

Aprila

Aprila Bank ASA | Q4 2022 | 15 February 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.

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Table of contents



01

Highlights

02

Key figures

03

Outlook

04

Appendix





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

(31 Dec 2022)¹

6,171

Total income run-rate

(NOK million, annual run-rate, Dec 2022)

128

Cost / income

(2022)²

72%

Job creation

(Total # jobs Aprila has contributed to preserving or creating since inception)³

3,070



Customers are still improving profitability and are well capitalized

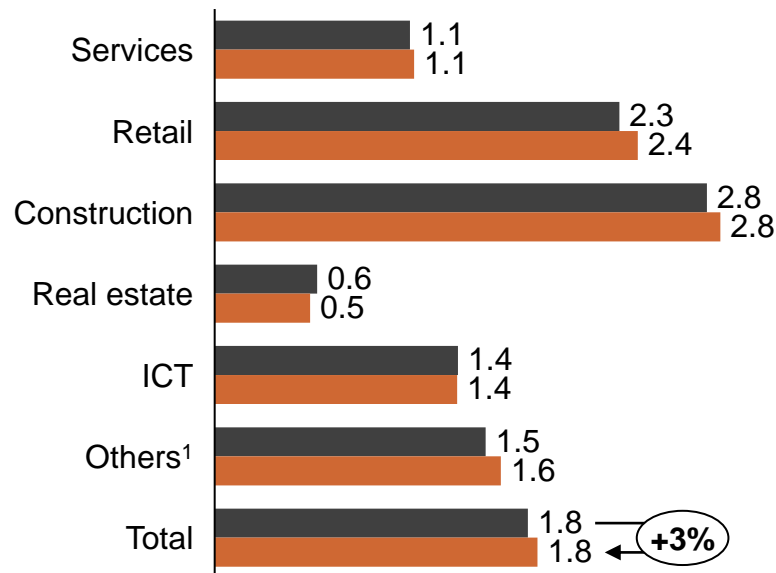
Aprila customers grew 4% last 12 months...

...improved profitability...

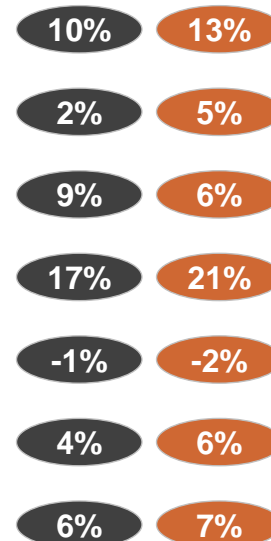
...and are well capitalised

Average customer quarterly revenue

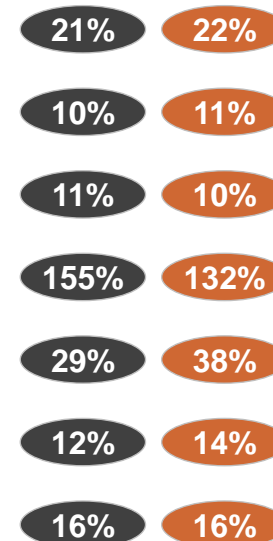
NOK million



Average EBIT margin



Equity / Revenue last 12 M





Q4 22

NOKm	Q4 22	Q4 21
Gross loans	673.0	362.9
Gross income from lending	35.2	19.9
Total income	29.7	16.4
Pre-tax operating profit bf. loan losses	8.3	-0.1
Pre-tax operating profit	-1.4	-6.5
Yield on avg. net loans ¹	24%	26%

LTM

NOKm	Q4 22	Q4 21
Gross loans	673.0	362.9
Gross income from lending	113.6	62.3
Total income	95.6	49.3
Pre-tax operating profit bf. loan losses	26.5	-13.6
Pre-tax operating profit	-8.6	-34.5
Yield on avg. net loans ¹	24%	25%

LTM² ending

Record number of new credit line customers

- The bank onboarded 525 credit line customers in Q4, a new quarterly record
- Gross lending grew 85% YoY and 13% QoQ to NOK 673 million
- Total income grew 81% YoY and 18% QoQ to NOK 29.7 million

Key figures in line with guiding

- We delivered in line with our guiding
- Pre-tax operating profit for the quarter was negative NOK 1.4 million due to high marketing spend (NOK 4.8m), of which a large share spent on brand building
- We expect that an elevated marketing spend in Q4 22 and Q1 23 will result in lower CAC from Q2 23 and forward

Strong capital position with NOK 30m new equity in Q4

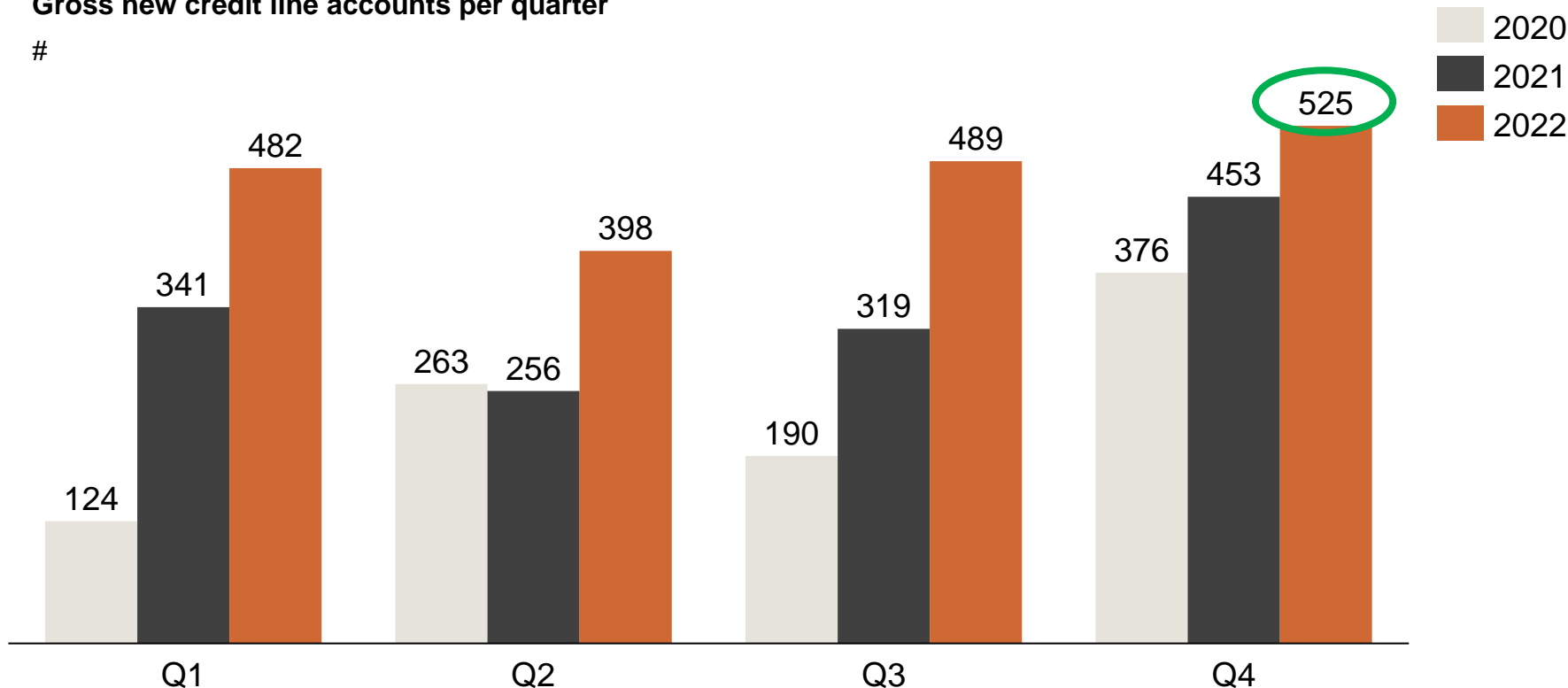
- CET1-ratio of 36.3% at 31 Dec 2022. Overall capital requirement of 20.0% from 31 Mar
- We have employed retail classification on eligible exposures as of 31 Dec 2022
- The bank is capitalised for further growth, also without retail classification



