

Q2 2018 Presentation

Avida Holding AB

AVIDA

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Avida Group

- The strong volume growth continues with an increase in net loans of SEK1,902m (92%) YoY and SEK561m (16%) from previous quarter, ending at SEK3,968m.
- Net revenues increase ending at SEK105m, an increase of SEK30m (39%) YoY and SEK9m (10%) in the quarter.
- Earnings before tax at SEK20.5m, an increase of SEK4m (23%).
- The CET1 ratio is 14.9% at the end of second quarter 2018, compared to Avida's target of 13%.

Consumer Finance

- Strong growth with YoY increase in net loans of SEK1,148m (65%). Positive development also during the second quarter with an increase of SEK321m (12%), ending at SEK 3,012m.
- The net interest margin was 10.9% (11.0% in Q1) driven by interest yields decreasing from 12.1% in Q1 2018 to 12.0% in Q2 2018 due to stronger growth in lower risk and higher ticket segments.
- Loan loss ratio (rolling 4 quarters) of 2.0% (1.5% in Q1). The increase is due to transition to IFRS9.

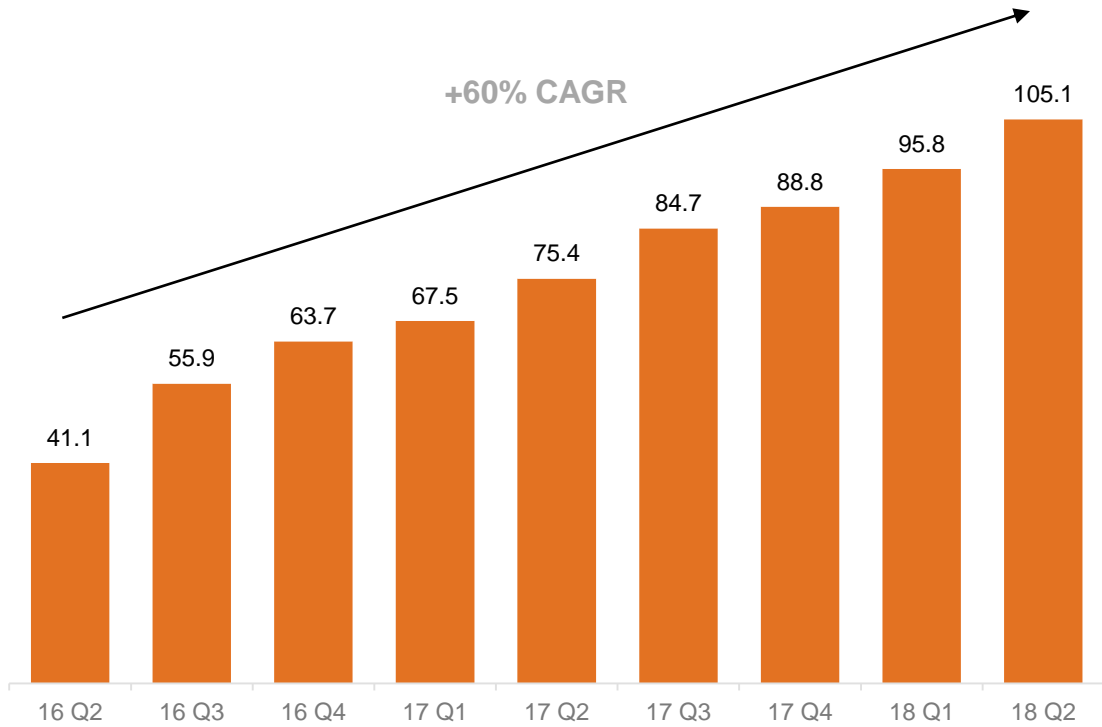
Business Finance

- Significant growth during the quarter with increased net lending of SEK174m (22%) and SEK658m (221%) YoY, ending at a total loan book of SEK957m.
- Business Finance operations continue to grow rapidly and winning significant clients. In Q2 Avida have signed its first customer in Belgium. This is in line with Avida's strategy to grow in Europe together with strategic partners.
- Net interest margin of 20.8% (23.0% in Q1). The decrease in net interest margin is due to a change in strategy and continuous shift towards more credit worthy clients to enable faster and more stable growth.
- Loan loss ratio (rolling 4 quarters) of 2.1% (4.6% in Q1). This deduction is almost entirely related to the sale of old B2C NPLs. In B2B, where the growth is occurring, there are close to no losses.

