

Aprila

Aprila Bank ASA | Q4 2023 | 13 February 2023

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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.

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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 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 2023)¹

6,761

Total income run-rate

(NOK million, annual run-rate, Q4 23)

188

Cost / income

(LTM)²

59%

Job creation

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

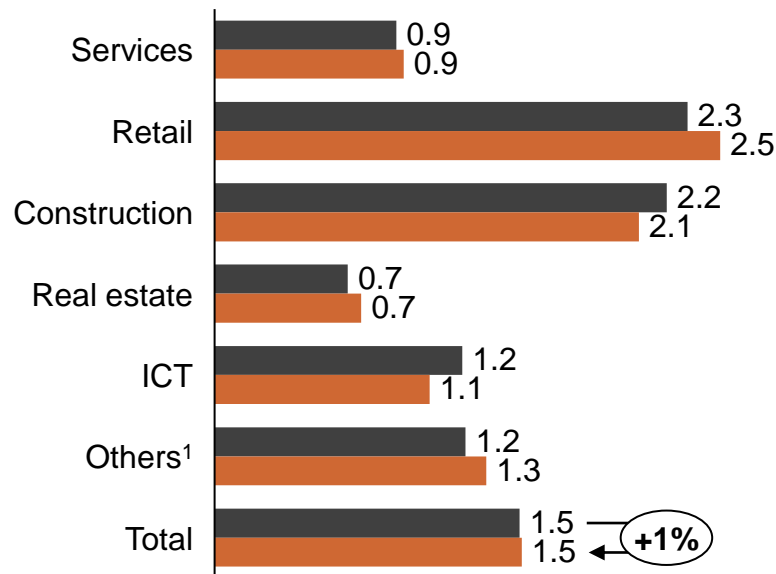
4,284



Customers are improving profitability and maintaining capitalization

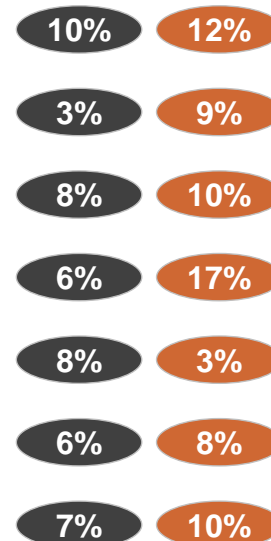
Aprila customers grew 1% last 12 months...

Average customer quarterly revenue
NOK million



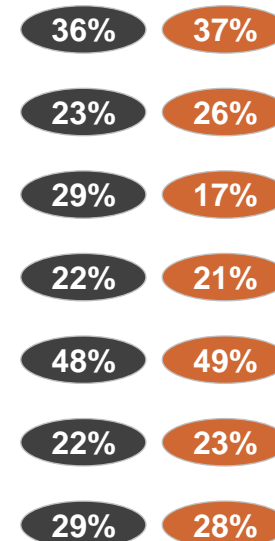
...but improved profitability...

Average EBIT margin



...and maintained capitalization

Equity / Assets



Highlights Q4 2023



Q4 23

NOKm	Q4 23	Q4 22
Gross loans	909	673
Gross income from lending	56	35
Total income	47	30
Pre-tax operating profit bf. loan losses	20	8
Pre-tax operating profit	10	-1
Yield on avg. net loans	28%	24%

LTM

NOKm	LTM ² ending	
	Q4 23	Q4 22
Gross loans	909	673
Gross income from lending	192	114
Total income	161	96
Pre-tax operating profit bf. loan losses	66	27
Pre-tax operating profit	23	-9
Yield on avg. net loans ¹	27%	24%

Solid pre-tax profit of NOK 9.6 million

- Solid growth in interest income
- Strong gains on the liquidity portfolio
- Low loan loss provisions caused by continuously improving PD model

Continued growth

- The bank onboarded 481 credit line customers in Q4
- Gross lending grew 35% YoY and 5% QoQ to NOK 909 million
- Total income grew 60% YoY and 14% QoQ to NOK 47 million

Private placement of up to NOK 43 million

- The proceeds will be used to cover capital requirements following from the expected growth in lending volumes as well as general corporate purposes
- Aprila's CET1-ratio was 29.9% 31 Dec 2023 vs. requirement of 21.5 %³
- NFSA's preliminary SREP assessment received 8 February: P2 6.0% and P2G 1.5%⁴

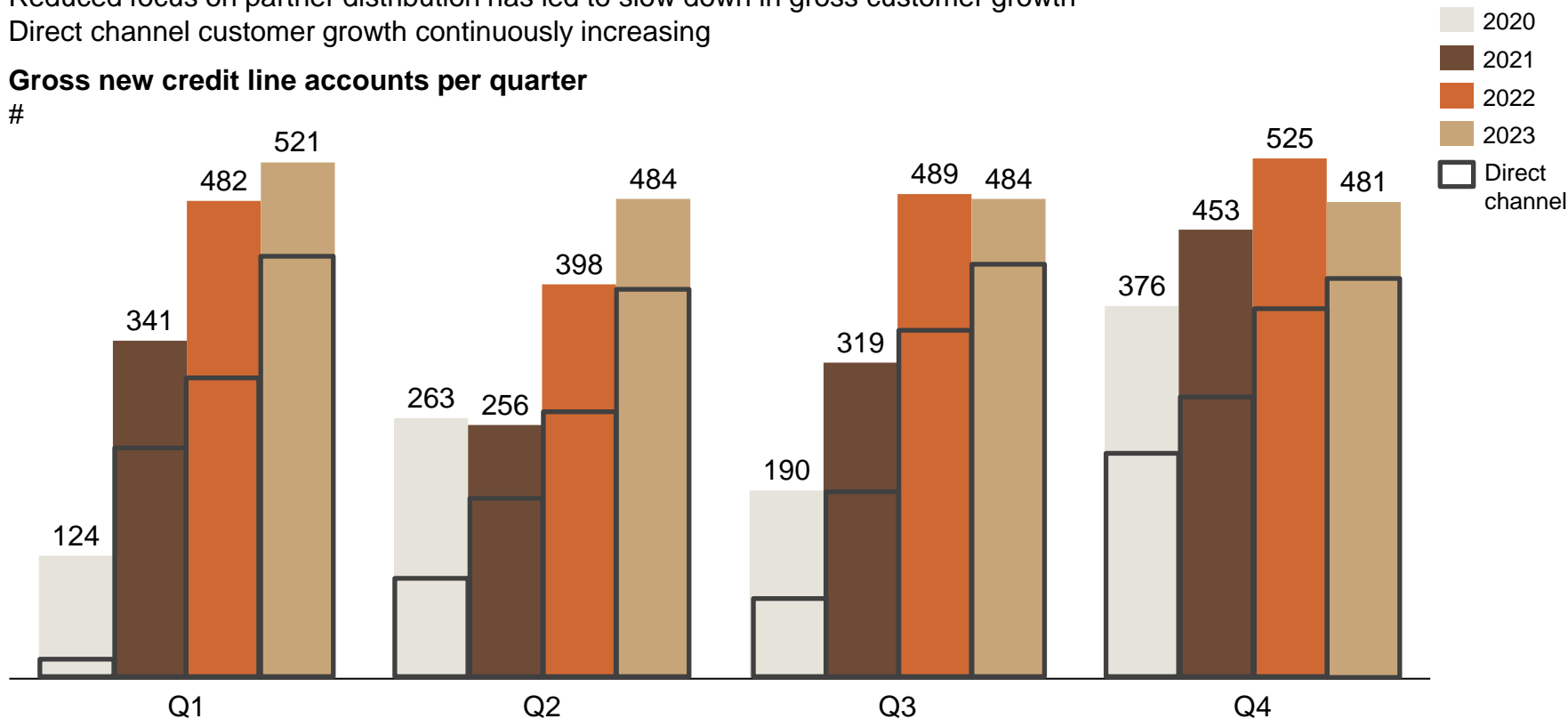


481 credit line accounts onboarded in Q4

Reduced focus on partner distribution has led to slow down in gross customer growth
 Direct channel customer growth continuously increasing

