Q1 2019 Presentation
Avida Holding AB

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First quarter highlights

Avida Group

- The quarter has been characterized by continued high growth in both Consumer and Business Finance. Both business areas are growing according to plan with the largest growth in the Swedish and Finnish markets. Loans outstanding grew by 87% vs. last year. Total outstanding balance recorded at SEK 6.359m
- In Norway, the regulations for consumer lending were further tightened during the quarter, which meant that growth in the sector in Norway slowed sharply. The Norwegian niche banks have received significantly higher capital requirements during the quarter, which has strengthened our competitive position in Norway
- During the past year, Avida has grown volumes with lower risk instead of high risk volumes for both Consumer and Business Finance. Consequently, volume growth exceeds revenue growth. This transition phase is expected to be fully completed in the second half of the year. Thus, full leverage on volume growth will not be visible until the end of the year
- Net interest income increase QoQ, despite downward pressure from increased funding costs as cost for deposit increased, as well as larger liquidity buffer and full impact by the T2 bond issued during Q4 2018. Operational cost increase slightly during the quarter and is mainly driven by marketing expenses
- Credit losses including IFRS effects remained flat at SEK~37m during the quarter as provisions for new volume decreased
- Profit before tax recorded at SEK 18m which slightly lower than Q4 2018. However, adjusted for the negative IFRS effect the underlying profit would have been SEK 22m

Consumer Finance

- We are currently experiencing strong growth in the segment. During the quarter outstanding loans ended at SEK 4,779 m, a year on year growth of 83 percent
- Margins have tightened through the past 12 months period as we have de-risked our portfolio and competition has been strong in all markets. However, we continued to experience higher margins on new business in Sweden in the quarter
- We introduced a new scorecard in Sweden during Q4 which have initially enabled us to maintain higher margins at appropriate risk levels. New scorecards will be introduced in the other markets during Q2 and Q3
- Total income amounted to 89.8 m for the quarter, a growth by 9 percent quarter on quarter
- Funding costs have increased during the quarter following increased interbank rates, higher deposit volumes and full financial effect by the Tier 2 bond issued in Q4 2018
- Provisions for credit losses remained flat during the quarter as provision for new volume decreased. Actual credit losses increased slightly during the quarter as volume increased. A negative one-off effect by SEK 4m due to updated LGD input in the Norwegian IFRS model

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 1,580 m, a growth of 100 percent year on year. Volumes in the quarter increased due to positive seasonal effects and new customers generating new factoring volumes. Legacy B2C clients were phased out during the quarter, which also had a significant negative impact on Income (SEK -9m)
- Total income amounted to SEK 30.6 m for the quarter, significantly lower than previous quarter. This is mainly due to the phasing out of B2C clients and slightly lower margin in the corporate lending segment. This was partly offset by volume growth in both Factoring and Corporate Loans
- Credit losses remained flat in the quarter at very low levels. Less than 0.5 % of average outstanding volumes
- Avida has continued to build a solid and diversified loan portfolio during the quarter, and the organization 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