Q2 2018 Financial Highlights

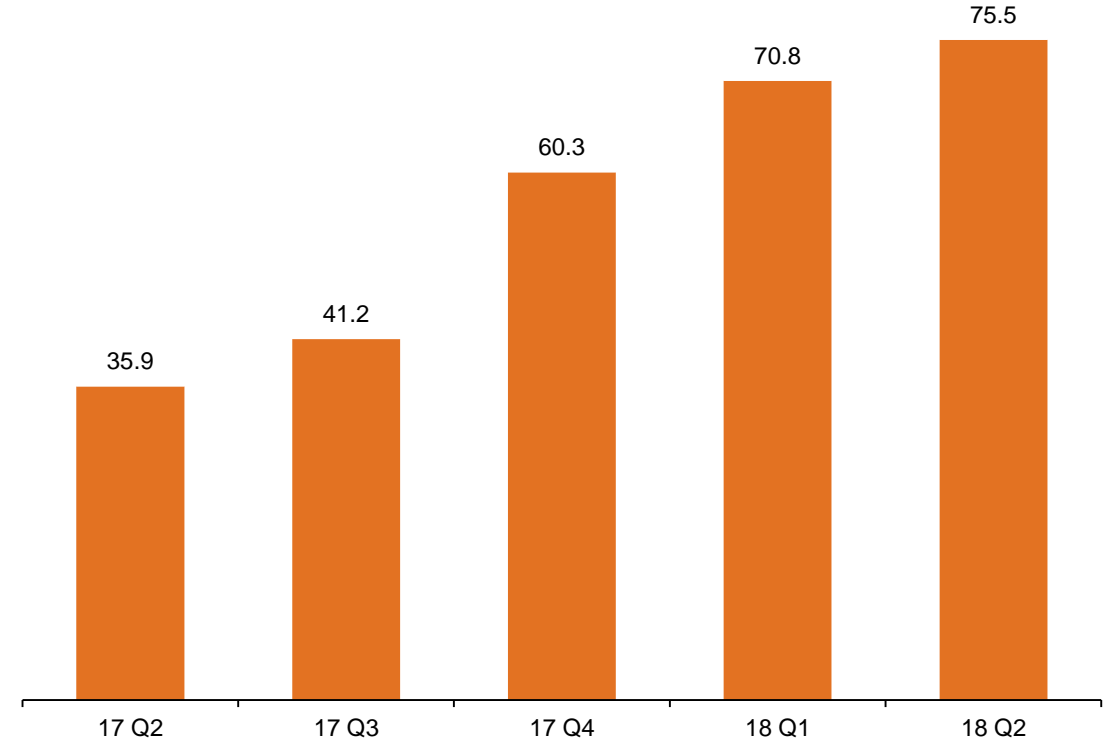
I	Portfolio growth	YoY growth in net loans of 92% - Total outstanding loans of SEK3,968m
II	Net interest margin	Net interest margin of 15.5%
III	Cost / net interest income ratio	Cost / Income ratio of 63.1%
IV	Loan losses	Annualized loan losses of 1.8%
V	Profits	Pre-tax profits of SEK20.5m
VI	Return on equity	ROE of 13.2% - Return on required CET1 capital of 16.8%
VII	CET1 ratio	CET1 ratio of 14.9% - Well above regulatory minimum requirements of 9.6%

Net interest income (SEKm)



Continued strong growth in Net interest income in Q2 2018

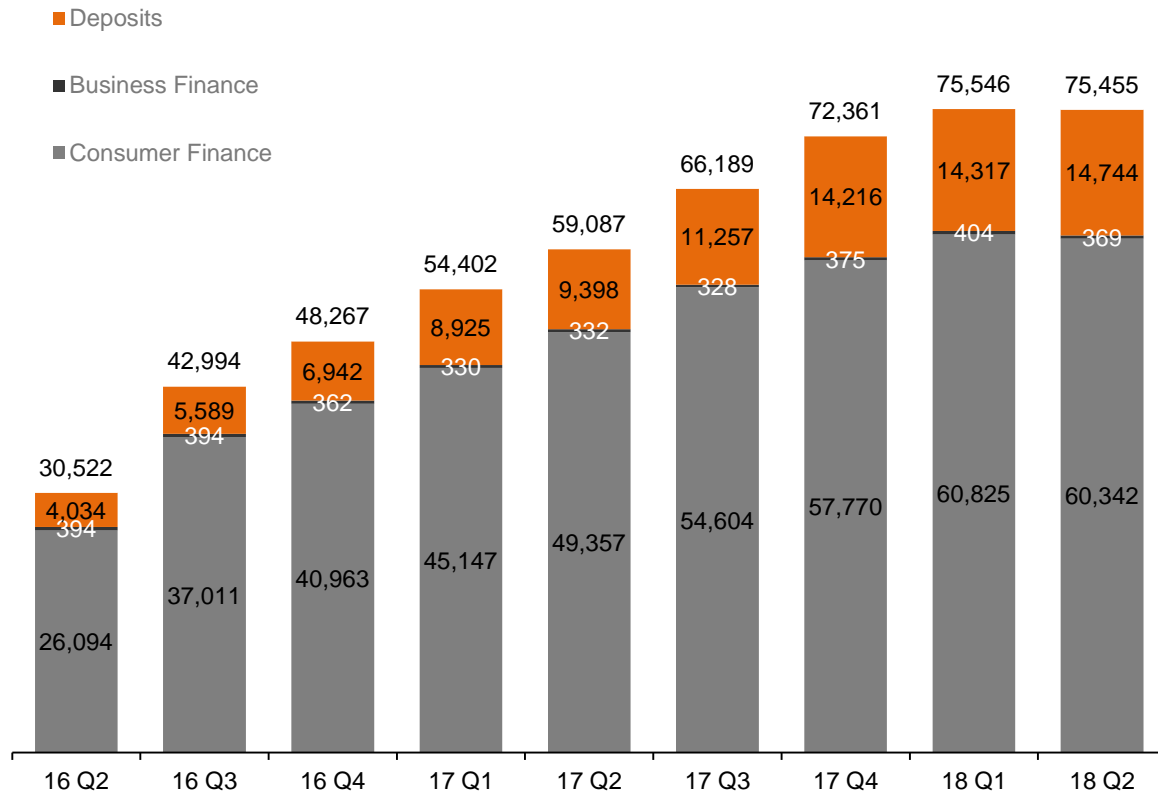
Rolling 12 month Operating profit / EBT* (SEKm)



