

Aprila

Aprila Bank ASA | Q1 2023 | 15 May 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.

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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

(31 Mar 2023)¹

6,554

Total income run-rate

(NOK million, annual run-rate, Mar 2023)

158

Cost / income

(LTM)²

69%

Job creation

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

3,396



Customers are maintaining profitability and improving capitalization

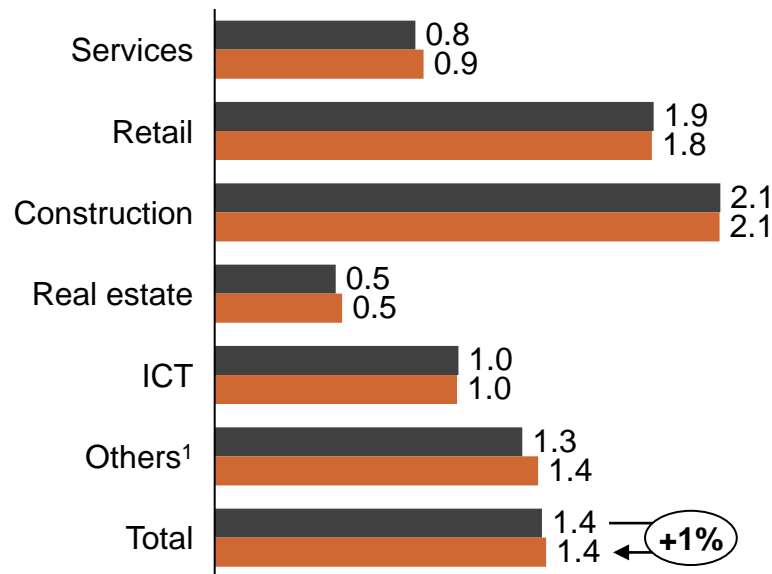
Aprila customers only grew 1% last 12 months...

...but maintained profitability...

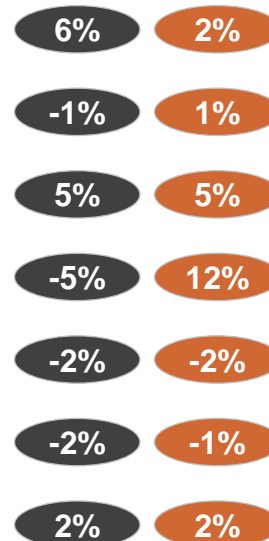
...and improved capitalization

Average customer quarterly revenue

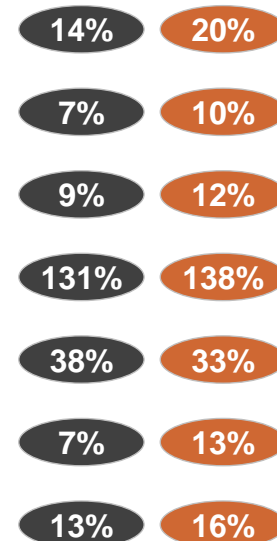
NOK million



Average EBIT margin



Equity / Revenue last 12 M





Q1 23

<i>NOKm</i>	Q1 23	Q1 22
Gross loans	749.5	437.8
Gross income from lending	40.7	21.7
Total income	33.9	17.9
Pre-tax operating profit bf. loan losses	7.9	-0.1
Pre-tax operating profit	-2.0	-5.3
Yield on avg. net loans ¹	25%	23%

LTM

<i>NOKm</i>	<i>LTM² ending</i>	
	Q1 23	Q1 22
Gross loans	749.5	437.8
Gross income from lending	132.6	72.4
Total income	111.6	58.5
Pre-tax operating profit bf. loan losses	34.5	-5.5
Pre-tax operating profit	-5.3	-24.5
Yield on avg. net loans ¹	24%	25%

Continued growth

- The bank onboarded 521 credit line customers in Q1
- Gross lending grew 71% YoY and 11% QoQ to NOK 749 million
- Total income grew 89% YoY and 14% QoQ to NOK 33.9 million

Elevated marketing spend

- Improved default definition led to lower-than-expected provisions for loan losses
- Negative (as expected) pre-tax operating profit of NOK -2.0 million in the quarter due to high marketing spend (NOK 6m), mostly allocated to brand building
- We expect the brand building investments in Q4 22 and Q1 23 to result in lower customer acquisition cost from Q2 23 and forward

Strong capital position

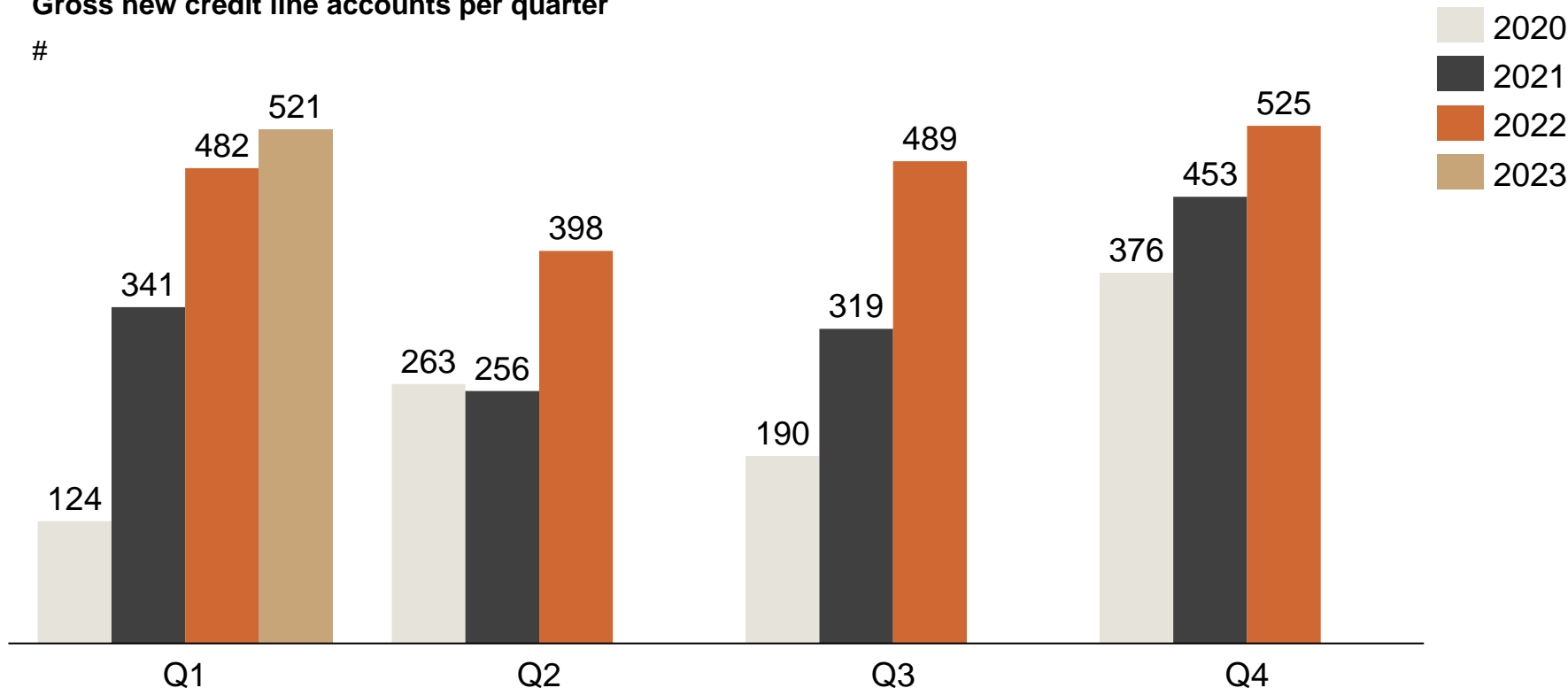
- CET1-ratio of 35.1% at 31 Mar 2023. Overall capital requirement of 20.0% from 31 Mar
- We have employed retail classification on eligible exposures as of 31 Mar 2023
- The bank is capitalised for further growth, also without retail classification