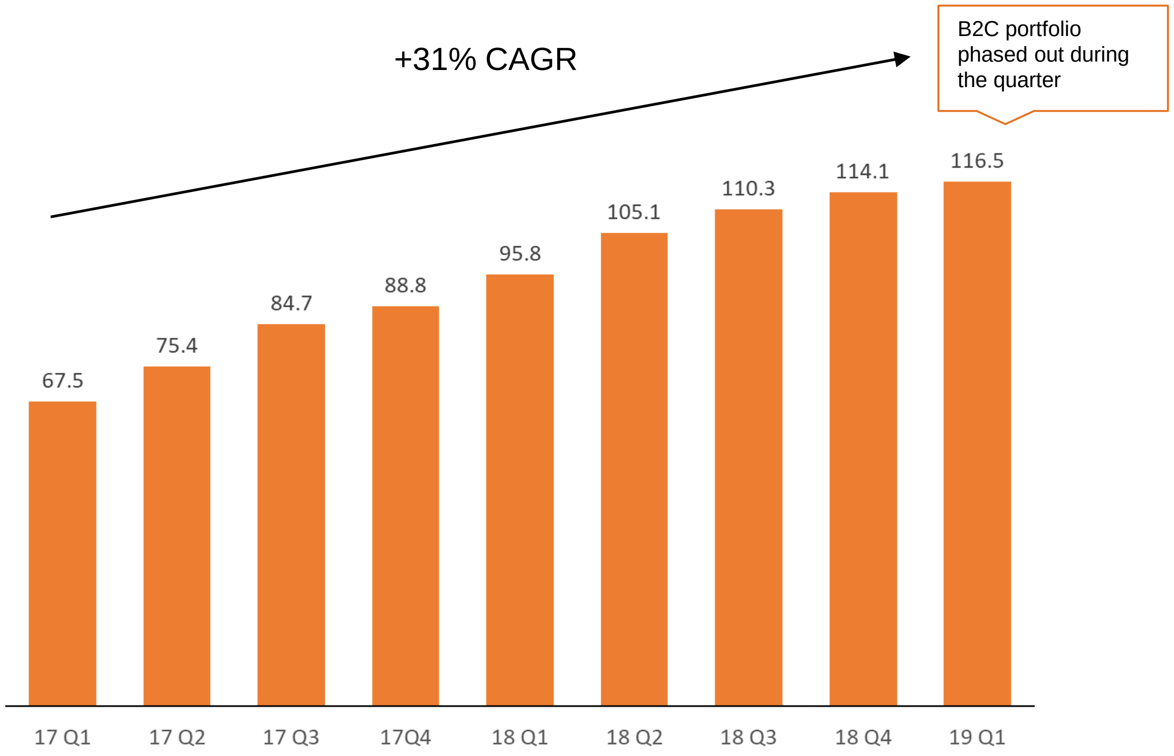
Q1 Financial Highlights

		Q1 2019	Q4 2018
I	Portfolio growth	QoQ growth in net loans of 17% - Total outstanding loans of SEK6,359m	QoQ growth in net loans of 16% - Total outstanding loans of SEK5,435m
II	Net interest margin*	Net interest margin of 9.5%	Net interest margin of 10.5%
III	Cost / Income ratio	Cost / Income ratio of 54.1%	Cost / Income ratio of 51.0%
IV	Loan losses	Loan losses of 2.5% & 1.2% excl IFRS9	Loan losses of 2.9% & 1.2% excl IFRS9
V	Profits before tax	Pre-tax profits of SEK18.4m Profit before IFRS 9 provisions: SEK 37.8m	Pre-tax profits of SEK18.7m Profit before IFRS 9 provisions: SEK 39.7m
