



# ***BRA BANK***

Second quarter results 2020

21 August 2020

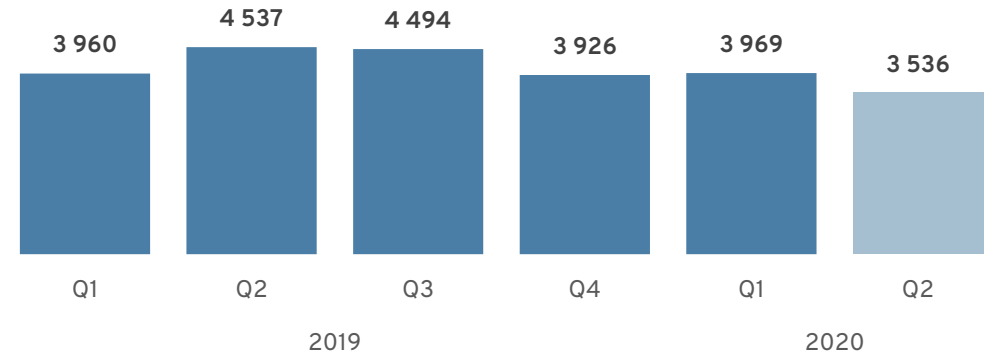


# Q2 Highlights

- **Strong improvement in underlying operation**
  - Pre-tax profit NOK 17.5 million vs NOK -25.2 million in Q2'19
  - Underlying cost base down 28 per cent compared to Q2'20
- **Credit quality continue to improve**
  - No signs of deteriorating credit quality, despite COVID-19 and oil price shock
- **Well capitalised**
  - Capital ratio 3,5 percentage points above requirement (end July)
- **Merger with Easybank approved by EGM**

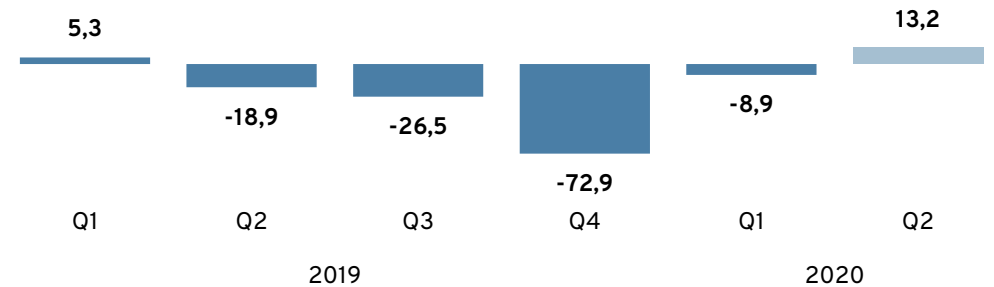
## Net Loans

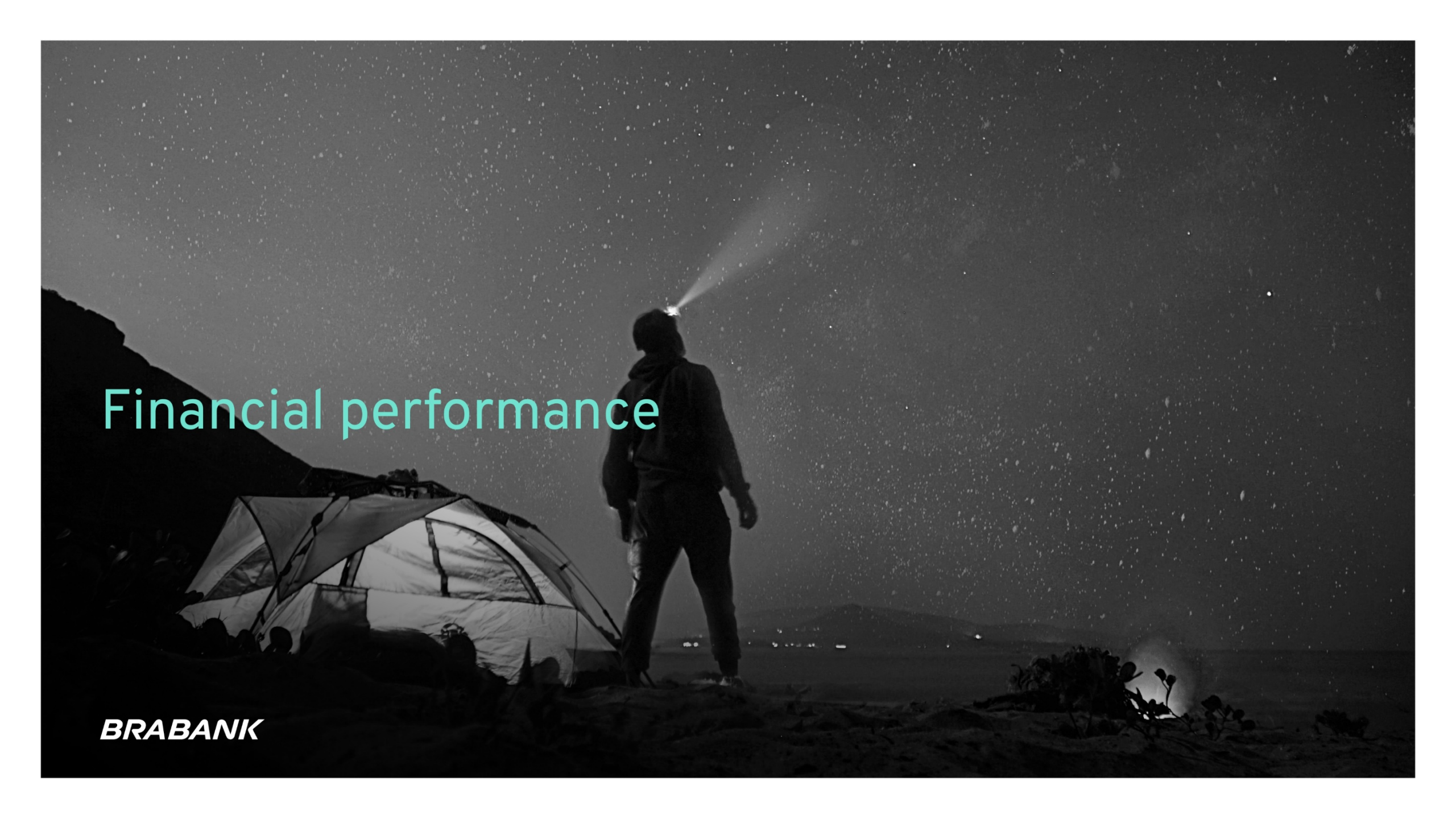
NOK million



## Profit after tax

NOK million



A black and white photograph of a person standing in a tent at night. The person is holding a flashlight that illuminates a beam of light into the dark, starry sky. The tent is illuminated from within, and the background shows a dark landscape with some distant lights.

