Q4 2018 Presentation
Avida Holding AB

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Fourth quarter highlights

Avida Group

- Continued strong growth momentum, which further accelerated in the last quarter. Loans outstanding grew by 86% vs last year, equivalent to a growth by SEK 2,471 m. Total outstanding balances recorded at SEK 5,329 SEK
- The QoQ growth totalled SEK 647 m and was driven by growth in Consumer Finance volume in all markets
- Total income for the year amounted to SEK 430.5 m, a growth by 37 percent vs last year. Operating cost totalled SEK 250.7 m, growing 19 percent vs last year, proving the scalability of the business
- Provisions for credit losses have increased, mainly driven by IFRS 9 effects resulting from growth in new loans. Actual losses remain stable. Under IFRS 9, growth equals loan loss provisions and thus has a significant accounting effect on companies with high growth. In the fourth quarter the IFRS 9 effects totalled SEK21m, hence without these effects the pre-tax profit would have been SEK41m in Q4
- Avida successfully issued a Tier 2 bond of SEK 250 m during the quarter, showing the credibility Avida has in the capital market. This together with the equity injection in Q3 of SEK 160 m strengthened and optimized the capital base for further growth
- The strategy of building a well diversified portfolio between Consumer Finance and Business Finance in all markets remains and is more relevant than ever

Consumer Finance

- We are currently experiencing strong growth in the segment. During the quarter outstanding loans ended at SEK 4,080 m, a year on year growth of 77 percent
- Margins have tightened through the year as we have de-risked our portfolio and competition has been strong in all markets. However, we experienced higher margins on new business in Sweden in the fourth quarter. This has continued in the first quarter
- During the quarter we introduced a new scorecard which we expect will enable us to maintain higher margins at appropriate risk levels. New scorecards will be introduced in the other markets during Q1 and Q2 of 2019
- Total income amounted to SEK 285.1 m for the year and SEK 82.1 m for the quarter, a growth by 12 percent quarter on quarter
- Funding costs have increased during the quarter following increased interbank rates and the issue of Tier 2 bond
- Provisions for credit losses increased significantly during the quarter driven by IFRS 9 effects on new loans. At the same time we continue to see positive trends on actual losses with actual losses as percentage of net loans decreasing during the quarter and remaining on a low level

Business Finance

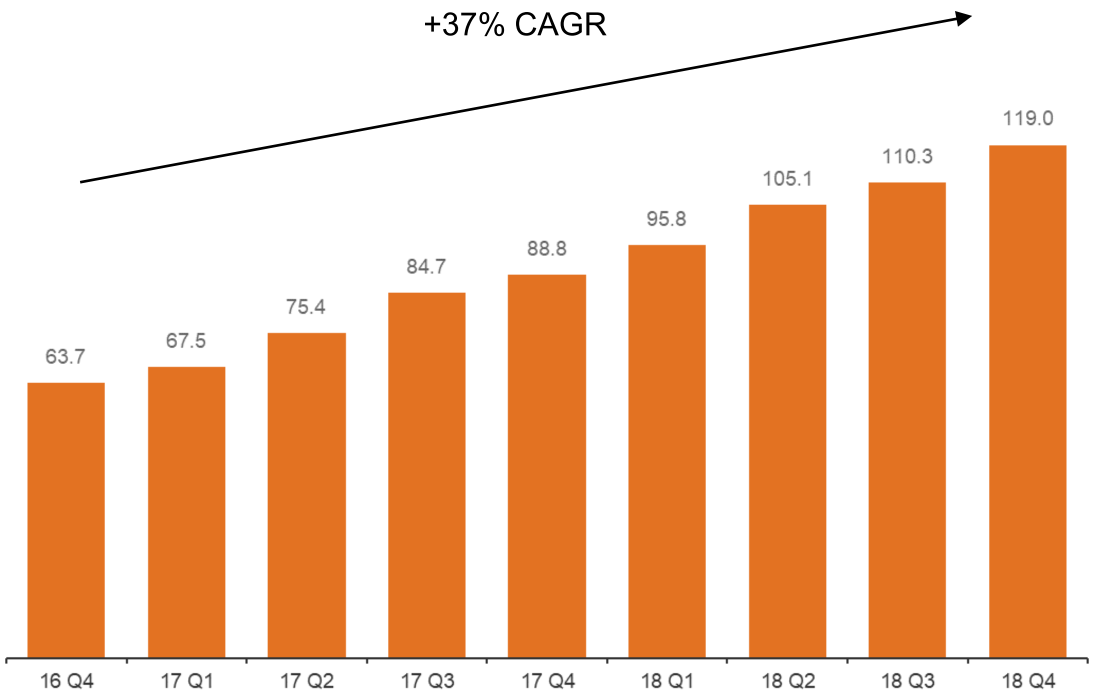
- The shift from high risk segment volumes to more sustainable and scalable risk segment volumes continues, reducing credit losses and net interest margin
- Volumes outstanding ended at SEK 1,249 m, a growth of 125 percent year on year. Volumes in the quarter remained flat due to normal seasonal effects in the factoring book and the final phase-out of the legacy B2C clients
- Total income amounted to SEK 145.4 m for the year and SEK 37.5 m in the quarter, in line with previous quarter
- Credit losses decreased further in the quarter as higher risk B2C business continues to diminish. Gross profit increased by SEK 4.9 m to SEK 33.7 m for the quarter
- Gross profit totalled SEK 124.1 m for the year
- Avida has continued to build a solid and diversified loan portfolio during the year, and the organisation is scaled to handle even larger volumes in an international environment
- Business Finance remains a strategic focus area going forward as it provides a large market potential with significant entry barriers for competitors

