Q3 2019 Presentation
Avida Holding AB

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Third quarter highlights

Avida Group

- Avida's strong growth continued in both Consumer and Business Finance during Q3 with a lending volume growth of SEK649m (9% QoQ) mainly driven by Consumer Finance. New sales in Business Finance continued at a strong pace and average Business Finance volumes were higher QoQ, driving revenue growth
- Q3 reported profit before tax of SEK37m which was an improvement of SEK11m QoQ
- Yields per country were stable to rising in the quarter, but mix changes with stronger growth in Sweden and Finland led to lower average yield
- Cost of funds increased during the quarter as the liquidity portfolio increased. Euro deposits were successfully established, but higher inflows than expected negatively impacted Net Interest Margin. Pricing is currently being calibrated to correct this effect
- Net interest income increased by SEK9m (7% QoQ), despite the aforementioned higher funding costs in the quarter
- During the past year, Avida has focused its growth on low risk customers in both Consumer- and Business Finance. Consequently, volume growth has been higher than revenue growth. This transition phase was fully completed in the first half of the year and Avida now expects APRs to stabilize at current levels
- Measures to control costs have been successful and absolute costs where down SEK9m versus the previous quarter. Cost-income ratio came in at 40%
- Credit losses including IFRS effects increased by SEK6m for the quarter. The growth was mainly driven by volume growth in the Consumer Finance segment. Credit loss ratio remains stable
- Return on equity, calculated on CET1 capital, recorded at 15% compared to 12% in Q2

Consumer Finance

- Continued strong growth with YoY growth of 71% and a total volume of SEK5,824m at the end of the quarter. The growth is mainly driven by Sweden, but Finland also contributed strongly to the quarter on quarter growth. The Norwegian portfolio declined as a consequence of limited new recruitment
- The tightened regulations in Norway led to limited new growth during the quarter. Avida is fully compliant with current regulations and expect to see a ramp up of credit origination over the next couple of quarters
- On the back of the volume growth, net interest income increased by SEK6m in the quarter. APR remains stable in all countries QoQ. However, due to portfolio mix total yield decreased slightly QoQ, as the high yielding Norwegian portfolio as a share of the total portfolio decreased. Higher funding costs due to volume growth in retail deposit impacted the net interest margin negatively on the quarter
- The credit quality remains stable and credit losses increased in the quarter in line with the volume growth in Sweden and Finland. Loss ratio recorded at 3.2% which is 0.2 ppt higher than the previous quarter, influenced by the increase in new volumes
- Avida has discontinued the forward flow debt sale in Norway as of June, and as a consequence stage 3 balances and provision increased during the third quarter. Overall credit losses will however not be impacted

Business Finance

- Avida maintained the high volumes from the second quarter and average volume in Q3 was higher than in Q2
- The yield was stable at 9.8%. However as funding cost increased, net interest margin decreased slightly in Q3. Despite NIM margin compression Business Finance increased net interest income by SEK3m to SEK38m
- The shift from high risk segment volumes to lower risk and more scalable volumes is according to plan, improving credit losses and reducing net interest margin. The last legacy B2C clients were phased out during Q2 and margins and credit losses should stabilize at current levels for the remainder of the year
- Despite margin compression the actual profitability has improved during the quarter as risk exposures has been optimized, along with risk weights and pricing to maximize profitability
- Credit losses remained flat in the quarter at very low levels
- Avida has continued to build a solid and diversified loan portfolio during the quarter. The organization is scaled to handle larger volumes at the current cost base
- Business Finance remains a strategic focus area going forward as there is clearly a large market potential with significant barriers to entry for competitors