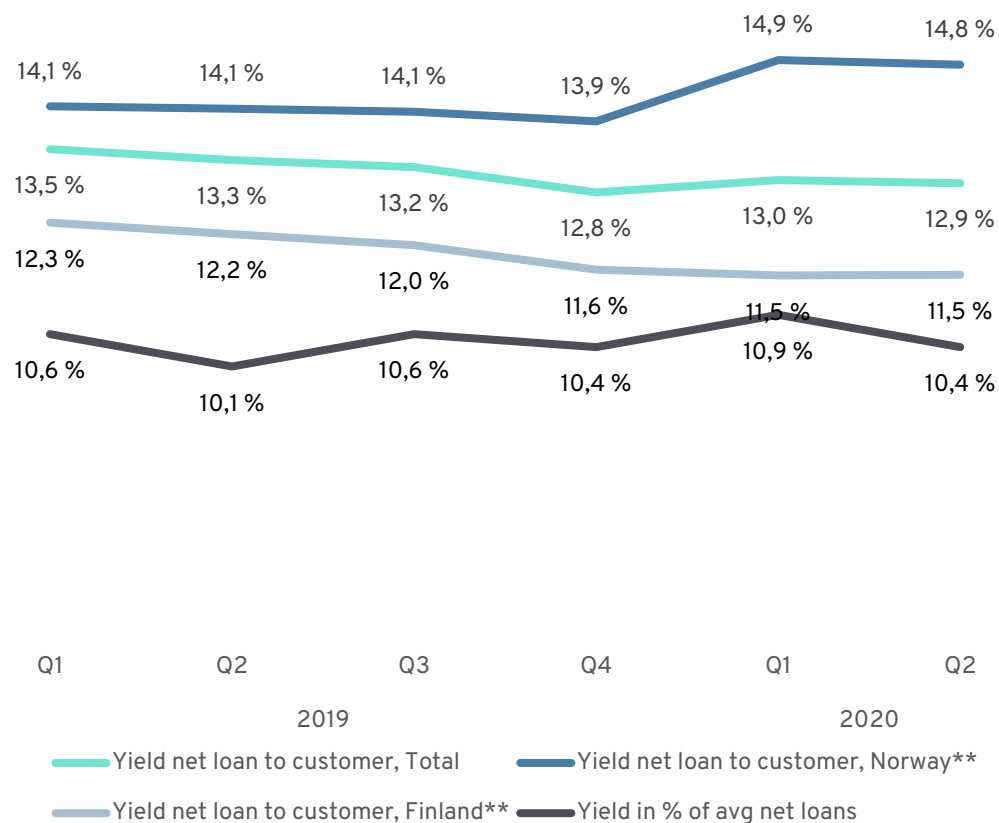
Financial performance

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# Stable yield in the second quarter

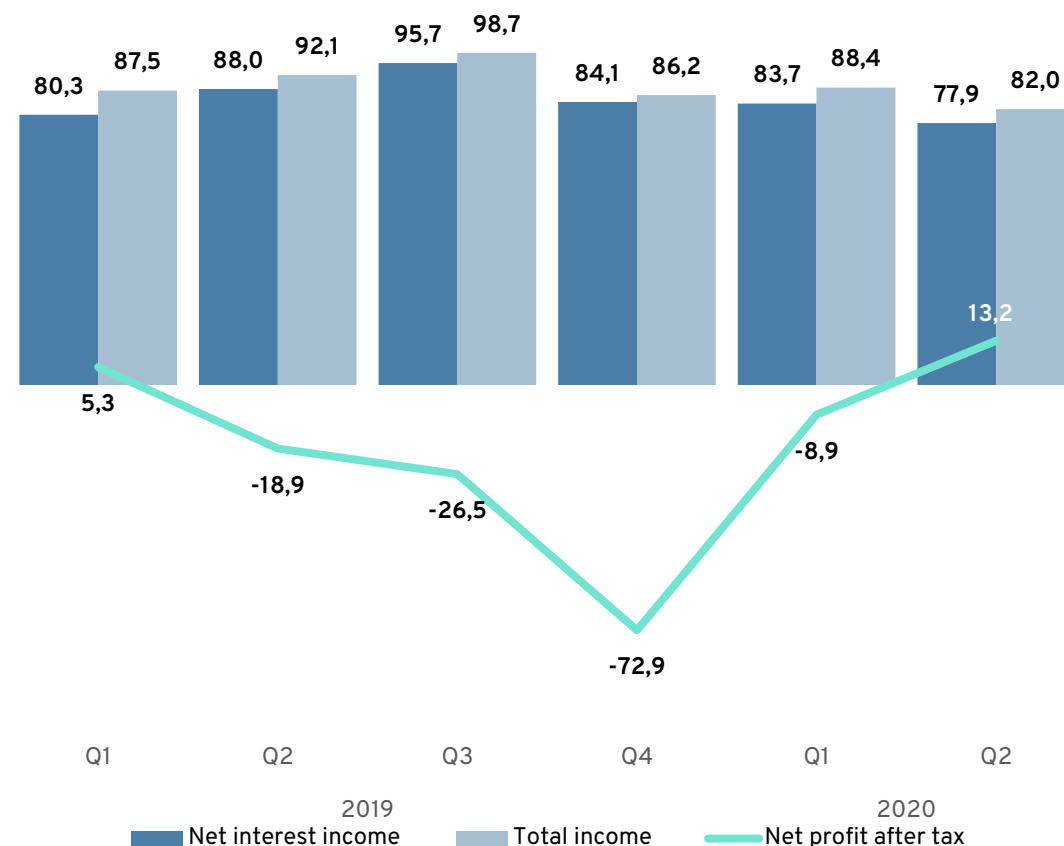
## Key yield & margins\*

Per cent (%)



## Income & profit after tax

NOK million



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Note (\*): Former BRABank included in key yields and margins from Q4'19