Continued significant growth in rolling EBT

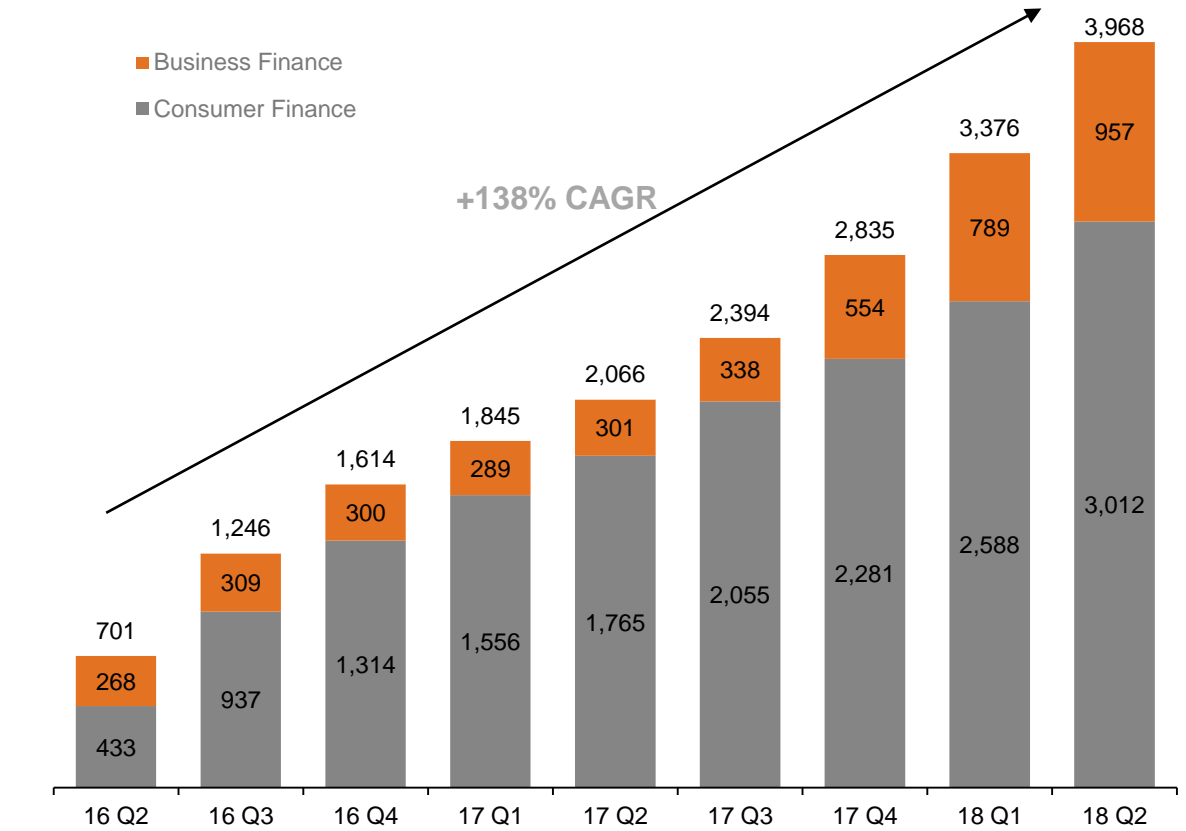
* Adjusted EBT in Q4 for one offs of total SEK12m

Number of customers (#)