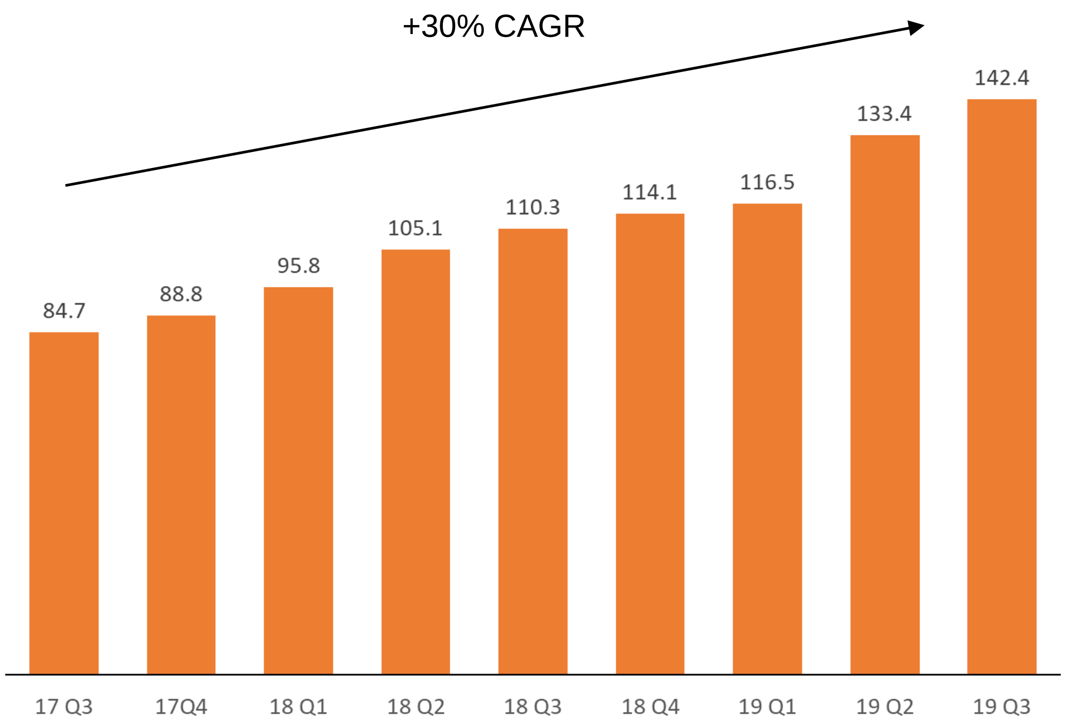
Q3 Financial Highlights

		Q3 2019	Q2 2019
I	Portfolio growth	QoQ growth in net loans of 9% - Total outstanding loans of SEK7,963m	QoQ growth in net loans of 15% - Total outstanding loans of SEK7,314m
II	Net interest margin*	Net interest margin of 8.8%	Net interest margin of 9.3%
III	Cost / Income ratio	Cost / Income ratio of 40.3%	Cost / Income ratio of 49.2%
IV	Loan losses**	Loan losses of 2.6% & 1.1% excl IFRS9	Loan losses of 2.6% & 1.5% excl IFRS9
V	Profits before tax	Pre-tax profits of SEK36.6m Profit before IFRS 9 provisions: SEK65m	Pre-tax profits of SEK26.0m Profit before IFRS 9 provisions: SEK44m
VI	Return on equity***	ROE of 15%	ROE of 12%
VII	Capital Ratio	Total Capital Ratio of 16.6% & CET1 of 10.7% - Total Capital Requirements: 13.4% - CET1 Requirements: 9.5%	Total Capital Ratio of 18.8% & CET1 of 12.1% - Total Capital Requirements: 13.1% - CET1 Requirements: 9.3%

* Net interest margin is excluding sales provisions
** Actual losses includes non-sold NPLs in Q3 2019
*** ROE calculated on CET1 capital

Continued strong growth

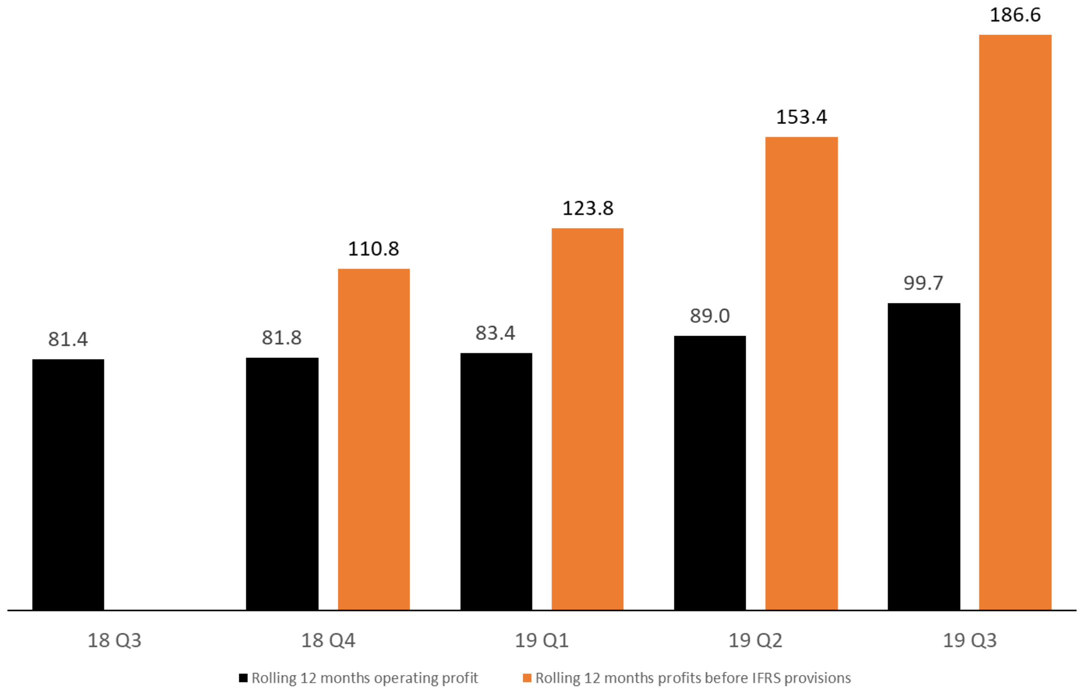
Net interest income* (SEKm)