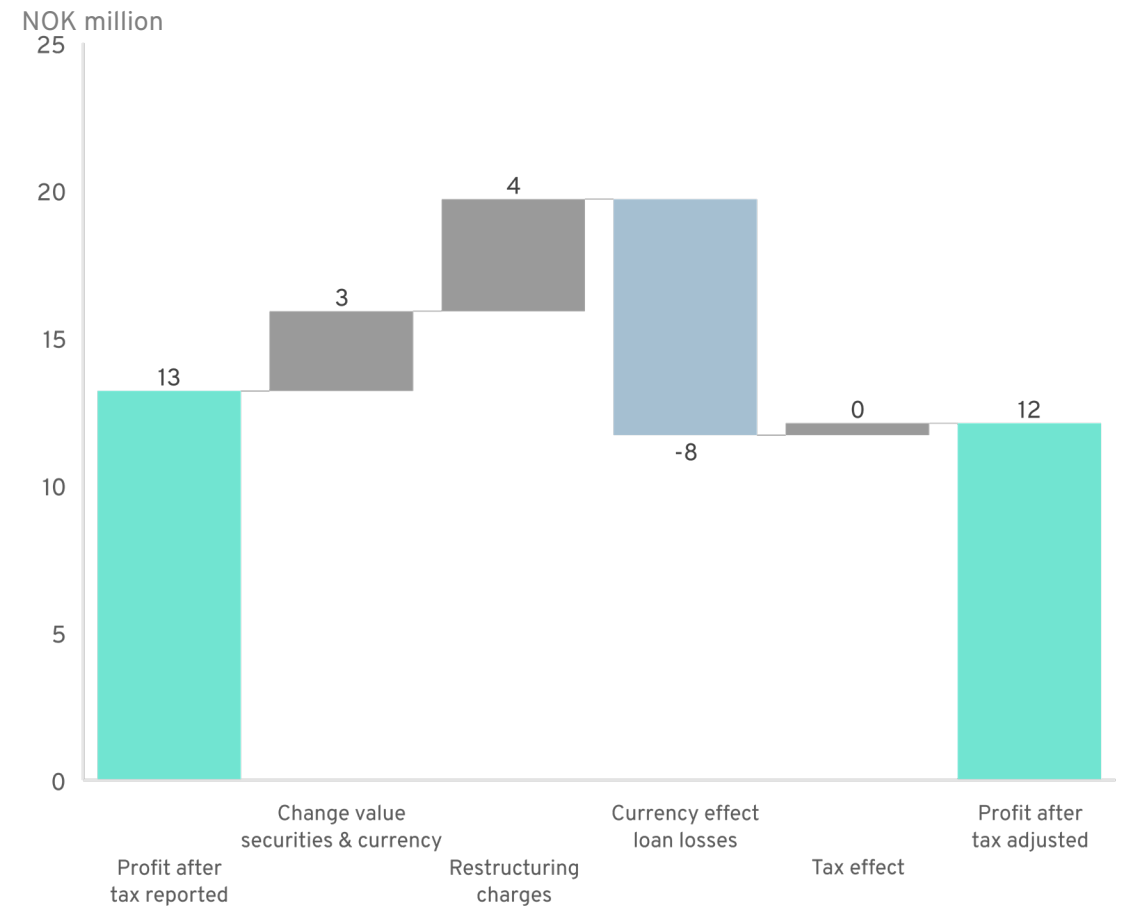
Note (\*\*): yield = weighted average effective annual yield

Note (\*\*\*) : Net interest income excluding agent commissions/ Avg.net loans

# Significant improvement in underlying results

- Net profit adjusted of NOK 12.1 million
- Restructuring charges decreasing in line with expectations

