

# ANNUAL REPORT 2020

ANNUAL ACCOUNTS  
FOR AVIDA FINANS AB  
(PUBL) 556230-9004



**AVIDA**



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# AVIDA IN BRIEF

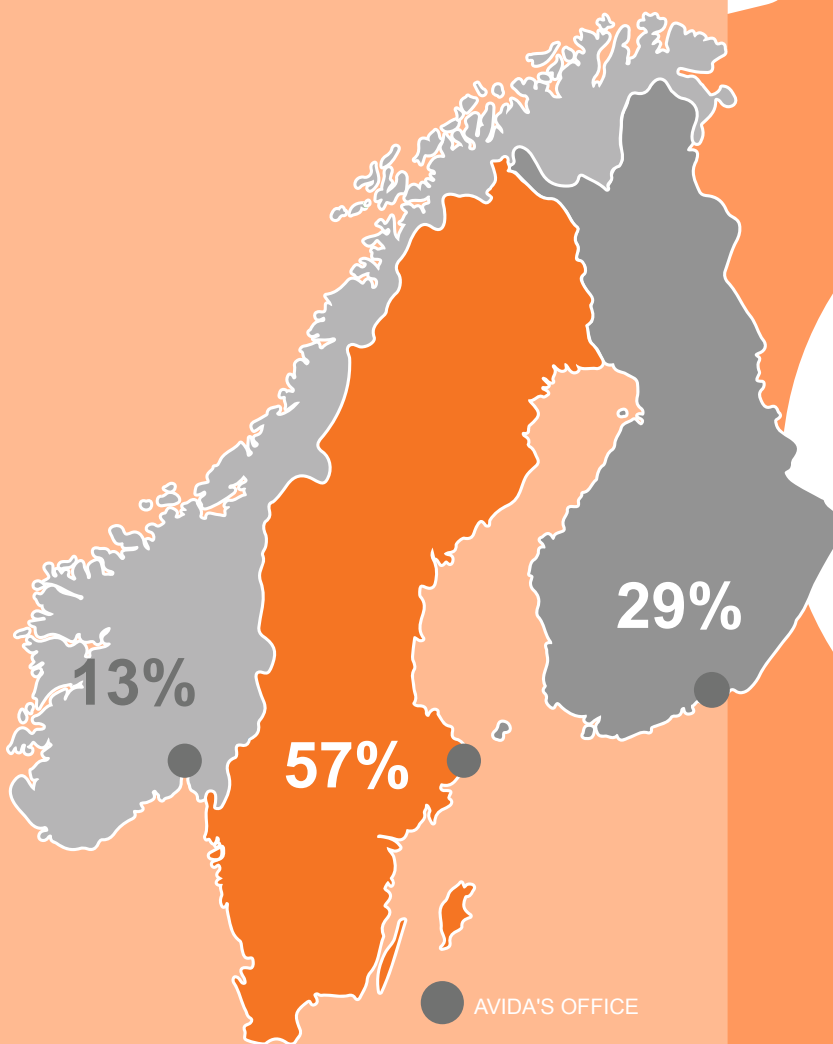
Avida is a credit market company that has since its inception in 1983 focused on offering financing services for companies and lending to consumers, collection management and deposits from the public. The Group currently has about 130 employees with headquarters in Sweden and branches in Norway and Finland as well as cross-border trade in Denmark, Estonia, Latvia,

Lithuania, Poland, Austria, Germany, the Netherlands and Belgium. Avida aims to be the borrower's first choice when choosing supplementary financing. This is done by improving the private clients' finances thanks to loans at better interest rates, and for business clients it is possible to grow with the help of tailored financing. Since the second half of 2020, Avida has been 61%

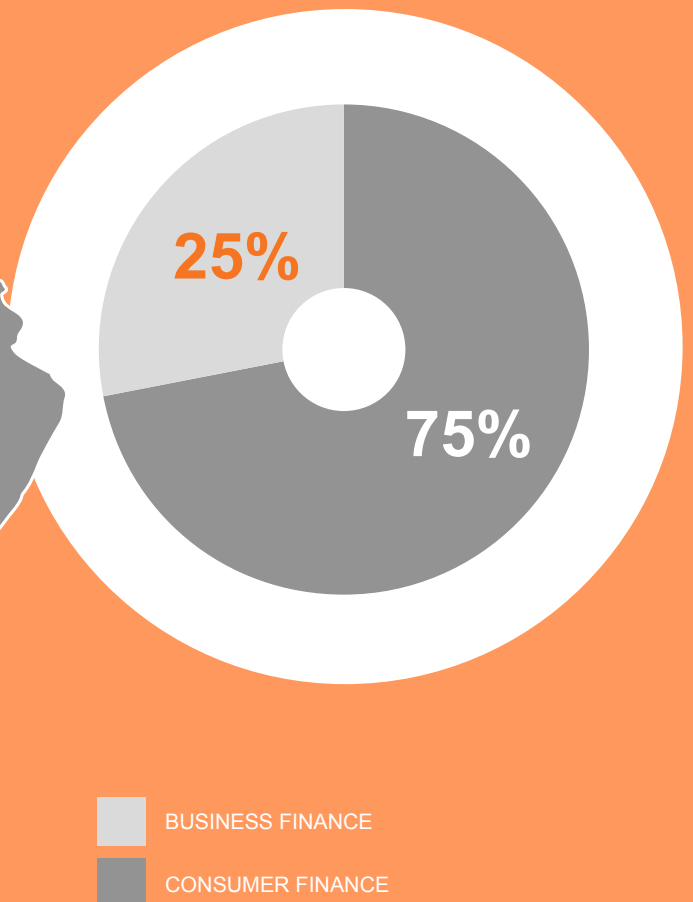
owned by one of the world's leading investment companies - KKR. Avida is under the supervision of the Swedish Financial Supervisory Authority.

The Group has two bonds listed on Nasdaq Stockholm and like all Swedish banks and credit market companies Avida is also covered by the Swedish government's deposit guarantee.

GEOGRAPHIC REVENUE DISTRIBUTION



REVENUE DISTRIBUTION BY BUSINESS AREA



# AVIDA'S BRAND PROMISE

**We create value for you and your company.**

We are not a big bank. We don't have the same long history, no offices at exclusive addresses or even an equally wide range of products.

Our key benefit is to create value for you and your company through sound competence, high ambition and tailored financing. We most enjoy working

in complex environments where we can deliver more than just what was expected.

See us as a professional addition to your big bank when you are looking for a responsive partner who can help you realise your or your company's plans.

## PRIVATE AND BUSINESS LENDING

BUSINESS LENDING SEK MILLION

**2,675**

PRIVATE LENDING SEK MILLION

**7,304**

TOTAL LENDING SEK MILLION

**9,979**

## TOTAL VOLUME GROWTH, %

**+19**

## NET INTEREST, %

**+35**



## OUR CLIENTS CONSUMER FINANCE

FORM OF EMPLOYMENT:

**84%**

PERMANENT  
EMPLOYMENT

REASON FOR LOAN:

**77%**

REDEEMING OTHER  
CREDITS AND LOANS

AVERAGE INCOME:

**370,000**

SEK PER  
YEAR

AGE:

**47**

YEAR

MARITAL STATUS:

**MARRIED**

OR

**COHABITING**



## OUR MARKET BUSINESS FINANCE

AVERAGE BUSINESS LOAN:

**11.7**

SEK MILLION

NUMBER OF FACTORING CLIENTS:

**336**

CLIENTS

INCREASE IN FINANCED VOLUMES:

**+21%**

EVOLUTION OF ALL  
MARKETS COMPARED TO  
2019

TOTAL LENDING:

**2,675**

SEK MILLION

REVENUES PER COUNTRY, DISTRIBUTION %:

**57**  
SW

**29**  
FI

**13**  
NO

# YEAR IN BRIEF

2020 was a year marked by the corona pandemic. But despite the highly uncertain times, Avida's lending grew by 20% to a total of SEK 9,979 million. Net interest rose during the year by 34.5% and costs fell during the year to a C/I level of 0.39. At the same time, we saw the uncertain market situation resulting in increased credit losses and extra reserves made in order to have increased buffers.

The consumer segment grew steadily during the year by a total of 9%. Growth was driven mainly by our Swedish and Finnish market, but also in Norway we saw cautious growth as we reopened our credit supply during the year.

In the business market, we have noted a strong underlying need for financing among our clients. During the first quarter of the year, lending grew steadily, but at the end of the year we saw a slowdown as we experienced the sales

process taking longer because of the pandemic, something that hampered growth during the last quarter of the year.

## NEW OWNERS

During the second half of this year, Avida welcomed the global investment company KKR as the new majority owner. At the end of the year, a merger was conducted between Avida Finans and the parent company Avida Holding. In connection with the merger, the share was delisted from the Norwegian Notc list.

## A FUNCTIONING BUSINESS STILL IN FOCUS IN PANDEMIC TIMES

During the year, the impact of the ongoing pandemic has fluctuated as society has been hit by restrictions that affected specific industries and regions more than others. For Avida's part, the strategy during the pandemic has always focused on having healthy employees and a healthy company.

This is what has proven to work well and we will continue to pay attention to developments and adapt quickly to new conditions as long as necessary. There is very gratifying evidence that we have succeeded in this year's employee survey, which showed a strong boost for the eNPS index, an index that summarises employee satisfaction and describes how great the likelihood is that they would recommend Avida as an employer to others.

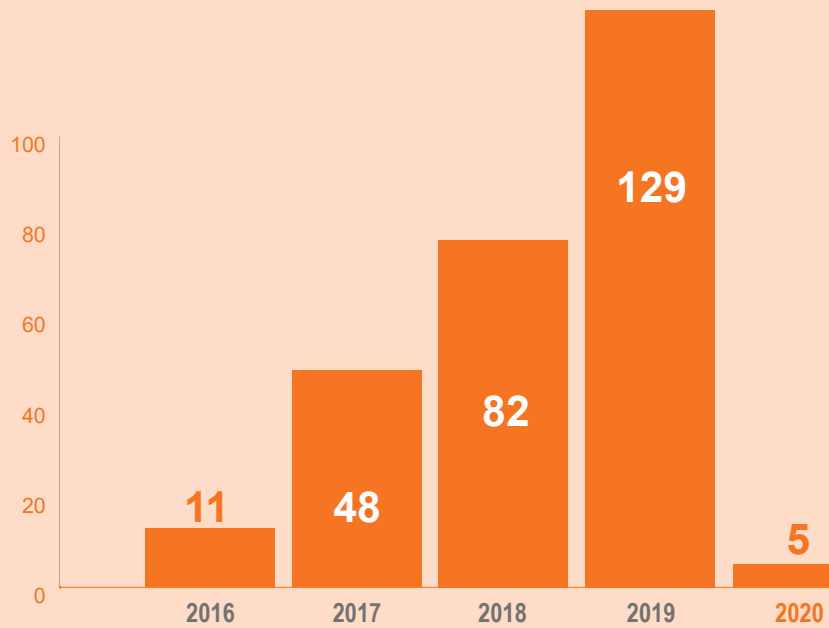
## AWARD FOR MANY YEARS OF PROFITABLE GROWTH

During the year, Avida received Dagens Industri's Mästergasellen award, which goes to the exclusive few companies that have managed to achieve the status of Gasell at least four times during the 20 years in which the award has been awarded to fast-growing profitable companies.

## FINANCIAL EVOLUTION OF THE GROUP IN 2020

	2020	2019	Change %
<b>SEK MILLION</b>			
Net interest income	724.0	537.6	35
Profit/loss before credit losses	441.6	307.7	44
Credit losses	-434.6	-179.2	143
Operating profit/loss	5.0	128.5	-96
Loans to the public	9,979	8,353	19
Deposits from the public	10,160	9,111	12
Equity	1,323	1,069	24
Total capital ratio %	17.8	16.9	5
Return on equity %	10.9	14.7	-26

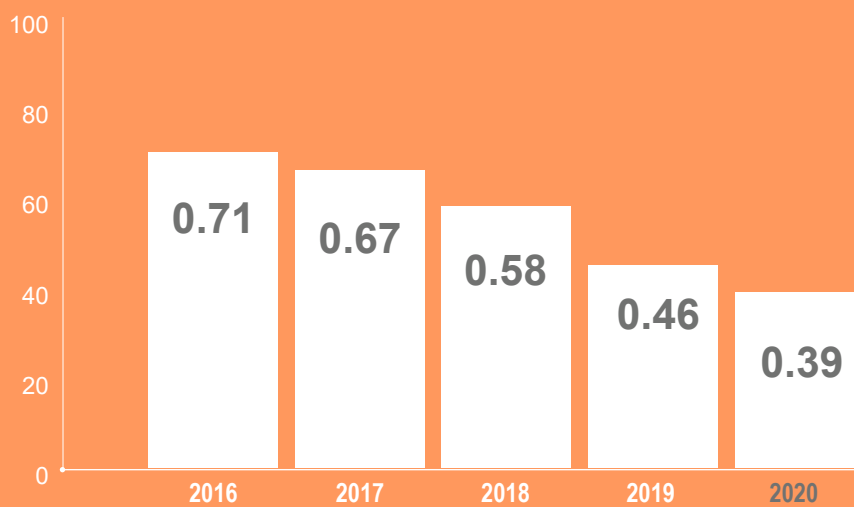
OPERATING PROFIT/LOSS, SEK MILLION



RETURN ON EQUITY %



C/I RATIO



# CEO COMMENTS 2020



2020 was a year that came to be dominated by the current pandemic situation. The economic development in society has been overshadowed by the pandemic both in the Nordic countries and the rest of Europe. In our home markets, restrictions have been introduced during the year to varying degrees, which has affected both companies and private individuals. These restrictions have been most severe in Norway and Finland, where entire communities have been shut down to counteract the spread of infection.

As general vaccination has begun, we are starting to see the light at the end of the tunnel, but it will take a while before we can review the full effects of the pandemic. The government support programs to companies and individuals in our home markets are crucial for future sustainable economic development and we are for this reason humble in the face of future events.

In this time of uncertainty, Avida has remained strong. We have seen steady volume growth just under 20%. Net interest income increased faster as we had a lower cost of funds. We

increased the provisions for future potential credit losses. We have seen no or very few signs of poor credit quality in terms of exposure to both consumers and companies. However, the macroeconomic situation is uncertain, which is why we chose to increase credit loss provisions. Costs increased slightly in 2020 and are mainly driven by increased personnel costs.

## DEMAND FOR CREDIT REMAINS GOOD

During the year, we have continued to support our business clients with tailored financing and to ensure liquidity to contribute to their continued growth even during the pandemic. The number of bankruptcies has not increased to the extent thought possible and this is largely due to the fact that the fiscal support that has been offered has helped many companies survive. We have been and continue to be strong in financing in connection with structural transactions in Private Equity, where we often offer factoring solutions to support liquidity. These types of transactions decreased during the second half of 2020, which also hampered lending in Business Finance. In the light of the macroeconomic situation, the sales process and the due diligence in connection with the granting of credit, is taking a longer time at the moment.

Our Consumer Finance clients have changed their consumption patterns to some extent during the year, which has affected lending negatively. After having slowed down lending early in the year in order to carry out an audit of transactions and to better evaluate the risks in the new market situation, we have gradually opened up the lending again in all markets. For the year as a whole, growth has been posi-

ve, although we saw some slowdown during the last quarter of the year.

## A FUNCTIONING BUSINESS IN PANDEMIC TIMES STILL IN FOCUS

During the initial phase of the pandemic, Avida's employees transitioned into working remotely, which worked well. As the pandemic situation calmed down during the beginning of the autumn, Avida's personnel returned in a controlled manner to partially work in our offices again. With a maximum of 50% of the personnel in place at the same time, there was no problem operating the business in a safe manner. In Q4, however, the global and local situation deteriorated and Avida then chose to return to working remotely as the primary recommendation.

Our strategy during the pandemic continues to be to focus on having both healthy employees and a healthy company. We will therefore continue to monitor developments and quickly adapt to the new conditions. The health of our employees always comes first and we will continue to adapt our way of working, even in the future, so that everyone at Avida can perform their duties in a safe way. We are aware of the pandemic development and are adapting quickly to new conditions.

## BUSINESS IN UNCERTAIN TIMES

We can also see that our product offering to our clients is well adapted to the uncertain times we are experiencing at the moment. At a time when traditional banking solutions may not be fully sufficient to handle companies' liquidity needs, Avida's product portfolio, in combination with government guarantees, has proven to be an effective way for companies in need of liquidity to grow their business.





A security for our private clients in uncertain times is the loan insurance included free of charge during the first three months and the possibility of freedom of repayment. This works as a safety net if the client's personal economic circumstances change. Additionally, Avida's deposit account offering enables customers to save at an attractive interest rate.

**NEW MAJORITY SHAREHOLDERS**

During the first quarter of the year, Avida signed an agreement with the global investment company KKR regarding a new issue. In addition to the new issue, KKR offered a conditional offer to all current shareholders to acquire their shares. The transaction was completed during the second half of the year when KKR's representati-

ves also assumed their positions on the Avida board. During the last quarter of the year, the planned merger between Avida Finans AB and Avida Holding AB was also executed. In connection with the merger, Avida Holding's share was delisted on the Notc list.

**INCREASED EMPLOYEE SATISFACTION**

Our employees are Avida's greatest asset at Avida. They are what gives us our competitive advantage. We continue to work actively to motivate the employees, something that has been challenging during this year's pandemic. It is therefore particularly gratifying that this year's employee survey showed a major improvement in the eNPS figure, which is the over-

all score for what the employees think about Avida as an employer, and how likely it is that they would recommend us as a workplace.

With new strong owners behind us, a well-adapted product portfolio and motivated employees, I am convinced that we have very good conditions for growing both during and above all after the pandemic.

Stockholm 21th of April

**Pehr Olofsson**  
Interim CEO



▶ For us at Avida, sustainability is about creating long-term value in everything we do.



# SUSTAINABILITY REPORT

For us at Avida, sustainability is about creating long-term value in everything we do. This applies in our role as a credit market company, as an employer and as part of the society in which we operate. That's why we work continuously on improvements in everything we do.

## BACKGROUND

Avida's ambition is to be the complementary first choice for companies and private individuals looking for loans and financing for their large or small challenges in their daily financial life. To achieve this position in a sustainable way, we have decided on a number of principles that apply to our daily operations. In our sustainability work, we ensure that we always meet the binding requirements that our stakeholders place on us, as well as all laws, regulations and other relevant regulations. We have summarised this in our five focus areas.

### 1. RESPONSIBLE LENDING

We comply with the laws and regulations, as well as our own internal policies and guidelines, which govern our business and ensure that we conduct ourselves in a responsible manner. Our products should be clear and easy to understand for our clients and we are careful in our assessment of the risk we take in our business relations-

hips. Loans are only offered to clients whom we consider financially stable and who therefore can afford the loans they receive.

### 2. PREVENTION OF FINANCIAL CRIME AND TERRORIST FINANCING

We will never participate in or facilitate financial crime or be part of the financing of terrorism or other illegal activities. To help us with this, we have systems and skilled employees who monitor our daily operations.

### 3. ATTENTION TO OUR EMPLOYEES AND OUR CULTURE

We truly believe that our employees and our culture are what give us a competitive edge. In order to achieve our common goal, we have agreed on the principles that will apply. These principles represent our way of working and doing business. They are our truth and we take them seriously. We have summarised our principles in three main points:

#### 3.1 IT'S ABOUT PEOPLE

For us, transparency is key to creating commitment and loyalty. The logic behind transparency is that the more people see and know what is happening, the more efficient we are in solving problems together. Transparency and openness help us learn from our mistakes and also help us celebrate when we succeed. Transparency and openness reduce conflicts

between people as there are fewer things that can be misunderstood or interpreted differently by individual employees. To achieve this, we are actively working on communications within Avida. And we measure the results of our work every year.

#### 3.2 FINDING AND RETAINING THE RIGHT SKILLS

Avida is growing rapidly in a changing world, so it is extremely important that we can find the right skills for our business and of course make our employees want to stay with us. We work actively to achieve as low a staff turnover as possible, but succeeding is challenging in an industry and a company that is constantly changing in terms of organisation and business. Avida aims to have a maximum of 20% staff turnover in the long term.

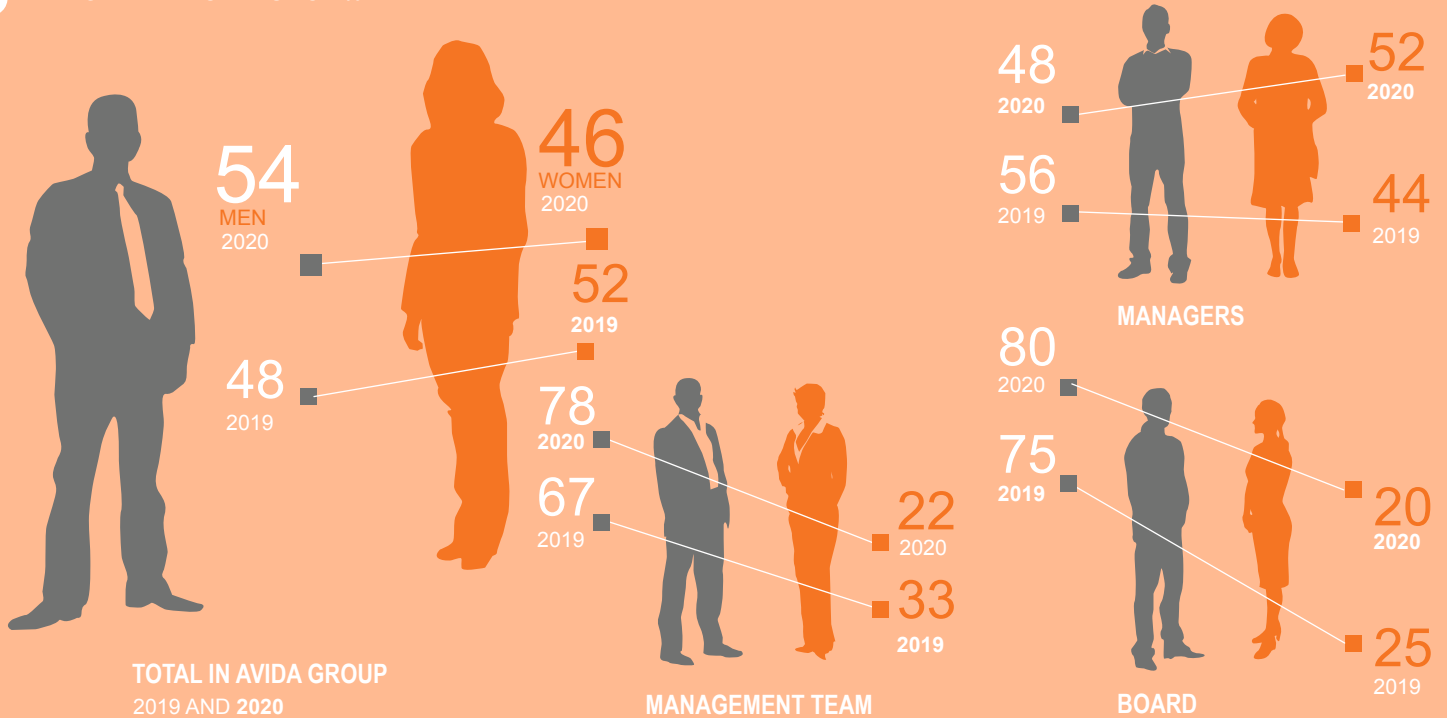
We know that happy, healthy and committed employees are central to our success in our business. Therefore, we regularly monitor and work continuously with improvement measures related to sick leave and the recommendation index (eNPS). Our long-term target is eNPS +10, a result that was passed by a good margin in 2020, and our sick leave should be a maximum of 3%.

