at 01.10.20
- Loan losses provisions of 11.1% at 31.12.20
- Strong liquidity balance of 1 710 MNOK at 31.12.20
- Deferred tax assets of 180 MNOK driven by tax losses carried forward prior to the merger
- Solid capital base - CET1 of 21.8%

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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

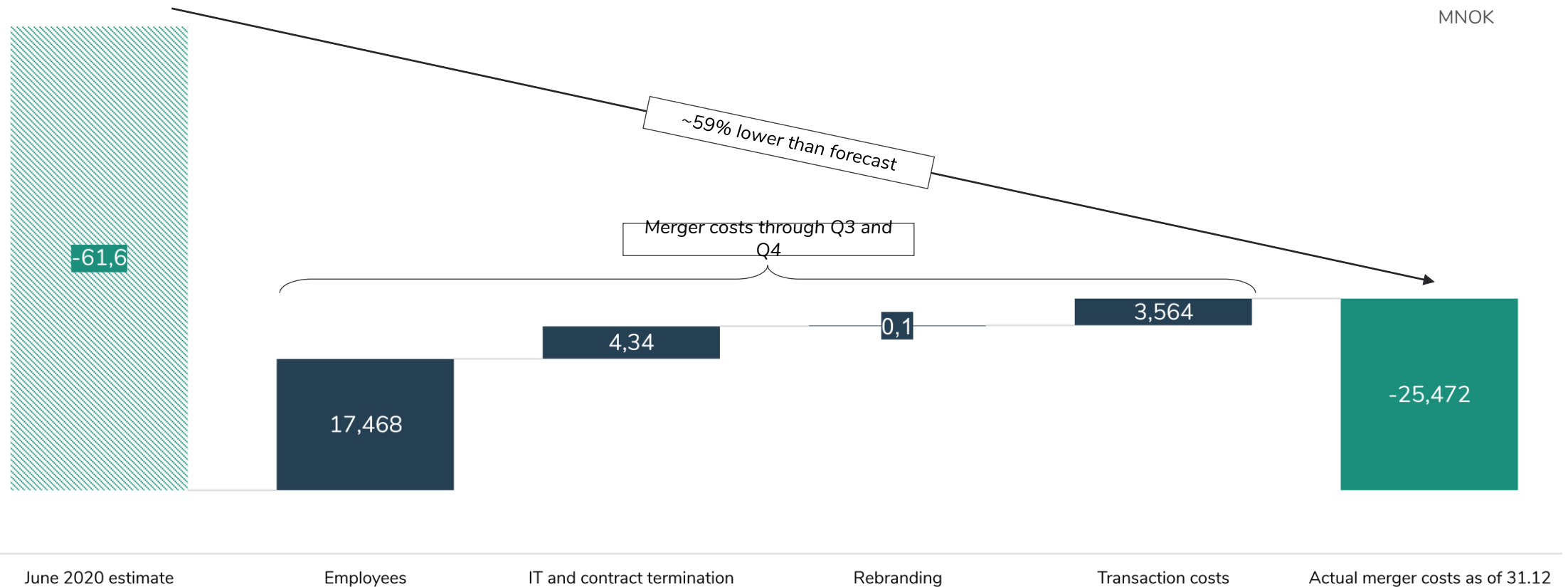
- Complementary products, market segments and geographical coverage
- Forming a strong distribution network and strategic partnerships