2018 Financial Highlights

		FY 2018	Q4 2018
I	Portfolio growth	YoY growth in net loans of 86% - Total outstanding loans of SEK5,329m	QoQ growth in net loans of 14%
II	Net interest margin	Net interest margin of 10.6%	Net interest margin of 9.5%
III	Cost / Income ratio	Cost / Income ratio of 58.2%	Cost / Income ratio of 52.7%
IV	Loan losses	Loan losses of 2.4% & 1.7% excl IFRS9	Loan losses of 2.9% & 1.2% excl IFRS9
V	Profits before tax	Pre-tax profits of SEK83.1m	Pre-tax profits of SEK20.0m
VI	Return on equity	ROE of 10.8%	ROE of 7.3%
VII	Capital Ratio	Total Capital Ratio of 19.0% & CET1 of 14.0% Including 2018 unaudited profits: Total Capital Ratio 20.0% & CET1 Ratio 15.0% - Total Capital Requirements: 13.2% - CET1 Requirements: 9.3%	

Continued strong growth

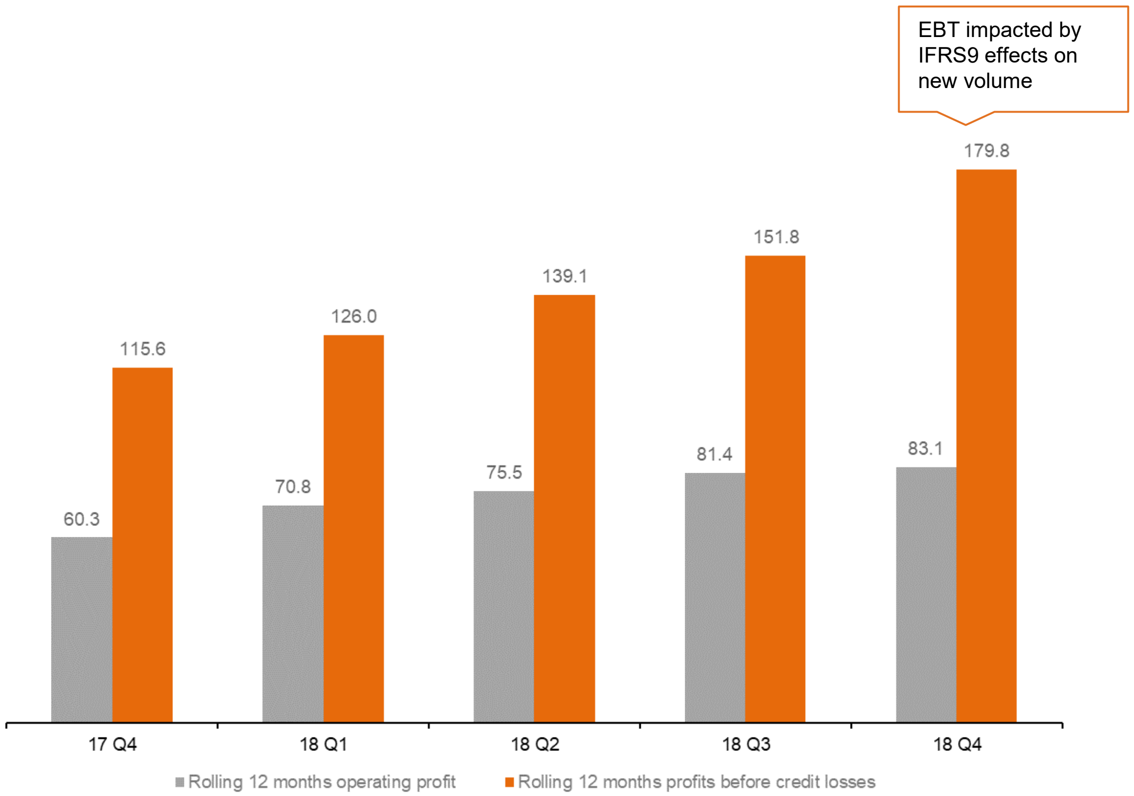
Net interest income* (SEKm)