Profit after tax adjusted bridge

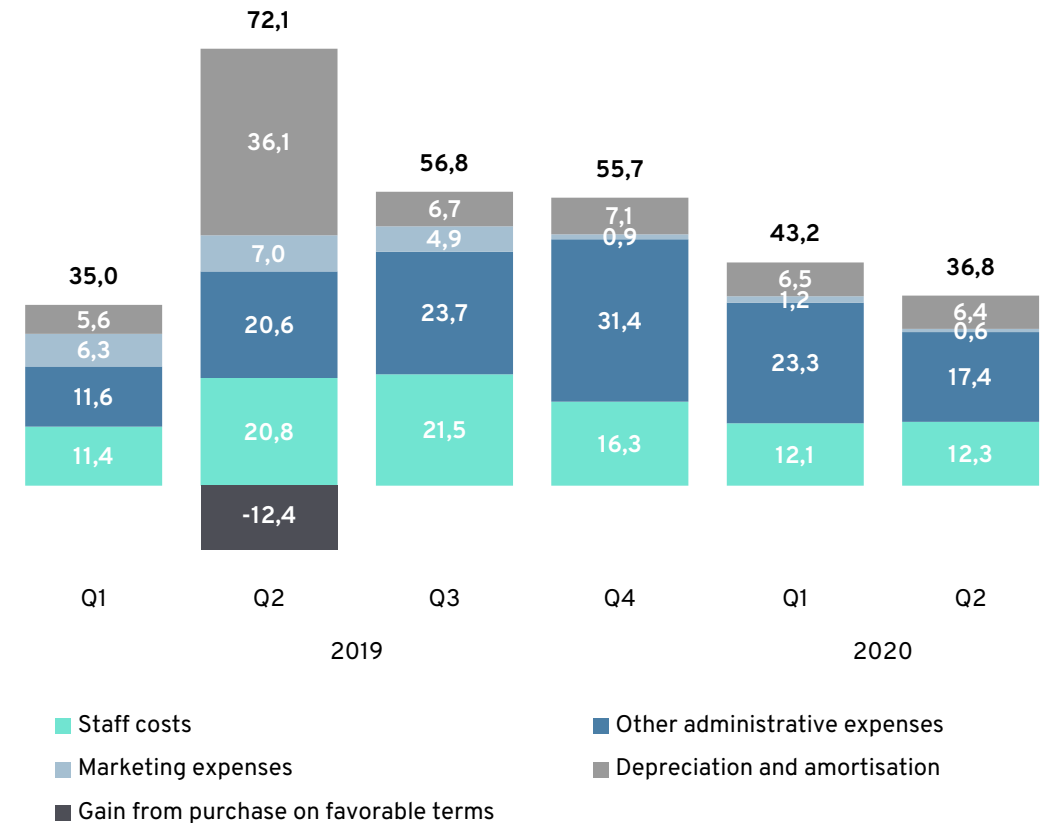


# Effect from efficiency measures materialising

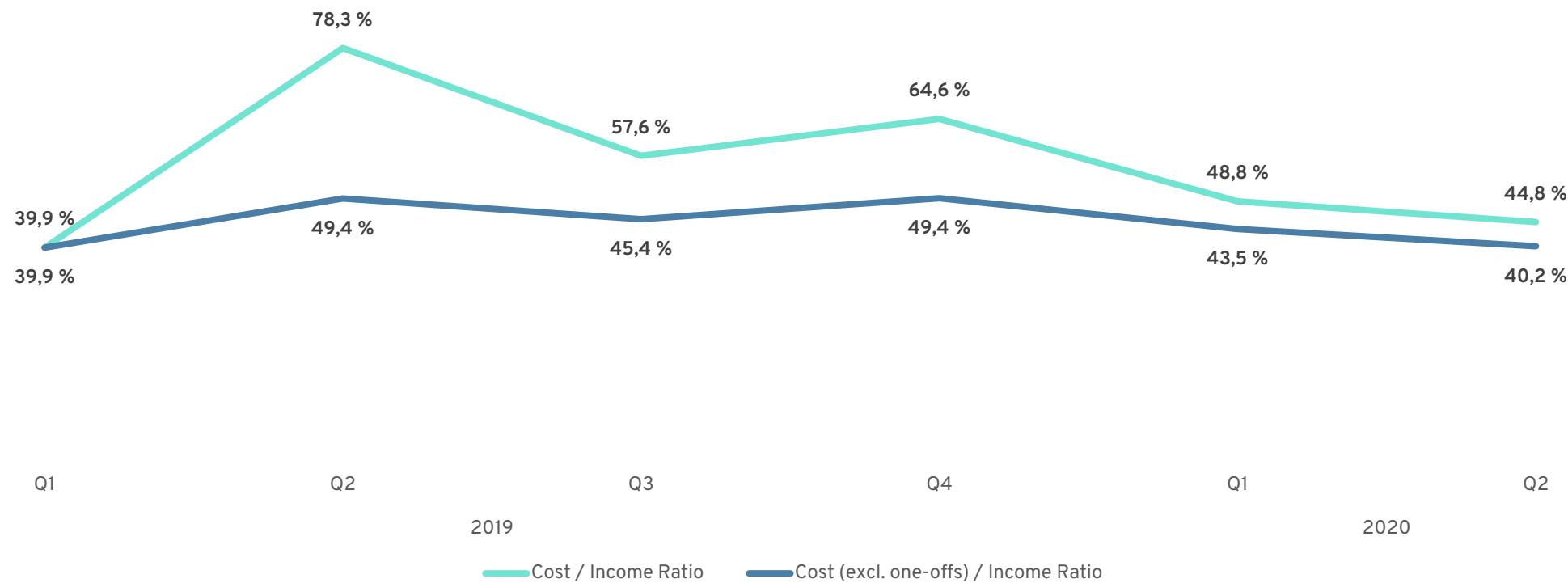
## Operational expenses

NOK million

- Opex continue to decrease as efficiency measures are fully implemented
  - Q2 2020 cost base significantly below guiding
  - Guiding: NOK 38-41 million ex one offs
- New cost structure adapted to market conditions
  - Other administrative expenses lower due to various initiatives



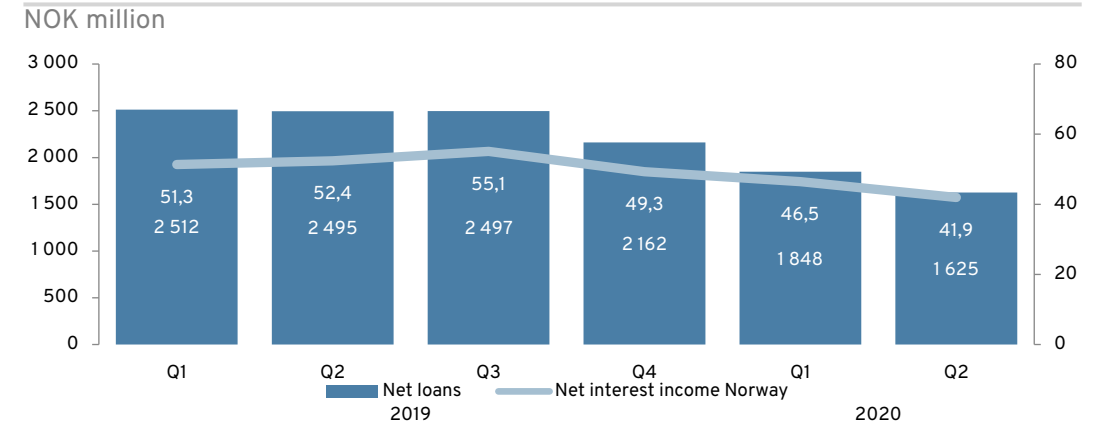
# Cost/income ex restructuring cost is 40% despite reduced loan book



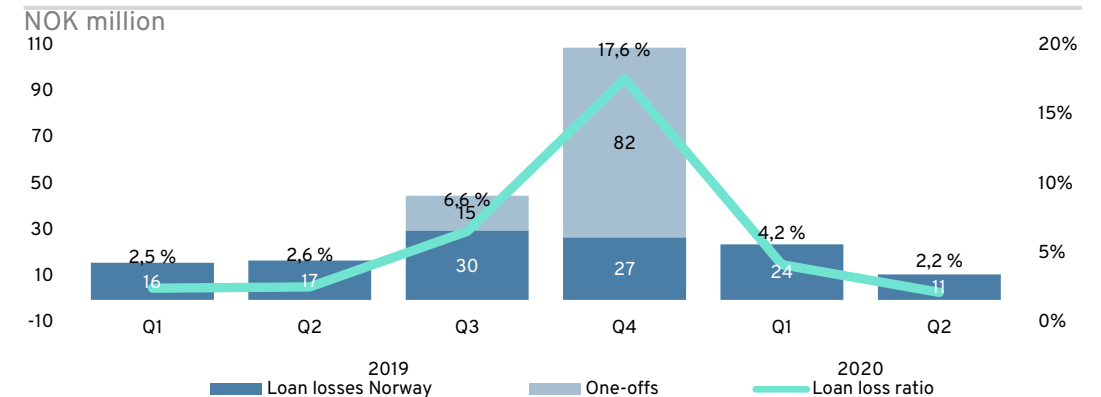
# Norway: Loan loss ratio lowest since 2018