Restructuring related merger costs

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

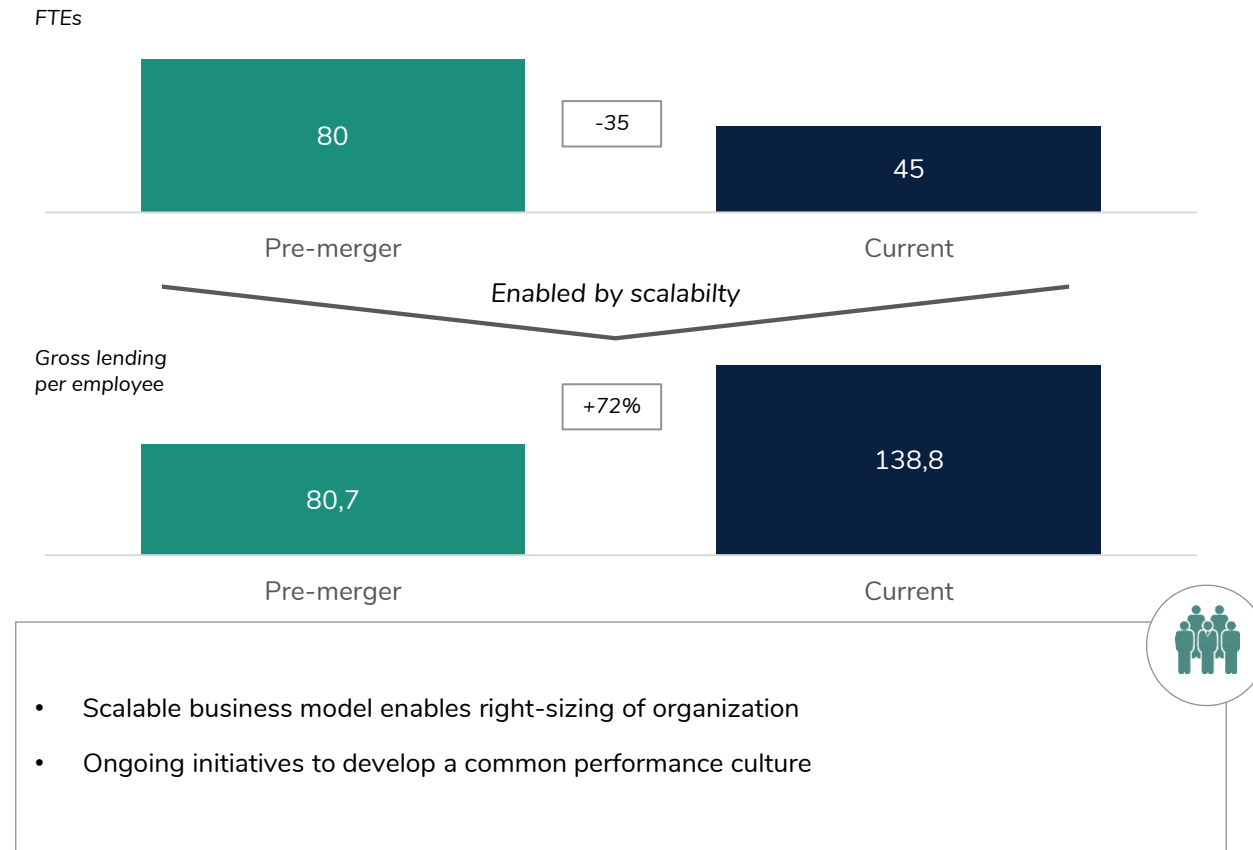
MNOK



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 models¹
- 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



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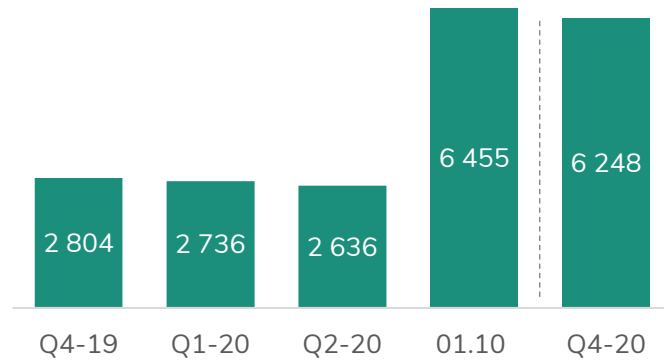
Appendix

Financial overview

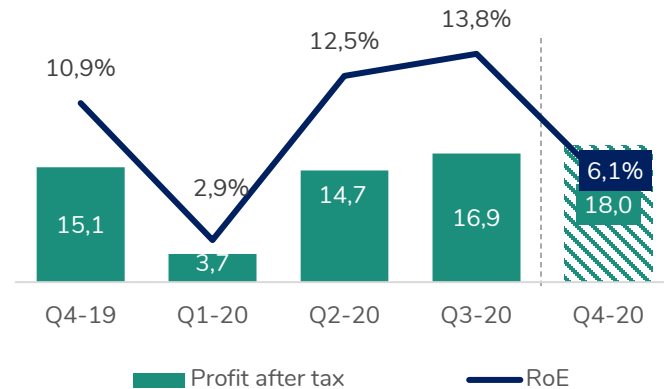
Figures in MNOK

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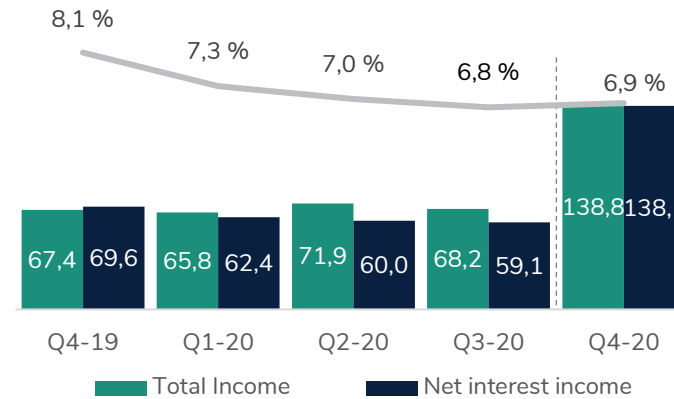
Gross lending