Continued significant growth in net interest income in Q4 2018

*Net of sales provisions and interest costs

Rolling 12 month Operating profit / EBT* (SEKm)

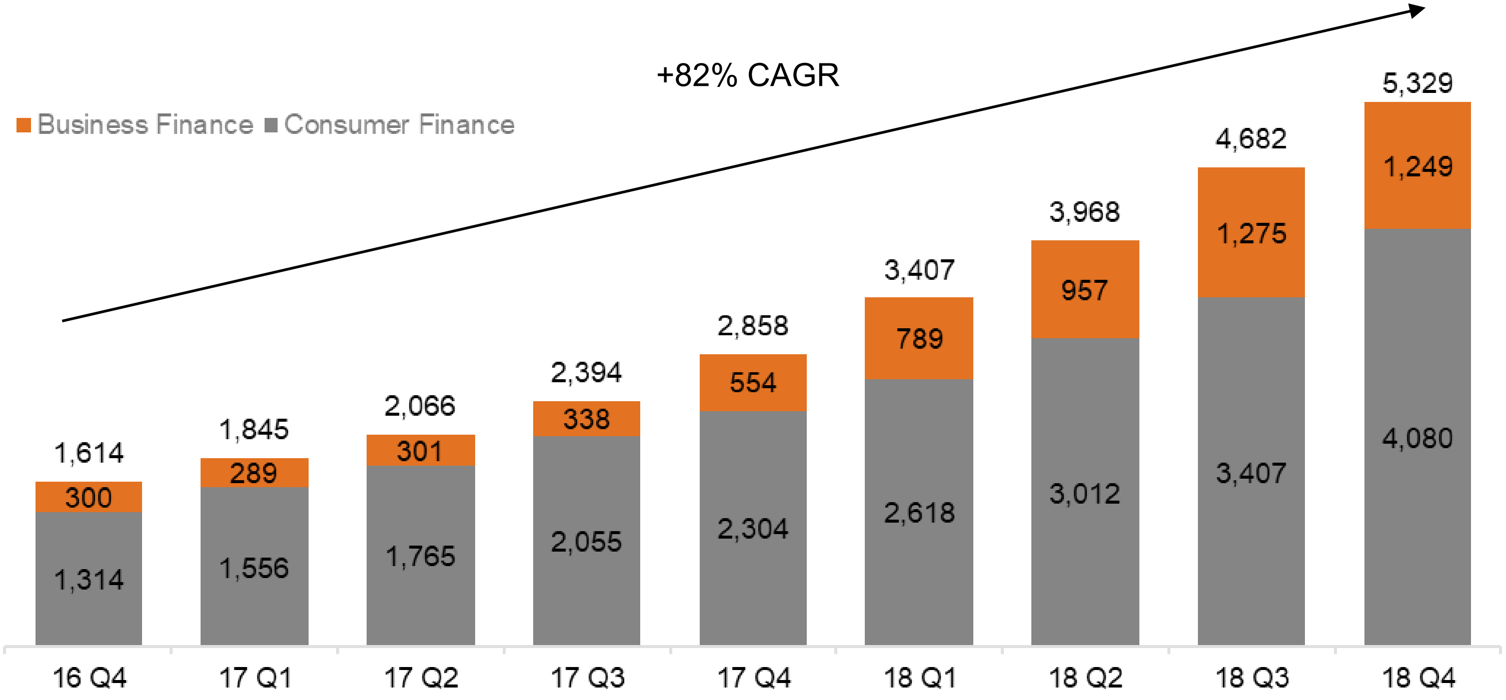


Continued growth in rolling EBT

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

Continued positive development in net loans

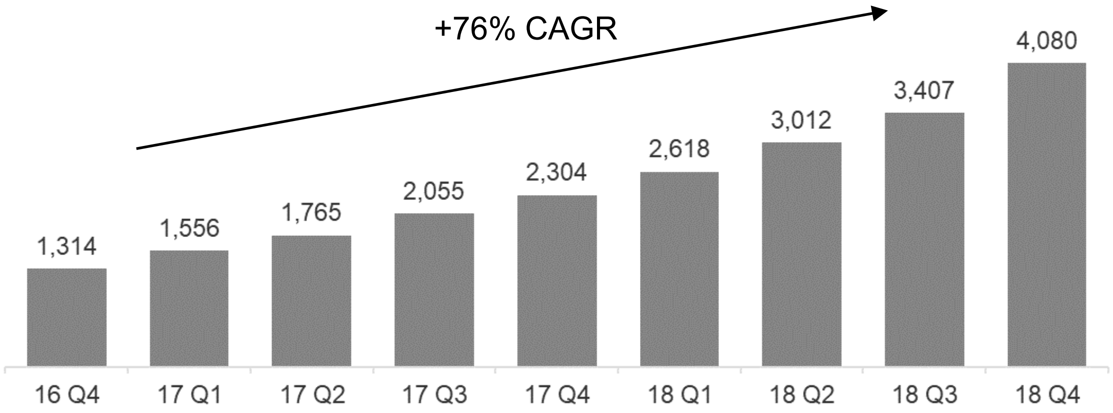
Net loans to customers (SEKm)