Gross new credit line accounts per quarter

#

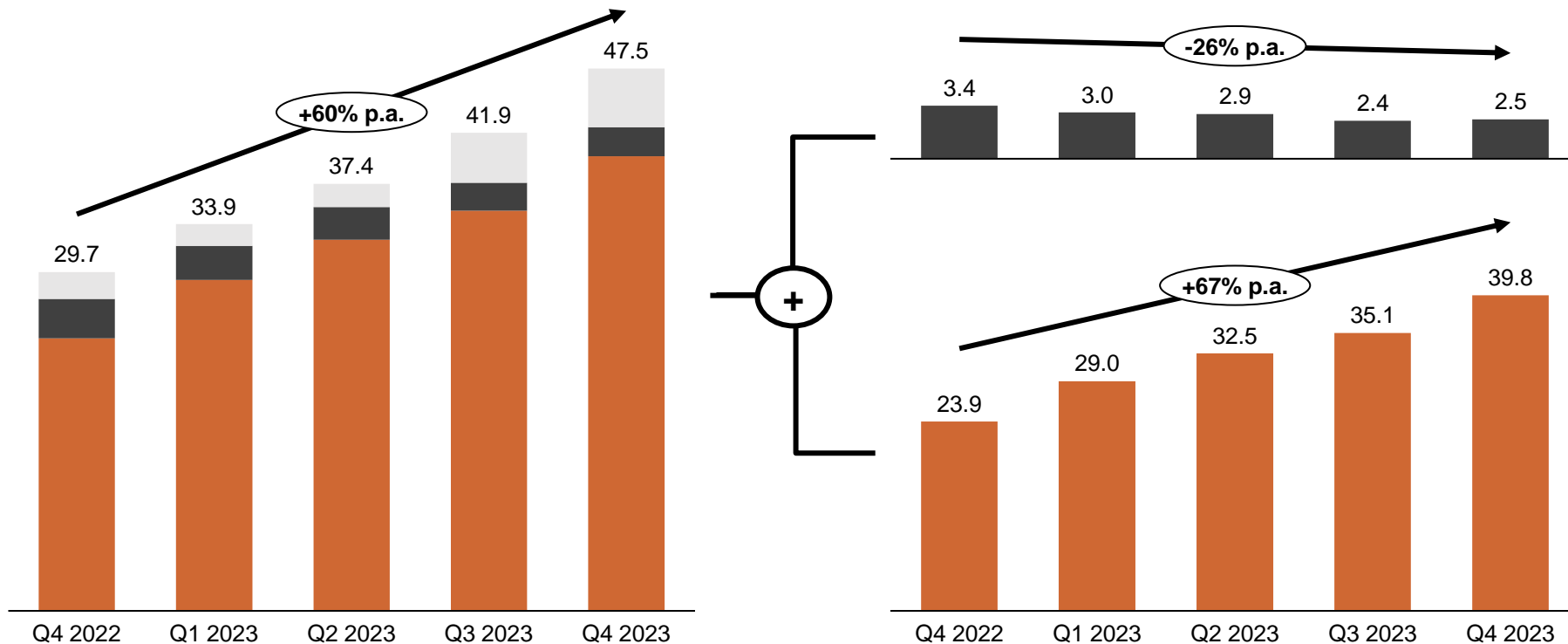




Total income grew 60% last 4 quarters, driven by credit line

Total income
NOK Millions

Other¹ Spot factoring / eCommerce Credit line

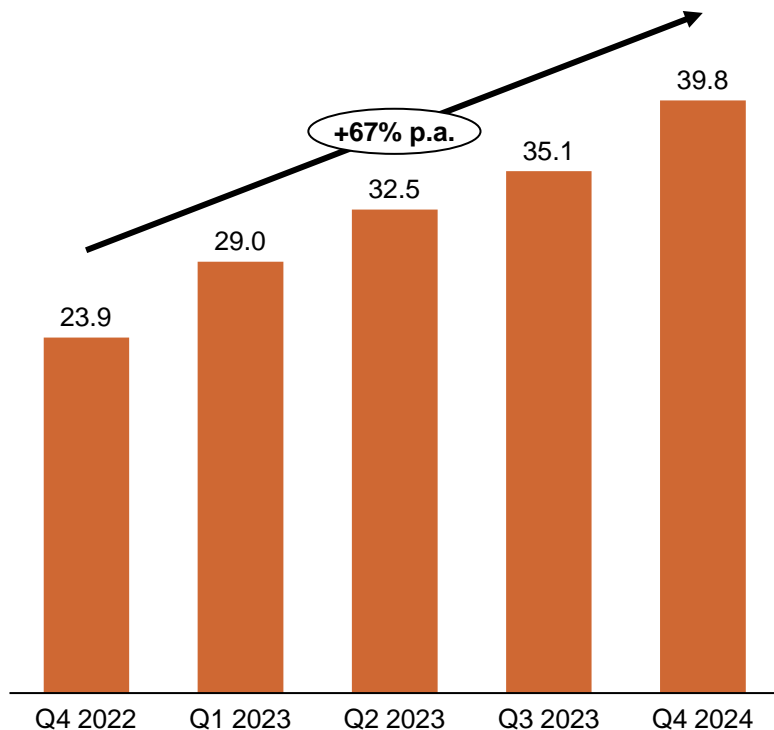


Note 1: Other income consist primarily of interest rates and money market returns on liquidity portfolio (≈ core equity). Has risen due to high interest rates, and will continue to be high as long as interest rates are high

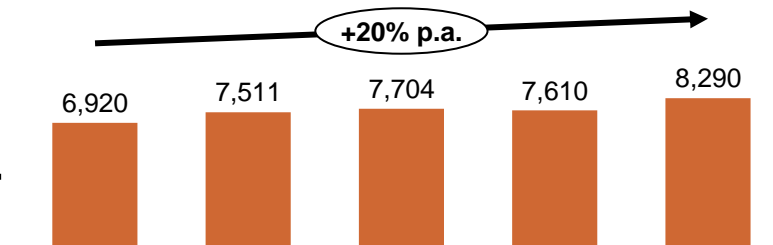


Customer growth is the biggest driver of credit line income

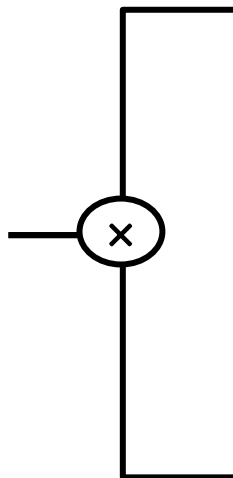
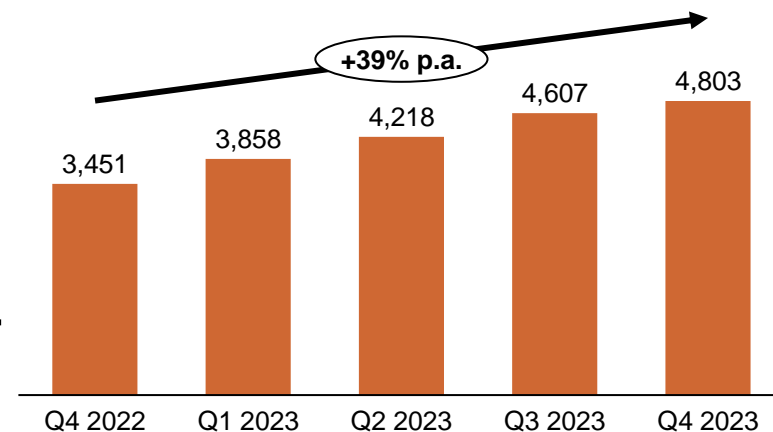
Total income from credit line
NOK Millions