CAGR +30%

*Net of sales provisions and interest costs

Rolling 12 months profit* (SEKm)

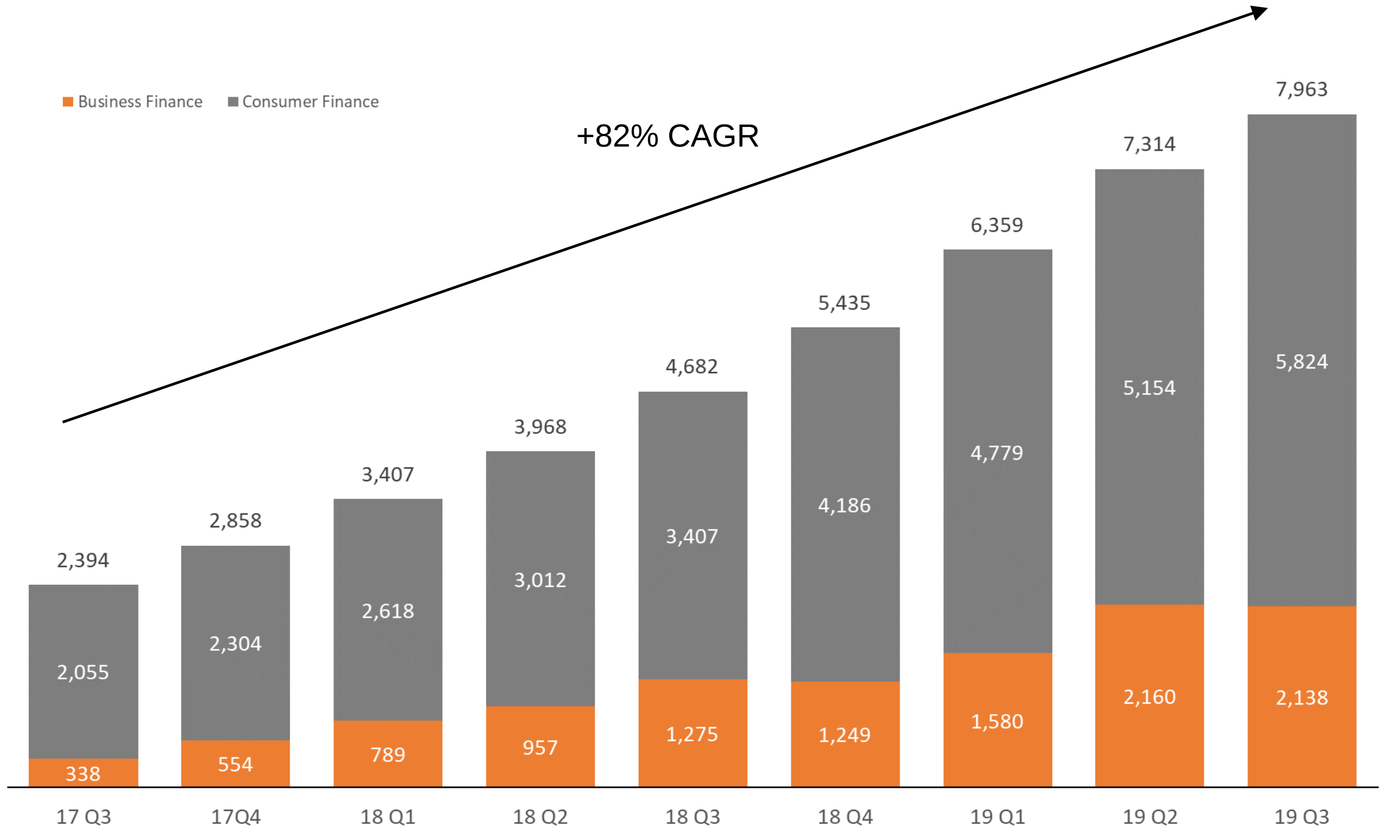


Continued growth in rolling EBT

* Adjusted EBT in 2017 Q4 for non-recurring items totalling SEK 12 m

