



BRA BANK

Fourth quarter results 2019

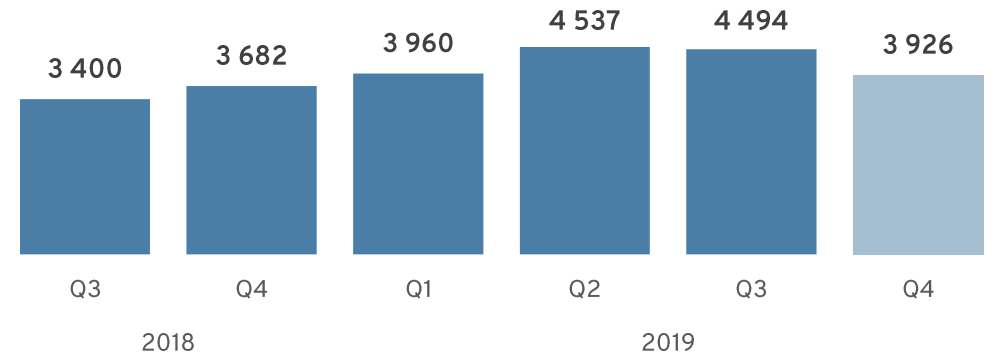
20 February 2020 ¹

2019 a challenging year

- Net loans at NOK 3 926 million, down from NOK 4 494 million
 - Capital constraints and sale of portfolio
- Net profit affected by significant one-offs
 - NOK 88 million in extraordinary loan losses
 - Restructuring costs of NOK 13 million
- New measures to improve capital adequacy in progress
 - Equity issue of NOK 65-85 million approved
 - Up to NOK 35 million in tier 2 bond issue
- Risk management is key priority for 2020
 - Reduced risk appetite, improved credit models
- Full effect from extensive cost program in 2020

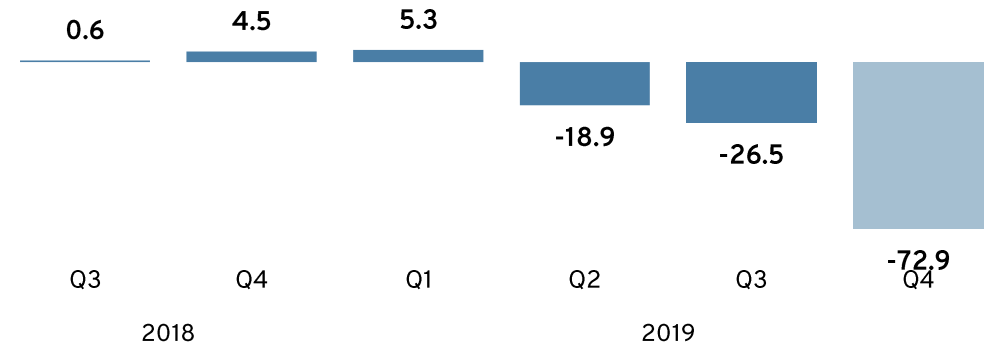
Net Loans

NOK million



Profit after tax

NOK million



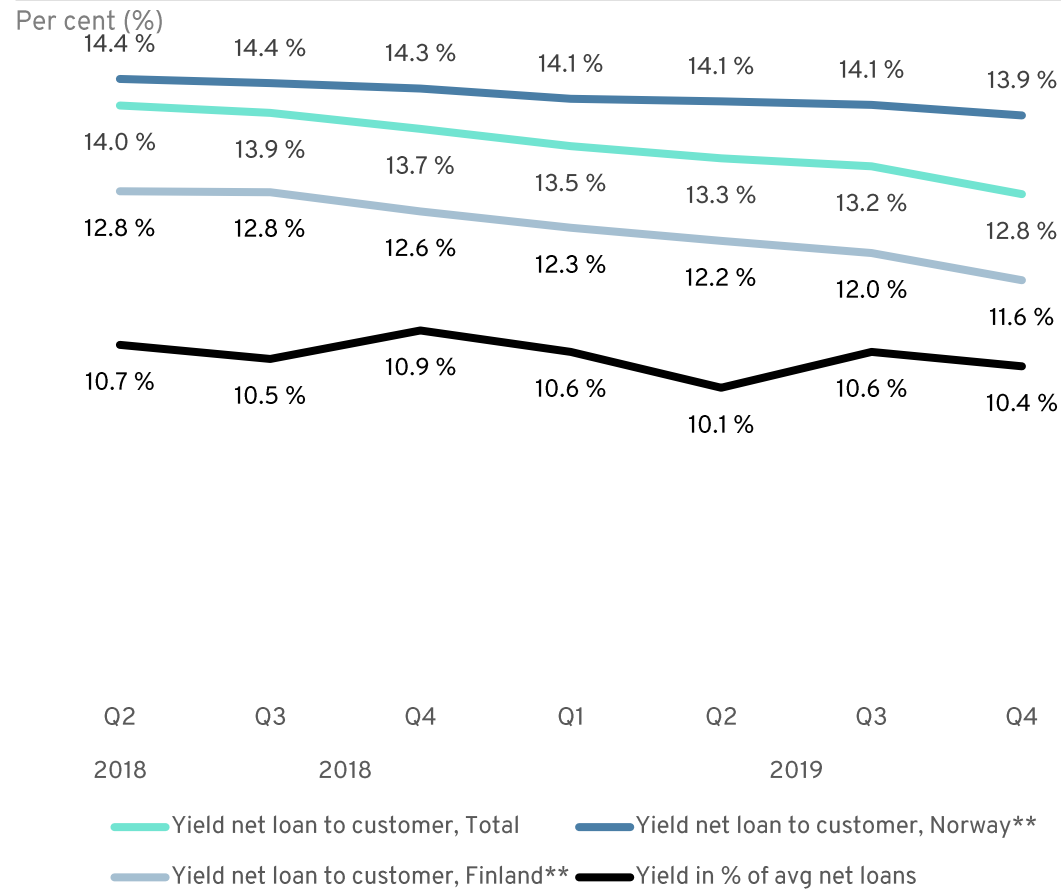


Financial performance

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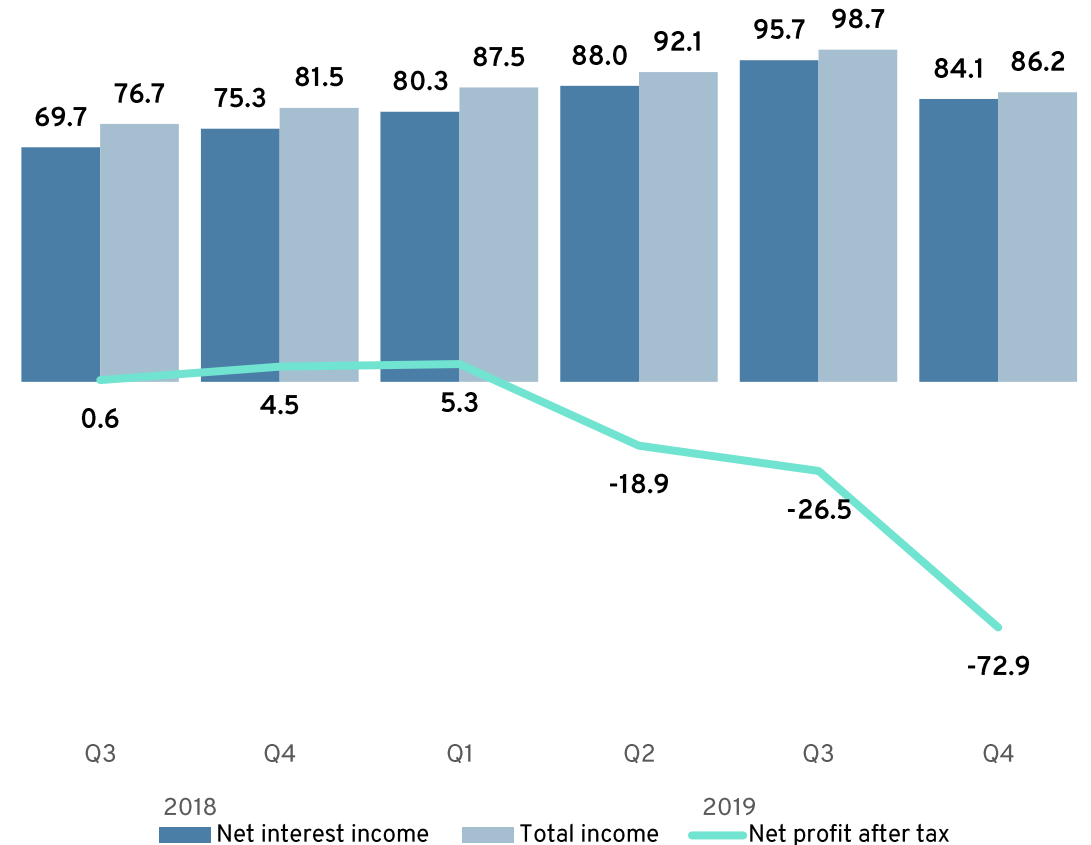
Margins affected by NPL sale in Finland