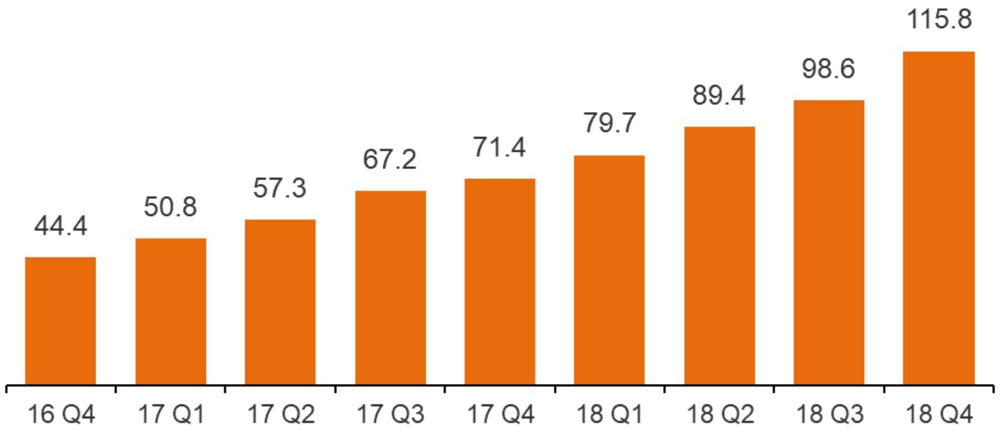
Significant volume growth continues during Q4 2018