VI	Return on equity	ROE of 7.2%	ROE of 7.2%
VII	Capital Ratio	Total Capital Ratio of 17.2% & CET1 of 12.9% Including Q1 unaudited profits: Total capital ratio 17.5% & CET1 of 13.2% - Total Capital Requirements: 12.9% - CET1 Requirements: 9.1%	Total Capital Ratio of 19.0% & CET1 of 14.0% - Total Capital Requirements: 13.2% - CET1 Requirements: 9.3%

* Net interest margin is excluding sales provisions

Continued strong growth

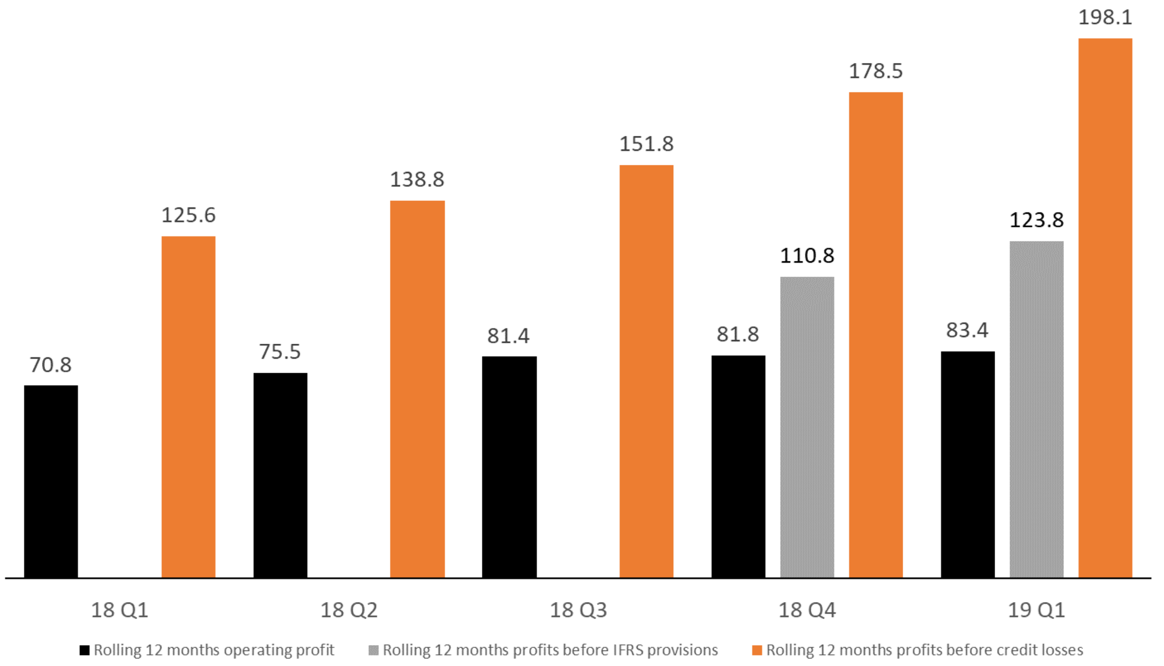
Net interest income* (SEKm)