Key yield & margins*



Income & profit after tax

NOK million



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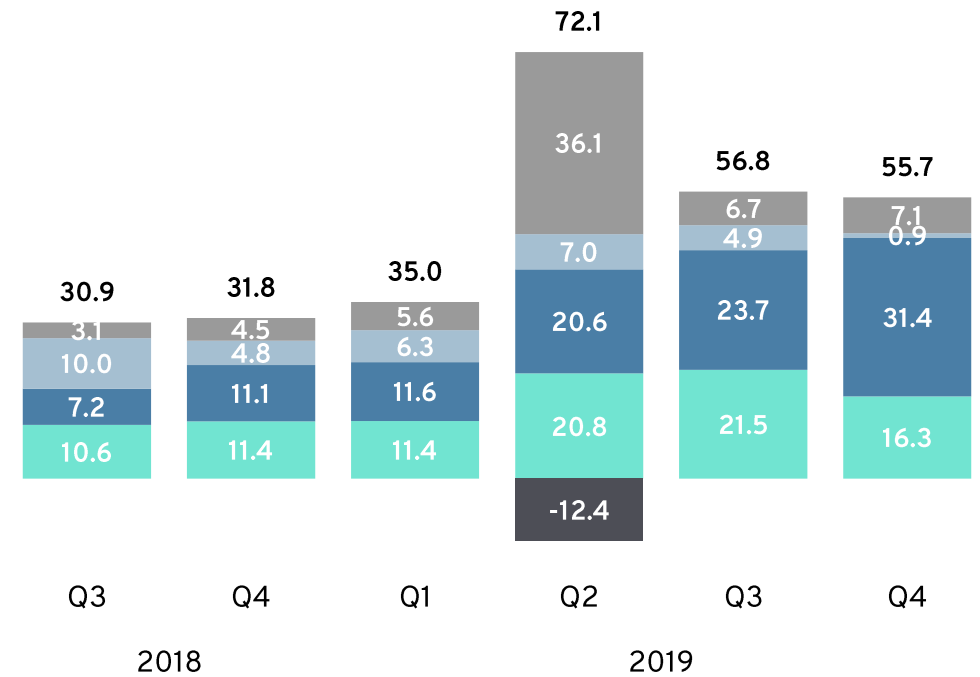
Note (*): Former BRABank included in key yields and margins from Q4'19
 Note (**): yield = weighted average effective annual yield
 Note (***) : Avg.net loans/net interest income excluding agent commissions

Costs affected by restructuring charges

- Staff costs
 - Reduction in number of employees
 - Severance pay NOK 5 million
- Other administrative expenses
 - Termination of agreements
 - Restructuring cost NOK 13 million
- Opex adjusted for one-offs
 - Q4 19: NOK 38.9 million
 - Q3 19: NOK 44.8 million
- Quarterly opex 2020: NOK 38-41 million ex one-offs
- Restructuring costs
 - MNOK 34 booked in 2019, expect MNOK 7 in 2020

Operational expenses

NOK million

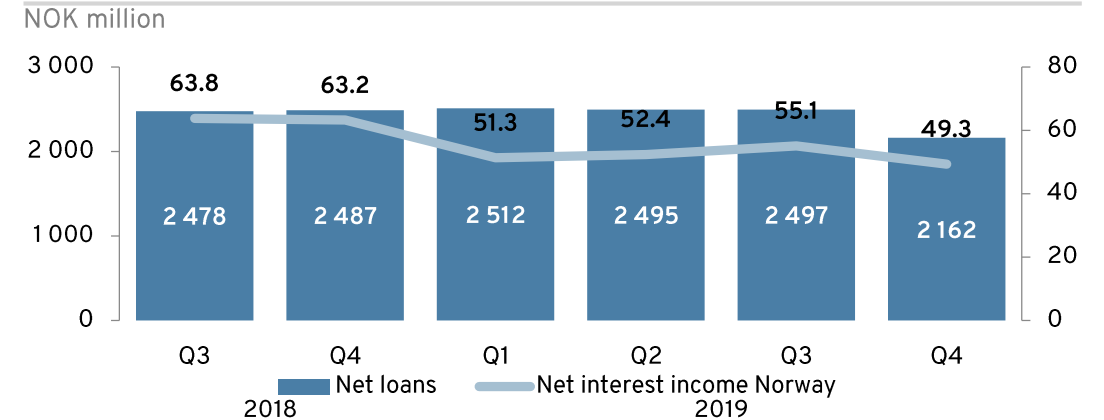


- Gain from purchase on favorable terms
- Depreciation and amortisation
- Marketing expenses
- Other administrative expenses
- Staff cost

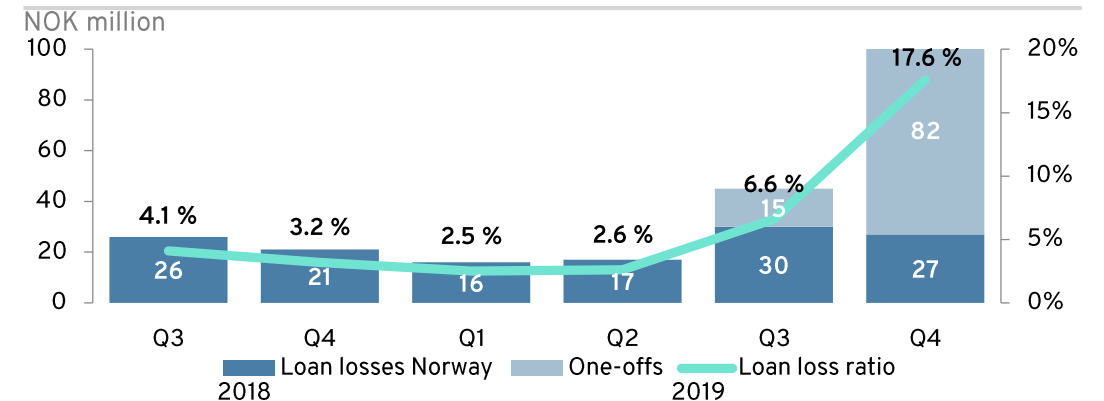
Norway

- Reduced loan book in Norway
 - In-line with strategy as growth in Finland is prioritized
- Net interest income is down due to reduced loan book
- NOK 88 million in extraordinary loan losses (including NOK 6 million Sweden)
 - NOK 45 million in loss related to NPL portfolio primarily underwritten in 2016-17 (prior to forward flow agreement)
 - NOK 25 million from former BRABank and IFRS adjustments
 - The rest reflects uncertainties regarding valuations in the secondary market
 - Valuation methodology going forward based on expected cashflow
- Repricing of loan book to reflect underlying credit risk
 - Loan yield will increase by up to 1,0%, effective March 2020.