Consumer Finance – High revenue growth

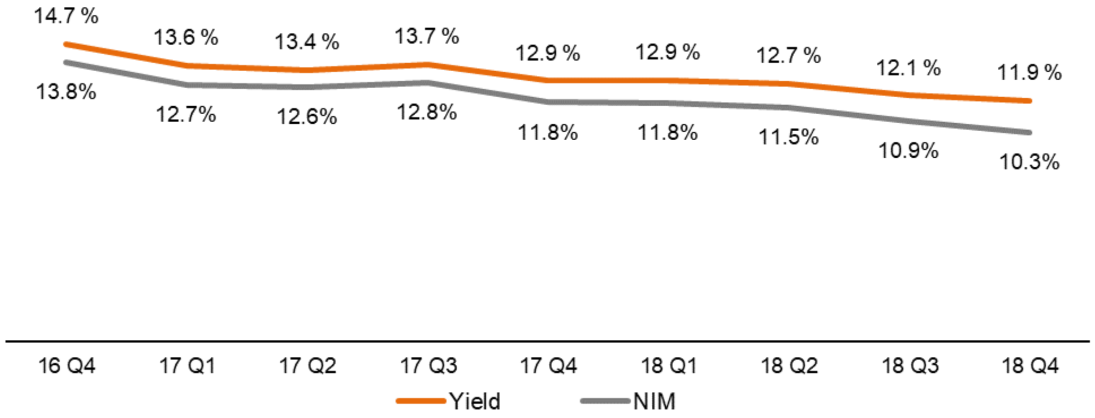
Net loans (SEKm)*



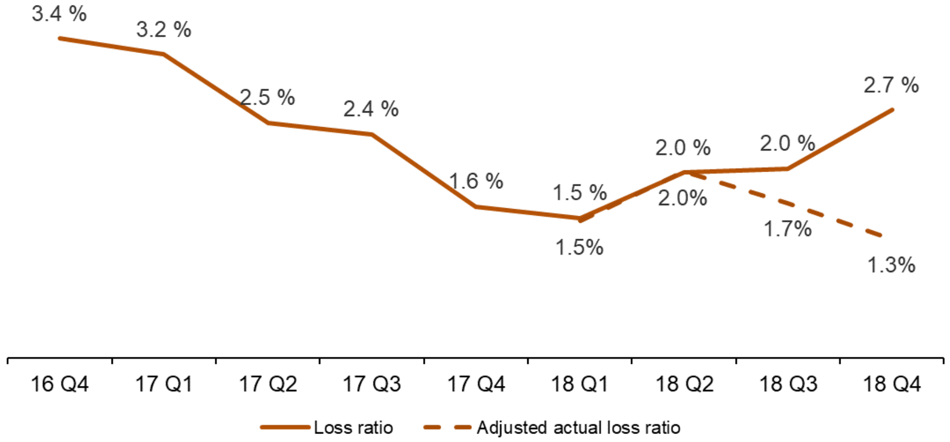
Income (SEKm)*



Yield (%) and NIM (%)*



Loss ratio (%)**

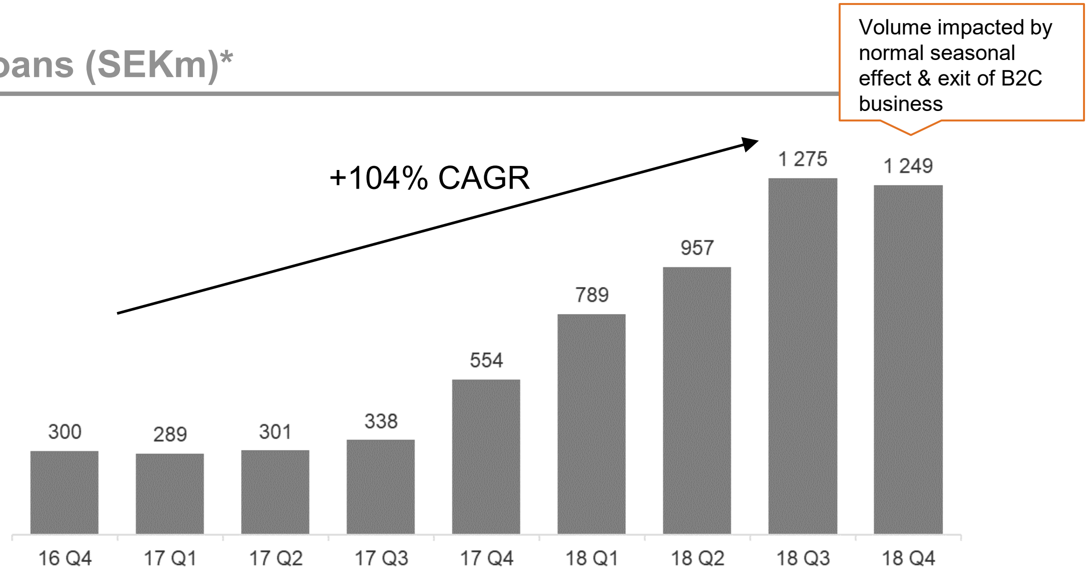


** Loss ratio is calculated as rolling 4 quarter credit losses divided by average rolling 4 quarter net loans
Actual losses refers to credit losses not incurred by IFRS9 provisions divided by average net loans per quarter and annualized
The actual loss ratio is adjusted for a non-recurring sale of NPL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

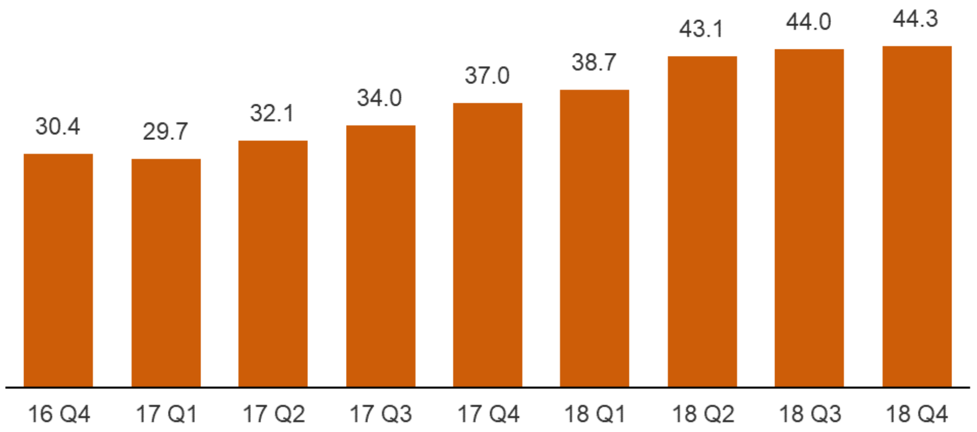
* Net loans, Income, Yield and NIM are excluding sales provisions

