

# ANNUAL REPORT 2021

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



**AVIDA**

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# AVIDA IN BRIEF

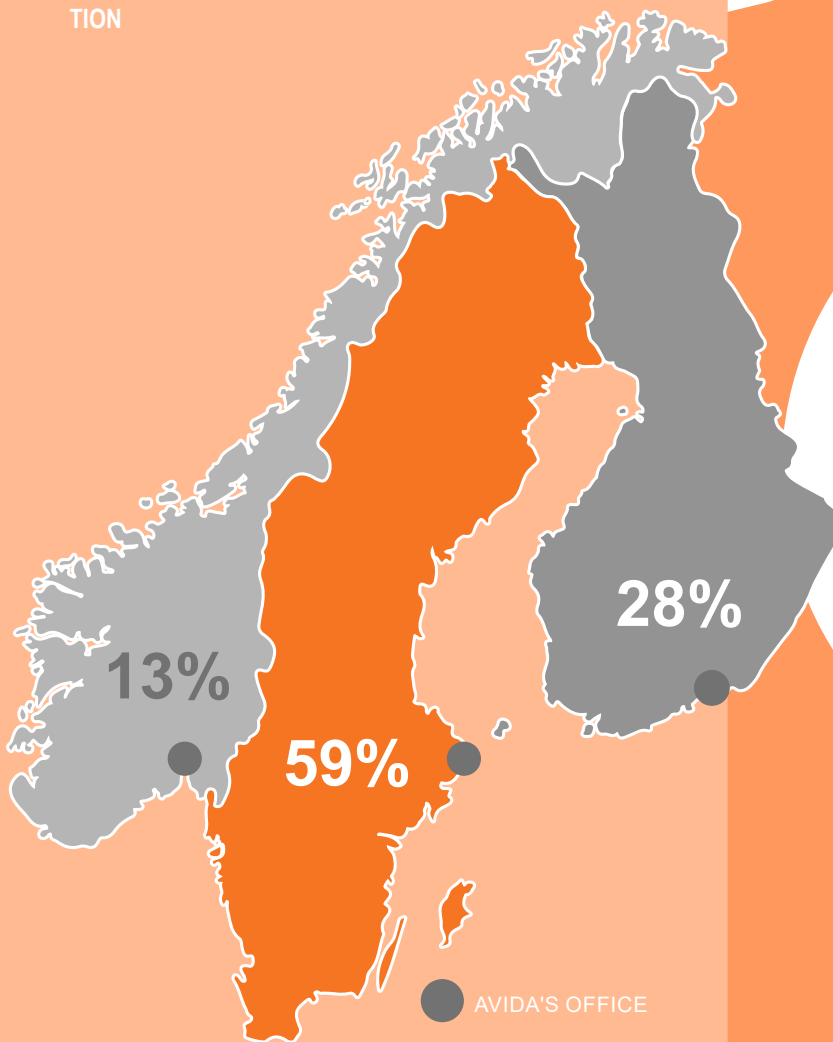
Avida is a credit market company that has since its inception in 1983 focused on offering financing services for companies and lending to consumers, collection management and deposits from the public. The Group currently has about 145 employees with headquarters in Sweden and branches in Norway and Finland 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 by providing loans at better interest rates, and for business clients it is possible to grow with the help of tailored financing. Avida is 61% owned by one of the

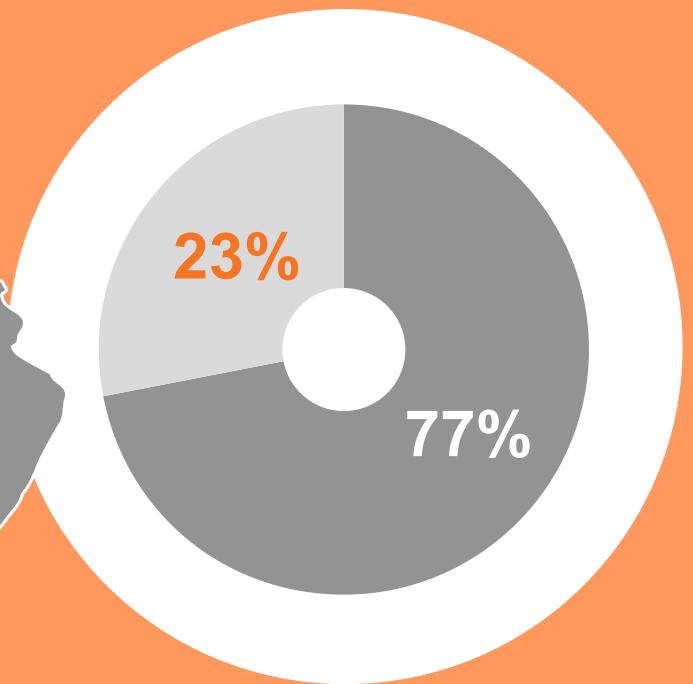
world's leading investment companies - KKR. Avida is under the supervision of the Swedish Financial Supervisory Authority.

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 LENDING

## PRIVATE AND BUSINESS LENDING

BUSINESS LENDING SEK MILLION **2,844**

PRIVATE LENDING SEK MILLION **8,232**

TOTAL LENDING SEK MILLION **11,076**

## TOTAL VOLUME GROWTH, %

**+11**

## NET INTEREST INCOME, %

**+7**

## OUR CLIENTS CONSUMER FINANCE

FORM OF EMPLOYMENT:

**81%** PERMANENT EMPLOYMENT

AGE:

**48** YEAR

REASON FOR LOAN:

**67%** REDEEMING OTHER CREDITS AND LOANS

MARITAL STATUS:

**MARRIED**

OR

**COHABITING**

AVERAGE INCOME:

**367,000** SEK PER YEAR



## OUR MARKET BUSINESS FINANCE

AVERAGE BUSINESS LOAN:

**11.7** SEK MILLION

INCREASE IN FINANCED VOLUMES:

**+10%** DEVELOPMENT OF ALL MARKETS COMPARED TO 2020

NUMBER OF FACTORING CLIENTS:

**354** UNITS

TOTAL LENDING:

**2,844** SEK MILLION

REVENUES PER COUNTRY, DISTRIBUTION %:

**54**  
SW

**18**  
FI

**28**  
NO

# YEAR IN BRIEF

2021 was another year, marked by the ongoing pandemic. After having adapted the business from both a commercial and from an employee perspective, despite the still uncertain times Avida has grown its lending by 11% to a total of SEK 11,076 million during the year. Net interest rose during the year by 6% and costs continued falling to a C/I ratio of 0.38. Despite the uncertain times, Avida has increased the quality of credit exposures and thereby maintained credit losses at a stable and low level.

The consumer segment grew steadily during the year by a total of 15%. Growth was primarily driven by the Swedish and Finnish markets, but there was a mild growth in Norway as well. It is noteworthy that close to 95% of all loans taken with Avida by private individuals are refinancing loans, i.e., the customer settling loans with other creditors in order to improve their terms and reduce their monthly costs.

In the corporate market, we noted high activity in the recruitment of new custo-

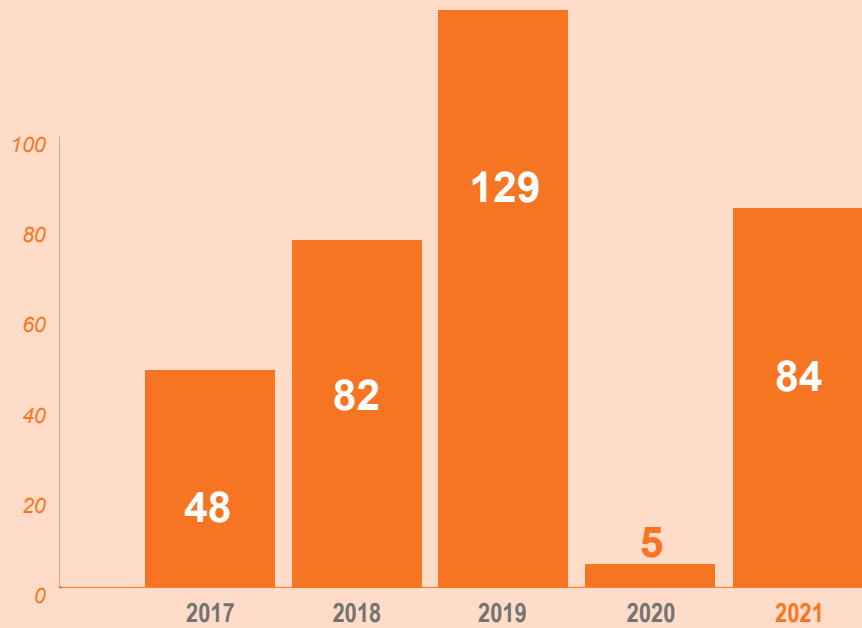
mers during the year and after 2020 ended pending, it meant that in 2021 there was an increased need for company financing and the total loan volume grew by 2 %, primarily driven by factoring volumes in the Swedish and Finnish markets.