Continued growth of customers in deposits in Q2 2018

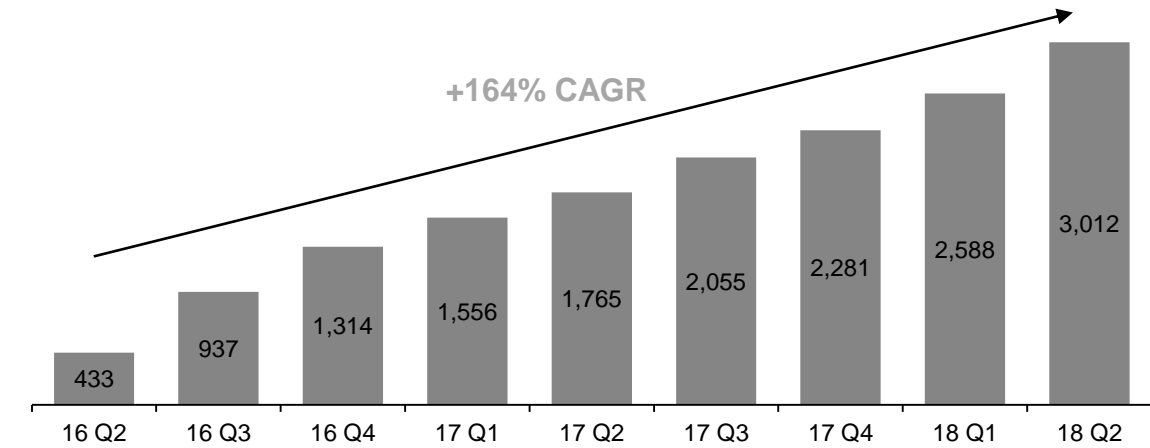
Net loans to customers (SEKm)*



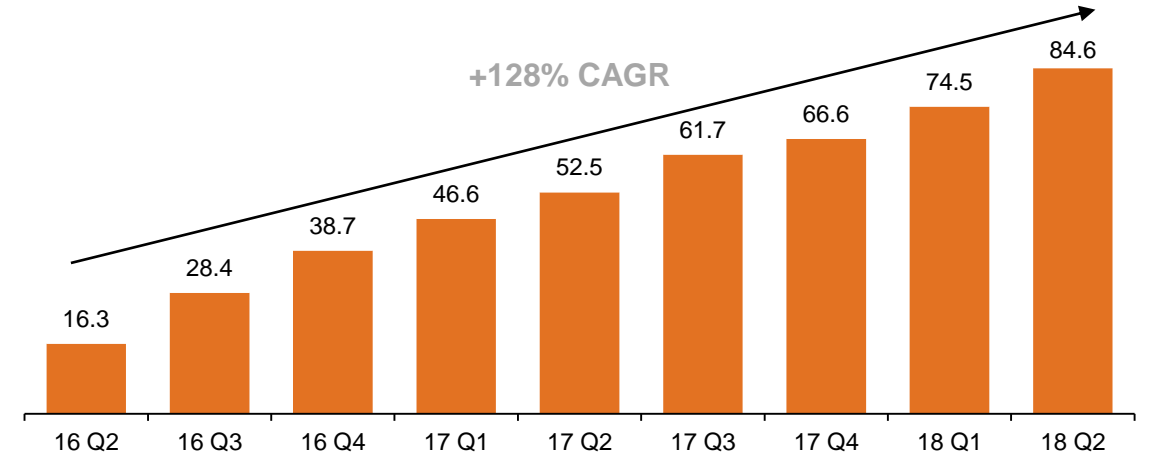
Significant volume growth during Q2 2018

