

Aprila

Aprila Bank ASA | Q2 2023 | 15 August 2023

Disclaimer



This presentation contains forward-looking statements that reflect management's current views with respect to certain future events and potential financial performance.

Although Aprila Bank believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of various factors.

Important factors that may cause such a difference for Aprila Bank include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) change in interest rate and foreign exchange rate levels.

This presentation does not imply that Aprila Bank has undertaken to revise these forward-looking statements, beyond what is required by applicable law or other applicable regulations if and when circumstances arise that will lead to changes compared to the date when these statements were provided.



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We reinvent business banking

Aprila provides credit to a large and underserved SME market

- SMEs account for around two thirds of employment and more than half of GDP in Europe
- These businesses are largely underserved and the funding gap for European SMEs has been estimated to EUR 400 bn
- Closing this funding gap is vital to maintain current welfare standards in European countries, and this is the reason why Aprila was founded

We leverage technology to create competitive advantage

- Our technology platform is developed in-house and exposed to own channels and partners through APIs
- We have access to large amounts of structured data, including day-to-day customer accounting data and a rapidly growing amount of behavior data
- Credit scoring and pricing is based on machine-learning technology, with data from our in-house developed data warehouse

Our customers receive a credit offer within 60 seconds

- We focus on availability, speed and convenience, offering products with understandable pricing and swift credit decisions
- More than half of our customers are onboarded within three days after the application is submitted

Key figures

# Business customers (30 Jun 2023) ¹	6,621
Total income run-rate (NOK million, annual run-rate, Jun 2023)	165
Cost / income (LTM) ²	65%
Job creation (Total # jobs Aprila has contributed to preserving or creating since inception) ³	3,708



Customers are improving profitability and maintaining capitalization

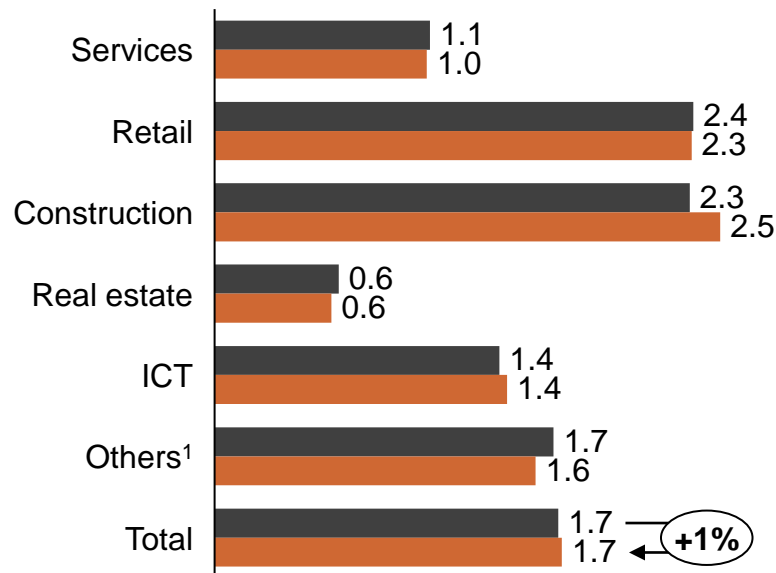
Aprila customers only grew 1% last 12 months...

...but improved profitability...

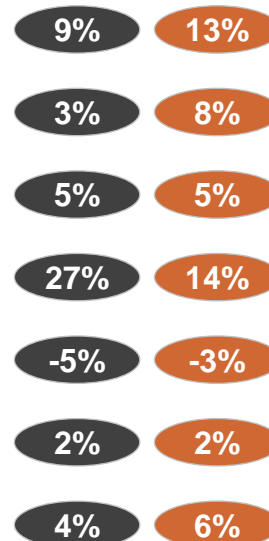
...and maintained capitalization

Average customer quarterly revenue

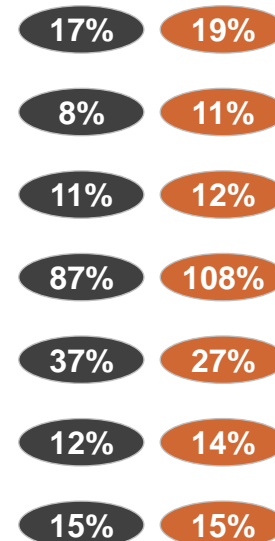
NOK million



Average EBIT margin



Equity / Revenue last 12 M



Highlights Q2 2023



Q2 23

<i>NOKm</i>	Q2 23	Q2 22
Gross loans	811.1	516.6
Gross income from lending	45.5	26.5
Total income	37.4	22.9
Pre-tax operating profit bf. loan losses	19.6	10.0
Pre-tax operating profit	7.8	1.6
Yield on avg. net loans ¹	26%	24%

LTM

<i>NOKm</i>	<i>LTM² ending</i>	
	Q2 23	Q2 22
Gross loans	811.1	516.6
Gross income from lending	151.7	85.0
Total income	126.1	70.7
Pre-tax operating profit bf. loan losses	44.1	7.8
Pre-tax operating profit	0.9	-15.5
Yield on avg. net loans ¹	25%	24%

Solid pre-tax profit of NOK 7.8 million

- Seasonally adjusted marketing spend of NOK 2 million vs. NOK 6 million in Q1
- Personnel expenses at two thirds of a normal quarter due to holiday pay in June
- Pre-tax operating profit of NOK 7.8 million in the quarter

Continued growth

- The bank onboarded 484 credit line customers in Q2
- Gross lending grew 57% YoY and 8% QoQ to NOK 811 million
- Total income grew 63% YoY and 10% QoQ to NOK 37.4 million

Sound capital position

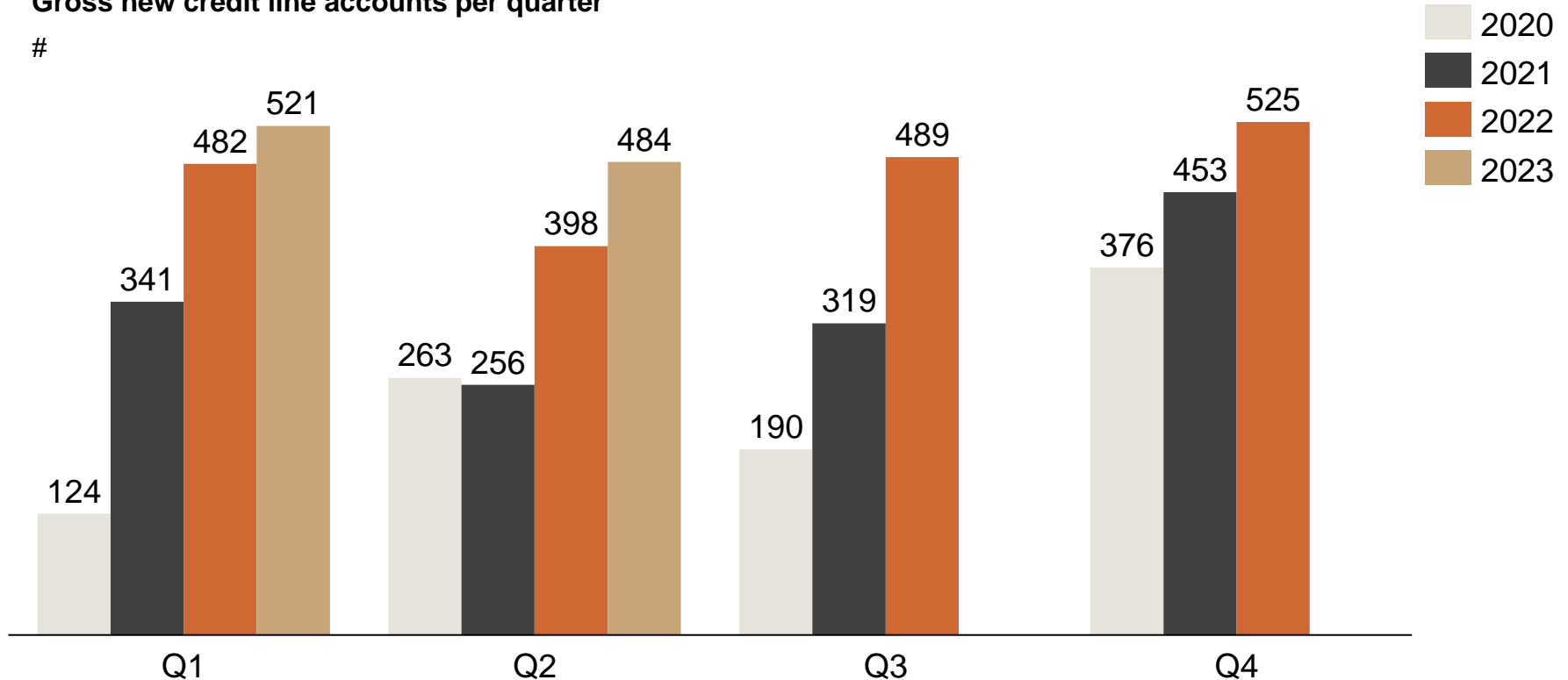
- CET1-ratio of 32.4% 30 Jun 2023 vs. overall capital requirement of 20.0%
- We have employed retail classification on eligible exposures as of 30 Jun 2023
- Without retail classification, the CET1-ratio would have been 26.4% as of 30 Jun 2023