Record number of onboarded credit line customers in Q4

Gross new credit line accounts per quarter

#

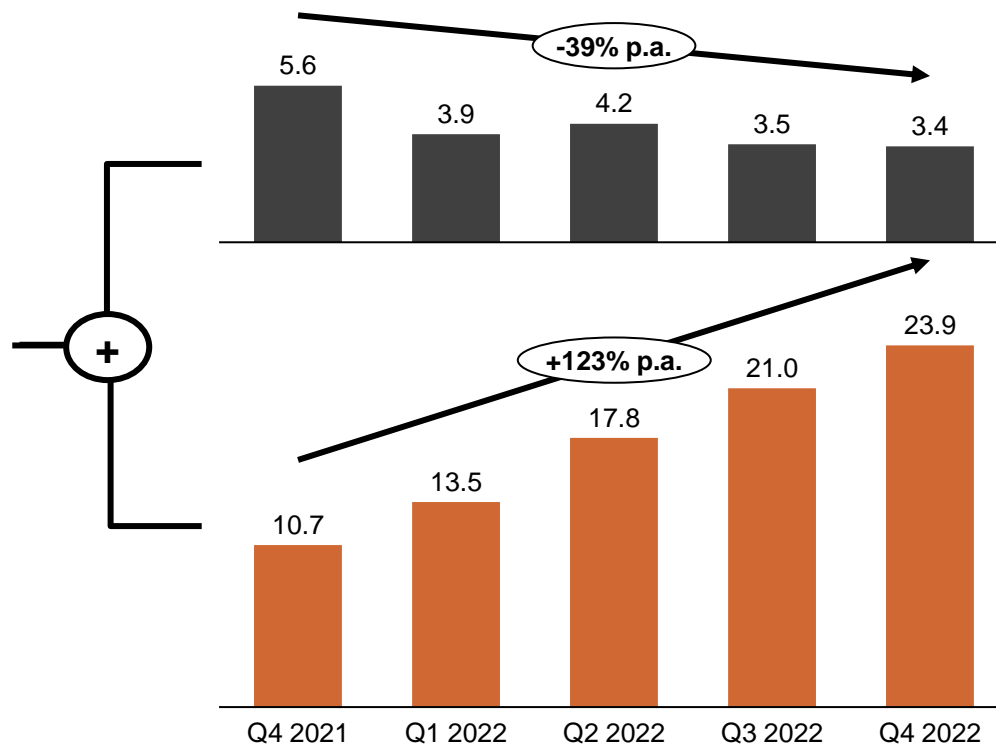
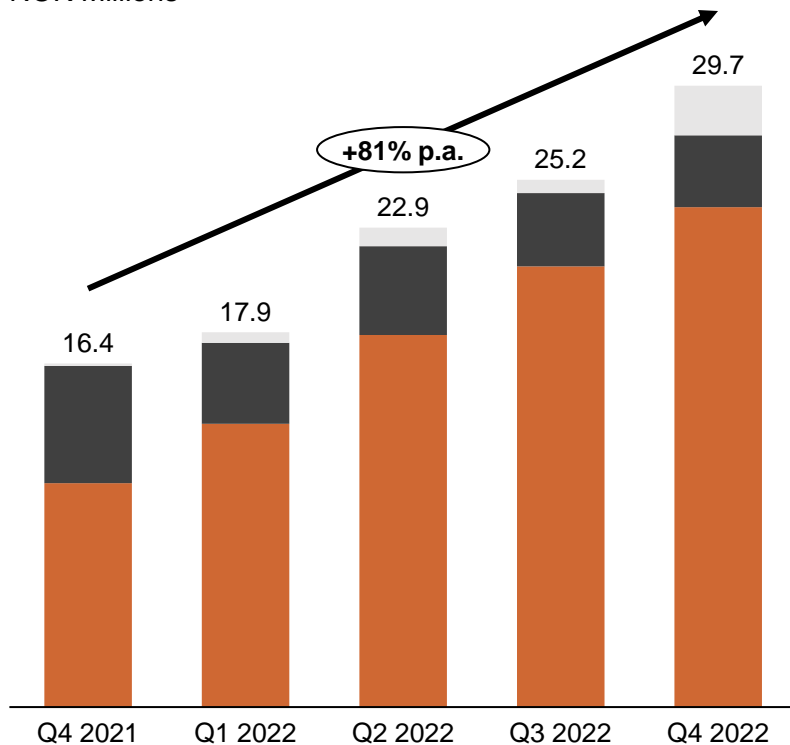




Total income from credit line grew >100% in 2022

Total income
NOK Millions

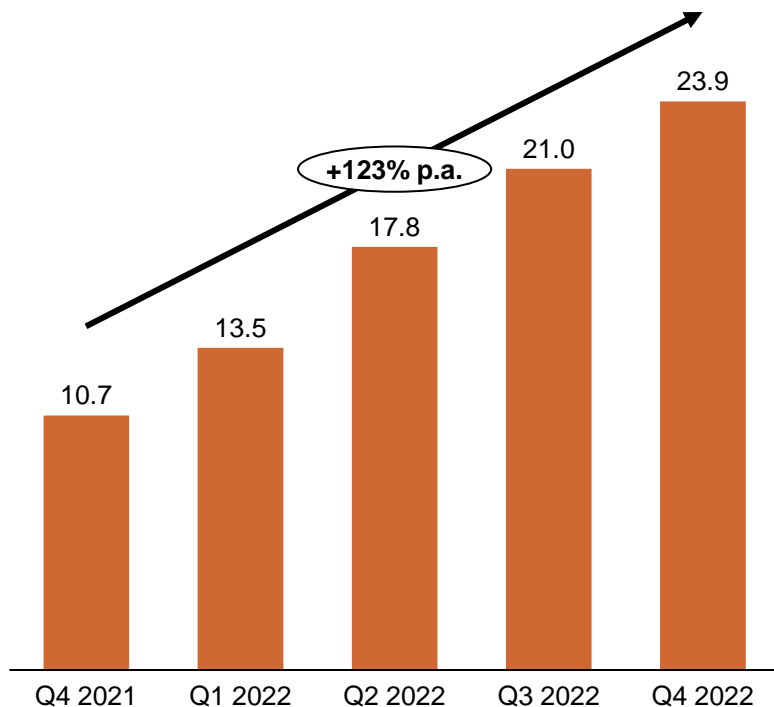
Other Spot factoring / eCommerce Credit line



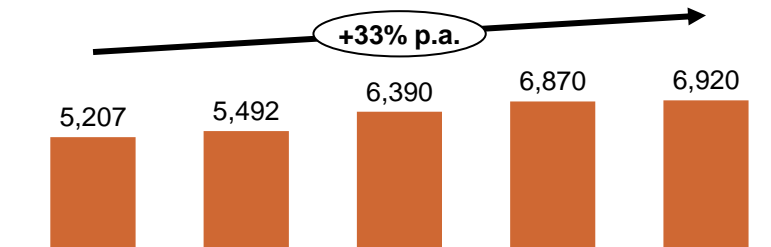


Customer growth is the biggest driver of credit line income

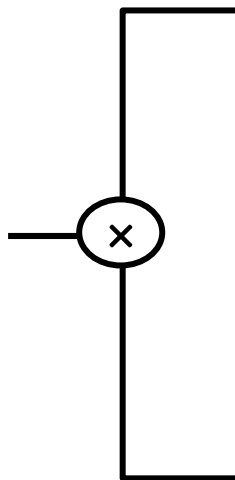
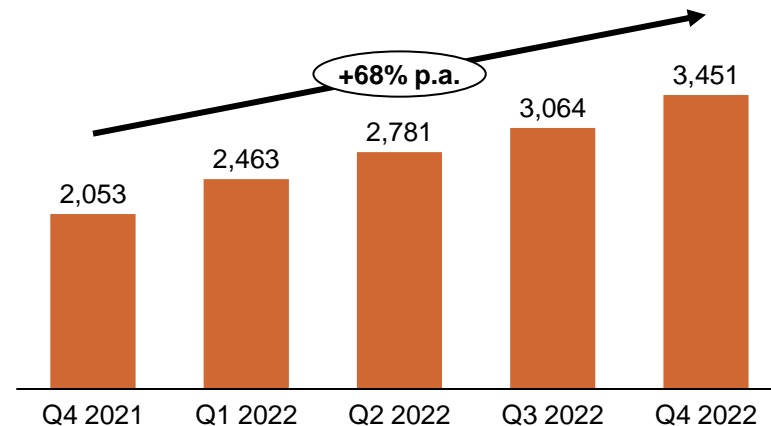
Total income from credit line
NOK Millions