Total income per credit line customer per quarter
NOK



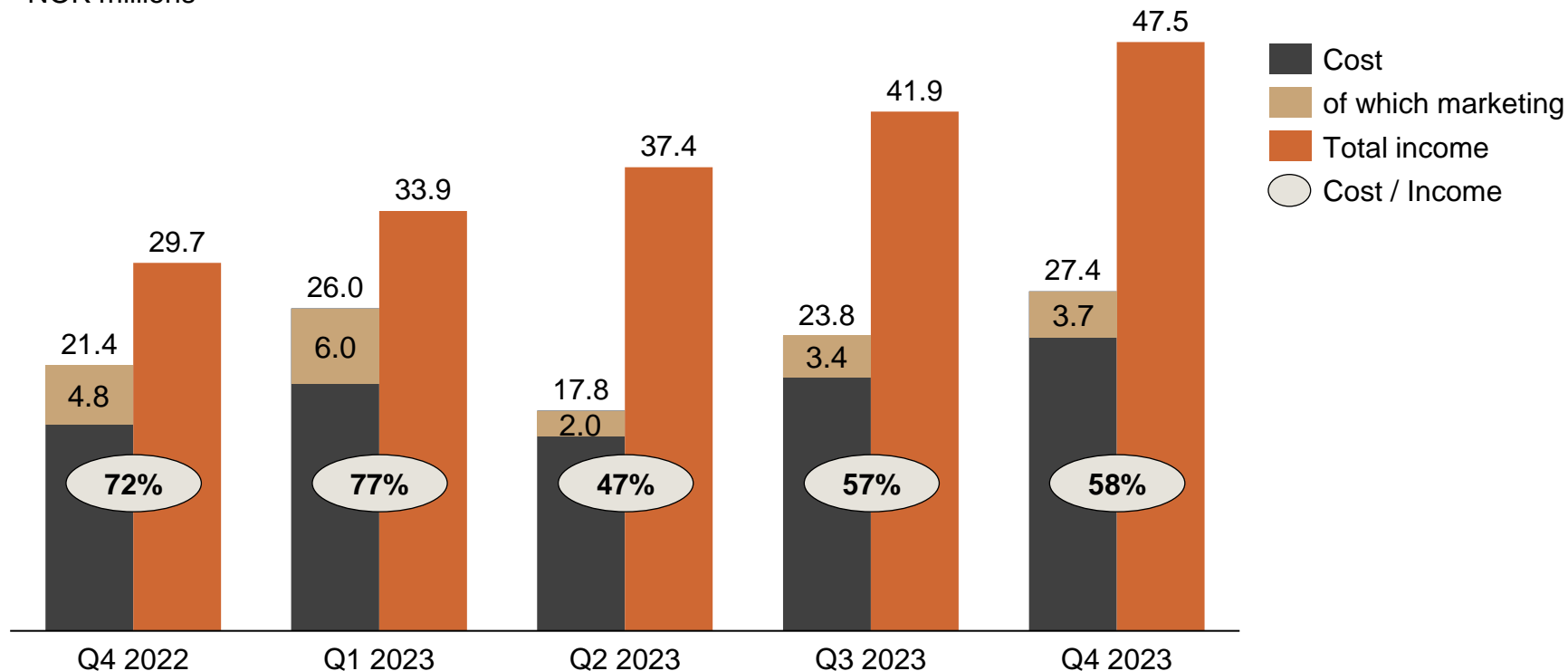
Average number of credit line customers in quarter