Avida's investment in Debt financing, which offers tailored financing solutions for Private equity funds and investment companies, has yielded results during the year as several major deals were carried out.

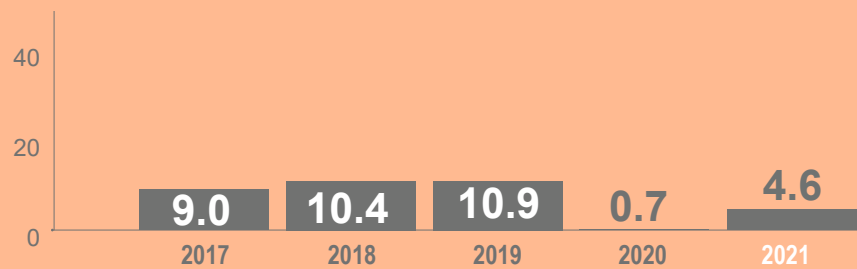
## FINANCIAL EVOLUTION OF THE GROUP 2021

|                                  | 2021   | 2020   | Change % |
|----------------------------------|--------|--------|----------|
| <b>SEK MILLION</b>               |        |        |          |
| Net interest income              | 773    | 724    | 7        |
| Profit/loss before credit losses | 487    | 442    | 10       |
| Credit losses (%)                | -403   | -437   | 8        |
| Operating profit                 | 84     | 5.0    | 1,580    |
| Loans to the public              | 11,076 | 9,979  | 11       |
| Deposits from the public         | 11,893 | 10,160 | 17       |
| Equity                           | 1,367  | 1,323  | 3        |
| Total capital ratio %            | 14.7   | 17.8   | - 21     |
| Return on equity %               | 4.6    | 0.7    | 99       |

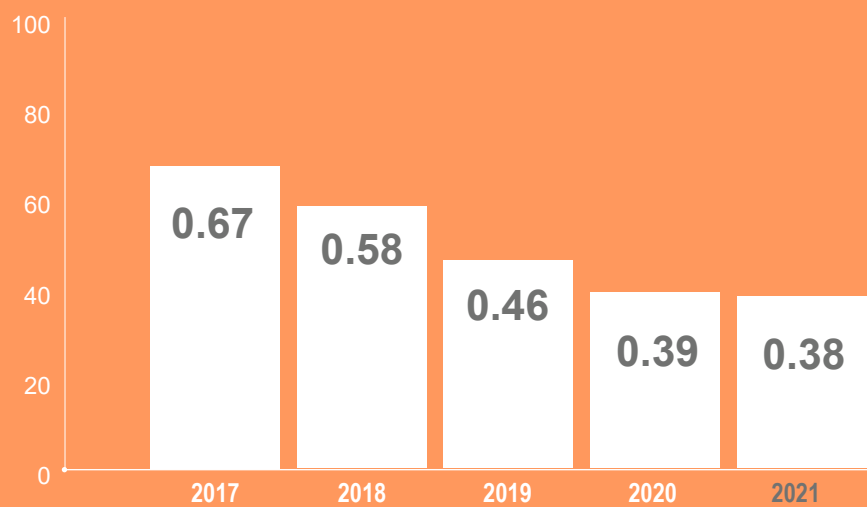
OPERATING PROFIT/LOSS, SEK MILLION



RETURN ON EQUITY %



C/I RATIO



# CEO COMMENT 2021



## A YEAR WITH STABLE GROWTH, REDUCED RISKS AND STRATEGIC INVESTMENTS FOR THE FUTURE

2021 was the second year when the pandemic continued to affect the world in general and, of course, also Avida's operations. But the consequences were not noticeably negative when the year was summed up as the period as a whole provided stable volume growth in all markets, with stable costs and low credit losses. During the year, strategic investments were made for the future. These investments have already begun to produce positive results, and more importantly provide a stable basis for facing future challenges.

### INCREASED VOLUMES

Lending grew during the year, despite the still uncertain times, by 11% to a total of SEK 11,076 million. All markets contributed positively to the development during the period.

Overall, Consumer Finance had a positive development during the year and the volume increase was primarily driven by the Swedish business, but Finland also contributed to the growth. In Norway, volumes have increased

during the year as the new business platform was put into operation, but growth starts from low levels. During the pandemic, we have had to act in Finland based on the interest rate limit set by the Finnish authorities. This interest ceiling was removed during the third quarter, which affected volumes positively.

It is noteworthy that close to 95% of all private loans taken with Avida were refinancing loans, i.e., the customer settling loans with other creditors in order to improve their terms and reduce their monthly costs.

In our business segment, Business Finance, we have seen good activity during the year and increased recruitment of new customers, as well as increased demand for financing. The year ended strongly in all markets and the development in Finland was especially positive with a historically high-volume increase. During the year, we have reviewed the risk in our loan portfolio and chose to shift old loans as we discontinued commitments to corporate bonds and property exposures.

Avida's investment in the market for financial sponsors – Debt Financing – showed a very positive development as our dedicated team completed several large deals during the year. Avida is now really becoming a player to be reckoned with for the more com-

plex financing needs of, for example, company acquisitions.

### REDUCED COSTS AND STABLE CREDIT LOSSES

Costs have reduced during the year in relation to our revenue and the C/I ratio for the full year ended up being 0.38. The exchange of consultants, where we have replaced consultants with our own staff, has contributed positively to cost development, but IT costs have also decreased overall during the year. Credit losses decreased by 8% during the year and losses in relation to volume development remain stable.

### PORTFOLIO SALES OF OVERDUE CREDIT IN FINLAND

During the third quarter of the year, we sold our portfolio of overdue consumer credit in Finland to the collection company, Mohdi. The deal in Finland was the first structured sale of this type for Avida, but will most likely be followed by several in the future. Sale of overdue receivables is strategically important as it is not within Avida's strategy to manage overdue receivables.

### LIQUIDATION OF THE COLLECTIONS BUSINESS IN NORWAY

During the third quarter of the year, it was decided that the subsidiary of Avida engaged in debt collection activities in Norway - Avida Inkasso AS - should be liquidated. The relocation of the company and its employees to the collection company Intrum will be completed during the first quarter of 2022. The change was made for strategic reasons as we do not believe that debt collection activities belong to Avida's core business.

### NEW BUSINESS SYSTEM

The rollout of the new business platform Stacc was initiated during the





year as existing private clients and new sales on the Norwegian private market were transferred to the modern and customer-friendly system on which Avida is to build its future business. The year ended with phase two of the introduction being completed, where Swedish private clients were transferred to Stacc as well. Early on, we saw positive effects of the platform change in Norway, where the customer's application process is much smoother with increased business as a result. We also increase our knowledge of our customers' behaviour and their needs as we have access to more customer data that the new system offers. Now, the same transfer should be carried out for the Finnish operation. After that, Avida's corporate business will also be moved to the new platform. It is our conviction that, once the transition has been made in all markets, we will have more satisfied customers staying with us for longer. We will also be able to offer them more and better products and services.

#### SIGNIFICANT AGREEMENTS

The legal dispute that continued in 2021 with the external partner who managed overdue credit for Avida has now reached a final point, as a joint settlement was reached immediately after the beginning of 2022. The agreement means that the parties no longer have any financial claims on each other, and the financial effect of the settlement will be charged to Avida's fourth quarter 2021.

