

Aprila

Q3 Interim report

July - September 2023

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Interim report

About Aprila Bank ASA

Aprila is a product- and technology company offering improved access to financing for businesses through innovative financial solutions. The bank commenced operations in April 2018 and offers two credit products to businesses: credit line and spot factoring.

Aprila's technology infrastructure employs machine learning models that predict outcomes and price risk automatically, using real-time data in addition to ordinary sources of credit information. This enables the bank to offer credit to businesses with a seamless customer experience.

The bank is owned by private and institutional investors in Norway and abroad. The largest shareholders are SES AS (19.9%), Amesto Group AS (14.8%), and Alliance Venture Spring AS (4.8%)¹.

Third quarter 2023

Highlights from the quarter are outlined below.

- Aprila delivered a pre-tax profit of NOK 7.7 million in the quarter.
- Total income amounted to NOK 41.9 million, an increase of 66% YoY and 12% QoQ.
- Gross loans at the end of the quarter amounted to NOK 865 million, an increase of 45% YoY and 7% QoQ.
- Gross lending to credit line accounts amounted to NOK 810 million at the end of the quarter, an increase of 52% YoY and 8% QoQ.
- At the end of the quarter, Aprila had 6,787 unique business customers, an increase of 18% YoY and 3% QoQ.
- At the end of the quarter, Aprila had 7,420 open customer accounts distributed on Aprila's three lending platforms: credit line (4,711 accounts), spot factoring (2,699 accounts), and home rental² (10 accounts).

Financial figures

All figures are prepared and presented in accordance with IFRS. Comparable figures from Q3 2022 are presented in brackets.

Interest income in the quarter amounted to NOK 44.5 million (NOK 25.6 million), net interest income to NOK 35.4 million (NOK 23.4 million) and total income was NOK 41.9 million (NOK 25.2 million).

Total operating expenses amounted to NOK 23.8 million (NOK 16.8 million) of which NOK 14.4 million (60%) in salary and personnel expenses, NOK 7.8 million (33%) in general administrative expenses and NOK 1.6 million (7%) in ordinary depreciation.

Losses on loans amounted to NOK 10.4 million (NOK 11.9 million). Pre-tax operating profit amounted to NOK 7.7 million (NOK -3.6 million).

Total assets at the end of the quarter amounted to NOK 1,085 million (NOK 657 million) of which NOK 770 million (NOK 545 million) were net loans to customers. Total equity amounted to NOK 206 million (NOK 162 million) and the CET1-ratio was 33.7% (39.7%). Total liquid assets amounted to NOK 302 million (NOK 94 million) of which NOK 91 million in bank deposits and NOK 210 million in certificates and bonds.

¹⁾ As registered in VPS 16 October 2023.

²⁾ Onboarding of new home rental customers ceased in H1 2021.

Outlook

Macroeconomic outlook

Norges Bank raised the key policy rate 50 bps in the quarter: from 3.75% to 4.00% in August and from 4.00% to 4.25% in September.

Key factors behind the central bank's assessment in September were a continued high inflation, a tight labour market and a concern that labour costs could increase more than the bank's previous expectations, and thus contribute to continued high inflation. Furthermore, the central bank announced that it expected one additional policy rate hike in December and that the policy rate will stay around 4.5% throughout 2024. In connection with the meeting on 1 November 2023, the bank reiterated that the key policy rate most likely will be increased in December.

The 4.25 percentage point increase in the key policy rate from September 2021 to September 2023 has, as of the date of this report, resulted in an increase of Aprila's funding cost of 3.3 percentage points³. In terms of interest income, Aprila is favourably positioned to manage expected future hikes in interest level as the bank's loan agreements provide a high degree of pricing flexibility. Moreover, since the bank offers high-yielding products, the relative effect of the expected increase in interest rates on the customers' borrowing cost is quite modest.

In the current macro-economic environment, we consider the key uncertainties for Aprila to be the effect of high inflation and the prevailing geopolitical uncertainty on our customers' credit appetite and quality. Aprila's access to day-to-day accounting data for a large share of its customers provides a unique insight into the customers' financial position and the bank will continue to closely monitor the financial health of its customers and continuously align its risk appetite with the customers' financial performance.