	2020	2019
Staff turnover % (Long-term target 20%)	24.0	21.6

KEY FIGURES	2020	2019
Total number of employees	126	109
eNPS, Recommendation index, scale -100 to +100. (Long-term target +10)	+23	-7
Sick leave %, total. (Long-term target maximum 3%)	2.43	2.68



GENDER DISTRIBUTION %



**3.3 FREEDOM FOR EACH EMPLOYEE TO WORK IN THE MOST EFFECTIVE WAY**

At Avida, we believe in supportive leadership, which means that all employees can trust that their immediate superior will receive support in their daily work without steering the details. Our leadership is visible and communicative. We know that proximity and clarity create understanding and commitment, and produce results. At Avida, we look more at the results that every employee contributes than where and when the work is carried out. Based on this approach, good conditions are created for a healthy balance between work and leisure.

**3.4 WE CREATE SUCCESS**

We believe that Avida could become the leading lender in the Nordic region, a result we are achieving based on a fantastic team. For us this means that we love what we do and that we always strive to do our absolute best in all situations, both between col-

leagues and of course also for our clients. In order to ensure our continued success, we must always ensure that we have the right person in the right place. Therefore, we continuously assess the results of all employees in an honest and open manner. By doing so, we will develop our company together with our employees.

**3.5 THE EQUAL VALUE OF PEOPLE**

We always want the best person in each location and therefore competence and experience are absolutely critical in our decisions. We have a familial culture because we work closely together and cooperate in a very informal manner. It is obvious to us that all employees are treated equally regardless of gender, religion, sexual orientation or ethnicity.

**4. WE CONTINUOUSLY IMPROVE**

The competition in our industry is tough, when it comes to both offering competitive financing solutions to our clients and attracting the right employ-

ees. We know what we are best at - loans to private individuals and companies - and we will continue to focus on that. We are convinced that our continued success is based on us continuously and stubbornly tweaking all the details of what we do every day. It is continuous improvement and not major innovations that will take us to our ambitious goals.

**5. WE LIMIT OUR ENVIRONMENTAL IMPACT**

We seek to minimise and prevent the negative environmental impact that our office operations cause, especially by minimising the environmental impact of our personal transport and reducing our energy consumption and our use of resources.

Energy consumption: Our electricity is 100% fossil-free, and our active choice of supplier means that we contribute to a sustainable future at the same time.

**SUSTAINABILITY MANAGEMENT**

Avida's board decides and governs sustainability work through policies. Sustainability work is governed as an integrated part of most policies, such as the Credit Policy, the Policy on Measures against Money Laundering and Financing of Terrorism, the Work Environment Policy, the Remuneration Policy and the Contracting Policy. Our policies include the areas

required by the Annual Accounts Act, i.e. environment, social sustainability, staff, anti-corruption and human rights. The policies, which describe our work and governance within sustainability, consist of five areas of focus. The daily sustainability work is decided by Avida's CEO who can plan and decide on strategies, plans, goals and follow-up.

**SUSTAINABILITY-RELATED RISKS**

FOCUS AREA	IDENTIFIED RISK	RISK MANAGEMENT
RESPONSIBLE LENDING	With its operations, Avida can contribute to the indebtedness of private and business clients in our home markets.	With the help of sophisticated systems and skilled staff we ensure that all credit decisions made are made on the basis of solid knowledge of the client's ability to repay the loan to Avida.
PREVENTION OF FINANCIAL CRIME AND TERRORIST FINANCING	Avida's products and services could be used for illegal activity.	Avida strives to never participate or facilitate financial crime or be part of the financing of terrorism or other illegal activities. To help us with this, we have systems and skilled employees who monitor our daily operations.
CARING FOR OUR EMPLOYEES AND OUR CULTURE	If employees are not happy, this leads to dissatisfaction and higher staff turnover.	Avida works actively to increase employee satisfaction and keep staff turnover and sick leave rates at a reasonable level.
THE EQUAL VALUE OF PEOPLE	Shortcomings in equality and diversity.	We are careful to show all individuals respect and protect their privacy and the right to equal treatment.
WE LIMIT OUR STRAIN ON THE ENVIRONMENT	Operating the business in a wasteful way would negatively impact the environment.	We seek to minimise and prevent the negative environmental impact that our office operations cause, especially by minimising the environmental impact of our personal transport and reducing our energy consumption and our use of resources.

A woman with blonde hair, wearing a green top, is seen from the side, gesturing with her hand as if speaking. In the background, another woman with blonde hair is blurred, looking towards the speaker. The setting appears to be a professional meeting or conference.

**Avida aims to be the borrower's first choice when choosing supplementary financing.**



# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

### **Avida has prepared this report in accordance with the Annual Accounts Act (1995:1554)**

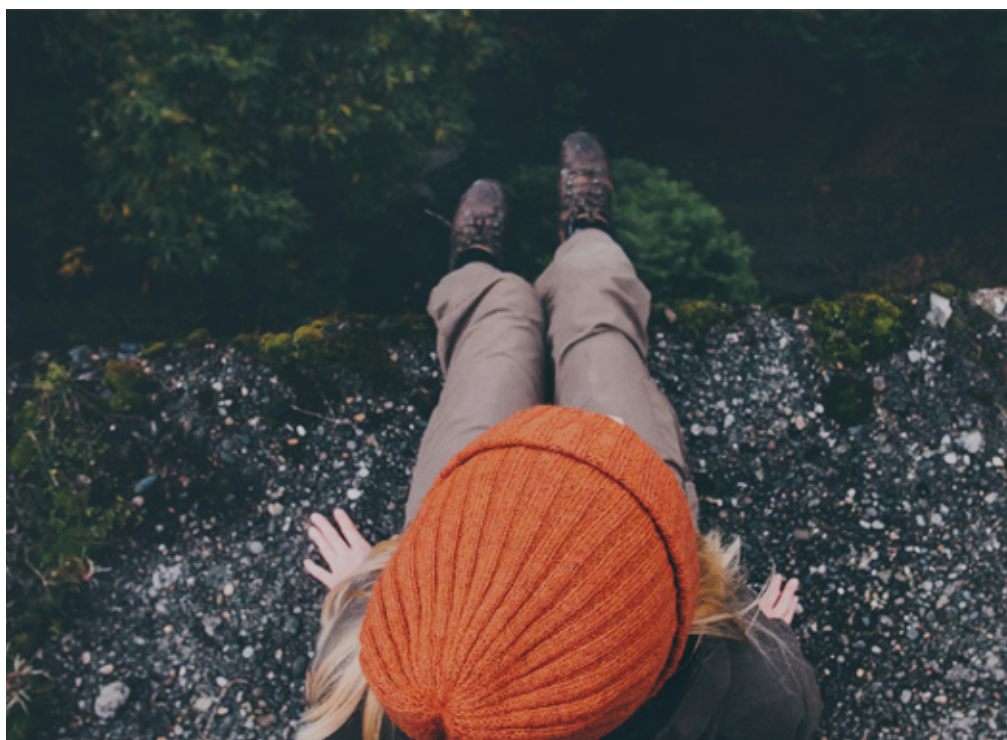
Avida operates financing operations and is supervised by Swedish Financial Supervisory Authority. Avida complies with a number of laws and regulations for good corporate governance and control of operations, such as the Companies Act (2005:551), the Annual Accounts Act (1995:1554), Nasdaq Stockholm's Regulations for Issuers, the Act (2004:297) on Banking and Financing Operations and the International Financial Reporting Standards. In addition, Avida is required to comply with a number of regulations and general advice issued by Swedish Financial Supervisory Authority and other regulators, such as the European Banking Authority.

Avida Finans AB (publ) ("Avida") has issued tradable securities that are admitted for trading on Nasdaq Stockholm.

In accordance with the basic rules on the governance and organisation of a limited company, Avida is governed by the general meeting, the Board elected by the shareholders, the CEO appointed by the Board and the management of Avida which is controlled by the Board. The auditor appointed by the general meeting submits an audit report of his audit of the Company's Annual Report and Consolidated Financial Statements, the appropriation of the profit and the Board's and the CEO's management of the Company and its operations.

## SHAREHOLDINGS, VOTES AND BOARD APPOINTMENTS

Direct or indirect shareholdings in the



Company representing at least one tenth of the votes of all shares in the Company. At the end of 2020, Avida had about 45 shareholders according to the shareholder register held by Euroclear Sweden. Avida's largest shareholder is KKR through Eckern Finans Holding AB and FSK Eckern Finans Holding AB, who jointly own around 61% of the share capital and votes. Andenes Investments S.L, Avida's third largest shareholder, holds around 16% of the share capital and votes. The five largest shareholders represented the equivalent of around 95% of the share capital and votes.

### **Limitations on how many votes each shareholder may cast at the general meeting.**

The share capital consists of a share class where all shares carry the same right and shareholders may vote for all shares that they own or represent.

### **Provisions of the articles of association on the appointment and dismissal of Board members and**

### **changes to the articles of association.**

There are no provisions in the articles of association governing the appointment or dismissal of Board members, with the exception of a provision on the minimum and maximum number of Board members. The notice convening an extraordinary general meeting where a matter of amendment of the articles of association will be discussed will be issued no earlier than six weeks and no later than four weeks before the meeting. The current articles of association of Avida were adopted at the extraordinary general meeting on 20 December 2018.

### **The general meeting is authorised by the Board to decide whether the Company should issue new shares or acquire its own shares.**

In 2020, the general meeting did not authorise the Board to decide that the Company should issue new shares or acquire its own shares.



### INTERNAL CONTROL AND RISK MANAGEMENT

Internal control regarding financial reporting is built around the six cornerstones of internal control presented below: control environment, risk management, control activities, information and communication, follow-up and assessment and statement regarding internal audit.

### INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS REGARDING FINANCIAL REPORTING

Internal control regarding financial reporting is a process by which it is ensured that established principles for internal control and financial reporting are complied with and that the Company's financial reporting has been prepared in accordance with the law, regulations, applicable accounting standards and

good accounting practices, as well as other requirements for companies whose tradable securities are admitted to trading on a regulated market.

### CONTROL ENVIRONMENT

Fundamental to Avida's internal control of financial reporting is the control environment, including a clear and transparent organisational structure, clear division of authority and responsibility and governing documents such as internal policies, instructions and manuals. This also includes the ethical guidelines that are communicated to all employees and are a basic precondition for a good control environment. Examples of policies, instructions and manuals include the Board's rules of procedure, the CEO mandate, risk control policy, regulatory compliance team

policy and internal audit policy. Governing documents are assessed on an ongoing basis, but at least annually, and are updated when necessary due to new or changed regulations and/or internal changes in the business.

A further part of the control environment consists of risk assessment, i.e. the identification and management of the risks that could affect financial reporting as well as the control activities aimed at preventing, detecting and correcting errors and deviations.

For the purpose of ensuring adequate risk management and compliance with laws, regulations and internal steering documents, Avida's risk management and internal control environment is constructed with three lines of defence

with an emphasis on assessment, checks and training. Avida applies available techniques and methods of risk management in a cost-effective manner. Risk management is an integral part of our business operations.

### CONTROL ACTIVITIES

Various control activities are built into the process of financial reporting. The control activities include both general and detailed checks intended to prevent, detect and correct errors, deviations and any irregularities that may have a significant impact on financial reporting. The control activities are prepared and documented at a reasonable level relative to the risk of errors and the effect of such errors. Each department manager is primarily responsible for managing the risks associated with their own department's operations and financial reporting processes. Furthermore, a high level of IT security is a precondition for good internal control of financial reporting. Therefore, there are rules and guidelines to ensure the availability, accuracy, confidentiality and traceability of information in the business systems.

### INFORMATION AND COMMUNICATION

The Company has information and communication channels that aim to promote completeness and accuracy in the financial reporting. Avida's Financial Policy is a governing document with the purpose of clarifying how financial operations should be conducted and how financial risks should be managed. The policy also includes the responsibility for both internal and external financial reporting and the relationship with the external auditor. The policy, together with relevant process descriptions and manuals, has been made available and known to affected staff on the Avida intranet. With ongoing information, dialogue, training efforts and controls, staff are able to access and understand the internal regulations. The internal regulations with policies, instructions and manuals, supplemented with procedure and process descriptions, constitute

the most important tool for providing information to ensure financial reporting.

The external communication aims to provide a true and fair picture of Avida and this is stated in the information policy.

### THE BOARD'S ACTIONS TO MONITOR THE INTERNAL CONTROL OF FINANCIAL REPORTING

The Board's measures to monitor internal control of financial reporting are implemented through the Board's ongoing tracking of the Company's finances and results, key ratios, costs, capital and liquidity situation in relation to budget and forecast, but also through the Board's review and tracking of external and internal auditor's review reports. The Board receives monthly financial reports and at each Board meeting the Company's financial situation is discussed. The Board also reviews the financial quarterly report and annual accounts before the material is officially published and reviews the comments and conclusions of the external and internal auditors.

Avida further compiles and submits ongoing financial and operational figures and analyses to heads of function, management and the Board. The Company works actively with continuous monitoring of the operating income as well as costs in relation to the budget and forecast. The work is performed in close collaboration with the management team and the rest of the organisation. The Risk Control, Compliance and Internal Audit control functions follow up to ensure compliance with internal policies, instructions and manuals. The Board receives at least quarterly reports from the risk control function and the regulatory compliance function. The reports include, in particular, assessments of the business with respect to risk management and regulatory compliance and include the entire organisation. The Company's information and communication channels are continuously monitored by the mana-

gement group and the Board to ensure that they are appropriate for financial reporting.

Assessment and recommendations of control functions govern the evolution of risk management. Avida has established independent control functions for risk control and regulatory compliance in accordance with Swedish Financial Supervisory Authority's rules and general advice on governance, risk management and control in credit institutions (FFFS 2014:1) and the European Banking Authority's guidelines on internal governance (GL 11). The functions report directly to the Board and the CEO. Avida's internal audit team is appointed by, and is directly subordinate to, the Board through the audit and risk committee. The internal audit has been outsourced to an external party for the purpose of ensuring quality and independence in assessment and review. The internal audit was carried out by Mazars Sweden during the period.

The role of the internal audit is regulated in the policy for the internal audit function and the work of the function is based on a risk-based audit plan, which is approved annually by the Board. The plan is based on a risk analysis carried out by Internal Audit. The work of Internal Audit includes, in particular, reviewing and assessing whether systems, internal control mechanisms and procedures are appropriate and efficient and to provide recommendations to Avida based on the comments made in the review and following up previously submitted recommendations. The results will be reported to the Board and CEO at least once a year.



**Avida has the tools to be a good partner who is responsive and can create solutions for more complex financing requirements.**



# MANAGEMENT REPORT

The Board of Directors and CEO of Avida Finans AB (publ), Corp. ID no. 556230-9004, hereby submit the annual report and consolidated accounts for the financial year 01-01-2020 – 31-12-2020.

## BUSINESS CONCEPT AND STRATEGY

Avida Finans AB (publ) is a credit market company that has since 1983 focused on offering loans to private individuals and companies. Our ambition is to be the complete, first choice for companies and private individuals looking for loans and financing for their large or small challenges in their daily financial life.

## INFORMATION ABOUT THE BUSINESS

The business consists of financing services to companies and lending to consumers, debt collection management and deposits from the public.

The Consumer Finance business area comprises lending to and deposits from private clients. The Company offers account credits and loans without collateral. A private loan is usually used to finance relatively large purchases or refinance more expensive credit with other lenders.

The Business Finance business area offers corporate credits such as invoice purchases, invoice loans and loans.

Avida also offers deposits on attractive terms to private individuals. All deposits are covered by the government deposit guarantee and are offered in Norway, Sweden and Germany.

In addition to the operations on the Swedish market, Avida Finans AB has branches in Norway and Finland. The branch in Norway, Avida Finans AB NUF with Corp. ID no. 990 728 488 is a credit market company that provides financial services to private individuals and companies on the Norwegian market. Savings and loan products are offered to private individuals. Business clients are offered financing solutions such as loans with and without collateral but also factoring in the form of invoice purchases and invoicing solutions. The Norwegian subsidiary Avida Inkasso AS with Corp. ID no. 913 778 367, provides collection and credit operations in Norway.

The Finnish branch, Avida Finans AB (publ), with Corp. ID no. 2541768-9, provides financial services to private individuals and companies in the Finnish market. A loan product is offered to private individuals. Business clients are offered financing solutions such as loans with and without collateral but also factoring in the form of invoice purchases and invoicing solutions. Avida also offers products along with external partners in continental Europe. Through the German deposit platform Raisin, a savings product is offered

for Euro deposits. The deposits are covered by the Swedish government deposit guarantee. Together with the European loan platform Funding Circle, loans have also been offered to small and medium-sized enterprises in the Netherlands and Germany. However, this cooperation ceased during the first half of 2020.

The experience and presence that Avida has created has also given the company direct clients in the European market outside the Nordic region.

## SCALABLE BUSINESS

The purpose of Avida's growth is to utilise scalability in transactions and create lower costs per loaned SEK, which in turn leads to cheaper financing for clients and better returns for shareholders.

Thanks to its focus on credit provision, the company is a specialist in the area and has a strong focus on credit quality, which always comes before growth.

Avida's strategic initiative in B2B lending turns out to be perfectly timed, and the company is seeing strong demand to help companies grow with their financing solutions. Avida has the tools to be a good partner who is responsive and can create solutions for even the most complex financing needs.

Over time, Avida has reduced risk and margins and is now at a level that will be retained as the company assesses it as resilient even over a business cycle. The main scenario is a slow recession, which the operations are prepared for. Avida made the choice, for this reason, in particular, to stop providing credit to private individuals in Norway in 2019 while awaiting the new debt register. New lending in Norway started again during the second half of 2020.

In the Consumer Finance segment, the company sees that the strategy of offering credit at a competitive price for the client and primarily aimed at to refinance more expensive loans is sustainable in the long term and creates good growth and profitability.

## OWNERSHIP STRUCTURE

In 2020, the previous financial holding company Avida Holding AB, Corp. ID no. 556780-0593, was merged into Avida Finans AB (publ). In addition, KKR has come in as a new principle owner in 2020 and as a result has the controlling influence over Avida Finans AB (publ) and thus also the Avida Group. The shares in Avida Finans AB are otherwise owned both by private individuals and institutions. The table below shows the largest shareholders as of 31 December 2020.



Shareholders	Number of shares	Portion of outstanding shares %
KKR	43,277,915	61.61
Andenes Investments S.L	11,671,140	16.62
MIDELFART CAPITAL AS	6,357,372	9.05
WHITEOUT AS	5,972,372	8.5
LOE EQUITY AS	1,060,606	1.51
UBON PARTNERS AS	740,042	1.05
DENCKER INVEST AS	600,000	0.85
VIMAR AS	150,000	0.21
Skandinaviska Enskilda Banken	86,000	0.12
ENGELIA INVEST AS	50,000	0.07
<b>Summa</b>		<b>99.59</b>

### GROWTH

Avida has grown during the year, in both the consumer and business markets. The loan portfolio has grown by 19.5% to SEK 9,979 million. Growth has come both from the company business and consumer portfolios in all markets except the Norwegian consumer market, where new lending has only started towards the end of 2020 as a result of the awaiting for the new debt register.

Total net interest has increased by 34.7% during the year.

### BUSINESS AREA BUSINESS – BUSINESS FINANCE

Within the business segment, the shift from client relationships within the B2C segment with higher risk has continued, linked to the factoring product, to more long-term sustainable relationships with larger companies within the B2B segment. This means that the risk in the portfolio has decreased and there is great scalability within Business Finance that is made possible by this strategy change. Avida has a clear focus on approaching the right clients who will contribute to good and stable earnings over time, as factoring and/or in combination with loans now can be seen as a liquidity tool over time.

In 2019, the credit process for all products underwent strong automation in order to be able to handle increased business volume and to continue to make balanced business decisions. This development continued in 2020. Overall, this has led to an improved credit quality with lower credit losses and an improved risk-adjusted margins. The company has built an organisation that can handle increasingly complex business in an international environment and thanks to this the company has won a number of new major deals during the year. Lending to companies is a market with continued great potential and Avida has continued to build up the business methodically during the year and is now ready to increase volumes. As a result of the special conditions connected with Covid-19, the business area has lost growth in volume as the sales processes have become longer and the sales of our clients have decreased, which affects the financed volumes within

invoice purchasing. However, with a stable foundation in place, Business Finance is also a strategically important investment area for Avida.

In 2020, growth in the business area has suffered as a result of Covid-19. This was because new sales slowed down as a result of longer sales processes and a reduced market in combination with a reduction in the clients' sales, which affected the volumes financed by Avida in the factoring business.