#### NEW STOCKHOLM OFFICE READY FOR MOVING IN

At the end of the year, Avida's new Stockholm office was ready for moving in. New, modern premises that encourage and facilitate collaboration and creative teamwork. Previously, operations in Oslo and Helsinki have moved to modern and centrally located office premises. Being able to offer all employees a workplace where they like to spend time, with optimal conditions for being creative together, is central to us at Avida.

#### SIGNIFICANT EVENTS AFTER THE PERIOD

On 1 January, Tine Wollebekk was appointed as new CEO at Avida. When she joined, Pehr Olofsson, who acted as Interim CEO during 2021, returned to his regular role as CFO.

We have a well-established long-term strategy, a customised product range, a robust and modern business system and we are seeing an increased demand for financing solutions. Overall, this provides excellent conditions for our committed employees to be able to continue to deliver profitable growth.

Stockholm April 29 2022

**Tine Wollebekk**  
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 employee satisfaction.

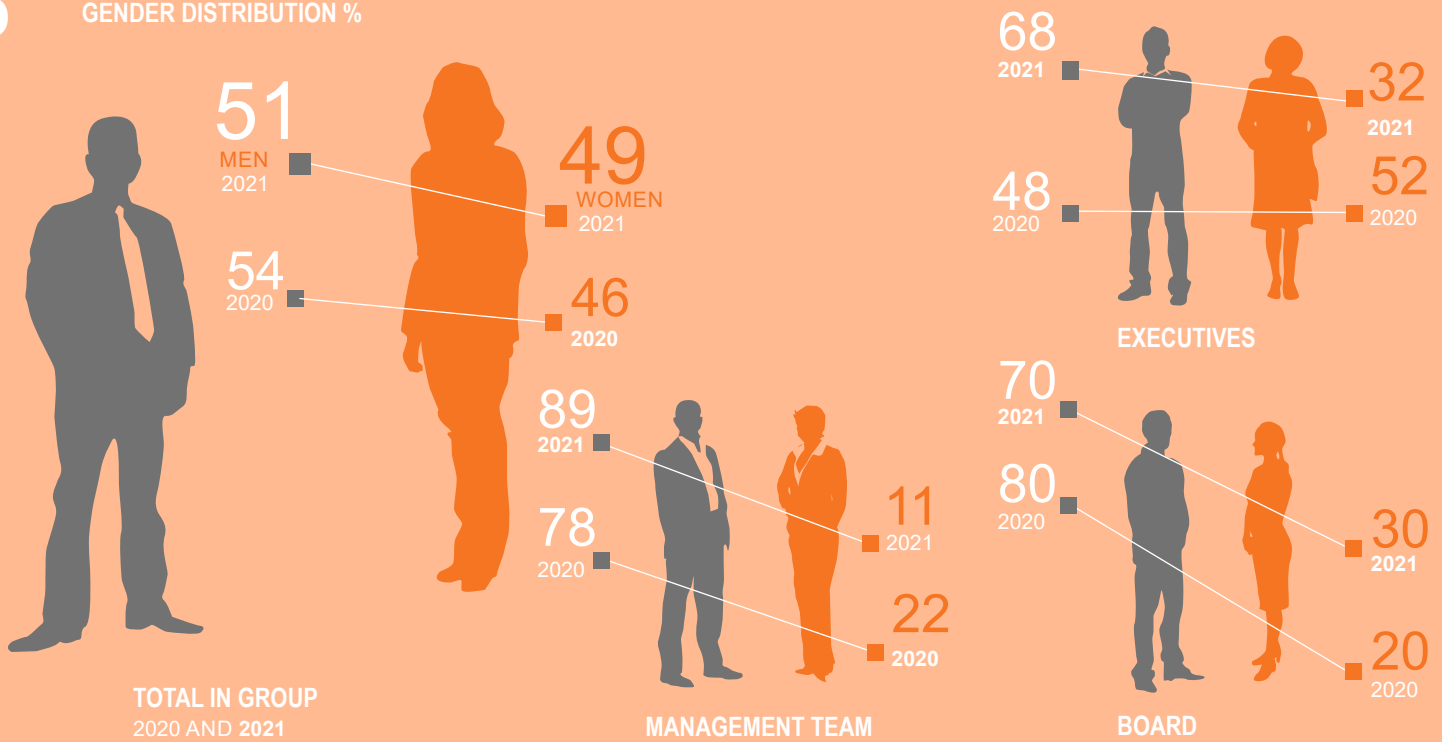
#### 3.3 FREEDOM FOR EACH EMPLOYEE TO WORK IN THE MOST EFFECTIVE WAY

At Avida, we believe in support-

|   | 2021 | 2020 |
|---|------|------|
| Staff turnover % (Long-term target 20%) | 19.8 | 24.0 |

| KEY RATIOS   | 2021 | 2020 |
|--|------|------|
| Total number of employees                          | 136  | 126  |
| Sick leave %, total. (Long-term target maximum 3%) | 2.14 | 2.43 |

GENDER DISTRIBUTION %



tive 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 colleagues 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 and that each employee can achieve their full potential. For

us, a clear feedback culture is central to success.

**3.5 THE EQUALITY 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 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 employees. 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 predominantly green and fossil-free.

*Recycling:* We sort packages, electric waste, paper, plastic, cardboard, glass and food waste for recycling.

*Our office space:* We have our offices in Environmentally certified buildings. With new smart technology solutions, the Stockholm office has reduced energy consumption by 38% during 2021 compared to 2020.

*Company cars:* The majority of Avida's company cars are electric or hybrid vehicles.

**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.

The matrix below describes how Avida reviews and monitors sustainability-related risks in affected areas. For example, if Avida identifies an environmental or AML risk in our credit assessment or evaluation process, this may lead to our denying or adjusting contracts for creditors and suppliers. If a proposed transaction should violate the applicable AML policy, this transaction will be stopped.

**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.          |
| CONCERN 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 ENVIRONMENTAL IMPACT                     | 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. |



**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 subject to the supervision of the 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 2021, 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 slightly more than 61% of the share capital and votes. Andenes Investments S.L, Avida's third largest shareholder, holds slightly more than 16% of the share capital and votes. The five largest shareholders represented the equivalent of around 97% 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 4 August 2020.

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

In 2021, 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 with focus on assessment, controls and education. Avida applies available techniques and methods of risk management in a cost-effective manner. Risk management is an integral part of the business activities, developed along three lines of defence.

### RISK MANAGEMENT

Risk management within Avida, including risks related to financial reporting, is proactive and tracking 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 informa-

tion and communication channels are continuously monitored by the management 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 Grant Thornton 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 01/01/2021 – 31/12/2021.

## BUSINESS CONCEPT AND STRATEGY

Avida Finans AB (publ) is a credit market company that since 1983 has 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 of 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 to private individuals with attractive conditions. Deposits are covered by a 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 security but also factoring in the form of invoice purchases and invoicing. The Norwegian subsidiary Avida Inkasso AS with Corp. ID no. 913 778 367, provides collection and credit reporting 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 security but also factoring in the form of invoice purchases and invoicing.

Avida also offers products along with external partners in our secondary market in Europe. Through the German deposit platforms Raisin and Deposit Solutions, a savings product is offered for Euro deposits. The deposits are guaranteed by the Swedish government deposit guarantee.

## 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.

Avida's strategic initiative in business 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 within the segment and is now at a level where there is a good balance between risk and return.

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

Our environment continued to be affected by Covid-19 in 2021. This has not had any noticeable consequences for our credit quality. However, we are following the development closely and are prepared for some negative consequences to arise in the wake of Covid-19. At the end of the year, a geopolitical crisis flared up with Russia's invasion of Ukraine. At the time of writing, this has not had any noticeable consequences. In the short term, we also do not consider that business will be affected to any great extent. In the longer term, we may see negative effects on finance in the wake of rising interest rates and reduced credit quality.

## OWNERSHIP STRUCTURE

Avida Finans AB (publ) has been owned since 2020 by KKR, which has the controlling influence over Avida Finans AB (publ) and thus also over Avida Group. The shares in Avida Finans AB (publ) are otherwise owned both by private individuals and institutions.