- Reduced loan book in line with strategy
  - Cautious credit policy in uncertain times
  - Prioritize less capital intensive markets
- Improvement in credit quality
  - Improved payment behaviour
  - Sale of non-performing portfolio (Q1 20)
- Strong cashflow from non-performing portfolio
  - Performs better than model assumptions
  - Forward flow agreement with Axactor expired end May
  - Collections outsourced to 3<sup>rd</sup> party collector

## Net interest income & Net loans\*



## Loan losses & Loan loss ratio



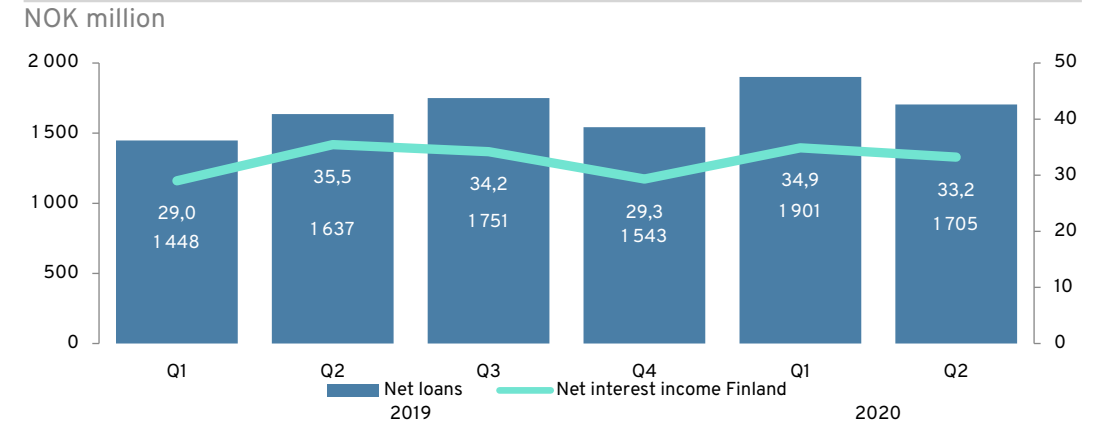
\* Former BRABank included from Q2'19



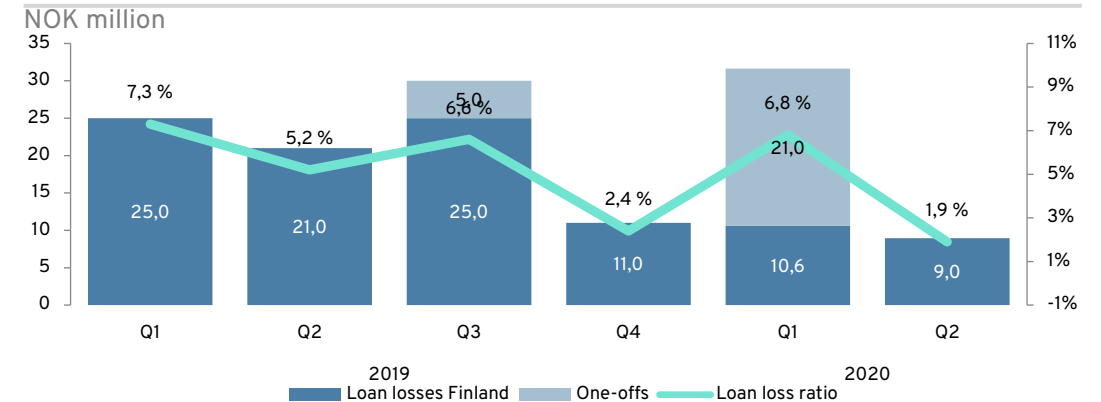
# Finland: Cautious credit policy during pandemic

- Currency fluctuation impacts figures
  - NOK 102 million in negative currency effects on loan book
  - NOK 8 million in positive currency effect on loan losses
- Improved credit quality on new originations
  - Positive effects from improved scorecard and reduced risk taking
  - Cautious credit policy during pandemic
- Temporary regulatory changes expiring YE 2020
  - 10% interest rate cap
  - Direct marketing ban
  - Limited effect for BRABank

## Net interest income & Net loans\*



## Loan losses & Loan loss ratio

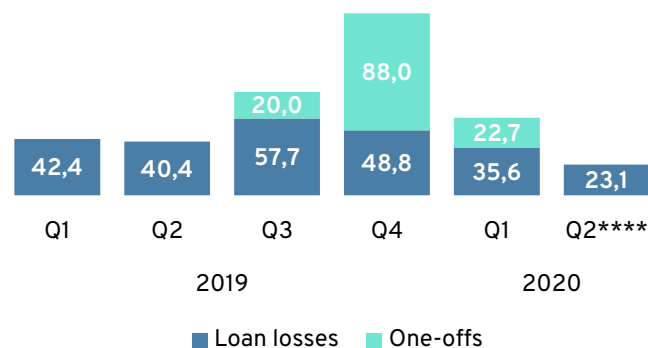


\* NGAAP figures for net interest income in 2018

# Improvement in credit quality

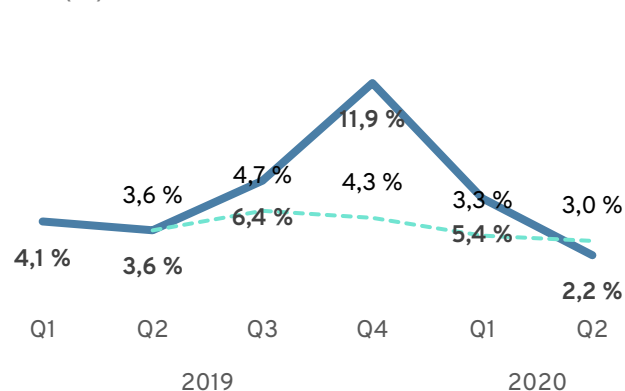
## Loan losses

NOK million



## Loan loss ratio\*

Per cent (%)