* Excluding external commission

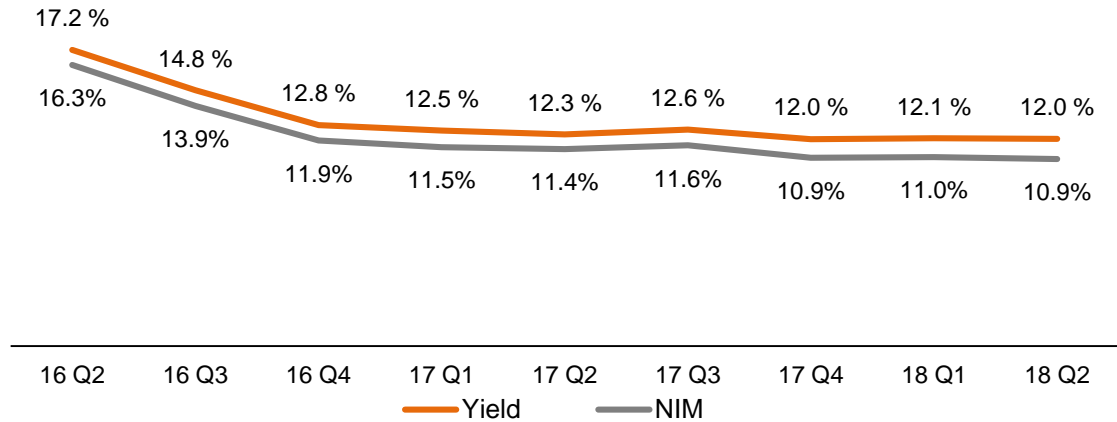
Net loans (SEKm)*



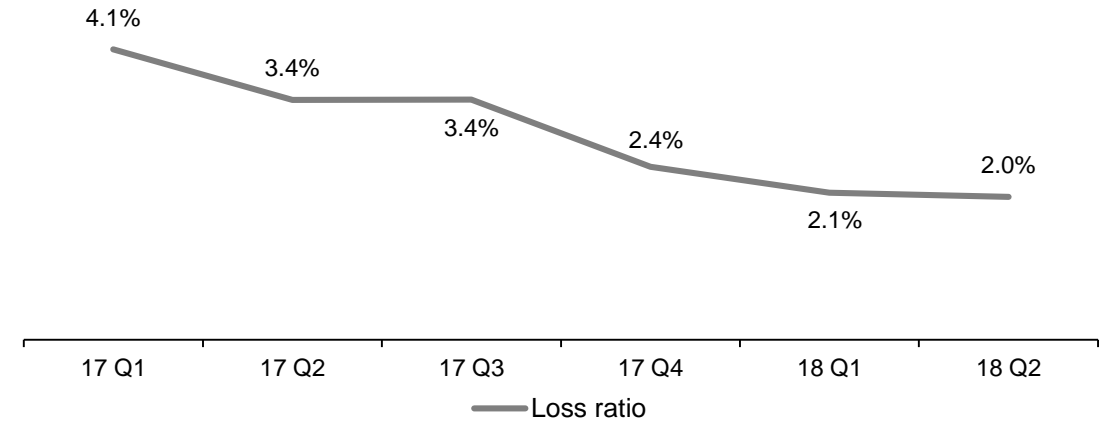
Income (SEKm)*



Yield (%) and NIM (%)*



Loss ratio (%)**

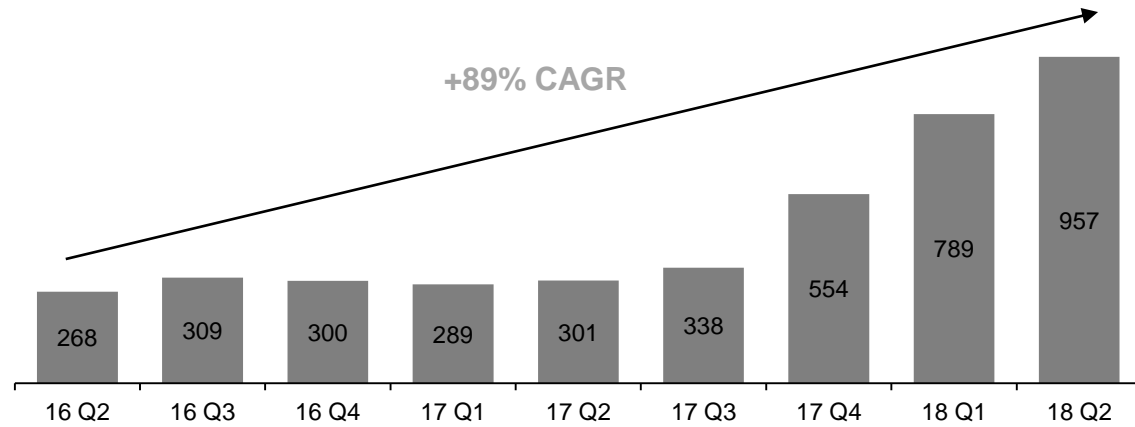


* Net loans, Income, Yield and NIM is excluding external commission

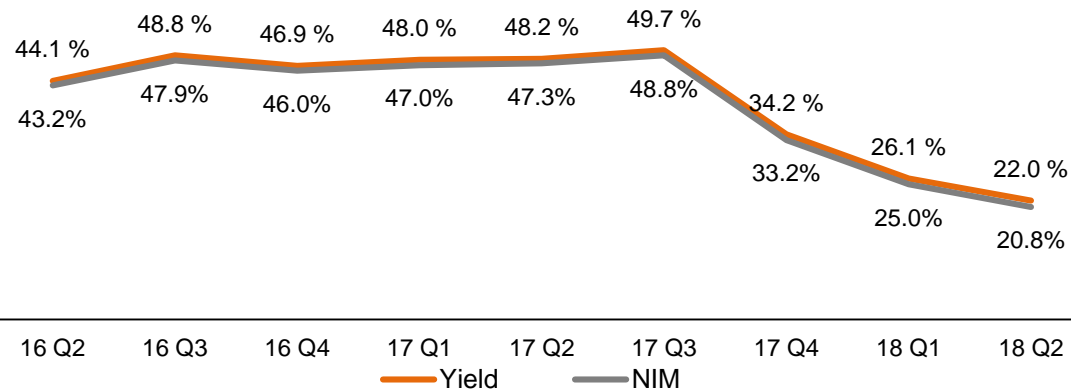
** Loss ratio is calculated as rolling 4 quarter credit losses divided by average rolling 4 quarter net loans

Note; The change in strategy towards a product mix of more larger credit worthy clients affects positively on volumes and loss ratio as well as reducing NIM according to plan.