CAGR +30%

*Net of sales provisions and interest costs

Rolling 12 months profit* (SEKm)

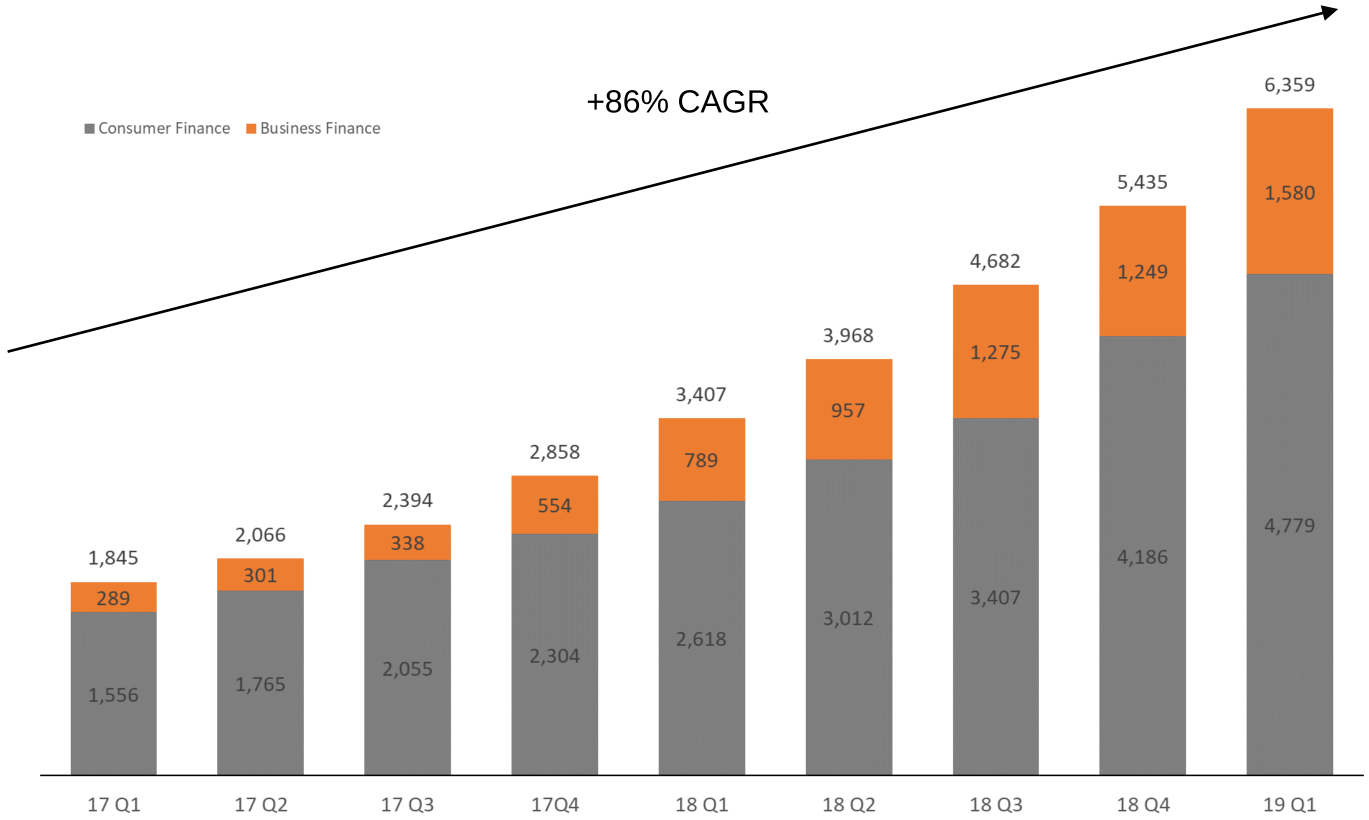


Continued growth in rolling EBT

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

Continued positive development in net loans

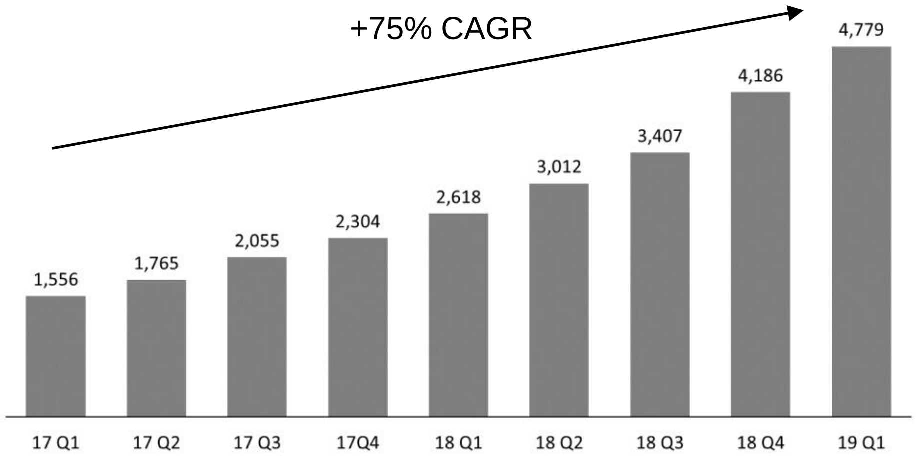
Net loans to customers (SEKm)



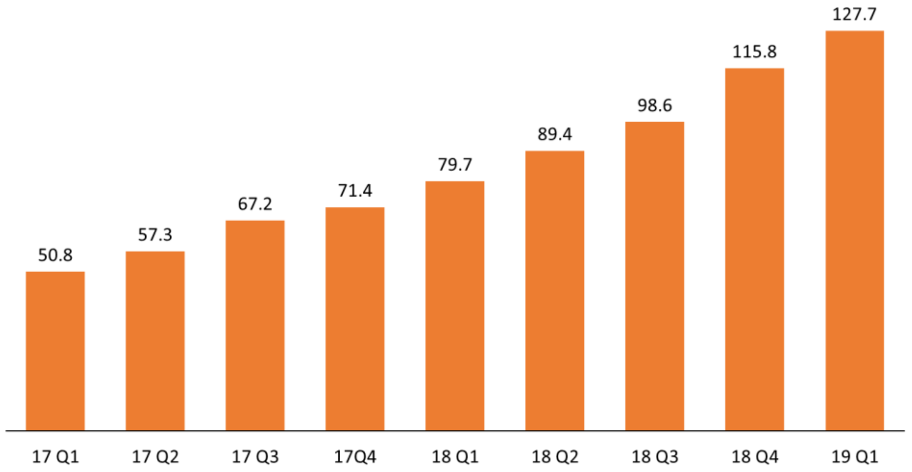
Significant volume growth continues during Q1 2019