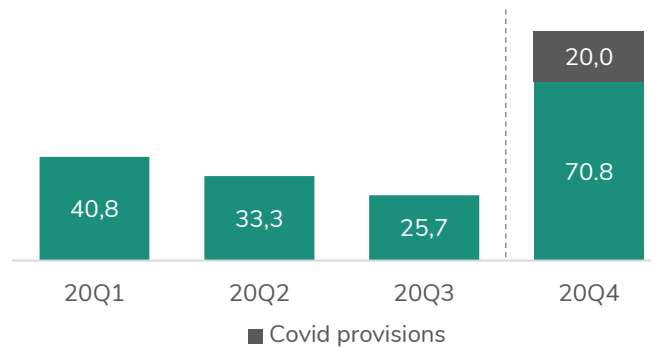
Profit after tax and ROE²



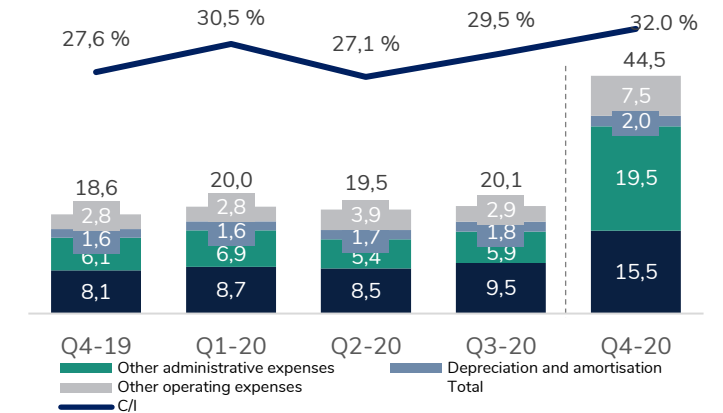
Income and interest margin



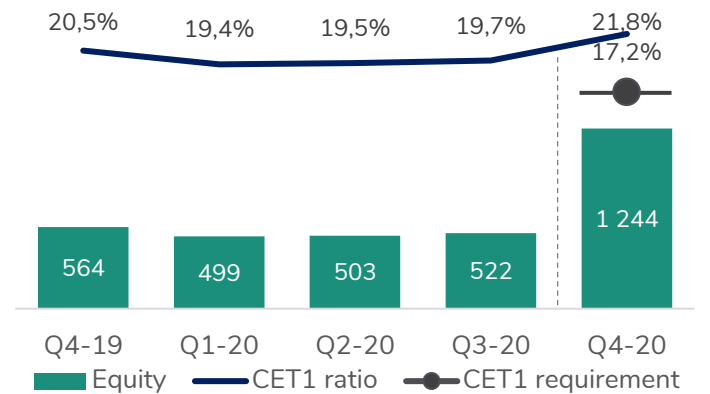
Loan losses



Opex and Cost / Income¹



Equity and CET1 ratio



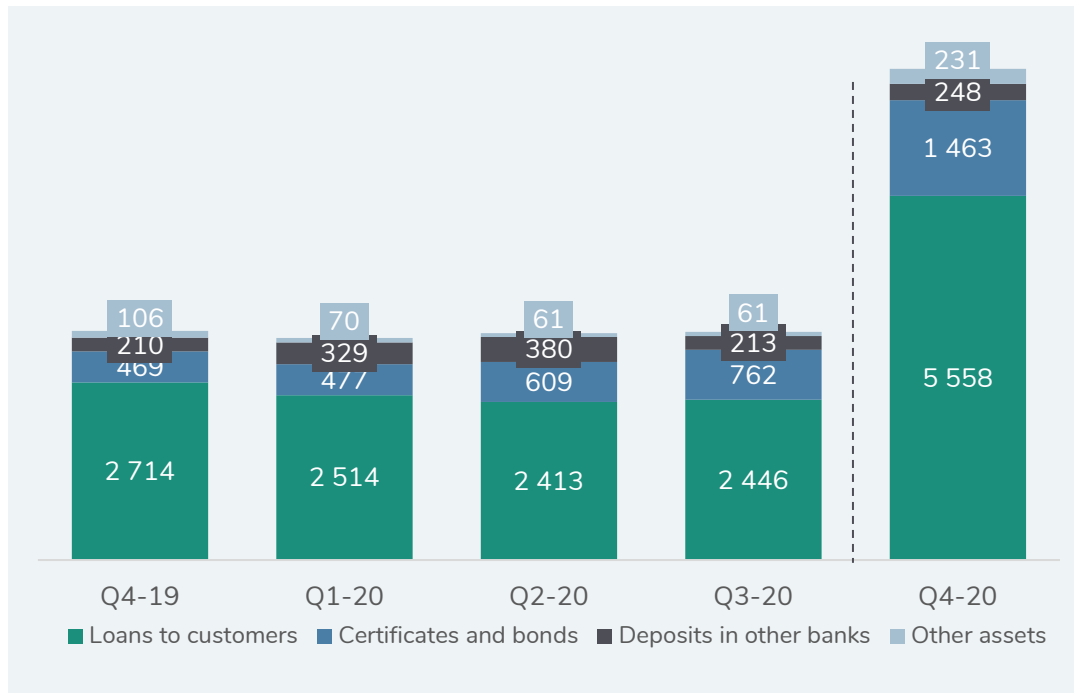
1) Opex adjusted for merger related one-offs