Total income per credit line customer per quarter
NOK



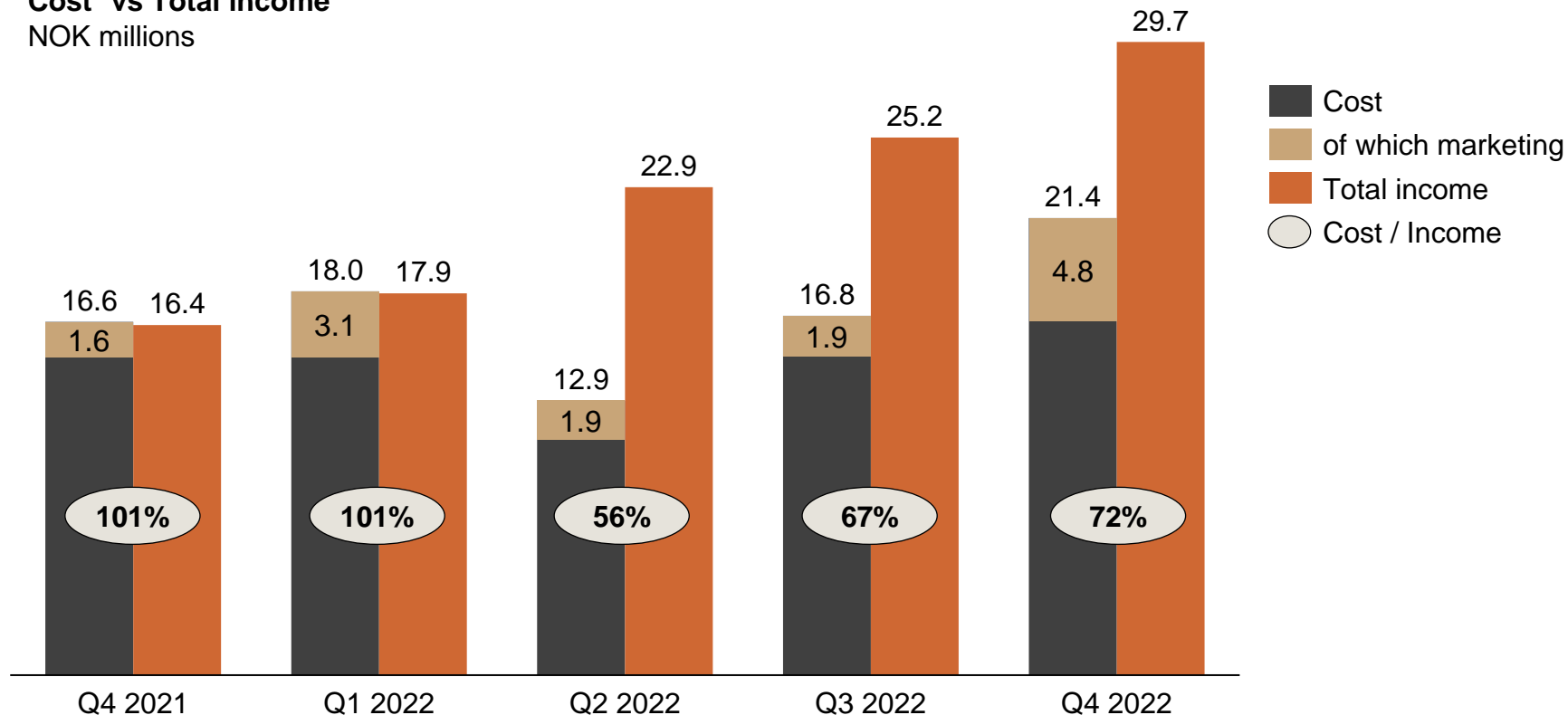
Average number of credit line customers in quarter