Retail classification

Aprila Bank has employed retail classification in accordance with Article 123 of the Capital Requirements Regulation (CRR) since 30 September 2021. In the Financial Supervisory Authority's final report from the 2022 on-site inspection at Aprila (published on 12 October 2022) the Financial Supervisory Authority (FSA) wrote that "(...) the bank must have data for a longer time period to be able to document that the risk has been sufficiently reduced so that risk weights of 75 percent can be used". Furthermore, the FSA stated that they would address the matter in a separate letter. The bank has not received this letter as of the date of this report.

Along with other Norwegian banks, Aprila received an information request from the FSA in April this year, requesting more information on the bank's policies and application of retail classification. Aprila responded to the information request within the deadline in August and expects the FSA to issue a revised circular letter on the topic. Our understanding is that FSA intends to issue the revised circular letter when the new banking package (CRR3/CRD6 and BRRD3) is adopted in the EU. The new banking package is expected to apply from 1 January 2025⁴.

The bank is of the opinion that the exposures classified as retail exposures as of 30 September 2023, meet the requirements of Article 123 of CRR and has decided to use retail classification to calculate the risk-weighted exposure amount for credit risk for these exposures as of 30 September 2023.

Capital requirements

The systemic risk buffer (SyRB) is expected to increase from 3.0% to 4.5% on 31 December 2023, lifting Aprila's overall capital requirement from 20.0% to 21.5%. Furthermore, the bank expects the Norwegian FSA to finalise the supervisory review (SREP) of Aprila during the fourth quarter of 2023 and issue a new Pillar 2 requirement and a Pillar 2 guidance for the bank.

Key priorities

During the second half of 2023 Aprila continues to focus on the following three key priorities:

Strengthen competitive advantage

We believe that unmatched operational scalability combined with high quality of processes and output is key to create sustainable competitive advantage in Aprila's market. During the second half of 2023, Aprila will continue to focus on implementing a set of carefully selected and prioritised initiatives that will increase the level of automation and quality, and thus strengthen Aprila's competitive advantage.

Continue the strong growth

Aprila.no is the main source for attracting new customers. During the second half of 2023, Aprila will continue to enhance customer acquisition through own channels and select partner channels in order to maintain a high growth trajectory and continue to increase the ratio of customer lifetime value to customer acquisition cost.

³⁾ From 1.0 percent in September 2021 to 4.29 percent from 2 October 2023.

⁴⁾ Source: https://finance.ec.europa.eu/news/commission-welcomes-political-agreement-eu-banking-package-2023-06-27_en

Improve profitability

Aprila reached underlying overall profitability in the second quarter 2023; an important milestone for the bank. The accomplishment reflects the bank's operational efficiency and the scalability of its business model. Looking ahead, the bank remains committed to improving its underlying profitability and expects to deliver a robust net income in 2023.

Future prospects

We believe that artificial intelligence (AI) will radically transform how businesses are run in the next two to five years. Businesses that are slow to adapt their operations to AI will most likely be outcompeted by other businesses leveraging AI for superior strategy, cost efficiency, speed, and customer service.

Aprila has used machine learning extensively for the training of the bank's credit models and our understanding is that Aprila is in the forefront among banks using AI capabilities in real-time business decisions. Thanks to our small size, agility, and tech-savvy team, we are well-positioned to keep leveraging new AI technology as it emerges.

Looking ahead, we are confident that the continued adaptation of new technology, combined with the scalability of Aprila's business model, will continue to improve the bank's underlying operating expenses and loan losses relative to total income. We expect this to contribute to a steady improvement of the bank's return on equity over time.

Subsequent events

The bank divested a portfolio of non-performing loans with completion date 2 November 2023. The portfolio had a total gross carrying amount of around NOK 28 million as of the same date. The estimated effect on the bank's loan losses in November 2023 is positive with NOK 0.5 million. After accounting for around NOK 1 million in expenses related to the transaction, the estimated effect on the bank's pre-tax profit in the fourth quarter 2023 is NOK -0.5 million.

Other information

The accounting surplus for the third quarter 2023 has in its entirety been added to retained earnings. The interim report has been audited by the company's external auditor, and hence, the retained earnings year-to-date as of 30 September 2023 is included in common equity tier 1, cf. CRR Article 26.