The table below shows the largest shareholders as of 31 December 2021.

| Shareholders                  | Number of shares | Portion of outstanding shares % |
|-------------------------------|------------------|---------------------------------|
| KKR                           | 43,557,915       | 61.76                           |
| Andenes Investments S.L       | 11,661,594       | 16.55                           |
| MIDELFART CAPITAL AS          | 6,357,372        | 9.01                            |
| WHITEOUT AS                   | 5,972,814        | 8.47                            |
| LOE EQUITY AS                 | 1,060,606        | 1.50                            |
| 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>Total</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 11% to SEK 11,076 million. Growth has come both from the business and consumer portfolios. It is mainly factoring that has contributed to the growth in the corporate segment. Growth in factoring is driven by a number of new costumers, primarily in Finland, and existing costumers have had a large number of invoices to finance. Growth in the consumer segment is primarily driven by growth in Sweden and Finland. During the second half of the year, recruitment in Norway also got off to a good start. This after we migrated to a new business platform, which opened up greater opportunities to effectively recruit new customers.

## BUSINESS AREA - BUSINESS FINANCE

Within the business segment, work had progressed to build an organization that can handle increased complexity in the business and build a network of repeat customers. During the year, we worked actively to change the profile of the portfolio. The shift from customer relationships in the B2C segment with higher risk linked to the factoring exposures to more long-term sustainable relationships with larger companies in B2B segment began in 2020 and has continued in 2021. Focus for this year has been on reducing exposures in real estate and corporate bonds. Avida has a clear focus on approaching clients who will contribute good and stable earnings over time, as factoring and/or in combination with loans now can be seen as a liquidity tool over time.

The credit process for all products underwent strong automation in 2019 and 2020 in order to be able to handle increased business volume and to continue to make balanced business decisions. This development continued in 2021. Risk limits have been revised and updated to better reflect our underlying risk as well as faster seize if we would end up in trouble Overall, this has led to an improved credit quality with lower credit losses and an improved risk-adjusted margin.

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 mar-

ket 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, it became clear at the end of the year that factoring serves a good purpose of strengthening a company's working capital, as volume growth increased significantly. Growth has been slower in business loans. However, with a stable foundation in place, Business Finance is also a strategically important investment area for Avida and we are well positioned for growth both within factoring and corporate loans.

## CONSUMER - CONSUMER FINANCE BUSINESS AREA

In the private segment, the demand to refinance loans to 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. However, the Finnish authority decided to remove the interest ceiling during the last quarter of the year, which meant a slightly increased volume compared to earlier in the year. 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 significantly changed the conditions for the Norwegian market. Avida resume recruitment at the end of 2020. In 2021, recruitment has been at stable levels and we have again seen growth in the Norwegian portfolio.

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 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. Lending is 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 lending 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. The work done in 2019 and 2020 has created a robust basis for our financing and deposits in all currencies

## MULTI-YEAR OVERVIEW FOR THE GROUP

|                                  | 2021   | 2020   | 2019  | 2018  | 2017  |
|----------------------------------|--------|--------|-------|-------|-------|
| <b>SEK MILLION</b>               |        |        |       |       |       |
| Net interest income              | 773    | 724    | 538   | 425   | 317   |
| Net commission income            | 15     | 12     | 6     | -     | -     |
| Profit/loss before credit losses | 487    | 442    | 308   | 179   | 104   |
| Credit losses, net               | -403   | -437   | -179  | -97   | -55   |
| Operating profit                 | 84     | 5      | 129   | 82    | 48    |
| Loans to credit institutions     | 1,619  | 1,085  | 1,790 | 852   | 835   |
| Loans to the public              | 11,076 | 9,979  | 8,353 | 5,435 | 2,858 |
| Deposits from the public         | 11,893 | 10,160 | 9,111 | 5,547 | 3,272 |
| Equity                           | 1,367  | 1,323  | 1,069 | 717   | 536   |
| Solidity (%)                     | 10.0   | 11.2   | 10.1  | 10.8  | 13.8  |
| C/I ratio                        | 0.38   | 0.39   | 0.46  | 0.58  | 0.67  |
| Return on equity (%)             | 4.6    | 0.7    | 10.9  | 10.4  | 9.0   |
| Return on total assets (%)       | 0.6    | 0.0    | 1.5   | 1.6   | 1.6   |
| Capital ratio (%)                | 14.7   | 17.8   | 16.9  | 18.9  | 25.2  |
| Coverage ratio (%)               | 7.1    | 6.1    | 3.2   | 2.8   | 4.2   |
| Number of employees              | 145    | 123    | 115   | 109   | 104   |

For information on how key ratios are calculated, refer to the Definitions section on page 63.

have been reliable and react in a desired way as deposit rates change. The cost of Avida's financing decreased during the year, as the supply of deposits was good, while lending growth was not as strong as in previous years.

### REVENUE

The interest net for the Group has increased by 7% from the previous year. The increase is attributable to increased lending volumes in both Consumer Finance and Business Finance and a reduced financing cost. Net interest for consumer receivables has increased by 35% to SEK 563 million. Within the business area Business Finance, revenue from factoring has increased by 4% to SEK 128 million as a result of higher financed volumes compared to the previous year. Net interest for corporate loans has decreased by 13% to SEK 94 million in 2021.

### COSTS

Costs increased in 2021 by 5% compared to 2020 to SEK 300.6 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 and strengthen control functions. During the year, it was further decided to change systems for the Consumer Finance loan platform as well as parts of Business Finance, which resulted in increased consulting costs. 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 decreased significantly (-8%) during the year and total credit losses for 2021 amounted to SEK 402.9 (436.6) million. This is primarily driven by Consumer Finance, where we have experienced increased credit quality during the year. We saw a one-off effect from the settlement with the external party who handled our matured loans in 2020. The effect has been charged to credit losses within Consumer Finance by SEK 10 million. For a more detailed picture of the development of the expected credit losses in each Stage, the reader is referred to Note 14 on Lending to the general public. 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 83.7 million, which is an increase of SEK 78.7 million from 2020. The increase relates to increased volumes, reduced financing costs and reduced credit losses.

### LIQUIDITY AND CAPITAL REQUIREMENT

As of 31/12/2021, Avida Finans AB (publ) had a capital base of SEK 1,603.6 million. Avida's total capital adequacy, defined as total capital base divided by total risk exposure, amounted to 14.74%. As of 31/12/2021, Avida's consolidated situation had a capital base of SEK 1,610.9 million. The consolidated situation's total capital adequacy, defined as total capital base divided by total risk exposure, amounted to 14.77%. This means that Avida well fulfilled the requirements for capital adequacy and buffers as stated in Note 28 on Capital Coverage.

The Company's deposits from the general public have increased by 17% and amount to SEK 11,893 (10,160) million. Avida's liquidity consists of balances with central banks, borrowable government debt and lending to credit institutions and totals SEK 2,483 million.

### STAFF

The number of employees within the group increased slightly during the year and the average number of employees amounted to 145 (123), of which 71 (60) women and 74 (63) men.

### SUSTAINABILITY

For Avida, sustainability is about creating long-term value in everything we do for customers, owners, employees and contributing to society. This applies to our role as a credit market company, as an employer and as part of society in which we operate. That is why we work continuously with improvements in everything we do. Avida's ambition is to be the complementary first choice for companies and individuals seeking loans and financing for their large or small challenges in everyday financial life. To achieve this position in a sustainable way, we have decided on several principles that apply in 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 laws, regulations and other relevant regulations. In accordance with ÅRL Chapter 6, Section 11, Avida has prepared the sustainability report as a document separate from the formal financial reports. The sustainability report has been submitted to the auditors at the same time as the annual report and also the sustainability report refers to the financial year 2021. The report is available on page 11.

### SIGNIFICANT RISKS AND UNCERTAINTIES

In Avida, its operations are exposed to a number of different risks. Based on the nature of the business, Avida is primarily exposed to risks associated with credit risk, liquidity risk, market risk and operational risk. Avidas' risk management is regulated in the company's risk policy, which focuses on the effects of an unpredictable financial market and how Avida

can best and most effectively limit negative effects on the company's financial result. The Board establishes policies for both the overall risk management and the more specific risks within credit risk, currency risk, interest rate risk and operational risk. The practical risk management is handled by the company management in accordance with the policies established by the Board.