Cost grew faster than income in Q4 due to brand building investments



Cost¹ vs Total income NOK millions

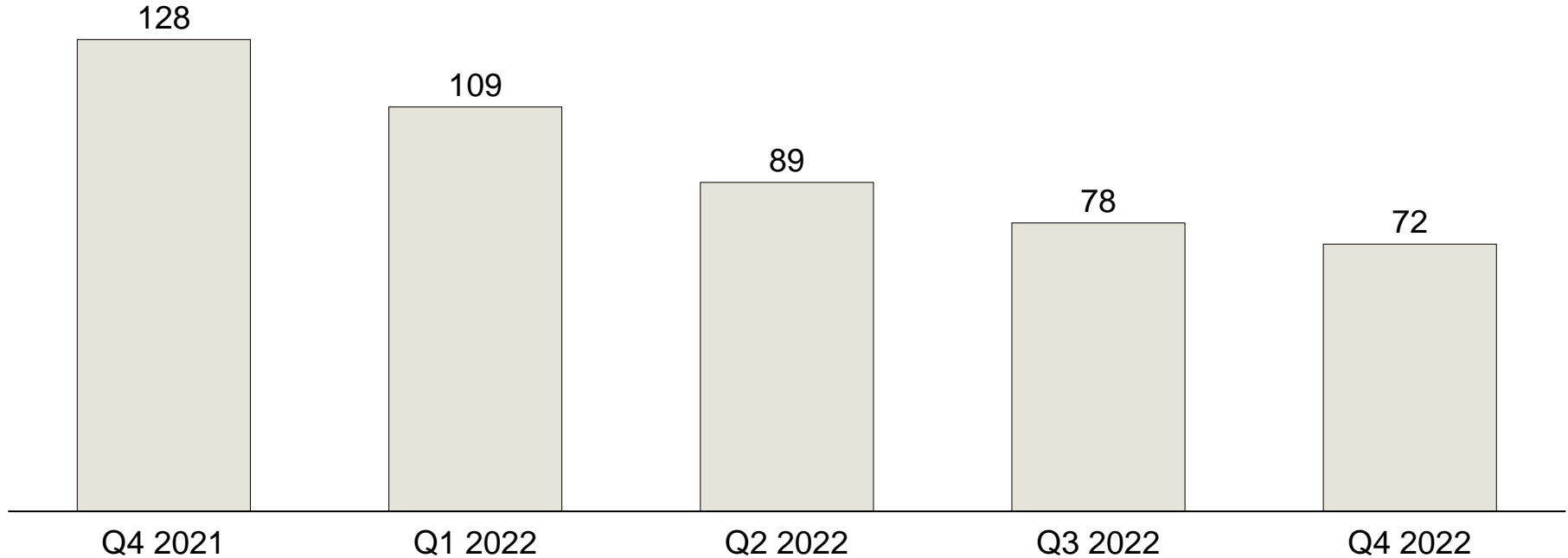




However, trailing 1 year cost / income is steadily declining

Cost last 12 months / Total Income last 12 months

%

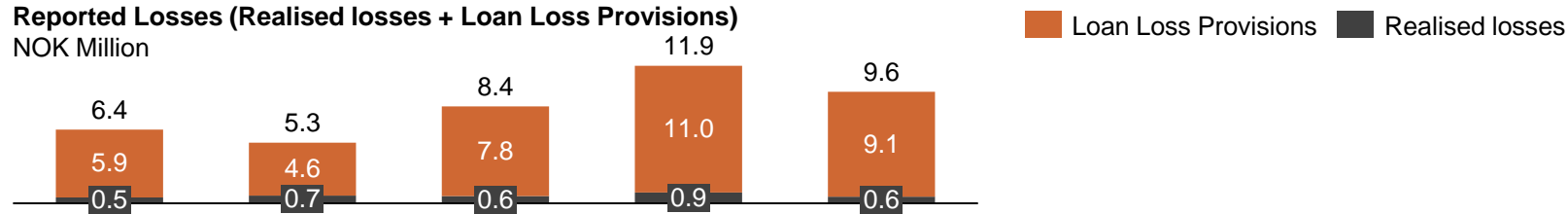




Net Interest Margin after losses was 13.1% in Q4

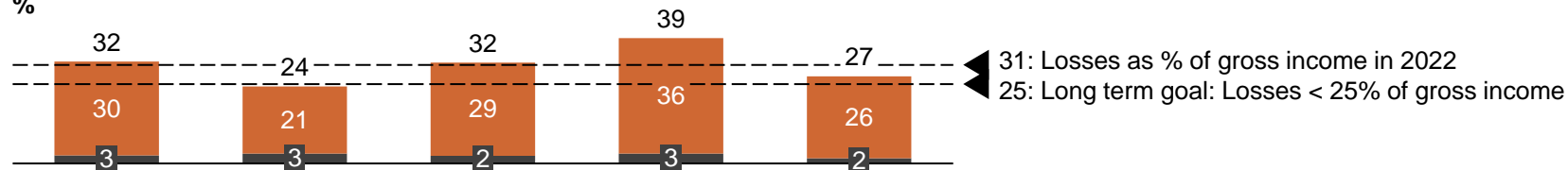
Reported Losses (Realised losses + Loan Loss Provisions)

NOK Million



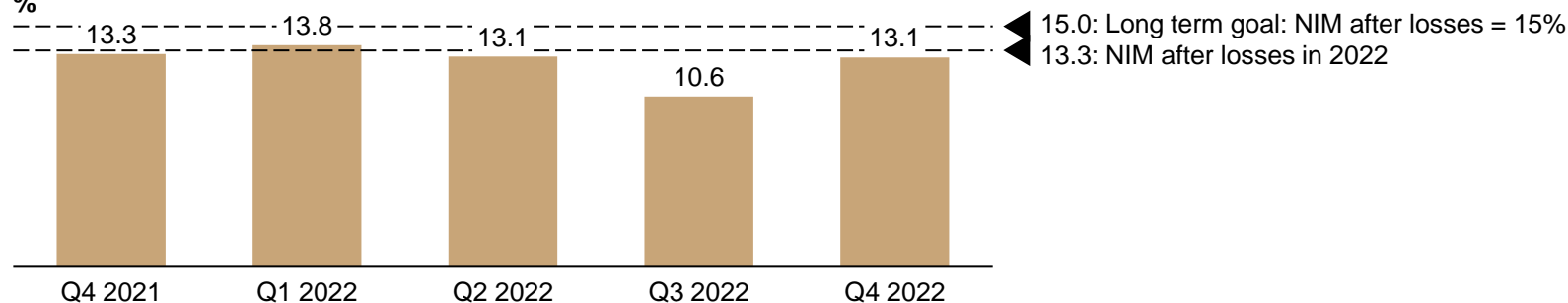
Reported losses as share of gross income from lending to customers

%



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.



Financial performance continuously improving

Aprila Bank's business model:

Stable proportion of total income used for brand building and marketing
 ⇒ **Accelerating growth**

+ Continuous investments in automation and self-service
 ⇒ **Declining cost-to-serve**

+ Ever increasing data and continuous improvements in machine learning models
 ⇒ **Reducing loss ratio**

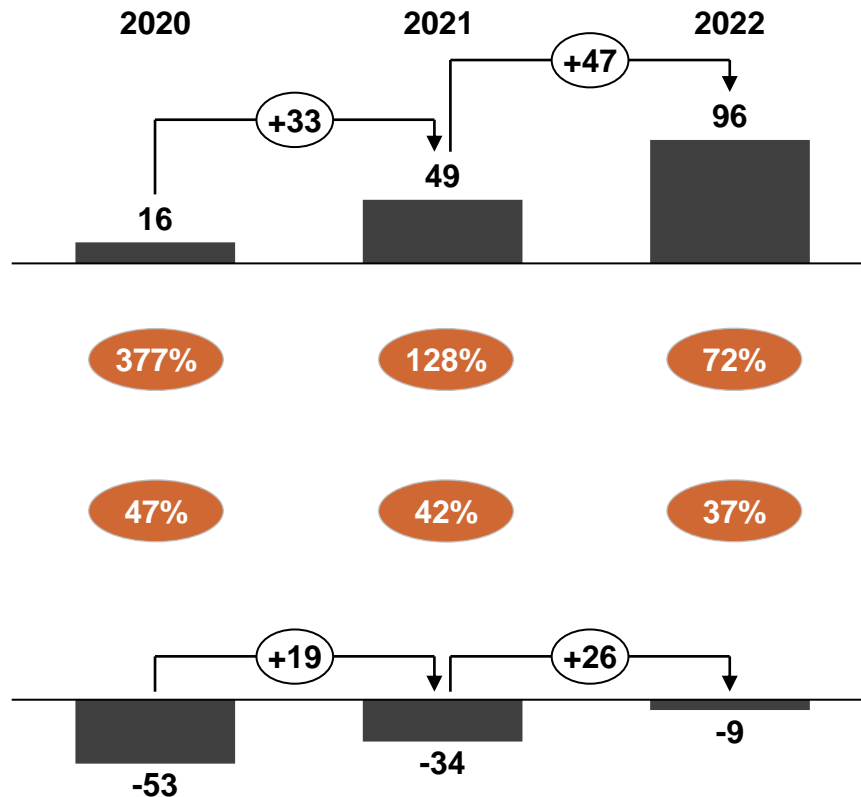
= Continuously improving unit and capital economics
 ⇒ **Accelerating profit improvements**

Total income MNOK

Cost/Income¹

Losses/Income¹

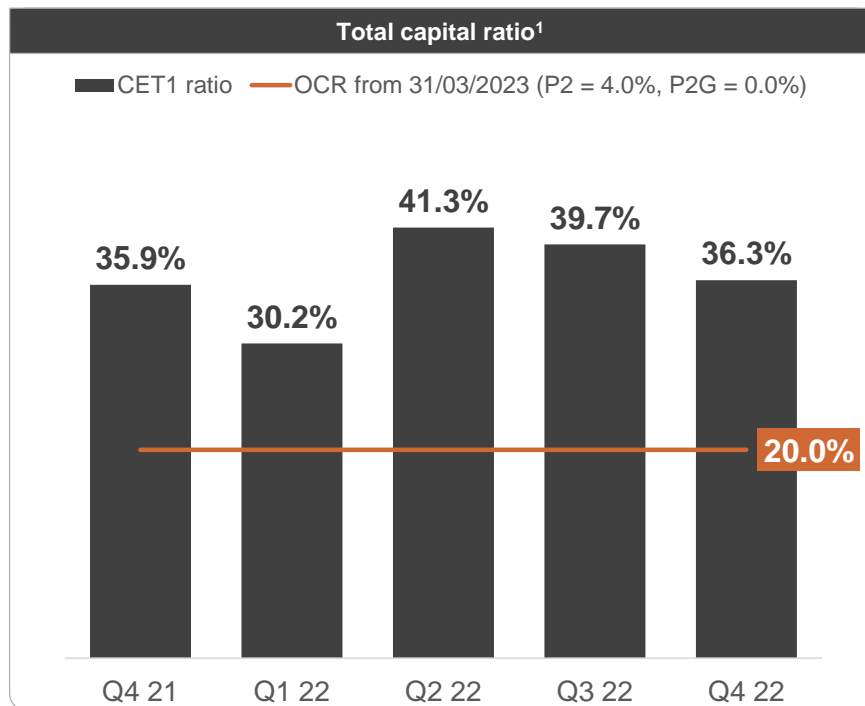
Profit after tax MNOK



Note 1: Income = Total income.