Oslo, 14 November 2023

Board of Directors
Aprila Bank ASA

Condensed consolidated interim statement of comprehensive income

Amounts in NOK thousand	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Interest income		44,503	25,575	120,810	66,128	96,166
Interest expense		9,120	2,223	20,443	4,648	8,642
Net interest income		35,383	23,352	100,368	61,480	87,524
Income commissions and fees		3,461	2,390	9,629	5,369	8,154
Expenses commissions and fees		249	148	652	462	626
Net commissions and fees		3,212	2,242	8,977	4,907	7,528
Net gains / losses (-) on certificates, bonds and currency		3,276	-413	3,775	-416	597
Other income		0	0	0	0	0
Total income		41,871	25,180	113,120	65,972	95,649
Salary and other personnel expenses		14,365	9,378	36,612	23,474	33,531
General administrative expenses	8	7,779	5,463	25,526	18,259	27,366
Total salary and administrative expenses		22,144	14,841	62,138	41,733	60,898
Ordinary depreciation		1,609	2,002	5,372	5,974	8,234
Total operating expenses excl. losses on loans		23,753	16,844	67,510	47,707	69,132
Losses on loans	2, 3	10,387	11,896	32,085	25,454	35,083
Pre-tax operating profit		7,731	-3,560	13,525	-7,189	-8,565
Tax	9	0	0	0	0	0
Profit after tax		7,731	-3,560	13,525	-7,189	-8,565
Earnings per share (NOK)		0.12	-0.06	0.21	-0.13	-0.15
Diluted earnings per share (NOK)		0.12	-0.06	0.21	-0.13	-0.15

COMPREHENSIVE INCOME

Amounts in NOK thousand	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Comprehensive income for the period	7,731	-3,560	13,525	-7,189	-8,565

Condensed statement of financial position

Amounts in NOK thousand	Note	30.09.2023	31.12.2022	30.09.2022
Loans and deposits with credit institutions	5, 6	91,259	65,111	38,155
Net loans to customers	2, 3, 6	769,750	612,478	544,735
Certificates and bonds	6	210,431	66,664	55,649
Other intangible assets		7,151	9,263	10,618
Deferred tax assets	9	0	0	0
Fixed assets		2,240	3,676	4,201
Other receivables	7	4,474	29,482	4,043
Total assets		1,085,305	786,673	657,399
Deposits from and debt to customers	6	861,063	577,249	474,653
Other debt	7	18,450	17,313	20,358
Total liabilities		879,513	594,562	495,011
Share capital	4	65,819	61,812	61,625
Share premium	4	291,636	265,671	264,828
Unregistered Share capital	4	0	29,971	0
Other paid-in equity	4	3,393	3,237	3,140
Retained earnings	4	-155,056	-168,581	-167,205
Total equity		205,792	192,111	162,388
Total equity and liabilities		1,085,305	786,673	657,399

Condensed statement of the cash flow position

Amounts in NOK thousand	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Pre-tax operating profit		7,731	-3,560	13,525	-7,189	-8,565
Taxes	9	0	0	0	0	0
Ordinary depreciation		1,609	2,002	5,372	5,974	8,234
Change in loans	3	-41,847	-66,040	-157,272	-206,084	-273,827
Change in deposits from customers		76,355	35,006	283,813	136,651	239,247
Change in securities	6	-83,264	409	-143,767	-19,589	-30,604
Change in accruals		6,221	34,528	27,596	2,978	-24,971
Net cash flow from operating activities		-33,196	2,346	29,268	-87,260	-90,487
Net investments in fixed assets		-37	-330	-126	-330	-471
Net investments in intangible assets		-286	-571	-1,699	-1,057	-1,392
Net cash flow from investing activities		-323	-901	-1,825	-1,387	-1,863
Paid-in equity	4	17	247	156	60,966	92,065
Repayment of leasing liabilities		-513	-440	-1,451	-1,321	-1,761
Net cash flow from financing activities		-496	-193	-1,295	59,645	90,304
Net cash flow for the period		-34,016	1,252	26,148	-29,002	-2,046
Cash and cash equivalents at the start of the period	5	125,275	36,903	65,111	67,157	67,157
Cash and cash equivalents at the end of the period	5	91,259	38,155	91,259	38,155	65,111

Condensed statement of changes in equity

Amounts in NOK thousand	Share capital	Share premium	Unregistered Share capital	Other paid-in equity	Retained earnings	Total equity
Equity as of 31 December 2021	44,631	190,545	30,783	2,668	-160,015	108,612
Share capital increase	16,994	74,283	-30,783			60,493
Changes in equity due to stock options program				472		472
Net profit for the period					-7,189	-7,189
Equity as of 30 September 2022	61,625	264,828	0	3,140	-167,205	162,388

Amounts in NOK thousand	Share capital	Share premium	Unregistered Share capital	Other paid-in equity	Retained earnings	Total equity
Equity as of 31 December 2022	61,812	265,671	29,971	3,237	-168,581	192,111
Share capital increase	4,006	25,964	-29,971			0
Changes in equity due to stock options program				156		156
Net profit for the period					13,525	13,525
Equity as of 30 September 2023	65,819	291,636	0	3,393	-155,056	205,792

Notes

Note 1 General accounting principles

Reporting entity

Aprila Bank is a bank domiciled in Norway. The bank's registered office is at Kirkegata 5, 0153 Oslo.

Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and with the same accounting principles as used in the annual statement for 2022.

Aprila was granted a commercial banking license from the Financial Supervisory Authority of Norway (NO: Finanstilsynet) in March 2018.

The interim report was authorised for issue by the bank's board of directors on 14 November 2023.

Functional and presentation currency

These consolidated financial statements are presented in NOK, which is the bank's functional currency. All amounts have been rounded to the nearest thousand, except where otherwise indicated.

Note 2 Expected credit loss

According to IFRS 9, loan loss allowances should be recognised based on expected credit losses (ECL). The general model for loan loss allowances on financial assets in IFRS 9 applies to financial assets that are measured at amortised cost or at fair value with changes in value through other comprehensive income (OCI), and that did not have any losses incurred on initial recognition.

Expected credit losses shall be measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. As of 30 September 2023, Aprila has used three scenarios to determine the probability-weighted expected credit losses:

Amounts in NOK thousand	Base	Recession	Boom	Weighted
Probability	50%	30%	20%	
ECL	91,811	108,663	81,685	94 842

Note 3 Loans to customers

New default definition in Q1 23

According to Article 178 in Regulation (EU) No 575/2013 (CRR), a default shall be considered to have occurred if either of the following have taken place: (a) the institution considers that the obligor is unlikely to pay its credit obligations to the institution; (b) the obligor is past due more than 90 days on any material credit obligation to the institution. Letter (a) is often referred to as the "Unlikelihood-to-pay" (UTP) criteria.

In March 2023, Aprila tightened its UTP-definition, by removing some subcategories of UTP from its definition of default. This contributed to a migration from Stage 3 to Stage 1 and 2 and consequently a reduction in the ratio of Stage 3 gross carrying amount (GCA) to total GCA of around 3 percentage points from 31 December 2022 to 31 March 2023. The change also resulted in a higher coverage ratio in Stage 3 due to a lower overall probability of default reversal, and a significantly higher share of Stage 3 exposures with a default reversal probability of zero⁵, and hence a higher LLA relative to GCA.

New PD model in Q3 23

According to paragraph 5.5.9 in IFRS 9, an entity shall, at each reporting date, assess whether the credit risk of a financial instrument has increased significantly since initial recognition. To make that assessment, an entity shall compare the probability of default at the reporting date with the probability of default at the date of initial recognition. If the credit risk of a financial instrument has increased significantly since initial recognition, the instrument should be placed in Stage 2, and the expected credit loss should be measured over the lifetime of the instrument, rather than over the next 12 months.

Prior to August 2023, Aprila used one PD-model for applications and one PD-model for customers. In August 2023, the bank employed a new statistical method to combine two models into one. The output from the new model, when measuring the PD at initial recognition, shows a lower degree of volatility than the output from the previous model. Thus, when using the new model to measure PD both at initial recognition and at the reporting date, fewer exposures migrate to Stage 2.

Aprila considers the new model to be superior to the old and has decided to use the new model to measure PD both at initial recognition and at the reporting date. This resulted in a decrease in the ratio of Stage 2 GCA to total GCA of around 7 percentage points; from 25.7% on 30 June 2023 to 18.3% on 30 September 2023.

LOANS TO CUSTOMERS

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Credit line	810,380	610,040	533,353
Non-recourse factoring	52,522	61,912	60,747
Other	1,689	1,088	937
Gross loans to customers	864,592	673,040	595,038
Loan loss allowance	94,842	60,562	50,303
Net loans to customers	769,750	612,478	544,735

DEFAULTS AND LOSSES

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Gross loans in stage 3	89,265	81,379	68,920
Loan loss allowance stage 3	60,014	38,782	33,119
Net loans in stage 3	29,251	42,597	35,800

⁵⁾ Claims that are more than 90 days past due have a default reversal probability of zero (only UTP-defaults can be reversed).