### RISKMANAGEMENT YEAR

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.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the year, the work on changing platform for the consumer loan portfolio proceeded according to plan. In addition to new sales to private clients in Sweden and Norway having been moved to the new platform, the existing portfolio in Norway has also been migrated. Positive effects from the platform change are already visible in the form of a more efficient application process for the client, as well as improved opportunities to collect data regarding client behaviour and client needs. The project concerning the platform change for the consumer lending deal is expected to be completed for the remaining markets during the first half of 2022.

The subsidiary Avida Inkasso AS will be liquidated in accordance with decisions made during the fourth quarter. The relocation of the company and its employees to the collection company Intrum will be completed during 2022. The change is justified by the streamlining of the company's strategy, which currently does not include debt collection activities.

A successful sale of matured receivables in Finland was carried out during the third quarter with a neutral earnings effect. The deal was Avida's first structured sale of this kind, but will

most likely be followed by more in the future. The sale of matured receivables is intended to release capital for the company and allow for a focus on the company's core business, which does not include the handling of matured receivables.

Like 2020, Covid-19 has been an element in our everyday lives. During the year, we adapted our work to the situation and during certain parts of the year worked from home. We have followed the recommendations from the authorities in each country as far as possible. Covid-19 has not had any noticeable negative result on growth and credit quality. However, it is too early to make an analysis of the more long-term effects of Covid-19 in our business.

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

On 1 January 2022, Tine Wollebakk took over as the new CEO of the Company. In connection with this, Pehr Olofsson reclaimed the role as CFO.

The dispute regarding the terminated forward flow agreement as described in previous interim reports and in the annual report 2020, reached a settlement on 11 January 2022. The agreement meant that all financial accounts between the parties had been settled. This also means that the dispute does not go to arbitration and the parties release their respective claims for compensation. The financial settlement meant a devaluation of SEK 10 million for Avida, which has been reported during credit losses in December 2021.

During the first quarter of 2022, Russia's invasion of Ukraine began. It's currently difficult to get an overview of the financial consequences this may have for Avida's operations. The Company follows developments closely and the organization is prepared to act to ensure that Avida and its customers are affected as little as possible.

### EXPECTED FUTURE DEVELOPMENT

During 2022, 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 macroeconomic circumstances. The Company will continue to be 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 that work, the implementation of Avida's new loan platform continues. The new platform will be an important basis for scaling up that business, both within consumer finance and business finance.

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. Despite the uncertainty in macroeconomic forecasts, the company is expected to generate results on par with, and better, than 2019 already in 2022. 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 entirely or largely digitised.

The current geopolitical situation due to Russia's invasion of Ukraine makes the macroeconomic situation difficult to assess. Avida has not been directly affected by the outbreak of the war, but it is too early to evaluate our direct and indirect consequences. However, it is clear that inflation has taken off significantly, which means that future increases in interest rates are approaching. This may result in an increase in financing costs and a marginal pressure on our net interest. We are preparing for a number of different scenarios to counteract this potential risk.

### PROPOSED ALLOCATION OF PROFITS

| SEK MILLION  |                      |
|--|----------------------|
| The following profits are available to the general meeting:  |                      |
| Other contributed capital  | 196,664,792          |
| Retained earnings <sup>1</sup>   | 1,115,804,638        |
| Net profit/loss  | 59,828,190           |
| <b>Total available profits for allocation</b>  | <b>1,372,297,620</b> |
| The Board and the CEO propose that the profits are allocated so that the following SEK is carried forward: |                      |
| Other contributed capital  | 196,664,792          |
| Retained earnings  | 1,115,804,638        |
| <b>Total retained earnings</b>   | <b>1,372,297,620</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     | 01-01-2021 | 31-12-2021    | 01-01-2020 | 31-12-2020    |
|--|----------|------------|---------------|------------|---------------|
| <b>SEK MILLION</b>   |          |            |               |            |               |
| Interest income  | 5        |            | 903.9         |            | 919.7         |
| Interest expenses  | 5        |            | -131.2        |            | -195.7        |
| <b>NET INTEREST INCOME</b>   | <b>5</b> |            | <b>772.7</b>  |            | <b>724.0</b>  |
| Commission income  | 6        |            | 15.2          |            | 11.5          |
| <b>NET COMMISSION INCOME</b>   | <b>6</b> |            | <b>15.2</b>   |            | <b>11.5</b>   |
| Net profit/loss of financial transactions                            | 7        |            | -0.9          |            | -8.1          |
| Other income   |          |            | 0.3           |            | 0.6           |
| <b>TOTAL OPERATING INCOME</b>  |          |            | <b>787.3</b>  |            | <b>728.0</b>  |
| General administrative expenses                                      | 8        |            | -275.6        |            | -259.3        |
| Depreciation and impairments of tangible and intangible fixed assets | 16,17,29 |            | -25.0         |            | -27.3         |
| <b>TOTAL COSTS BEFORE CREDIT LOSSES</b>                              |          |            | <b>-300.6</b> |            | <b>-286.6</b> |
| <b>PROFIT/LOSS BEFORE CREDIT LOSSES</b>                              |          |            | <b>486.6</b>  |            | <b>441.6</b>  |
| Credit losses, net   | 9        |            | -402.9        |            | -436.6        |
| <b>OPERATING PROFIT/LOSS</b>   |          |            | <b>83.8</b>   |            | <b>5.0</b>    |
| <b>PROFIT/LOSS BEFORE TAX</b>  |          |            | <b>83.8</b>   |            | <b>5.0</b>    |
| Tax  | 10       |            | -21.5         |            | -3.0          |
| <b>NET PROFIT/LOSS</b>   |          |            | <b>62.3</b>   |            | <b>2.0</b>    |

## Statement of total profit/loss in the Group

|   | NOTE | 01-01-2021 | 31-12-2021  | 01-01-2020 | 31-12-2020 |
|---|------|------------|-------------|------------|------------|
| <b>SEK MILLION</b>  |      |            |             |            |            |
| <b>NET PROFIT/LOSS</b>  |      |            | <b>62.3</b> |            | <b>2.0</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)         |      |            | 1.0         |            | 3.6        |
| <b>Total items that may be subsequently reclassified to the profit and loss account</b> |      |            | <b>1.0</b>  |            | <b>3.6</b> |
| <b>YEAR'S TOTAL PROFIT/LOSS</b>   |      |            | <b>63.3</b> |            | <b>5.6</b> |

# Group Balance Sheet

|   | NOTE  | 31-12-2021      | 31-12-2020      |
|---|-------|-----------------|-----------------|
| <b>SEK MILLION</b>                          |       |                 |                 |
| Cash and balances with central banks        | 11    | 327.2           | 220.5           |
| Collateralised government bonds             | 12    | 537.0           | 443.9           |
| Loans to credit institutions                | 13    | 1,618.1         | 1,085.3         |
| Loans to the public                         | 14    | 11,076.6        | 9,979.1         |
| Intangible fixed assets                     | 16    | 31.1            | 29.1            |
| Tangible assets                             | 17.29 | 21.3            | 10.3            |
| Current tax asset                           | 10    | 43.5            | 20.4            |
| Other assets                                | 18    | 46.2            | 43.8            |
| Prepaid expenses and accrued income         | 19    | 8.2             | 16.4            |
| <b>TOTAL ASSETS</b>                         |       | <b>13,709.1</b> | <b>11,848.8</b> |
| <b>LIABILITIES AND PROVISIONS</b>           |       |                 |                 |
| Deposits from the public                    | 20    | 11,892.6        | 10,159.9        |
| Derivatives                                 | 21    | 24.9            | 7.5             |
| Other liabilities                           | 22    | 151.6           | 87.5            |
| Deferred tax                                | 10    | 0.1             | 0.1             |
| Accrued expenses and prepaid income         | 23    | 25.9            | 24.6            |
| Subordinated debt                           | 24    | 247.3           | 246.6           |
| <b>TOTAL LIABILITIES</b>                    |       | <b>12,342.4</b> | <b>10,526.2</b> |
| <b>EQUITY</b>                               |       |                 |                 |
| Share capital                               |       | 12.8            | 12.8            |
| Other reserves                              |       | 1.8             | 1.8             |
| Other contributed capital                   | 25    | 1,120.0         | 1,118.6         |
| Retained earnings incl. profit for the year |       | 232.1           | 189.4           |
| <b>TOTAL EQUITY</b>                         |       | <b>1,366.7</b>  | <b>1,322.6</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>         |       | <b>13,709.1</b> | <b>11,848.8</b> |