Net interest income & Net loans*



Loan losses & Loan loss ratio



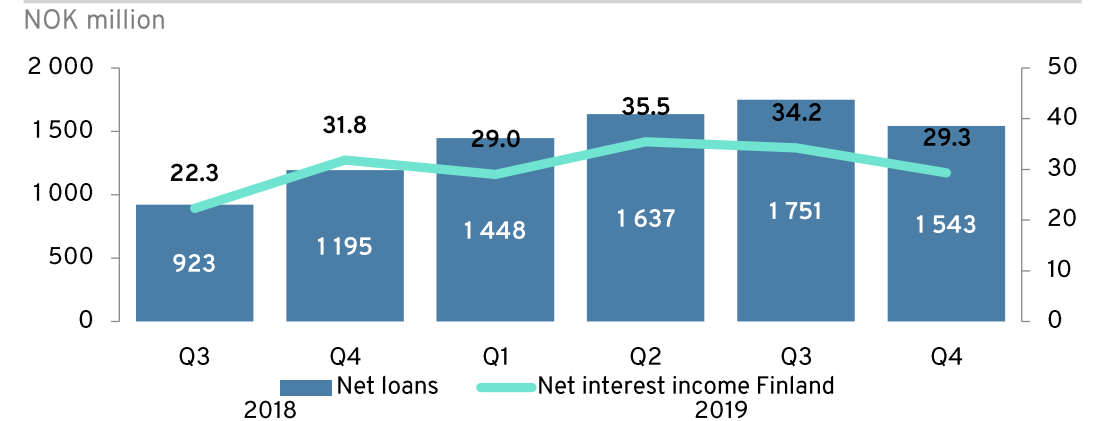
* Former BRABank included from Q2

* NGAAP figures for net interest income in 2018

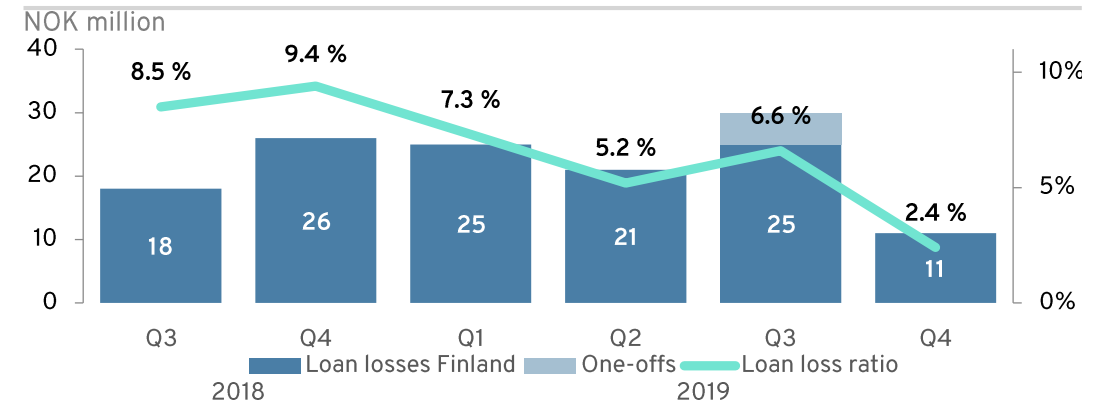
Finland

- Net loans reduced to NOK 1 543 million
 - Sale of NPL portfolio with gross book value EUR 18 million
 - Capital constraints in Q4 19
- Net interest income down NOK 4.9 million
 - Reduction in net loans
 - NOK 3.5 million provision for broker commission
- Loan losses
 - Low due to limited new sales in Q4 19
 - Expect somewhat higher loan loss ratio going forward
- Continue to prioritize new loans in Finland

Net interest income & Net loans*



Loan losses & Loan loss ratio

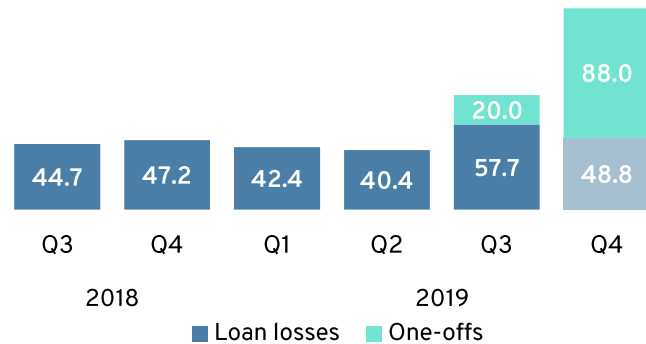


* NGAAP figures for net interest income in 2018

Significantly increased provision ratio reducing valuation risk

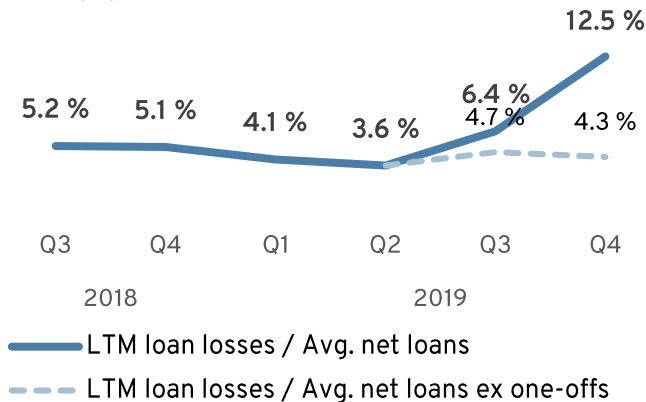
Loan losses

NOK million



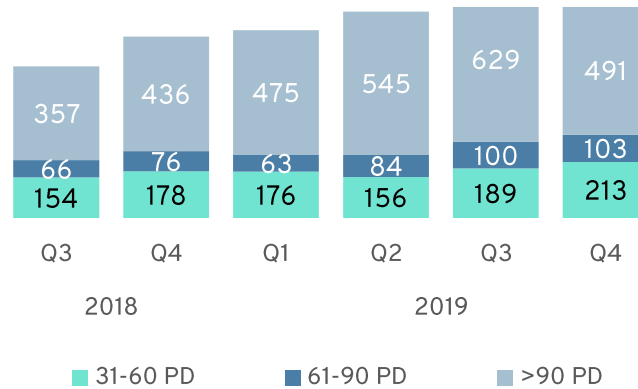
Loan loss ratio*

Per cent (%)



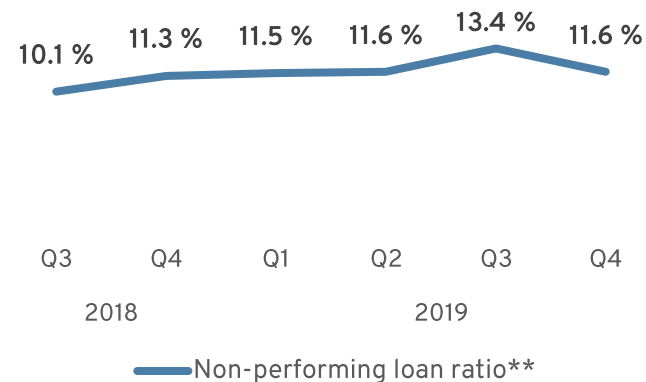
Gross loans past due (# of days)

NOK million



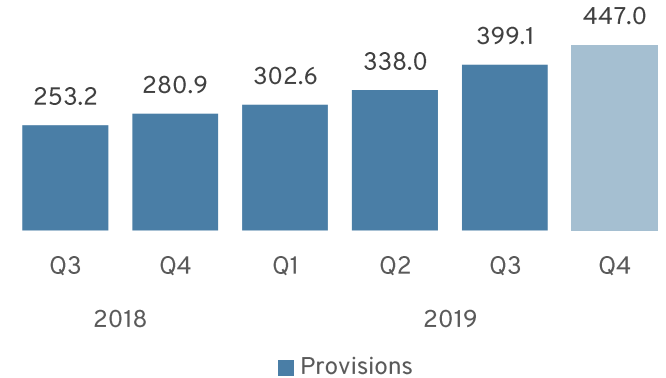
Non-performing loan ratio**

Per cent (%)



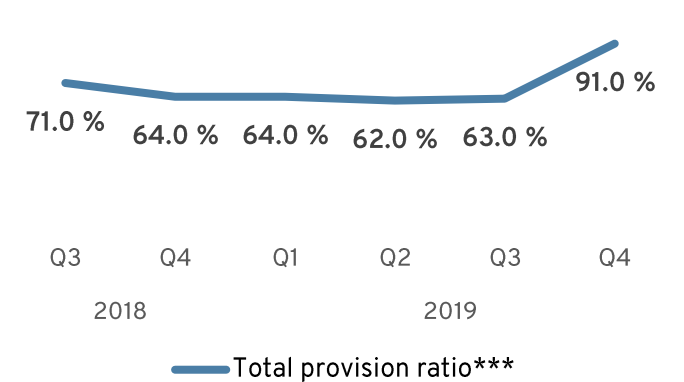
Provisions

NOK million



Total provision ratio***

Per cent (%)