521 credit line accounts onboarded in Q1

Gross new credit line accounts per quarter

#

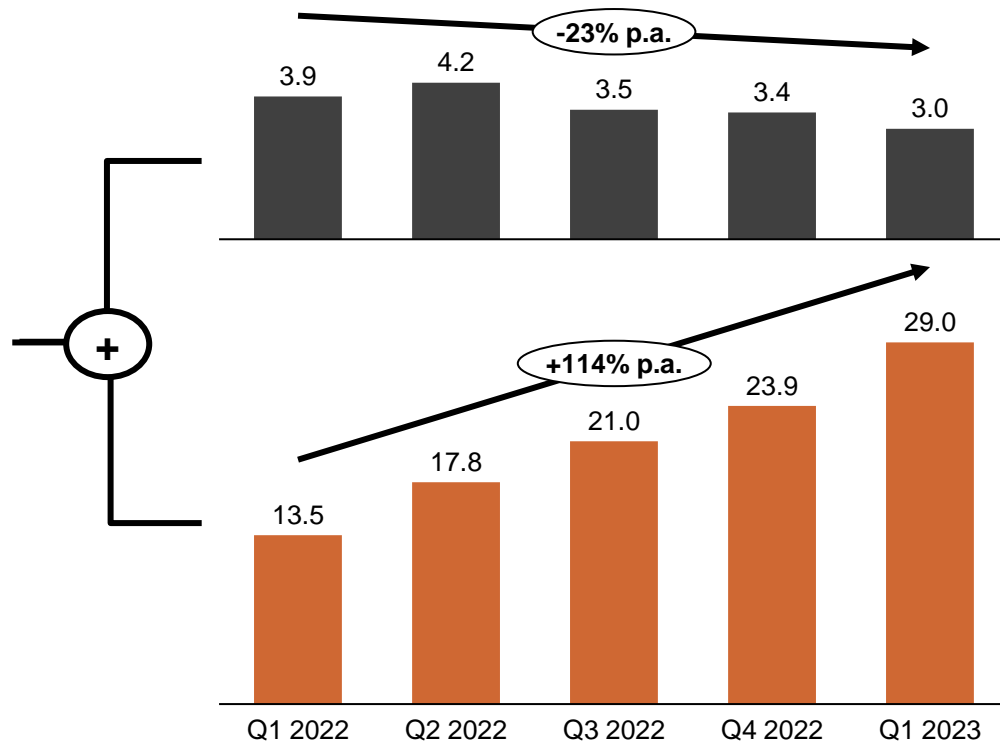
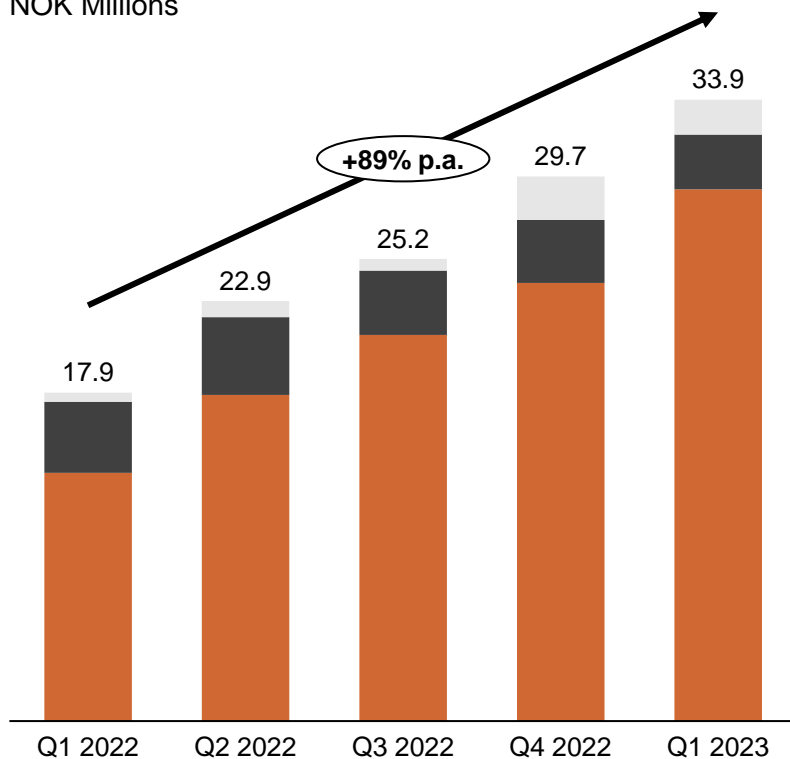




Total income from credit line grew >100% last 4 quarters

Total income
NOK Millions

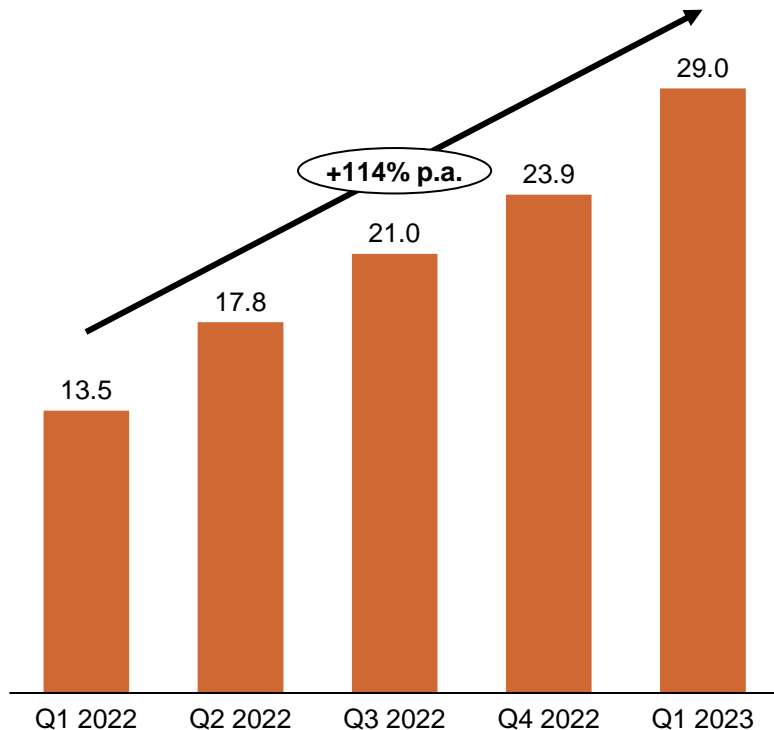
Other Spot factoring / eCommerce Credit line