Continued positive development in net loans

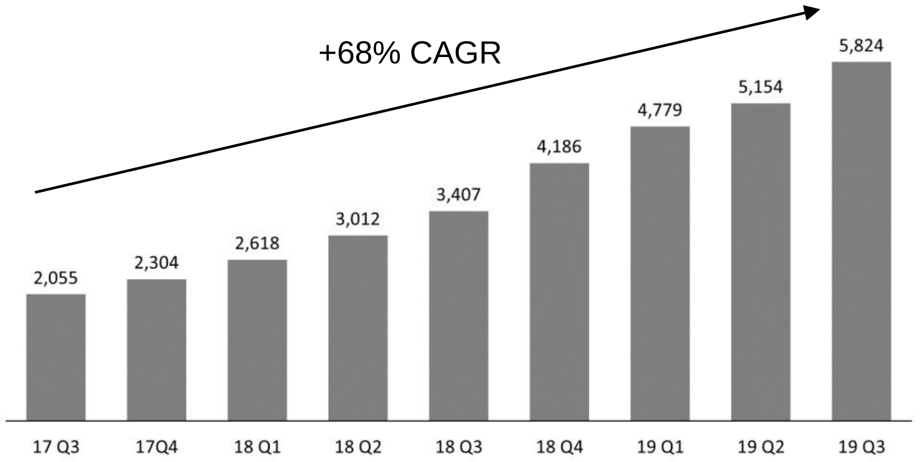
Net loans to customers (SEKm)



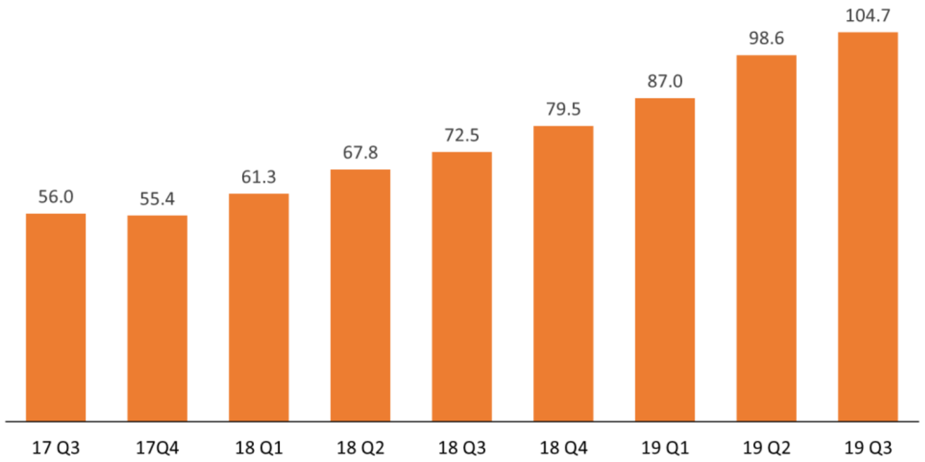
Significant volume growth continues during Q3 2019