Net loans (SEKm)*

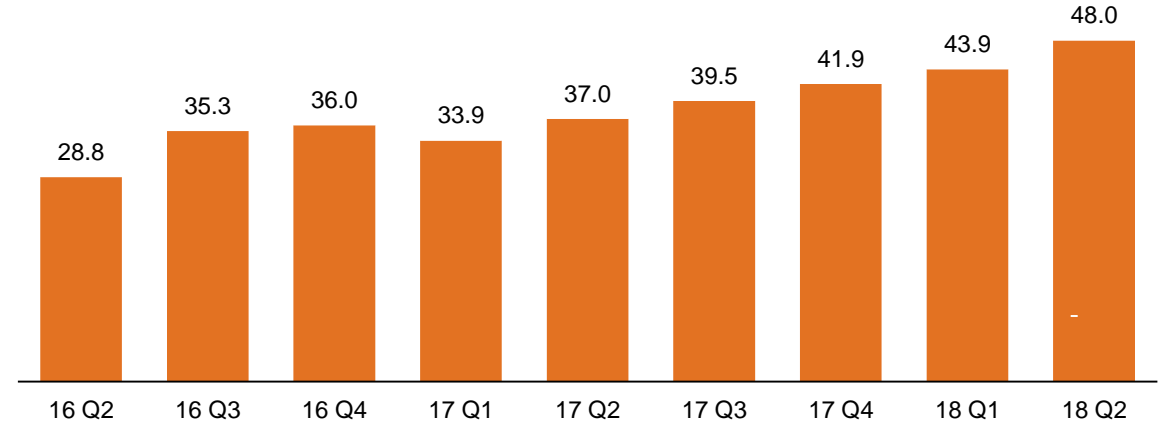


Yield (%) and NIM (%)*

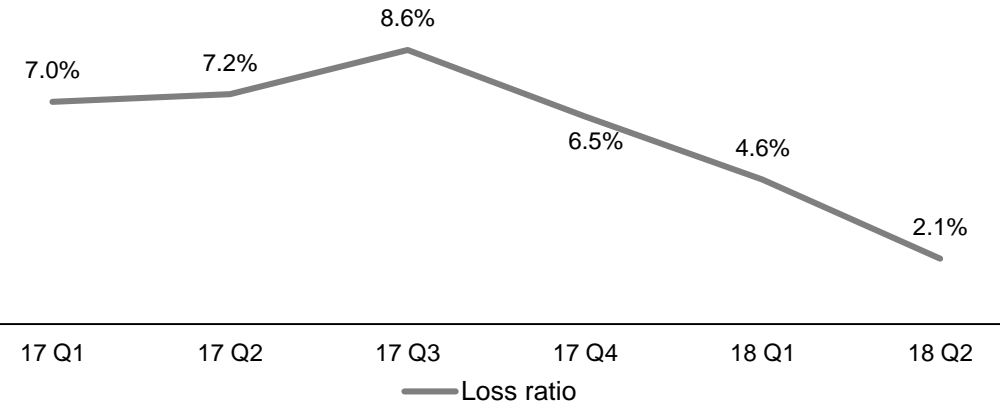


* Net loans, Income, Yield and NIM is excluding external commission

Income (SEKm)*



Loss ratio (%)**



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

Profit & loss

SEKm	Q2 2018	Q2 2017	2017	2016	2015
Interest income	116,0	79,7	337,6	204,4	145,3
Interest cost	-10,9	-4,3	-21,0	-8,4	-5,8
Net interest income	105,1	75,4	316,5	196,0	139,5
Net result from financial transactions	0,7	-2,5	-9,5	-6,6	-2,1
Other income	0,6	1,5	6,6	6,0	3,1
Total income	106,5	74,4	313,6	195,4	140,6
Administrative cost	-64,7	-46,5	-195,2	-133,5	-91,3
Depreciation and amortization	-2,5	-1,8	-14,6	-5,6	-3,9
Sum operational cost	-67,2	-48,3	-209,8	-139,1	-95,2
Result before credit loss	39,3	26,1	103,8	56,3	45,4
Net credit loss	-18,8	-10,3	-55,4	-45,0	-32,3
Operating profit / EBT	20,5	15,8	48,3	11,3	13,1
Tax	-4,7	-3,5	-12,1	1,6	-4,3
Profit after tax	15,8	12,3	36,2	12,8	8,8

Comments

Key development in Consumer Finance operations

- Consumer Finance operations continue to show growth during the quarter and YoY with an increase of SEK321m (12%) and SEK1,148m (65%) respectively, ending at SEK3,012m. During the quarter Non Performing Loans (NPLs) have been sold on a monthly basis, and additionally a stock of older NPLs was sold in Sweden.
- All markets are showing strong growth, where Sweden and Finland had the most positive development. Norway is showing a slower development, but the team has implemented new strategies to strengthen the development which should result in increased growth over the next few quarters.
- The Consumer Finance business is highly scalable, and Avida has implemented several initiatives that will greatly improve the long term cost efficiency and risk management. The change of the consumer ledger in all countries during 2018 has started in Q2 with expected first part launch during the second half 2018. This change will improve Avida's speed and flexibility particularly when adding new products and features to existing products going forward.

Key development in Business Finance operations

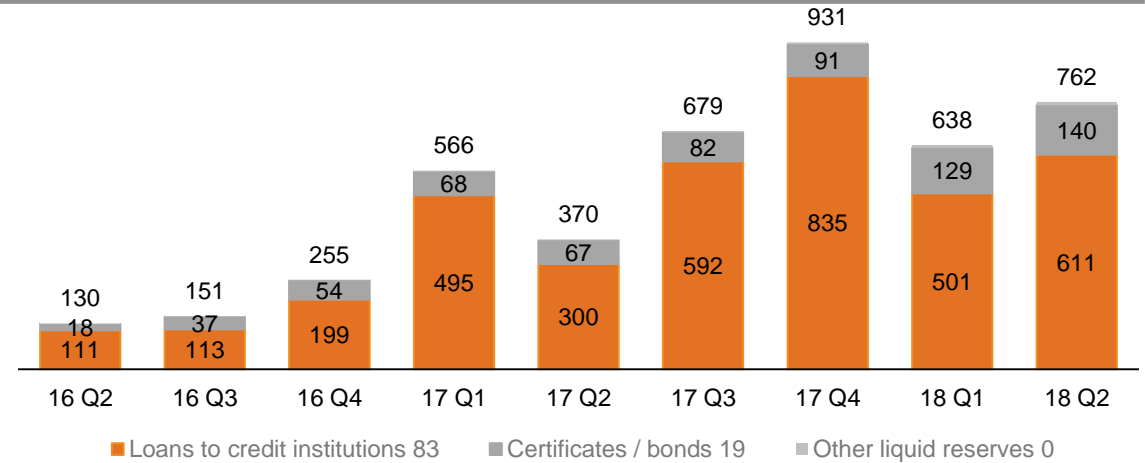
- Business Finance increased its volumes by SEK174m (22%) during the quarter and by SEK658m YoY, ending at SEK957m. A key driver for the growth is the factoring agreement with Norsk Gjenvinning that went live in Q1 and grew through Q2. The agreement is a significant milestone for Avida, and shows that the company can also handle larger customers with complex needs.
- The significant investments made in the Business Finance segment keeps paying off, resulting in positive development for the quarter.
- The business set up is very scalable and the marginal profitability of new agreements is expected to be highly accretive.