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

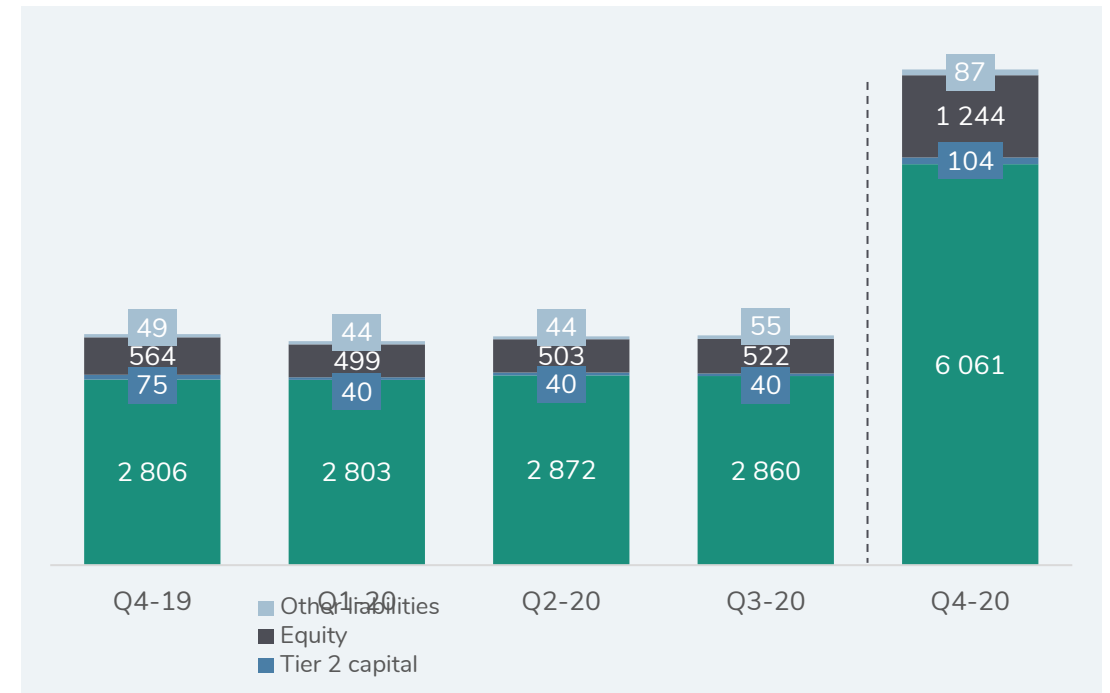
Balance sheet structure

Strong funding and liquidity position

Total assets, MNOK



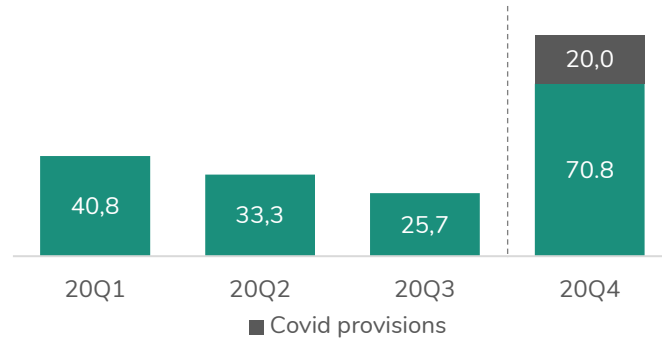
Equity and liabilities, MNOK



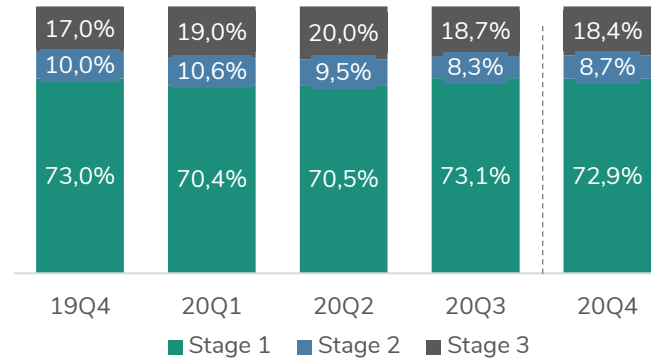
- Deposit ratio: 109%
- Liquidity coverage ratio: 965% total (150% EUR)
- Net stable funding rate: 180% total (145% EUR)