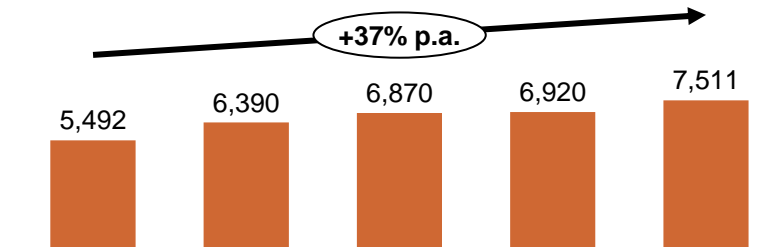


Customer growth is the biggest driver of credit line income

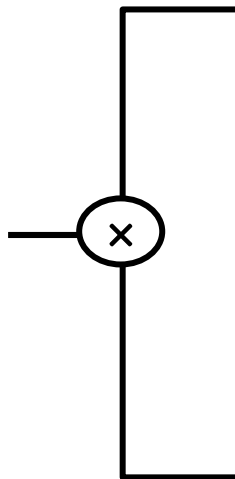
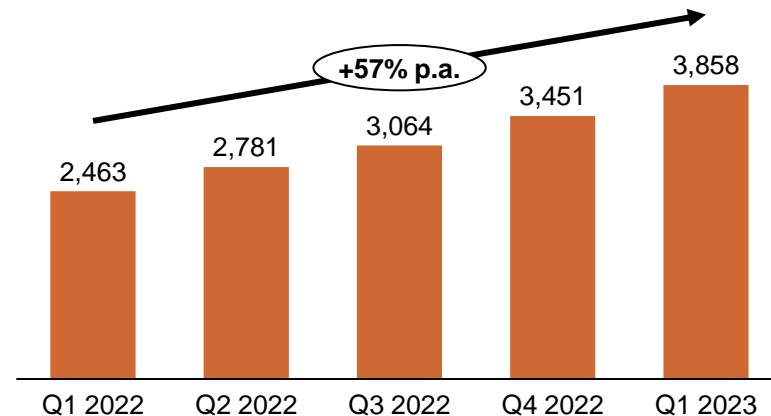
Total income from credit line
NOK Millions



Total income per credit line customer per quarter
NOK



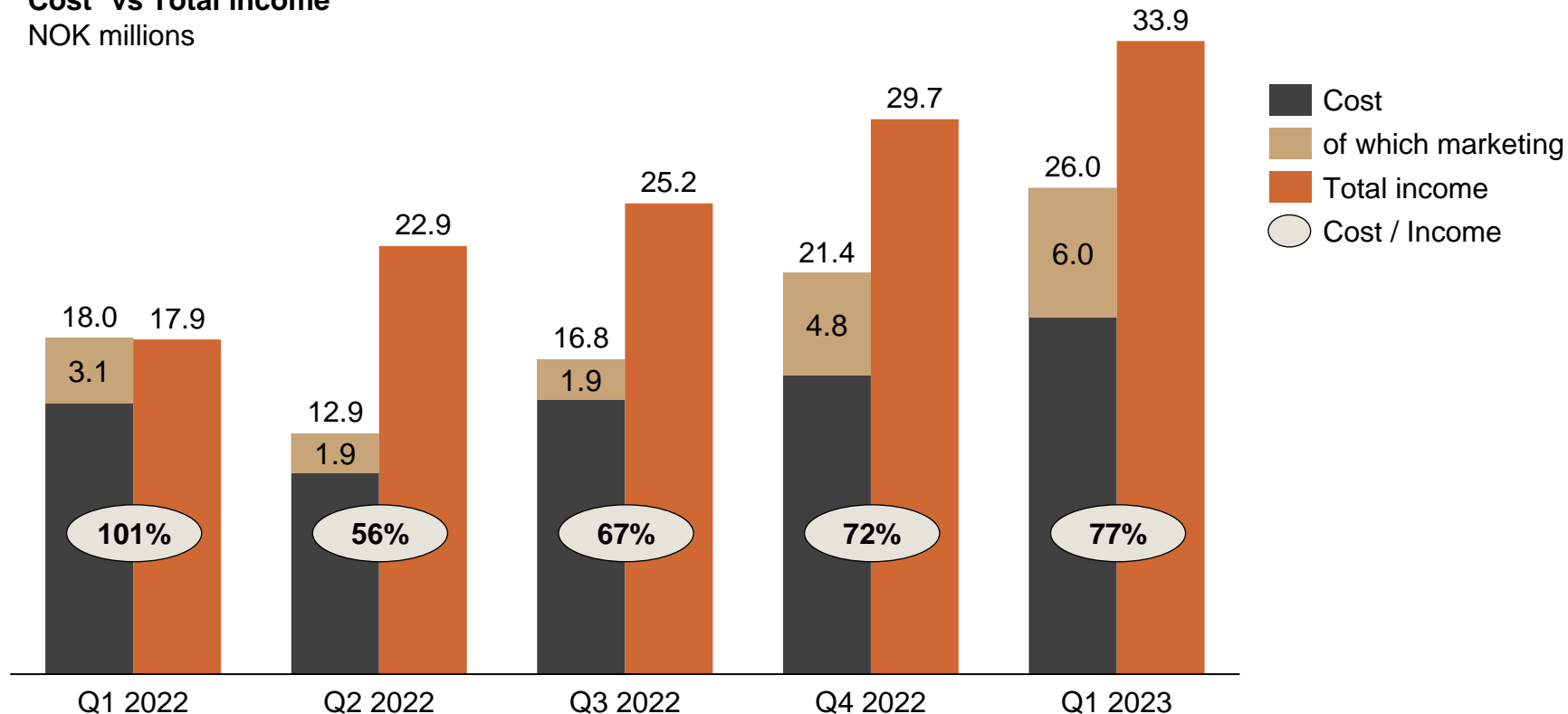
Average number of credit line customers in quarter





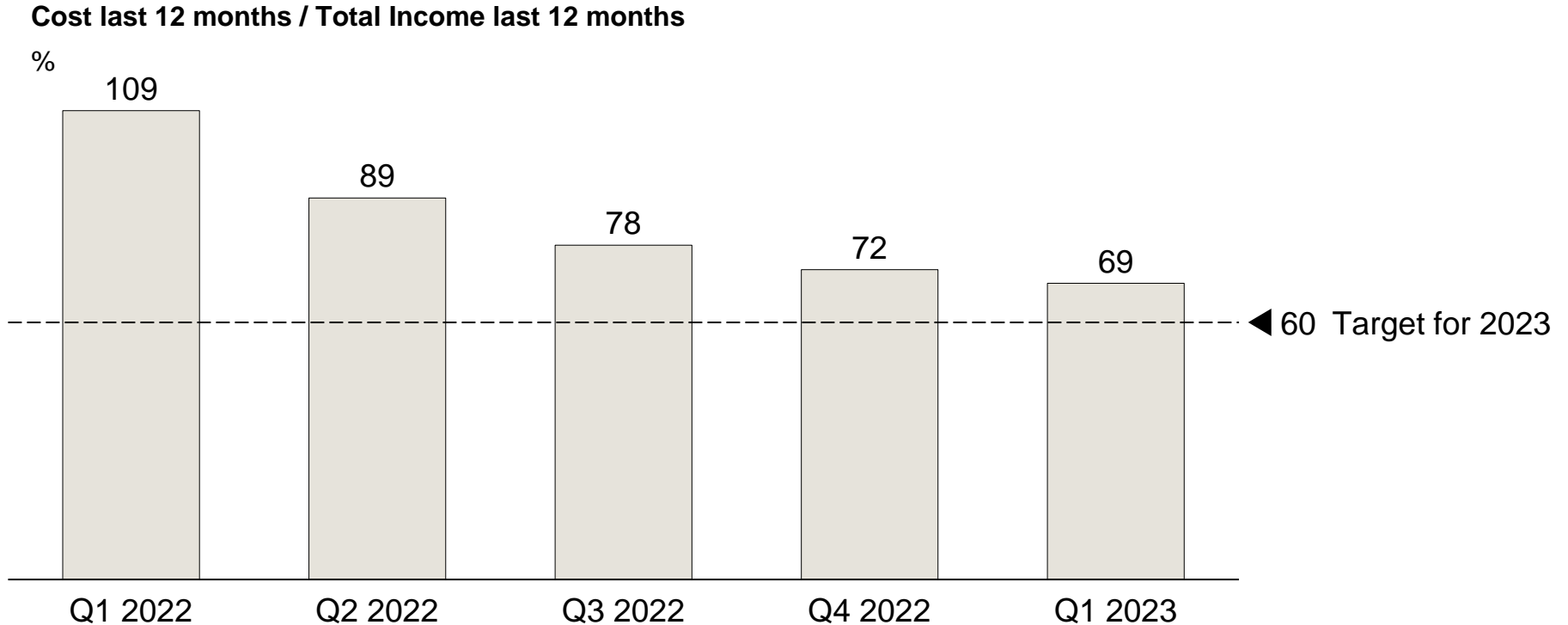
Increased C/I in Q1 primarily due to brand building and new FTEs