Consumer Finance – High revenue growth

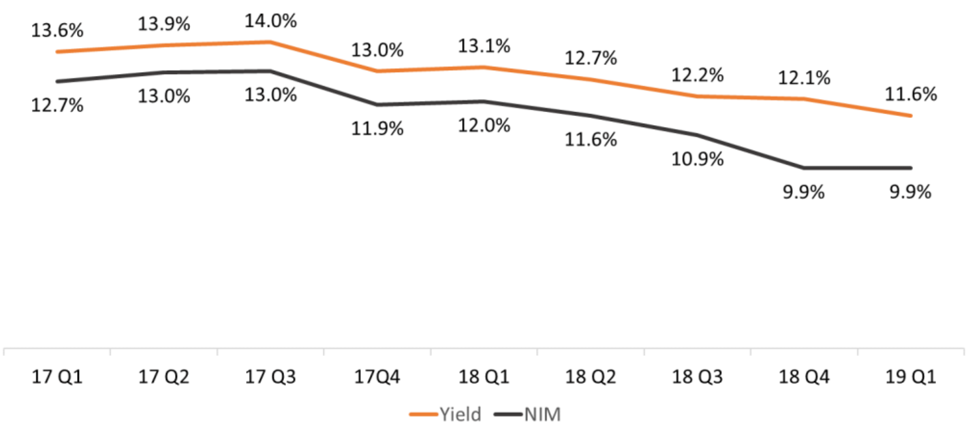
Net loans (SEKm)*



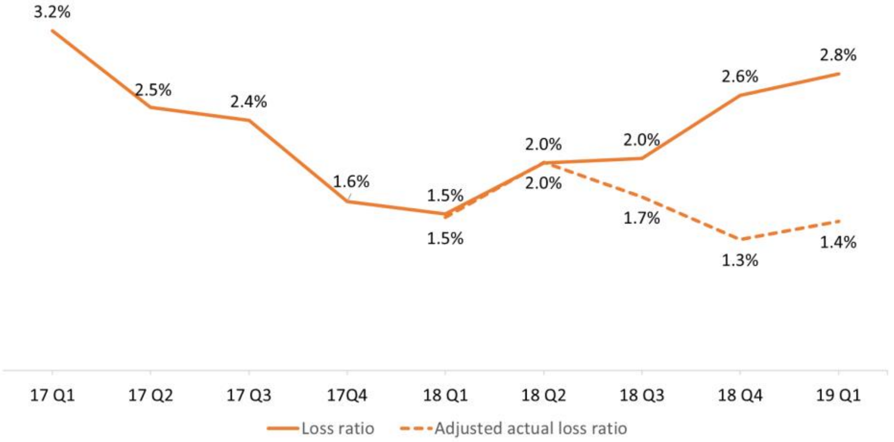
Income (SEKm)*



Yield (%) and NIM (%)*



Loss ratio (%)**

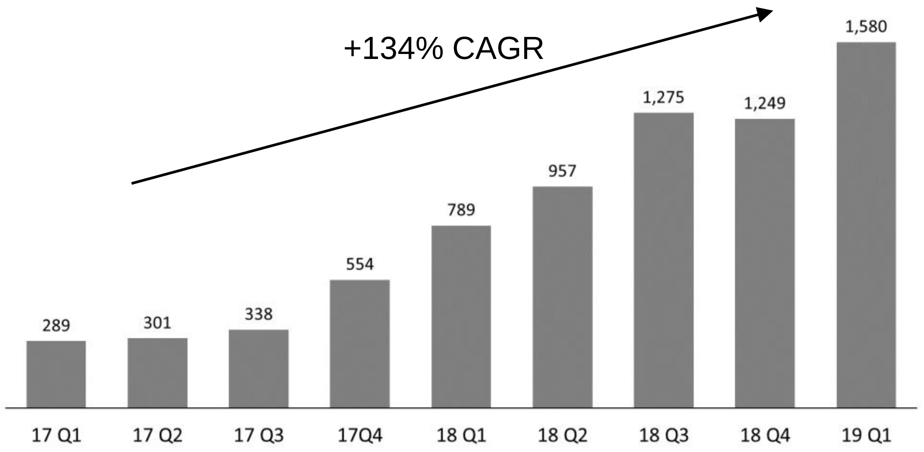


* Net loans, Income, Yield and NIM are excluding sales provisions

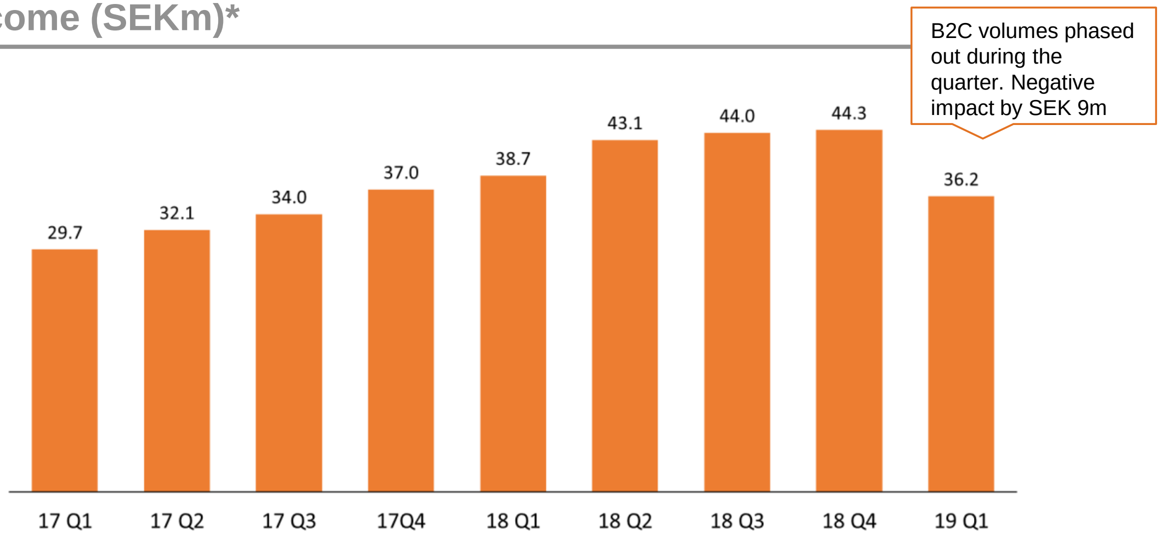
** Loss ratio is calculated as rolling 4 quarter credit losses divided by average rolling 4 quarter net loans
Actual losses refers to credit losses not incurred by IFRS9 provisions divided by average net loans per quarter and annualized
The actual loss ratio is adjusted for a non-recurring sale of NPL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