58% C/I in Q4, driven by total income growth and moderate marketing



Cost¹ vs Total income NOK millions

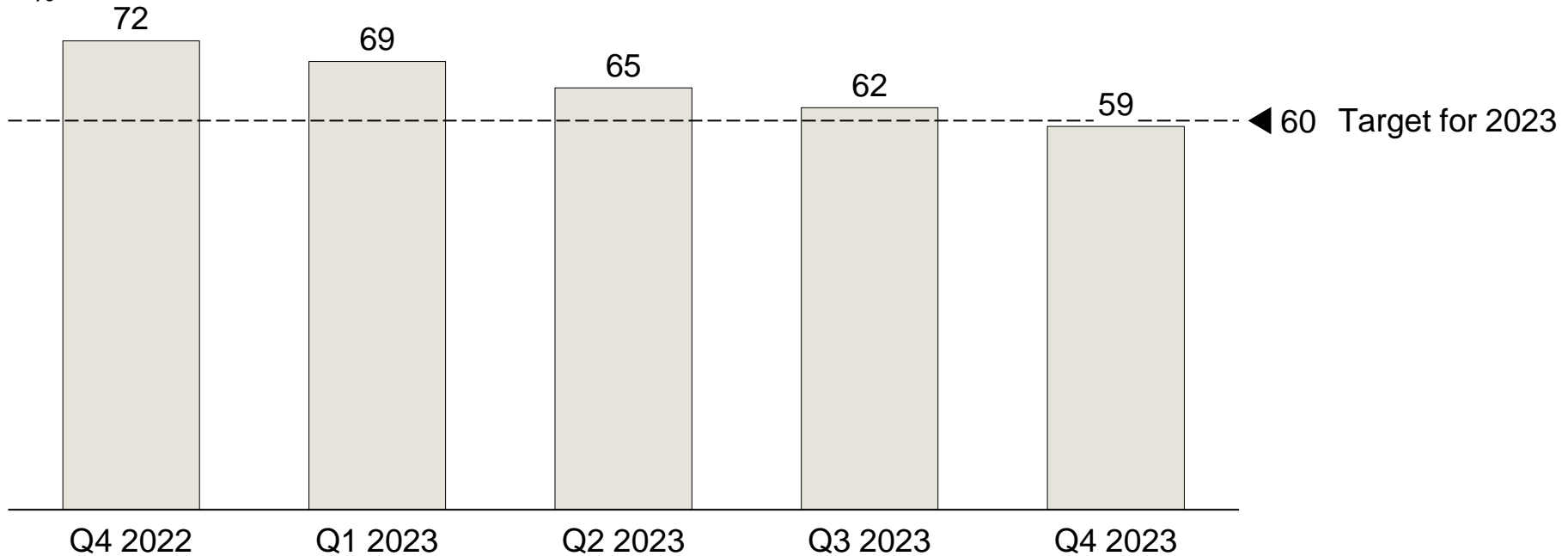




Trailing 1 year cost / income is steadily declining

Cost last 12 months / Total Income last 12 months

%





Financial performance continuously improving

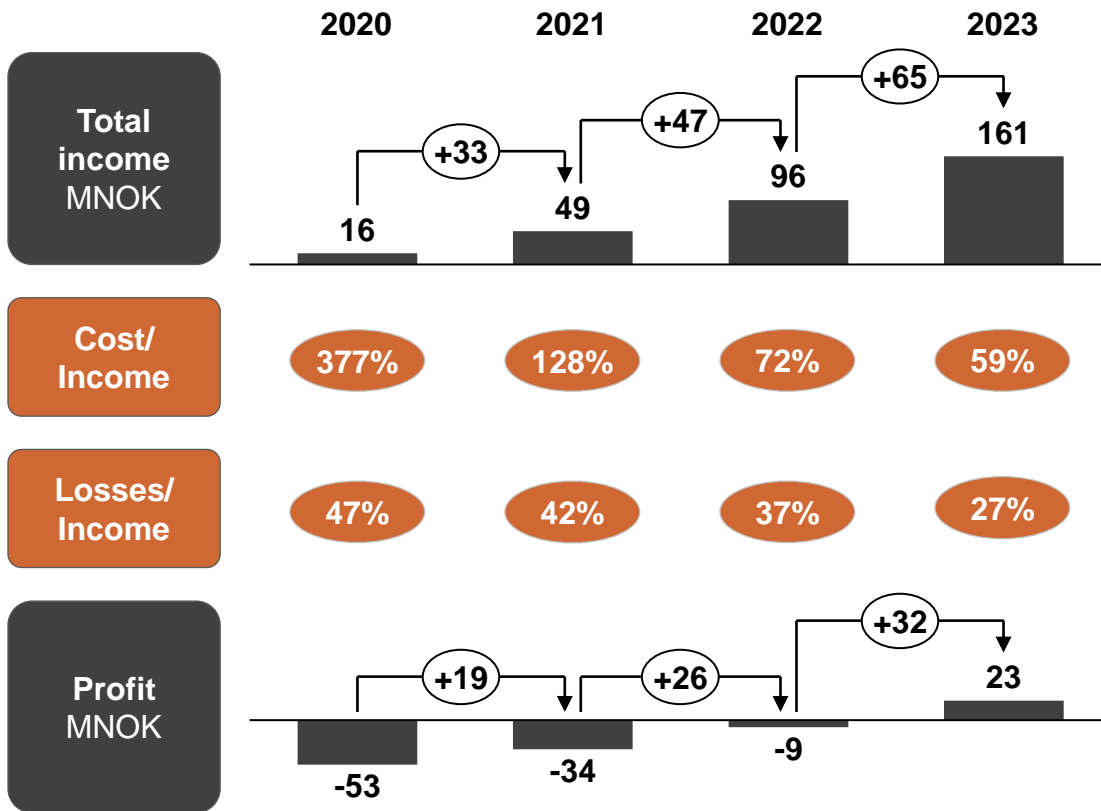
Aprila Bank's business model:

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

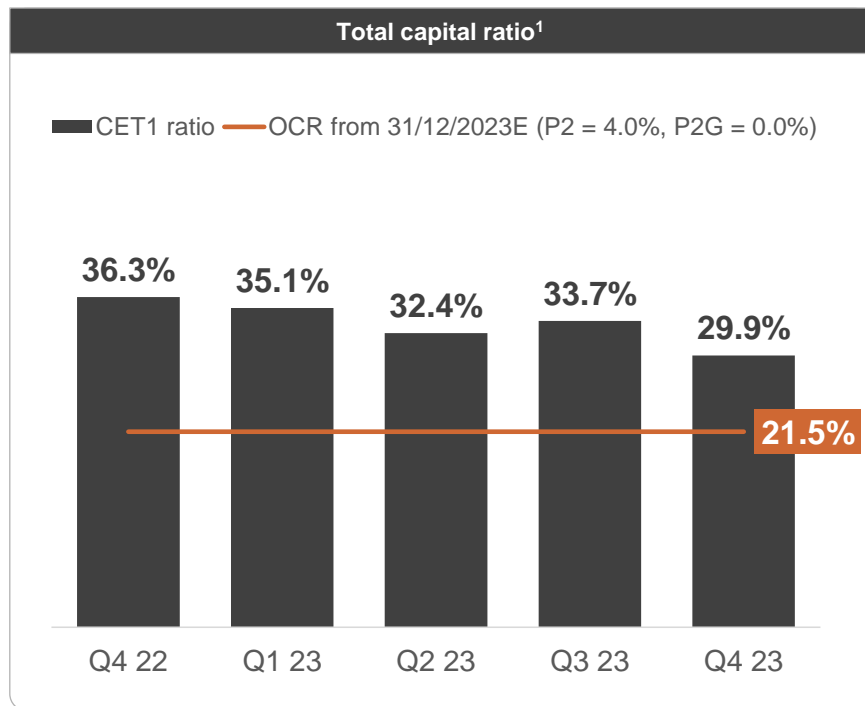
+ Continuous investments in automation and self-service
 ⇒ **Declining cost-to-serve**

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

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



Sound capital position



Key comments

- CET1-ratio of 29.9% 31 Dec 2023 vs. regulatory overall capital requirement (OCR) of 21.5% from 31 Dec 2023²
- NFSA's preliminary SREP assessment received 8 February:
 - Pillar 2 requirement (P2): 6.0%
 - Pillar 2 guidance (P2G): 1.5%
- Aprila has been given until 4 March to respond
- 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 31 Dec 2023
 - Without retail classification, the CET1-ratio would have been 24.8% as of 31 Dec 2023