484 credit line accounts onboarded in Q2

Gross new credit line accounts per quarter

#

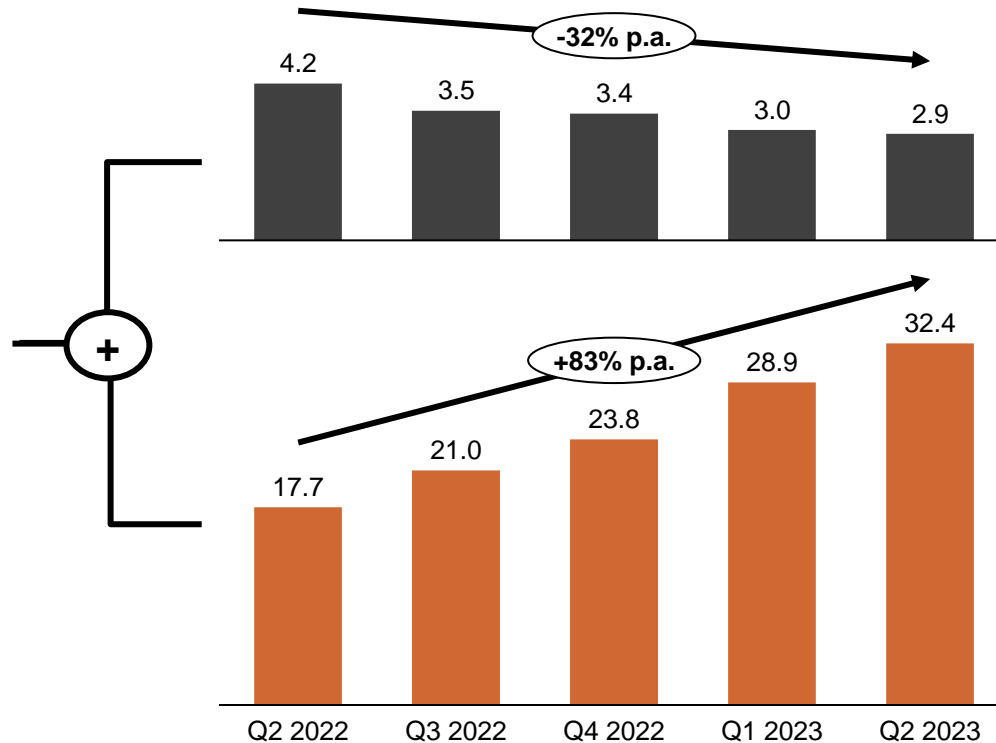
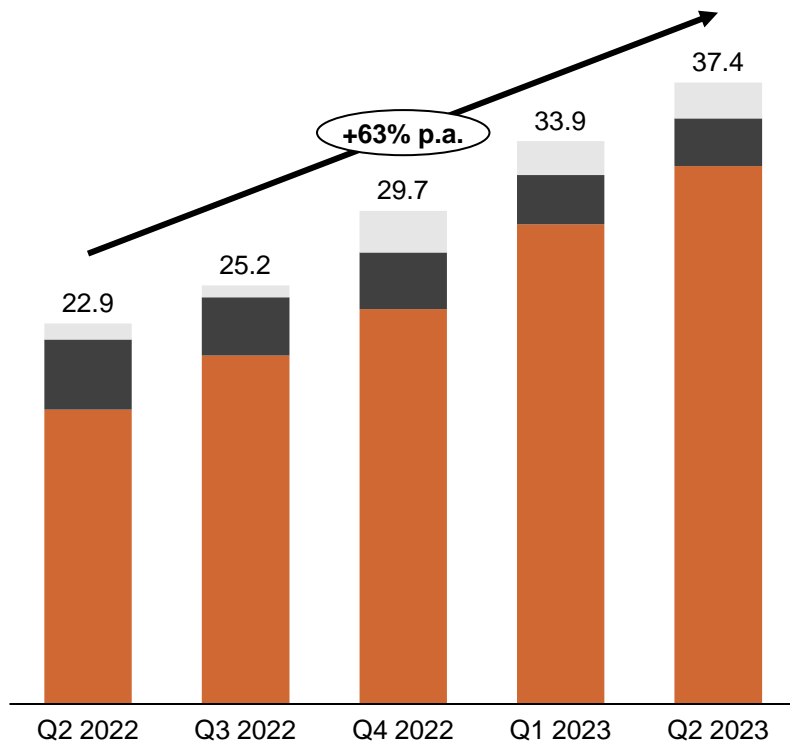




Total income from credit line grew >80% last 4 quarters

Total income
NOK Millions

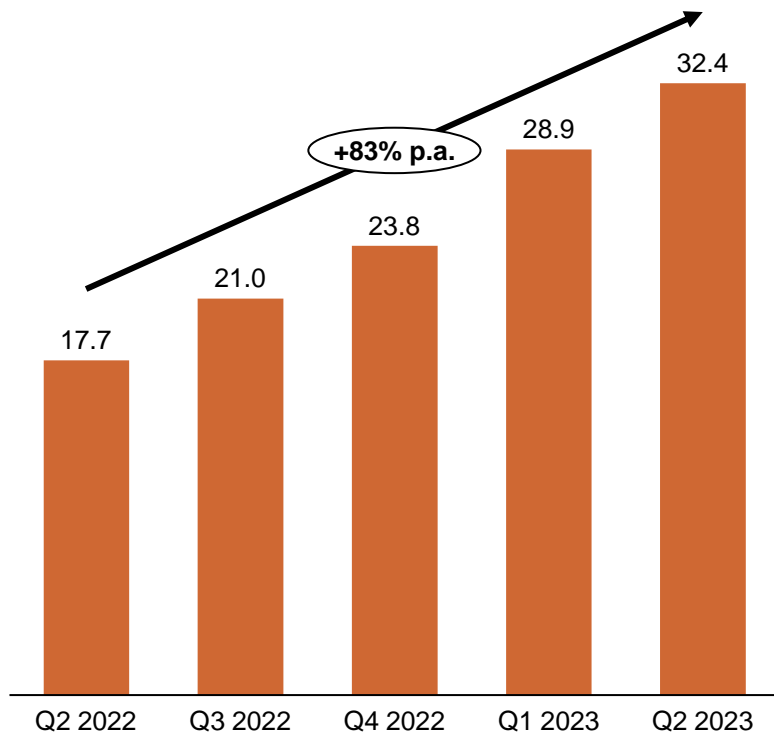
Other Spot factoring / eCommerce Credit line