Business Finance – High quality volumes

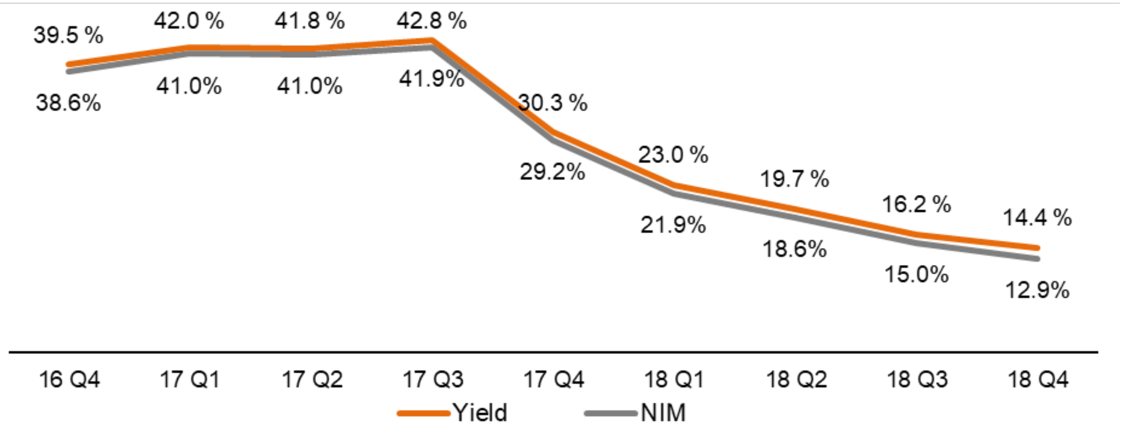
Net loans (SEKm)*



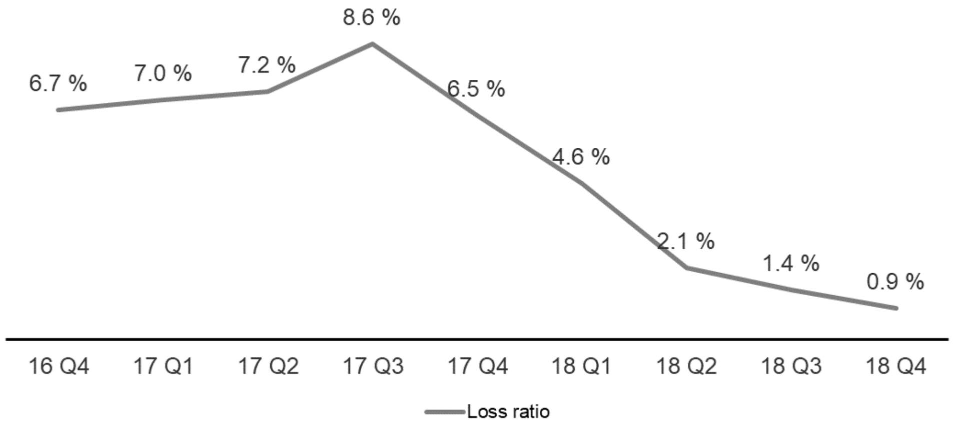
Income (SEKm)*



Yield (%) and NIM (%)*



Loss ratio (%)**



** Loss ratio is calculated as rolling 4 quarter credit losses divided by average rolling 4 quarter 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.

* Net loans, Income, Yield and NIM are excluding sales provisions

Profit & loss Q4 2018

Profit & loss

SEKm	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	FY 2018	FY2017
Interest income	138.9	123.9	116.0	104.4	96.1	483.2	337.6
Interest cost	-19.9	-13.6	-10.9	-8.6	-7.3	-53.0	-21.0
Net interest income	**119.0**	**110.3**	**105.1**	**95.8**	**88.8**	**430.3**	**316.5**
Net result from financial transactions	-0.1	-0.7	0.7	-2.2	-1.0	-2.2	-9.5
Other income	0.6	0.3	0.6	0.9	2.7	2.4	7.0
Total income	**119.6**	**109.9**	**106.5**	**94.5**	**90.5**	**430.5**	**314.0**
Administrative cost	-60.6	-59.2	-64.7	-56.4	-64.5	-240.9	-195.3
Depreciation and amortization	-2.4	-2.5	-2.5	-2.3	-8.9	-9.8	-14.6
Sum operational cost	**-63.0**	**-61.7**	**-67.2**	**-58.8**	**-73.4**	**-250.7**	**-209.9**
Result before credit loss	**56.5**	**48.2**	**39.3**	**35.8**	**17.1**	**179.8**	**104.1**
Actual losses	-15.5	-16.4	-24.9	-10.9		-67.7	
Result before IFRS 9 provisions	**41.0**	**31.8**	**14.4**	**24.9**		**112.1**	
IFRS - New	-23.7	-13.4	-11.2	-9.6		-57.8	
IFRS - Back book	2.6	7.5	17.2	1.5		28.8	
Impairment of financial assets					-0.3		-0.3
Operating profit / EBT	**20.0**	**25.9**	**20.5**	**16.7**	**6.3**	**83.1**	**48.4**
Tax	-6.9	-2.9	-4.7	-3.7	-3.6	-18.2	-12.1
Profit after tax	**13.1**	**23.0**	**15.8**	**13.0**	**2.7**	**64.9**	**36.2**