### CONSUMER - CONSUMER FINANCE BUSINESS AREA

In the private segment, the demand to refinance existing loans to with cheaper loans has continued during the year. Demand is strongest in Sweden and Finland, where Avida, with its long experience, has continued to grow during the year. As a result of regulations for interest rate ceilings on the Finnish market, the newly acquired volume has been included at a lower margin but thus also lower risk. In Norway, Avida adopted a reserved position at the beginning of 2019 due to new conditions with new regulation, new laws and the new debt register that changed the conditions for the Norwegian market. In retrospect, it can be noted that it was the right decision and the company has, according to plan, resumed new lending in Norway in 2020.

The business area has grown steadily during the year and even if the competition is tough, Avida believes that the strategy of focusing on low costs, which leads to the client getting a lower interest rate, works in a market that focuses primarily on prices. Avida's analysis team, which ensure that the company lends money to those clients who can afford it, is delivering good and profitable clients. This is something that makes a big difference compared to more newly established competitors. 2020 has been a special one and, in connection with the arrival of Covid-19, new lending was completely stopped in order to trim the models to the new conditions.

Avida's focus going forward continues to be the leader in cost effectiveness and credit assessment in order to win in a market with tough price competition.

### DEPOSITS FROM THE PUBLIC

One of the best interest rates in the market and a very efficient deposit system have provided a continued good influx of savings clients. Deposits from the public are and will continue to be an important source of financing for the company. In 2017, the group started taking deposits in Norway. Since the spring of 2019, Avida has also offered Euro deposits through a collaboration with the European deposit platform Raisin. In 2020, the basis for borrowing in Euros was broadened by the initiation of a co-operation with Deposit Solutions. Through these deposits, Avida gains a natural hedging of the lending in Finland and thus reduces the currency risk in its operations in the Eurozone.



## REVENUE

Interest revenue for the Group has increased by 32.7% from the previous year. The increase is attributable to increased lending volumes in both Consumer Finance and Business Finance. Interest revenue for consumer receivables has increased by 34%. Within the business area Business Finance, revenue from factoring has increased by 14.5% to SEK 135.2 million as a result of higher financed volumes compared to the previous year. Revenue for corporate loans has increased by 40% to SEK 64.8 million for 2020.

## COSTS

Costs increased in 2020 by 13.1% compared to 2019 to SEK 286.6 million. The increase in costs is a result of Avida taking several long-term measures. Avida has recruited heavily during the year to support future growth within Business Finance. In addition, during the year it has been decided to replace the system for the loan platform for Consumer Finance and parts of Business Finance, which resulted in increased consulting costs and higher depreciation costs as the systems that are to be replaced have an updated economic life as a result of the system change adopted. At the same time, the underlying business, both in the consumer and the company segments, has not increased costs during the year.

## CREDIT LOSSES (%)

Credit losses increased (+144 %) during the year and total credit losses for 2020 amounted to SEK 436.6 (179.2) million. This is primarily driven by Consumer Finance, where in the wake of Covid-19 we are estimating higher expected credit losses on failed loans (Stage 3) compared to the conditions that prevailed before Covid-19. In addition, the PD model has been updated during the year which affects the expected credit loss on claims in Stages 1 and 2. For a more detailed picture of the development of the expected credit losses in each Stage, the reader is referred to Note 14 on Loans to the public. The major increase is due to the fact that, as a result of the terminated forward flow agreement, Avida had a significant proportion of receivables in its credit portfolio, which significantly increased the expected credit loss in Stage 3. However, the underlying credit quality remains good and is still well within Avida's expected loss levels for the period. Credit losses within Business Finance have remained very low during the year.

## PROFIT/LOSS

The group reports a profit before tax of SEK 5 million, which is a decrease of 96.1% from 2019. The reduction is almost exclusively attributable to the increased credit loss provisions.

## LIQUIDITY AND CAPITAL REQUIREMENT

As of 12-31-2020, Avida Finans AB (publ) had a capital base of SEK 1,662.2 million. Avida's total capital adequacy, defined as total capital base divided by total risk exposure,

amounted to 17.75%. As of 12-31-2020, Avida's consolidated situation had a capital base of SEK 1,668.6 million. The consolidated situation's total capital adequacy, defined as, total capital base divided by total risk exposure, amounted to 17.76%. This means that Avida well fulfilled the requirements for capital adequacy and buffers as stated in Note 27 on Capital Coverage.

The Company's deposits from the public have increased by 11.5% and amounted to SEK 10,160 (9,111) million. Avida's liquidity consists of balances with central banks, government securities eligible for refinancing with central banks and lending to credit institutions and totals SEK 1,750 million.

The group has received capital through two new issues of a total of SEK 271.5 million, which strengthens the capital situation.

## STAFF

The number of employees within the group increased slightly during the year and the average number of employees amounted to 123 (115), of which 60 (59) women and 63 (56) men.

## RISK MANAGEMENT

Risks arise in the business, such as credit, market, operational and liquidity risks. In order to limit and control the taking of risk in the business, the company's board, as ultimately responsible for the internal control of the company, has established a risk framework that contains the company's risk taking. The risk framework includes policies and instructions for lending and the other financial activities. Risk management aims to identify and analyse the risks that exist in the business and to set appropriate limits for these and ensure that there are controls in place. The risks are monitored and checks are made on an ongoing basis so that limits are not exceeded. Risk policies, risk appetite and risk management systems are reviewed regularly to check that these are relevant and, for example, reflect current market conditions as well as the products and services offered. Within the company, there is a function for risk control that is led by the Chief Risk Officer, who is directly subordinate to the CEO, whose task is to compile, analyse and report all the company's risks. The risk control function monitors and controls the Company's risk management performed in the business.

In connection with the outbreak of the Corona pandemic, Avida has chosen to expand its liquidity buffer in order to be prepared for the uncertainty seen in the short and long term. For a more detailed description of the group's risk management and capital cover, see Note 3 and Note 28.

## MULTI-YEAR OVERVIEW FOR THE GROUP

	2020	2019	2018	2017	2016
<b>SEK MILLION</b>					
NET INTEREST INCOME	724	538	425	317	196
NET COMMISSION INCOME	12	6	-	-	-
RESULTS BEFORE CREDIT LOSSES	442	308	179	104	56
CREDIT LOSSES, NET	-437	-179	-97	-55	-45
OPERATING PROFIT	5	129	82	48	11
LOANS TO CREDIT INSTITUTIONS	1 085	1 790	852	835	199
LOANS TO THE PUBLIC	9 979	8 353	5 435	2 858	1 616
DEPOSITS FROM THE PUBLOC	10 160	9 111	5 547	3 272	1 663
EQUITY	1 323	1 069	717	536	268
SOLIDITY (%)	11.2	10.1	10.8	13.8	13.6
C/I RATIO	0.39	0.46	0.58	0.67	0.71
RETURN ON EQUITY(%)	0.2	10.9	10.4	9.0	6.4
RETURN ON TOTAL CAPITAL (%)	0.0	0.0	0.0	0.0	0.0
CAPITAL ADEQUACY (%)	17.8	16.9	18.9	25.2	13.8
PROVISION EXTENT (%)	6.1	3.2	2.8	4.2	0.1
NUMBER OF EMPLOYEES	123	115	109	104	87

For information on how key ratios are calculated, see the section Definitions on page 64.

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

2020 has been a very special year. The attack of the pandemic at the beginning of 2020 has affected private individuals, companies and whole communities with lockdowns, changed work methods and consumption patterns. What the final effect will be when Covid-19 makes its final impression is currently impossible to estimate. For Avida, the effect of the virus has not been noticed in the underlying business. However, the macroeconomic situation is very uncertain and the state measures taken and still taken in the form of, for example, layoff support and restructuring support may affect Avida in the future as they are, in some cases, central to Avida's clients' ability to pay. As a result of the uncertain situation, Avida has updated its assessment of the expected future credit losses (LGD) on claims in bankruptcies, which has meant that Avida's credit losses in the income statement have increased from the previous year. The sharp increase in credit losses in 2020 thus does not refer to actual losses but expected future credit losses primarily in Stage 3. The increase in credit losses, in 2020 thus does not refer to noted losses but expected future credit losses, primarily in Stage 3. In connection with the outbreak of the pandemic in Sweden, Avida Finans AB also

received a termination of a forward flow agreement that had been made with an external party. Avida disputes the counterparty's right to terminate the agreement. The counterparty in turn claims that Avida has waived the terms of the agreement and, on the basis of this, has been entitled to cancel the agreement. Avida's assessment is that this cancellation is unfounded and incorrect. The case will be settled in arbitration and the outcome in the judgment is expected to be in place during the first quarter of 2022. There are no provisions made as a result of the dispute in the profit and loss statement and balance sheet for 2020, nor are any contingent liabilities reported as a result of this termination when the criteria in IAS37 are not considered met. In the event that Avida does not win the dispute, this may have significant financial consequences for the company.

One consequence of the terminated forward flow agreement is that Avida established a collaboration with Intrum during 2020 which, from the end of the year, handles Avida's overdue consumer receivables through a third-party debt recovery.

During 2020, Avida also received a new primary owner in

form of KKR, which provided the company with both financial security and capital. In connection with this, a merger of the former holding company Avida Holding AB was also carried out, which means that the operation company Avida Finans AB (publ) is now also the parent company of the group. Avida Inkasso AS has been a wholly owned subsidiary of Avida Finans AB (publ) since the merger instead of Avida Holding AB. No business was conducted in Avida Holding AB and the reason for the merger was primarily linked to administrative relief as a result of the dissolution of Avida Holding AB.

#### SIGNIFICANT EVENTS AFTER THE END OF THE BALANCE SHEET DATE

On March 3, Avida announced that the CEO Tord Tops-holm and Head of Business Finance Jessica Sparrfeldt had left their positions with immediate effect. In connection with this, Chief Financial Officer Pehr Olofsson took over as interim CEO of the Company.

#### EXPECTED FUTURE DEVELOPMENT

During 2021, Avida will continue to invest in profitable growth while maintaining cost levels, good control over costs and credit quality. For Avida, profitability and good credit quality will always take precedence over growth and especially under the current circumstances. The Company will continue to be fully concentrated on lending money to companies and private individuals with the goal of becoming the best in the market with a highly specialised and effective organisation. During the year, Avida will continue to closely follow client needs and follow their business where they take them. As part of this work, the new loan platform for Avida will be

launched in 2021. The new platform will be Avida's basis for scaling up business in the coming years. Avida will also continue to be able to create a very good return with good risk spread while the company creates value for its clients. The strong growth that Avida has generated so far is expected to be able to continue in the coming years, also taking into account developments in the economy and other external factors. Given the uncertainty that exists in the macroeconomic forecasts, however, it is expected that some time may pass until earnings similar to 2019 can be reported, as the uncertainty drives the expected future credit losses. We also consider that our industry will continue to be consolidated and that it will eventually lead to better conditions for profitability.

Avida will continue to focus on the company's costs and will actively work on keeping operational costs at the current level despite the planned future growth. This will be possible as the business and the established processes are largely or entirely digitised.

#### A CHANGING ENVIRONMENT

After a long period of strong growth, the market has now entered a period in which the economy is slowing down. Covid-19 has also meant that authorities in some of Avida's markets are acting forcefully to contain the situation. In these circumstances, it is crucial for Avida to have a well-functioning credit process to avoid credit losses as far as possible. If Avida's existing clients, despite a solid credit history, still end up having problems, the company will always do its utmost to help the client resolve their situation.

## PROPOSED ALLOCATION OF PROFITS

SEK MILLION	
The following funds are available to the distribution by the Annual General Meeting:	
Other contributed capital SEK million	195 315 111
Retained earnings SEK million	1 081 795 102
This year's profit/loss SEK million	- 1 075 510
<b>Total available profits to be carried forward</b>	<b>1 276 034 703</b>
The Board and the CEO proposes that the profits below are made available to be carried forward:	
Other contributed capital SEK million	195 315 111
Retained earnings SEK million	1 081 795 102
<b>Total retained earnings</b>	<b>1 276 034 703</b>



A close-up photograph of a desk setup. In the foreground, large, 3D orange letters spell out 'AVIDA'. Behind them, a black laptop is open, and a pen holder with several pens is visible. The background is softly blurred, showing a person's arm in a white shirt. The overall lighting is warm and professional.

▶ **FINANCIAL REPORTS AND NOTES**

## Statement of Group profit/loss

	NOTE	01.01.2020	31.12.2020	01.01.2019	31.12.2019
<b>SEK MILLION</b>					
Interest income	5		919.7		692.9
Interest expenses	5		-195.7		-155.3
<b>NET INTEREST INCOME</b>	<b>5</b>		<b>724.0</b>		<b>537.6</b>
Commission income	6		11.5		6.1
Commission expense	6		-		-
<b>NET COMMISSION INCOME</b>	<b>6</b>		<b>11.5</b>		<b>6.1</b>
Net profit/loss of financial transactions	7		-8.1		14.9
Other income			0.6		2.5
<b>TOTAL OPERATING INCOME</b>			<b>728.0</b>		<b>561.1</b>
General administrative expenses	8		-259.3		-236.0
Depreciation and impairments of tangible and intangible fixed assets	16,17,29		-27.3		-17.4
<b>TOTAL COSTS BEFORE CREDIT LOSSES</b>			<b>-286.6</b>		<b>-253.4</b>
<b>PROFIT/LOSS BEFORE CREDIT LOSSES</b>			<b>441.6</b>		<b>307.7</b>
Credit losses, net	9		-436.6		-179.2
<b>OPERATING PROFIT/LOSS</b>			<b>5.0</b>		<b>128.5</b>
<b>PROFIT/LOSS BEFORE TAX</b>			<b>5.0</b>		<b>128.5</b>
Tax	10		-3.0		-31.4
<b>NET PROFIT/LOSS</b>			<b>2.0</b>		<b>97.1</b>

## Statement of total profit/loss in the Group

	NOTE	01.01.2020	31.12.2020	01.01.2019	31.12.2019
<b>SEK MILLION</b>					
<b>NET PROFIT/LOSS</b>			<b>2.0</b>		<b>97.1</b>
<b>Items that may be subsequently reclassified to the profit and loss account</b>					
Currency translation differences relating to foreign operations (net after tax)			3.6		-3.9
Changes in Tier 1 instrument			-21.0		-10.3
<b>Total items that may be subsequently reclassified to the profit and loss account</b>			<b>-17.4</b>		<b>-14.2</b>
<b>YEAR'S TOTAL PROFIT/LOSS</b>			<b>-15.4</b>		<b>82.9</b>

# Group Balance Sheet

	NOTE	31.12.2020	31.12.2020
<b>SEK MILLION</b>			
Cash and balances with central banks	11	220.5	72.3
Collateralised government bonds	12	443.9	249.1
Loans to credit institutions	13	1,085.3	1,789.6
Loans to the public	14	9,979.1	8,352.6
Intangible fixed assets	16	29.1	42.7
Tangible assets	17,29	10.3	18.6
Current tax asset	10	20.4	2.1
Other assets	18	43.8	33.1
Prepaid expenses and accrued income	19	16.4	23.2
<b>TOTAL ASSETS</b>		<b>11,848.8</b>	<b>10,583.3</b>
<b>LIABILITIES AND PROVISIONS</b>			
Deposits from the public	20	10,159.9	9,111.4
Derivatives	21	7.5	17.9
Other liabilities	22	87.5	114.1
Deferred tax	10	0.1	-
Accrued expenses and prepaid income	23	24.6	24.9
Subordinated debt	24	246.6	245.9
<b>TOTAL LIABILITIES</b>		<b>10,526.2</b>	<b>9,514.2</b>
<b>EQUITY</b>			
Share capital		12.8	6.0
Other reserves		1.8	1.8
Other contributed capital	25	1,118.6	846.8
Retained earnings		187.4	117.3
Net profit/loss		2.0	97.1
<b>TOTAL EQUITY</b>		<b>1,322.6</b>	<b>1,069.1</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,848.8</b>	<b>10,583.3</b>



# Group Statement of changes in equity

31.12.2020					
SEK MILLION					
	RESTRICTED EQUITY		UNRESTRICTED EQUITY		TOTAL
	SHARE CAPITAL	RESTRICTED RESERVES	OTHER CONTRIBUTED CAPITAL	RETAINED EARNINGS AND NET PROFIT/LOSS	
<b>Balance at 01.01.2020</b>	<b>6.1</b>	<b>1.8</b>	<b>846.8</b>	<b>214.4</b>	<b>1,069.1</b>
Total profit/loss for the period	-	-	-	-15.4	-15.4
Reported in profit and loss account	-	-	-	2.0	2.0
Reported as total profit/loss	-	-	-	-17.4	-17.4
Tier 1 capital, AT1	-	-	1.3	-	1.3
Transactions with shareholders					
Option program	-	-	-	-4.0	-4.0
Rights issue	1.0	-	270.5	-	271.5
Transactions within the controlling influence	5.7	-	-	-5.7	-
<b>Balance at 31.12.2020</b>	<b>12.8</b>	<b>1.8</b>	<b>1,118.6</b>	<b>189.3</b>	<b>1,322.6</b>

Transactions within the determination have occurred in the Group's equity of SEK 5.7 million and are attributable to the downstream merger that took place during Q4. Previously, Avida Holding AB's share capital was reported as the Group's share capital. As a result of the merger, Avida Finans AB has become the parent company, such that Avida Finans AB's share capital constitutes the Group's share capital.

31.12.2020					
SEK MILLION					
	RESTRICTED EQUITY		UNRESTRICTED EQUITY		TOTAL
	SHARE CAPITAL	RESTRICTED RESERVES	OTHER CONTRIBUTED CAPITAL	RETAINED EARNINGS INCL. PERIOD PROFIT/LOSS	
<b>Balance at 1.1.2019</b>	<b>5.8</b>	<b>1.8</b>	<b>574.4</b>	<b>134.6</b>	<b>716.6</b>
Total profit/loss for the period	-	-	-	-	-
Reported in profit and loss account	-	-	-	97.1	97.1
Reported as total profit/loss	-	-	-	-14.1	-14.1
Tier 1 capital, AT1	-	-	194.0	-	194.0
Adjustments from previous years profit/loss	-	-	-	-0.6	-0.6
Transactions with shareholders					
Option program	-	-	-	-2.7	-2.7
Rights issue	0.3	-	78.4	-	78.7
<b>Balance at 31.12.2019</b>	<b>6.1</b>	<b>1.8</b>	<b>846.8</b>	<b>214.4</b>	<b>1,069.1</b>

# Statement of cash flows in the Group

	31.12.2012	31.12.2020
<b>SEK MILLION</b>		
<b>Day-to-day operations</b>		
Operating profit/loss	5.0	128.5
<i>Of which interest paid</i>	866.3	664.2
<i>Of which interest paid</i>	-156.8	138.2
<i>Adjustment for items not included in cash flow</i>		
Unrealised credit losses (Provisions)	394.4	112.3
Depreciation of tangible and intangible assets	27.3	17.0
Other non-cash items	-	-
Income tax paid	-21.3	-14.8
<b>Cashflow from operating activities before changes in operating assets and liabilities</b>	<b>405.3</b>	<b>243.0</b>
<b>Change in the assets and liabilities of operating activities</b>		
Increase/decrease loans to the public	-2,020.8	-3,029.6
Increase/decrease other assets	-6.9	-0.7
Increase/decrease deposits from the public	1,048.5	3,564.3
Increase/Decrease of other liabilities	-34.2	55.3
<b>Cash flow from operating activities</b>	<b>-608.1</b>	<b>832.4</b>
<b>Investing activities</b>		
Acquisition/Sale of tangible fixed assets	-0.5	-23.0
Acquisition/Sale of intangible fixed assets	-3.8	-31.7
Acquisition/Sale of collateralised government bonds	-194.8	-37.1
<b>Cash flow from investing activities</b>	<b>-199.1</b>	<b>-91.8</b>
<b>Financing activities</b>		
Emission of Tier 1 (AT1)	-	200.0
Interest on Tier 1 (AT1)	-19.6	-16.3
Change in subordinated debt	-0.7	0.4
Rights issue	271.7	78.7
Change in options program	-4.0	-2.7
Adjustments from previous years profit/loss	-	-0.6
<b>Cash flow from financing activities</b>	<b>251.0</b>	<b>255.7</b>
<b>Cash flow for the period</b>	<b>-556.1</b>	<b>996.4</b>
Liquid funds at beginning of the period	1 849.4	865.5
Translation difference liquid funds	3.7	-3.6
<b>Liquid funds at end of period</b>	<b>1,305.8</b>	<b>1,861.9</b>

Liquid funds are defined as the total of loans to credit institutions and cash with central banks. Liquid funds in EUR and NOK have been converted at the balance sheet date rate.