LOAN LOSS PROVISIONS IN THE PERIOD

Amounts in NOK thousand	Q3 2023	Q3 2022	YTD 2023	YTD 20212	2022
Loan loss provisions stage 1	2,001	-171	3,573	1,813	4,108
Loan loss provisions stage 2	-1,901	2,652	9,475	3,732	6,034
Loan loss provisions stage 3	8,490	8,479	15,120	17,754	22,234
Total loan loss provisions in the period	8,590	10,959	28,167	23,299	32,376
Realised losses in the period	1,796	937	3,918	2,155	2,706
Losses on loans in the period	10,387	11,896	32,085	25,454	35,083

AGEING OF LOANS, LOANS TO CUSTOMERS

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Loans not past due	729,903	589,592	530,311
Past due 1 - 30 days	36,656	23,244	18,602
Past due 31 - 60 days	12,945	10,647	3,133
Past due 61 - 90 days	7,797	5,903	3,996
Past due 91+ days	77,290	43,654	38,996
Total	864,592	673,040	595,038

AGEING OF LOANS, CREDIT LINE

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Loans not past due	699,039	557,953	494,674
Past due 1 - 30 days	30,646	10,581	8,213
Past due 31 - 60 days	10,801	7,855	1,788
Past due 61 - 90 days	7,068	4,012	2,163
Past due 91+ days	62,826	29,639	26,515
Total	810,380	610,040	533,353

AGEING OF LOANS, NON-RECOURSE FACTORING

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Loans not past due	29,175	30,551	34,700
Past due 1 - 30 days	6,009	12,663	10,389
Past due 31 - 60 days	2,144	2,793	1,346
Past due 61 - 90 days	729	1,891	1,832
Past due 91+ days	14,465	14,016	12,481
Total	52,522	61,912	60,747

LOANS TO CUSTOMERS

Amounts in NOK thousand	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 30 June 2023	526,323	208,851	75,961	811,135
Transfers from stage 1 to stage 2	-74,103	74,103	0	0
Transfers from stage 1 to stage 3	-4,087	0	4,087	0
Transfers from stage 2 to stage 1	94,313	-94,313	0	0
Transfers from stage 2 to stage 3	0	-16,691	16,691	0
Transfers from stage 3 to stage 1	567	0	-567	0
Transfers from stage 3 to stage 2	0	227	-227	0
New financial assets issued in the period	173,809	10,119	735	184,663
Financial assets derecognised in the period	-100,063	-23,729	-7,415	-131,207
Gross carrying amount as of 30 September 2023	616,759	158,568	89,265	864,592

LOAN LOSS ALLOWANCE

Amounts in NOK thousand	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as of 30 June 2023	12,795	21,932	48,505	83,233
Transfers from stage 1 to stage 2	-2,506	2,506	0	0
Transfers from stage 1 to stage 3	-179	0	179	0
Transfers from stage 2 to stage 1	2,639	-2,639	0	0
Transfers from stage 2 to stage 3	0	-2,972	2,972	0
Transfers from stage 3 to stage 1	36	0	-36	0
Transfers from stage 3 to stage 2	0	21	-21	0
New financial assets issued in the period	1,863	879	13	2,755
Increased expected credit loss	3,931	7,806	12,470	24,207
Decreased expected credit loss	-3,213	-6,907	-1,380	-11,500
Financial assets derecognised in the period	-388	-776	-2,689	-3,853
Loan loss allowance as of 30 September 2023	14,978	19,850	60,014	94,842

LOANS TO CUSTOMERS, CREDIT LINE

Amounts in NOK thousand	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 30 June 2023	488,595	203,284	60,696	752,575
Transfers from stage 1 to stage 2	-73,758	73,758	0	0
Transfers from stage 1 to stage 3	-3,604	0	3,604	0
Transfers from stage 2 to stage 1	94,313	-94,313	0	0
Transfers from stage 2 to stage 3	0	-15,621	15,621	0
Transfers from stage 3 to stage 1	567	0	-567	0
Transfers from stage 3 to stage 2	0	227	-227	0
New financial assets issued in the period	139,984	5,756	354	146,094
Financial assets derecognised in the period	-64,332	-19,250	-4,707	-88,289
Gross carrying amount as of 30 September 2023	581,764	153,841	74,776	810,380