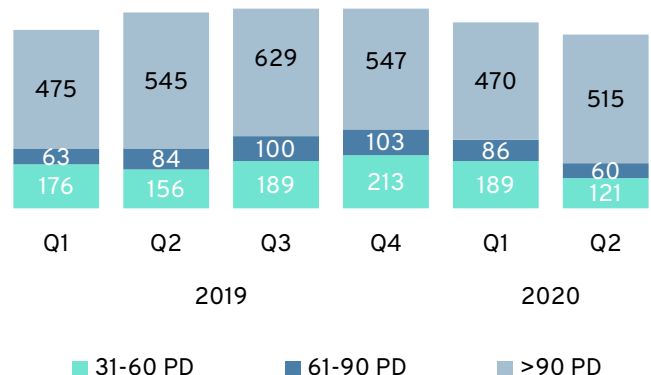


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--- Ex one-offs '19 / currency Q1'20

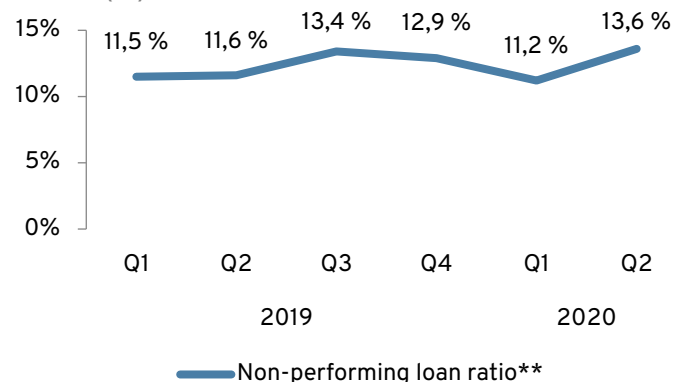
## Gross loans past due (# of days)

NOK million



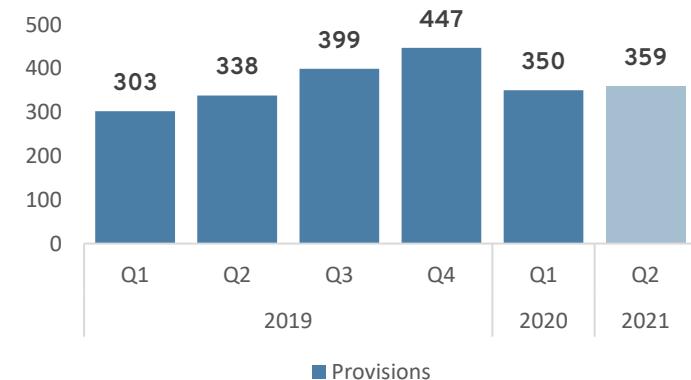
## Non-performing loan ratio\*\*

Per cent (%)



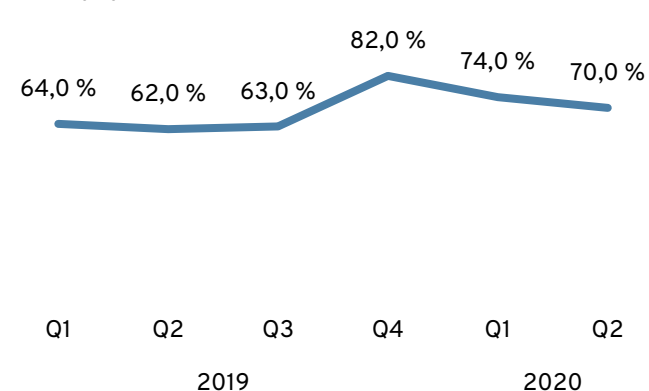
## Provisions

NOK million



## Total provision ratio\*\*\*

Per cent (%)



Note(\*): loan loss ratio = monthly loan losses p.a/monthly avg. gross loans  
Note (\*\*\*\*): A positive currency effect of NOK 8 million included in figure

Note(\*\*): non-performing loan ratio = >PD90 / gross loans

Note(\*\*\*): provision ratio = total provisions / >PD90



# Strategy and operations

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# From growth strategy to risk reduction and cost efficiency

## Q2 2019

Merger completed  
Growth focus  
Product expansion

## Q3 2019

High loan losses  
Capital restraints  
Efficiency programs

## Q4 2019

High loan losses  
Risk management  
New cost measures

## Q1 2020

Improved operations  
Risk management  
Capital restored

## Q2 2020

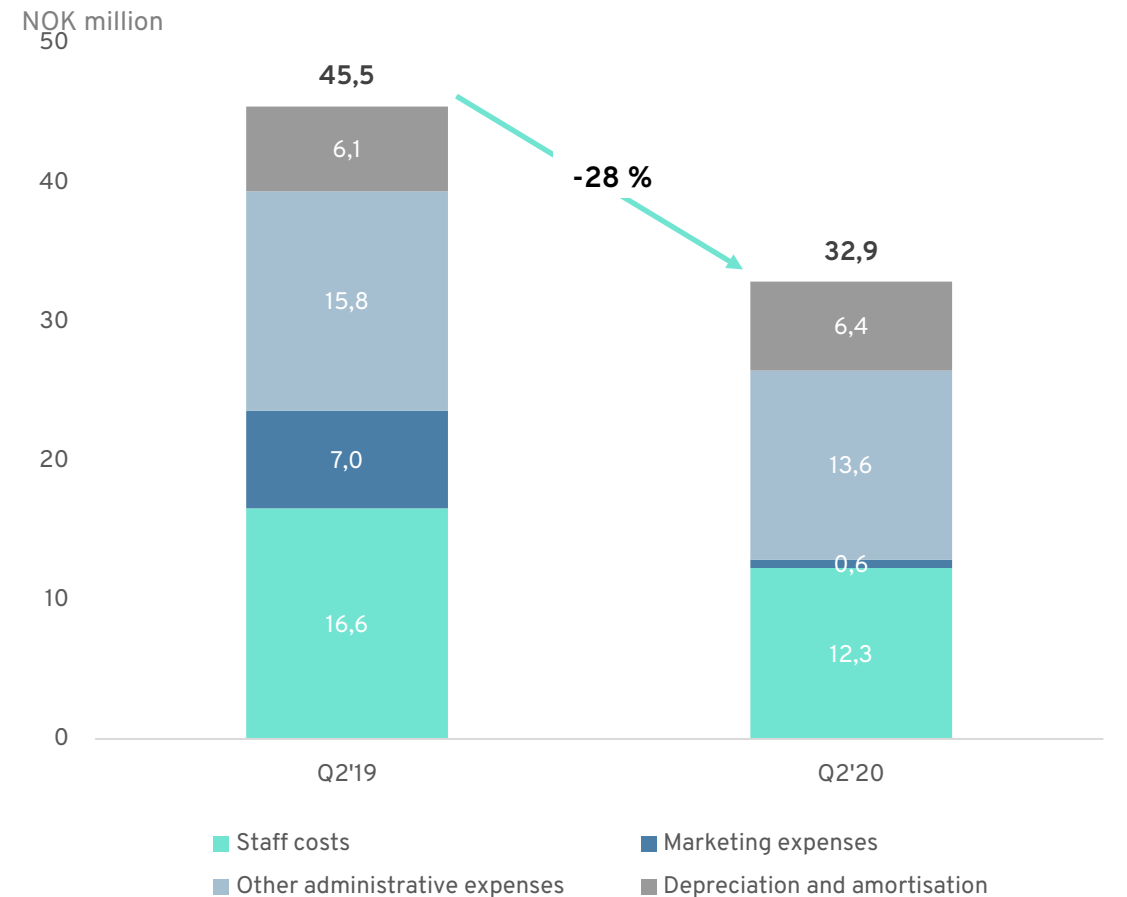
Solid operations  
Sound credit quality  
Well capitalized