# Group Statement of changes in equity the Group

| 31-12-2021  |               |                     |                           |                                       |         |
|---|---------------|---------------------|---------------------------|---------------------------------------|---------|
| SEK MILLION   |               |                     |                           |                                       |         |
|   | SHARE CAPITAL | RESTRICTED RESERVES | OTHER CONTRIBUTED CAPITAL | RETAINED EARNINGS AND NET PROFIT/LOSS | TOTAL   |
| Opening balance at 01-01-2021                         | 12.8          | 1.8                 | 1,118.6                   | 189.4                                 | 1,322.6 |
| Total profit/loss for the period                      | -             | -                   | -                         | 63.3                                  | 63.3    |
| Reported in profit and loss account                   | -             | -                   | -                         | 62.3                                  | 62.3    |
| Reported as other total profit/loss                   | -             | -                   | -                         | 1.0                                   | 1.0     |
| Tier 1 capital, AT1                                   | -             | -                   | 1.3                       | -                                     | 1.3     |
| Interest and dividends on primary capital instruments | -             | -                   | -                         | -20.5                                 | -20.5   |
| Transactions with shareholders                        |               |                     |                           |                                       |         |
| Option program  | -             | -                   | -                         | -                                     | -       |
| New issue   | -             | -                   | -                         | -                                     | -       |
| Transactions within the controlling influence         | -             | -                   | -                         | -                                     | -       |
| Closing balance at 31-12-2021                         | 12.8          | 1.8                 | 1,120.0                   | 232.1                                 | 1,366.7 |

| 31-12-2020  |               |                     |                           |                                       |         |
|---|---------------|---------------------|---------------------------|---------------------------------------|---------|
| SEK MILLION   |               |                     |                           |                                       |         |
|   | SHARE CAPITAL | RESTRICTED RESERVES | OTHER CONTRIBUTED CAPITAL | RETAINED EARNINGS AND NET PROFIT/LOSS | TOTAL   |
| Opening balance at 01-01-2020                         | 6.1           | 1.8                 | 846.8                     | 214.4                                 | 1,069.1 |
| Total profit/loss for the period                      | -             | -                   | -                         | 5.6                                   | 5.6     |
| Reported in profit and loss account                   | -             | -                   | -                         | 2.0                                   | 2.0     |
| Reported as other total profit/loss                   | -             | -                   | -                         | 3.6                                   | 3.6     |
| Tier 1 capital, AT1                                   | -             | -                   | 1.3                       | -                                     | 1.3     |
| Interest and dividends on primary capital instruments | -             | -                   | -                         | -21.0                                 | -21.0   |
| Transactions with shareholders                        |               |                     |                           |                                       |         |
| Option program  | -             | -                   | -                         | -4.0                                  | -4.0    |
| New issue   | 1.0           | -                   | 270.5                     | -                                     | 271.5   |
| Transactions within the controlling influence         | 5.7           | -                   | -                         | -5.7                                  | -       |
| Closing balance at 31-12-2020                         | 12.8          | 1.8                 | 1,118.6                   | 189.4                                 | 1,322.6 |

Transactions within the controlling influence have occurred in the Group's equity of SEK 5.7 million and are attributable to the downstream merger that took place during 2020. 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 in the Group, whereupon Avida Finans AB's share capital constitutes the Group's share capital.

# Statement of cash flows in the Group

|  | 31-12-2021     | 31-12-2020     |
|--|----------------|----------------|
| <b>SEK MILLION</b>   |                |                |
| <b>Day-to-day operations</b>   |                |                |
| Operating profit   | 83.7           | 5.0            |
| <i>Of which interest paid</i>  | 868.3          | 866.3          |
| <i>Of which interest paid</i>  | -131.2         | -156.8         |
| <i>Adjustment for items not included in cash flow</i>  |                |                |
| Unrealised credit losses (Provisions)  | 367.9          | 394.4          |
| Depreciation of tangible and intangible assets   | 25.0           | 27.3           |
| Other non-cash items   | -              | -              |
| Income tax paid  | -64.3          | -21.3          |
| <b>Cashflow from operating activities before changes in operating assets and liabilities</b> | <b>412.3</b>   | <b>405.4</b>   |
| <b>Change in the assets and liabilities of operating activities</b>                          |                |                |
| Increase (-)/decrease (+) loans to the public  | -1,464.1       | -2,021.0       |
| Increase (-)/Decrease (+) in other assets  | 19.0           | -6.9           |
| Increase (-)/decrease (+) deposits from the public   | 1,733.2        | 1,048.2        |
| Increase (-) / Decrease (+) of other liabilities   | 73.1           | -34.2          |
| <b>Cash flow from operating activities</b>   | <b>773.5</b>   | <b>-608.5</b>  |
| <b>Investing activities</b>  |                |                |
| Acquisition/Sale of tangible fixed assets  | -1.0           | -0.5           |
| Acquisition/Sale of intangible fixed assets  | -19.9          | -3.8           |
| Acquisition/Sale of collateralised government bonds  | -93.1          | -194.8         |
| <b>Cash flow from investing activities</b>   | <b>-114.0</b>  | <b>-199.1</b>  |
| <b>Financing activities</b>  |                |                |
| Interest dividends   | -19.1          | -19.6          |
| New issue  | -              | 271.7          |
| Settlement in option program   | -              | -4.0           |
| <b>Cash flow from financing activities</b>   | <b>-19.1</b>   | <b>248.2</b>   |
| <b>Cash flow for the period</b>  | <b>640.4</b>   | <b>-559.4</b>  |
| Liquid funds at beginning of the period  | 1,305.8        | 1,861.9        |
| Translation difference liquid funds  | -0.3           | 3.3            |
| <b>Liquid funds at end of period</b>   | <b>1,945.9</b> | <b>1,305.8</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     | 01-01-2021 | 31-12-2021    | 01-01-2020 | 31-12-2020    |
|--|----------|------------|---------------|------------|---------------|
| <b>SEK MILLION</b>   |          |            |               |            |               |
| Interest income  | 5        |            | 892.4         |            | 906.7         |
| Interest expenses  | 5        |            | -131.1        |            | -195.6        |
| <b>NET INTEREST INCOME</b>   | <b>5</b> |            | <b>761.3</b>  |            | <b>711.1</b>  |
| Commission income  | 6        |            | 15.2          |            | 11.5          |
| <b>NET COMMISSION INCOME</b>   | <b>6</b> |            | <b>15.2</b>   |            | <b>11.5</b>   |
| Net profit/loss of financial transactions                            | 7        |            | -1.0          |            | -8.2          |
| Other income   |          |            | 0.9           |            | 1.3           |
| <b>TOTAL OPERATING INCOME</b>  |          |            | <b>776.4</b>  |            | <b>715.7</b>  |
| General administrative expenses                                      | 8        |            | -274.7        |            | -258.4        |
| Depreciation and impairments of tangible and intangible fixed assets | 16,17,29 |            | -18.0         |            | -20.0         |
| <b>TOTAL COSTS BEFORE CREDIT LOSSES</b>                              |          |            | <b>-292.8</b> |            | <b>-278.4</b> |
| <b>PROFIT/LOSS BEFORE CREDIT LOSSES</b>                              |          |            | <b>483.7</b>  |            | <b>437.3</b>  |
| Credit losses, net   | 9        |            | -402.8        |            | -436.2        |
| <b>OPERATING PROFIT/LOSS</b>   |          |            | <b>80.9</b>   |            | <b>1.1</b>    |
| <b>PROFIT/LOSS BEFORE TAX</b>  |          |            | <b>80.9</b>   |            | <b>1.1</b>    |
| Tax  | 10       |            | -21.0         |            | -2.2          |
| <b>NET PROFIT/LOSS</b>   |          |            | <b>59.8</b>   |            | <b>-1.1</b>   |