Cost¹ vs Total income NOK millions





However, trailing 1 year cost / income is steadily declining

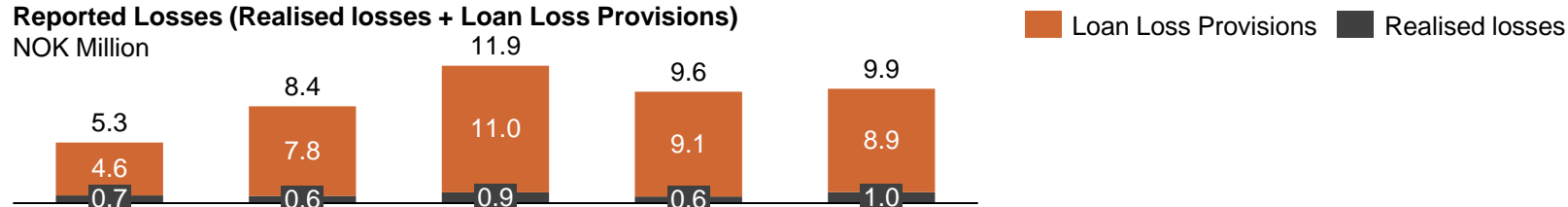




Almost 15% NIM after losses in Q1 – in line with long term target

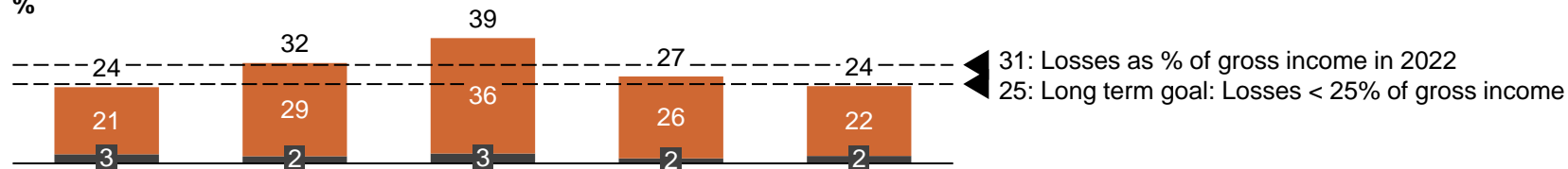
Reported Losses (Realised losses + Loan Loss Provisions)

NOK Million



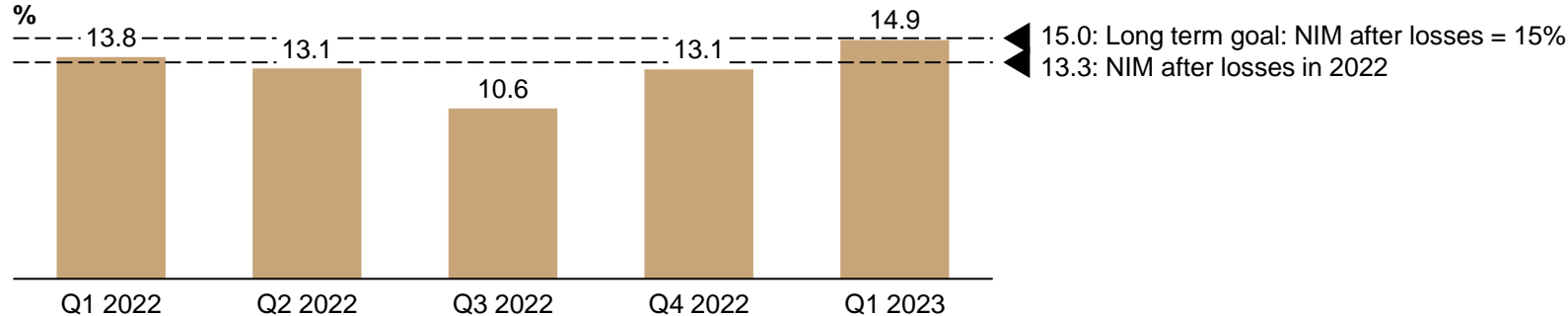
Reported losses as share of gross income from lending to customers

%



Net Interest Margin (NIM) after losses¹

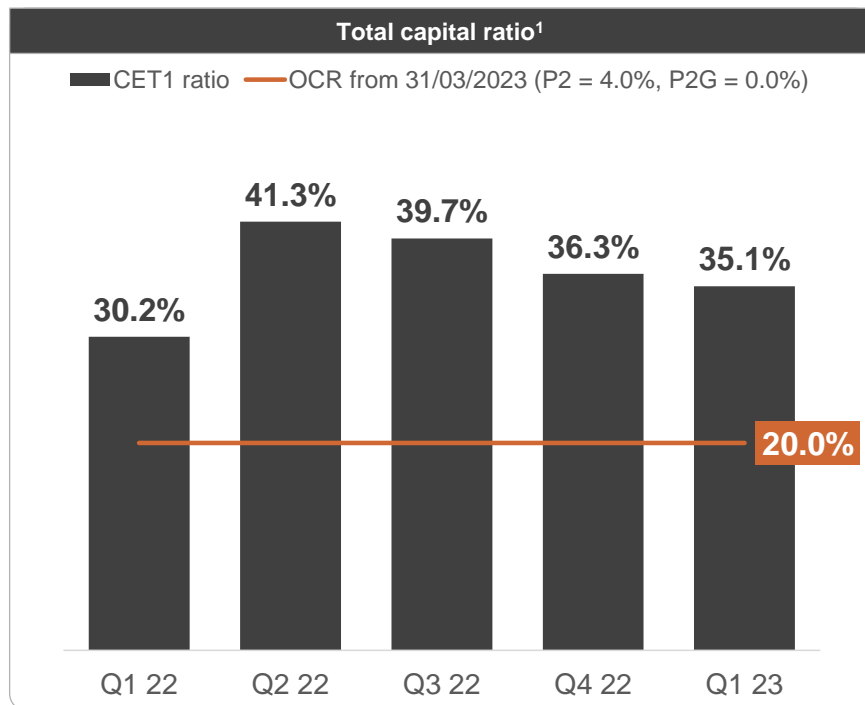
%



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.