The bank is capitalised for further growth



Key comments

- CET1-ratio of 36.3% 31 Dec 2022 vs. current regulatory overall capital requirement (OCR) of 19.5%²
 - Regulatory OCR expected to increase 0.5 pp on 31 March 2022 to 20.0% and 1.5 pp on 31 Dec 2023 to 21.5%²
 - These increases apply to all Norwegian banks that use the standardised approach for calculating risk weighted exposure amounts
- SREP expected in 2023
 - The bank expects NFSAs³ to determine a revised Pillar 2 requirement, including Pillar 2 Guidance (P2G) in 2023
- In the final report from NFSAs' on-site inspection of Aprila Bank published 12 October, NFSAs stated that the bank, in NFSAs's opinion, does not have sufficient historical data to use retail classification
 - The bank has applied retail classification on eligible exposures as of 31 Dec 2022, but will consider to change practice in 2023
 - Without retail classification, the CET1-ratio would have been ~30% as of 31 Dec 2022

Table of contents



01

Highlights

02

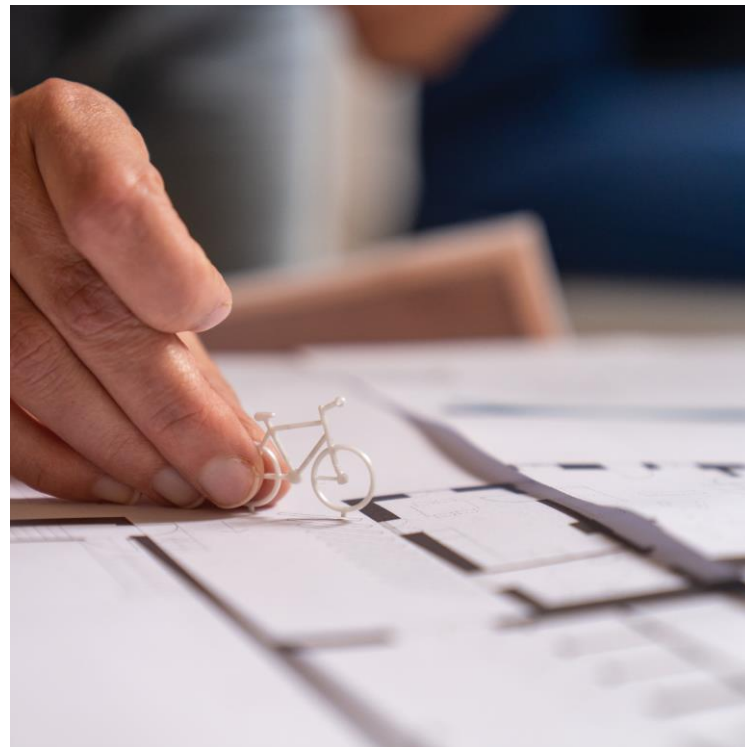
Key figures

03

Outlook

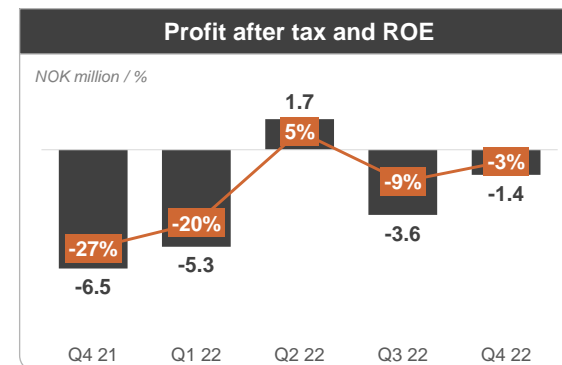
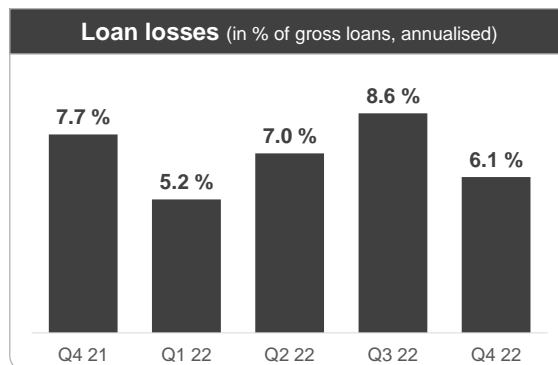
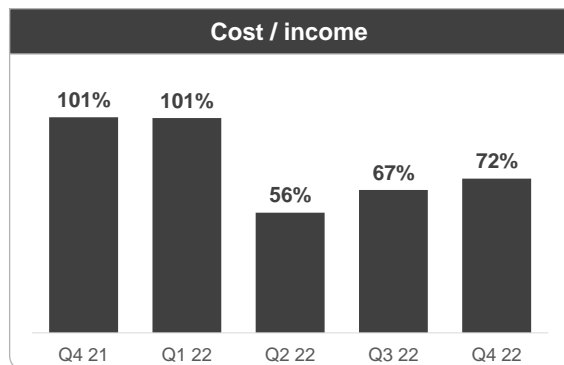
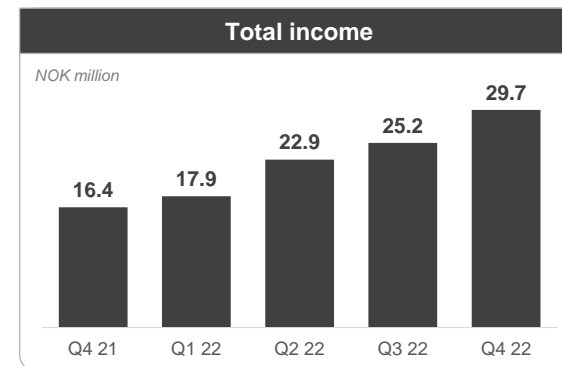
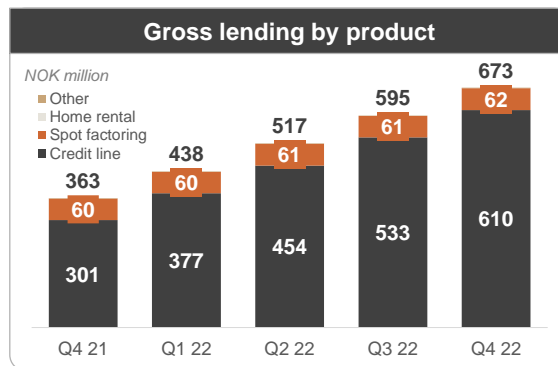
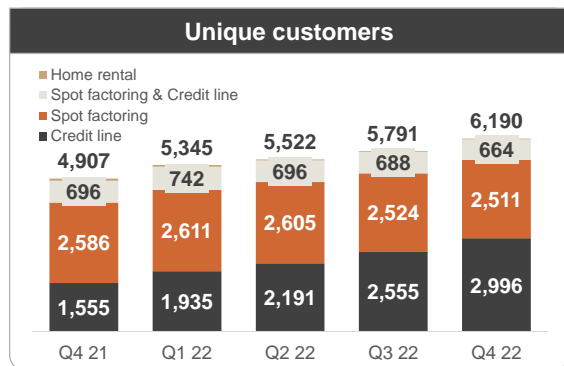
04