Business Finance – High quality volumes

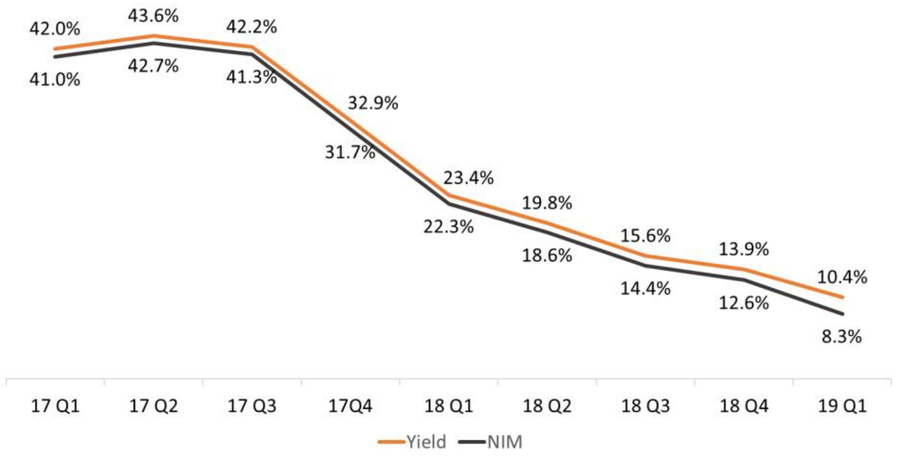
Net loans (SEKm)*



Income (SEKm)*

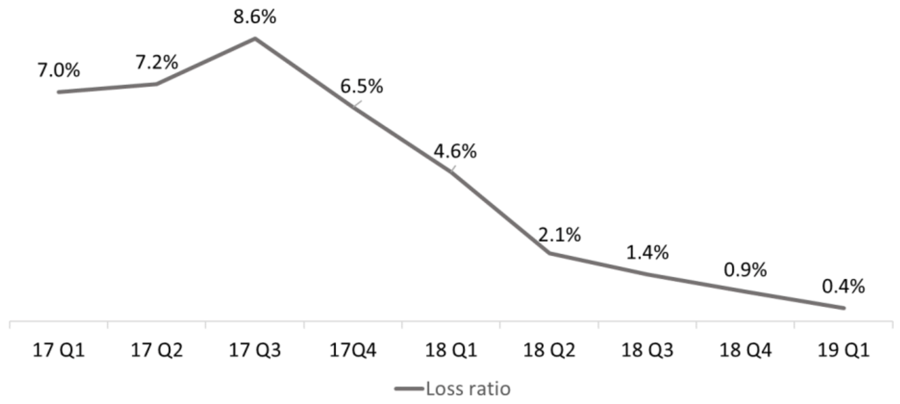


Yield (%) and NIM (%)*



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

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.

Profit & loss Q1 2019

Profit & loss

SEKm	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2018	FY2017
Interest income	142.6	139.9	123.9	116.0	104.4	484.2	337.6
Interest cost	-26.1	-25.8	-13.6	-10.9	-8.6	-58.8	-21.0
Net interest income	**116.5**	**114.1**	**110.3**	**105.1**	**95.8**	**425.4**	**316.5**
Net result from financial transactions	3.2	-2.4	-0.7	0.7	-2.2	-4.5	-9.5
Other income	0.7	0.9	0.3	0.6	0.9	2.7	7.0
Total income	**120.4**	**112.7**	**109.9**	**106.5**	**94.5**	**423.6**	**314.0**
Administrative cost	-62.6	-55.0	-59.2	-64.7	-56.4	-235.4	-195.3
Depreciation and amortization	-2.5	-2.4	-2.5	-2.5	-2.3	-9.8	-14.6
Sum operational cost	**-65.1**	**-57.5**	**-61.7**	**-67.2**	**-58.8**	**-245.1**	**-209.9**
Result before credit loss	**55.3**	**55.2**	**48.2**	**39.3**	**35.8**	**178.5**	**104.1**
Actual losses	-17.5	-15.5	-16.4	-24.9	-10.9	-67.7	
Result before IFRS 9 provisions	**37.8**	**39.7**	**31.8**	**14.4**	**24.9**	**110.8**	
IFRS - New	-14.2	-23.7	-13.4	-11.2	-9.6	-57.8	
IFRS - Back book	-5.3	2.6	7.5	17.2	1.5	28.8	
Impairment of financial assets							-0.3
Operating profit / EBT	**18.4**	**18.7**	**25.9**	**20.5**	**16.7**	**81.8**	**48.4**
Tax	-5.6	-5.6	-2.9	-4.7	-3.7	-16.9	-12.1
Profit after tax	**12.8**	**13.1**	**23.0**	**15.8**	**13.0**	**64.9**	**36.2**