The bank is capitalised for further growth



Key comments

- CET1-ratio of 35.1% 31 Mar 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 31 Mar 2023
- Without retail classification, the CET1-ratio would have been 28.6% as of 31 Mar 2023

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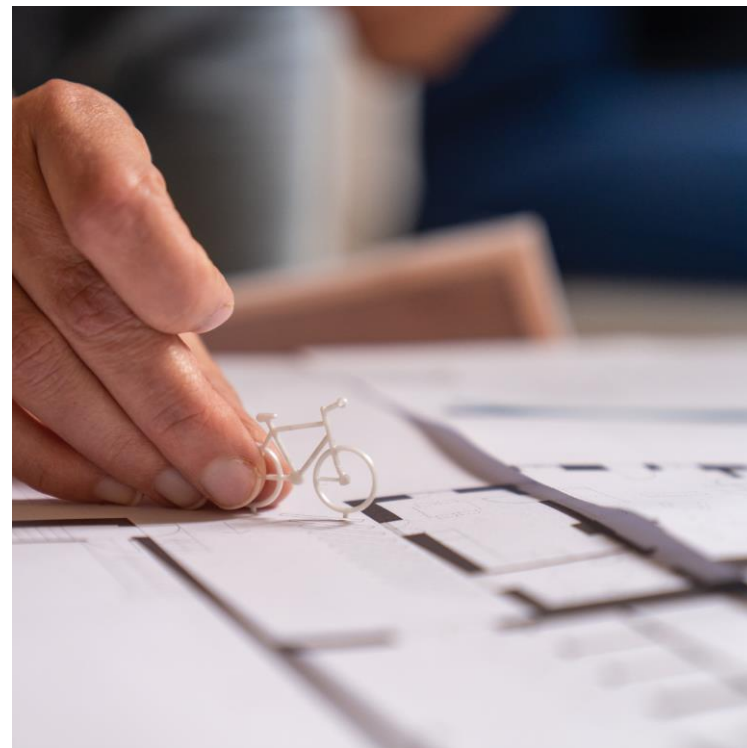
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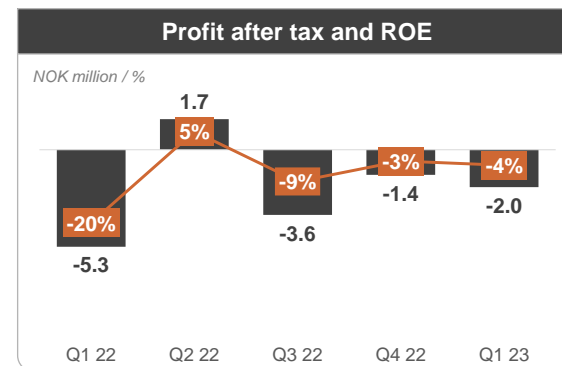
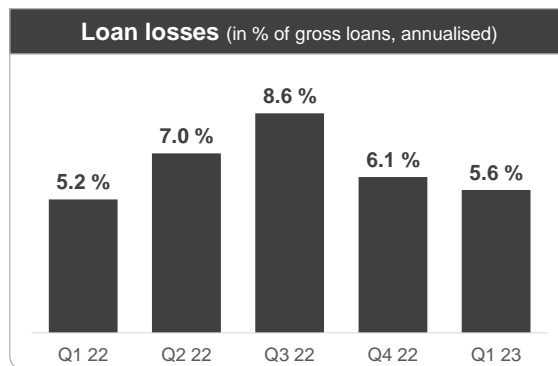
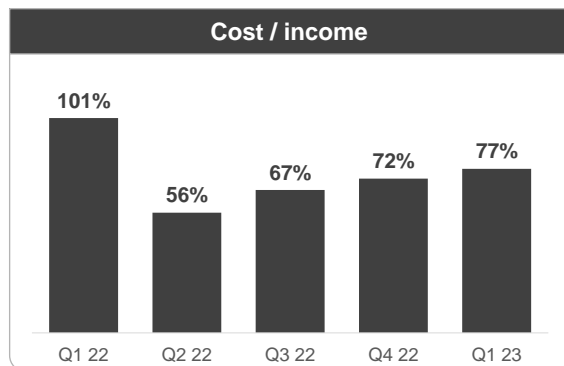
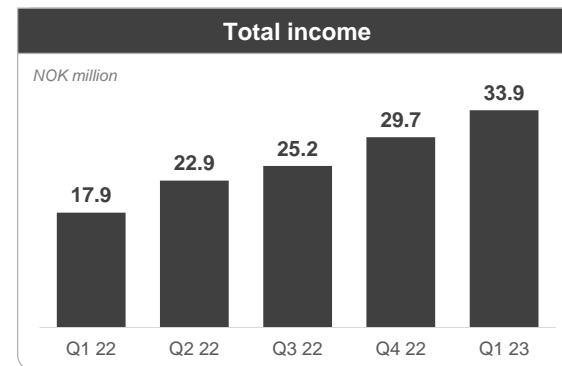
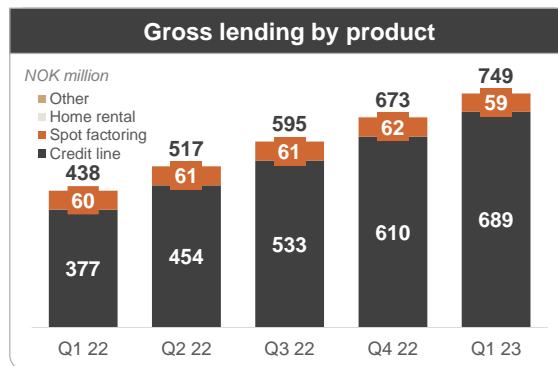
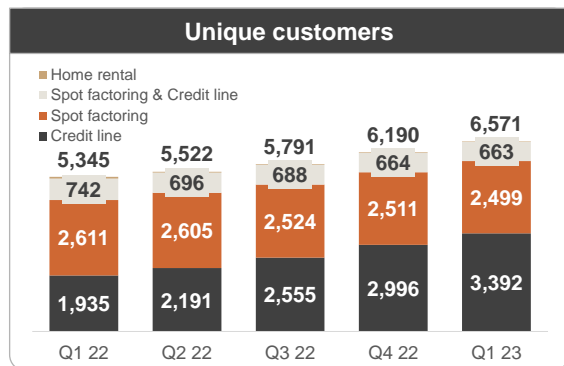
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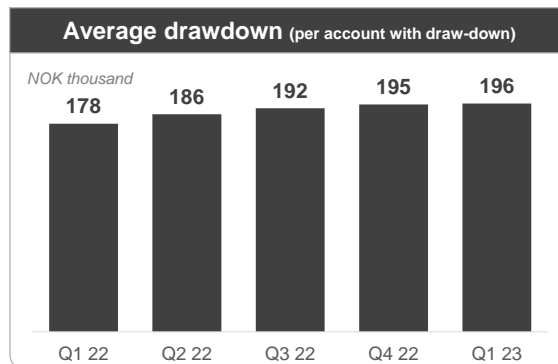
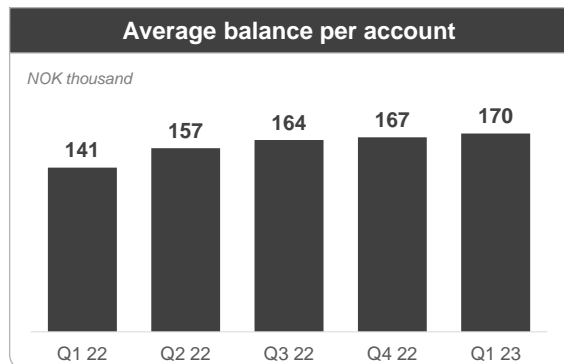
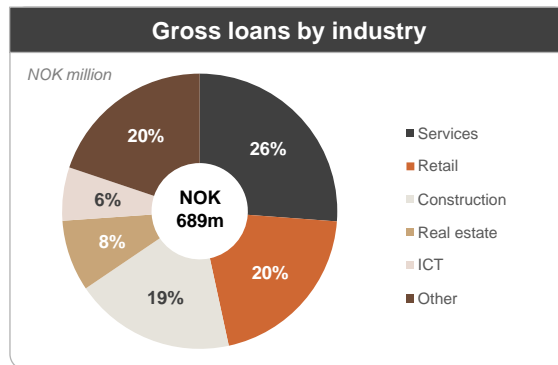
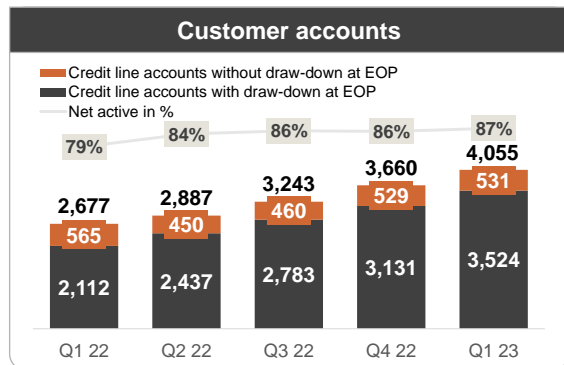