Appendix



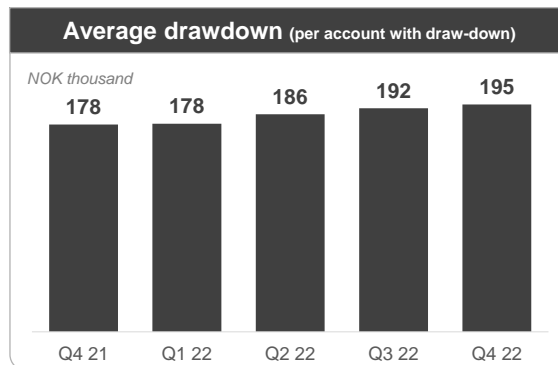
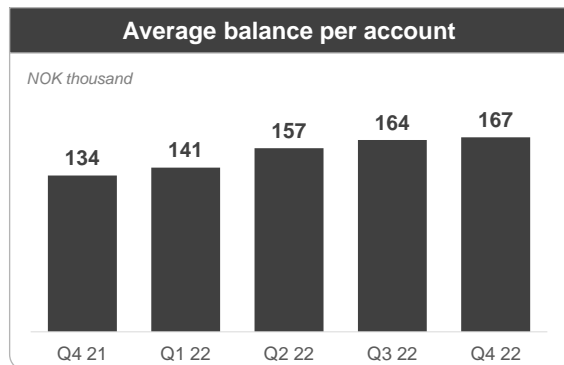
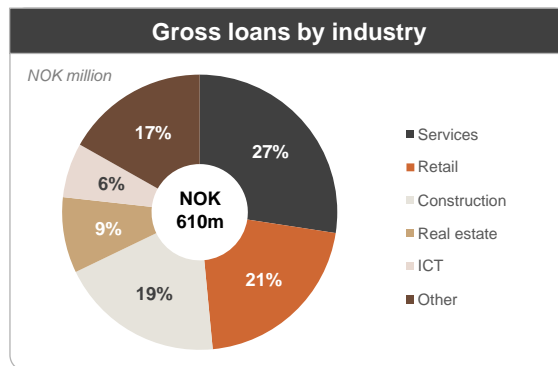
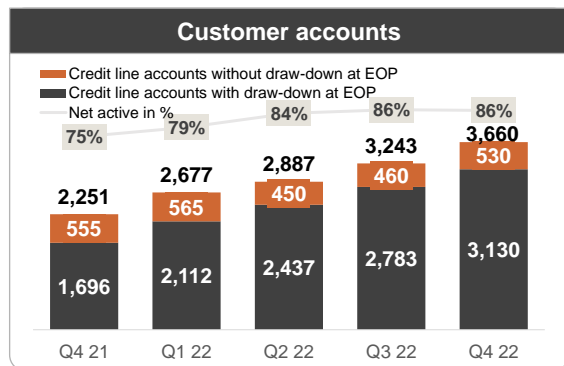


Total income has increased ~80% since Q4 last year





Credit line volumes are steadily increasing

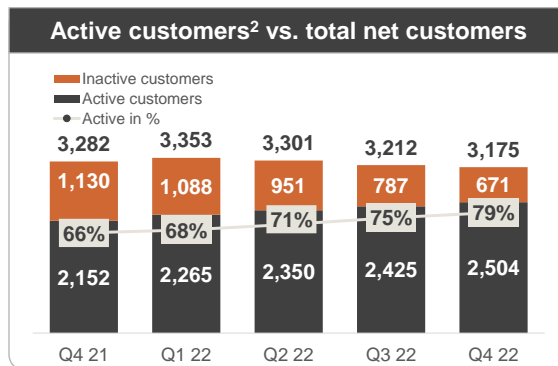
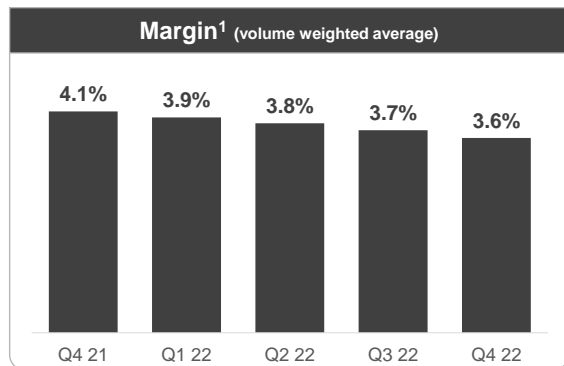
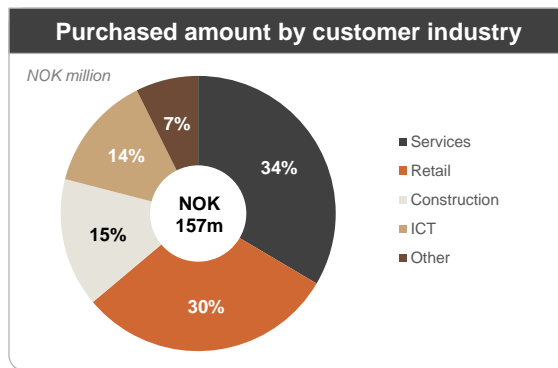
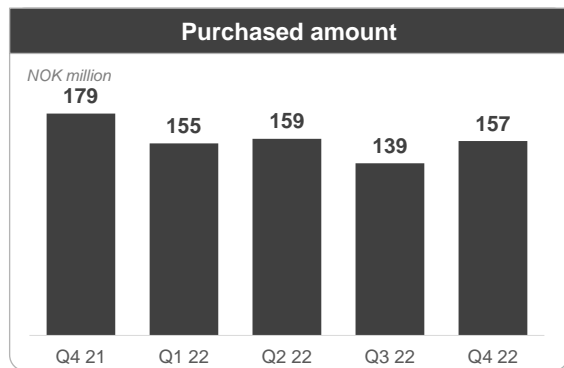


Key comments

- Net 417 new accounts (+12%) added in the quarter
 - Onboarded: 525
 - Offboarded: 108
- 3,660 credit line accounts at the end of the period
- 86% of customer accounts with draw-down at EOP
- NOK 167k outstanding per account at the end of the period
- On average NOK 195k drawn by customers with draw-down



Flat spot factoring volumes due to paused Visma-onboarding

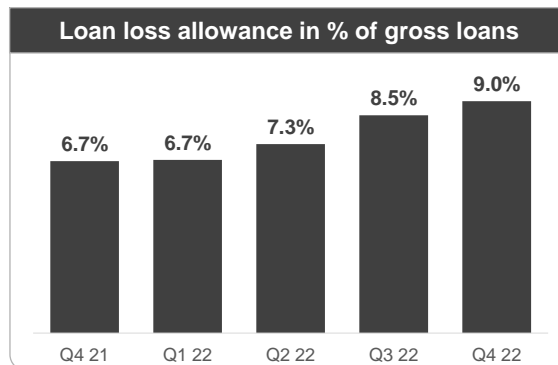
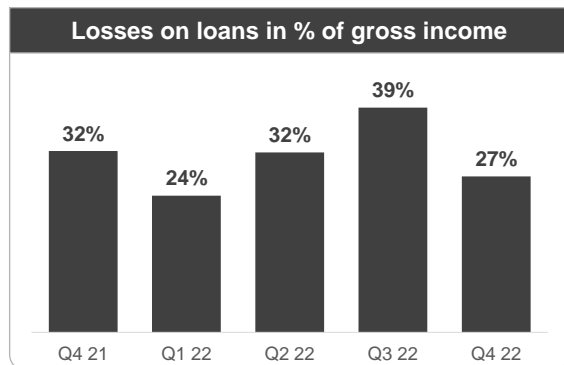
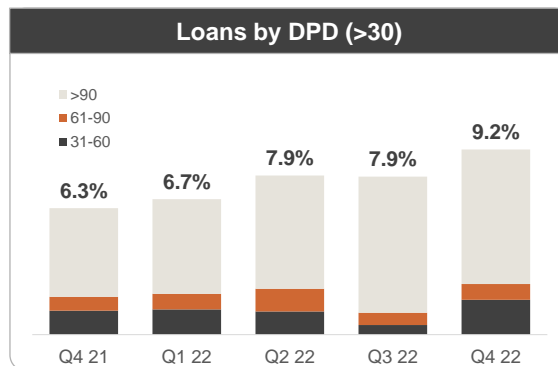
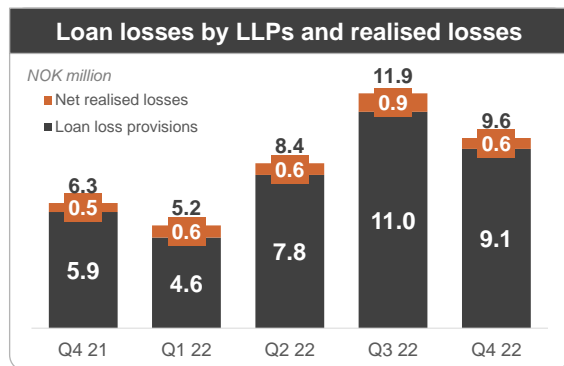