Comments

Key developments in Consumer Finance

- The volume growth continues, and Consumer Finance delivered quarterly growth of SEK 592 m (+14%) and LTM growth of SEK 2,160 m (+83%). During the quarter, the growth has slowed down slightly, mainly due to slower underlying growth in the Norwegian market. Sweden and Finland are growing according to plan, and early results from the recently implemented scorecard in Sweden are promising
- Margins in the portfolio have declined on aggregate in line with expectations due to the efforts to de-risk, as well as overall tightening of the market. However, margins on new volumes in Sweden have been improving throughout the quarter
- Credit losses were impacted by a negative non-recurring effect of SEK 4 m due to updated LGDs in the Norwegian IFRS model. The credit losses were practically unchanged and increased with less than 1%

Key developments in Business Finance

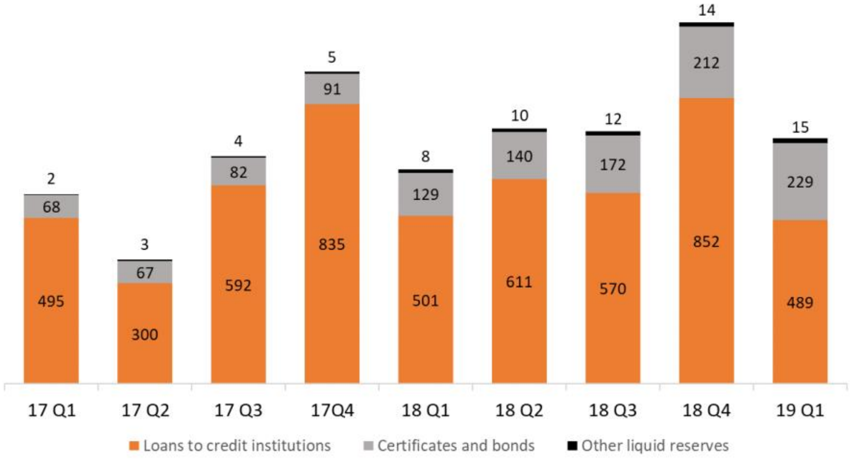
- Business Finance grows at a rapid rate, and increased QoQ volume by SEK 331 m (+27%) and LTM by SEK 792 m (+100%). This strong growth is supported by volumes to larger and lower risk clients in line with Avida's portfolio strategy
- Margins declined QoQ in line with expectations relating to the continuing efforts to shift out previous high yield volumes in favour of more sustainable volumes
- Credit losses in Business Finance remain very low, with the majority being attributable to B2C financing
- An increased focus on digital loans has resulted in several additions to the portfolio during the quarter. A platform is now in place to enable increased sales targeting this market segment