Key balance sheet figures

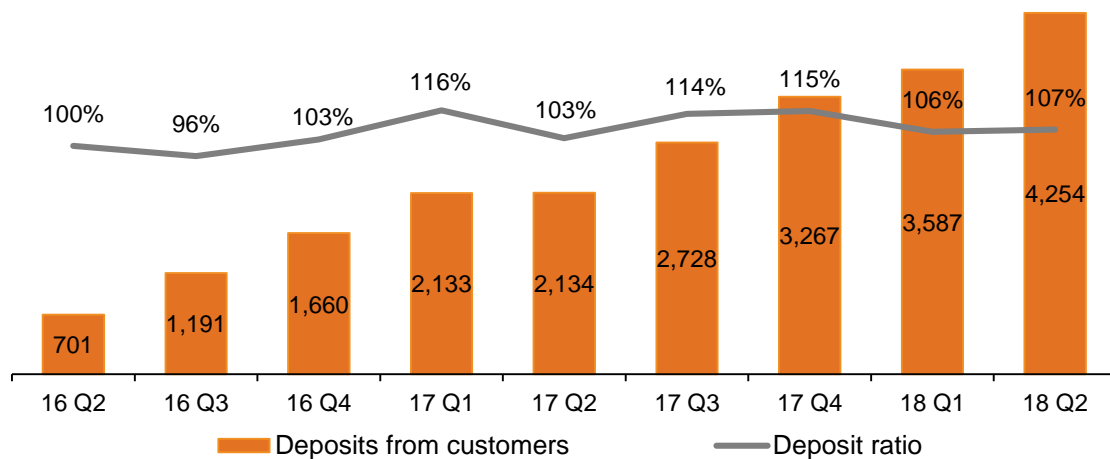
Key ratios

Average outstanding loan size	~SEK 49,908
LCR	127%
Deposit ratio	107%

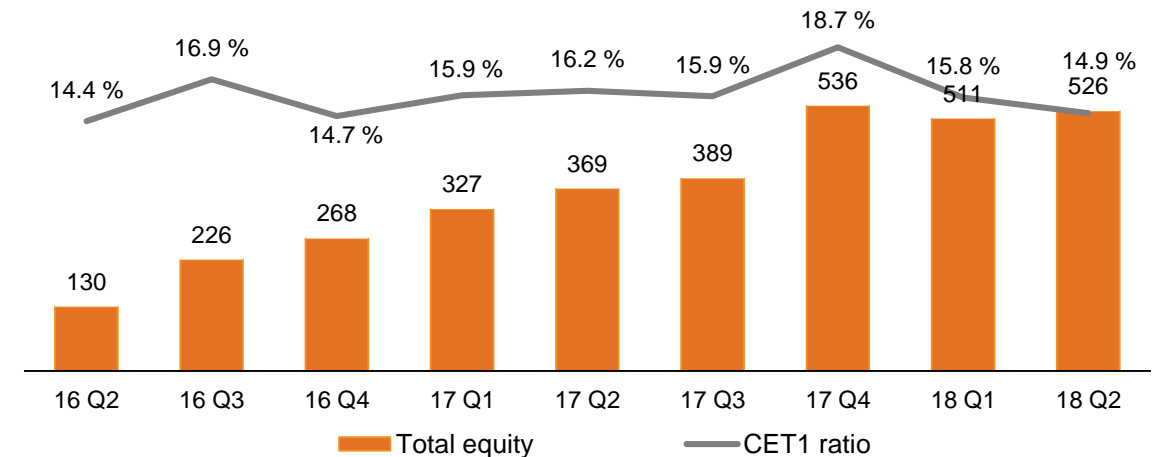
Liquidity (SEKm)



Funding (SEKm) and deposit ratio (%)



Total equity (SEKm) & CET1 ratio (%)