## Parent company's total profit/loss report

|   | NOTE | 01-01-2021 | 31-12-2021  | 01-01-2020 | 31-12-2020  |
|---|------|------------|-------------|------------|-------------|
| <b>SEK MILLION</b>  |      |            |             |            |             |
| <b>NET PROFIT/LOSS</b>  |      |            | <b>59.8</b> |            | <b>-1.1</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)         |      |            | 0.3         |            | 3.9         |
| <b>Total items that may be subsequently reclassified to the profit and loss account</b> |      |            | <b>0.3</b>  |            | <b>3.9</b>  |
| <b>YEAR'S TOTAL PROFIT/LOSS</b>   |      |            | <b>60.1</b> |            | <b>2.9</b>  |



# Report on the financial position in the parent company

|   | NOTE  | 31-12-2021      | 31-12-2020      |
|---|-------|-----------------|-----------------|
| <b>SEK MILLION</b>                          |       |                 |                 |
| Cash and balances with central banks        | 11    | 327.2           | 220.5           |
| Collateralised government bonds             | 12    | 537.0           | 443.9           |
| Loans to credit institutions                | 13    | 1,606.1         | 1,075.0         |
| Loans to the public                         | 14    | 11,073.2        | 9,977.8         |
| Shares and units in Group companies         | 15    | 2.0             | 2.0             |
| Intangible fixed assets                     | 16    | 30.9            | 28.9            |
| Tangible assets                             | 17.29 | 1.3             | 1.6             |
| Current tax asset                           | 10    | 43.9            | 21.4            |
| Other assets                                | 18    | 46.5            | 44.3            |
| Prepaid expenses and accrued income         | 19    | 7.7             | 14.6            |
| <b>TOTAL ASSETS</b>                         |       | <b>13,675.8</b> | <b>11,830.0</b> |
| <b>LIABILITIES AND PROVISIONS</b>           |       |                 |                 |
| Deposits from the public                    | 20    | 11,892.6        | 10,159.9        |
| Derivatives                                 | 21    | 24.9            | 7.5             |
| Other liabilities                           | 22    | 128.8           | 76.1            |
| Accrued expenses and prepaid income         | 23    | 25.4            | 24.1            |
| Subordinated debt                           | 24    | 247.3           | 246.6           |
| <b>TOTAL LIABILITIES</b>                    |       | <b>12,318.9</b> | <b>10,514.2</b> |
| <b>EQUITY</b>                               |       |                 |                 |
| Share capital                               |       | 12.8            | 12.8            |
| Statutory reserve                           |       | 1.8             | 1.8             |
| Fund for development expenditure            |       | 29.8            | 25.3            |
| Tier 1 capital                              | 25    | 196.7           | 195.3           |
| Retained earnings incl. profit for the year |       | 1,115.8         | 1,080.7         |
| <b>TOTAL EQUITY</b>                         |       | <b>1,356.9</b>  | <b>1,315.9</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>         |       | <b>13,675.8</b> | <b>11,830.0</b> |

# Statement of changes in equity for parent company

| 31-12-2021  |                   |                                  |                   |                           |                                       |                |
|---|-------------------|----------------------------------|-------------------|---------------------------|---------------------------------------|----------------|
| 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>Opening balance at 01-01-2021</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> |
| Total profit/loss for the period  | -                 | -                                | -                 | -                         | 60.1                                  | 60.1           |
| Reported in profit and loss account                                     | -                 | -                                | -                 | -                         | 59.8                                  | 59.8           |
| Reported as other total profit/loss                                     | -                 | -                                | -                 | -                         | 0.3                                   | 0.3            |
| Change in fund for development expenditure                              | -                 | 4.6                              | -                 | -                         | -4.6                                  | -              |
| Tier 1 capital, AT1   | -                 | -                                | -                 | 1.3                       | -                                     | 1.3            |
| Interest and dividends on primary capital instruments                   | -                 | -                                | -                 | -                         | -20.5                                 | -20.5          |
| Transactions with shareholders  |                   |                                  |                   |                           |                                       |                |
| Shareholder contribution <sup>1</sup>                                   | -                 | -                                | -                 | -                         | -                                     | -              |
| Option program  | -                 | -                                | -                 | -                         | -                                     | -              |
| <b>Closing balance at 31-12-2021</b>                                    | <b>12.8</b>       | <b>29.9</b>                      | <b>1.8</b>        | <b>196.6</b>              | <b>1,115.7</b>                        | <b>1,356.9</b> |
| 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>Opening 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 other 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            |
| Interest and dividends on primary capital instruments                   | -                 | -                                | -                 | -                         | -21.0                                 | -20.5          |
| 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>Closing 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 contributions of SEK 270 million were made by Avida Holding to Avida Finans AB before the merger of Avida Holding took place on 20 November 2020.

# Parent company cash flow statement

|  | 31-12-2021     | 31-12-2020     |
|--|----------------|----------------|
| <b>SEK MILLION</b>   |                |                |
| <b>Day-to-day operations</b>   |                |                |
| Operating profit   | 80.9           | 1.1            |
| <i>Of which interest paid</i>  | 857.3          | 853.2          |
| <i>Of which interest paid</i>  | -131.2         | -156.8         |
| <i>Adjustment for items not included in cash flow</i>  |                |                |
| Unrealised credit losses (Provisions)  | 364.4          | 394.4          |
| Depreciation of tangible and intangible assets   | 18.0           | 20.0           |
| Other non-cash items   | -              | -              |
| Income tax paid  | -64.2          | -21.7          |
| <b>Cashflow from operating activities before changes in operating assets and liabilities</b> | <b>399.1</b>   | <b>394.8</b>   |
| <b>Change in the assets and liabilities of operating activities</b>                          |                |                |
| Increase (-) /decrease (+) loans to the public   | 1,459.1        | -2,022.7       |
| Increase (-) /Decrease (+) in other assets   | 18.4           | -1.9           |
| Increase (-) /decrease (+) deposits from the public  | 1,732.8        | 1,048.5        |
| Increase (-) / Decrease (+) of other liabilities   | 78.3           | -27.7          |
| <b>Cash flow from operating activities</b>   | <b>769.5</b>   | <b>-610.0</b>  |
| <b>Investing activities</b>  |                |                |
| Acquisition/Sale of tangible fixed assets  | -1.0           | -0.5           |
| Acquisition/Sale of intangible fixed assets  | -19.9          | -4.0           |
| Acquisition/Sale of collateralised government bonds  | -93.1          | -194.8         |
| <b>Cash flow from investing activities</b>   | <b>-114.0</b>  | <b>-199.3</b>  |
| <b>Financing activities</b>  |                |                |
| Interest dividends   | -19.1          | -19.6          |
| Change in subordinated debt  | -              | -14.3          |
| New issue  | -              | 270.0          |
| Merger effect <sup>1</sup>   | -              | 15.5           |
| <b>Cash flow from financing activities</b>   | <b>-19.1</b>   | <b>251.6</b>   |
| <b>Cash flow for the period</b>  | <b>636.4</b>   | <b>-557.7</b>  |
| Liquid funds at beginning of the period  | 1,295.6        | 1,849.4        |
| Translation difference liquid funds  | 0.7            | 3.9            |
| <b>Liquid funds at end of period</b>   | <b>1,933.9</b> | <b>1,295.6</b> |

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

<sup>1)</sup> Refers to cash and cash equivalents, see Note 30



# 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 operates collection and credit reporting activities in Norway. During 2020, 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 Magnus Ladulåsgatan 65, 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 Consolidated Financial Statements for Avida Finans AB (publ) for the financial year 2021 were approved by the Board and CEO for issuing on 29 April 2022 for a resolution by the general meeting in 2022.

## 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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as a result of the reference interest rate reform - Phase 2 which came into effect from 1 January 2021 - are applied by Avida. The amendments relate to accounting issues that arise when financial instruments that refer to an IBOR interest rate switch to an alternative reference rate. The new rules contain a practical solution for the modifications required by the reference interest rate reform, which should be treated as changes in variable interest rates. At the present time, Avida has borrowing linked to STIBOR and lending at interest rates linked to STIBOR, NIBOR and EURIOBOR [sic: EURIBOR]. The Company has no exposure in the form of interest rate swaps linked to STIBOR or EURIBOR.