Consumer Finance – Stable revenue growth

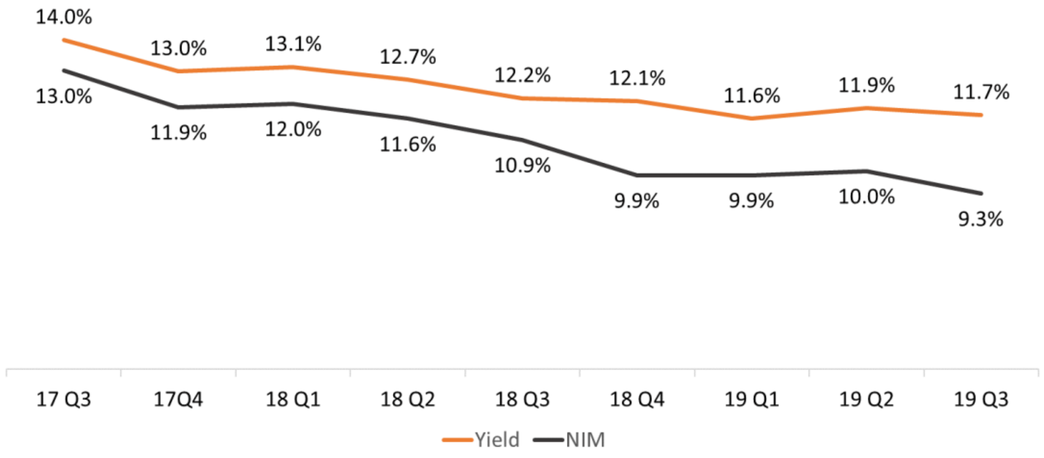
Net loans (SEKm)*



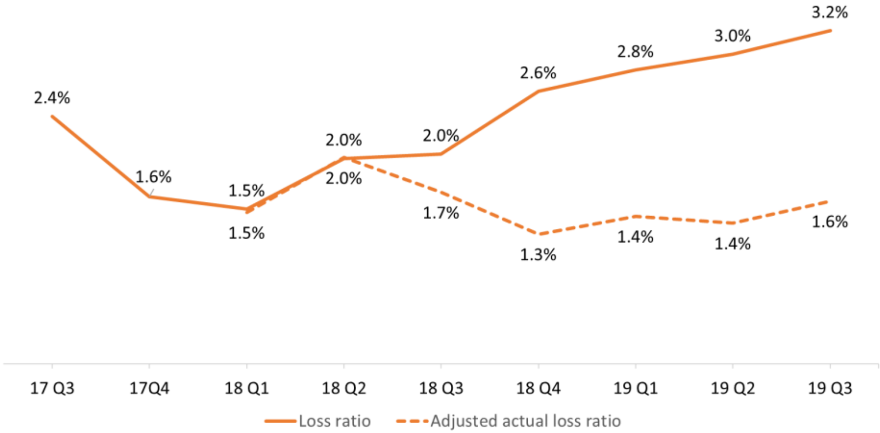
Net interest income (SEKm)



Yield (%) and NIM (%)*



Loss ratio (%)**

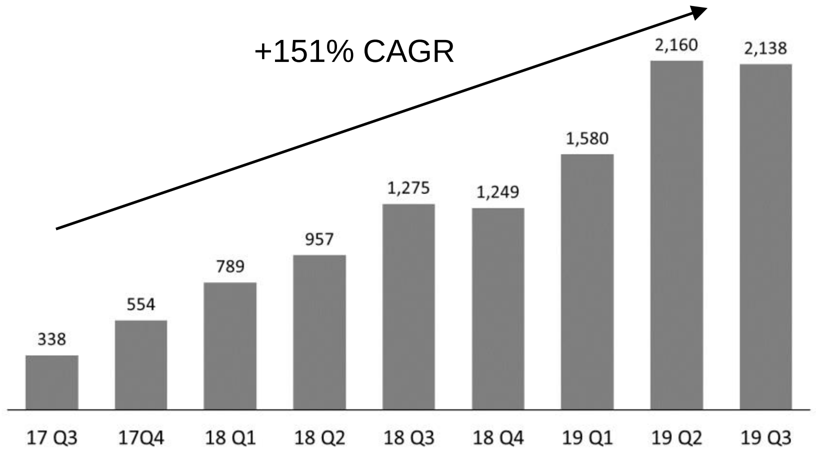


* Net loans, Yield and NIM are excluding sales provisions

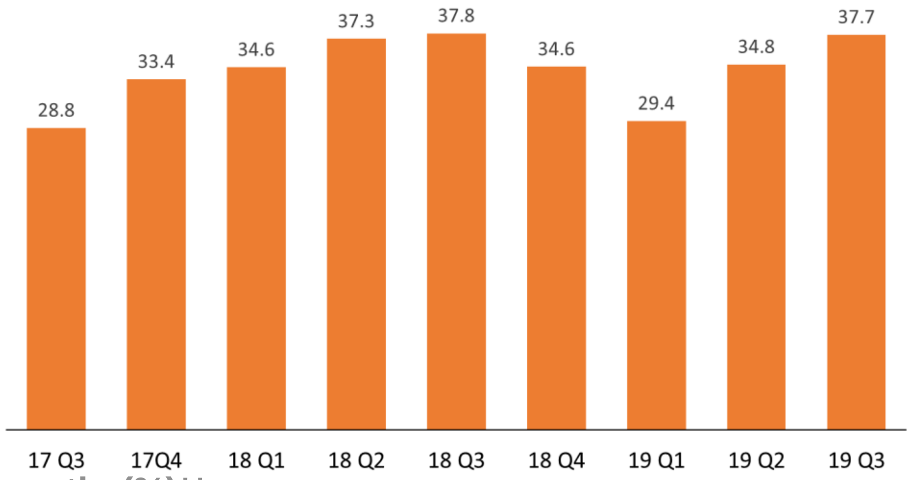
** Loss ratio is calculated as rolling 4 quarters credit losses divided by average rolling 4 quarters net loans
Adjusted actual losses refers to credit losses not incurred by IFRS9 provisions divided by average net loans per quarter and annualized
The adjusted actual loss ratio is adjusted for a non-recurring sale of NPL portfolios in Q2 2018 and includes non-sold NPLs in Q3 2019