Key comments

- NOK 157m purchased
- Spot factoring accounted for 16% of gross income from lending in Q4 22 (vs. 37% in Q4 21)
- VWA margin: 3.6%
- Customers in services, retail and construction industries accounted for 79% of purchased amount in Q4 22 (77% in Q4 21)
- 2,504 of 3,175 open customer accounts (79%) had sold invoices at the end of the period
- 761 customers sold invoices in Q4



Loan loss provisions in line with expectations



Key comments

- Total loan losses of NOK 9.6m in Q4 of which:
 - NOK 9.1m (94%) in LLPs and
 - NOK 0.6m (6%) in net realised losses
- DPD >30: 9.2% of gross loans
- Loan loss allowance in % of gross loans: 9.0%
- Aprila's long term ambition is to keep losses at around 25% of gross income

Table of contents



01

Highlights

02

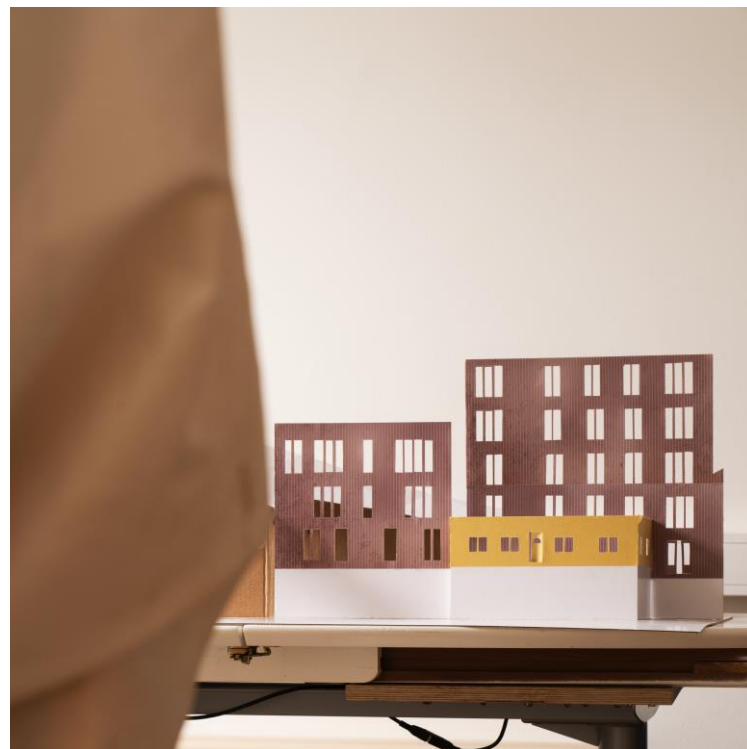
Key figures

03

Outlook

04

Appendix





No. 1 priority in H1 2023 is to strengthen competitive advantage

H1 2023

Strengthen competitive advantage

- Increase the level of automation and quality of key processes
- Continue to streamline customer onboarding and experience
- Optimise and evolve proprietary PD and LGD models

Continue growth

- Maintain a high marketing spend to improve brand awareness and application volumes
- Continue to accelerate growth of larger credit line customers
- Continue to optimise approval rates, limit offers and pricing

Reach profitability

- Continue to optimise pricing of credit risk
- Continue to automate customer servicing and monitoring
- Continue to automate reporting and compliance activities



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

	YE 22	Q1 23E	YE 23E	Key drivers
Total income Annual run-rate ¹ (NOK million)	128	> 135	> 170	<ul style="list-style-type: none"> • New credit line customers and increased income per customer
Cost/income (LTM) ²	72%	~ 70%	~ 60%	<ul style="list-style-type: none"> • Scalability (higher income relative to fixed costs) • Reduced cost-to-serve through continuous investments in automation and self service
Credit line accounts (End of period)	3,660	~ 4,000	~ 5,000	<ul style="list-style-type: none"> • Continued investments in brand building and marketing

01

Highlights

02

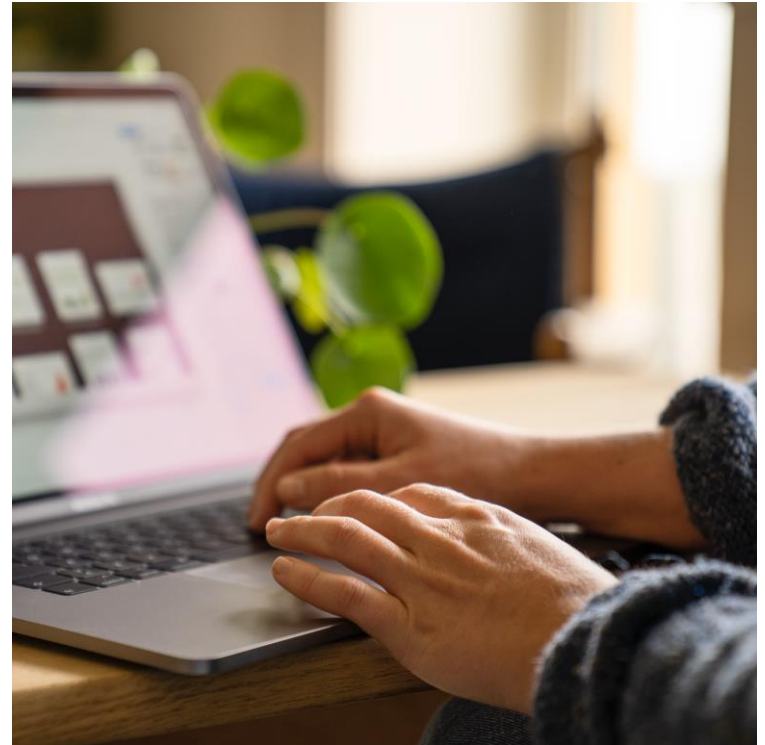
Key figures

03

Outlook

04

Appendix





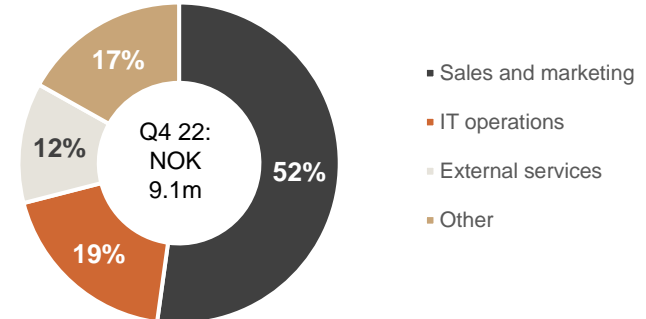
Income statement & general administrative expenses

Income Statement

<i>Amounts in NOK thousand</i>	Q4 2022	Q4 2021	2022	2021
Interest income	30,038	17,041	96,166	50,816
Interest expense	3,994	1,257	8,642	3,649
Net interest income	26,044	15,785	87,524	47,167
Income commissions and fees	2,784	1,030	8,154	2,420
Expenses commissions and fees	164	206	626	730
Net commissions and fees	2,621	825	7,528	1,691
Net gains / losses (-) on certificates, bonds and currency	1,013	-199	597	414
Other income	0	0	0	0
Total income	29,677	16,410	95,649	49,272
Salary and other personnel expenses	10,058	7,657	33,531	32,376
General administrative expenses	9,107	6,690	27,366	22,107
Total salary and administrative expenses	19,165	14,347	60,898	54,483
Ordinary depreciation	2,260	2,212	8,234	8,412
Total operating expenses excl. losses on loans	21,425	16,559	69,132	62,895
Losses on loans	9,628	6,335	35,083	20,872
Pre-tax operating profit	-1,376	-6,484	-8,565	-34,495
Tax	0	0	0	0
Profit after tax	-1,376	-6,484	-8,565	-34,495
Earnings per share (NOK)	-0.02	-0.15	-0.15	-0.77
Diluted earnings per share (NOK)	-0.02	-0.15	-0.15	-0.77