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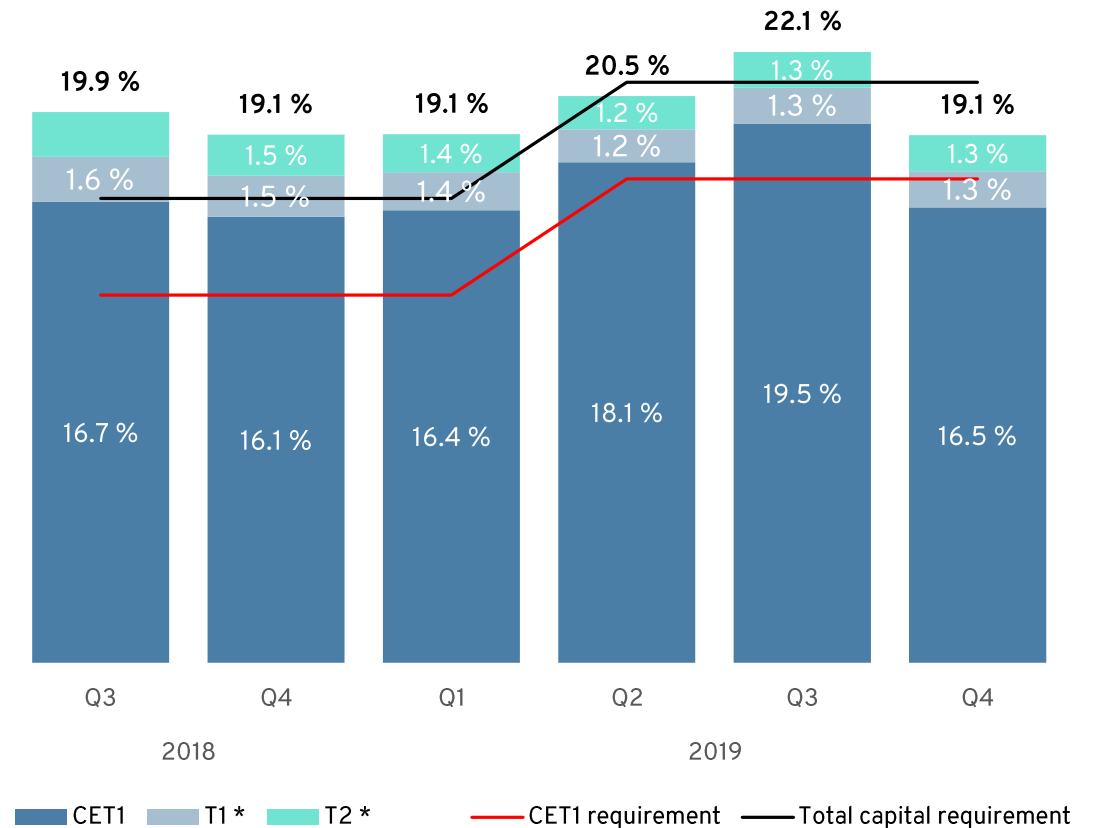
Note(*): loan loss ratio = (Quarterly loan loss * 4)/quarterly gross loans || Note(**): non-performing loan ratio = >PD90 / gross loans || Note(***): provision ratio = total provisions / >PD90

Capital adequacy below capital requirement YE 2019

- Capital adequacy below capital requirement at year-end 2019
 - Extraordinary loan losses
 - Valuation of loan book in Norway
- Measures taken to improve capital adequacy

Reported capital adequacy*

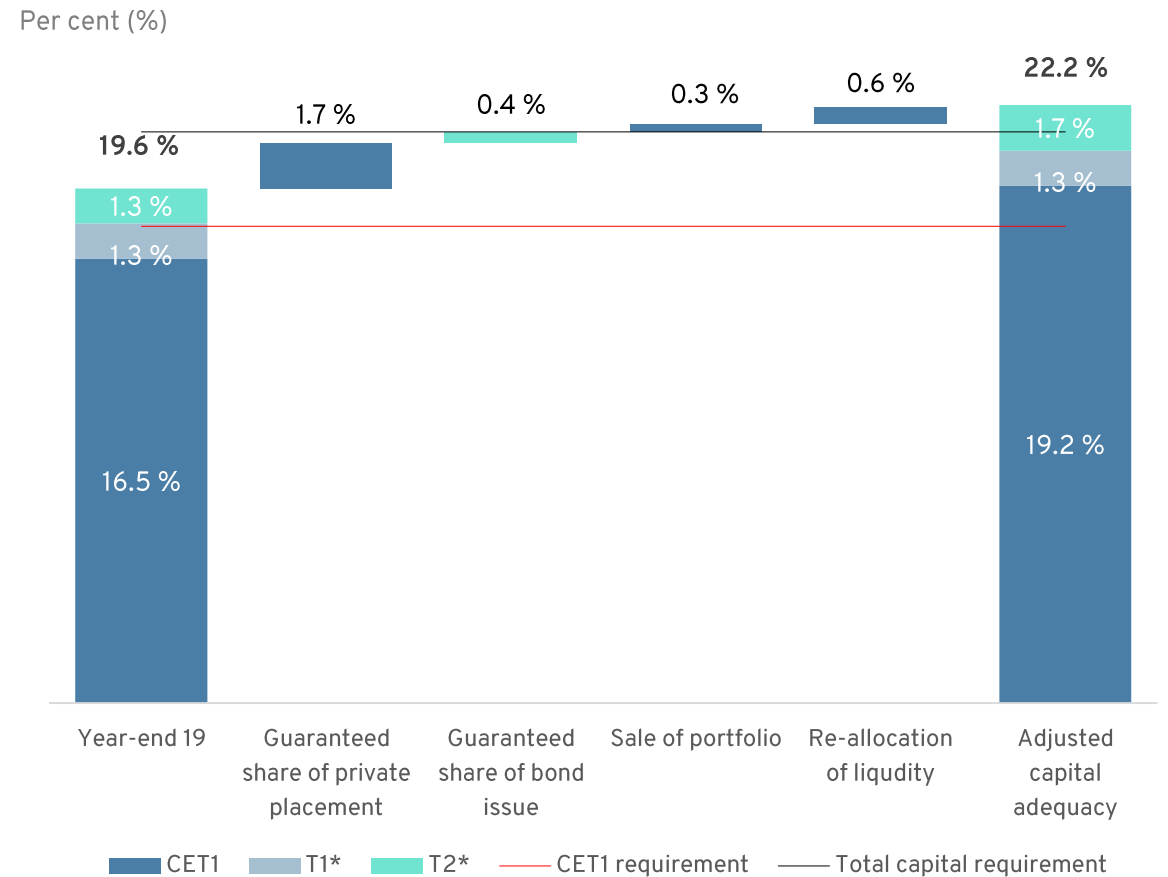
Per cent (%)



Measures to restore capital adequacy ongoing

- Private placement of NOK 65-85 million
 - Subscription price NOK 0.5 per share
 - Placement has been underwritten with NOK 65 million
 - Planned to be completed March 2020
- Up to NOK 35 million in Tier 2 bond issue
 - NOK 15 million has been underwritten
 - 3M NIBOR + 7.0 per annum
 - Planned to be completed March 2020
- Sale of NPL portfolio in Q1 20
 - Expected effect on capital adequacy +0.3%
- Re-allocation of liquidity in Q1 20
 - Effect on capital adequacy +0.6%

Expected capital adequacy after private placement* & balance sheet adjustments





Strategy and operations

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Key focus 2020: Restoring profitability and reducing risk

Improve cost efficiency

- Significant efficiency measures implemented
- Full effect from Q1 2020

Strengthen credit quality

- Reduced risk through sale of non performing loans portfolios
- Reduced risk taking in all markets