Business Finance – Strong volume growth

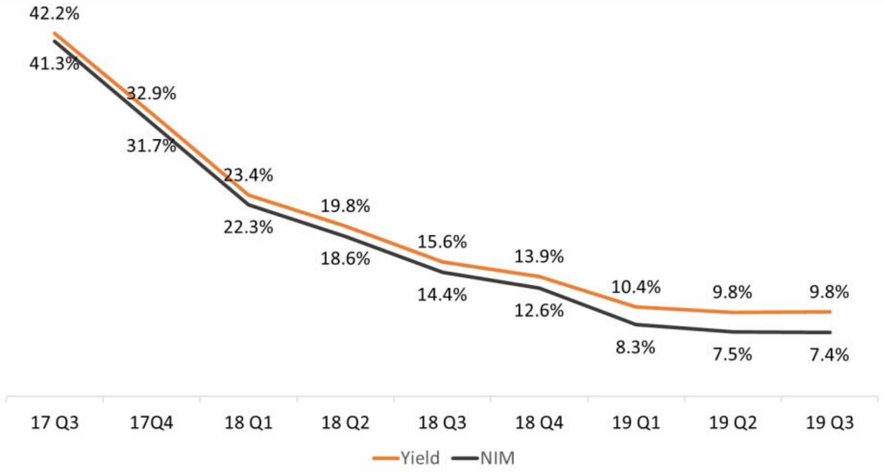
Net loans (SEKm)*



Net interest income (SEKm)

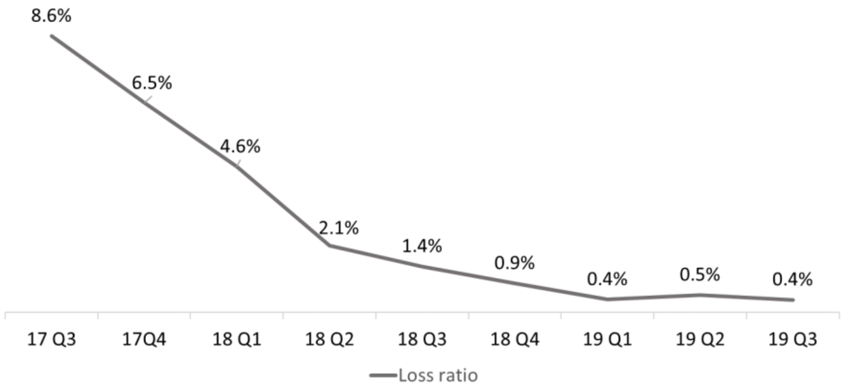


Yield (%) and NIM (%)*



* Net loans, Yield and NIM are excluding sales provisions

Loss ratio (%)**



** Loss ratio is calculated as rolling 4 quarters credit losses divided by average rolling 4 quarters net loans.
Note; Disregarding the B2C loans with an accounting policy that results in big fluctuations regarding credit losses in the P&L, the losses regarding Business Finance are close to zero.

Profit & loss Q3 2019

Profit & loss

SEKm	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	FY 2018	FY2017
Interest income	188.1	167.7	142.6	139.9	123.9	484.2	337.6
Interest cost	-45.7	-34.2	-26.1	-25.8	-13.6	-58.8	-21.0
Net interest income	**142.4**	**133.4**	**116.5**	**114.1**	**110.3**	**425.4**	**316.5**
Net result from financial transactions	2.0	3.4	3.2	-2.4	-0.7	-4.5	-9.5
Other income	1.2	0.3	0.7	0.9	0.3	2.7	7.0
Total income	**145.6**	**137.2**	**120.4**	**112.7**	**109.9**	**423.6**	**314.0**
Administrative cost	-55.9	-65.1	-62.6	-55.0	-59.2	-235.4	-195.3
Depreciation and amortization	-2.8	-2.4	-2.5	-2.4	-2.5	-9.8	-14.6
Sum operational cost	**-58.7**	**-67.6**	**-65.1**	**-57.5**	**-61.7**	**-245.1**	**-209.9**
Result before credit loss	**86.8**	**69.7**	**55.3**	**55.2**	**48.2**	**178.5**	**104.1**
Actual losses*	-21.8	-25.6	-17.5	-15.5	-16.4	-67.7	
Result before IFRS 9 provisions	**65.0**	**44.0**	**37.8**	**39.7**	**31.8**	**110.8**	
IFRS - New	-18.6	-12.7	-14.2	-23.7	-13.4	-57.8	
IFRS - Back book	-9.7	-5.4	-5.3	2.6	7.5	28.8	
Impairment of financial assets							-0.3
Operating profit / EBT	**36.6**	**26.0**	**18.4**	**18.7**	**25.9**	**81.8**	**48.4**
Tax	-8.6	-3.6	-5.6	-5.6	-2.9	-16.9	-12.1
Profit after tax	**28.0**	**22.5**	**12.8**	**13.1**	**23.0**	**64.9**	**36.2**