## Parent company profit/loss statement

	NOTE	01.01.2020	31.12.2020	01.01.2019	31.12.2019
<b>SEK MILLION</b>					
Interest income	5		90.67		680.5
Interest expenses	5		-195.6		-156.0
<b>NET INTEREST INCOME</b>	<b>5</b>		<b>711.1</b>		<b>524.5</b>
Commission income	6		11.5		6.1
Commission expense	6		-		-
<b>NET COMMISSION INCOME</b>	<b>6</b>		<b>11.5</b>		<b>6.1</b>
Net profit/loss of financial transactions	7		-8.2		14.8
Other income			1.3		4.3
<b>TOTAL OPERATING INCOME</b>			<b>715.7</b>		<b>549.7</b>
General administrative expenses	8		-258.4		-232.2
Depreciation and impairments of tangible and intangible fixed assets	16,17,29		-20.0		-10.3
<b>TOTAL COSTS BEFORE CREDIT LOSSES</b>			<b>-278.4</b>		<b>-242.5</b>
<b>PROFIT/LOSS BEFORE CREDIT LOSSES</b>			<b>437.3</b>		<b>307.1</b>
Credit losses, net	9		-436.2		-179.1
<b>OPERATING PROFIT/LOSS</b>			<b>1.1</b>		<b>128.0</b>
<b>PROFIT/LOSS BEFORE TAX</b>			<b>1.1</b>		<b>128.0</b>
Tax	10		-2.2		-30.9
<b>NET PROFIT/LOSS</b>			<b>-1.1</b>		<b>97.2</b>

## Parent company's total profit/loss report

	NOTE	01.01.2020	31.12.2020	01.01.2019	31.12.2019
<b>SEK MILLION</b>					
<b>NET PROFIT/LOSS</b>			<b>-1.1</b>		<b>97.2</b>
<b>Items that may be subsequently reclassified to the profit and loss account</b>					
Currency translation differences relating to foreign operations (net after tax)			3.9		-3.9
Changes in Tier 1 instrument			-21.0		-10.3
<b>Total items that may be subsequently reclassified to the profit and loss account</b>			<b>-17.1</b>		<b>-14.2</b>
<b>YEAR'S TOTAL PROFIT/LOSS</b>			<b>-18.2</b>		<b>83.0</b>



# Report on the financial position in the parent company

	NOTE	31.12.2020	31.12.2020
<b>SEK MILLION</b>			
Cash and balances with central banks	11	220.5	72.3
Collateralised government bonds	12	443.9	249.1
Loans to credit institutions	13	1,075.0	1,777.1
Loans to the public	14	9,977.8	8,349.1
Shares and units in Group companies	15	2.0	-
Intangible fixed assets	16	28.9	42.1
Tangible assets	17,29	1.6	3.0
Current tax asset	10	21.4	2.8
Other assets	18	44.3	38.2
Prepaid expenses and accrued income	19	14.6	21.2
<b>TOTAL ASSETS</b>		<b>11,830.0</b>	<b>10,554.9</b>
<b>LIABILITIES AND PROVISIONS</b>			
Deposits from the public	20	10,159.9	9,111.4
Derivatives	21	7.5	17.9
Other liabilities	22	76.1	96.9
Accrued expenses and prepaid income	23	24.1	23.4
Subordinated debt	24	246.6	260.9
<b>TOTAL LIABILITIES</b>		<b>10,514.2</b>	<b>9,510.5</b>
<b>EQUITY</b>			
Share capital		12.8	12.8
Statutory reserve		1.8	1.8
Fund for development expenditure		25.3	24.4
Tier 1 capital	25	195.3	194.0
Retained earnings		1,081.8	714.4
Net profit/loss		-1.1	97.1
<b>TOTAL EQUITY</b>		<b>1,315.9</b>	<b>1,044.5</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,830.0</b>	<b>10,555.1</b>

# Statement of changes in equity for parent company

31.12.2020						
SEK MILLION						
	RESTRICTED EQUITY			UNRESTRICTED EQUITY		TOTAL
	SHARE CAPITAL	FUND FOR DEVELOPMENT EXPENDITURE	STATUTORY RESERVE	OTHER CONTRIBUTED CAPITAL	RETAINED EARNINGS AND NET PROFIT/LOSS	
<b>Balance at 01.01.2020</b>	<b>12.8</b>	<b>24.4</b>	<b>1.8</b>	<b>194.0</b>	<b>811.4</b>	<b>1,044.4</b>
Total profit/loss for the period	-	-	-	-	-18.1	-18.1
Reported in profit and loss account	-	-	-	-	-1.1	-1.1
Reported as total profit/loss	-	-	-	-	-17.0	-17.0
Change in fund for development expenditure	-	0.9	-	-	-0.9	-
Tier 1 capital, AT1	-	-	-	1.3	-	1.3
The merger difference in connection with the merger of Avida Holding AB	-	-	-	-	18.2	18.2
Transactions with shareholders						
Shareholder contribution <sup>1</sup>	-	-	-	-	270.0	270.0
Option program	-	-	-	-	-	-
<b>Balance at 31.12.2020</b>	<b>12.8</b>	<b>25.3</b>	<b>1.8</b>	<b>195.3</b>	<b>1,080.7</b>	<b>1,315.9</b>

<sup>1</sup> Shareholder contribution of SEK 270 millions has been made from Avida Holding AB to Avida Finans AB before the merger of Avida Holding AB took place on November 20 2020

31.12.2020						
SEK MILLION						
	RESTRICTED EQUITY			UNRESTRICTED EQUITY		TOTAL
	SHARE CAPITAL	FUND FOR DEVELOPMENT EXPENDITURE	STATUTORY RESERVE	OTHER CONTRIBUTED CAPITAL	RETAINED EARNINGS AND NET PROFIT/LOSS	
<b>Balance at 1.1.2019</b>	<b>12.8</b>	<b>7.3</b>	<b>1.8</b>	<b>-</b>	<b>668.0</b>	<b>689.9</b>
Total profit/loss for the period	-	-	-	-	82.9	82.9
Reported in profit and loss account	-	-	-	-	97.1	97.1
Reported as total profit/loss	-	-	-	-	-14.2	-14.2
Change in fund for development expenditure	-	17.1	-	-	-17.1	-
Tier 1 capital, AT1	-	-	-	194.0	-	194.0
Transactions with shareholders						
Shareholder contribution	-	-	-	-	78.9	78.9
Group contribution	-	-	-	-	-1.3	-1.3
<b>Balance at 31.12.2019</b>	<b>12.8</b>	<b>24.4</b>	<b>1.8</b>	<b>194.0</b>	<b>811.4</b>	<b>1,044.4</b>

Number of shares amounts to 70,576,359 with a nominal value of 0.18 SEK/share

# Parent company cash flow statement

	31.12.2012	31.12.2020
<b>SEK MILLION</b>		
<b>Day-to-day operations</b>		
Operating profit/loss	1.1	128.0
<i>Of which interest paid</i>	853.2	651.1
<i>Of which interest paid</i>	-156.8	138.2
<i>Adjustment for items not included in cash flow</i>		
Unrealised credit losses (Provisions)	394.4	112.3
Depreciation of tangible and intangible assets	20.0	10.0
Other non-cash items	-	-
Income tax paid	-21.7	-14.1
<b>Cashflow from operating activities before changes in operating assets and liabilities</b>	<b>394.8</b>	<b>236.2</b>
<b>Change in the assets and liabilities of operating activities</b>		
Increase/decrease loans to the public	-2,022.7	-3,029.2
Increase/decrease other assets	-1.9	10.4
Increase/decrease deposits from the public	1,048.5	3,564.3
Increase/Decrease of other liabilities	-27.7	32.1
<b>Cash flow from operating activities</b>	<b>-610.0</b>	<b>813.8</b>
<b>Investing activities</b>		
Acquisition/Sale of tangible fixed assets	-0.5	-0.8
Acquisition/Sale of intangible fixed assets	-4.0	-31.5
Acquisition/Sale of collateralised government bonds	-194.8	-37.0
<b>Cash flow from investing activities</b>	<b>-199.3</b>	<b>-69.3</b>
<b>Financing activities</b>		
Emission of Tier 1 (AT1)	-	200.0
Interest on Tier 1 (AT1)	-19.6	-16.3
Change in subordinated debt	-14.3	-6.4
Rights issue	270.0	78.9
Group contribution given	-	-1.2
Merger effect <sup>1</sup>	15.5	-
<b>Cash flow from financing activities</b>	<b>251.6</b>	<b>255.0</b>
<b>Cash flow for the period</b>	<b>-557.7</b>	<b>999.5</b>
Liquid funds at beginning of the period	1 849.4	853.9
Translation difference liquid funds	3.9	-3.9
<b>Liquid funds at end of period</b>	<b>1,295.6</b>	<b>1 849.4</b>

<sup>1</sup> Refers to liquid funds, see Note 30

Liquid funds are defined as the total of loans to credit institutions and cash with central banks.



# Notes

## 1 GENERAL INFORMATION

Avida Finans AB (publ) org. no. 556230-9004, with its subsidiaries Avida Finans AB NUF org. no. 990 728 488 and Avida Finans AB (publ) Finland org. No. 2541768-9, provides services in loans and savings to the general public as well as factoring and invoicing. The Group also includes the subsidiary Avida Inkasso AS, org. no. 913 778 367 which performs debt collection services in Norway. During the year, a downstream merger has taken place, which meant that the previous financial holding company Avida Holding AB has been merged into Avida Finans AB. As a result, Avida Finans AB (publ) is now the parent company of the Group. The parent company is based in Stockholm, Sweden. The address of the head office is Södermalmsallén 36, Stockholm, Sweden. The Group's operations are described in more detail in the Management Report.

Avida Finans AB (publ) has had a permit from Swedish Financial Supervisory Authority as a credit market company since 2000.

The Annual Report and the Consolidated Financial Statements for Avida Finans AB (publ) for the financial year 2020 were approved by the Board and CEO for submission on 21 April 2020 for a resolution by the meeting in 2021.

## 2 ACCOUNTING AND VALUATION PRINCIPLES

The Consolidated Financial Statements for Avida Group are prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual accounts at credit institutions and securities companies (FFFS 2008:25) and RFR1 Supplementary Accounting Rules for Groups, issued by the Financial Reporting Board.

The parent company's annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), the Financial Reporting Board Recommendation RFR2 "Reporting for Legal Entities" and the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25).

FFFS 2008:25, the so-called statutory IFRS, means that International Financial Reporting Standards (IFRS), as approved by the EU, are applicable for the preparation of the financial reports, with the restrictions and additions that follow from RFR 1 Supplementary audit rules for groups.

The accounting principles stated below have been applied consistently to all periods presented in the financial statements, unless otherwise stated.

Unless otherwise stated, the accounting principles for the Group are the same as for the parent company.

## SIGNIFICANT ESTIMATES AND JUDGEMENTS IN THE FINANCIAL STATEMENTS

The preparation of the financial statements in accordance with statutory IFRS requires the Company's management to make assessments and estimates as well as make assumptions that affect the application of the accounting principles and the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and a number of other factors that seem reasonable under the prevailing conditions. The result of these estimates and assumptions is used to assess the reported values of assets and liabilities that are not otherwise clear from other sources.

Actual outcomes may deviate from these estimates and judgements. Estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period in which the change is made if the change only affects this period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Assessments made by management in the application of statutory IFRS that have a significant impact on the financial statements and estimates made that may lead to significant adjustments in the following year's financial statements are as follows:

When examining the need for impairment of loan receivables, the most critical assessment, which also contains the greatest uncertainty, is to estimate the most probable long-term loss, (*Loss Given Default, LGD*). The Company's assessment basis for LGD is described in more detail below under the section "Credit losses and impairments on financial instruments" and the sensitivity analysis in Note 3.

## NEW AND AMENDED STANDARDS APPLIED BY THE GROUP

The following changes and standards are applied by the Group for the first time for the financial year starting 1 January 2020.

At the present time, Avida has borrowing linked to STIBOR and lending at interest rates linked to STIBOR, EURIBOR, and NIBOR. Avida has no agreements linked to LIBOR, which on the balance sheet date is the reference rate, confirmed as from 31.12.2021. Regarding the IBOR interest rates to which Avida is exposed, there is uncertainty about the timing and the specific nature of future changes. Avida is watching developments and working continuously to identify and check current exposures. Avida does not apply hedging accounting for the reason that changes in IFRS 9 and IFRS 7 due to FAS 1 in the IBOR reform did not affect the financial statements as of 31.12.2020.

## NEW APPLICABLE STANDARDS, AMENDMENTS AND INTERPRETATIONS OF EXISTING STANDARDS THAT HAVE NOT YET ENTERED INTO FORCE AND WHICH HAVE NOT BEEN APPLIED PREMATURELY BY THE GROUP

Phase 2 of the IBOR reform, which, in particular, includes relief rules regarding the reporting of changes of contract terms due to a change of the reference interest rate, was approved by the EU in 2020. Given that there has not yet been any change in the reference interest rates

to which Avida is exposed, the Group has chosen not to apply this change early.

None of the IFRS or IFRIC interpretations that have not yet come into force are expected to have any significant impact on the Group.

## CONSOLIDATED ACCOUNTING

Subsidiaries are all companies over which the Group has a controlling influence. The Group has controlling influence over a company when it is exposed to or is entitled to variable returns from its holding in the company and can influence the return through its controlling influence in the company. They are excluded from the Consolidated Financial Statements from the date on which the controlling influence ceases. The Consolidated Accounts have been prepared on the basis of the acquisition method. During the year, Avida Holding was merged into Avida Finans AB (publ). The merger was accounted on the basis of RedR9 - Reporting of downstream mergers. The fusion difference in the parent company amounted to SEK 18.2 million. The effect of the Group's equity is shown in the statement for changes in equity in the Group. However, the determination of the subsidiary Avida Inkasso AS has not changed as a result of the merger. This is because the change in ownership of Avida Inkasso AS is a transaction within the controlling influence, which means that the group's comparative figures consist of Avida Holding AB's figures for 2019. Nevertheless, Avida Inkasso AS's profit and loss account for 2020 as a whole has been included in the Group's profit and loss account for 2020 in the reports.

## SEGMENT ACCOUNTING

Segment information is presented in a manner that is consistent with the Company's internal reporting, which is submitted to the highest executive decision-maker within the Company who is also responsible for allocating resources based on the information in the segment reporting. The company follows the segment reporting from a client perspective in which Business Finance comprises factoring and Corporate Loans, and Consumer Finance comprises loans and credits. Profit items that are not directly attributable to segments are allocated with distribution keys that the Company management believes provide a fair distribution to the segments.

## CONVERSION OF FOREIGN CURRENCY

### Functional currency and reporting currency

Items included in the financial statements are valued in the currency used in the economic environment in which the respective company/branch mainly operates (functional currency). The annual report uses SEK, which is the Group's functional currency. All amounts are, unless otherwise stated, presented in SEK million.

### Transactions and balance sheet items

Transactions in foreign currency are converted to the functional currency at the exchange rates that apply on the transaction date or the date the items are revalued. Exchange rate gains and losses arising from the payment of such transactions and the conversion of monetary assets and liabilities in foreign currency at the rate of exchange on the balance sheet date are reported in the profit and loss statement under Net Results of Financial Transactions.

## Foreign branches and subsidiaries

Avida Finans AB also operates through branches in Norway and Finland.

The branch in Norway, Avida Finans AB NUF with Org. No. 990 728 488 is a credit market company that provides financial services to private individuals and companies on the Norwegian market. Savings and loan products are offered to private individuals. Business clients are offered financing solutions such as loans with and without security but also factoring in the form of invoice purchases and invoicing loans. The branch had a turnover of SEK 88.6 million (124) in 2020 and reported a profit after tax of SEK -9.9 million (24). During the year, the branch had an average of 7 (17) employees.

The Finnish branch, Avida Finans AB (publ), Finnish branch with company no: 2541768-9, is a credit market company that provides financial services to private individuals and companies in the Finnish market. A loan product is offered to private individuals. Business clients are offered financing solutions such as loans with and without security but also factoring in the form of invoice purchases and invoicing loans. The branch had a turnover of SEK 249.3 million (146) in 2020 and reported a profit after tax of SEK 124.6 million (16). During the year, the branch had an average of 15 (20) employees.

The Group also includes the wholly owned subsidiary Avida Inkasso A/S, org. no. 913 778 367, with registered office in Oslo, Norway. The Company operates debt collection and credit reporting operations in Norway and had revenues of SEK 13.5 million in 2020 with a profit after tax of SEK 3.1 million. During the year, the Company had an average of 6 employees.

Profit/loss and financial position of the foreign branches and subsidiaries that have a different functional currency than the reporting currency are translated into the group's reporting currency as follows:

- Assets and liabilities for each of the balance sheets are translated at the balance sheet date rate,
- Revenues and expenses for each of the profit and loss accounts are translated at the average exchange rate.

When recalculating the reported earnings of the foreign branches and subsidiaries, there may be a difference in the equity of the Company due to the different exchange rates. This conversion difference is reported in the profit and loss statement under Other total result.

## LEASE AGREEMENT, IFRS. 16

The Group leases office premises and parking spaces. Leases are reported as rights of use and are included in tangible fixed assets with a corresponding leasing liability included in other liabilities from the date on which the leased asset is available for use by the group. The exception is payments for short-term contracts and leases of minor value that are expensed on a linear basis in the profit and loss account.

The leasing liability is initially recorded at the present value of the group's future lease payments. Leasing payments are discounted at the implicit interest rate of the lease if this interest rate can be easily

determined; if not, Avida's marginal borrowing interest is used, which is the interest rate that the group would have to pay for financing through loans for a corresponding period, and with corresponding collateral, for the right of use of an asset in a similar financial environment. Each lease payment is distributed between the amortisation of the debt and the financial cost. The financial cost is distributed over the lease period in accordance with the effective interest method.

### REVENUE REPORTING AND REPORTING OF INTEREST COSTS

#### Interest income and interest costs

Interest income on receivables and interest costs on liabilities are calculated and reported using the effective interest method. The effective interest rate is the interest rate that means that the present value of all estimated future cash payments and disbursements during the expected interest rate refixing period will be equal to the carrying amount of the claim or debt. Interest income and interest costs include, where applicable, accrued amounts of fees received which are included in the effective interest rate, transaction costs and any discounts, premiums and other differences between the original value of the claim/liability and the amount settled at maturity.

Interest income and interest costs presented in the profit and loss account consist of interest on financial assets and liabilities that are valued at amortised cost according to the effective interest method including interest on bad debts.

#### Other income

Other operating income consists of other revenue.

### COMMISSION INCOME

The parent company and the Group report for 2020 for the first time items in the profit and loss account relating to commission revenue and commission costs. These are reported in accordance with IFRS15 and income carrying thus takes place in line with the fulfilment of performance commitments in relation to brokered insurance to consumers. The change of the accounting has been applied to previous periods in this report, which affects specific comparative figures. The effect of this is that interest income has decreased by SEK 11.0 million for the comparison year and that administration costs have decreased by SEK 4.9 million corresponding to the period.

### NET PROFIT/LOSS OF FINANCIAL TRANSACTIONS

The item Net Result of Financial Transactions contains realised and unrealised changes in value attributable to financial transactions within the framework of the Company's operations. The item consists of: realised and unrealised changes in the value of derivative instruments, changes in the market value of financial assets and liabilities that are valued at fair value through the profit and loss account and realised gains and losses attributable to the Company's liquidity management.

### GENERAL ADMINISTRATIVE EXPENSES

General administration costs include staff costs and other administration costs such as IT costs, external services (audit, other services) premises costs, telephone and postage costs as well as other costs.

### TAX

Recognised income taxes include taxes payable or receivable in relation to the current year, adjustments relating to previously applicable taxes and the effect of group contributions paid or received. Tax liabilities or tax receivables are valued at what, in the Group's assessment, should be paid or received from the Tax Authority.

Deferred tax is calculated according to the balance sheet method based on temporary differences between reported and tax values of assets and liabilities.

The valuation of deferred tax is based on how reported values of assets or liabilities are expected to be realised or regulated. Deferred tax is calculated using the tax rates and tax rules decided or practically decided on the balance sheet date. Deferred tax assets relating to deductible temporary differences and loss carryforwards are only recognised to the extent that it is probable that these will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used.

### FINANCIAL ASSETS AND LIABILITIES

Financial assets recognised on the balance sheet include cash and balance sheets with central banks, borrowable government bonds, lending to credit institutions, lending to the public, other assets and derivatives. Financial liabilities include deposits from the public, subordinated liabilities, derivatives and other liabilities.

#### Accounting and derecognising

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party according to the contractual terms of the instrument.

A financial asset is removed from the balance sheet when the rights in the agreement are realised, mature or the Group loses control over them. The same applies to part of a financial asset. A financial liability is derecognised when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to part of a financial liability.

A financial asset and a financial liability are only set off and reported with a net amount in the balance sheet when there is a legal right to set off the amounts and there is an intention to settle the items with a net amount or at the same time realise the asset and settle the debt. Acquisition and divestment of financial assets is reported on the trade date, which is the date on which the Company agrees to acquire or sell the asset.

#### Classification and assessment

Financial instruments are initially recognised at the fair value of the instrument with the addition of transaction costs except for derivatives and the instruments that belong to the category financial asset that are recognised at fair value via the profit and loss account, which are recognised at fair value excluding transaction costs. Financial assets are classified at initial recognition based on the business model for the management of financial assets and based on the characteristics of the contractual cash flows.

Financial assets included in a portfolio or group of assets held to collect the contractual cash flows are recognised at amortised cost if the contractual cash flows are only made up of capital amounts and interest rates.

Avida evaluates the business model based on, in particular, frequency, scope and reason for sales and how the risks and return of the portfolios are measured. The properties of the contractual cash flows are assessed based on whether they only constitute repayment of capital amounts and interest where the interest rate is compensation for credit risk, the time value of money and margins. The classification determines how the financial instrument is valued after the initial recognition.

Each financial instrument has been classified as belonging to one of the following categories:

### Financial assets

- Financial assets valued at fair value through profit and loss account
- Amortised cost

### Financial liabilities

- Financial liabilities valued at fair value through profit and loss account
- Amortised cost

## FINANCIAL ASSETS & LIABILITIES VALUED AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT

Financial assets and liabilities valued at fair value via the profit and loss account are valued at fair value excluding transaction costs. The assets concerned are foreign exchange forwards and a fund containing high-quality assets that meet the requirements to be credited for LCR purposes. The foreign exchange forwards are reported in the balance sheet under the item Derivative instruments. The fund has been included in the balance sheet under Collateralised Government Bonds. All changes in the value of these items are recognised directly in the profit and loss statement under "Net profit/loss of financial transactions".

## FINANCIAL ASSETS & LIABILITIES VALUED AT AMORTISED COST

Financial assets recognised at amortised cost are held in a business model with the aim of collecting contractual cash flows that are only made up of capital amounts and interest. These are represented in the balance sheet by the balance sheet items Cash and balances with central banks, Lending government bonds (except the fund reported at fair value), Loans to credit institutions, Lending to the general public, Other assets and Accrued revenue. These assets are valued at amortised cost after deductions for expected credit losses, in addition to the fund which is valued at fair value through the profit and loss account. The amortised cost is determined based on the effective interest rate calculated at the acquisition date.

## DERIVATIVES

Avida uses foreign exchange forwards as part of the process of meeting the Company's liquidity requirements in different currencies. These are reported in the balance sheet as Derivatives under

financial assets or financial liabilities. The Group also holds a fund containing high-quality assets that meet the requirements for being credited for LCR purposes. This fund is reported on the balance sheet under the item Collateralised Government Bonds and is classified as a financial asset valued at fair value through the profit and loss account.

All derivatives are initially valued at their fair value on an ongoing basis in the balance sheet. When hedge accounting is not applied, value changes are recognised directly in the profit and loss statement under "Net profit/loss of financial transactions". This also applies in cases where the financially secured risk but where hedging accounts are not applied.

Derivatives are therefore classified as valued at fair value through the profit and loss account.

## CASH FLOW ANALYSIS

The cash flow analysis is prepared in accordance with the indirect method. The reported cash flow only includes transactions that involve deposits and payments.