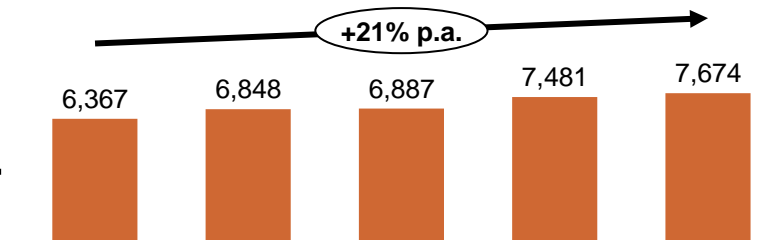


Customer growth is the biggest driver of credit line income

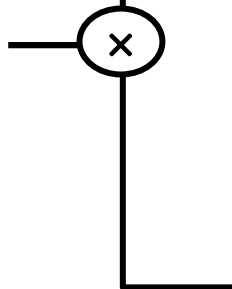
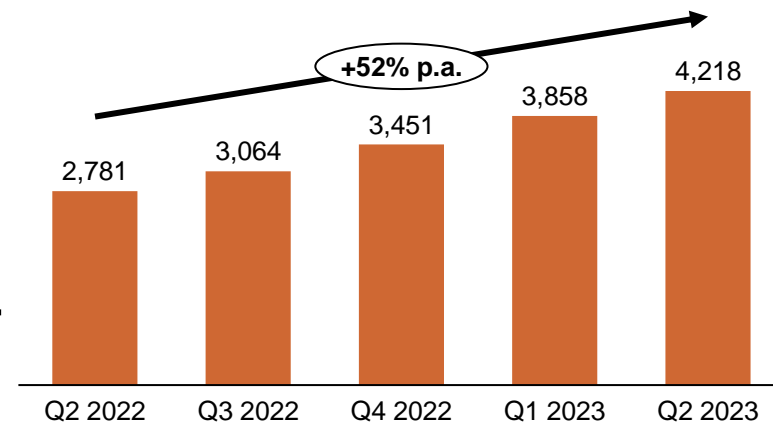
Total income from credit line
NOK Millions



Total income per credit line customer per quarter
NOK



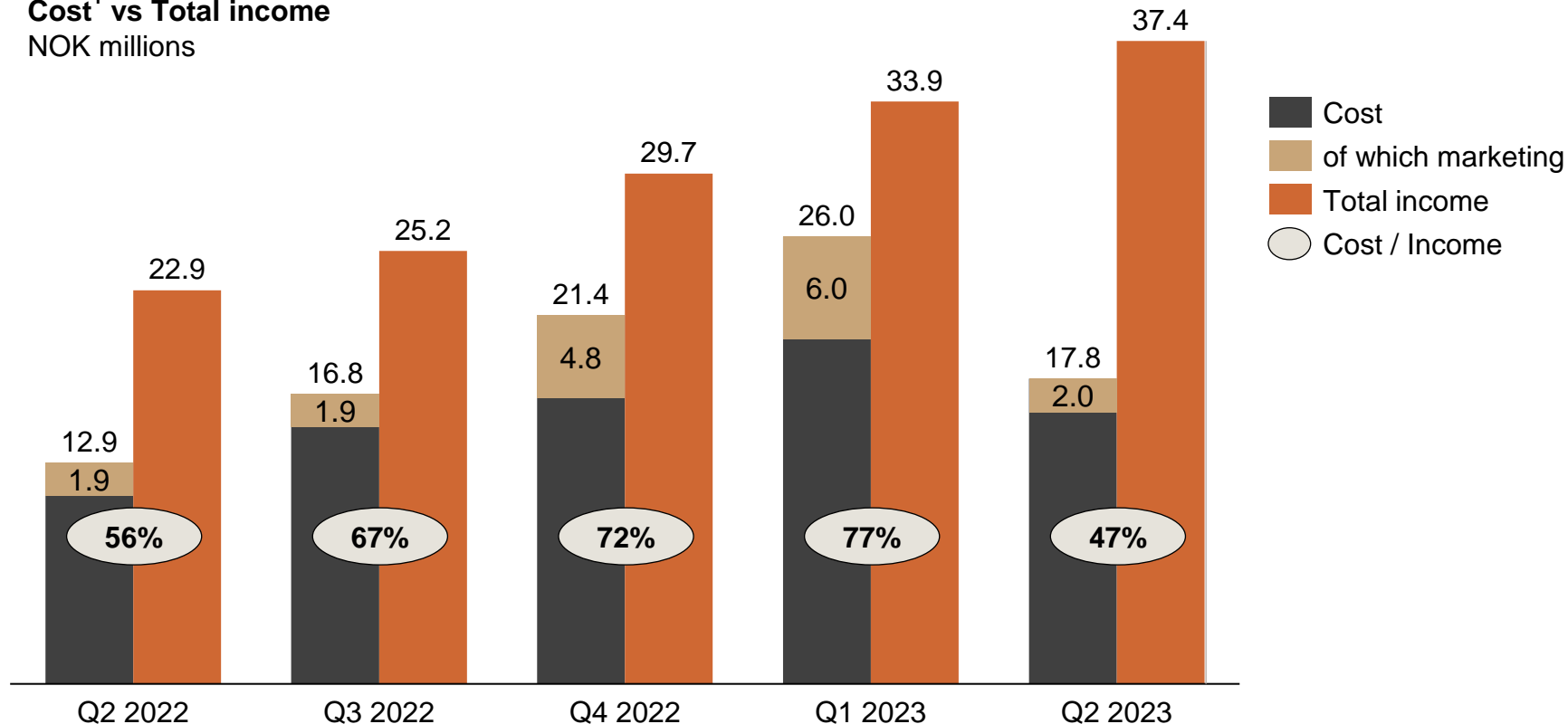
Average number of credit line customers in quarter