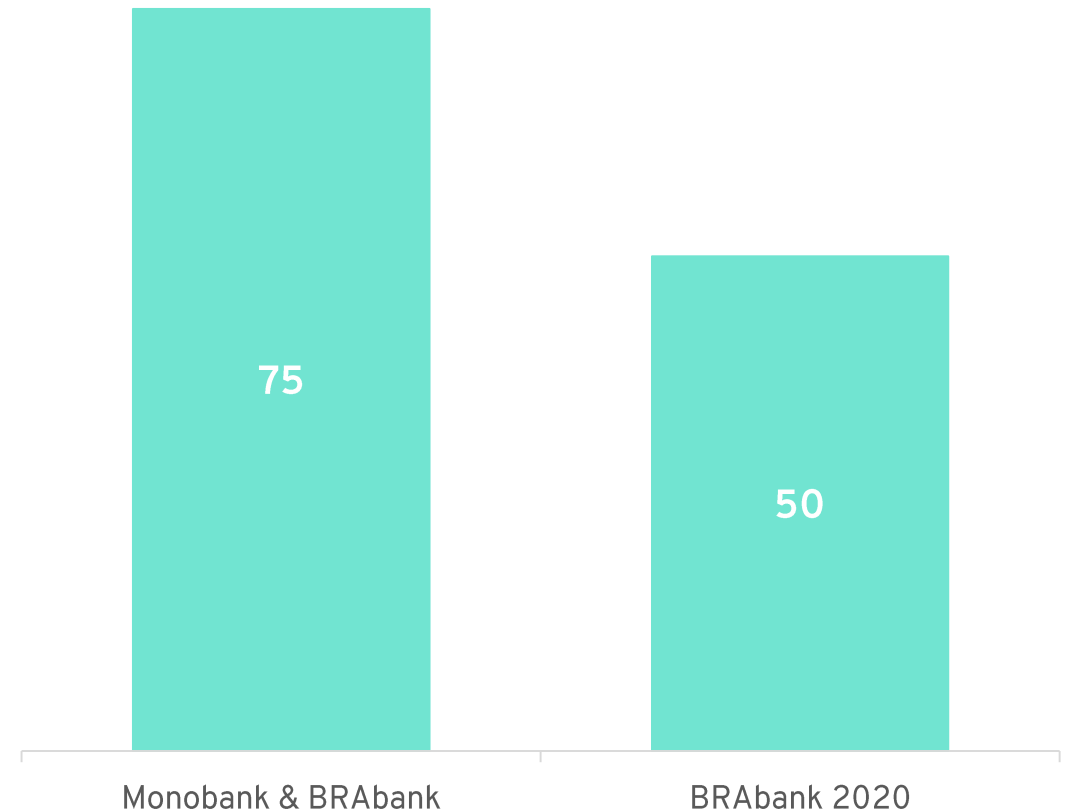
Commercialise technology platform

- Cutting edge credit card platform ready to be commercialized
- Dedicated team and focused plan for commercialization

Significant cost measures implemented, full effect in 2020

- Successful integration between former BRABank and Monobank
 - Restructuring costs according to budget
- Significant staff reduction
 - Capacity to support current operation is maintained
- Reduction in external consultants
- Oslo office closed down
- Expect quarterly opex at MNOK 38 – 41 in 2020

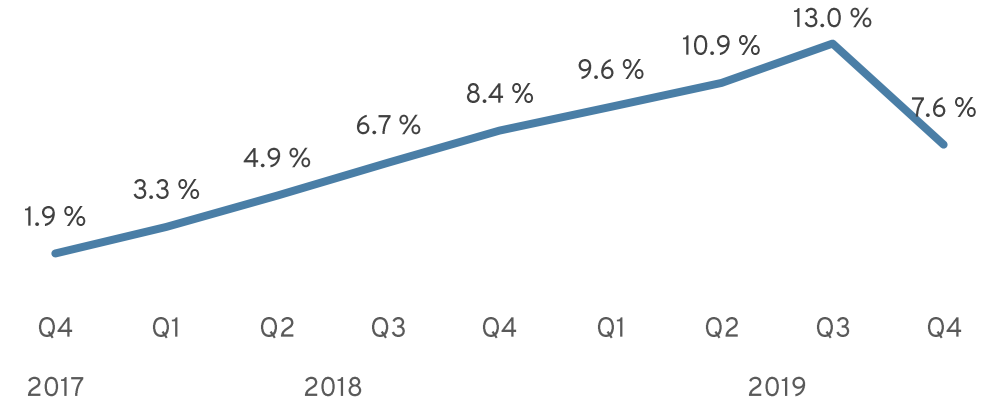
Significant staff reduction in 2019



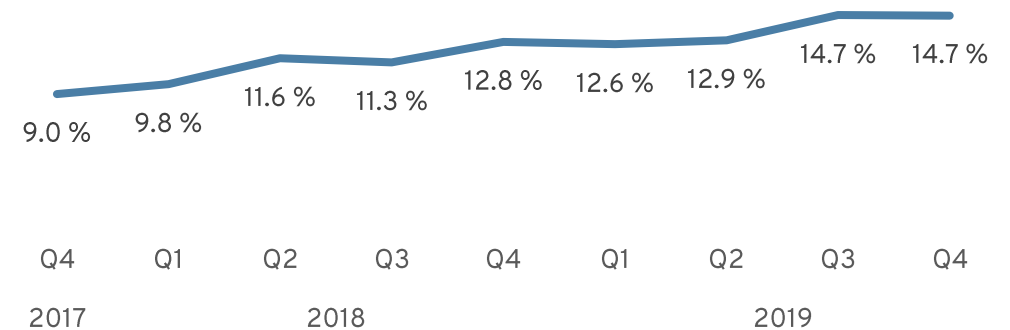
Credit quality: Measures taken to counteract increased risk in portfolio

- Credit quality Finland: Positive development
 - Sale of Non-performing loan portfolio (Q4 19)
 - Decreasing trend in loan losses
 - 20%+ risk reduction in new vintages based on new scorecard
- Credit quality Norway: Remains a challenge
 - Debt register is negative short term but positive long term
 - High losses in former BRABank
 - IFRS 9m adjustments
 - Decreased secondary market price
 - Sale of NPL in Q1 20
- Significantly younger NPL-portfolio in Finland reduces risk

Finland: Non-performing loan ratio*



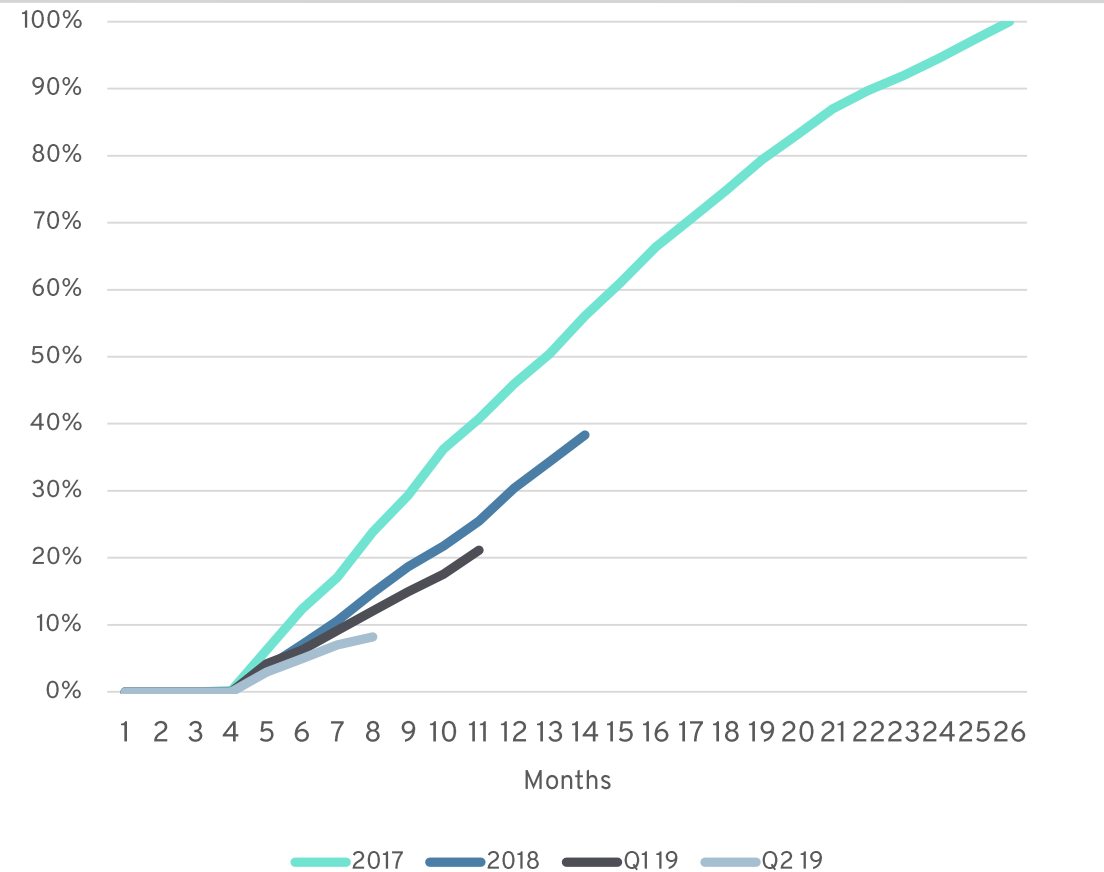
Norway: Non-performing loan ratio*



Positive risk development in Finland

- Significant reduction in default rates over time
- Development divided in four phases
 1. 2017: Before access debt register
 2. 2018: After access debt register
 3. Q1 19: After price reduction
 4. Q2 19: After implementation of scorecard on internal data
- Probability of default for new underwritings are even lower