Key balance sheet figures

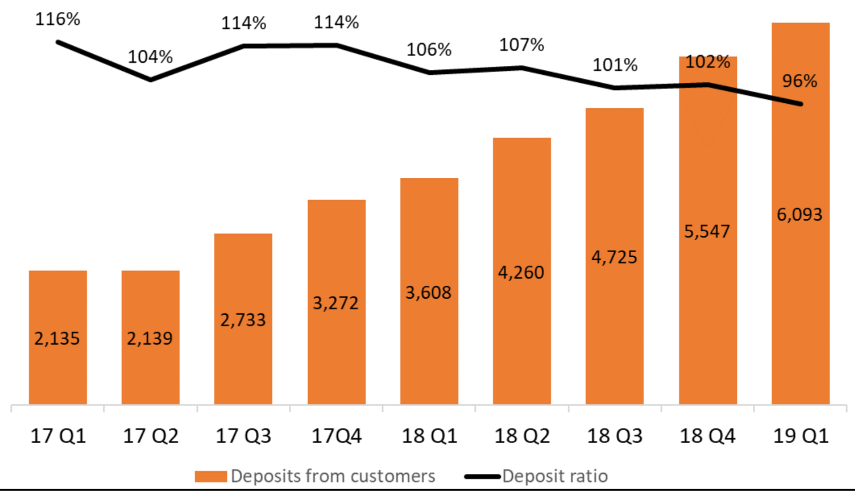
Key ratios

Average outstanding loan size	~SEK 70,000
LCR	146%
Deposit ratio	96%

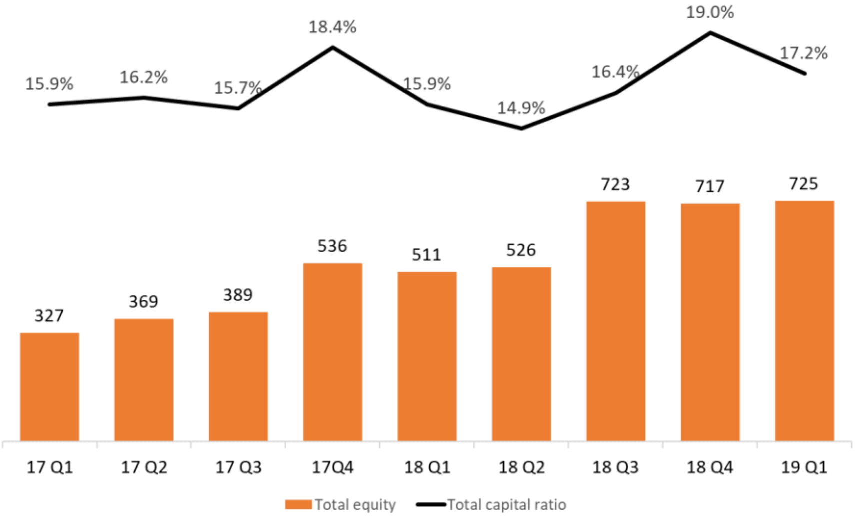
Liquidity (SEKm)



Funding (SEKm) and deposit ratio (%)



Total equity (SEKm) & Capital ratios (%)



Balance sheet Q1 2019

Balance sheet

SEKm	2019-03-31	2018-12-31	2018-09-30	2018-06-30	2018-03-31	2017-12-31
Cash and balance to central bank	15.4	13.7	12.1	10.5	8.5	5.5
Certificates and bonds	228.6	212.1	172.0	140.0	128.8	91.0
Loans to credit institutions	488.5	851.9	569.5	611.0	501.3	834.7
Net loans to customers	6,358.9	5,435.4	4,681.9	3,968.1	3,406.7	2,858.0
Intangible assets	18.5	19.4	20.8	22.6	22.1	19.9
Property, plant and equipment	20.8	4.2	4.4	4.9	5.1	5.3
Other assets	9.4	33.7	23.4	37.0	54.7	4.2
Prepaid expenses and accrued income	72.0	47.6	115.4	84.6	75.1	53.7
Total assets	**7,212.3**	**6,617.9**	**5,599.4**	**4,878.7**	**4,202.3**	**3,872.2**
Deposits from customers	6,092.7	5,547.1	4,724.6	4,260.4	3,608.1	3,271.6
Other liabilities	98.5	80.9	130.0	67.8	59.3	41.1
Accrued expenses and prepaid income	42.8	21.0	22.2	24.8	24.3	23.6
Deferred tax liabilities	0.8	0.0	0.0	0.0	0.0	0.0
Subordinated debt	252.4	252.3	0.0	0.0	0.0	0.0
Total liabilities	**6,487.1**	**5,901.3**	**4,876.9**	**4,352.9**	**3,691.7**	**3,336.2**
Share capital	5.8	5.8	5.8	5.4	5.4	5.4
Retained earnings	706.5	645.9	664.9	491.5	492.1	494.5
Earnings in year	12.8	64.9	51.8	28.8	13.0	36.2
Total equity	**725.1**	**716.6**	**722.5**	**525.8**	**510.6**	**536.0**
Total equity and liabilities	**7,212.3**	**6,617.9**	**5,599.4**	**4,878.7**	**4,202.3**	**3,872.2**

Comments

- Net loans increased with SEK 924 m (+17%) QoQ and SEK 2,952 m (87%) LTM, resulting in a total outstanding balance of net loans to customers of SEK 6,359 m
- As the need for efficient funding increases, deposits in EUR are estimated to be launched in the beginning of Q3. Deposit balances from customers in SEK and NOK increased during the quarter, following ongoing efforts to offer competitive interest rates on deposited funds
- PP&E increased due to IFRS 16 accounting treatment of leasing contracts

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 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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