# Cost structure adapted to market conditions

- Unfavourable market development and capital constraints challenged growth strategy
- Executed extensive cost efficiency program
- Q2'20: Organisation aligned to new market conditions while maintaining scalability

## Operational expenses adjusted for one-offs

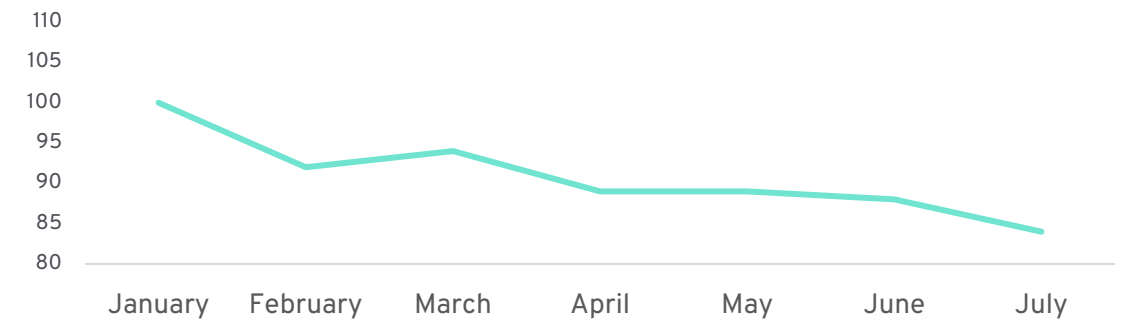


# Significant improvement in non-performing loans

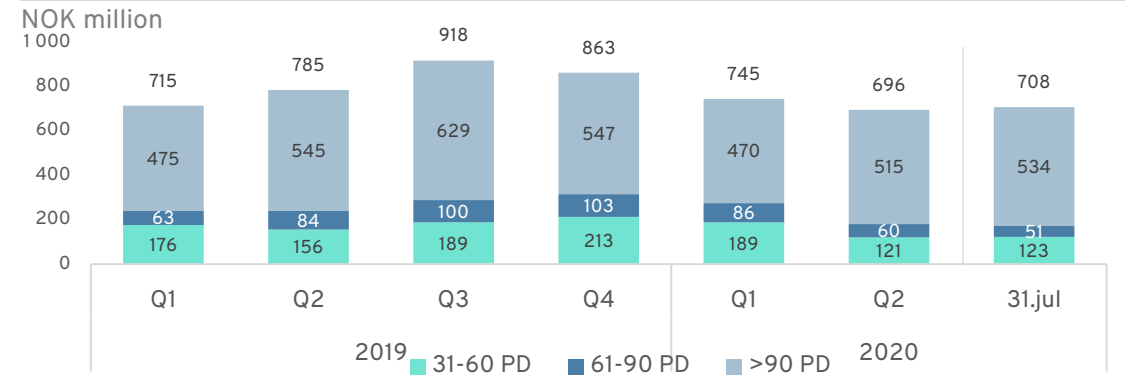
- Reduced risk taking in all markets
- Developing and improving own scorecard and credit routines
- Monitoring and adapting credit policy to market conditions
- Repricing of loan book to better reflect underlying risk
- Compliance with debt registers