Total income has increased ~90% since Q1 last year





Credit line volumes are steadily increasing

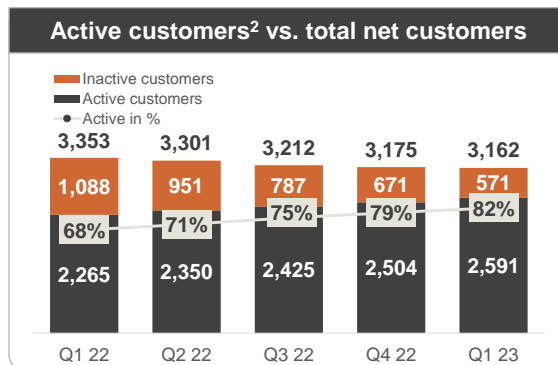
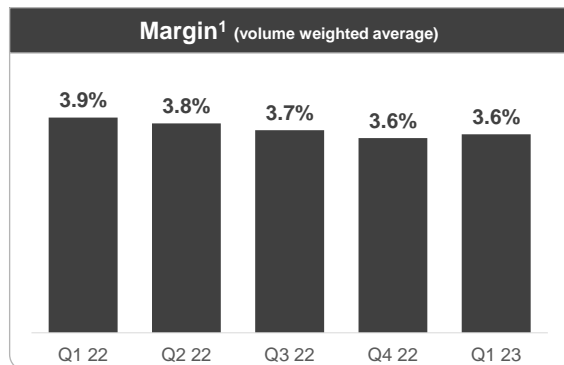
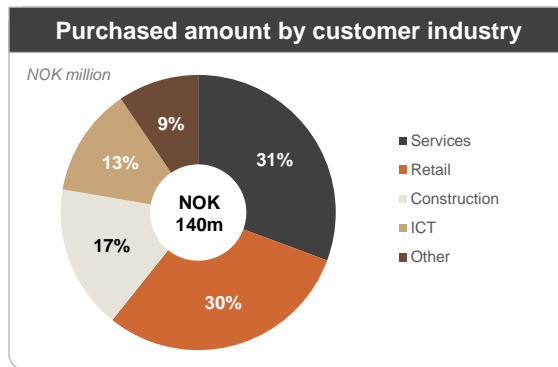
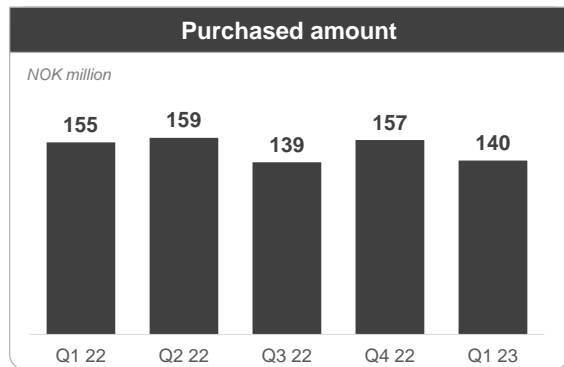


Key comments

- Net 395 new accounts (+11%) added in the quarter
 - Onboarded: 521
 - Offboarded: 126
- 4,055 credit line accounts at the end of the period
- 87% of customer accounts with draw-down at EOP
- NOK 170k outstanding per account at the end of the period
- On average NOK 196k drawn by customers with draw-down



Spot factoring volumes declining due to paused Visma-onboarding

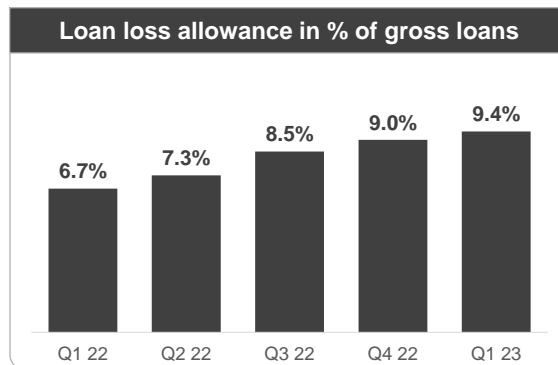
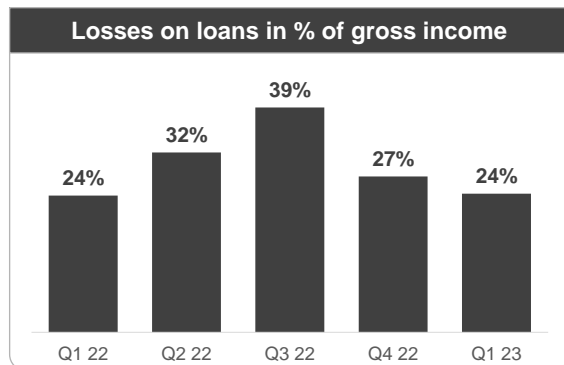
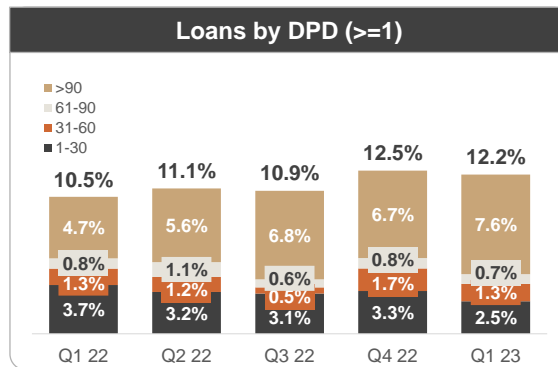
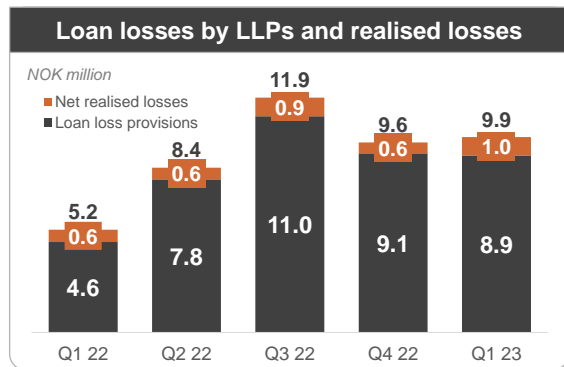