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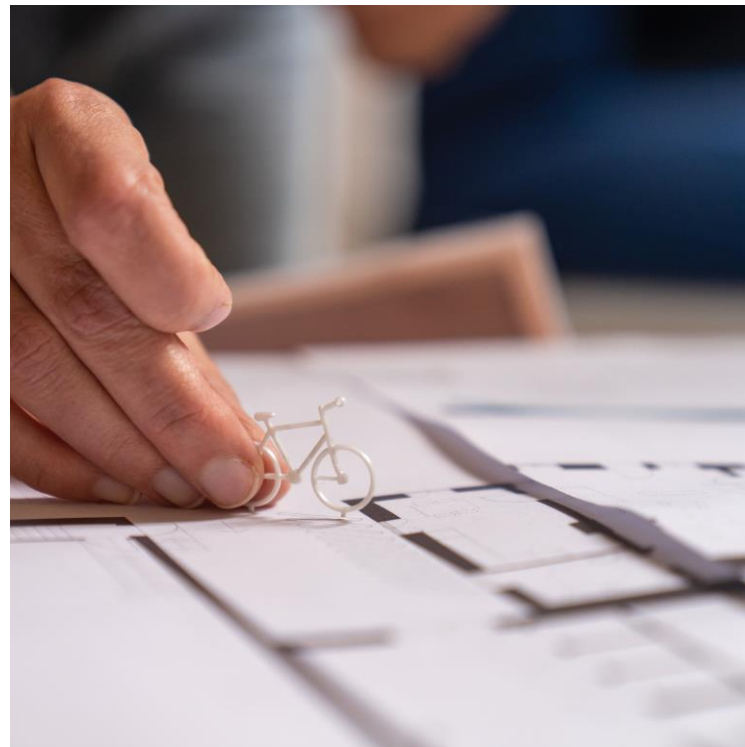
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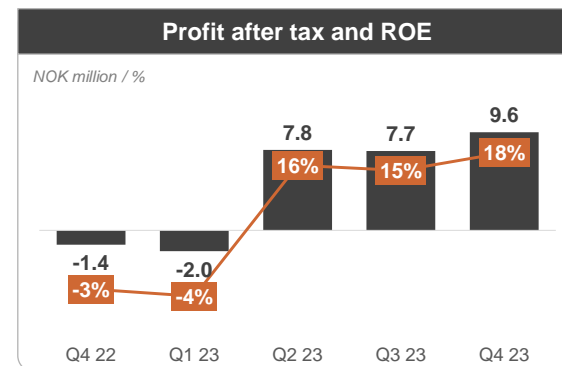
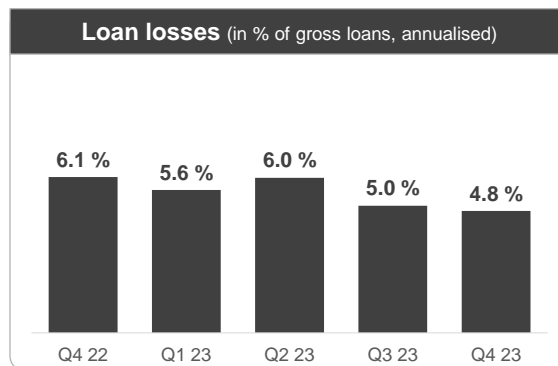
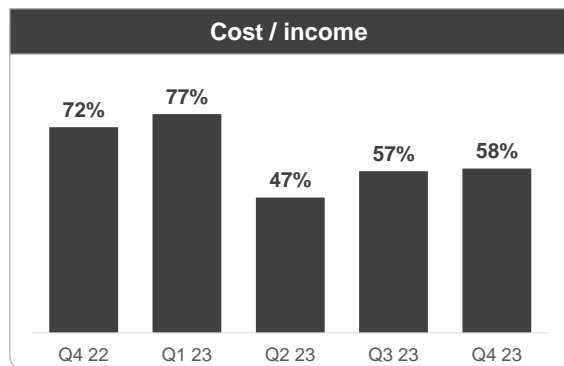
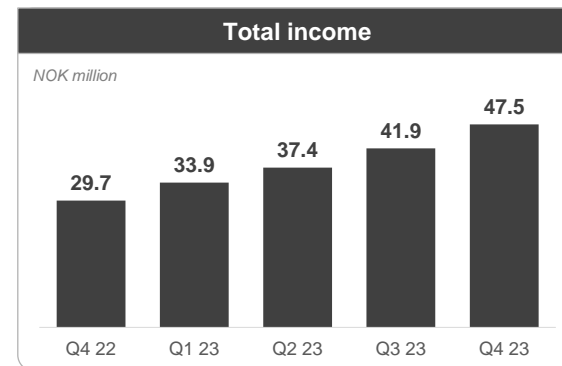
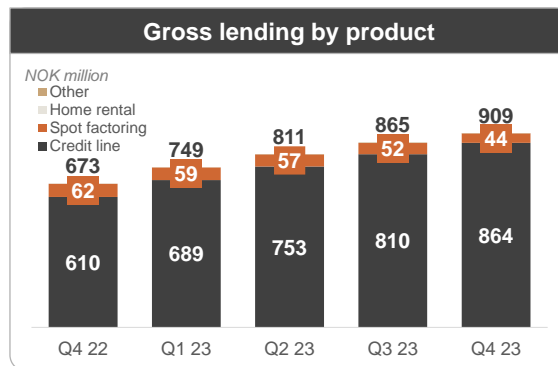
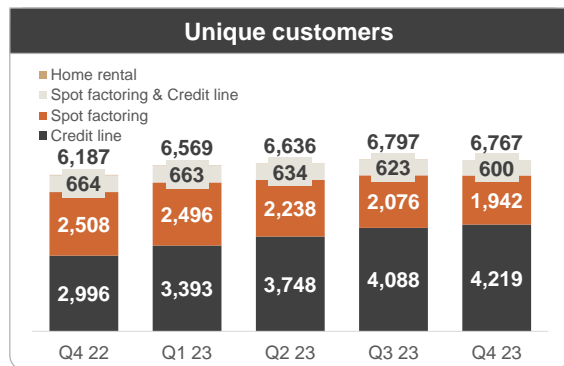
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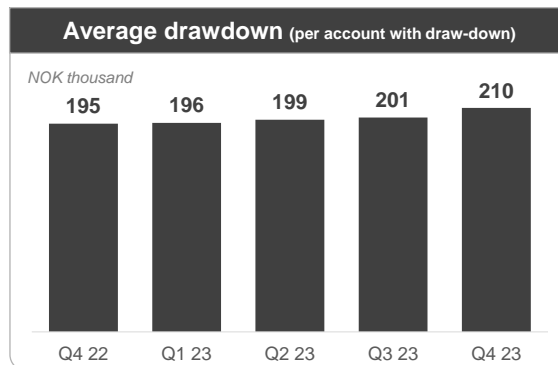
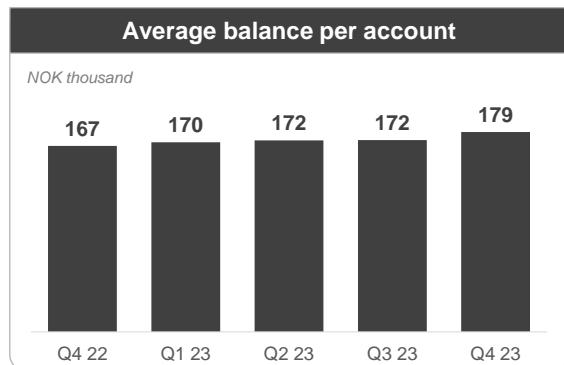
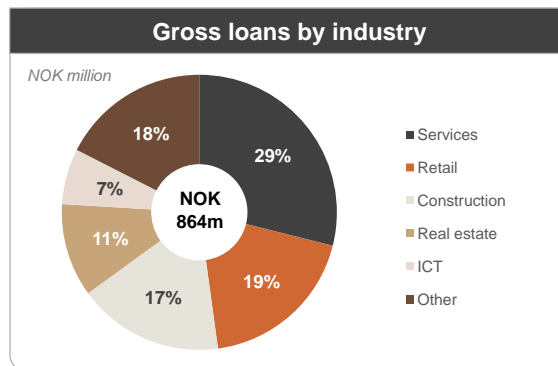
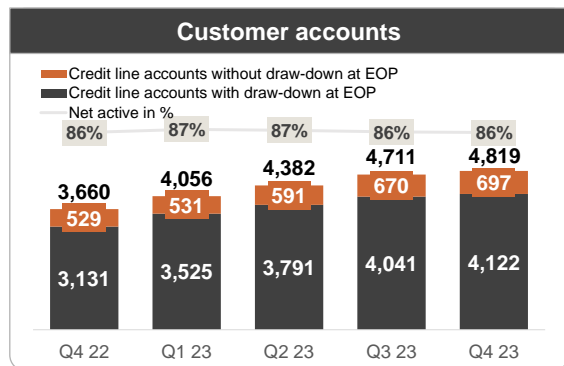