Balance sheet

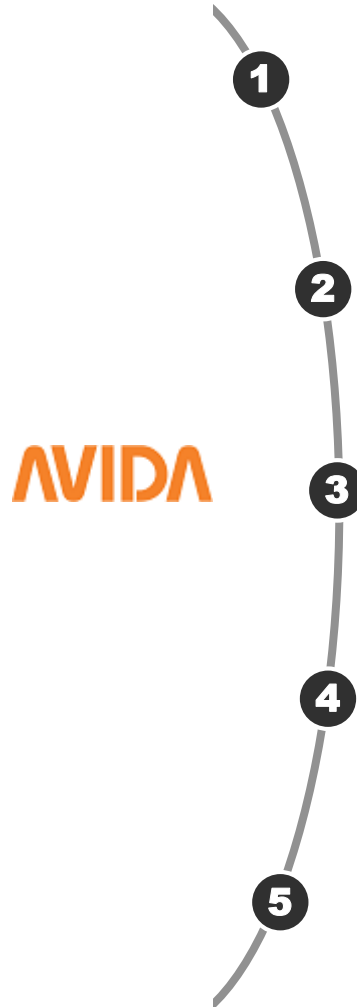
SEKm	2018-06-30	2018-03-31	2017-12-31	2017-09-30	2017-06-30	2016-12-31
Cash and balance to central bank	10.5	8.5	5.5	4.4	3.2	1.8
Certificates and bonds	140.0	128.8	91.0	81.9	67.4	54.5
Loans to credit institutions	611.0	501.3	834.7	592.2	299.5	198.7
Net loans to customers	3 968.1	3 406.7	2 858.0	2 393.7	2 065.7	1 614.0
Shares and shares in ass. Companies	0.0	0.0	0.0	4.0	4.2	4.2
Intangible assets	22.6	22.1	19.9	22.4	21.2	15.3
Machines and inventories	4.9	5.1	5.3	5.4	5.4	5.4
Other assets	37.0	54.7	4.2	16.7	28.8	38.8
Prepaid expenses and accrued income	84.6	75.1	53.7	84.2	70.6	56.7
Total assets	4 878.7	4 202.3	3 872.2	3 204.9	2 566.1	1 989.4
Deposits from customers	4 260.4	3 608.1	3 271.6	2 733.3	2 138.6	1 663.3
Other liabilities	67.8	59.3	41.1	62.2	40.3	40.4
Accrued expenses and prepaid income	24.8	24.3	23.6	15.5	13.6	12.8
Deferred tax liabilities	0.0	0.0	0.0	4.5	4.7	4.7
Total liabilities	4 352.9	3 691.7	3 336.2	2 815.5	2 197.2	1 721.3
Share capital	5.4	5.4	5.4	4.9	4.8	4.4
Retained earnings	491.5	492.1	494.5	351.1	346.8	250.9
Earnings in year	28.8	13.0	36.2	33.5	17.2	12.8
Total equity	525.8	510.6	536.0	389.4	368.9	268.2
Total equity and liabilities	4 878.7	4 202.3	3 872.2	3 204.9	2 566.1	1 989.4

Comments

- Net loans increased by SEK1,902m YoY and SEK561m during Q2 2018 leading to a total net loans of SEK3,968m.
- The funding is mainly comprised of deposits and equity with deposits increasing by SEK2,122m YoY and SEK652m QoQ leading to a liquidity portfolio of SEK762m.
- The equity base increased by SEK157m YoY and increased by SEK15m Q2 2018 mainly due to audited profit for Q1, implying a capital ratio of 14.9% - well above the capital targets and requirements.

I	Growth	<ul style="list-style-type: none"> ▪ Significant growth opportunity; realistic target of SEK10Bn loan book by 2020 by pursuing opportunities in both consumer and business ▪ Dynamic allocation of capital to products/segments with best risk/reward
II	Return on equity	<ul style="list-style-type: none"> ▪ 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
III	Capital ratios	<ul style="list-style-type: none"> ▪ Current CET1 ratio target of ~13% ▪ Current total capital ratio target of 14.5-15.0% ▪ Will leverage capital markets for both debt and additional equity to grow intelligently
IV	Dividend policy	<ul style="list-style-type: none"> ▪ Target dividend payout ratio of 35% ▪ No dividend payments in short / medium term due to growth focus

Diversified, scalable and set for high growth

- 
- 1** **Diversified business - well positioned to capture large opportunity in the SME market in the Nordics** ✓
 - 2** **Reshaped, automated platform - well set up for growth across the Nordics** ✓
 - 3** **Scalable model – targeting SEKbn 10 loan book by 2020** ✓
 - 4** **Renewed, strong management team that “has done this before” – set to do it even better this time** ✓
 - 5** **Shareholder friendly set up with long-term and active key shareholders** ✓

Issue of new shares

- In the beginning of July, the Board of directors decided to issue 4,000,000 shares, in total NOK 150m (SEK 160m). Both new and existing investors participated. With increased CET1 capital Avida is well capitalized for the lending growth going forward.

- Avida expects continued strong growth in lending volumes going forward and maintains our expectation for growth in net loans to customers through 2018, ending at SEK5,000m. We will continue our focus on improving the cost efficiency.
- Both Business Finance and Consumer Finance have grown according to plan in Q2 and we expect the growth to continue in the second half and margins to improve as we get scale advantages.
- Within Business Finance the operation continues to grow rapidly and winning significant clients in the Nordic and European market. We will constantly evolve our product offering to support our ambitious growth targets.
- Consumer Finance had a good development in the quarter in Finland and Sweden. The development in Norway however is weaker than expected. The focus is on optimizing our score models to better identify profitable segments to fuel our growth.
- The cost level during the quarter is within plan but have been higher than in the first quarter due to investments in IT and organisation. Actions have been implemented to better control the cost development, and the Board remains confident in reaching the targets set out for 2018 with SEK 5bn in credit volume and continued improvements in the C/I ratio.
- Avida sees good growth prospects in all of the three geographic markets, and our strategy of focusing on both Consumer and Business Finance gives us ample room to allocate capital to the most profitable opportunities.
- We continue to see record volume growth in both Consumer Finance and Business Finance which will impact positively on income and profit for coming quarters

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