Default rate* by period of origination in % of 2017 vintage



*Volume-weighted / portfolio level

Norway: Forward flow agreement expires in Q2 20

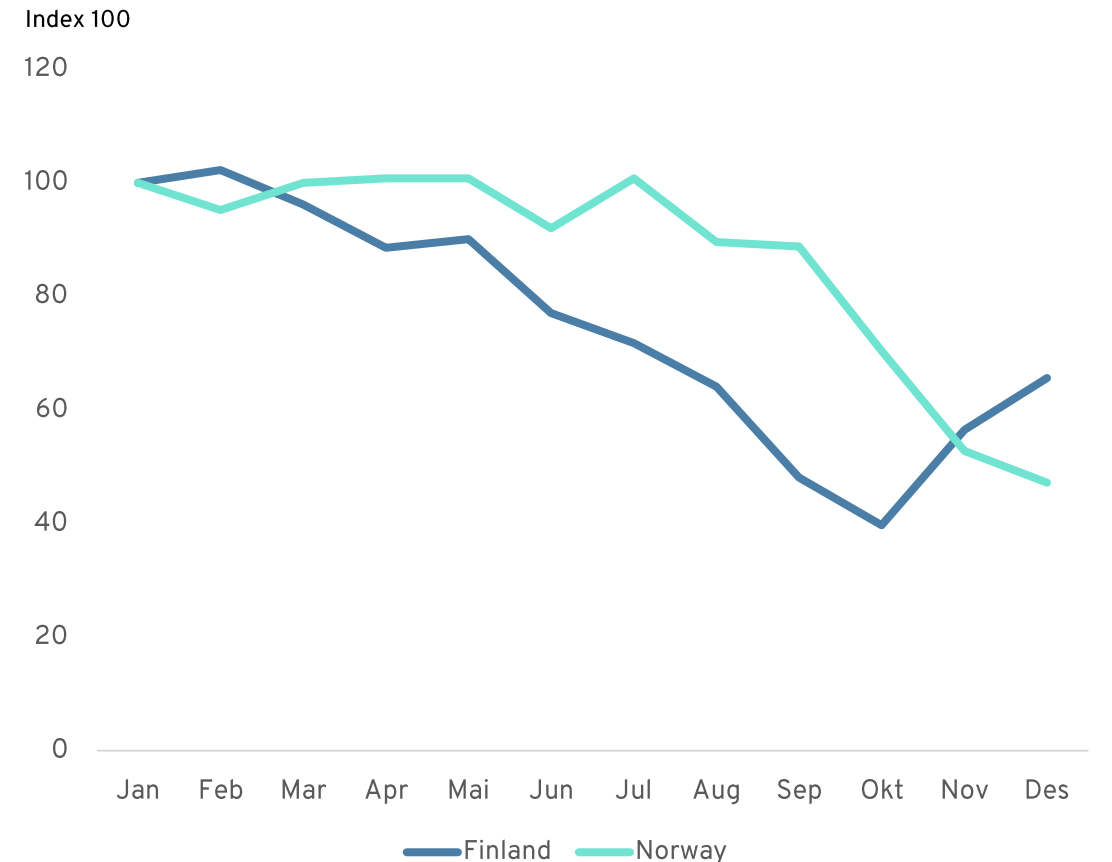
- Alternative measures when forward flow agreement expires:
 1. New forward flow agreements (FFA)
 - Only if terms / pricing is attractive
 - Not a capital effective instrument in Norway
 2. Keep non-performing loans on own book
 3. Periodic sale of non-performing portfolios to highest bidder depending on capital situation and pricing
 - Sold one portfolio in Finland in Q4 19
 - Sale of one portfolio in Norway Q1 20



Reduced risk appetite – lower loan losses medium term

- Reduced risk appetite
 - Score cut-off adjusted H2 2019
 - Credit limits more restrictive
- Implemented new scorecards Norway and Finland
 - Internally developed based on internal and external data
 - In-house data science team: 2 x Ph.D.
- Significantly lower Probability of Default
 - Attributable to reduced risk appetite and improved credit models

Probability of default* new applications



Commerzialisisation of technological platform

- From development of technology to commercialization of technology
 - Cutting edge credit card platform
- Resources dedicated to ensure a successful commercialisation
 - Bent Gjendem full-time strategic advisor
- Board and organisation fully committed
 - Increased focus on commercialisation



Outlook for 2020: Restore profitability and reduce risk

- Restore healthy capital adequacy
 - Private placement and tier 2 bond issue (expected march 20)
 - Balance sheet adjustments
- Optimise operational performance
 - Secure effects from already implemented cost measures
- Reduce credit risk
 - Gradually reducing risk with renewal of loan book
- Loan growth adjusted to capital situation
 - Finland is prioritised



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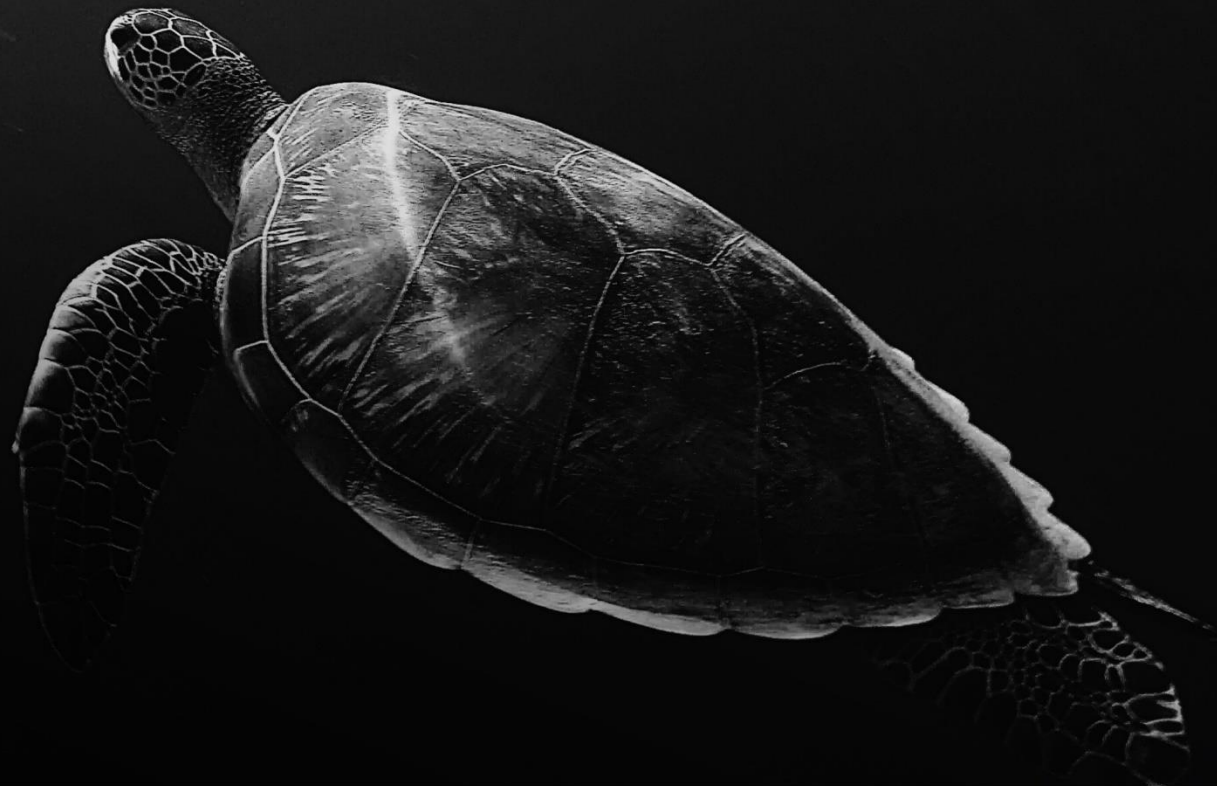
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Appendix