Key comments

- NOK 140m purchased
- Spot factoring accounted for 12% of gross income from lending in Q1 23 (vs. 27% in Q1 22)
- VWA margin: 3.6%
- Customers in services, retail and construction industries accounted for 78% of purchased amount in Q1 23 (78% in Q1 22)
- 2,591 of 3,162 open customer accounts (82%) had sold invoices at the end of the period
- 742 customers sold invoices in Q1



LLPs impacted by improved default definition



Key comments

- Total loan losses of NOK 9.9m in Q1 of which:
 - NOK 8.9m (90%) in LLPs and
 - NOK 1.0m (10%) in net realised losses
- The loan loss provisions were impacted by a softening of the bank's definition of default
- DPD >= 1: 12.2% of gross loans
- Loan loss allowance in % of gross loans: 9.4%
- Aprila's long term ambition is to keep losses at around 25% of gross income

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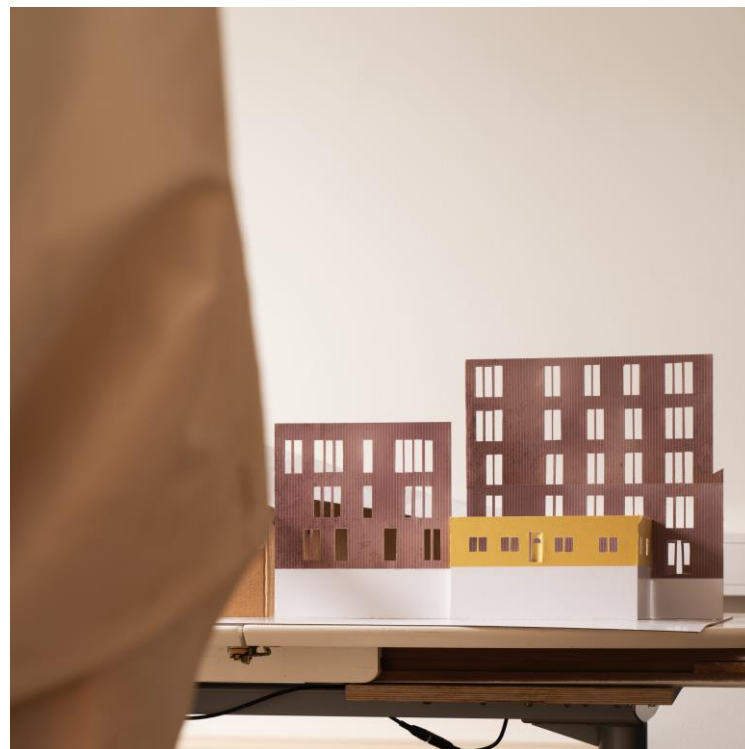
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No. 1 priority in H1 2023 is to strengthen competitive advantage

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

- 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

	Q1 23	Q2 23E	YE 23E	Key drivers
Total income Annual run-rate ¹ (NOK million)	158	> 160	> 170	<ul style="list-style-type: none"> New credit line customers and increased income per customer
Cost/income (LTM) ²	69%	~ 66%	~ 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)	4,055	~ 4,200	> 4,800	<ul style="list-style-type: none"> Divestment of ~200 NPL accounts expected in Q2 23

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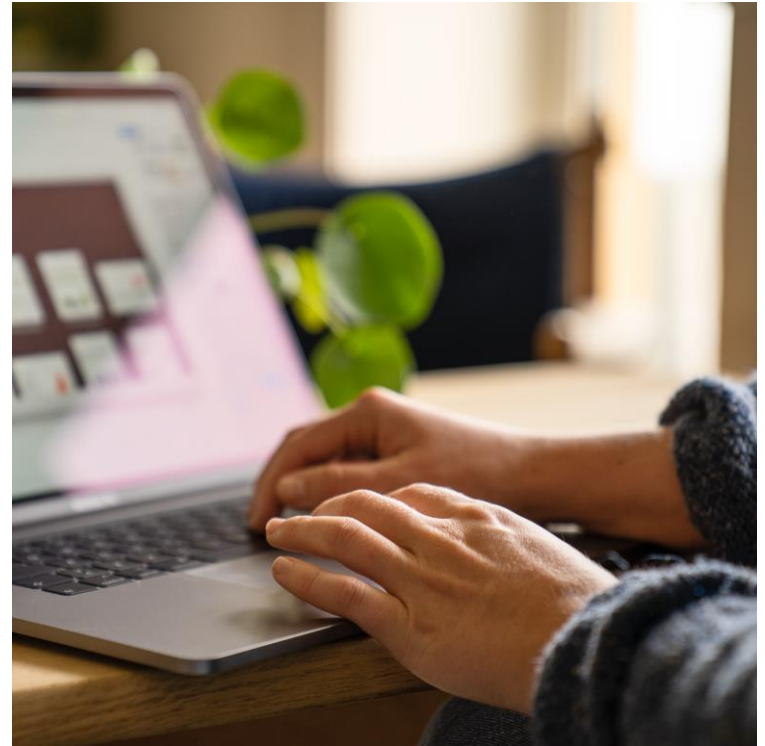
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Income statement & general administrative expenses

Income Statement			
<i>Amounts in NOK thousand</i>	Q1 2023	Q1 2022	2022
Interest income	35,634	17,947	96,166
Interest expense	4,833	1,082	8,642
Net interest income	30,801	16,865	87,524
Income commissions and fees	2,971	1,234	8,154
Expenses commissions and fees	160	159	626
Net commissions and fees	2,811	1,074	7,528
Net gains / losses (-) on certificates, bonds and currency	251	-41	597
Other income	0	0	0
Total income	33,863	17,898	95,649
Salary and other personnel expenses	12,573	8,654	33,531
General administrative expenses	11,385	7,348	27,366
Total salary and administrative expenses	23,958	16,002	60,898
Ordinary depreciation	2,043	1,986	8,234
Total operating expenses excl. losses on loans	26,001	17,988	69,132
Losses on loans	9,902	5,205	35,083
Pre-tax operating profit	-2,041	-5,296	-8,565
Tax	0	0	0
Profit after tax	-2,041	-5,296	-8,565
Earnings per share (NOK)	-0.03	-0.11	-0.15
Diluted earnings per share (NOK)	-0.03	-0.11	-0.15

General administrative expenses			
<i>Amounts in NOK thousand</i>	Q1 2023	Q1 2022	2022
Sales and marketing	6,095	2,998	11,372
IT operations	1,735	1,450	6,192
External services	1,216	709	3,487
External audit and related services	531	1,100	2,106
Credit information	311	336	1,283
Other operating expenses	1,497	753	2,925
Total general administrative expenses	11,385	7,348	27,366

Q1 23: NOK 11.4m

- 53% Sales and marketing
- 15% IT operations
- 21% Other
- 11% External services

Balance sheet & regulatory capital



Balance Sheet

<i>Amounts in NOK thousand</i>	Note	31.03.2023	31.12.2022	31.03.2022
Loans and deposits with credit institutions	5, 6	74,359	65,111	43,201
Net loans to customers	2, 3, 6	679,053	612,478	408,350
Certificates and bonds	6	66,918	66,664	56,018
Other intangible assets		8,520	9,263	12,681
Deferred tax assets	9	0	0	0
Fixed assets		3,223	3,676	4,908
Other receivables	7	6,110	29,482	4,850
Total assets		838,183	786,673	530,009
Deposits from and debt to customers		626,636	577,249	402,979
Other debt	7	21,368	17,313	23,554
Total liabilities		648,004	594,562	426,533
Share capital	4	65,819	61,812	50,591
Share premium	4	291,636	265,671	215,368
Unregistered Share capital	4	0	29,971	42
Other paid-in equity	4	3,346	3,237	2,786
Retained earnings	4	-170,621	-168,581	-165,311
Total equity		190,179	192,111	103,477
Total equity and liabilities		838,183	786,673	530,009