LOAN LOSS ALLOWANCE, CREDIT LINE

Amounts in NOK thousand	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as of 30 June 2023	12,515	21,136	41,353	75,004
Transfers from stage 1 to stage 2	-2,501	2,501	0	0
Transfers from stage 1 to stage 3	-165	0	165	0
Transfers from stage 2 to stage 1	2,639	-2,639	0	0
Transfers from stage 2 to stage 3	0	-2,655	2,655	0
Transfers from stage 3 to stage 1	36	0	-36	0
Transfers from stage 3 to stage 2	0	21	-21	0
New financial assets issued in the period	1,620	266	13	1,899
Increased expected credit loss	3,927	7,740	11,924	23,591
Decreased expected credit loss	-3,193	-6,907	-1,258	-11,358
Financial assets derecognised in the period	-150	-298	-1,405	-1,853
Loan loss allowance as of 30 September 2023	14,727	19,165	53,391	87,283

LOANS TO CUSTOMERS, NON-RECOURSE FACTORING

Amounts in NOK thousand	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 30 June 2023	36,470	5,567	15,265	57,302
Transfers from stage 1 to stage 2	-345	345	0	0
Transfers from stage 1 to stage 3	-482	0	482	0
Transfers from stage 2 to stage 1	0	0	0	0
Transfers from stage 2 to stage 3	0	-1,070	1,070	0
Transfers from stage 3 to stage 1	0	0	0	0
Transfers from stage 3 to stage 2	0	0	0	0
New financial assets issued in the period	33,306	4,363	381	38,049
Financial assets derecognised in the period	-35,642	-4,479	-2,708	-42,829
Gross carrying amount as of 30 September 2023	33,306	4,727	14,489	52,522

LOAN LOSS ALLOWANCE, NON-RECOURSE FACTORING

Amounts in NOK thousand	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as of 30 June 2023	257	796	7,152	8,205
Transfers from stage 1 to stage 2	-5	5	0	0
Transfers from stage 1 to stage 3	-14	0	14	0
Transfers from stage 2 to stage 1	0	0	0	0
Transfers from stage 2 to stage 3	0	-317	317	0
Transfers from stage 3 to stage 1	0	0	0	0
Transfers from stage 3 to stage 2	0	0	0	0
New financial assets issued in the period	241	613	1	854
Increased expected credit loss	0	66	546	612
Decreased expected credit loss	0	0	-122	-122
Financial assets derecognised in the period	-238	-478	-1,284	-2,000
Loan loss allowance as of 30 September 2023	241	685	6,623	7,549

Note 4 Regulatory capital

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Share capital	65,819	61,812	61,625
Share premium	291,636	265,671	264,828
Other equity	-151,662	-135,373	-164,064
Total equity	205,792	192,111	162,388
Part of interim or year-end profit not eligible	0	0	0
Additional value adjustments (AVA)	-210	-67	-56
Other intangible assets	-7,151	-9,263	-10,618
Deferred tax assets	0	0	0
Insufficient coverage for non-performing exposures	-223	0	0
Common equity tier 1 (CET 1)	198,207	182,781	151,715
Tier 1 capital	198,207	182,781	151,715
Total capital	198,207	182,781	151,715
RISK-WEIGHTED ASSETS			
Regional governments or local authorities	288	408	415
Public sector entities	168	333	227
Institutions	18,257	13,037	7,636
Corporates	12,416	13,404	10,498
Retail	407,348	309,219	272,454
Exposures in default	28,852	31,860	34,204
Collective investments undertakings (CIU)	8,796	2,491	2,093
Other items	6,734	31,518	8,579
Credit risk	482,859	402,270	336,107
Position, foreign exchange and commodities risks	4,226	0	0
Operational risk	100,733	100,733	45,691
Credit valuation adjustment	555	171	137
Risk-weighted assets	588,372	503,173	381,935
Common equity tier 1 ratio (%)	33.7%	36.3%	39.7%
Tier 1 ratio (%)	33.7%	36.3%	39.7%
Total capital ratio (%)	33.7%	36.3%	39.7%
Leverage ratio (%)	18.1%	23.5%	23.4%
LCR	884%	424%	352%
NSFR	218%	196%	192%

Capital requirements

Aprila's CET1-requirement as of 30 September 2023 was 16.5%. The Tier 1 capital requirement was 18.0% and the overall capital requirement (OCR) was 20.0%. The CET1-requirement of 16.5% includes a Pillar 2 requirement of 4.0%, given in a letter from the Norwegian FSA in October 2017, in connection with the issuance of Aprila's banking license.