Comments

Key developments in Consumer Finance

Consumer Finance delivered a strong quarterly growth of SEK670m (+13%) and LTM growth of SEK2,417m (+71%). Growth has been driven by Sweden and Finland, since new recruitment in Norway has remained suspended throughout the third quarter.

The portfolio mix shift due to lower volumes in the Norwegian market has resulted in a slight decrease in margins. New scorecards are in the process of being produced, with expectations of margin improvement as a result.

APR on new volumes in Sweden and Finland have continued to increase during the quarter, indicating that overall margins will improve in the medium run.

Key developments in Business Finance

Business Finance financed volumes at a higher level on average compared to the second quarter, as evident by the QoQ increase in NII. Outstanding balance end-of-quarter decreased by SEK21m (-1%) and growth LTM was SEK864m (+68%). An increased share of the portfolio is attributable to large and low risk factoring clients.

Margins have been stable QoQ, with a solid foundation of large and low risk clients.

Credit losses remain at a very low level as a result of the strategy of constructing a diversified and low risk factoring portfolio.

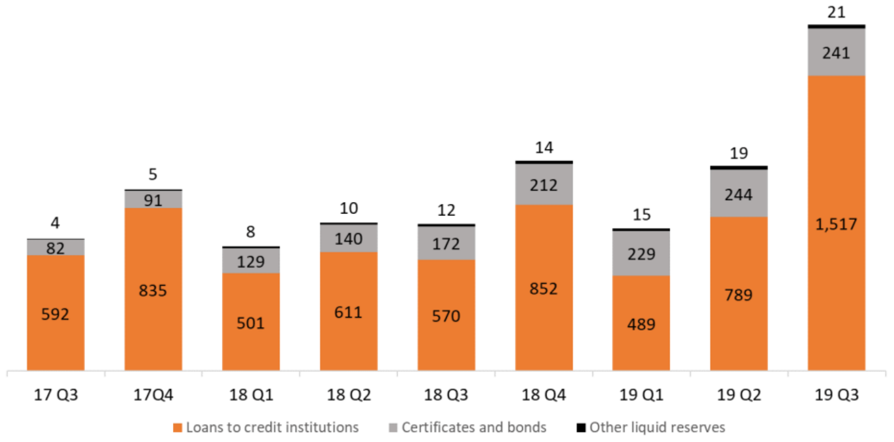
* Actual losses includes non-sold NPLs in Q3 2019, which are excluded from IFRS – Back book

Key balance sheet figures

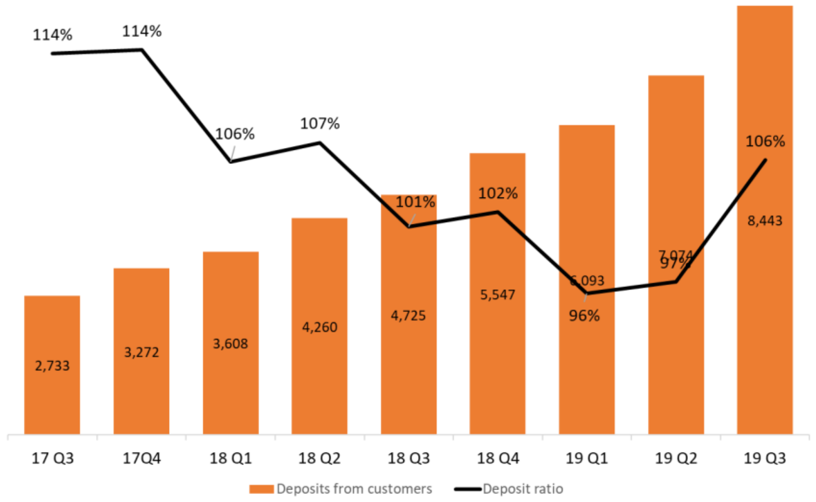
Key ratios

Average outstanding loan size	**~SEK 70,000**
LCR	**122%**
Deposit ratio	**106%**