Total income +60% since Q4 last year and ROE of 18% in the quarter



Credit line volumes steadily increasing, but affected by NPL divestment

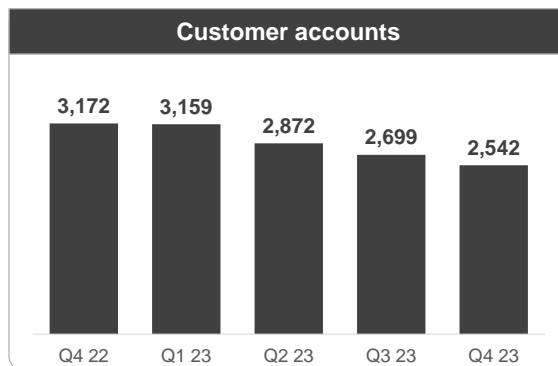
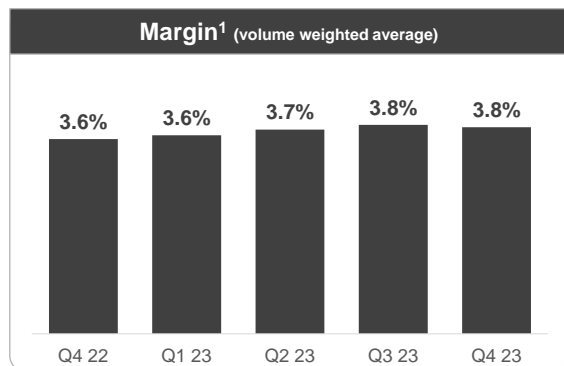
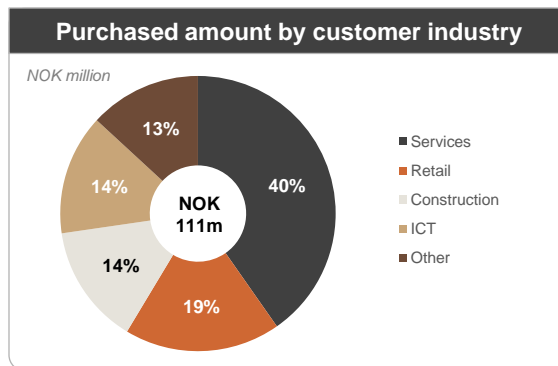
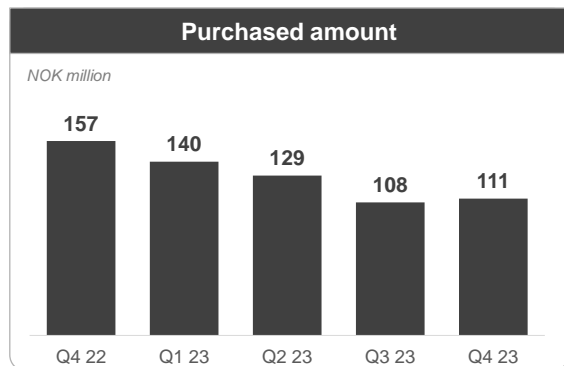


Key comments

- Net 108 new accounts (+2%) added in the quarter
 - Onboarded: 481
 - Offboarded: 373 of which 152 part of the divested NPL portfolio
- 4,819 credit line accounts at the end of the period
- 86% of customer accounts with draw-down at EOP
- NOK 179k outstanding per account at the end of the period
- On average NOK 210k drawn by customers with draw-down



Spot factoring volumes declining in line with ramp-down strategy

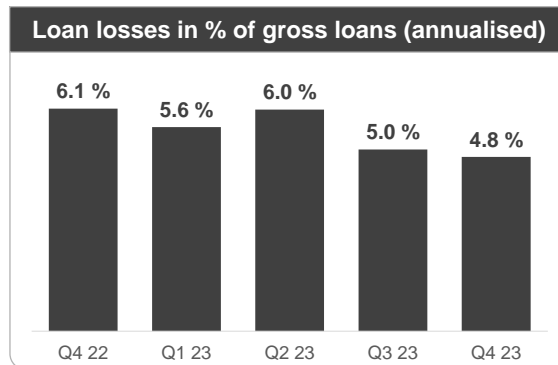
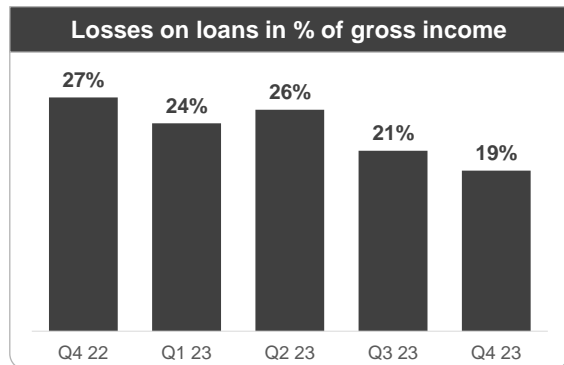
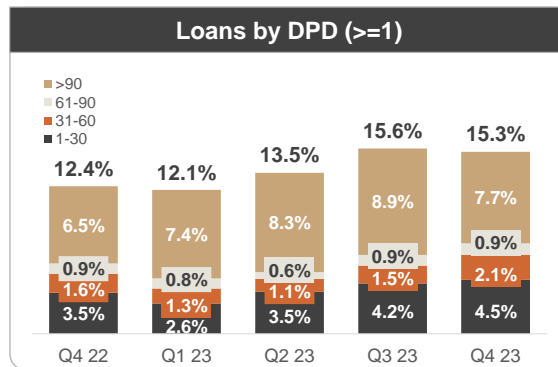
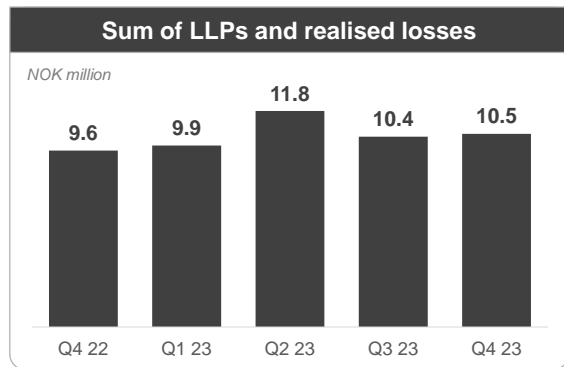


Key comments

- NOK 111m purchased
- Spot factoring accounted for 8% of gross income from lending in Q3 23 (vs. 16% in Q4 22)
- VWA margin: 3.8%
- Customers in services, retail and construction industries accounted for 73% of purchased amount in Q4 23 (78% in Q4 22)
- 2,542 open accounts at the end of the period
- Accelerated ramp-down of spot factoring planned in 2024



Low LLPs caused by continuously improving PD model



Key comments

- Total loan losses of NOK 10.5m in Q4 of which:
 - NOK -9.8m in LLPs and
 - NOK 20.4m in net realised losses of which 19.0m due to the NPL divestment
- Excluding the effect of the NPL divestment, loan losses were NOK 11.1m in Q4 of which:
 - NOK 9.7m in LLPs and
 - NOK 1.4m in net realised losses
- DPD >= 1: 15.3% of gross loans
 - DPD-groups 1-30 and 31-60 at elevated levels
- Loan loss provisions impacted by continuously improving PD model
 - 19% of gross income
 - 4.8% of gross loans