47% C/I in Q2, driven by holiday pay and moderate marketing

Cost¹ vs Total income NOK millions

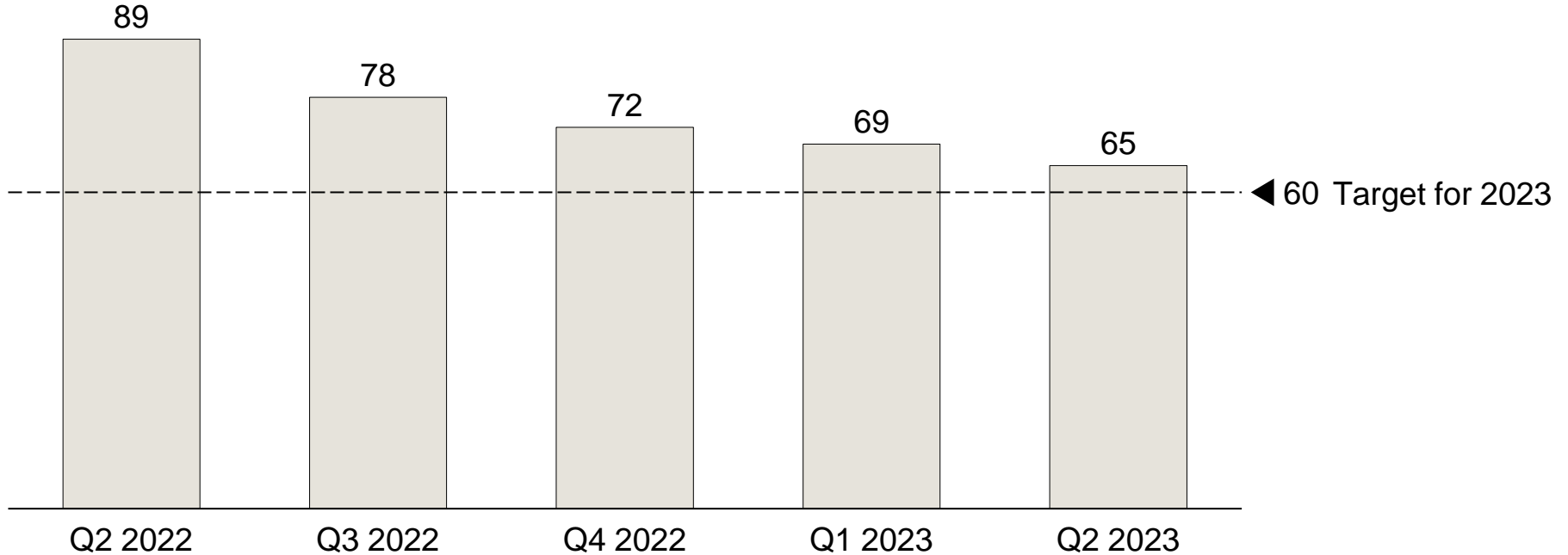




Trailing 1 year cost / income is steadily declining

Cost last 12 months / Total Income last 12 months

%

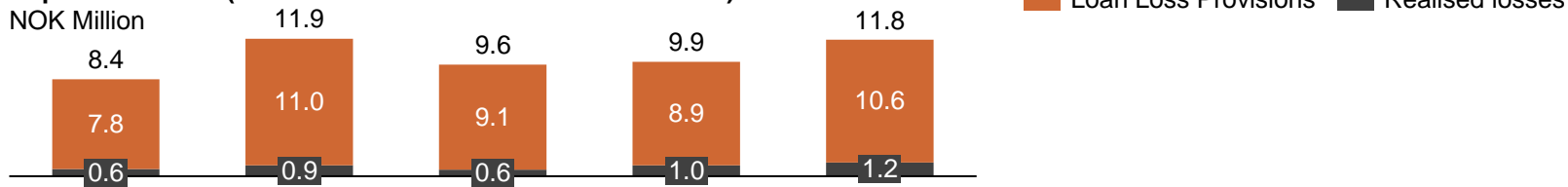




>14% NIM after losses in Q2 – close to long term target

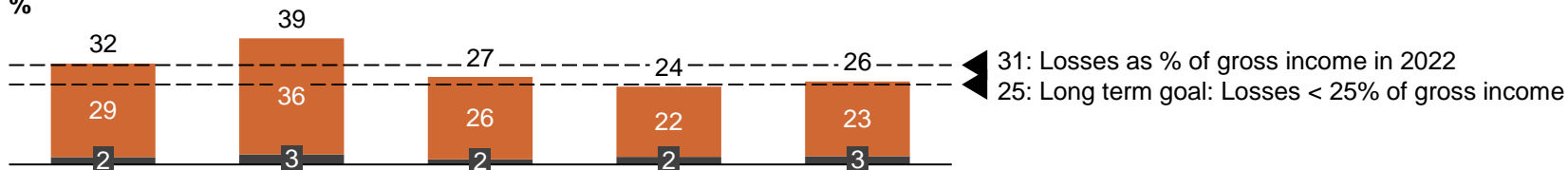
Reported Losses (Realised losses + Loan Loss Provisions)

NOK Million



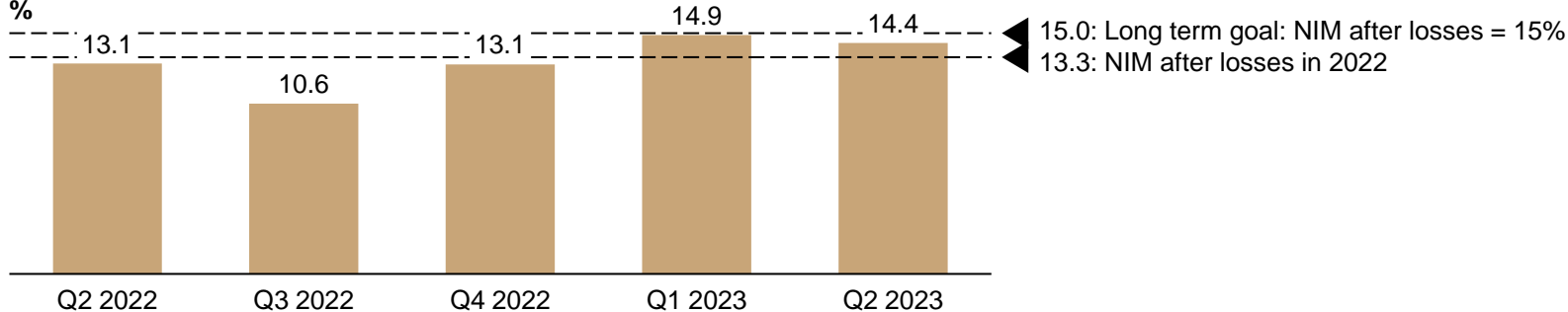
Reported losses as share of gross income from lending to customers

%



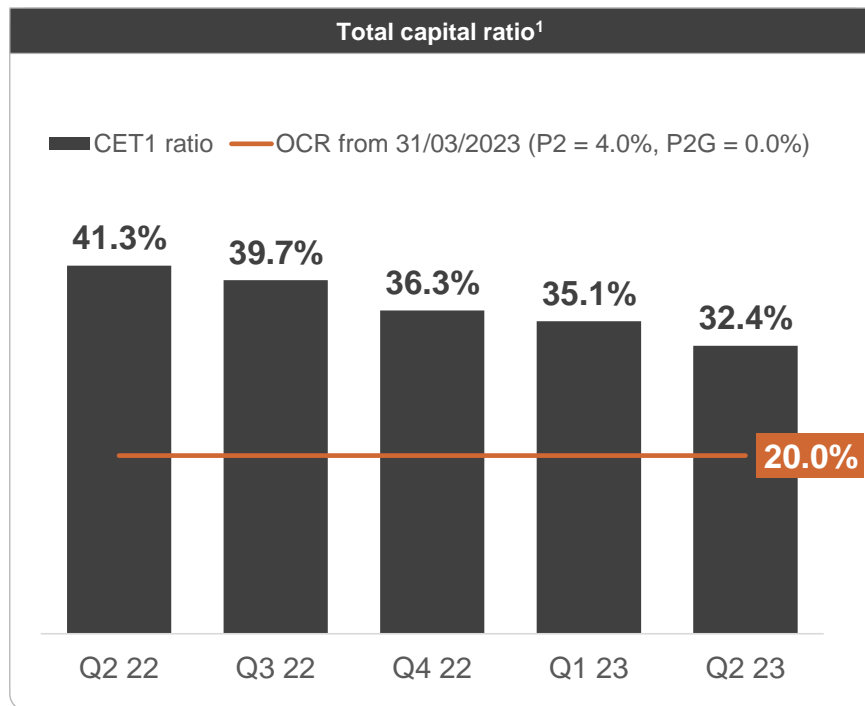
Net Interest Margin (NIM) after losses¹

%



Note 1: Net interest margin after losses: (Net interest income + Net commission and fees – Losses) / Average Net Loans = Net yield on net loans after commissions to partners, interest rate expenses, fees, loan loss provisions, and realised losses.