Regulatory capital

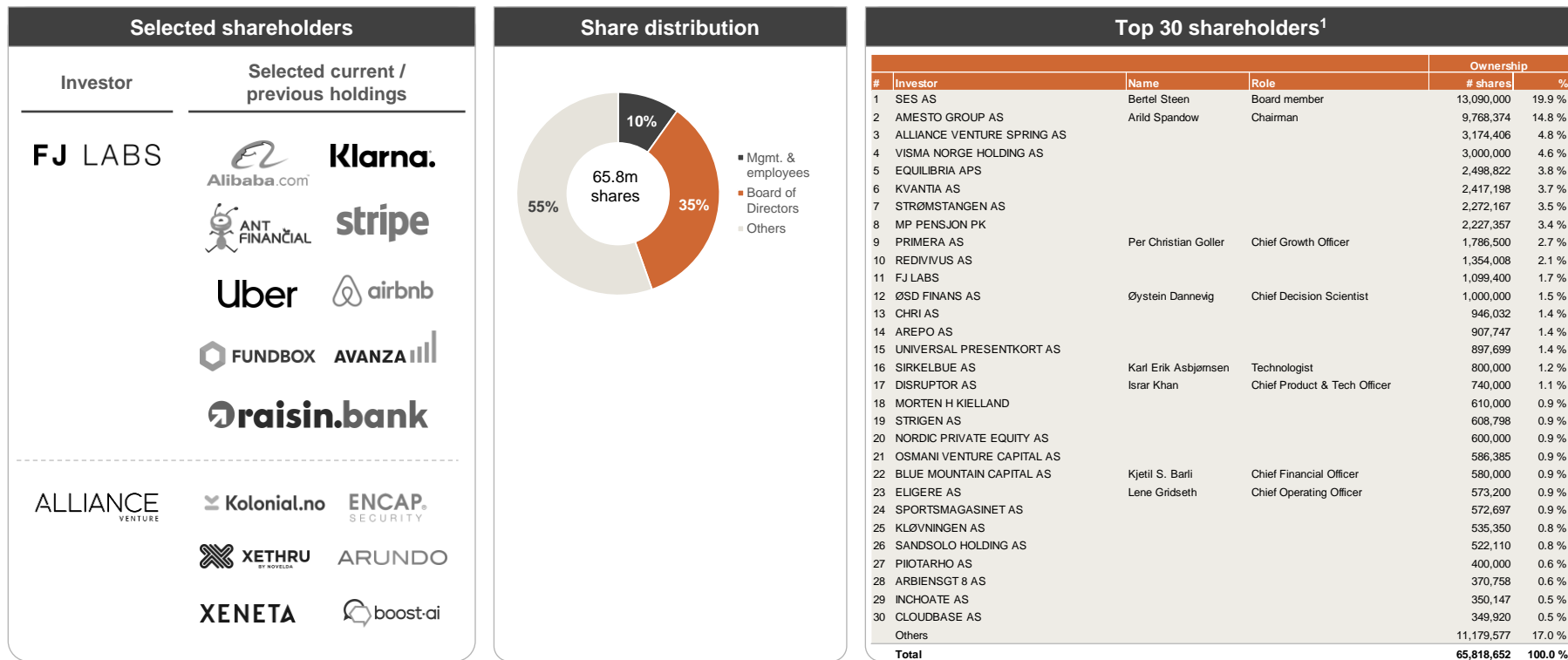
<i>Amounts in NOK thousand</i>	31.03.2023	31.12.2022	31.03.2022
Share capital	65,819	61,812	50,591
Share premium	291,636	265,671	215,368
Other equity	-167,275	-135,373	-162,483
Total equity	190,179	192,111	103,477
Other intangible assets	-8,520	-9,263	-12,681
Additional value adjustments (AVA)	-67	-67	-56
Deferred tax assets	0	0	0
Common equity tier 1 (CET 1)	181,592	182,781	90,739
Tier 1 capital	181,592	182,781	90,739
Total capital	181,592	182,781	90,739
Risk-weighted assets			
Regional governments or local authorities	344	408	393
Public sector entities	192	333	154
Institutions	14,878	13,037	8,670
Corporates	12,766	13,404	16,187
Retail	353,550	309,219	195,337
Exposures in default	23,119	31,860	23,419
Collective investments undertakings (CIU)	3,579	2,491	0
Other items	7,774	31,518	10,311
Credit risk	416,202	402,270	254,471
Operational risk	100,733	100,733	45,691
Credit valuation adjustment	430	171	0
Risk-weighted assets	517,364	503,173	300,163
Common equity tier 1 ratio (%)	35.1%	36.3%	30.2%
Tier 1 ratio (%)	35.1%	36.3%	30.2%
Total capital ratio (%)	35.1%	36.3%	30.2%
Leverage ratio (%)	22.4%	24.2%	18.3%
LCR	351%	424%	227%
NSFR	200%	196%	203%

Gross income and key figures



Gross income and key figures									
NOK million	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Gross income and margin									
Interest income credit line	5.5	7.5	10.3	12.0	15.1	18.8	22.7	27.0	33.1
Income commissions and fees credit line	0.0	0.0	0.1	0.5	0.7	1.3	2.0	2.4	2.6
Gross income credit line	5.5	7.5	10.4	12.5	15.8	20.1	24.8	29.5	35.7
Interest income spot factoring	5.6	5.8	5.9	6.8	5.3	5.8	5.0	5.3	4.6
Income commissions and fees spot factoring	0.3	0.5	0.5	0.6	0.5	0.5	0.3	0.4	0.4
Gross income spot factoring	6.0	6.3	6.4	7.3	5.8	6.3	5.4	5.7	5.0
Gross income other	0.8	0.2	0.1	0.2	0.0	0.3	-0.1	1.5	0.8
Gross income total	12.3	13.9	16.9	20.1	21.7	26.7	30.0	36.7	41.5
Direct variable expenses	4.1	3.7	3.8	4.0	4.3	4.3	5.5	7.7	8.5
Gross profit bf. loan losses	8.2	10.2	13.1	16.0	17.3	22.3	24.5	29.0	33.1
Total income	8.6	10.8	13.5	16.4	17.9	22.9	25.2	29.7	33.9
Gross income from lending	11.6	13.9	16.9	19.9	21.7	26.5	30.2	35.2	40.7
Total operating expenses	16.8	14.0	15.5	16.6	18.0	12.9	16.8	21.4	26.0
Losses on loans	7.0	4.1	3.4	6.3	5.2	8.4	11.9	9.6	9.9
Key figures									
Gross margin	67%	73%	77%	80%	80%	84%	82%	79%	80%
Total income / gross income	70%	77%	80%	82%	83%	86%	84%	81%	82%
Net interest margin after losses ¹	2.0%	12.2%	15.6%	13.3%	13.8%	13.1%	10.6%	13.1%	14.9%
Cost / income	195%	130%	115%	101%	101%	56%	67%	72%	77%
Losses on loans / gross income from lending	61%	29%	20%	32%	24%	32%	39%	27%	24%

Aligned interests among key stakeholders



Aprila