## SHARES AND UNITS IN GROUP COMPANIES

Shares in Group companies are reported at acquisition value after deduction of any impairment losses. The acquisition value includes acquisition-related costs and any additional consideration. Dividends received are reported under Net Result of Financial Transactions.

In accordance with IAS36, the parent company annually makes an assessment of whether there is any indication that the book value of the shares may have been reduced by making a calculation of the recoverable value. Impairments are reported under Impairment of financial fixed assets.

## CREDIT LOSSES AND IMPAIRMENTS ON FINANCIAL INSTRUMENTS

### Impairment testing for financial assets

IFRS 9 reflects the credit losses that Avida expects. In line with the regulatory framework, credit losses are calculated based on historical risk data in combination with forward-looking information. The Company's financial assets that are valued at amortised cost are covered by the principles. Failure to pay means a loss of payment of more than 90 days and is therefore regarded as an uncertain claim. Credit losses and impairment losses are calculated using the quantitative and qualitative components below.

### Quantitative components

For the quantitative model, assets are divided into three steps depending on the current credit quality. The expected maturity of the assets is equal to the contractual maturity, but not more than fifteen years. The Probability of Default (PD) reflects the expected probability that the creditor defaults. PD is calculated by analysing the historical evolution of shortfalls for similar assets. For business lending, Avida uses data from an external supplier that reflects the risk of falling into a similar business area.

The Loss Given Default (LGD) reflects expected loss after deduction



of collateral, agreed or offered sales revenue for divested fallen asset or expected recycling.

The Exposure at Default (EAD) is the expected exposure for falls that reflects the remaining amounts after contractual repayments within the bankrupt estate. For applicable products, the expected utilisation rate is used instead for the determination of EAD.

The Expected Credit Loss (ECL) for a time period is the discounted product of the asset's EAD, PD and LGD. The discounting factor is equal to the effective interest rate of each asset.

Stage 1 - New assets and assets that have not shown a significant increase in credit risk since the initial recognition. In this stage, an amount corresponding to a loss is reserved which is expected to occur within 12 months.

Stage 2 - Assets that have shown a significant increase in credit risk since the initial recognition. Here, an expected future loss over the entire life of the asset is reported. The Company makes assessments about significantly rose credit risk by using individual and collective information and reflects the risk at individual level. The Company uses both relative and absolute measures in change of probability of failure to determine whether there is a significant increase in the credit risk. The Company calibrates the absolute and relative measures to ensure that a majority of the credits that fail have been in stage 2 for at least six months before the credit defaults. Assets that show a significant increase in credit risk must be moved from step 1 to stage 2 and the expected credit losses should, as mentioned above, be based on the remaining maturity of the asset. Assets that are moved from stage 1 to stage 2 mean increased probability of failure (PD). Furthermore, the move from stage 1 to stage 2 leads to significantly higher reserves because the time horizon is based on the remaining life span and not the next 12 months.

In addition to this, the Company also uses a so-called back stop, a rule which means that a credit which is due between 30 and 90 days is part of stage 2.

Stage 3 - Assets as failing, i.e. late payment of more than 90 days. Assets in stage 3 are written down at both individual and collective levels in cases where they are homogeneous groups. Impairment is done in cases where there are objective circumstances that indicate that the asset's recoverable value is less than the book value. Reported credit losses regulate the value of the asset's book value in the balance sheet.

The Company does not apply any modifications such as a change in the maturity of the credit after the presentation of a reduced credit rating.

Cash and balances with central banks, borrowable government debt instruments and lending to credit institutions are the asset classes that are managed within the framework of low credit risk and are considered to be of good credit quality over time. Examples of counterparties are the Finnish Central Bank, the Swedish government and

bank accounts with the largest Nordic banks

### Qualitative components

For the qualitative part, the calculations include forward-looking information based on a weighting of three conceivable macroeconomic scenarios: base, optimistic and pessimistic. These are valued at the balance sheet date with the following weights: base 80%, optimistic 10% and pessimistic 10%. Unemployment and interest rate changes are expected to affect PD and LGD and thus the expected credit loss. The variables are produced in connection with the Company's capital and liquidity assessment and are the variables that have the highest impact on the Company's credit risk. Assets in Stage 1 that have previously been in Stage 2 or Stage 3 based on so-called backstops still have an increased probability of default over a period of time even if they show an improved payment pattern. Assets in Stage 2 which have previously been in Stage 3 still have an increased probability of default over a period of time even if they show an improved payment pattern.

### Reporting of confirmed credit losses

Loan receivables classified as impaired by credit are depreciated from the balance sheet when (i) the borrowing claim is sold under the current agreement (ii) the claim is deemed to have been concluded, which is when the receiver has provided an estimate of the dividend in bankruptcy, debt remediation, composition proposals, the claim is otherwise dismissed or when the Company's agent (debt collection company) states that the assets can not be recovered. After amortisation, the asset is no longer recognised in the Company's balance sheet. Payments on outstanding receivables are reported as recycling through a reduction in the Company's credit losses.

## TANGIBLE ASSETS

### Owned assets

Tangible fixed assets are reported as an asset in the balance sheet if it is probable that future economic benefits will be at the disposal of the Company and the acquisition value of the asset can be reliably calculated.

Tangible fixed assets are reported at acquisition value less accumulated depreciation and any impairment. The carrying amount of a tangible fixed asset is removed from the balance sheet on retirement or disposal or when no future economic benefits are expected from the use or disposal/sale of the asset. Profit or loss arising from the sale or retirement of an asset consists of the difference between the selling price and the asset's carrying amount less direct selling costs.

### Additional expenses

Additional expenses will be added to the acquisition cost only if it is probable that the future economic benefits associated with the asset will benefit the Company and the acquisition value can be reliably calculated. All other additional expenses are reported as expenses in the period in which they arise. Crucial to the assessment when an additional expense is added to the acquisition value is whether the expense relates to the exchange of identified components, or parts thereof, whereby such expenses are capitalised. Even if a new component has been created, the cost is added to the acquisition value.

Any undepreciated reported values of replaced components, or parts of components, are discarded and expensed in connection with the replacement. Repairs are expensed on an ongoing basis.

### Depreciation principles

Depreciation takes place linearly over the asset's estimated useful life.

Estimated useful lives:

- Inventory 5 years

Use depreciation methods and the residual values and useful lives of the assets are reviewed at the end of each year.

## INTANGIBLE FIXED ASSETS

### Software

Acquired software licences are activated on the basis of the costs incurred when the software in question was acquired and commissioned. These activated costs are amortised during the estimated useful life of 5 years.

Costs for maintenance of software are expensed when they arise. Development costs directly attributable to the development and testing of identifiable and unique software products controlled by the Company are reported as intangible assets when the following criteria are met:

- it is technically possible to complete the software so that it can be used,
- the Company's intention is to complete the software and use or sell it,
- there are suitable conditions to use or sell the software,
- it can be shown how the software generates probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the costs which are attributable to the software during its development can be calculated reliably. Directly attributable expenses that are entered in the balance sheet as part of the software include employee expenses

Other development costs that do not meet these criteria are expensed when they arise. Development costs previously expensed are not recognised as assets in the subsequent period. Development costs for software reported as an asset are amortised during its estimated useful life, which is between 5 and 10 years.

## IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

### Impairment testing

The reported values of the Company's assets are tested at each balance sheet date to assess whether there is any indication of a need for impairment. If there is an indication of a need for impairment, the recoverable value of the asset is calculated according to IAS 36.

An impairment loss is recognised when an asset's carrying amount exceeds the recoverable amount. An impairment loss is charged to the profit and loss account. The recoverable value is the higher of fair value less selling costs and value in use. When calculating the value

value less selling costs and value in use. When calculating the value in use, future cash flows are discounted with a discounting factor that takes into account risk-free interest rates and the risk associated with the specific asset.

### Recovery of impairment losses

An impairment loss is reversed if there is an indication that the need for impairment no longer exists and there has been a change in the assumptions that formed the basis for calculating the recoverable value.

## EMPLOYEE BENEFITS

The Group's remuneration policy, which has been published on the Group's website ([www.avidase.se](http://www.avidase.se)), has been decided by Avida's Board with regard to the Swedish Financial Supervisory Authority's regulations in FFFS 2011:1. The Board has analysed the risks with the remuneration system applied and, given that variable remuneration is paid to a very limited extent and in accordance with the design that can hardly affect the Company's profit and loss account and balance sheet, assessed the risks of the applied remuneration system as very low.

The compensation system is designed with almost exclusively fixed compensation. Variable compensation can only be paid to a few employees and only this year's result for an entire business area can generate variable compensation. No individual products can generate variable compensation. No products whose profits that arise only during the later financial year may affect the current year's variable compensation. Commission-based compensation can be paid to the sales personnel.

### Pension costs

The Group's pension plans are financed through payments to insurance companies. The Group only has defined contribution pension plans, i.e. pension plans where the group pays fixed fees to a separate legal entity. The Group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all employee benefits associated with the employee's service during current or previous periods. For defined contribution pension, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the fees have been paid. The fees are recorded as the employee earns the pension and are reported under General Administration Costs.

## 3 FINANCIAL RISK MANAGEMENT

### FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT

In the business, different types of risks arise, such as credit risk, market risk and liquidity risk. In order to limit and control risk-taking in the business, the company's Board, which is ultimately responsible for the Company's internal control, has established policies and instructions for lending and other financial activities.

The purpose of risk management is to identify and analyse the risks present in the business and to set suitable limits and ensure that there

## CREDIT QUALITY

GROUP	31.12.2020			31.12.2020		
	Company	Private	Total	Company	Private	Total
<b>SEK MILLION</b>						
<b>Loans to the public, gross</b>	<b>2,735.1</b>	<b>7,894.8</b>	<b>10,629.9</b>	<b>2,376.9</b>	<b>6,249.1</b>	<b>8,626.0</b>
Stage 1	2,653.8	6,308.5	8,962.3	2,322.7	5,125.0	7,448.7
Stage 2	41.7	476.2	517.9	20.6	634.9	655.5
Stage 3	39.6	1,110.1	1,149.7	33.5	489.2	522.7
<b>Total reserves</b>	<b>-60.4</b>	<b>-590.4</b>	<b>-650.8</b>	<b>-44.1</b>	<b>-229.3</b>	<b>-273.4</b>
of which reserves step 1	-15.5	-96.2	-111.7	-5.7	-57.5	-63.2
of which reserves step 2	-5.5	-57.4	-62.9	-1.3	-51.5	-52.8
of which reserves step 3	-39.4	-436.8	-476.2	-37.1	-120.3	-157.4
<b>Loans to the public, net</b>	<b>2,674.7</b>	<b>7,304.4</b>	<b>9,979.1</b>	<b>2,332.8</b>	<b>6,019.8</b>	<b>8,352.6</b>

## CREDIT QUALITY

GROUP	31.12.2020				31.12.2020			
	Stage 1	Stage 2	Stage 3	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
<b>SEK MILLION</b>								
<b>Loans to the public</b>								
<b>Business sector</b>								
Credit rating was to medium risk	2,638.3	36.2	0	2,674.5	2,306.5	12.8	-	2,319.3
Credit rating higher risk	-	-	0.2	0.2	10.5	2.9	-	13.4
<b>Total</b>	<b>2,638.3</b>	<b>36.2</b>	<b>0.2</b>	<b>2,674.7</b>	<b>2,317.0</b>	<b>15.7</b>	<b>-</b>	<b>2,332.8</b>
<b>Private sector</b>								
Credit rating was to medium risk	5,810.3	25.9	-	5,836.2	4,809.5	34.8	-	4,844.3
Credit rating high risk	402.0	392.9	673.3	1,468.2	258.0	548.6	368.9	1,175.5
<b>Total</b>	<b>6 12.3</b>	<b>418.8</b>	<b>673.3</b>	<b>7,304.4</b>	<b>5,067.5</b>	<b>583.4</b>	<b>368.9</b>	<b>6,019.8</b>

## AGE ANALYSIS

GROUP	31.12.2020			31.12.2019		
SEK MILLION						
Loans to the public	Company	Private	TOTAL	Company	Private	TOTAL
Receivables not due	167.8	5,300.2	5,468.0	2,317.2	4,292.5	6,609.7
1-30	2,466.8	1,161.4	3,628.2	11.0	1,047.5	1,058.5
31-90	37.3	331.7	369.0	3.7	390.4	394.1
>90	2.8	511.1	513.9	0.9	289.4	290.3
<b>Total</b>	<b>2,674.7</b>	<b>7,304.4</b>	<b>9,979.1</b>	<b>2,332.8</b>	<b>6,019.8</b>	<b>8,352.6</b>

are controls in place. The risks are monitored and checks are made on an ongoing basis so that limits are not exceeded. Risk policies, risk appetite and risk management systems are reviewed regularly to check that these are relevant and, for example, reflect current market conditions as well as the products and services offered.

Within the Company, there is a function for risk control that is led by the Chief Risk Officer, who is directly subordinate to the CEO, whose task is to compile, analyse and report all the Company's risks. The risk control function monitors and controls the Company's risk management performed in the business.

## CREDIT RISK

Credit/counter-party risk refers to the risk that the Company does not receive payment according to agreement and/or will make a loss due to the counterparty's inability to fulfil its obligations. The Company collects collateral for lending to companies that manage and minimise the loss in the event of non-payment. In terms of private lending, Avida works actively to divest the bad debts with the strategy of retaining the receivables provided that the underlying value exceeds the bid.

The Company's credit portfolios can be divided into Private lending and Business lending:

Private lending	Business lending
Private loans	Factoring
Revolving credit	Business loans

In common for all lending, major credit commitments (all of the creditor's own connections and debts) are reviewed at least once a year by the competent credit authority. The Company has established limits for how much commitment is allowed in order to manage the concentration risk with individual counterparties. The Company also has a good spread of credit risk within the Nordic region and Germany/Netherlands, which reduces the risk of concentration in regions. In business lending, the Company has a good spread of risk exposures regarding industry concentration. The concentration risk in lending to private individuals is low because the portfolio is characterised by a collective that is spread across several regions.

The Company's procedures for monitoring overdue payments and unsettled receivables aim to minimise credit losses through an early detection of payment problems among the creditors and an accompanying rapid handling of existing claims. Monitoring takes place with the support of a special requirement system that automatically

## CURRENCY EXPOSURE

Net exposure in SEK million in each currency	2020	2019
SEK MILLION		
EUR*)	-48.4	127.9
NOK *)	9.9	152.0
Other *)	-4.3	27.6

\*) Gross exposure for 2020 in EUR was the equivalent of SEK 4,079,011,612 with counteracting foreign exchange forwards of SEK 1,257,262,500. The EUR exposure arises from lending in Finland of 3.1 billion, Sweden of 0.5 billion and Norway of 0.5 billion. In NOK, gross exposure was SEK 2,816,947,184 with foreign exchange forwards of SEK 958,878,657. NOK exposure arises from lending in Norway of SEK 1.2 billion, Sweden of SEK 1 billion and the rest in Finland. Gross exposure in other currencies was SEK 38,233,556 with counteracting foreign exchange forwards of SEK 42,494,361.

monitors and reminds us when a requirement measure is required.

## Private lending

Private loans are so-called blank credits with annuity payments to private individuals in Sweden, Norway and Finland of a maximum equivalent of SEK 500 thousand and with maturities of between 1-15 years. Revolved credit has the same structure with the difference that the creditor is granted a limit that can be reused after repayment. Avida uses automated processes for newly issued private lending that include customary credit testing, testing of repayment capacity, scoring analysis and adequate client due diligence processes before providing credit. The automatic processes are designed specifically for the individual country. Scoring takes into account both internal and external information about the applicant, such as payment or application history. The credit decision is made automatically based on rules set by the Company's credit and price committee. Decisions that cannot be made under these rules will be forwarded to credit administrators who make the credit decision in accordance with instructions and given decision mandate. The decisions affect the offer in terms of amounts and interest, and are followed up and analysed on an ongoing basis by the Company's analysis function that provides recommendations for improvements.

The claim processes are discussed internally until the Company either sells overdue credit and thereby realises the credit loss or, alternatively, retains overdue credit as a fully or partially reserved claim. The receivables are valued at amortised cost.

Avida's assessment of credit risk in private lending is that it is consi-



dered to be medium-high within the framework of the Company's risk capital and thus acceptable given the good return that the transaction contributes.

### Business lending

The portfolio for business lending consists of the products Factoring and Business loans.

Factoring refers to the purchase or lending of invoices both with and without right of recourse. The maturity period is generally short and generally falls below 60 days. Avida has a good history of low credit losses within the product area as a result of careful monitoring of payment flows and management of credit risk and counterparty exposures. Business loans are client-specific credits within the framework of Avida's risk capital. The loans can be issued with or without security, amortisation and revolving. There are also corporate bonds within the product where Avida's purpose is to keep them to maturity, i.e. obtain coupon interest and repayments.

In this area, there are also lending to small and medium-sized German and Dutch companies with a personal guarantee from the owner of a maximum of EUR 250 thousand, with annuity payments and a maturity of 1-5 years. This part of the business is outsourced to a party that meets Avida's requirements for credit management processes and Avida continuously checks the evolution of these credits.

Common to the lending is that it is always preceded by individual analysis of the purpose of credit, repayment capability, market risk, the business including sensitivity tests, security documentation, company and ownership structure based on instructions and templates. The credit decision is taken by the relevant credit committee or the Board's credit committee.

The receivables are valued at amortised cost and are reserved in accordance with IFRS 9. In the provision process, the reserve can increase if there is observable data of market values that justifies such an increase.

Avida's assessment of credit risk within the area of business lending is that it is considered as medium-high with elements of higher concentration risk compared to Private lending. Overall, the credit risk within the framework of the Company's risk appetite and acceptable given the good return on the transaction contributed.

Other assets almost exclusively consist of liquid assets: bank accounts with major Nordic credit institutions, central bank deposits and bonds with very good credit rating, mainly government bonds but also central government bonds.

Receivables are valued at amortised cost but a small portion of liquidity is reported at fair value. As of 31.12.2020, the Company has a smaller exposure to assets valued at fair value of SEK 97.6 million (91). Fair value may affect earnings as a result of changes in the risk capital for credit risk in the market, i.e. the credit spread risk.

This risk can only affect Avida by changing the exposure to these

assets. So Avida pays cover for credit spread risk in Pillar 2.

In this area, there is also a counterparty risk which Avida has entered into an ISDA agreement with a CSA-appendix with a daily adjustment of collateral to eliminate the counterparty risk.

Avida's assessment of credit risk for the other assets is very low and in line with the Company's risk capital for other assets.

This part of the assets does not contribute with a return but is a necessary part of the transaction based on the management of liquidity risk and market risk.

### MARKET RISK

Market risk is the risk of financial loss in the form of reduced market values or increased costs as a result of changes in exchange rates or interest rates. Avida exposes itself to exchange rate risk and interest rate risk in the business.

### FOREIGN EXCHANGE RATE RISK

The Company has financing in SEK, NOK and EUR and an asset base in SEK, NOK, EUR, DKK, GBP, USD and CHF. In the event of an imbalance in currency matching between financing and asset, in Receivables are valued at amortised cost but a small portion of liquidity is reported at fair value. As of 31.12.2020, the Company has a smaller exposure to assets valued at fair value of SEK 97.6 million (91). Fair value may affect earnings as a result of changes in the risk capital for credit risk in the market, i.e. the credit spread risk.

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### FOREIGN EXCHANGE RATE RISK

The Company has financing in SEK, NOK and EUR and an asset base in SEK, NOK, EUR, DKK, GBP, USD and CHF. In the event of an imbalance in currency matching between financing and asset, in the event of reassessment of the balance sheet items there is a risk of currency effects in the profit and loss account. The Company's Treasury department manages exchange rate risk through currency derivatives and by creating a natural match between currency expo-

tures in the balance sheet. Swedish and European interest markets, which gives the diversification that the Company strategically strives for.

The Company works actively to monitor interest rate risk, control the exposure and price the risk when it arises. The Company's interest rate risk is primarily driven from the business loans with fixed interest rates and government bonds, as that type of assets lack interest rate-matching financing.

The Company's strategy is to have limited exposure to interest rate risk. A parallel change in the yield curve of 100 basis points would indicate

a theoretical reassessment of the balance sheet of SEK 23.2 million as of 31.12.20 (10.0 as of 31.12.2019).

Avida estimates that the market risk in the Company is low and that it is priced on a risk basis to manage the risk.

### OPERATIONAL RISKS

Operational risks are the risk of losses due to errors or defects in processes and procedures. The risk also includes human errors, system errors and external irregularities. Within the area of operational risk, legal risks such as the risk of money laundering or other types of sanctions are also included.

Avida defines its essential processes with process owners who carry out risk identifications at least once a year. These describe the operational risks that Avida sees within the processes. The Company uses a method that defines each identified risk with its inherent risk (before risk management), risk management and residual risk (after risk management). Avida defines and validates risk management with risk controls that are also assessed based on their efficiency (how frequently the control is carried out) and design (how well the control manages the risk). The overall picture creates a framework for Avida's risk management of operational risks where the risks that exceed specific threshold values are discussed separately or areas with high risk values are focused on with risk management efforts that deal with the specific risk. The risk areas that are categorised into are Organisation & Personnel, Processes, IT systems, External risks and Legal risks. The control areas that Avida works with are: automatic, permissions control, decisions, documentation, duality, insurance, control documentation, competence, continuity plans, manual, monitoring, reporting, periodic meetings, allocation of responsibilities, procedure descriptions and training. The areas that Avida strategically focuses on are automatic and skills.

Avida estimates that the operational risk is moderate in the Company and is a natural part of the business.

### LIQUIDITY RISK

Liquidity risk is the risk that the Company will have difficulties fulfilling payment obligations in the short term. Liquidity risk can also be expressed as the risk of loss or impaired earning capacity as a result of the Company's payment commitments not being able to be fulfilled on time. In order to ensure the Company's short-term ability to pay in the event of loss or impaired access to normally available sources of

financing, the Company maintains a separate reserve of high-quality assets. The Company makes specific demands on liquid assets, e.g. that these may only consist of available funds that are not used as collateral. The liquidity buffer includes funds in cash/bank provided that such balances are available on the following banking day, bonds against reputable counterparties such as the Swedish government and central bank deposits.