General administrative expenses

<i>Amounts in NOK thousand</i>	Q4 2022	Q4 2021	2022	2021
Sales and marketing	4,753	1,554	11,372	5,767
IT operations	1,713	1,468	6,192	5,607
External services	1,105	1,994	3,487	5,625
External audit and related services	438	800	2,106	1,583
Credit information	315	294	1,283	1,154
Other operating expenses	784	580	2,925	2,372
Total general administrative expenses	9,107	6,690	27,366	22,107



Balance sheet & regulatory capital



Balance Sheet		
<i>Amounts in NOK thousand</i>	31.12.2022	31.12.2021
Loans and deposits with credit institutions	65,111	67,157
Net loans to customers	612,478	338,651
Certificates and bonds	66,664	36,059
Other intangible assets	9,263	14,036
Deferred tax assets	0	0
Fixed assets	3,676	5,432
Other receivables	29,482	4,143
Total assets	786,673	465,478
Deposits from and debt to customers	577,249	338,002
Other debt	17,313	18,864
Total liabilities	594,562	356,866
Share capital	61,812	44,631
Share premium	265,671	190,545
Unregistered Share capital	29,971	30,783
Other paid-in equity	3,237	2,668
Retained earnings	-168,581	-160,015
Total equity	192,111	108,612
Total equity and liabilities	786,673	465,478

Regulatory capital		
<i>Amounts in NOK thousand</i>	31.12.2022	31.12.2021
Share capital	61,812	44,631
Share premium	265,671	190,545
Other equity	-135,373	-126,564
Total equity	192,111	108,612
Other intangible assets	-9,263	-14,036
Additional value adjustments (AVA)	-67	-36
Deferred tax assets	0	0
Common equity tier 1 (CET 1)	182,781	94,540
Tier 1 capital	182,781	94,540
Total capital	182,781	94,540
Risk-weighted assets		
Regional governments or local authorities	408	358
Public sector entities	333	309
Institutions	13,037	13,462
Corporates	13,404	19,221
Retail	309,219	158,950
Exposures in default	31,860	14,613
Collective investments undertakings (CIU)	2,491	0
Other items	31,518	11,080
Credit risk	402,270	217,994
Operational risk	100,733	45,691
Credit valuation adjustment	171	0
Risk-weighted assets	503,173	263,685
Common equity tier 1 ratio (%)	36.3%	35.9%
Tier 1 ratio (%)	36.3%	35.9%
Total capital ratio (%)	36.3%	35.9%
Leverage ratio (%)	23.5%	20.2%
LCR	423.6%	284.0%
NSFR	196.2%	208.7%

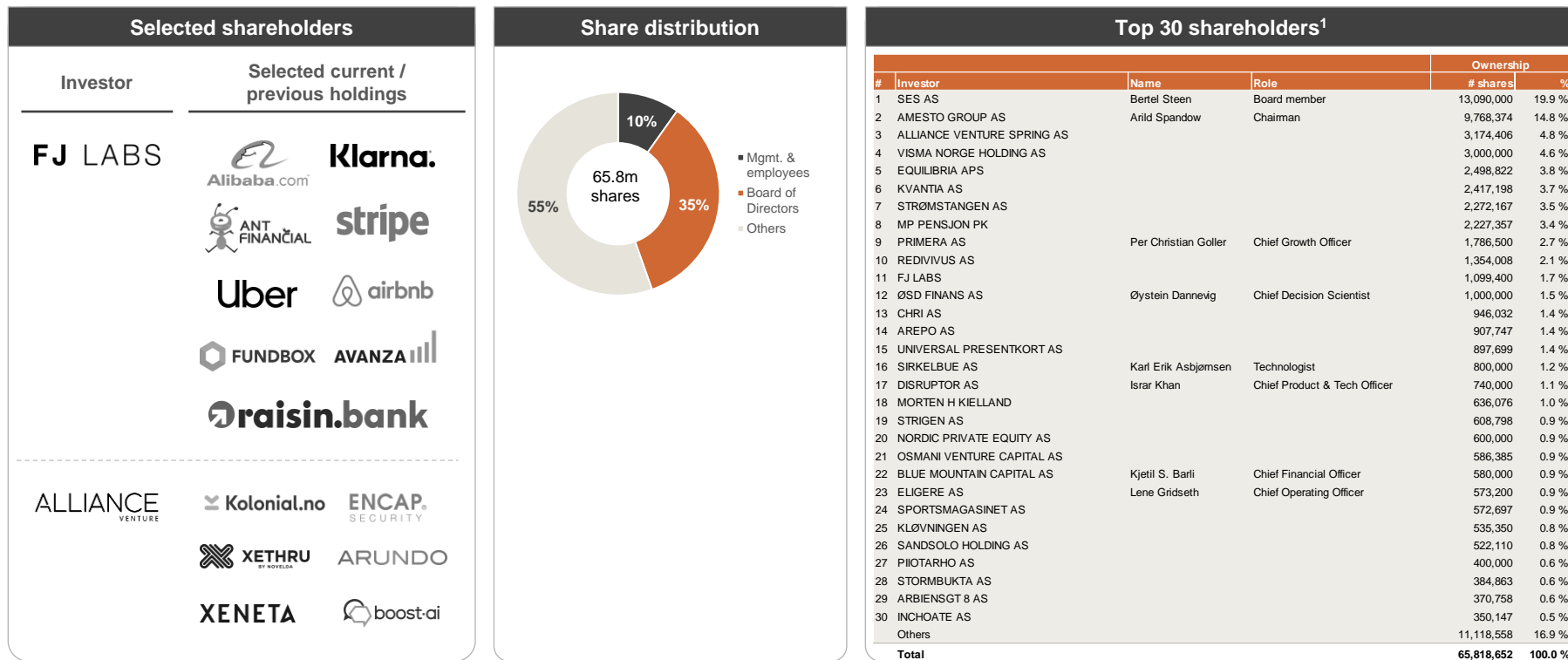
Gross income and key figures



Gross income and key figures									
NOK million	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Gross income and margin									
Interest income credit line	3.8	5.5	7.5	10.3	12.0	15.1	18.8	22.7	27.0
Income commissions and fees credit line	0.0	0.0	0.0	0.1	0.5	0.7	1.3	2.0	2.4
Gross income credit line	3.8	5.5	7.5	10.4	12.5	15.8	20.1	24.8	29.5
Interest income spot factoring	6.0	5.6	5.8	5.9	6.8	5.3	5.8	5.0	5.3
Income commissions and fees spot factoring	0.3	0.3	0.5	0.5	0.6	0.5	0.5	0.3	0.4
Gross income spot factoring	6.3	6.0	6.3	6.4	7.3	5.8	6.3	5.4	5.7
Gross income other	0.2	0.8	0.2	0.1	0.2	0.0	0.3	-0.1	1.5
Gross income total	10.3	12.3	13.9	16.9	20.1	21.7	26.7	30.0	36.7
Direct variable expenses	3.6	4.1	3.7	3.8	4.0	4.3	4.3	5.5	7.7
Gross profit bf. loan losses	6.6	8.2	10.2	13.1	16.0	17.3	22.3	24.5	29.0
Total income	7.3	8.6	10.8	13.5	16.4	17.9	22.9	25.2	29.7
Gross income from lending	10.1	11.6	13.9	16.9	19.9	21.7	26.5	30.2	35.2
Total operating expenses	19.0	16.8	14.0	15.5	16.6	18.0	12.9	16.8	21.4
Losses on loans	4.5	7.0	4.1	3.4	6.3	5.2	8.4	11.9	9.6
Key figures									
Gross margin	65%	67%	73%	77%	80%	80%	84%	82%	79%
Total income / gross income	71%	70%	77%	80%	82%	83%	86%	84%	81%
Net interest margin after losses ¹	7.1%	2.0%	12.2%	15.6%	13.3%	13.8%	13.1%	10.6%	13.1%
Cost / income	260%	195%	130%	115%	101%	101%	56%	67%	72%
Losses on loans / gross income from lending	45%	61%	29%	20%	32%	24%	32%	39%	27%

Note 1: (Net interest income + Net commission income – Loans losses) / average net loans, annualised.

Aligned interests among key stakeholders



Note 1: As registered in VPS 27 January 2023.

Aprila