The systemic risk buffer (SyRB) is expected to increase from 3.0% to 4.5% on 31 December 2023, lifting Aprila's OCR from 20.0% to 21.5%. Furthermore, the bank expects the Norwegian FSA to finalise the supervisory review (SREP) of Aprila during the fourth quarter of 2023 and issue a new Pillar 2 requirement and a Pillar 2 guidance for the bank.

The regulatory minimum leverage ratio requirement is 5.0%, the minimum LCR is 100% and the minimum NSFR is 100%.

Retail classification

Aprila Bank has employed retail classification in accordance with Article 123 of the Capital Requirements Regulation (CRR) since 30 September 2021. In the Financial Supervisory Authority's final report from the 2022 on-site inspection at Aprila (published on 12 October 2022) the Financial Supervisory Authority (FSA) wrote that "(...) the bank must have data for a longer time period to be able to document that the risk has been sufficiently reduced so that risk weights of 75 percent can be used". Furthermore, the FSA stated that they would address the matter in a separate letter. The bank has not received this letter as of the date of this report.

Along with other Norwegian banks, Aprila received an information request from the FSA in April this year, requesting more information on the bank's policies and application of retail classification. Aprila responded to the information request within the deadline in August and expects the FSA to issue a revised circular letter on the topic. Our understanding is that FSA intends to issue the revised circular letter when the new banking package (CRR3/CRD6 and BRRD3) is adopted in the EU. The new banking package is expected to apply from 1 January 2025⁶.

The bank is of the opinion that the exposures classified as retail exposures as of 30 September 2023, meet the requirements of Article 123 of CRR and has decided to use retail classification to calculate the risk-weighted exposure amount for credit risk for these exposures as of 30 September 2023.

Note 5 Loans and deposits with credit institutions

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Loans and deposits with credit institutions	91,259	65,111	38,155
Total	91,259	65,111	38,155

⁶ Source: https://finance.ec.europa.eu/news/commission-welcomes-political-agreement-eu-banking-package-2023-06-27_en

Note 6 Financial instruments

Financial instruments at fair value

Financial instruments at fair value are measured at different levels:

Level 1

Financial instruments in level 1 are determined based on quoted prices in active markets for identical financial instruments available on the balance sheet date.

Level 2

Financial instruments in level 2 are determined based on inputs other than quoted prices, but where prices are observable either directly or indirectly. These include quoted prices in markets that are not active.

Level 3

When valuation cannot be determined in level 1 or 2, valuation methods based on non-observable market data are used.

Certificates and bonds – level 1

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Initial recognition	205,784	65,796	55,796
Change in fair value	4,647	868	-147
Total financial assets at fair value	210,431	66,664	55,649

Financial instruments at amortised cost

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Loans and deposits with credit institutions	91,259	65,111	38,155
Net loans to customers	769,750	612,478	544,735
Other receivables	4,474	29,482	4,043
Total financial assets at amortised cost	865,483	707,071	586,933
Deposits from and debt to customers	861,063	577,249	474,653
Other debt	18,450	17,313	20,358
Total financial liabilities at amortised cost	879,513	594,562	495,011

Note 7 Receivables and other liabilities

RECEIVABLES

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Skattefunn tax deduction claim	1,720	2,634	1,758
Other receivables	2,754	26,848	2,284
Total receivables	4,474	29,482	4,043

OTHER LIABILITIES

Amounts in NOK thousand	30.09.2023	31.12.2022	30.09.2022
Payables to suppliers	2,960	2,966	1,952
Payables to factoring customers and partners	2,523	2,562	8,610
Social security tax	1,221	1,634	825
Lease liabilities	2,361	3,734	4,027
Other liabilities	9,385	6,416	4,944
Total other liabilities	18,450	17,313	20,358

Note 8 General administrative expenses

Amounts in NOK thousand	Q3 2023	Q3 2022	YTD 2023	YTD 2022	2022
Sales and marketing	3,549	1,839	11,714	6,618	11,372
IT operations	1,932	1,524	5,495	4,479	6,192
External services	783	882	2,607	2,383	3,487
External audit and related services	31	229	720	1,669	2,106
Credit information	358	321	1,101	969	1,283
Other operating expenses	1,126	669	3,889	2,141	2,925
Total general administrative expenses	7,779	5,463	25,526	18,259	27,366

Note 9 Tax

Aprila has a tax loss carryforward, with a related unrecognised deferred tax asset, that exceeds the expected taxable profit for the full financial year and, hence, the bank's best estimate of the weighted average annual income tax rate for 2023 is zero. The bank expects to recognise a deferred tax asset for the remaining net tax loss carryforward when it is considered probable, with convincing evidence, that future taxable profit will allow the deferred tax asset to be recovered. Please refer to note 15 in the annual statement for 2022 for more details.