Sound capital position



Key comments

- CET1-ratio of 32.4% 30 Jun 2023 vs. current regulatory overall capital requirement (OCR) of 20.0%²
- SREP expected in 2023
 - The bank expects NFSA³ to determine a revised Pillar 2 requirement, including Pillar 2 Guidance (P2G) in 2023
- In the final report from NFSA's on-site inspection of Aprila Bank in 2022, NFSA stated that the bank, in NFSA's opinion, does not have sufficient historical data to use retail classification
- The bank has applied retail classification on eligible exposures as of 30 Jun 2023
- Without retail classification, the CET1-ratio would have been 26.4% as of 30 Jun 2023

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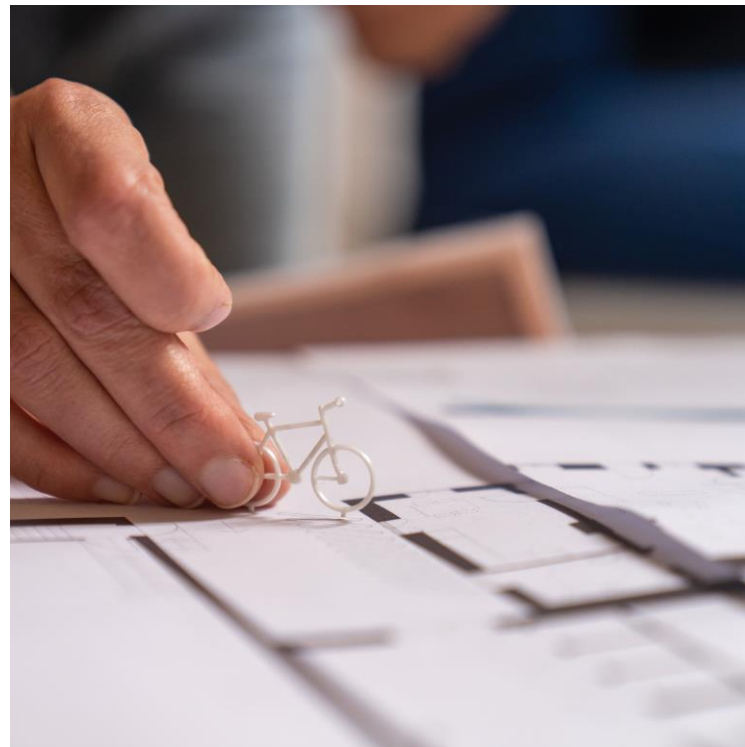
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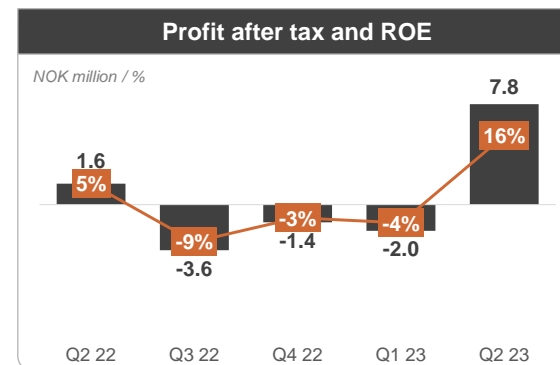
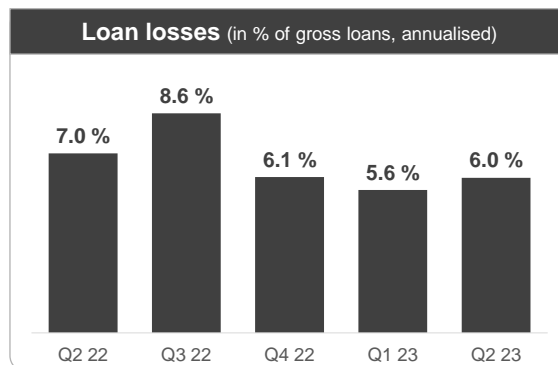
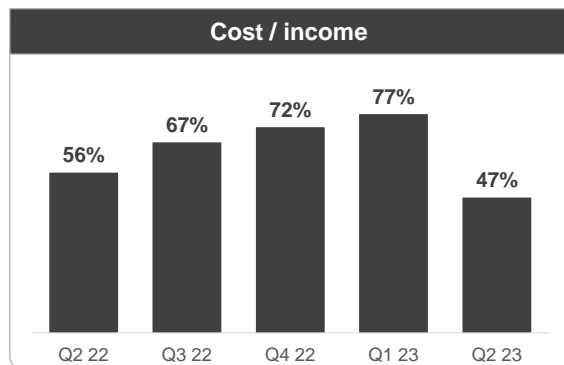
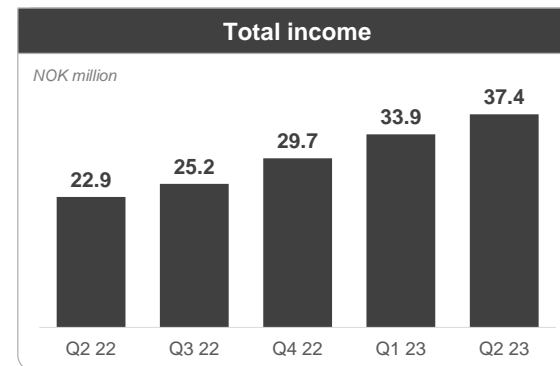
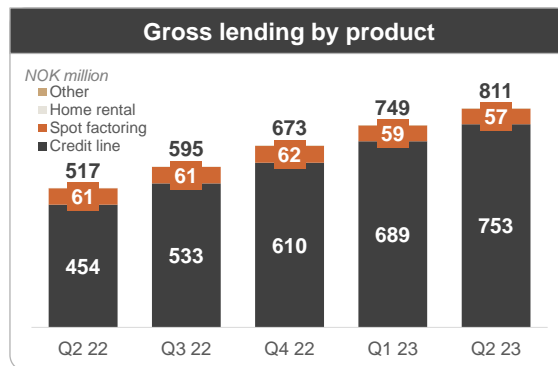
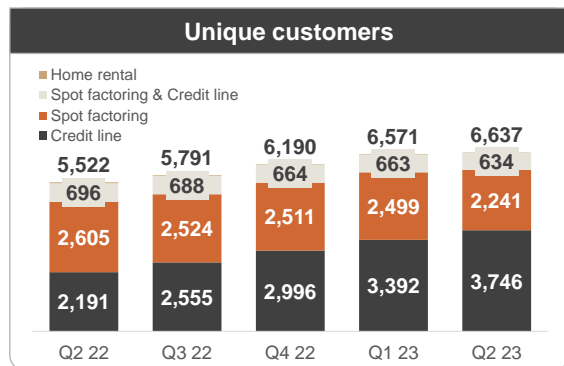
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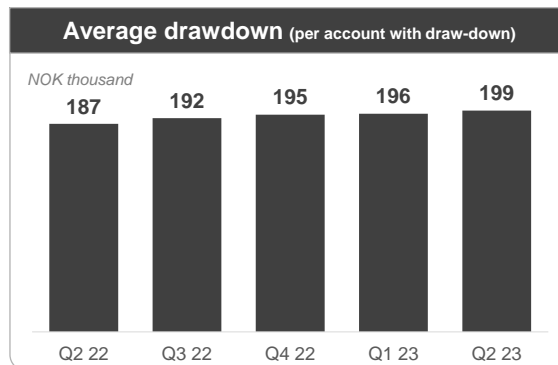
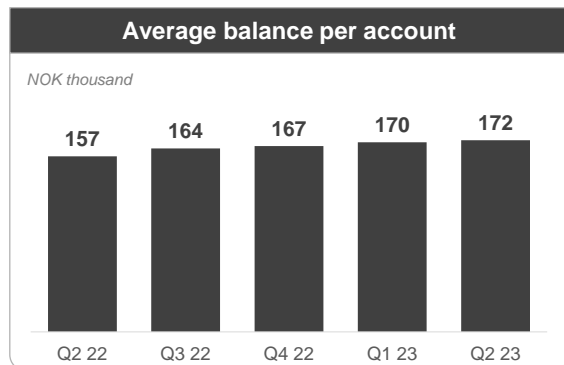
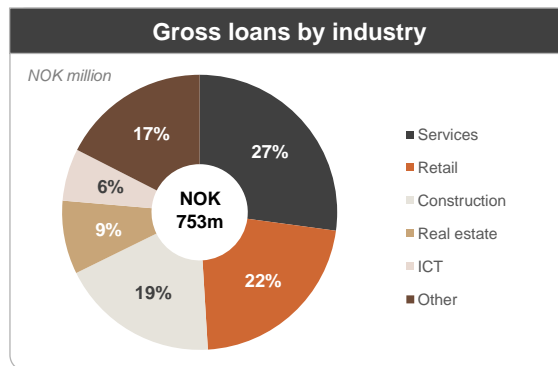
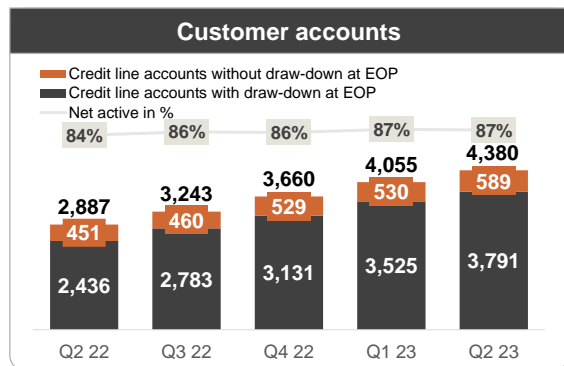