The minimum size of the liquidity buffer is regulated by a Board-imposed limit that is institution-specific and designed to handle Avida's inherent liquidity risk. Avida's assets are characterised by a higher share of the early retirement rights compared to the contractual maturity, while the non-time-bound deposits have an inherent behaviour of a sluggish flow out of the Company's debt mass, which together contributes to a low liquidity risk.

Avida has identified the following inherent liquidity risks: unexpected liquidity outflows from the deposit portfolios which mainly consist of non-time-bound deposits, unexpected liquidity outflows from the Company's unutilised limits, or approved but not yet paid loan commitments and unexpected liquidity outflows from counterparty risk management from Avida's currency exchange rate derivative.

In order to manage a situation with rose liquidity risk, it is possible to adjust the borrowing rate in order to attract further borrowing from the public, reduce the rate of borrowing or attract capital injections in order to strengthen the liquidity situation.

The CEO is responsible for liquidity management. All new and changed limits must be approved by the Board. In this respect, the Company's risk management focuses on monitoring and verifying that the liquidity buffer is within limits. The Treasury Department reports liquidity daily and monitors intraday transactions as needed.

The Company's liquidity exposure with respect to the remaining maturities of financial assets and liabilities is shown in the tables on the following pages. The cash flow analysis that is received elsewhere in the annual report also highlights the Company's liquidity situation.

### SENSITIVITY ANALYSIS

Sensitivity in the result of the risks described above is shown below. In terms of credit risk, the underlying driver is unemployment, which is the single largest driver for impaired LGDs.

## MARKET AND INTEREST RATE RISK FOR LOANS AND DEPOSITS

GROUP	FINANCIAL MEASURE	CHANGE	2020	2019
<b>Risks in deposits from the public</b>				
Change in deposit interest rate	Profit/loss before tax	+/- 1 percent	+/- 105.6	+/- 72.5
	Change in equity	+/- 1 percent	+/- 83.0	+/- 56.6
<b>Risks in loans to the public</b>				
Change in lending interest rate	Profit/loss before tax	+/- 1 percent	+/- 99.0	+/- 70.8
	Change in equity	+/- 1 percent	+/- 77.8	+/- 55.2
<b>Risks in loans to credit institutions</b>				
Change in lending interest rate	Profit/loss before tax	+/- 1 percent	+/- 15.0	+/- 10.9
	Change in equity	+/- 1 percent	+/- 11.8	+/- 8.5

## EXCHANGE RATE RISK

GROUP	FINANCIAL MEASURE	CHANGE	2020	2019
<b>Risks for result from foreign branches and companies</b>				
Change in exchange rate SEK-NOK	Profit/loss before tax	+/- 10 percent	+/- 3.3	+/- 3.2
	Change in equity	+/- 10 percent	+/- 2.6	+/- 2.5
Change in exchange rate SEK-EUR	Profit/loss before tax	+/- 10 percent	+/- 9.9	+/- 3.7
	Change in equity	+/- 10 percent	+/- 7.8	+/- 2.9

## CREDIT RISK

GROUP	FINANCIAL MEASURE	CHANGE	2020	2019
<b>Risk of change in recovery of overdue credits</b>				
Changes in LGD	Profit/loss before tax	+/- 5 percent	+/- 127.8	+/- 63.2
	Change in equity	+/- 5 percent	+/- 100.4	+/- 49.3

## LIQUIDITY EXPOSURE 2020

GROUP	PAID ON DEMAND	UP TO 3 MONTHS	3-12 MONTHS	BETWEEN 1-5 YEARS	MORE THAN 5 YEARS	TOTAL
<b>SEK MILLION</b>						
<b>Assets</b>						
Cash and balances with central banks	220.5	-	-	-	-	220.5
Collateralised government bonds	97.6	220.2	-	126.0	-	443.9
Loans to credit institutions	1,085.3	-	-	-	-	1,085.3
Loans to the public	766.0	1,400.2	485.7	2,737.7	4,589.5	9,979.1
Other assets	-	43.8	-	-	-	43.8
<b>Total assets</b>	<b>2,169.4</b>	<b>1,664.2</b>	<b>485.7</b>	<b>2,863.7</b>	<b>4,589.5</b>	<b>11,772.6</b>
<b>Liabilities and provisions</b>						
Deposits from the public	9,213.7	489.0	457.1	-	-	10,159.9
Derivatives	-	7.5	-	-	-	7.5
Other liabilities	-	87.5	-	-	-	87.5
Subordinated debt	-	246.6	-	-	-	246.6
<b>Total liabilities and equity</b>	<b>9,213.7</b>	<b>830.6</b>	<b>457.1</b>	<b>-</b>	<b>-</b>	<b>10,501.5</b>

The table shows undiscounted values of the Company's financial assets and liabilities divided by the time that remains on the balance sheet date until the first contractual maturity date.

## LIQUIDITY EXPOSURE 2019

GROUP	PAID ON DEMAND	UP TO 3 MONTHS	3-12 MONTHS	BETWEEN 1-5 YEARS	MORE THAN 5 YEARS	TOTAL
<b>SEK MILLION</b>						
<b>Assets</b>						
Cash and balances with central banks	72.3	-	-	-	-	72.3
Collateralised government bonds	91.0	-	158.1	-	-	249.1
Loans to credit institutions	1,789.6	-	-	-	-	1,789.6
Loans to the public	-	1,209.1	525.8	2,615.5	4,002.2	8,352.6
Derivatives	-	33.1	-	-	-	33.1
<b>Total assets</b>	<b>1,952.9</b>	<b>1,242.2</b>	<b>683.9</b>	<b>2,615.5</b>	<b>4,002.3</b>	<b>10,496.7</b>
<b>Liabilities and provisions</b>						
Deposits from the public	8,021.1	521.6	568.7	-	-	9,111.4
Derivatives	-	17.9	-	-	-	17.9
Other liabilities	-	114.2	-	-	-	114.2
Subordinated debt	-	-	-	-	245.9	245.9
<b>Total liabilities and equity</b>	<b>8,021.1</b>	<b>653.7</b>	<b>568.7</b>	<b>-</b>	<b>245.9</b>	<b>9,489.4</b>

## 4 OPERATING SEGMENTS, GROUP

Management has determined the operating segments based on the information used as a basis for allocating resources and evaluating results. The Company management assesses the business from an aggregate level distributed from a client perspective; Consumer Finance and Business Finance. The result measure that tracks at

the segment level is the operating result. The Company management also tracks operating revenues and loan balances at the geographical level. Profit items that are not directly attributable to segments are allocated with distribution keys that the company management believes provide a fair distribution to the segments.



SEGMENT REPORT 2020, GROUP	CONSUMER FINANCE	BUSINESS FINANCE	TOTAL
<b>SEK MILLION</b>			
Interest income	696.3	223.5	919.7
Interest expenses	-148.2	-47.5	-195.7
Commission income	11.5	-	11.5
Commission expense	-	-	-
Net profit/loss of financial transactions	-6.1	-2.0	-8.1
Other income	0.5	0.2	0.6
<b>Total operating income</b>	<b>554.0</b>	<b>174.2</b>	<b>728.2</b>
General administrative expenses	-196.5	-62.8	-259.3
Depreciation and impairments of tangible and intangible fixed assets	-20.7	-6.5	-27.3
<b>Profit/loss before credit losses</b>	<b>336.8</b>	<b>104.8</b>	<b>441.6</b>
Credit losses, net	-412.4	-24.2	-436.6
<b>Operating profit/loss</b>	<b>-75.6</b>	<b>80.6</b>	<b>5.0</b>
Tax	14.2	-17.3	-3.0
<b>Recognised profit after tax</b>	<b>-61.4</b>	<b>63.4</b>	<b>2.0</b>
Loans to the public	7,381.3	2,597.8	9,979.1
Net interest margin	7.6%	6.1%	7.1%
Credit losses (%)	5.7%	0.8%	4.3%
Return on equity Tier 1	-8.6%	22.2%	0.2%

SEGMENT REPORT 2019, GROUP	CONSUMER FINANCE	BUSINESS FINANCE	TOTAL
<b>SEK MILLION</b>			
Interest income	520.0	173.0	693.0
Interest expenses	-109.6	-45.7	-155.3
Commission income	6.1	-	6.1
Commission expense	-	-	-
Net profit/loss of financial transactions	10.3	4.6	14.9
Other income	2.6	-0.1	2.5
<b>Total operating income</b>	<b>429.3</b>	<b>131.8</b>	<b>561.1</b>
General administrative expenses	-177.2	-58.9	-236.0
Depreciation and impairments of tangible and intangible fixed assets	-7.9%	-9.4	-17.4
<b>Profit/loss before credit losses</b>	<b>244.2</b>	<b>63.5</b>	<b>307.7</b>
Credit losses, net	-170.2	-9.0	-179.2
<b>Operating profit/loss</b>	<b>74.0</b>	<b>54.5</b>	<b>128.5</b>
Tax	-17.9	-13.5	-31.4
<b>Recognised profit after tax</b>	<b>56.1</b>	<b>41.0</b>	<b>97.1</b>
Loans to the public	6,133.9	2,218.7	8,352.6
Net interest margin	8.2%	6.7%	7.8%
Credit losses (%)	3.3%	0.5%	2.6%
Return on equity Tier 1	9.7%	18.9%	12.2%

2020	Sweden	Norway	Finland	TOTAL
Total operating income	416.6	98.3	213.3	728.2
Loans to the public	5,611.1	1,249.6	3,118.4	9,979.1

2019	Sweden	Norway	Finland	TOTAL
Total operating income	267.8	144.2	149.1	561.1
Loans to the public	4,300.3	1,720.2	2,332.1	8,352.6

## 5 NET INTEREST INCOME

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
<b>Interest income</b>				
Loans to the public	768.2	572.4	755.2	560.0
Factoring	135.2	118.1	135.2	118.1
Other	16.3	2.5	16.3	2.5
<b>Total interest income</b>	<b>919.7</b>	<b>692.9</b>	<b>906.7</b>	<b>680.5</b>
<b>Interest expenses</b>				
Borrowing and credit from the public	194.2	154.7	194.0	155.4
Other	1.5	0.6	1.5	0.6
<b>Total interest costs</b>	<b>195.7</b>	<b>155.3</b>	<b>195.6</b>	<b>156.0</b>
<b>Net interest income</b>	<b>724.1</b>	<b>537.6</b>	<b>711.2</b>	<b>524.5</b>

Interest income from financial instruments that are not valued at fair value through the profit and loss account amounts to SEK 919.7 million (692.9). Interest costs from financial instruments that are not valued at fair value through the profit and loss account amount to SEK 195.7 million (155.3).

## 6 NET COMMISSION INCOME

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
<b>Commission income</b>				
Commission income from brokered insurance	11.5	6.1	11.5	6.1
<b>Total commission income</b>	<b>11.5</b>	<b>6.1</b>	<b>11.5</b>	<b>6.1</b>
<b>Commission expense</b>				
Administration costs	-	-	-	-
<b>Total commission expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net commission income</b>	<b>11.5</b>	<b>6.1</b>	<b>11.5</b>	<b>6.1</b>

## 7 NET PROFIT/LOSS OF FINANCIAL TRANSACTIONS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Change in value of foreign exchange forward contracts	-7.4	13.1	-7.4	13.1
Exchange rate profit/loss, net	-1.8	1.1	-1.8	1.1
Valuation of financial assets at fair value through the profit and loss account	1.1	0.7	1.1	0.7
<b>Total</b>	<b>8.1</b>	<b>14.9</b>	<b>8.1</b>	<b>14.9</b>

## 8 GENERAL ADMINISTRATIVE EXPENSES

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>OTHER ADMINISTRATION COSTS</b>				
<b>SEK MILLION</b>				
Costs for premises	5.2	7.1	12.5	13.5
IT/data	25.5	5.7	24.4	5.7
Costs for disclosure services	17.1	19.8	16.9	19.5
Other external services	42.2	33.8	42.4	32.7
Audit fees	5.8	4.4	5.5	4.2
Marketing costs	9.0	8.3	9.0	8.3
Other administrative costs	23.0	36.4	21.0	32.1
<b>Total other costs</b>	<b>127.8</b>	<b>115.5</b>	<b>131.8</b>	<b>116.0</b>

### PERSONNEL COSTS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SALARIES AND REMUNERATION</b>				
<b>SEK MILLION</b>				
Board and CEO	3.3	3.4	3.3	3.4
Other employees	89.2	78.4	85.3	75.0
<b>Total salaries and compensation</b>	<b>92.5</b>	<b>81.8</b>	<b>88.6</b>	<b>78.4</b>
<b>Statutory and contractual social security contributions</b>	<b>23.0</b>	<b>22.3</b>	<b>22.5</b>	<b>21.7</b>
Pension costs relating to the Board and CEO	0.9	0.7	0.9	0.7
Pension costs for other employees	10.4	11.6	10.2	11.1
<b>Total salaries, compensation for social security contributions and pension costs</b>	<b>126.4</b>	<b>116.4</b>	<b>122.2</b>	<b>112.1</b>
<b>Other staff costs</b>	<b>4.8</b>	<b>4.1</b>	<b>4.7</b>	<b>4.1</b>
<b>Total staff costs</b>	<b>131.2</b>	<b>120.5</b>	<b>126.9</b>	<b>116.2</b>
<b>Total of general administrative expenses</b>	<b>259.3</b>	<b>236.0</b>	<b>258.4</b>	<b>232.2</b>

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>AVERAGE NUMBER OF EMPLOYEES</b>				
Women	60	59	55	55
Men	63	56	62	54
<b>Total number</b>	<b>123</b>	<b>115</b>	<b>117</b>	<b>109</b>

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SICK LEAVE PERCENT</b>				
Women	3.67	4.10	3.63	3.91
Men	1.16	1.17	1.16	1.36

## 8 GENERAL ADMINISTRATION COSTS, CONT.

REMUNERATION TO SENIOR EXECUTIVES, GROUP - 2020					
SEK MILLION	BASIC SALARY/FEES	VARIABLE COMPENSATION	OTHER BENEFITS	PENSION COSTS	TOTAL
Tord Topsholm (CEO)	3.2	-	0.1	0.9	4.2
Christian Bjørnstad (Board member until 04.08.2020)	-	-	-	-	-
Håkon Reistad Fure (Board member until 01.05.2020)	-	-	-	-	-
Celina Midelfart (Board member)	-	-	-	-	-
Geir Langfeldt Olsen (Chairman until 09.12.2020)	-	-	-	-	-
Varun Khaana, (Chairman from 09.12.2020)	-	-	-	-	-
Daniel Knottenbelt (Board member from 04.08.2020)	-	-	-	-	-
John Howard (Board member from 04.08.2020)	-	-	-	-	-
<b>Total</b>	<b>3.2</b>	<b>-</b>	<b>0.1</b>	<b>0.9</b>	<b>4.2</b>

REMUNERATION TO SENIOR EXECUTIVES, GROUP - 2019					
SEK MILLION	BASIC SALARY/FEES	VARIABLE COMPENSATION	OTHER BENEFITS	PENSION COSTS	TOTAL
Tord Topsholm (CEO)	3.2	1.6	-	0.7	5.5
Stefan Alexandersson (Chairman until 28.02.2019)	0.2	-	-	-	0.2
Christian Bjørnstad	-	-	-	-	-
Håkon Reistad Fure	-	-	-	-	-
Celina Midelfart (Board member)	-	-	-	-	-
Geir Langfeldt Olsen (Chairman from 28.02.2019)	-	-	-	-	-
<b>Total</b>	<b>3.4</b>	<b>1.6</b>	<b>-</b>	<b>0.7</b>	<b>5.7</b>

### VARIABLE

remuneration The additional variable remuneration is paid in relation to individual target fulfilment of the revenue and earnings targets set for the year. The targets are set annually by the Board. Information about the Company's compensation policy in accordance with the disclosure requirements in FFFS 2011:1 can be found on the Company's website [www.avidase.se](http://www.avidase.se).

### PENSIONS

All employees' pensions are secured through defined contribution plans, which means that the financial year's cost of pensions corresponds in its entirety to pensionable benefits.

### TERMINATION PERIODS AND SEVERANCE PAY

The CEO is employed by Avida Finans AB (publ). According to the agreement between Avida Finans AB and the CEO, the notice period is 6 months. There is an agreement on severance pay for the CEO corresponding to 12 months' salary after the notice period.

## 8 GENERAL ADMINISTRATIVE EXPENSES, CONT.

### REMUNERATION TO AUDITORS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Audit assignment	3.8	3.1	3.5	3.1
Audit activities in addition to the audit assignment	0.3	0.5	0.3	0.5
Tax advice	-	-	-	-
Other services	-	-	-	-
<b>Total Deloitte</b>	<b>4.1</b>	<b>3.6</b>	<b>3.8</b>	<b>3.6</b>

As of 31.05.2019, Deloitte AB was elected as the company's auditor, after it had switched from PWC. In 2019, the company had costs for PWC of SEK 0.6 million.

## 9 CREDIT LOSSES, NET

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
<b>Loans to the public</b>				
Provisions - Stage 1	-50.4	-12.0	-50.4	-12.0
Provisions - Stage 2	-12.0	-20.6	-12.0	-20.6
Provisions - Stage 3	-332.1	-80.7	-332.1	-80.7
<b>Total reserves</b>	<b>-394.5</b>	<b>-113.3</b>	<b>-394.5</b>	<b>-113.3</b>
Write-offs	-42.8	-67.0	-42.6	-66.9
Recycled financial assets	1.0	1.3	1.1	1.3
<b>Total</b>	<b>-41.8</b>	<b>-65.7</b>	<b>-41.5</b>	<b>-65.6</b>
<b>Total credit losses from loans to the public</b>	<b>-436.3</b>	<b>-179.0</b>	<b>-436.0</b>	<b>-178.9</b>
<b>Loans to credit institutions</b>				
Provisions - Stage 1	-0.2	-0.2	-0.2	-0.2
Provisions - Stage 2	-	-	-	-
Provisions - Stage 3	-	-	-	-
<b>Total reserves</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
Write-offs	-	-	-	-
Recycled financial assets	-	-	-	-
<b>Total credit losses from loans to credit institutions</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
<b>Total credit losses, net</b>	<b>-436.5</b>	<b>-179.2</b>	<b>-436.2</b>	<b>-179.1</b>

Provisions are calculated using quantitative models, which are based on input data, assumptions and methods that largely consist of assessments from the Company's management. The following parts have an impact on the level of provision:

- Determination of a significant increase in credit risk. The general definition consists of a backstop corresponding to the fact that a credit is due more than 30 days. For private lending has the definition for bankruptcy for at least 90 days. Of the customers who matures, the majority receive a significantly increased credit risk at least six months before bankruptcy..
- Macroeconomic aspects. Avida takes into account macroeconomic aspects regarding policy rates and unemployment in the market in which the Company has its main operations. For these, an expected, deteriorated and improved outlook is designed, which at each reporting occasion is weighted at 80% for the expected outlook and at 10% each for the deteriorated and improved outlook.
- Valuation of loss in bankruptcy, loss given default (LGD). LGD is described in Note 2 and sensitivity is analysed in Note 3.



## 10 TAX ON ANNUAL PROFIT/LOSS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
<b>Tax reported in the profit and loss account</b>				
Current tax on annual profit/loss	-5.3	-31.4	-4.2	-30.9
Adjustment of tax relating to previous years	2.0	-	2.0	-
Deferred tax revenue	0.2	-	-	-
<b>Tax on annual profit/loss</b>	<b>-3.0</b>	<b>-31.4</b>	<b>-2.2</b>	<b>-30.9</b>

### Effective tax reconciliation

Reported earnings before tax	5.0	128.5	1.1	128.0
Tax according to current tax rate	-1.3	-27.5	-0.2	-27.4
Tax effect of non-deductible costs	-3.9	-3.8	-3.9	-3.8
Tax effect of non-taxable revenue	-	-	-	-
Tax effect of loss carryforwards	-	-0.1	-0.1	0.3
Tax effect on earnings for previous years	2.0	-	2.0	-
<b>Tax on annual profit/loss according to the profit and loss statement</b>	<b>-3.2</b>	<b>-31.4</b>	<b>-2.2</b>	<b>-30.9</b>

### Tax reported in other total profit/loss

Tax effect on conversion difference in branches	-	-2.8	-	-2.8
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### Tax reported in the balance sheet

Current tax asset	20.4	2.1	21.4	2.1
Deferred tax	0.1	-	-	-

The applicable tax rate is 21.4% (22.0%) in Sweden and 22% in Norway.