Comments

Key developments in Consumer Finance

- Consumer Finance continues to grow at a high pace. The quarterly growth was SEK 673 m (+20 percent) and the annual growth was SEK 1,776 m (+77 percent). The growth in the quarter was mainly driven by Sweden (+SEK 395 m). The other two markets contributed equally to the remainder of the growth
- Quarter on quarter growth in total income was SEK 9 m (+12 percent) indicating slightly lower margins in the portfolio. Margin compression remains in all markets. However, early signs of improved margins for new volume in Sweden is evident
- Credit losses increased during the quarter as the portfolio was impacted negatively by IFRS9 effects on new volume. The new IFRS standard, where provision for loan losses is held earlier in the credit cycle, impacts high growth companies with a relatively small back book more severely than larger companies. The accounting effects from IFRS9 in Q4 impacted the consumer finance results negatively by SEK24m. The trend in actual losses continues to improve and actual losses remains flat during the quarter in nominal terms and is declining as a share of average outstanding balances
- The segment is highly scalable and Avida is constantly implementing initiatives to improve cost efficiency and decrease operational risk. One such initiative is the implementation of a new consumer ledger, which will enable us to improve speed and flexibility

Key developments in Business Finance

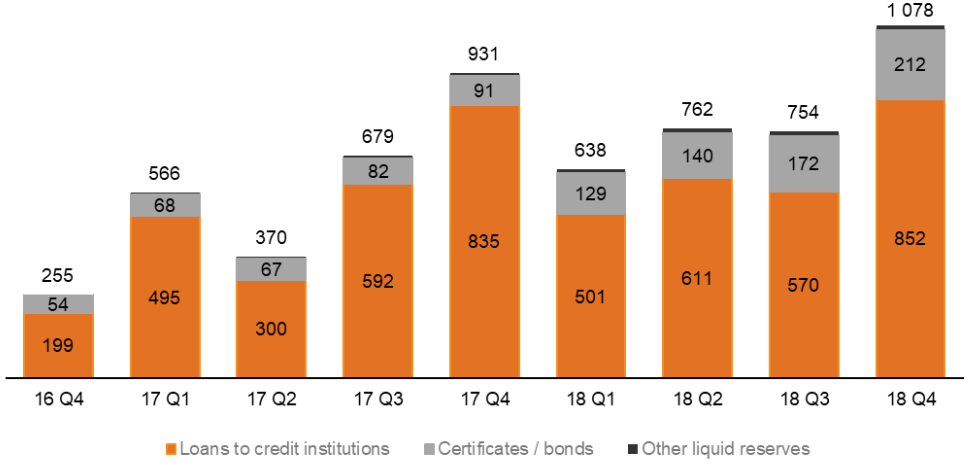
- Business Finance volumes decreased slightly during the quarter due to normal seasonal effects in the current portfolio. Nevertheless, the year on year growth was SEK 695 m (+125%). The strategy of shifting high risk exposure with a high yield to more scalable and lower risk exposure continues as planned. The results are improved loss ratios and declining margins
- Total income and direct expenses remained more or less flat in the quarter but with decreased credit losses gross profit increased by SEK 4.9 m (+17 percent)
- Underlying credit quality continues to improve as a result of the aforementioned strategy. The rolling four quarters loss ratio strengthened even further during the quarter, ending at 0.9%

Key balance sheet figures

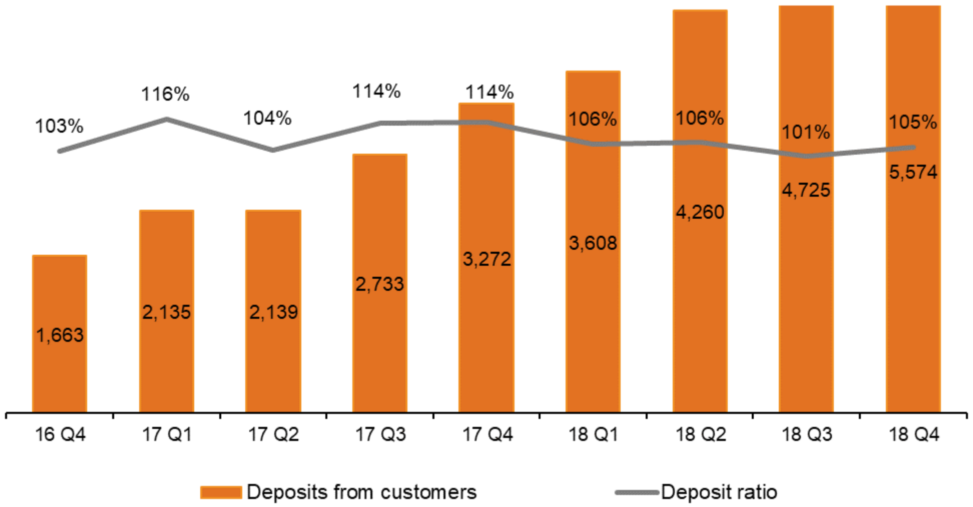
Key ratios

Average outstanding loan size	**~SEK 65,000**
LCR	**146%**
Deposit ratio	**105%**