Loan losses and provisions overview

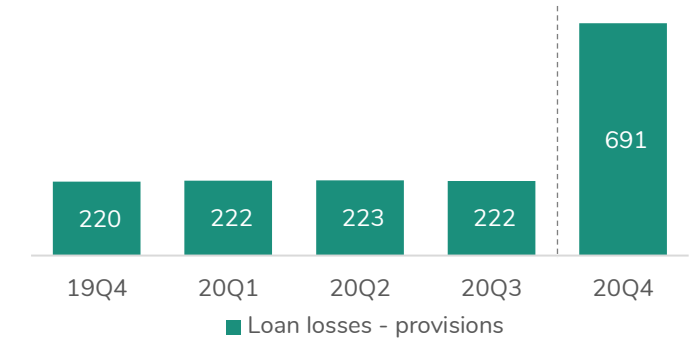
Loan losses



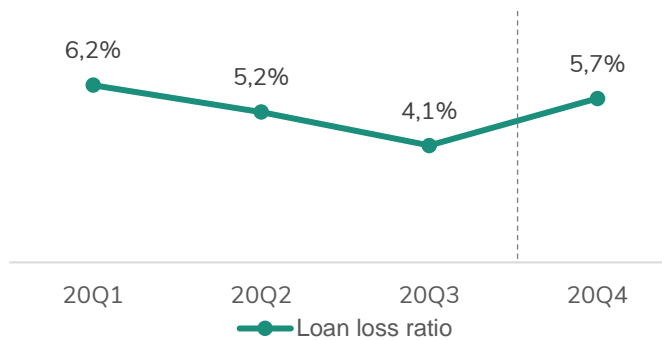
Stage allocation



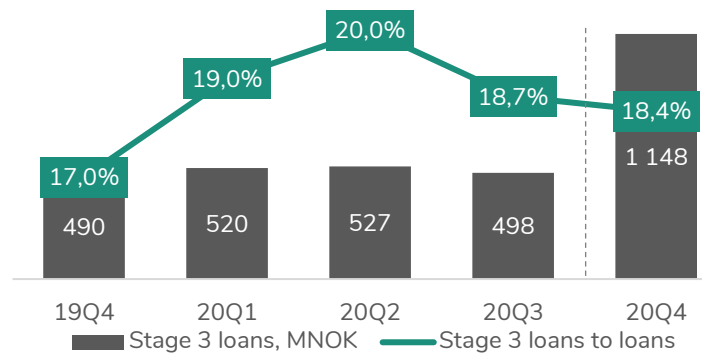
Provisions



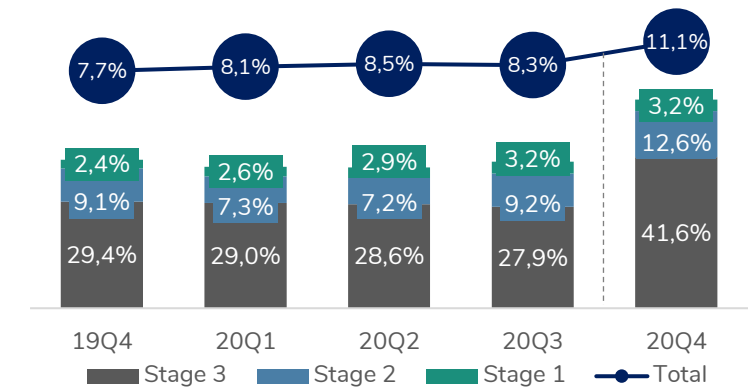
Loan loss ratio¹



Non-performing loans²



Total provision ratio³



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

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