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Detailed financial figures

Quarterly income figures and balance sheet

Income statement

In NOK thousands	2019				2018
	Q4	Q3	Q2	Q1	Q4
Interest income	100 951	115 795	106 199	97 852	94 385
Interest expenses	16 835	20 114	18 194	17 512	19 128
Net interest income	84 116	95 682	88 005	80 340	75 257
Income commissions and fees	5 290	6 819	7 172	7 676	6 255
Expenses commissions and fees	3 244	3 755	3 043	491	0
Total income	86 162	98 745	92 134	87 526	81 512
Income/loss from trading activities	-3 803	506	-4 869	-3 103	3 530
Staff costs	16 256	21 542	20 820	11 413	11 354
Other administrative expenses	32 348	28 621	27 614	17 953	15 942
- of which marketing expenses	934	4 922	6 999	6 319	4 819
Depreciation and amortisation	7 089	6 677	36 078	5 593	4 519
Gain from purchase on favourable terms	0	0	12 414	0	0
Total operating costs	55 693	56 839	72 098	34 959	31 814
Profit/(loss) before impairment losses	26 665	42 412	15 167	49 463	53 228
Impairment releases/(losses)	-136 765	-77 714	-40 374	-42 380	-47 176
Operating profit/(loss) before tax	-110 100	-35 302	-25 207	7 083	6 052
Tax charge	37 167	8 826	6 302	-1 771	-1 513
Net profit	-72 933	-26 477	-18 905	5 312	4 539

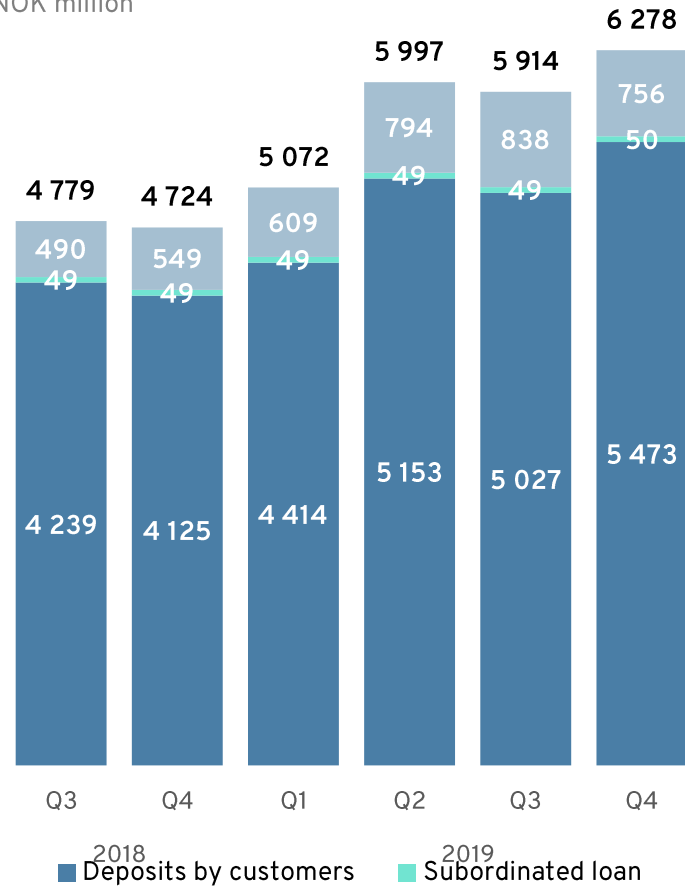
Balance sheet

In NOK thousands	2019				2018
	Q4	Q3	Q2	Q1	Q4
ASSETS					
Loans and advances to credit institutions	743 771	174 457	134 450	108 366	108 790
Debt securities	1 470 919	1 142 058	1 242 618	912 844	851 879
Loans and advances to customers	4 373 050	4 893 016	4 874 920	4 262 306	3 963 302
Provision for impairment losses	447 034	399 077	338 017	302 551	280 946
Net loans and advances to customers	3 926 016	4 493 938	4 536 903	3 959 755	3 682 356
Deferred tax asset	104 452	73 656	64 558	38 071	39 585
Other intangible assets	76 048	71 469	73 868	70 026	67 064
Property, plant and equipment	13 062	14 262	14 858	15 278	15 936
Financial derivatives	0	2 048	0	1 832	6 644
Prepayments accrued income and other assets	7 845	13 326	16 532	24 398	9 092
Total assets	6 342 114	5 985 217	6 083 787	5 130 570	4 781 347
LIABILITIES & EQUITY					
Deposits by customers	5 472 666	5 026 924	5 153 296	4 413 713	4 125 245
Provisions, accruals and other liabilities	63 490	67 361	82 867	54 550	53 922
Financial derivatives	422	0	6	0	0
Subordinated loan	49 540	49 413	49 370	49 370	49 327
Tax payable	0	3 892	3 892	3 892	3 892
Total liabilities	5 586 118	5 147 590	5 289 431	4 521 525	4 232 385
Equity					
Share capital + other paid in capital	496 141	495 777	447 393	304 467	274 023
Surplus capital	324 931	326 212	304 034	247 508	222 454
Tier 1 capital	49 540	49 454	49 454	49 454	49 413
Retained Earnings	-114 616	-33 816	-6 525	7 616	3 073
Total equity	755 996	837 626	794 355	609 045	548 962
Total equity and liabilities	6 342 113	5 985 216	6 083 787	5 130 570	4 781 347