Note 10 Subsequent events

The bank divested a portfolio of non-performing loans with completion date 2 November 2023. The portfolio had a total gross carrying amount of around NOK 28 million as of the same date. The estimated effect on the bank's loan losses in November 2023 is positive with NOK 0.5 million. After accounting for around NOK 1 million in expenses related to the transaction, the estimated effect on the bank's pre-tax profit in the fourth quarter 2023 is NOK -0.5 million.

Note 11 Shareholders

20 LARGEST SHAREHOLDERS AS REGISTERED IN VPS 2 NOVEMBER 2023

Shareholder	Ownership	
	Shares	Per cent
1 SES AS	13,090,000	19.89%
2 AMESTO GROUP AS	9,768,374	14.84%
3 ALLIANCE VENTURE SPRING AS	3,174,406	4.82%
4 VISMA NORGE HOLDING AS	3,000,000	4.56%
5 EQUILIBRIA APS	2,708,822	4.12%
6 KVANTIA AS	2,417,198	3.67%
7 STRØMSTANGEN AS	2,272,167	3.45%
8 MP PENSJON PK	2,227,357	3.38%
9 PRIMERA AS	1,786,500	2.71%
10 REDIVIVUS AS	1,354,008	2.06%
11 FJ LABS	1,099,400	1.67%
12 ØSD INVEST AS	1,000,000	1.52%
13 CHRI AS	946,032	1.44%
14 AREPO AS	907,747	1.38%
15 UNIVERSAL PRESENTKORT AS	897,699	1.36%
16 SIRKELBUE AS	800,000	1.22%
17 DISRUPTOR AS	740,000	1.12%
18 STRIGEN AS	608,798	0.92%
19 NORDIC PRIVATE EQUITY AS	600,000	0.91%
20 OSMANI VENTURE CAPITAL AS	586,385	0.89%
Others	15,833,759	24.06%
Total	65,818,652	100%

Auditor's report



Til styret i Aprila Bank ASA

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Uttalelse vedrørende forenklet revisorkontroll av delårsregnskap

Innledning

Vi har foretatt en forenklet revisorkontroll av vedlagte balanse for Aprila Bank ASA per 30. september 2023 og tilhørende resultatregnskap, oppstilling over endringer i egenkapital og kontantstrømpoppstilling for nımånedersperioden avsluttet denne dato, og av beskrivelsen av regnskapsprinsipper og andre noter. Ledelsen er ansvarlig for utarbeidelsen av delårsregnskapet og at det gir et rettviseende bilde i samsvar med IAS 34 Delårsrapportering. Vår oppgave er å avgı en uttalelse om delårsregnskapet basert på vår forenklete revisorkontroll.

Omfanget av den forenklete revisorkontrollen

Vi har utført vår forenklete revisorkontroll i samsvar med ISRE 2410 for forenklet revisorkontroll av et delårsregnskap utført av foretakets valgte revisor. En forenklet revisorkontroll av delårsregnskapet består i å rette forespørsler, primært til personer med ansvar for økonomi og regnskap, og å gjennomføre analytiske og andre kontrollhandlinger. En forenklet revisorkontroll har et betydelig mindre omfang enn en revisjon utført i samsvar med de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene), og gjør oss følgelig ikke i stand til å oppnå sikkerhet om at vi er blitt oppmerksomme på alle vesentlige forhold som kunne ha blitt avdekket i en revisjon. Vi avgir derfor ikke revisjonsberetning.

Konklusjon

Vi har ved vår forenklete revisorkontroll ikke blitt oppmerksomme på noe som gir oss grunn til å tro at det vedlagte delårsregnskapet ikke, i det alt vesentlige, gir et rettviseende bilde av foretakets finansielle stilling per 30. september 2023 og av resultatet og kontantstrømmene i nımånedersperioden avsluttet denne dato, i samsvar med IAS 34 Delårsrapportering.

Oslo, 14. november 2023
RSM Norge AS

Alf Rune Sveen
Statsautorisert revisor
(elektronisk signert)

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Norge AS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Norge AS er medlem av/is a member of Den norske Revisorforening.

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