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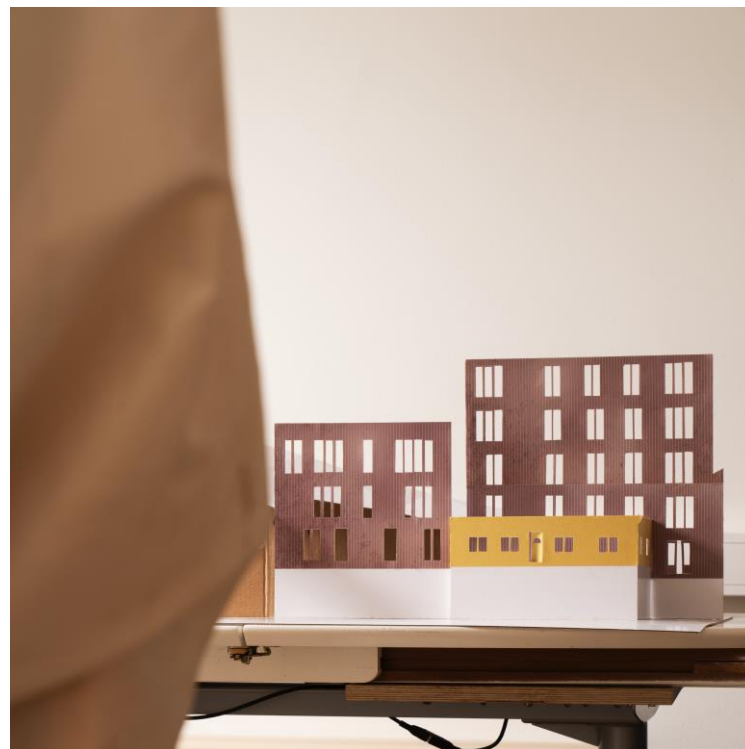
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No. 1 priority in H1 2024 is to lay foundation for accelerated growth

H1 2024

Build foundation for accelerated growth

- Build up sales engine
- Improve offering for larger customers
- Continue to optimise approval rates, limit offers and pricing

Strengthen competitive advantage

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

Improve long-term 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 of NOK ~225 million at year-end

	YE 23E	YE 23A	YE 24E	Key drivers
Total income Annual run-rate ¹ (NOK million)	> 180	188	~ 225	<ul style="list-style-type: none"> Increased number of credit line customers and increased income per customer Accelerated ramp down of spot factoring dampening income growth in 2024 Assuming 7 new FTEs Wage and cost inflation Continued marketing investments
Cost / income (LTM) ²	~ 60%	59%	~ 57%	
Credit line accounts (End of period)	> 4,800	4,819	> 5,700	

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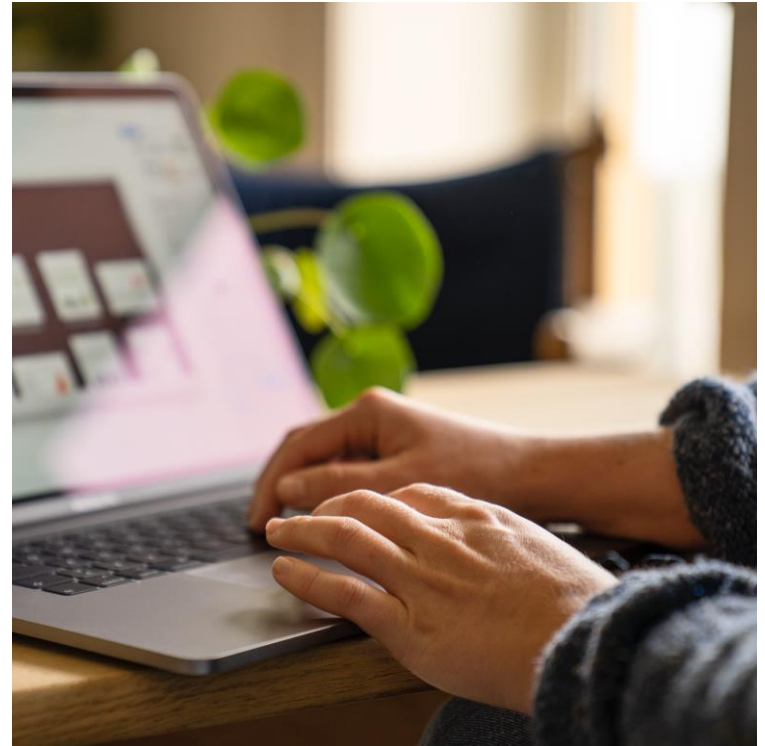
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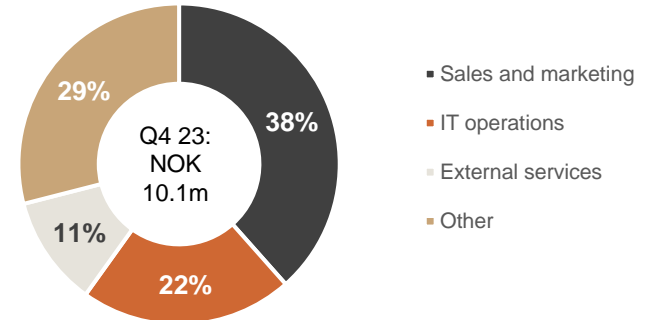
Income statement & general administrative expenses

Income Statement

<i>Amounts in NOK thousand</i>	Note	Q4 2023	Q4 2022	2023	2022
Interest income		50,861	30,038	171,672	96,166
Interest expense		9,515	3,994	29,957	8,642
Net interest income		41,347	26,044	141,715	87,524
Income commissions and fees		3,769	2,784	13,398	8,154
Expenses commissions and fees		165	164	817	626
Net commissions and fees		3,604	2,621	12,581	7,528
Net gains / losses (-) on certificates, bonds and currency		2,533	1,013	6,308	597
Other income		0	0	0	0
Total income		47,484	29,677	160,604	95,649
Salary and other personnel expenses		15,455	10,058	52,067	33,531
General administrative expenses	8	10,080	9,107	35,607	27,366
Total salary and administrative expenses		25,536	19,165	87,674	60,898
Depreciation and impairment of fixed and intangible assets		1,841	2,260	7,213	8,234
Total operating expenses excl. losses on loans		27,376	21,425	94,886	69,132
Losses on loans	2, 3	10,547	9,628	42,632	35,083
Pre-tax operating profit		9,561	-1,376	23,086	-8,565
Tax	9	0	0	0	0
Profit after tax		9,561	-1,376	23,086	-8,565
Earnings per share (NOK)		0.15	-0.02	0.35	-0.15
Diluted earnings per share (NOK)		0.15	-0.02	0.35	-0.15

General administrative expenses

<i>Amounts in NOK thousand</i>	Q4 2023	Q4 2022	2023	2022
Sales and marketing	3,875	4,753	15,589	11,372
IT operations	2,162	1,713	7,658	6,192
External services	1,121	1,105	3,728	3,487
External audit and related services	755	438	1,475	2,106
Credit information	356	315	1,456	1,283
Other operating expenses	1,811	784	5,700	2,925
Total general administrative expenses	10,080	9,107	35,607	27,366



Balance sheet & regulatory capital



Balance Sheet

<i>Amounts in NOK thousand</i>	Note	31.12.2023	31.12.2022
Loans and deposits with credit institutions	5, 6	73,803	65,111
Net loans to customers	2, 3, 6	819,774	612,478
Certificates and bonds	6	152,963	66,664
Other intangible assets		6,853	9,263
Deferred tax assets	9	0	0
Fixed assets		2,036	3,676
Other receivables	7	6,170	29,482
Total assets		1,061,600	786,673
Deposits from and debt to customers	6	821,235	577,249
Other debt	7	23,689	17,313
Total liabilities		844,924	594,562
Share capital	4	65,819	61,812
Share premium	4	291,636	265,671
Unregistered Share capital	4	1,315	29,971
Other paid-in equity	4	3,402	3,237
Retained earnings	4	-145,495	-168,581
Total equity		216,676	192,111
Total equity and liabilities		1,061,600	786,673