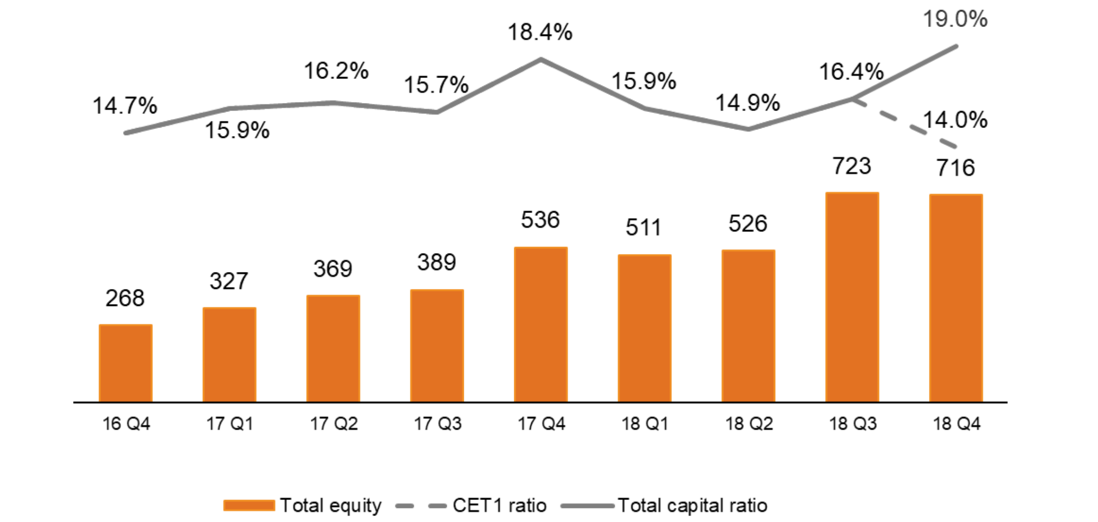
Liquidity (SEKm)



Funding (SEKm) and deposit ratio (%)



Total equity (SEKm) & Capital ratios (%)



Balance sheet Q4 2018

Balance sheet

SEKm	2018-12-31	2018-09-30	2018-06-30	2018-03-31	2017-12-31	2016-12-31
Cash and balance to central bank	13.7	12.1	10.5	8.5	5.5	4.4
Certificates and bonds	212.1	172.0	140.0	128.8	91.0	81.9
Loans to credit institutions	852.4	569.5	611.0	501.3	834.7	592.2
Net loans to customers	5 328.6	4 681.9	3 968.1	3 406.7	2 858.0	2 393.7
Shares and shares in ass. companies	0.0	0.0	0.0	0.0	0.0	4.0
Intangible assets	19.4	20.8	22.6	22.1	19.9	22.4
Machines and inventories	4.2	4.4	4.9	5.1	5.3	5.4
Other assets	34.4	23.4	37.0	54.7	4.2	16.7
Prepaid expenses and accrued income	188.5	115.4	84.6	75.1	53.7	84.2
Total assets	**6 653.4**	**5 599.4**	**4 878.7**	**4 202.3**	**3 872.2**	**3 204.9**
Deposits from customers	5 574.3	4 724.6	4 260.4	3 608.1	3 271.6	2 733.3
Other liabilities	88.9	130.0	67.8	59.3	41.1	62.2
Accrued expenses and prepaid income	21.0	22.2	24.8	24.3	23.6	15.5
Deferred tax liabilities	0.8	0.0	0.0	0.0	0.0	4.5
Subordinated debt	252.3					
Total liabilities	**5 937.3**	**4 876.9**	**4 352.9**	**3 691.7**	**3 336.2**	**2 815.5**
Share capital	5.8	5.8	5.4	5.4	5.4	4.9
Retained earnings	645.4	664.9	491.5	492.1	494.5	351.1
Earnings in year	64.9	51.8	28.8	13.0	36.2	33.5
Total equity	**716.1**	**722.5**	**525.8**	**510.6**	**536.0**	**389.4**
Total equity and liabilities	**6 653.4**	**5 599.4**	**4 878.7**	**4 202.3**	**3 872.2**	**3 204.9**

Comments

- Net loans increased QoQ by SEK 647 m (+14 percent) during the quarter resulting in a total outstanding balance of net loans to customers of SEK 5,329 m
- To accommodate the increasing need for cost effective funding, deposits in EUR will be launched during Q2 of 2019
- Avida successfully issued a SEK 250 m subordinated Tier 2 bond during the quarter, further strengthening the capital position of the company and setting the path for continued strong and profitable growth
- Equity decreased as retained earnings from Norwegian and Finnish branches were impacted negatively by FX effects

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% in line with industry average ▪ 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 200bps 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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