Total income has increased more than 60% since Q2 last year





Credit line volumes are steadily increasing

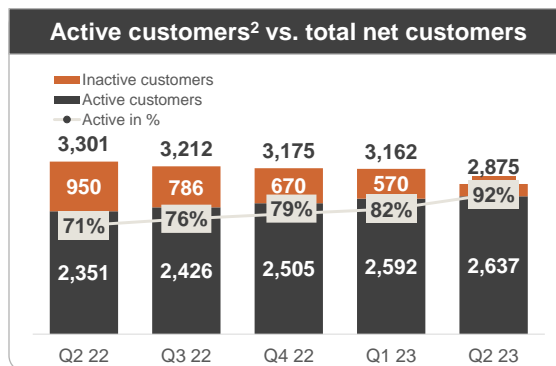
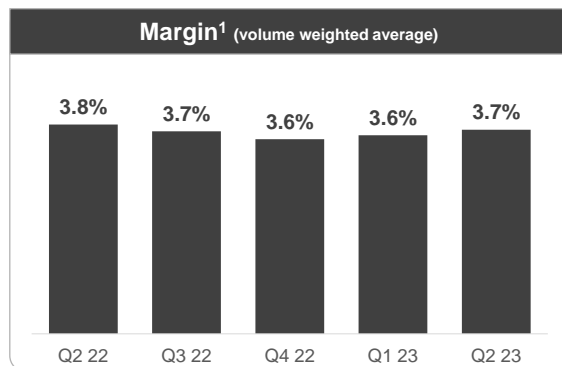
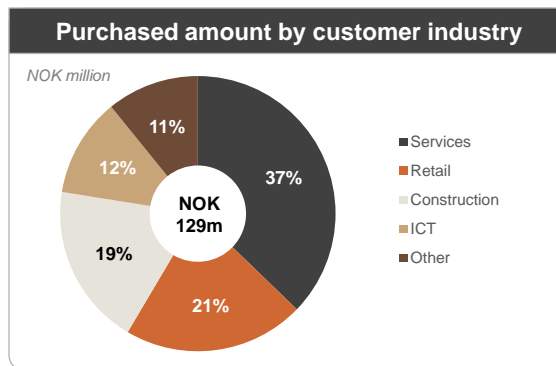
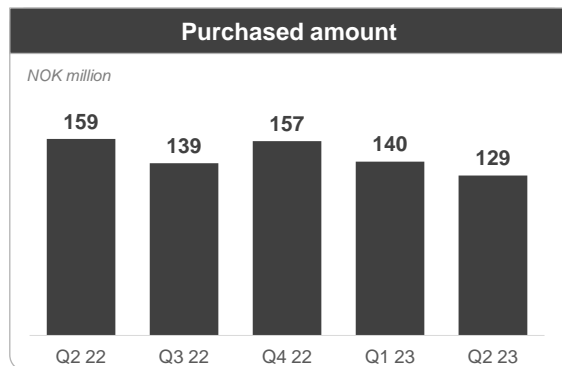


Key comments

- Net 325 new accounts (+8%) added in the quarter
 - Onboarded: 484
 - Offboarded: 159
- 4,380 credit line accounts at the end of the period
- 87% of customer accounts with draw-down at EOP
- NOK 172k outstanding per account at the end of the period
- On average NOK 199k drawn by customers with draw-down



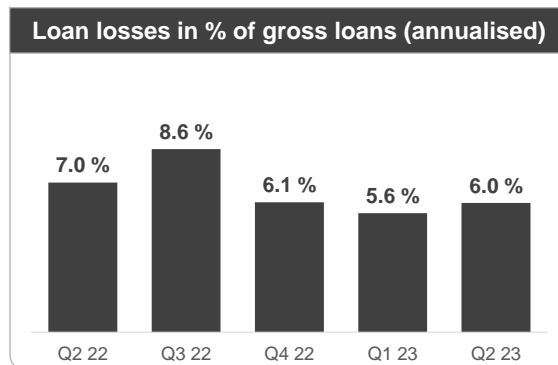
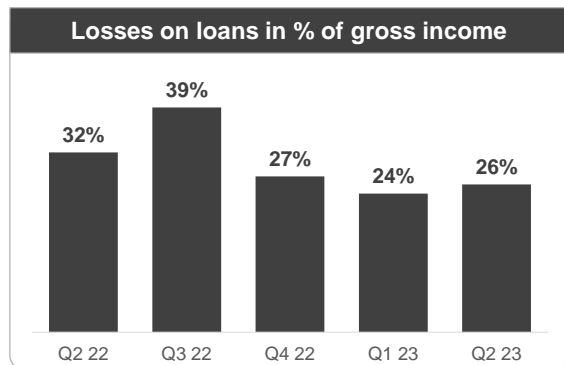
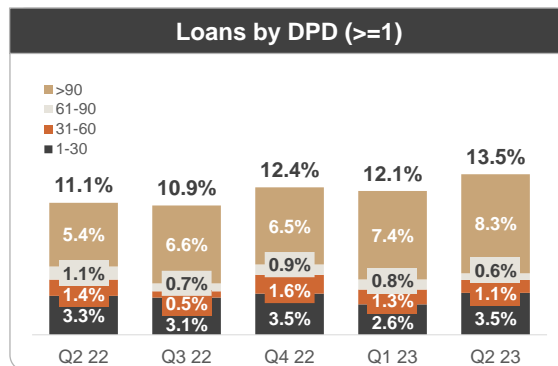
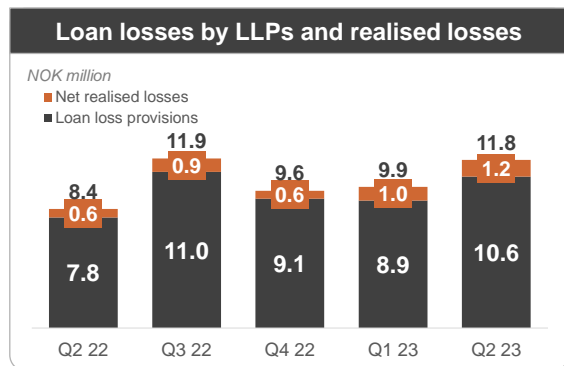
Spot factoring volumes declining due to discontinued partnership



Key comments

- NOK 129m purchased
- Spot factoring accounted for 11% of gross income from lending in Q2 23 (vs. 24% in Q2 22)
- VWA margin: 3.7%
- Customers in services, retail and construction industries accounted for 78% of purchased amount in Q2 23 (79% in Q2 22)
- 2,637 of 2,875 open customer accounts (92%) had sold invoices at the end of the period

LLPs in line with expectations



Key comments

- Total loan losses of NOK 11.8m in Q2 of which:
 - NOK 10.6m (90%) in LLPs and
 - NOK 1.2m (10%) in net realised losses
- DPD >= 1: 13.5% of gross loans
- Loan losses in line with expectations:
 - 26% of gross income
 - 6% of gross loans