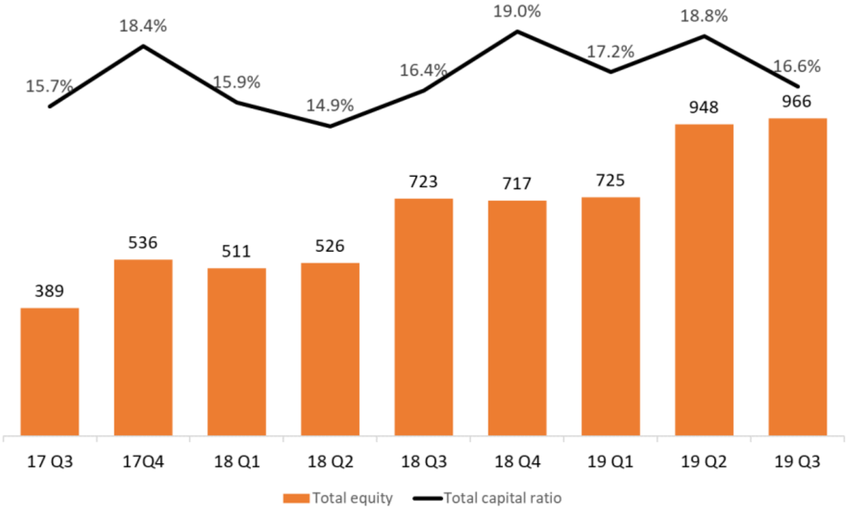
Liquidity (SEKm)



Funding (SEKm) and deposit ratio (%)



Total equity (SEKm) & Capital ratios (%)



Balance sheet Q3 2019

Balance sheet

SEKm	2019-09-30	2019-06-30	2019-03-31	2018-12-31	2018-09-30	2017-12-31
Cash and balance to central bank	20.7	18.8	15.4	13.7	12.1	5.5
Certificates and bonds	241.2	243.8	228.6	212.1	172.0	91.0
Loans to credit institutions	1,516.5	788.6	488.5	851.9	569.5	834.7
Net loans to customers	7,962.7	7,314.0	6,358.9	5,435.4	4,681.9	2,858.0
Intangible assets	25.3	17.1	18.5	19.4	20.8	19.9
PP&E	16.7	18.6	20.8	0.0	4.4	5.3
Other assets	8.0	20.8	9.4	33.7	23.4	4.2
Prepaid expenses and accrued income	76.9	71.3	72.0	47.6	115.4	53.7
Total assets	**9,868.0**	**8,493.1**	**7,212.3**	**6,617.9**	**5,599.4**	**3,872.2**
Deposits from customers	8,443.5	7,074.2	6,092.7	5,547.1	4,724.6	3,271.6
Other liabilities	175.9	167.4	98.5	80.9	130.0	41.1
Accrued expenses and prepaid income	37.6	45.6	42.8	21.0	22.2	23.6
Deferred tax liabilities	0.0	11.6	0.8	0.0	0.0	0.0
Subordinated debt	245.4	245.9	252.4	252.3	0.0	0.0
Total liabilities	**8,902.4**	**7,544.7**	**6,487.1**	**5,901.3**	**4,876.9**	**3,336.2**
Share capital	5.8	5.8	5.8	5.8	5.8	5.4
AT1 bond	193.6	200.0				
Retained earnings	703.0	707.3	706.5	645.9	664.9	494.5
Earnings in year	63.2	35.2	12.8	64.9	51.8	36.2
Total equity	**965.6**	**948.4**	**725.1**	**716.6**	**722.5**	**536.0**
Total equity and liabilities	**9,868.0**	**8,493.1**	**7,212.3**	**6,617.9**	**5,599.4**	**3,872.2**

Comments

Net loans increased by SEK649m (+9%) QoQ and SEK3,281m (+70%) LTM, resulting in a total outstanding balance of net loans to customers of SEK7,963m.

The successful launch of term- and call deposits in EUR has resulted in a strong increase in loans to credit institutions. Avida stands well equipped in terms of funding sources with deposits in all major currencies used in lending operations.

Intangible assets increase QoQ due to launch of new lending platform in one of Avida's core markets.

Financial targets

I	**Growth**	▪ Significant growth opportunity; realistic target of SEK10 bn loan book by 2020 by pursuing opportunities in both the consumer and business segment ▪ Dynamic allocation of capital to products/segments with best risk/reward
II	**Return on equity**	▪ Target return on equity of more than 25% ▪ Lower ROE in the short term due to investment in organization and infrastructure, expected to increase in line with volume growth
III	**Capital ratios**	▪ Both CET1 ratio and current total capital ratio at least 100bps above regulatory target floor ▪ Will leverage capital markets for both debt and additional equity to grow intelligently
IV	**Dividend policy**	▪ Target dividend payout ratio of 35% ▪ No dividend payments in short / medium term due to growth focus

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