## 11 CASH AND BALANCES WITH CENTRAL BANKS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Balances with central banks	220.5	72.3	220.5	72.3
<b>Total</b>	<b>220.5</b>	<b>72.3</b>	<b>220.5</b>	<b>72.3</b>
of which foreign currency	220.5	72.3	220.5	72.3

## 12 COLLATERALISED GOVERNMENT BONDS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Mortgageable government securities	443.9	249.1	443.9	249.1
<b>Total</b>	<b>443.9</b>	<b>249.1</b>	<b>443.9</b>	<b>249.1</b>

## 13 LOANS TO CREDIT INSTITUTIONS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
<b>Loans to credit institutions, gross</b>	<b>1,085.4</b>	<b>1,789.8</b>	<b>1,075.2</b>	<b>1,777.3</b>
Stage 1	1,085.4	1,789.8	1,075.2	1,777.3
Stage 2	-	-	-	-
Stage 3	-	-	-	-
<b>Total reserves</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
Stage 1	-0.2	-0.2	-0.2	-0.2
Stage 2	-	-	-	-
Stage 3	-	-	-	-
<b>Loans to credit institutions, net</b>	<b>1,085.2</b>	<b>1,789.6</b>	<b>1,075.0</b>	<b>1,777.1</b>
Banks	1,085.2	1,789.6	1,075.0	1,777.1
of which Swedish banks	260.9	443.4	260.9	440.4
of which foreign banks	824.3	1,346.2	814.1	1,336.7
<b>Total</b>	<b>1,085.2</b>	<b>1,789.6</b>	<b>1,075.0</b>	<b>1,777.1</b>

## 14 LOANS TO THE PUBLIC

GROUP	31.12.2020	31.12.2019
<b>SEK MILLION</b>		
<b>Loans to the public, gross</b>	<b>10,629.9</b>	<b>8,626.0</b>
Stage 1	8,961.0	7,447.8
Stage 2	517.9	655.5
Stage 3	1,149.7	522.7
<b>Total provisions</b>	<b>-650.8</b>	<b>-273.4</b>
Stage 1	-111.7	-63.2
Stage 2	-62.9	-52.8
Stage 3	-476.2	-157.4
<b>Loans to the public, net</b>	<b>9,979.1</b>	<b>8,352.6</b>

GROUP	Stage 1	Stage 2	Stage 3	TOTAL
<b>SEK MILLION</b>				
<b>Loans to the public, gross 1 January 2020</b>	<b>7,451.3</b>	<b>655.5</b>	<b>519.2</b>	<b>8,626.0</b>
New, acquired and removed financial assets, net	2,141.6	31.0	142.1	2,314.7
Movement to stage 1	192.3	-165.6	-26.8	-0.1
Movement to stage 2	-250.6	259.0	-8.5	-0.1
Movement to stage 3	-425.6	-246.6	672.2	-
Reassessment due to change in credit risk	-	-	-	-
Write-offs	-	-	-115.4	-115.4
Recycled financial assets	-	-	-	-
Exchange rate adjustments	-146.7	-15.4	-33.1	-195.2
Other	-	-	-	-
<b>Loans to the public, gross 31 December 2019</b>	<b>8,962.3</b>	<b>517.9</b>	<b>1,149.7</b>	<b>10,629.9</b>

GROUP	Stage 1	Stage 2	Stage 3	TOTAL
<b>SEK MILLION</b>				
<b>Provisions 1 January 2019</b>	<b>63.2</b>	<b>52.8</b>	<b>157.4</b>	<b>273.4</b>
New, acquired and removed financial assets, net	49.7	19.5	106.4	175.6
Movement to stage 1	3.9	-13.7	-4.7	-14.5
Movement to stage 2	-4.0	34.4	-1.6	28.8
Movement to stage 3	-7.6	-27.8	202.3	166.9
Reassessment due to change in credit risk	8.4	-1.0	48.4	55.8
Write-offs	-	-	-19.9	-19.9
Recycled financial assets	-	-	-	-
Exchange rate adjustments	-1.9	-1.3	-12.1	-15.3
Other	-	-	-	-
<b>Provisions 31 December 2020</b>	<b>111.7</b>	<b>62.9</b>	<b>476.2</b>	<b>650.8</b>

GROUP	Stage 1	Stage 2	Stage 3	TOTAL
<b>SEK MILLION</b>				
<b>Loans to the public, gross 1 January 2019</b>	<b>4,894.8</b>	<b>513.3</b>	<b>183.4</b>	<b>5,551.5</b>
New, acquired and removed financial assets, net	2,982.2	169.6	92.7	3,244.5
Movement to stage 1	93.7	-91.9	-1.8	-0.1
Movement to stage 2	-230.1	230.6	-0.5	-0.1
Movement to stage 3	-334.6	-173.9	508.5	-
Reassessment due to change in credit risk	-	-	-	-
Write-offs	-	-	-268.1	-268.1
Recycled financial assets	-	-	-	-
Exchange rate adjustments	41.7	7.8	8.3	58.0
Other	-	-	0.3	0.3
<b>Loans to the public, gross 31 December 2019</b>	<b>7,447.7</b>	<b>655.5</b>	<b>522.8</b>	<b>8,626.0</b>

GROUP	Stage 1	Stage 2	Stage 3	TOTAL
<b>SEK MILLION</b>				
<b>Provisions 1 January 2019</b>	<b>50.4</b>	<b>31.6</b>	<b>74.1</b>	<b>156.1</b>
New, acquired and removed financial assets, net	33.4	28.9	56.0	118.3
Movement to stage 1	1.4	-7.2	-0.8	-6.6
Movement to stage 2	-3.6	17.6	-0.1	13.9
Movement to stage 3	-8.2	-17.8	52.6	26.6
Reassessment due to change in credit risk	-10.7	-0.9	-3.1	-14.7
Write-offs	-	-	-23.3	-23.3
Recycled financial assets	-	-	-	-
Exchange rate adjustments	0.5	0.6	2.0	3.1
Other	-	-	-	-
<b>Provisions 31 December 2019</b>	<b>63.2</b>	<b>52.8</b>	<b>157.4</b>	<b>273.4</b>

## 14 LOANS TO THE PUBLIC, CONT.

PARENT COMPANY	31.12.2020	31.12.2020
<b>SEK MILLION</b>		
<b>Loans to the public, gross</b>	<b>10,628.6</b>	<b>8,622.5</b>
Stage 1	8,961.0	7,447.8
Stage 2	517.9	655.5
Stage 3	1,149.7	519.2
<b>Total provisions</b>	<b>-650.8</b>	<b>-273.4</b>
Stage 1	-111.7	-63.2
Stage 2	-62.9	-52.8
Stage 3	-476.2	-157.4
<b>Loans to the public, net</b>	<b>9,977.8</b>	<b>8,349.1</b>

PARENT COMPANY	Stage 1	Stage 2	Stage 3	TOTAL
<b>MKR</b>				
<b>Loans to the public, gross 1 January 2020</b>	<b>7,447.8</b>	<b>655.5</b>	<b>519.2</b>	<b>8,622.5</b>
New, acquired and removed financial assets, net	2,143.8	31.0	142.1	2,316.9
Movement to stage 1	192.3	-165.6	-26.8	-
Movement to stage 2	-250.6	259.0	-8.5	-
Movement to stage 3	-425.6	-246.6	672.2	-
Reassessment due to change in credit risk	-	-	-	-
Write-offs	-	-	-115.4	-115.4
Recycled financial assets	-	-	-	-
Exchange rate adjustments	-146.7	-15.4	-33.1	-195.2
Other	-	-	-	-
<b>Loans to the public, gross 31 December 2019</b>	<b>8,961.0</b>	<b>517.9</b>	<b>1,149.7</b>	<b>10,628.6</b>

PARENT COMPANY	Stage 1	Stage 2	Stage 3	TOTAL
<b>MKR</b>				
<b>Provisions 1 January 2019</b>	<b>63.2</b>	<b>52.8</b>	<b>157.4</b>	<b>273.4</b>
New, acquired and removed financial assets, net	49.7	19.5	106.4	175.6
Movement to stage 1	3.9	-13.7	-4.7	-14.5
Movement to stage 2	-4.0	34.4	-1.6	28.8
Movement to stage 3	-7.6	-27.8	202.3	166.9
Reassessment due to change in credit risk	8.4	-1.0	48.4	55.8
Write-offs	-	-	-19.9	-19.9
Recycled financial assets	-	-	-	-
Exchange rate adjustments	-1.9	-1.3	-12.1	-15.3
Other	-	-	-	-
<b>Provisions 31 December 2020</b>	<b>111.7</b>	<b>62.9</b>	<b>476.2</b>	<b>650.8</b>

PARENT COMPANY	Stage 1	Stage 2	Stage 3	TOTAL
<b>MKR</b>				
<b>Loans to the public, gross 1 January 2020</b>	<b>4,894.8</b>	<b>513.3</b>	<b>180.1</b>	<b>5,588.2</b>
New, acquired and removed financial assets, net	2,982.2	169.6	92.7	3,244.5
Movement to stage 1	93.7	-91.9	-1.8	-
Movement to stage 2	-230.1	230.6	-0.5	-
Movement to stage 3	-334.6	-173.9	508.5	-
Reassessment due to change in credit risk	-	-	-	-
Write-offs	-	-	-268.1	-268.1
Recycled financial assets	-	-	-	-
Exchange rate adjustments	41.7	7.8	8.3	58.0
Other	-	-	-	-
<b>Loans to the public, gross 31 December 2019</b>	<b>7,447.7</b>	<b>655.5</b>	<b>519.2</b>	<b>8,622.4</b>

PARENT COMPANY	Stage 1	Stage 2	Stage 3	TOTAL
<b>MKR</b>				
<b>Provisions 1 January 2019</b>	<b>50.4</b>	<b>31.6</b>	<b>74.1</b>	<b>156.1</b>
New, acquired and removed financial assets, net	33.4	28.9	56.0	118.3
Movement to stage 1	1.4	-7.2	-0.8	-6.6
Movement to stage 2	-3.6	17.6	-0.1	13.9
Movement to stage 3	-8.2	-17.8	52.6	26.6
Reassessment due to change in credit risk	-10.7	-0.9	-3.1	-14.7
Write-offs	-	-	-23.3	-23.3
Recycled financial assets	-	-	-	-
Exchange rate adjustments	0.5	0.6	2.0	3.1
Other	-	-	-	-
<b>Provisions 31 December 2020</b>	<b>63.2</b>	<b>52.8</b>	<b>157.4</b>	<b>273.4</b>

## 15 SHARES AND UNITS IN GROUP COMPANIES

NAME	COMPANY NO	SEAT	EQUITY SHARE	PERCENTAGE OF VOTES	NUMBER OF SHARES	2020	2019
Avida Inkasso A/S	913841603	Oslo AB	100%	100%	230,000	2.0	-
<b>Total book value</b>						<b>2.0</b>	<b>-</b>

The shares in Avida Inkasso A/S were obtained in connection with the merger of Avida Holding AB. The asset was previously reported in Avida Holding, which was dissolved in connection with the execution of the merger.

## 16 INTANGIBLE ASSETS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Opening acquisition value	77.0	45.3	74.9	43.4
This year's investments	3.8	31.7	4.0	31.5
<b>Closing acquisition value</b>	<b>80.8</b>	<b>77.0</b>	<b>78.9</b>	<b>74.9</b>
<b>SEK MILLION</b>				
Opening depreciation and impairment	-34.3	-25.9	-32.8	-24.9
Depreciation for the year	-17.4	-8.4	-17.2	-7.9
<b>Closing depreciation</b>	<b>-51.7</b>	<b>-34.3</b>	<b>-50.0</b>	<b>-32.8</b>
<b>SEK MILLION</b>				
<b>Closing carrying amount</b>	<b>29.1</b>	<b>42.7</b>	<b>28.9</b>	<b>17.2</b>

## 17 TANGIBLE ASSETS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Opening acquisition value	14.5	13.7	14.4	13.7
This year's investments	0.5	1.4	0.5	1.4
This year's sales	-	-0.7	-	-0.7
Right-of-use assets as per IFRS16	22.3	22.3	-	-
<b>Closing acquisition value</b>	<b>37.2</b>	<b>36.7</b>	<b>14.9</b>	<b>14.4</b>
<b>SEK MILLION</b>				
Opening depreciation according to plan	-18.1	-9.5	-11.4	-9.5
Recovery of depreciation/amortisation of sold and decommissioned inventories	-	0.5	-	0.5
Depreciation for the year, inventory	-1.9	-2.5	-2.0	-2.4
This year's amortisation of leases in accordance with IFRS16	-6.9	-6.6	-	-
<b>Closing depreciation</b>	<b>-26.8</b>	<b>-18.1</b>	<b>-13.4</b>	<b>-11.4</b>
<b>SEK MILLION</b>				
<b>Closing carrying amount</b>	<b>10.3</b>	<b>16.6</b>	<b>1.6</b>	<b>3.0</b>

## 18 OTHER ASSETS

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Tax account	6.8	10.4	6.8	10.4
Receivables from Group companies	-	-	0.7	5.2
Fund liquid funds	0.4	22.0	0.3	22.0
Other receivables	36.6	0.7	36.5	0.6
<b>Total</b>	<b>43.8</b>	<b>33.1</b>	<b>44.3</b>	<b>38.2</b>

In the value for other receivables, SEK 32.7 million relates to receivables for the last portfolio transferred in the forward flow agreement that was terminated in early 2021. The counterparty is withholding payment of the claim pending the settlement of the arbitration proceedings.

## 19 PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Prepaid other costs	14.4	21.3	12.6	19.3
Prepaid rent	2.0	1.9	2.0	1.9
<b>Total</b>	<b>16.4</b>	<b>23.2</b>	<b>14.6</b>	<b>21.2</b>

## 20 DEPOSITS FROM THE PUBLIC

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Deposits from the public	10,159.9	9,111.4	10,159.9	9,111.4
of which Swedish currency	4,552.7	4,641.0	4,552.7	4,641.0
of which foreign currency	5,607.2	4,470.4	5,607.2	4,470.4
<b>Total</b>	<b>10,159.9</b>	<b>9,111.4</b>	<b>10,159.9</b>	<b>9,111.4</b>



## 21 DERIVATIVES

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Derivatives				
Foreign exchange forwards DnB - asset	-	-	-	-
Foreign exchange forwards DnB - debt	7.5	17.9	7.5	17.9
<b>Total</b>	<b>7.5</b>	<b>17.9</b>	<b>7.5</b>	<b>17.9</b>

In the amount of other liabilities, SEK 15 million relates to travel for variable compensation.

## 22 OTHER LIABILITIES

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Accounts payable	15.0	15.3	14.6	14.6
Liquid funds	23.0	51.9	21.8	51.9
Leasing liabilities as per IFRS16	9.3	16.1	-	-
Withholding tax on savings accounts	12.0	11.8	12.0	11.8
Other liabilities	28.2	19.0	27.7	18.6
<b>Total</b>	<b>87.5</b>	<b>114.1</b>	<b>76.1</b>	<b>96.9</b>

## 23 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
<b>SEK MILLION</b>				
Accrued holiday pay	10.4	8.2	10.0	7.8
Accrued social security contributions	4.1	3.2	4.1	3.2
Other accrued expenses	10.1	13.5	10.0	12.4
<b>Total</b>	<b>24.6</b>	<b>24.9</b>	<b>24.1</b>	<b>23.4</b>

## 24 SUBORDINATED DEBT

	ISIN	NOMINAL	INTEREST RATE %	DATE OF ISSUE	DUE DATE	2020	2019
<b>SEK MILLION</b>							
AFF 001 Avida Finans							
AB18/28 FRN C SUB	SE0010100883	250	3m Stibor + 6.5	6.11.2018	6.11.2028	246.6	245.9
<b>Total</b>		<b>250</b>				<b>246.6</b>	<b>245.9</b>

## 25 TIER 1 CAPITAL

	ISIN	NOMINAL	INTEREST RATE %	DATE OF ISSUE	MATURITY*	2020	2019
<b>SEK MILLION</b>							
Flow Rate Perpetual Add Tier 1 Capital Bond	ISINSE0012729085	200	3M Stibor +9.5	29.6.2019	Forever	195.3	194.0

\*First redemption opportunity in June 2024

## 26 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

GROUP 31.12.2020					
SEK MILLION	Financial assets & liabilities valued at fair value through the profit and loss account	Financial assets valued at fair value through the statement of total result	Financial assets & liabilities valued at amortised cost	Total reported value	Total fair value
<b>Financial assets</b>					
Cash and balances with central banks	-	-	220.5	220.5	220.5
Collateralised government bonds	97.6	-	347.0	444.6	444.6
Loans to credit institutions	-	-	1,085.3	1,085.3	1,085.3
Loans to the public	-	-	9,979.1	9,979.1	9,979.1
Other assets	-	-	80.5	80.5	80.5
<b>Total assets</b>	<b>97.6</b>	<b>-</b>	<b>11,712.4</b>	<b>11,810.0</b>	<b>11,810.0</b>
<b>Financial liabilities</b>					
Deposits from the public	-	-	10,159.9	10,159.9	10,159.9
Subordinated debt	-	-	246.6	246.6	246.6
Derivatives	7.5	-	-	7.5	7.5
Other liabilities	-	-	119.6	119.6	119.6
<b>Total liabilities</b>	<b>7.5</b>	<b>-</b>	<b>10,526.0</b>	<b>10,526.0</b>	<b>10,533.5</b>

GROUP 31.12.2019					
SEK million	Financial assets & liabilities valued at fair value through the profit and loss account	Financial assets valued at fair value through the statement of total result	Financial assets & liabilities valued at amortised cost	TOTAL REPORTED VALUE	TOTAL FAIR VALUE
<b>Financial assets</b>					
Cash and balances with central banks	-	-	72.3	72.3	72.3
Collateralised government bonds	91.0	-	158.1	249.1	249.1
Loans to credit institutions	-	-	1,789.6	1,789.6	1,789.6
Loans to the public	-	-	8,352.6	8,352.6	8,359.3
Other assets	-	-	33.1	33.1	33.1
<b>Total assets</b>	<b>91.0</b>	<b>-</b>	<b>10,405.7</b>	<b>10,496.7</b>	<b>10,503.4</b>
<b>Financial liabilities</b>					
Deposits from the public	-	-	9,111.4	9,111.4	9,111.4
Subordinated debt	-	-	245.9	245.9	245.9
Derivatives	17.9	-	-	17.9	17.9
Other liabilities	-	-	114.2	114.2	114.2
<b>Total liabilities</b>	<b>17.9</b>	<b>-</b>	<b>9,471.5</b>	<b>9,489.4</b>	<b>9,489.4</b>

## 26 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES, CONT.

PARENT COMPANY 31.12.2020					
SEK MILLION	Financial assets & liabilities valued at fair value through the profit and loss account	Financial assets valued at fair value through the statement of total result	Financial assets & liabilities valued at amortised cost	Total reported value	Total fair value
<b>Financial assets</b>					
Cash and balances with central banks	-	-	220.5	220.5	220.5
Collateralised government bonds	97.6	-	346.3	443.9	443.9
Loans to credit institutions	-	-	1,075.0	1,075.0	1,075.0
Loans to the public	-	-	9,977.8	9,977.8	9,977.8
Shares in subsidiaries	2.0	-	-	-	2.0
Other assets	-	-	67.3	67.3	67.3
<b>Total assets</b>	<b>99.6</b>	<b>-</b>	<b>11,687.0</b>	<b>11,784.0</b>	<b>11,784.6</b>
<b>Financial liabilities</b>					
Deposits from the public	-	-	10,159.9	10,159.9	10,159.9
Subordinated debt	-	-	246.6	246.6	246.6
Derivatives	7.5	-	-	7.5	7.5
Other liabilities	-	-	100.2	100.2	100.2
<b>Total liabilities</b>	<b>7.5</b>	<b>-</b>	<b>10,506.5</b>	<b>10,514.1</b>	<b>10,514.0</b>

PARENT COMPANY 31.12.2019					
SEK million	Financial assets & liabilities valued at fair value through the profit and loss account	Financial assets valued at fair value through the statement of total result	Financial assets & liabilities valued at amortised cost	TOTAL REPORTED VALUE	TOTAL FAIR VALUE
<b>Financial assets</b>					
Cash and balances with central banks	-	-	72.3	72.3	72.3
Collateralised government bonds	91.0	-	158.1	249.1	249.1
Loans to credit institutions	-	-	1,777.1	1,777.1	1,777.1
Loans to the public	-	-	8,349.1	8,349.1	8,349.1
Other assets	-	-	38.3	38.3	38.3
<b>Total assets</b>	<b>91.0</b>	<b>-</b>	<b>10,394.8</b>	<b>10,485.9</b>	<b>10,485.9</b>
<b>Financial liabilities</b>					
Deposits from the public	-	-	9,111.4	9,111.4	9,111.4
Subordinated debt	-	-	260.9	260.9	260.9
Derivatives	17.9	-	-	17.9	17.9
Other liabilities	-	-	96.9	96.9	96.9
<b>Total liabilities</b>	<b>17.9</b>	<b>-</b>	<b>9,469.2</b>	<b>9,487.1</b>	<b>9,487.1</b>

## 27 FINANCIAL ASSETS & LIABILITIES AT FAIR VALUE

The Group applies IFRS 13 for financial instruments that are valued at fair value on the balance sheet. Thus, information is required about valuation at fair value at the level of the following fair value hierarchy:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Other observable data for the asset or debt than quoted prices included in level 1, either directly (i.e. as price quotations) or indirectly (i.e. derived from price quotations) (level 2)
- Data for the asset or liability that is not based on observable market data (level 3)

Avida Finans AB holds derivative instruments and a fund containing high-quality assets valued at fair value. Purchases of funds took place during the period for SEK 14.4 million.

The valuation of the fund is obtained from quoted prices in active markets for identical assets or liabilities, hence level 1.

The valuation of derivatives is based on observable data for the asset or liability, hence level 2.

No transfer was made between the different levels during the period.

For financial instruments that are listed on an active market, fair value is determined on the basis of the asset's quoted purchase price on the balance sheet date, without the addition of transaction costs at the time of acquisition. A financial instrument is considered to be listed on an active market if quoted prices are readily available on a stock exchange, a trader, broker, bank, etc. and these prices represent actual and regularly occurring market transactions on commercial terms.

Fair values for derivative instruments in the form of foreign exchange forwards are based on input data from an external commercial bank. The fair value of the fund is based on input data on prices in the underlying assets from an external commercial bank. For valuation of financial assets and liabilities in foreign currency, exchange rates are obtained from an external commercial bank.

31.12.2020	Level 1	Level 2	Level 3	Total
<b>SEK MILLION</b>				
<b>Assets</b>				
Collateralised government bonds	97.6	-	-	97.6
<b>Total assets</b>	<b>97.6</b>	<b>-</b>	<b>-</b>	<b>97.6</b>
<b>Liabilities</b>				
Derivatives	-	7.5	-	7.5
<b>Total liabilities</b>	<b>-</b>	<b>7.5</b>	<b>-</b>	<b>7.5</b>

31.12.2020	Level 1	Level 2	Level 3	Total
<b>SEK MILLION</b>				
<b>Assets</b>				
Collateralised government bonds	91.0	-	-	91.0
<b>Total assets</b>	<b>91.0</b>	<b>-</b>	<b>-</b>	<b>91.0</b>
<b>Liabilities</b>				
Derivatives	-	17.9	-	17.9
<b>Total liabilities</b>	<b>-</b>	<b>17.9</b>	<b>-</b>	<b>17.9</b>



## 28 CAPITAL ADEQUACY

Information about Avida's capital coverage in this document relates to such information as is provided under Chapter 6 §§ 3-4 of the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) regarding annual accounts at credit institutions and securities companies and relating to information set out in Articles 92.3 d and f, 436, 437 b and 438 of Regulation (EU) No 575/2013 and Chapter 8 § 8 of the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12) on prudential requirements and capital buffers and pillar a of Appendix 6 of the commission's implementing regulation (EU) no 1423/2013. Other information required in accordance with FFFS 2014:12 and Regulation (EU) No. 575/2013 is provided on Avida's website [www.vida.se](http://www.vida.se).

Avida's strategy for capital management is to hold capital that by a sufficient margin exceeds the minimum level, including total buffer requirements.