Regulatory capital

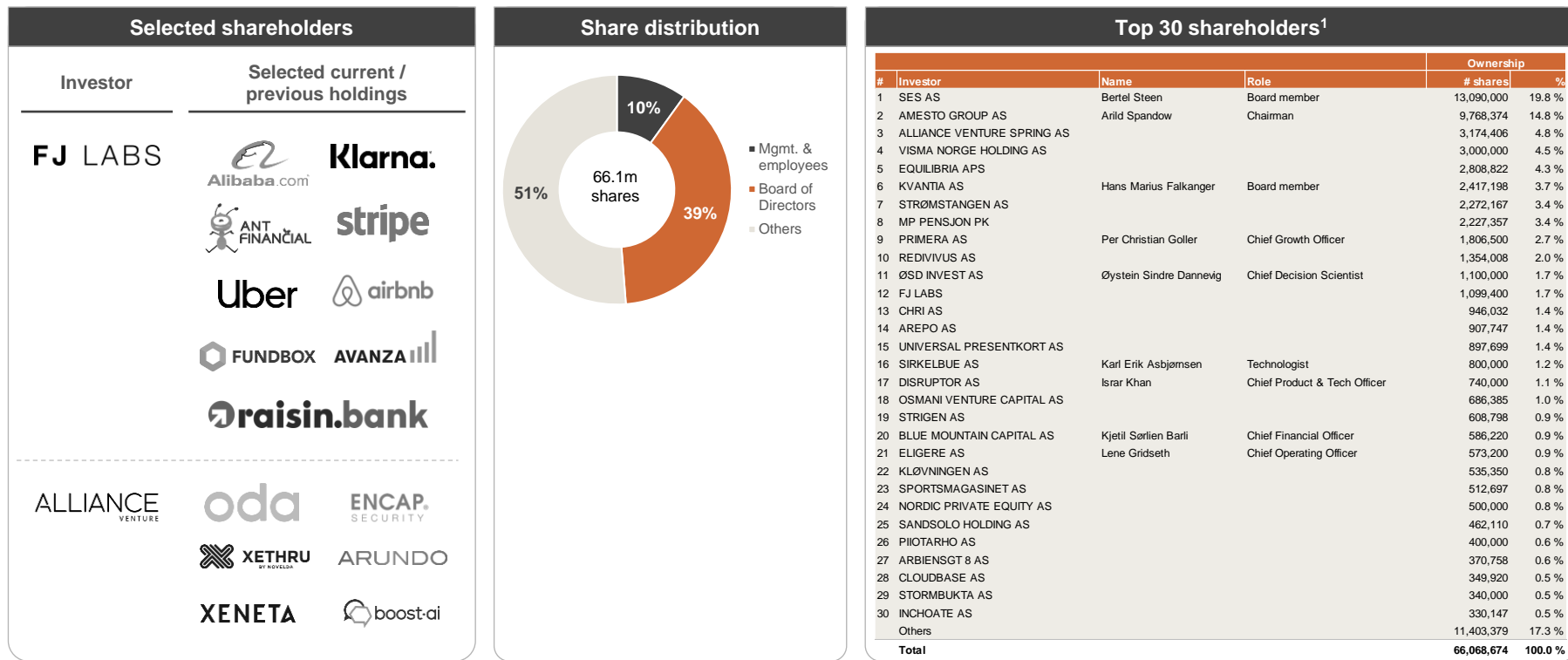
<i>Amounts in NOK thousand</i>	31.12.2023	31.12.2022
Share capital	65,819	61,812
Share premium	291,636	265,671
Other equity	-140,778	-135,373
Total equity	216,676	192,111
Part of interim or year-end profit not eligible	0	0
Additional value adjustments (AVA)	-153	-67
Other intangible assets	-6,853	-9,263
Deferred tax assets	0	0
Insufficient coverage for non-performing exposures	-28	0
Common equity tier 1 (CET 1)	209,641	182,781
Tier 1 capital	209,641	182,781
Total capital	209,641	182,781
Risk-weighted assets		
Regional governments or local authorities	356	408
Public sector entities	146	333
Institutions	14,764	13,037
Corporates	18,447	13,404
Retail	431,560	309,219
Exposures in default	30,653	31,860
Collective investments undertakings (CIU)	6,934	2,491
Other items	7,575	31,518
Credit risk	510,434	402,270
Position, foreign exchange and commodities risks	0	0
Operational risk	190,954	100,733
Credit valuation adjustment	380	171
Risk-weighted assets	701,768	503,173
Common equity tier 1 ratio (%)	29.9%	36.3%
Tier 1 ratio (%)	29.9%	36.3%
Total capital ratio (%)	29.9%	36.3%
Leverage ratio (%)	19.5%	23.5%
LCR	701%	424%
NSFR	206%	196%

Gross income and key figures



Gross income and key figures									
NOK million	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23
Gross income and margin									
Interest income credit line	12.0	15.1	18.8	22.7	27.0	33.1	37.7	41.8	48.3
Income commissions and fees credit line	0.5	0.7	1.3	2.0	2.4	2.6	2.9	3.2	3.4
Gross income credit line	12.5	15.8	20.1	24.8	29.5	35.7	40.5	44.9	51.8
Interest income spot factoring	6.8	5.3	5.8	5.0	5.3	4.6	4.6	4.0	4.1
Income commissions and fees spot factoring	0.6	0.5	0.5	0.3	0.4	0.4	0.3	0.3	0.3
Gross income spot factoring	7.3	5.8	6.3	5.4	5.7	5.0	5.0	4.3	4.4
Gross income other	0.2	0.0	0.3	-0.1	1.5	0.8	1.3	4.5	3.6
Gross income total	20.1	21.7	26.7	30.0	36.7	41.5	46.8	53.8	59.8
Direct variable expenses	4.0	4.3	4.3	5.5	7.7	8.5	10.4	12.9	13.8
Gross profit bf. loan losses	16.0	17.3	22.3	24.5	29.0	33.1	36.4	40.9	45.9
Total income	16.4	17.9	22.9	25.2	29.7	33.9	37.4	41.9	47.5
Gross income from lending	19.9	21.7	26.5	30.2	35.2	40.7	45.5	49.2	56.2
Total operating expenses	16.6	18.0	12.9	16.8	21.4	26.0	17.8	23.8	27.1
Losses on loans	6.3	5.2	8.4	11.9	9.6	9.9	11.8	10.4	10.5
Key figures									
Gross margin	80%	80%	84%	82%	79%	80%	78%	76%	77%
Total income / gross income	82%	83%	86%	84%	81%	82%	80%	78%	79%
Net interest margin after losses ¹	13.3%	13.8%	13.1%	10.6%	13.1%	14.9%	14.4%	14.9%	17.2%
Cost / income	101%	101%	56%	67%	72%	77%	47%	57%	57%
Losses on loans / gross income from lending	32%	24%	32%	39%	27%	24%	26%	21%	19%

Aligned interests among key stakeholders



Aprila