Easy access to low cost funding

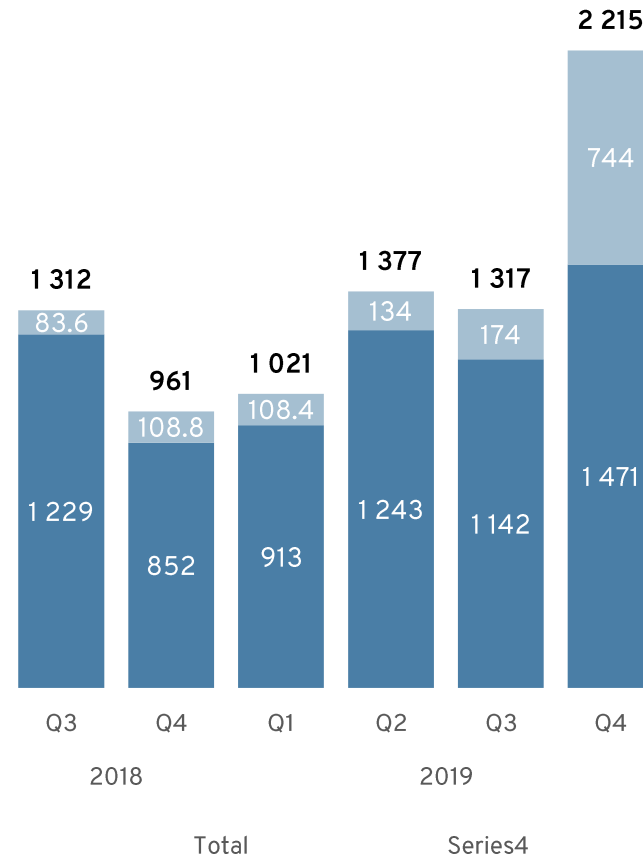
Funding

NOK million



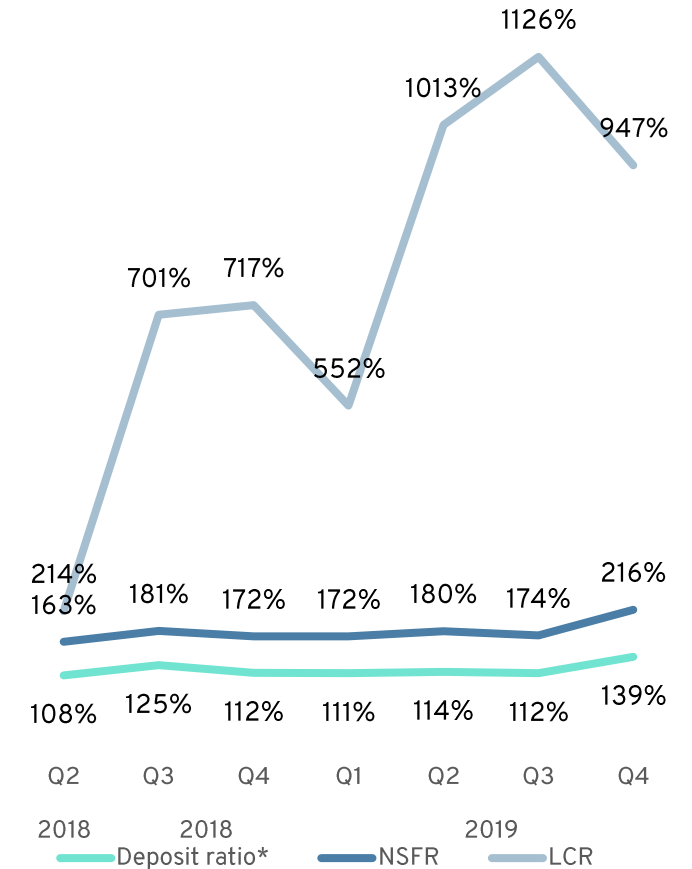
Liquidity

NOK million

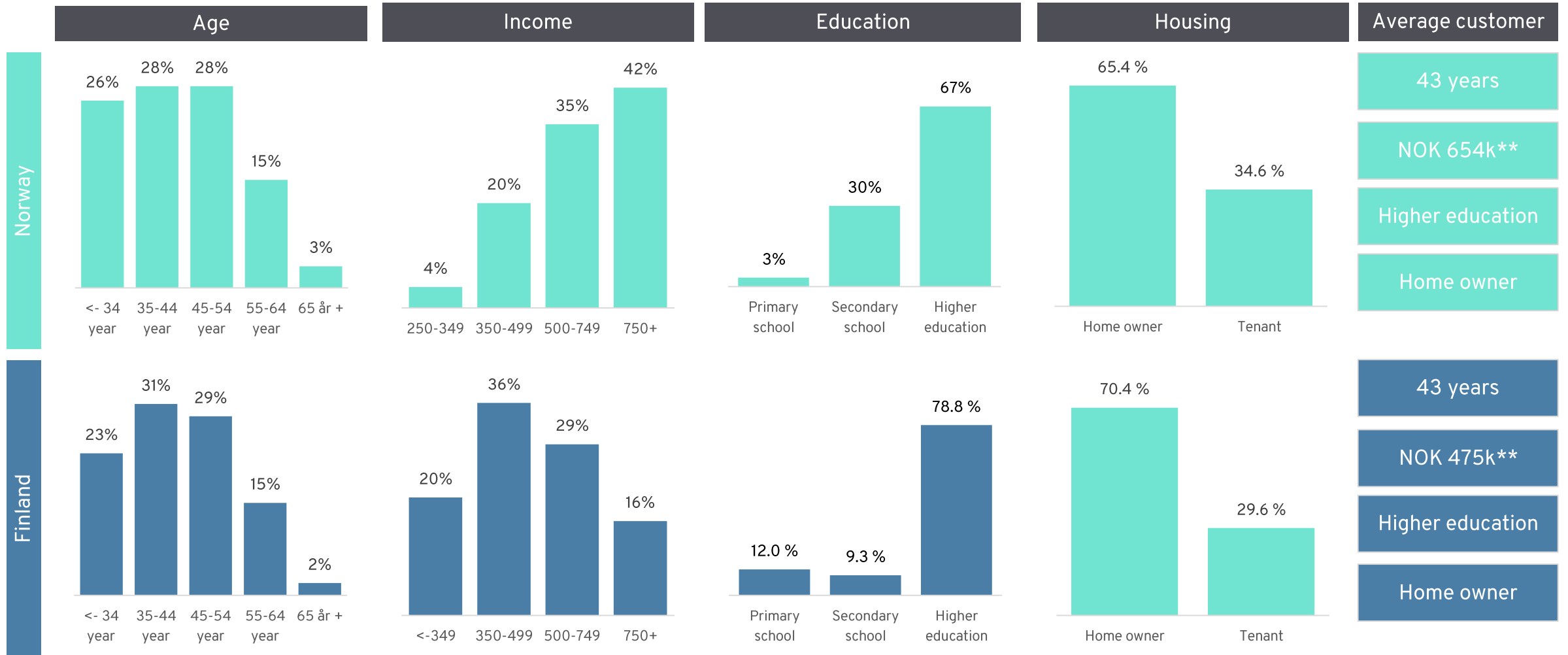


Key ratios

Per cent (%)



Average customer well educated, mid-forties and high income*

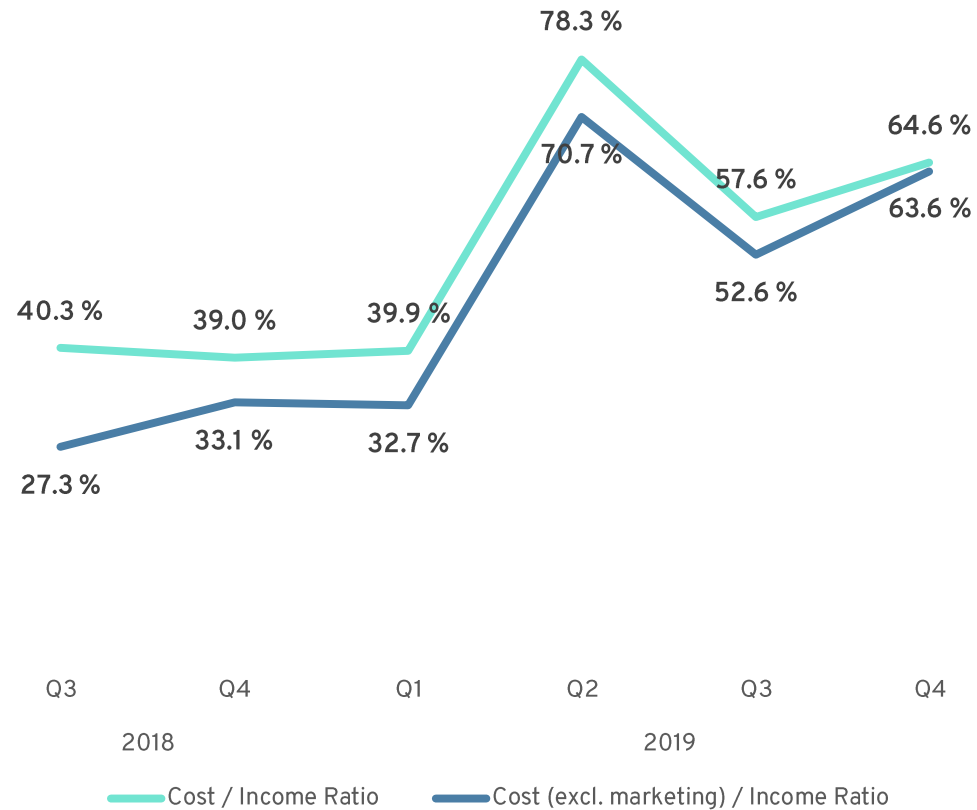


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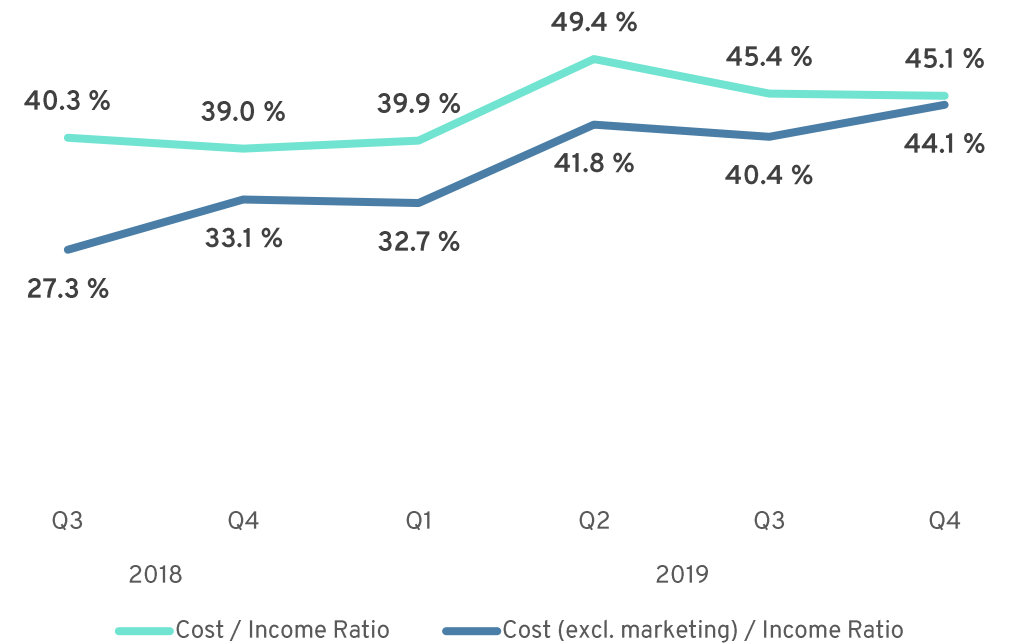
Note(*): Figures based on former Monobank customers Note(**): Including income from co-borrowers

Cost/income ratio

Cost/income ratio*



Cost/income ratio ex one-offs**



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