Avida uses the standardised method for credit risks and for operational risks the basic method is used.

### INFORMATION ON OWN FUNDS AND CAPITAL REQUIREMENT

For the determination of Avida's statutory capital requirements, the Act (2014:968) on a special supervision of credit institutions and securities companies, Regulation (EU) No. 575/2013, the Capital Buffer Act (2014:966) and Swedish Financial Supervisory Authority regula-

tions (FFFS 2014:12) on prudential requirements and capital buffers. The purpose of the rules is to ensure that Avida manages its risks and protects clients. The rules state that the own funds must cover the capital requirement, including the minimum capital requirement according to Pillar 1 for credit risk, market risk and operational risks, additional own funds requirements as well as the overall buffer requirement.

### CONSOLIDATED SITUATION

The consolidated situation consists of Avida Finans AB (publ) and the wholly owned subsidiary Avida Inkasso AS (913778367). The responsible institution is Avida Finans AB (publ).

### INTERNALLY ASSESSED CAPITAL REQUIREMENT

The internal capital and liquidity assessment is carried out at least annually. On a quarterly basis, Avida's capital and liquidity situation for the consolidated situation is published.

### INTERNALLY ASSESSED CAPITAL REQUIREMENTS

As of 31 December 2020, the internally assessed capital requirement amounted

SEK 165.0 million (94.7) in Avida Finans AB. The internally assessed capital requirement

The internally assessed capital requirement in Consolidated situation amounted to SEK 164.9 million (95.1). The internal capital requirement in Pillar 2 is assessed by the Group to consist of the following types of risk:

Credit concentration risk, Interest rate risk in the bank book and Business risk including credit spread risk.

AVIDA FINANS AB				
SEK MILLION				
Capital adequacy	31.12.2020		31.12.2020	
Risk exposure amount	9,380.5		7,928.5	
Total own funds requirements	1,162.9	12.40%	1,069.4	13.49%
Total own funds	1,662.2	17.72%	1,325.9	16.72%
Own funds requirements	31.12.2020		31.12.2020	
Own funds requirements (Pillar 1)	750.5	8.00%	634.3	8.00%
Special Own funds requirement (Pillar 2) <sup>1</sup>	165.1	1.76%	94.7	1.19%
Combined buffer requirement	247.3	2.64%	340.4	4.29%
Pillar 2 guide <sup>2</sup>	-	-	-	-
<b>Total own funds requirements</b>	<b>1,162.9</b>	<b>12.40%</b>	<b>1,069.4</b>	<b>13.49%</b>

1) These amounts are based on internally assessed capital requirements.

2) The Swedish Financial Supervisory Authority has not informed the group of guidelines for pillar 2.

## 28 CAPITAL ADEQUACY, CONT.

AVIDA FINANS AB				
SEK MILLION				
CAPITAL SITUATION	31.12.2020		31.12.2020	
Common Equity Tier 1 capital after any deductions	1,220.3	13.01%	883.0	11.14%
Additional Tier 1 capital after any deductions	195.3	2.08%	194.0	2.45%
Tier 2 capital after any deductions	246.6	2.63%	248.9	3.14%
<b>Own funds</b>	<b>1,662.2</b>	<b>17.72%</b>	<b>1,325.9</b>	<b>16.72%</b>
	<b>31.12.2020</b>		<b>31.12.2020</b>	
	<b>REA</b>	<b>Capital requirements</b>	<b>REA</b>	<b>Capital requirements</b>
Risk exposure amount (REA) and capital base requirements	9,380.5	750.5	7,928.5	634.3
of which: own funds requirements for credit risk	8,271.3	661.7	6,893.4	551.5
of which: own funds requirements for market risk	59.7	4.8	245.5	19.6
of which: own funds requirements for operational risk	1,049.5	84.0	789.6	63.2
Transitional adjustment	-	-	-	-
Common equity Tier 1 capital / Common equity Tier 1 capital ratio	1,220.3	13.01%	883.0	11.14%
Tier 1 capital / Tier 1 capital ratio	1,415.6	15.09%	1,077.0	13.58%
Total own funds / Total own funds ratio	1,662.2	17.72%	1,325.9	16.72%
Total equity Tier 1 capital requirements including buffer requirements	669.4	7.14%	697.2	8.79%
of which: Capital conservation buffer	234.5	2.50%	198.2	2.50%
of which: Countercyclical buffer	12.8	0.14%	142.2	1.79%
Common equity Tier 1 capital available to use as a buffer	798.2	8.51%	526.2	6.64%
<b>OWN FUNDS</b>				
<b>Common Equity Tier 1 capital</b>				
Capital instruments and associated share premium reserve	934.4		69.9	
Other contributed capital	-		612.4	
Retained earnings and reserves	186.1		168.1	
Regulatory adjustments:				
- Intangible assets	6.6		42.1	
- Net profit due to capitalization of future income	-		-	
- Adjustments relating to unrealised gains	-		-	
- Deferred tax assets	1.0		-	
- Other	-		-	
Reversal transitional rules to IFRS 9	107.4		74.7	
<b>Total Common Equity Tier 1 capital</b>	<b>1,220.3</b>		<b>883.0</b>	
<b>Additional Tier 1 capital</b>				
Perpetual subordinated loans	195.3		194.0	
Deduction from primary and supplementary capital (half of this)	-		-	
<b>Total other Tier 1 capital</b>	<b>195.3</b>		<b>194.0</b>	
<b>Tier 2 capital</b>				
Time-bound subordinated loans	246.6		248.9	
Deduction according to limitation rule	-		-	
<b>Total supplementary capital</b>	<b>246.6</b>		<b>248.9</b>	
<b>Total own funds</b>	<b>1,662.2</b>		<b>1,325.9</b>	

## 28 CAPITAL ADEQUACY, CONT.

AVIDA FINANS AB				
SEK MILLION				
Specification of risk exposure amount (REA) and capital base requirements	31.12.2020		31.12.2020	
	REA	Capital requirements	REA	Capital requirements
<b>Credit risk according to the standard method</b>				
Exposures to central banks and local authorities	5.7	0.5	5.6	0.4
Institution exposures	215.3	17.2	359.8	28.8
Corporate exposures	1,634.3	130.7	1,144.7	91.6
Retail exposures	5,709.7	456.8	4,973.4	397.9
Exposures secured by immovable property	31.9	2.6	38.0	3.0
Exposures in default	599.8	48.0	338.3	27.1
Equity exposures	2.0	0.2	-	-
Other items	72.6	5.8	33.6	2.7
<b>Total risk exposure amount and capital requirements</b>	<b>8,271.3</b>	<b>661.7</b>	<b>6,893.4</b>	<b>551.5</b>
<b>Market risk</b>				
Foreign exchange rate risk	59.7	4.8	245.5	19.6
<b>Total risk exposure amount and capital requirements</b>	<b>59.7</b>	<b>4.8</b>	<b>245.5</b>	<b>19.6</b>
<b>Operational risk</b>				
Basic indicator approach	1,049.5	84.0	789.6	63.2
<b>Total risk exposure amount and capital requirements</b>	<b>1,049.5</b>	<b>84.0</b>	<b>789.6</b>	<b>63.2</b>
<b>Total risk exposure amount and capital requirements</b>	<b>9,380.5</b>	<b>750.4</b>	<b>7,928.5</b>	<b>634.3</b>
<b>ADDITIONAL CAPITAL REQUIREMENTS PILLAR 2</b>				
Credit concentration risk	82.2		74.1	
Interest rate risk in banking book	44.8		15.7	
Other additional capital requirements	38.1		4.9	
<b>Total additional capital requirements Pillar 2</b>	<b>165.1</b>		<b>94.7</b>	
<b>LEVERAGE SOLVENCY</b>				
Exposure measures for calculation of leverage ratio	12,168.8		10,782.7	
Tier 1 capital	1,415.6		1,077.0	
<b>Leverage ratio, %</b>	<b>11.63%</b>		<b>9.99%</b>	
<b>TOTAL OWN FUNDS REQUIREMENT (INCLUDING PILLAR 2)</b>				
Common Equity Tier 1 capital requirements	762.3	8.13%	750.5	9.47%
Tier 1 capital requirements	934.0	9.96%	887.2	11.19%
<b>Total Capital</b>	<b>1,162.9</b>	<b>12.40%</b>	<b>1,069.4</b>	<b>13.49%</b>

## 28 CAPITAL ADEQUACY, CONT.

## AVIDA CONSOLIDATED SITUATION

SEK MILLION

CAPITAL ADEQUACY	31.12.2020		31.12.2020	
Risk exposure amount	9,394.7		7,963.5	
Total own funds requirements	1,164.3	12.39%	1,074.3	13.49%
Total own funds	1,668.6	17.76%	1,346.9	16.91%

OWN FUNDS REQUIREMENTS	31.12.2020		31.12.2020	
Own funds requirements (Pillar 1)	751.6	8.00%	637.1	8.00%
Special Own funds requirement (Pillar 2) <sup>1</sup>	164.9	1.76%	95.1	1.19%
Combined buffer requirement	247.8	2.64%	342.1	4.30%
Pillar 2 guide <sup>2</sup>	-	-	-	-
<b>Total own funds requirements</b>	<b>1,164.3</b>	<b>12.39%</b>	<b>1,074.3</b>	<b>13.49%</b>

1) These amounts are based on internally assessed capital requirements.

2) The Swedish Financial Supervisory Authority has not informed the group of guidelines for pillar 2.

OWN FUNDS SITUATION	31.12.2020		31.12.2020	
Common Equity Tier 1 capital after any deductions	1,226.7	13.06%	907.0	11.39%
Additional Tier 1 capital after any deductions	195.3	2.08%	194.0	2.44%
Tier 2 capital after any deductions	246.6	2.62%	245.9	3.09%
<b>Own funds</b>	<b>1,668.6</b>	<b>17.76%</b>	<b>1,346.9</b>	<b>16.91%</b>

	31.12.2020		31.12.2020	
	REA	Capital requirements	REA	Capital requirements
Risk exposure amount (REA) and capital base requirements	9,394.7	751.6	7,963.5	637.1
of which: own funds requirements for credit risk	8,261.4	660.9	6,914.5	553.2
of which: own funds requirements for market risk	59.7	4.8	243.0	19.4
of which: own funds requirements for operational risk	1,073.6	85.9	806.0	64.5
Transitional adjustment	-	-	-	-
Common equity Tier 1 capital / Common equity Tier 1 capital ratio	1,226.7	13.06%	907.0	11.39%
Tier 1 capital / Tier 1 capital ratio	1,422.0	15.14%	1,101.0	13.83%
Total own funds / Total own funds ratio	1,668.6	17.76%	1,346.9	16.91%
Total equity Tier 1 capital requirements including buffer requirements	670.5	7.14%	700.4	8.80%
of which: Capital conservation buffer	234.9	2.50%	199.1	2.50%
of which: Countercyclical buffer	12.9	0.14%	143.0	1.80%
Common equity Tier 1 capital available to use as a buffer	803.9	8.56%	548.6	6.89%



## 28 CAPITAL ADEQUACY, CONT.

AVIDA CONSOLIDATED SITUATION		
SEK MILLION		
OWN FUNDS	31.12.2020	31.12.2020
<b>Common Equity Tier 1 capital</b>		
Capital instruments and associated share premium reserve	936.1	658.9
Other contributed capital	-	0.0
Retained earnings and reserves	191.0	216.1
Regulatory adjustments:		
- Intangible assets	6.8	42.7
- Net profit due to capitalization of future income	-	-
- Adjustments relating to unrealised gains	-	-
- Deferred tax assets	1.0	-
- Other	-	-
Reversal transitional rules to IFRS 9	107.4	74.7
<b>Total Common Equity Tier 1 capital</b>	<b>1,226.7</b>	<b>907.0</b>
<b>Additional Tier 1 capital</b>		
Perpetual subordinated loans	195.3	194.0
Deduction from primary and supplementary capital (half of this)	-	-
<b>Total other Tier 1 capital</b>	<b>195.3</b>	<b>194.0</b>
<b>Tier 2 capital</b>		
Time-bound subordinated loans	246.6	245.9
Deduction according to limitation rule	-	-
Total supplementary capital	246.6	245.9
<b>Total own funds</b>	<b>1,668.6</b>	<b>1,346.9</b>

## 28 CAPITAL ADEQUACY, CONT.

AVIDA CONSOLIDATED SITUATION				
SEK MILLION				
	31.12.2020		31.12.2020	
Specification of risk exposure amount (REA) and capital base requirements	REA	Capital requirements	REA	Capital requirements
<b>Credit risk according to the standard method</b>				
Exposures to central banks and local authorities	5.7	0.5	5.6	0.4
Institution exposures	219.9	17.6	360.8	28.9
Corporate exposures	1,620.7	129.7	1,144.7	91.6
Retail exposures	5,700.2	456.0	4,983.2	398.7
Exposures secured by immovable property	31.9	2.6	38.0	3.0
Defaulted exposures	599.8	48.0	338.3	27.1
Other items	83.2	6.7	44.0	3.5
<b>Total risk exposure amount and capital requirements</b>	<b>8,261.4</b>	<b>660.9</b>	<b>6,914.6</b>	<b>553.2</b>
<b>Market risk</b>				
Foreign exchange rate risk	59.7	4.8	243.0	19.4
<b>Total risk exposure amount and capital requirements</b>	<b>59.7</b>	<b>4.8</b>	<b>243.0</b>	<b>19.4</b>
<b>Operational risk</b>				
Basic indicator approach	1,073.6	85.9	806.0	64.5
<b>Total risk exposure amount and capital requirements</b>	<b>1,073.6</b>	<b>85.9</b>	<b>806.0</b>	<b>64.5</b>
<b>Total risk exposure amount and capital requirements</b>	<b>9,394.7</b>	<b>751.6</b>	<b>7,963.6</b>	<b>637.1</b>
<b>ADDITIONAL CAPITAL REQUIREMENTS PILLAR 2</b>				
Credit concentration risk	82.0		74.5	
Interest rate risk in banking book	44.8		15.7	
Other additional capital requirements	38.1		4.9	
<b>Total additional capital requirements Pillar 2</b>	<b>164.9</b>		<b>95.1</b>	
<b>LEVERAGE SOLVENCY</b>				
Exposure measures for calculation of leverage ratio	12,106.5		10,780.6	
Tier 1 capital	1,422.0		1,101.0	
<b>Leverage ratio, %</b>	<b>11.75%</b>		<b>10.21%</b>	
<b>TOTAL OWN FUNDS REQUIREMENT (INCLUDING PILLAR 2)</b>				
Common Equity Tier 1 capital requirements	763.3	8.13%	754.0	9.47%
Tier 1 capital requirements	935.2	9.95%	891.3	11.19%
<b>Total Capital</b>	<b>1,164.3</b>	<b>12.39%</b>	<b>1,074.3</b>	<b>13.49%</b>

## 29 IFRS 16 LEASING

AMOUNTS REPORTED IN THE CONSOLIDATED PROFIT/LOSS STATEMENT	2020	2019
Depreciation on rights of use	6.9	6.6
Interest costs for leasing liabilities	0.9	0.7

MATURITY ANALYSIS OF LEASING LIABILITIES	31.12.2020	31.12.2020
Year 1	8.4	-
Year 2	-	12.1
Year 3	-	-
Year 4	3.6	-
Year 5	-	4.0
	11.9	16.1

Classified as Other liabilities.

The Group is not exposed to any significant liquidity risk as a result of the leasing liabilities.

RIGHT OF USE	Buildings
Acquisition value as per 01.01.2020	22.3
Outgoing rights of use	-
Additional rights of use	-
<b>Acquisition value as per 31.12.2020</b>	<b>22.3</b>
Accumulated depreciation as per 01.01.2020	-6.6
Depreciation for the year	-6.9
<b>Accumulated depreciation as per 31.12.2020</b>	<b>-13.5</b>
<b>Carrying amount as per 31.12.2020</b>	<b>8.8</b>

Classified as other liabilities. The Group is not exposed to any significant liquidity risk as a result of the leasing liabilities.

## 30 INFORMATION ABOUT MERGERS

The following group companies have been merged with Avida Finans AB during the financial year.

Company name	Org. no.	Date of merger
Avida Holding AB	556780-0593	20.11.2020

The transfer of the accounts occurred as of 20.11.2020. Assets and liabilities have been included in the acquiring company at their Group values. Balance sheets in summary and information about net deposits and operating profit for each company before the merger are presented below. The merger difference that arose in connection with the merger amounted to SEK 18.2 million, which mainly consists of the liquid assets in the transferring company and the shares in Avida Inkasso AS.

Avida Holding AB			
Shares in Avida Finans AB	936.1	Restricted equity	7.2
Shares in Avida Inkasso AS	2.0	Unrestricted equity	946.4
Current receivables	-	Liabilities	-
Cash and bank	15.5	<b>Total equity and liabilities</b>	<b>953.6</b>
<b>Total assets</b>	<b>953.6</b>		

Net turnover was SEK 0 thousand and profit to SEK -679 thousand.

## 31 CONTINGENT LIABILITIES AND COMMITMENTS

GROUP		
SEK MILLION		
PLEGGED ASSETS	2020	2019
Guarantees provided	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

CONTINGENT LIABILITIES		
	2020	2019
Contingent liabilities/loan promise	1,064.2	660.2
<b>Total</b>	<b>1,064.2</b>	<b>660.2</b>

Commitments	-	77.3
<b>Total</b>	<b>-</b>	<b>77.3</b>

## 32 RELATED PARTY TRANSACTIONS

### Group

All transactions between companies within the Group have taken place on market terms. During the year, Avida Holding AB was merged with Avida Finans AB, see Note 30.

### Parent company

On the balance sheet date, Avida Finans AB has a claim on the subsidiary Avida Inkasso AS in the amount of SEK 633,255.

During the year, Avida Finans AB sold services to the subsidiary Avida Inkasso AS in the amount of SEK 3,191,865.

During the year, Avida Finans AB purchased services from the subsidiary Avida Inkasso AS at an amount of SEK 988,452.

Information on remuneration for senior executives can be found in Note 8.

No transactions with related parties have otherwise taken place during the year.

## 33 SIGNIFICANT EVENTS AFTER THE END OF THE BALANCE SHEET DATE

On 3 March, Avida announced that the CEO Tord Topsholm had left his position with immediate effect. In connection with this, CFOPehr Olofsson took over as interim CEO of the Company.

## 34 PROPOSED ALLOCATION OF PROFITS

The following profits are available to the general meeting:

Other contributed capital	195,315,11
Retained earnings SEK million	1,081,795,102
This year's profit/loss SEK million	- 1,075,510
<b>TOTAL AVAILABLE PROFITS</b>	<b>1,276,034,703</b>

The Board proposes that the profits are allocated so:

to be carried forward in new account, SEK million	1,276,034,703
<b>TOTAL</b>	<b>1,276,034,703</b>

# Definitions

## ALTERNATIVE PERFORMANCE MEASURES<sup>1</sup>

### RETURN ON EQUITY

Adjusted reported profit/loss divided by average adjusted equity

CALCULATION (2.0/1,220,4\*100)

### RETURN ON TOTAL CAPITAL

Operating profit added to financial income divided by total capital

CALCULATION (5.0+919.7/11,848.8\*100)

### C/I RATIO

Total operating expenses divided by total operating income, excluding credit losses

CALCULATION (286.6/728.0)

### OWN FUNDS

The sum of primary and supplementary capital minus deductions under the Capital Insurance Regulation (EU)

No 575/2013 Article 36

### COMMON EQUITY TIER 1 CAPITAL RATIO

Core Primary Capital divided by the Total Risk Weighted amount of exposure

CALCULATION: (1,226,7/9,394.7\*100)

### LIQUIDITY COVERAGE RATIO LCR

The size of the liquidity reserve in relation to an expected stress  
The size of the liquidity reserve in relation to an expected stress

net cash flow over a 30-day period calculation(614.3/276.3)

### PRIMARY CAPITAL RATIO

Tier 1 capital divided by the total risk-weighted exposure amount

CALCULATION (1,422.0/9,394.7\*100)

### RESERVE GRADE

Reserve made at the end of the period for future credit losses in relation to loans to the general public (gross) at the end of the period

CALCULATION (650.8/10,629.9\*100)

### RISK EXPOSURE AMOUNT

Risk-weighted exposures refer to the assigned value of an exposure, on and off the balance sheet, in and outside the balance sheet

### NET INTEREST INCOME

Interest income minus interest costs

CALCULATION (919.7-195.7)

### SOLIDITY

Adjusted equity at the end of the year divided by total assets at the end of the year

CALCULATION: (1,322.6/11,848.8\*100)

### TOTAL CAPITAL RATIO

The own funds divided by the total risk-weighted exposure amount

CALCULATION (1,662.2/9,394.7\*100)

### TOTAL PRE-TAX PROFIT/LOSS

Total result including components that have or may come to be reclassified to the profit and loss statement

### PROFIT MARGIN

Profit before allocations and tax divided by operating income

CALCULATION (2.0/728.0\*100)

<sup>1</sup>) Alternative Performance Measures (APM) are financial measures of historical or future earnings development, financial position or cash flow that are not defined in the applicable accounting regulations (IFRS) or in the Fourth Capital Requirements Directive (CRD IV) or in the EU Capital Requirements Regulation No. 575/2013 (CRR).

Avida uses alternative performance measures when relevant to follow up and describe the Company's financial situation and increase comparability between the periods. These do not have to be comparable with similar key figures presented by other companies.



# Signature of the Board and CEO

The Board and the CEO certify that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and the Consolidated Financial Statements have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and Consolidated Financial Statements respectively give a

true and fair view of the parent company's and the Group's position and earnings. It is further assured that the Management Report for the parent company and the Group respectively provides a fair overview of the development of the parent company's and the Group's operations, position and earnings and describes significant risks and uncertainties faced by the parent company and the companies in the Group.

**Stockholm, 28th of April 2021**

Varun Khanna, Chairman of the Board

Celina Midelfart, Member

Daniel Knottenbelt, Member

Pehr Olofsson, Interim CEO

Geir Olsen, Member

John Howard, Member

Our audit report was submitted on 28th of April 2021

DELOITTE AB

Patrick Honeth  
Authorised Accountant

The logo for AIDA, featuring the word "AIDA" in a bold, orange, sans-serif font. The letters are closely spaced and have a slight shadow effect.

**AIDA**

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