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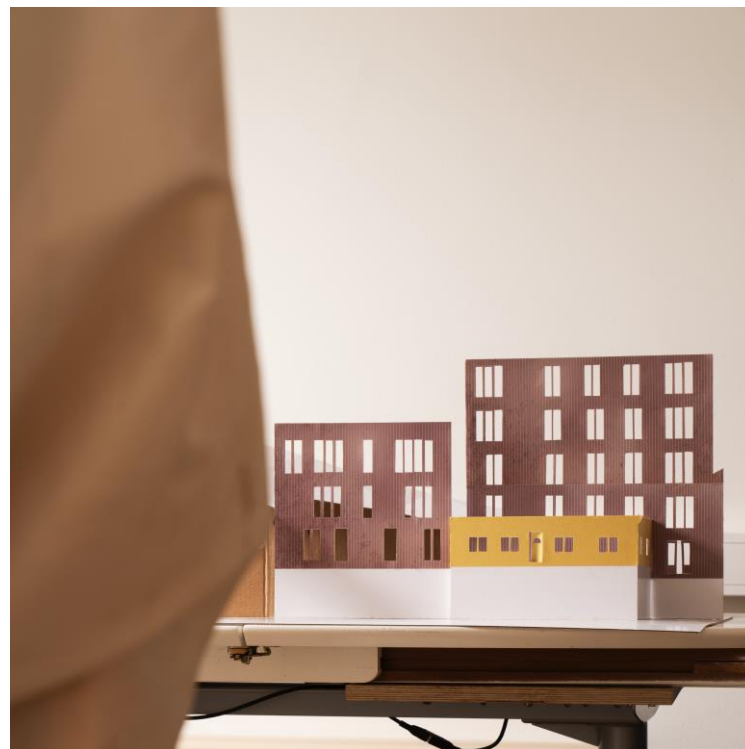
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No. 1 priority in H2 2023 is to strengthen competitive advantage

H2 2023

Strengthen competitive advantage

- Increase automation of core processes
- Optimise and evolve machine learning PD and LGD models
- Continue to streamline customer onboarding and experience

Continue growth

- Build up sales engine
- Accelerate growth of larger credit line customers
- Continue to optimise approval rates, limit offers and pricing

Improve profitability

- Continue to optimise pricing of credit risk
- Continue to automate reporting and compliance activities
- Continue to improve marketing efficiency and effectiveness



Targeting a total income run-rate > NOK 170 million at year-end

	Q2 23	Q3 23E	YE 23E	Key drivers
Total income Annual run-rate ¹ (NOK million)	165	> 165	> 170	<ul style="list-style-type: none"> • New credit line customers and increased income per customer • Dampened growth in Q3 due to divestment of NPL portfolio • Scalability (higher income relative to fixed costs) • Reduced cost-to-serve through continuous investments in automation and self service • Divestment of ~200 NPL accounts expected in Q3 23
Cost/income (LTM) ²	65%	~ 64%	~ 60%	
Credit line accounts (End of period)	4,380	~ 4,500	> 4,800	

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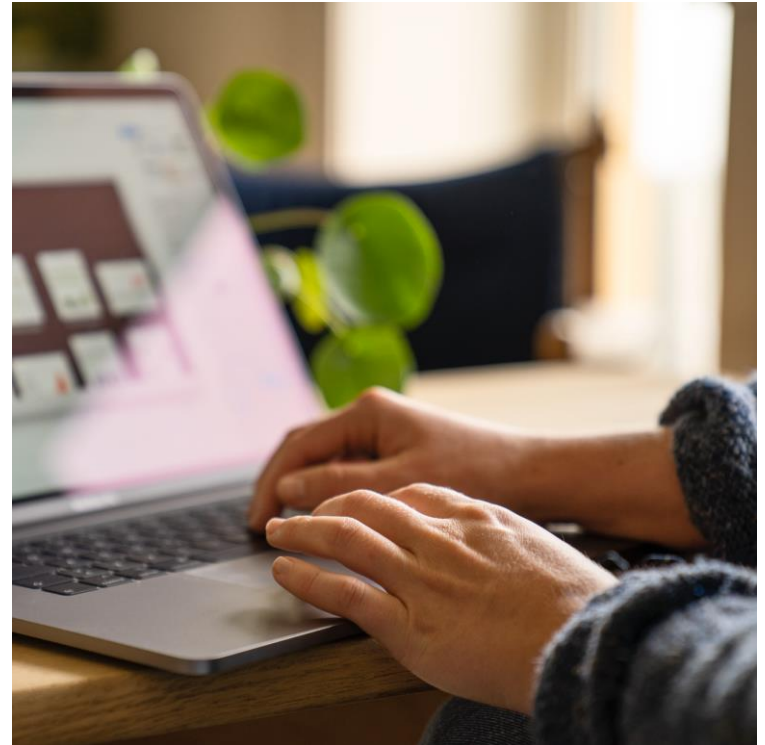
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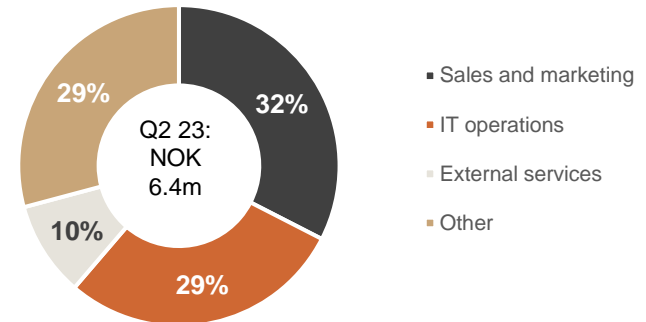
Income statement & general administrative expenses

Income Statement

<i>Amounts in NOK thousand</i>	Note	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Interest income		40,674	22,579	76,308	40,524	96,166
Interest expense		6,489	1,343	11,323	2,425	8,642
Net interest income		34,184	21,236	64,985	38,099	87,524
Income commissions and fees		3,197	1,746	6,168	2,979	8,154
Expenses commissions and fees		243	154	403	314	626
Net commissions and fees		2,953	1,591	5,765	2,666	7,528
Net gains / losses (-) on certificates, bonds and currency		249	39	500	-2	597
Other income		0	0	0	0	0
Total income		37,386	22,866	71,249	40,762	95,649
Salary and other personnel expenses		9,674	5,442	22,247	14,096	33,531
General administrative expenses	8	6,362	5,447	17,747	12,795	27,366
Total salary and administrative expenses		16,036	10,889	39,994	26,891	60,898
Ordinary depreciation		1,719	1,986	3,762	3,972	8,234
Total operating expenses excl. losses on loans		17,755	12,875	43,757	30,863	69,132
Losses on loans	2, 3	11,796	8,352	21,698	13,558	35,083
Pre-tax operating profit		7,835	1,639	5,794	-3,659	-8,565
Tax	9	0	0	0	0	0
Profit after tax		7,835	1,639	5,794	-3,659	-8,565
Earnings per share (NOK)		0.12	0.03	0.09	-0.07	-0.15
Diluted earnings per share (NOK)		0.12	0.03	0.09	-0.07	-0.15

General administrative expenses

<i>Amounts in NOK thousand</i>	Q2 2023	Q2 2022	YTD 2023	YTD 2022	2022
Sales and marketing	2,070	1,781	8,165	4,779	11,372
IT operations	1,828	1,505	3,563	2,955	6,192
External services	609	792	1,825	1,501	3,487
External audit and related services	157	340	688	1,440	2,106
Credit information	431	311	743	648	1,283
Other operating expenses	1,267	719	2,763	1,472	2,925
Total general administrative expenses	6,362	5,447	17,747	12,795	27,366