## Reminder development

indexed to January 2020



## Gross loans past due

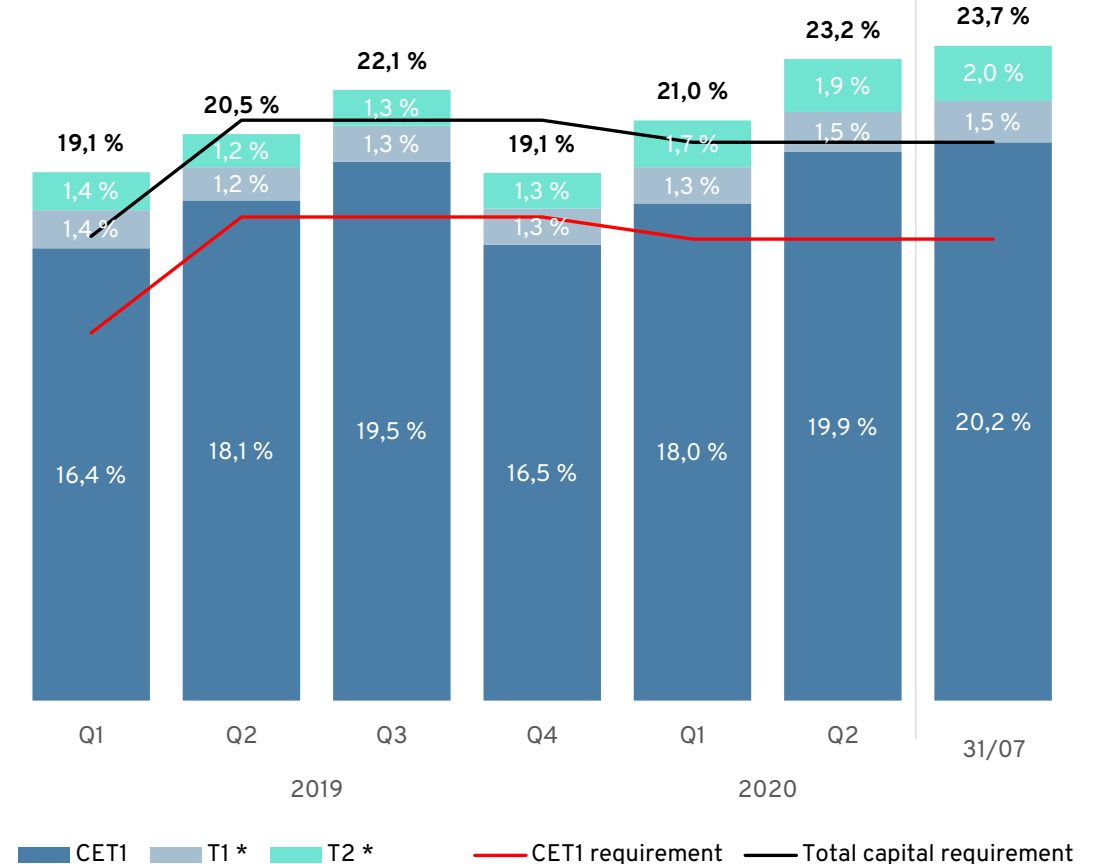


# Well capitalized after successful measures implemented

- Solid buffer to capital requirement
  - Buffer of 3,5 percentage points (31 July 2020)
- Several measures successfully implemented
  - Private placement completed
  - Tier 2 bond issued
  - Sale of NPL portfolio completed
  - Re-allocation of liquidity completed

## Reported capital adequacy\*

Per cent (%)



# Turnaround completed

- Cost efficient and scalable operation
- Credit risk management improved
- Healthy credit quality
- Well capitalized



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# Appendix

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# Detailed financial figures

## Quarterly income figures and balance sheet

### Income statement

In NOK thousands	2020		2019		
	Q2	Q1	Q4	Q3	Q2
Interest income	89 114	93 487	97 774	112 891	101 859
Other interest income	1 522	4 963	3 177	2 905	4 340
Interest expenses	12 771	14 794	16 835	20 114	18 194
<b>Net interest income</b>	<b>77 866</b>	<b>83 656</b>	<b>84 116</b>	<b>95 682</b>	<b>88 005</b>
Income commissions and fees	4 917	6 442	5 290	6 819	7 172
Expenses commissions and fees	812	1 683	3 244	3 755	3 043
<b>Total income</b>	<b>81 970</b>	<b>88 414</b>	<b>86 162</b>	<b>98 746</b>	<b>92 134</b>
Income/loss from trading activities	-4 525	1 206	-3 803	506	-4 869
Staff costs	12 340	12 076	16 256	21 542	20 820
Other administrative expenses	17 981	24 571	32 348	28 621	27 614
- of which marketing expenses	604	1 250	934	4 922	6 999
Depreciation and amortisation	6 439	6 522	7 089	6 677	36 078
Gain from purchase on favourable terms	0	0	0	0	12 414
<b>Total operating costs</b>	<b>36 760</b>	<b>43 169</b>	<b>55 693</b>	<b>56 839</b>	<b>72 098</b>
<b>Profit/(loss) before impairment losses</b>	<b>40 685</b>	<b>46 452</b>	<b>26 665</b>	<b>42 413</b>	<b>15 167</b>
Impairment releases/(losses)	-23 143	-58 270	-136 765	-77 714	-40 374
<b>Operating profit/(loss) before tax</b>	<b>17 542</b>	<b>-11 818</b>	<b>-110 100</b>	<b>-35 302</b>	<b>-25 207</b>
Tax charge	-4 385	2 954	37 167	8 826	6 302
<b>Net profit</b>	<b>13 156</b>	<b>-8 863</b>	<b>-72 933</b>	<b>-26 476</b>	<b>-18 905</b>

### Balance sheet

In NOK thousands	2020		2019		
	Q2	Q1	Q4	Q3	Q2
<b>ASSETS</b>					
Loans and advances to credit institutions	48 003	45 436	743 771	174 457	134 450
Debt securities	1 788 654	1 389 585	1 470 919	1 142 058	1 242 618
Loans and advances to customers	3 895 123	4 318 931	4 373 050	4 893 016	4 874 920
Provision for impairment losses	359 233	350 216	447 034	399 077	338 017
<b>Net loans and advances to customers</b>	<b>3 535 890</b>	<b>3 968 716</b>	<b>3 926 016</b>	<b>4 493 938</b>	<b>4 536 903</b>
Deferred tax asset	103 021	107 406	104 452	73 656	64 558
Other intangible assets	69 919	73 202	76 048	71 469	73 868
Property, plant and equipment	10 590	11 793	13 062	14 262	14 858
Financial derivatives	11 478	0	0	2 048	0
Prepayments accrued income and other assets	10 851	18 728	7 845	13 326	16 532
<b>Total assets</b>	<b>5 578 405</b>	<b>5 614 866</b>	<b>6 342 114</b>	<b>5 985 217</b>	<b>6 083 787</b>
<b>LIABILITIES &amp; EQUITY</b>					
Deposits by customers	4 644 921	4 688 086	5 472 666	5 026 924	5 153 296
Provisions, accruals and other liabilities	51 634	52 362	63 490	67 361	82 867
Financial derivatives	0	4 697	422	0	6
Subordinated loan	64 340	64 282	49 540	49 413	49 370
Tax payable	0	0	0	3 892	3 892
<b>Total liabilities</b>	<b>4 760 895</b>	<b>4 809 428</b>	<b>5 586 118</b>	<b>5 147 590</b>	<b>5 289 431</b>
<b>Equity</b>					
Share capital + other paid in capital	125 406	125 406	496 141	495 777	447 393
Surplus capital	755 554	755 567	324 931	326 212	304 034
Tier 1 capital	49 625	49 582	49 540	49 454	49 454
Retained Earnings	-113 075	-125 117	-114 616	-33 816	-6 525
<b>Total equity</b>	<b>817 510</b>	<b>805 438</b>	<b>755 996</b>	<b>837 626</b>	<b>794 355</b>
<b>Total equity and liabilities</b>	<b>5 578 405</b>	<b>5 614 866</b>	<b>6 342 113</b>	<b>5 985 216</b>	<b>6 083 787</b>

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BRAbank ASA, Starvhusgaten 4, 5014 Bergen  
55 96 10 00 • [brabank.no](http://brabank.no)