Balance sheet & regulatory capital



Balance Sheet

<i>Amounts in NOK thousand</i>	Note	30.06.2023	31.12.2022	30.06.2022
Loans and deposits with credit institutions	5, 6	125,275	65,111	36,903
Net loans to customers	2, 3, 6	727,902	612,478	478,665
Certificates and bonds	6	127,167	66,664	56,058
Other intangible assets		7,966	9,263	11,530
Deferred tax assets	9	0	0	0
Fixed assets		2,712	3,676	4,390
Other receivables	7	5,983	29,482	37,638
Total assets		997,004	786,673	625,183
Deposits from and debt to customers		784,708	577,249	439,646
Other debt	7	14,251	17,313	19,865
Total liabilities		798,960	594,562	459,512
Share capital	4	65,819	61,812	55,261
Share premium	4	291,636	265,671	236,191
Unregistered Share capital	4	0	29,971	35,000
Other paid-in equity	4	3,376	3,237	2,893
Retained earnings	4	-162,786	-168,581	-163,674
Total equity		198,044	192,111	165,672
Total equity and liabilities		997,004	786,673	625,183

Regulatory capital

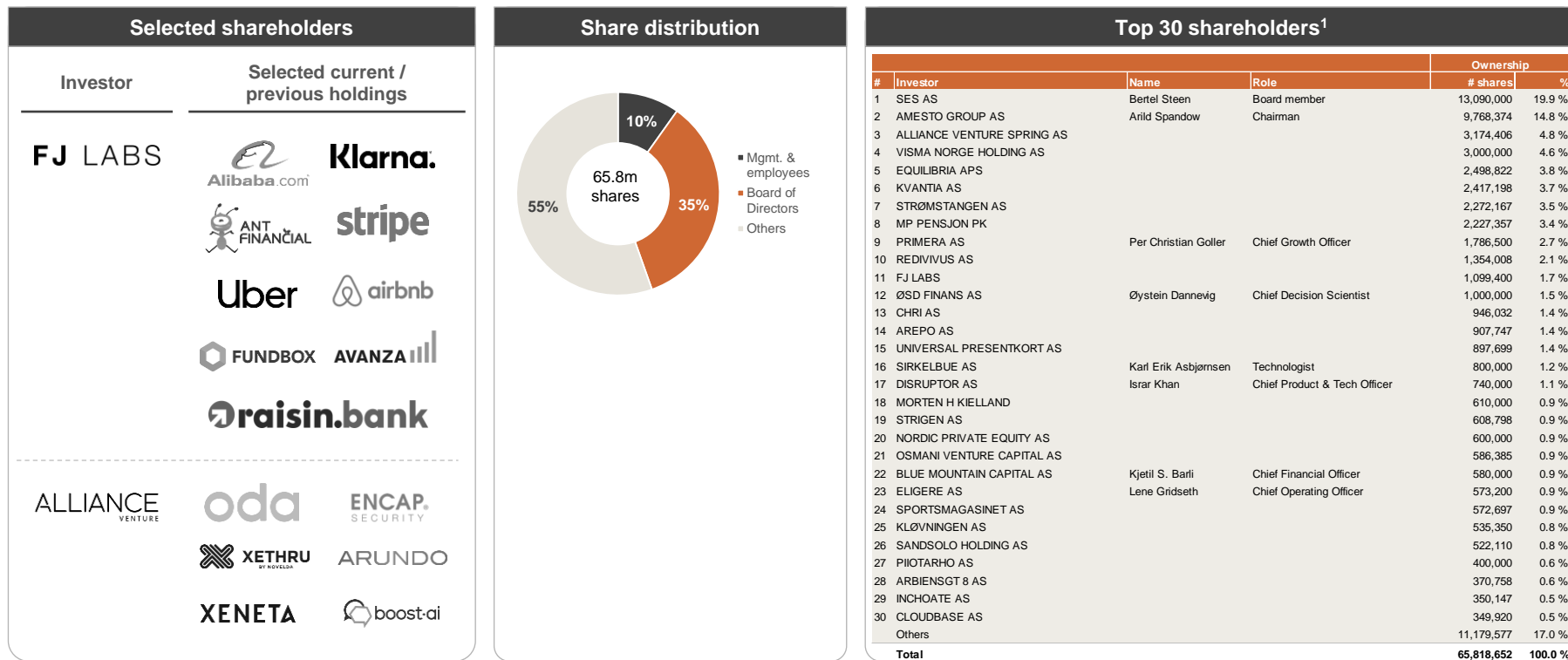
<i>Amounts in NOK thousand</i>	30.06.2023	31.12.2022	30.06.2022
Share capital	65,819	61,812	55,261
Share premium	291,636	265,671	236,191
Other equity	-159,410	-135,373	-125,751
Total equity	198,044	192,111	165,671
Part of interim or year-end profit not eligible	-5,794	0	0
Additional value adjustments (AVA)	-127	-67	-56
Other intangible assets	-7,966	-9,263	-11,530
Deferred tax assets	0	0	0
Insufficient coverage for non-performing exposures	-130	0	0
Common equity tier 1 (CET 1)	184,027	182,781	154,115
Tier 1 capital	184,027	182,781	154,115
Total capital	184,027	182,781	154,115
Risk-weighted assets			
Regional governments or local authorities	414	408	324
Public sector entities	189	333	182
Institutions	25,055	13,037	7,420
Corporates	13,249	13,404	14,130
Retail	382,673	309,219	234,468
Exposures in default	26,525	31,860	28,155
Collective investments undertakings (CIU)	5,585	2,491	0
Other items	7,364	31,518	42,384
Credit risk	461,053	402,270	327,063
Position, foreign exchange and commodities risks	6,384	0	0
Operational risk	100,733	100,733	45,691
Credit valuation adjustment	686	171	0
Risk-weighted assets	568,856	503,173	372,755
Common equity tier 1 ratio (%)	32.4%	36.3%	41.3%
Tier 1 ratio (%)	32.4%	36.3%	41.3%
Total capital ratio (%)	32.4%	36.3%	41.3%
Leverage ratio (%)	18.4%	23.5%	24.4%
LCR	595%	424%	419%
NSFR	219%	196%	167%

Gross income and key figures



Gross income and key figures									
NOK million	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
Gross income and margin									
Interest income credit line	7.5	10.3	12.0	15.1	18.8	22.7	27.0	33.1	37.7
Income commissions and fees credit line	0.0	0.1	0.5	0.7	1.3	2.0	2.4	2.6	2.9
Gross income credit line	7.5	10.4	12.5	15.8	20.1	24.8	29.5	35.7	40.5
Interest income spot factoring	5.8	5.9	6.8	5.3	5.8	5.0	5.3	4.6	4.6
Income commissions and fees spot factoring	0.5	0.5	0.6	0.5	0.5	0.3	0.4	0.4	0.3
Gross income spot factoring	6.3	6.4	7.3	5.8	6.3	5.4	5.7	5.0	5.0
Gross income other	0.2	0.1	0.2	0.0	0.3	-0.1	1.5	0.8	1.3
Gross income total	13.9	16.9	20.1	21.7	26.7	30.0	36.7	41.5	46.8
Direct variable expenses	3.7	3.8	4.0	4.3	4.3	5.5	7.7	8.5	10.4
Gross profit bf. loan losses	10.2	13.1	16.0	17.3	22.3	24.5	29.0	33.1	36.4
Total income	10.8	13.5	16.4	17.9	22.9	25.2	29.7	33.9	37.4
Gross income from lending	13.9	16.9	19.9	21.7	26.5	30.2	35.2	40.7	45.5
Total operating expenses	14.0	15.5	16.6	18.0	12.9	16.8	21.4	26.0	17.8
Losses on loans	4.1	3.4	6.3	5.2	8.4	11.9	9.6	9.9	11.8
Key figures									
Gross margin	73%	77%	80%	80%	84%	82%	79%	80%	78%
Total income / gross income	77%	80%	82%	83%	86%	84%	81%	82%	80%
Net interest margin after losses ¹	12.2%	15.6%	13.3%	13.8%	13.1%	10.6%	13.1%	14.9%	14.4% ¹
Cost / income	130%	115%	101%	101%	56%	67%	72%	77%	47% ¹
Losses on loans / gross income from lending	29%	20%	32%	24%	32%	39%	27%	24%	26%

Aligned interests among key stakeholders



Note 1: As registered in VPS 17 July 2023.

Aprila