With regard to the IBOR interest rates to which Avida is exposed, there is uncertainty about the timing and the specific nature of future amendments. Avida monitors developments and works continuously to identify and check current exposures. The introduction has not affected the Group's financial position, earnings or cash flow.

### 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

Other new or amended IFRSs, IFRS interpretations and amendments to Swedish regulations issued but which are not yet applied, are not expected to have any significant effect on the Group's financial position, results, cash flow or information.

### 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 2020, Avida Holding merged with Avida Finans AB (publ). The merger was audited on the basis of RedR9 - Reporting of downstream mergers. The effect on the Group's equity is shown in the statement for changes in equity in the Group. However, the controlling influence over the subsidiary Avida Inkasso AS has not changed as a result of the merger. This is because the merger gives rise to a change within the controlling influence, meaning that the group's comparative figures correspond to the consolidated figures reported for 2019 in Avida Holding AB's consolidated annual accounts. It also means that Avida Inkasso AS's profit and loss account for 2020 as a whole has been included in the Group's profit and loss statement for 2020 in the consolidated 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. Company management also monitors operating revenue and loan balances on a geographical level. The highest executive decision-maker follows the earnings concept of operating profit/loss. Profit items that are not directly attributable to segments are allocated with allocation formulas 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 mone-

etary assets and liabilities in foreign currency at the rate of exchange on the balance sheet date are reported in the profit and loss account under Net Results of Financial Transactions.

### Foreign branches and subsidiaries

Avida Finans AB also conducts operations via branches in Norway and Finland.

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:

- a) Assets and liabilities for each of the balance sheets are translated at the balance sheet date rate,
- b) 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 account under Other total result.

### LEASE AGREEMENT, P.M. 16

The Group leases office premises and parking spaces. Lease agreements are recognised 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. Lease payments are discounted by the implicit interest rate of the lease agreement if this rate can be easily determined, otherwise Avida's marginal loan interest rate is used, which is the interest rate that the Group would have to pay for financing through loans for an equivalent period and with equivalent collateral, for the right of use of an asset in a similar financial environment. Upon subsequent valuation of the leasing liability, the carrying amount increases with interest and decreases with leasing fees paid. In addition, the leasing debt increases or decreases during reconsiderations or changes to the leasing agreement. In the subsequent valuation of the right of use, this is valued at acquisition value less accumulated depreciation and any accumulated write-downs and taking into account any revaluations of the lease liability. 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 inclu-

de, 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 is recognised on the basis of the assets on the gross reported value of assets in stage 1 and 2 and net reported value in stage 3.

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 2021 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.

### 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 administrative expenses include staff costs and other administrative expenses such as IT costs, external services (audit, other services) costs for premises, 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 carry forwards 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 debt, 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.

If agreed cash flows for a loan have been renegotiated or otherwise modified, Avida makes an assessment of whether the change is so significant that the modification leads to deletion from the balance sheet or if the change results in a modification gain or loss. The change is considered significant when the renegotiated conditions mean that the discounted present value of cash flows differs by more than ten per cent from the present value under the original loan agreement. The ten per cent materiality threshold is determined on the basis of a qualitative assessment of what is considered a reasonable level. This level also corresponds to the threshold for materiality that applies to modifications of debt instruments.

### 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
- Accrued acquisition value

**Financial liabilities**

- Financial liabilities valued at fair value through profit and loss account
- Accrued acquisition value

**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 account under "Net profit/loss of financial transactions".

**FINANCIAL ASSETS AND LIABILITIES VALUED AT AMORTISED ACQUISITION VALUE**

Financial assets recognised at amortised acquisition value 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 accrued acquisition value is determined based on the effective interest rate calculated at the acquisition date.

Financial liabilities that are not classified as "Financial liabilities valued at fair value through the profit and loss statement" are initially reported at fair value with the addition of transaction costs and then at amortised acquisition value using the effective interest method. This category mainly includes issued securities, public deposits and liabilities to credit institutions. Realised earnings from repurchases of own liabilities affect the profit for the year when they arise and are reported under the heading "Net profit of financial transactions", while the effective interest rate is reported as interest expense.

**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 account under "Net profit/loss of financial transactions". This also applies in cases where they financially secure risk but where hedge accounting is 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 recoveries.

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 step, 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. Assets that show a significant increase in credit risk must be moved from stage 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 step 1 to stage 2 leads to significantly higher provisions 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.

Avida considers that a default has occurred if any of the following criteria are met:

- The Borrower is declared bankrupt, has publicly suspended payments or has applied for public debt settlement arrangements.
- The Borrower has loans that are more than 90 days old
- The loan is restructured and has relief measures
- The loan is insolvent based on an individual expert assessment.

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. The definition of low credit risk in this context is counterparties that have a AAA rating.

### 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 Step 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 are missing. 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.

## IMPAIRMENTS OF TANGIBLE AND INTANGIBLE FIXED 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 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 of 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 profit and loss account and balance sheet, has 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. The remuneration system is designed with almost exclusively fixed remuneration. Variable compensation can only be paid to a few salaried employees and only this year's result for an entire business area can generate variable compensation. No products whose results that arise only in later financial years can affect the current year's variable remuneration. Commission-based remuneration can be paid to sales staff.

### Pension costs

The Company's pension plans are financed through payments to insurance companies. The Company only has defined contribution pension plans which are a pension plan in which the Company 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 plans, 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 Expenses.

## PARENT COMPANY ACCOUNTING PRINCIPLES

The parent company, Avida Finans AB (publ) applies statutory IFRS, which means that the annual accounts are prepared in accordance with IFRS with the additions and exceptions that follow from the Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities and the Act on Annual Accounts in Credit Institutions and Securities Companies (ÅRKL) and the Swedish Financial Supervisory Authority regulations and general advice on annual accounts in Credit Institutions and Securities Companies (FFFS 2008:25).

Risk management aims to identify and analyse the risks that exist in the business and to set appropriate limits for them.

### Differences in comparison to the Group

The main deviations between the accounting principles of the Group and those of the Parent Company are shown below:

#### Form of presentation for profit and loss statement and balance sheet

The parent company follows the format for the profit and loss statement and the balance sheet as specified in the Swedish Annual Accounts Act, which among other things means a different design format for equity. The Parent Company reserve fund is reported in the Group as retained earnings, while the parent company Fund for fair value is included in the Group Reserves.

#### Intangible fixed assets

Expenses attributable to proprietary software are reported in the Parent Company as expenses in the profit and loss statement.

#### Leasing

Any leases are attributable to normal agreements for the business and mainly relate to office premises and office equipment. Avida Finans AB (publ) has chosen to apply IFRS 16 in the Group as there are no requirements for applying IFRS 16 to legal entities in accordance with RFR 2.

#### Pensions

The Swedish Pension Obligations Vesting Act and regulations from the Swedish Financial Supervisory Authority contain rules that lead to a different reporting of defined benefit pension plans than those stated in IAS 19. The application of the Swedish Pension Obligations Vesting Act is a prerequisite for tax deductibility. Given this, RFR 2 states that the rules in IAS 19 regarding defined benefit pension plans do not need to be applied to legal entities.

#### Subsidiaries

Shares in subsidiaries are reported in the Parent Company according to the acquisition method.

#### Dividends

Dividends received from subsidiaries are reported in the profit and loss statement. Anticipated dividends from subsidiaries are reported in cases in which formal decisions are made by the subsidiary or in which the Parent Company otherwise has full control over the decision-making process before the Parent Company publishes its financial statements. Dividends paid are reported as a reduction of unrestricted equity after a decision on dividends has been made at the annual general meeting.

#### Group contribution

Group contributions received from subsidiaries are reported in the profit and loss statement, while Group contributions paid by the Parent Company to subsidiaries are reported as an increase in shares in Group companies.

## 3 FINANCIAL RISK MANAGEMENT

*Below are the rules on publication of information, CRR 575/2013 Article 435(1).*

### FINANCIAL RISKS AND FINANCIAL RISK MANAGEMENT

The business is exposed to different types of risk, 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.

Risk management aims to ensure the long-term success of Avida through identification and analysis of the risks that exist in the business and setting appropriate limits for these, ensuring 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 correct and reflect current market conditions, as well as the products and services offered.

The risk framework is continuously reassessed to cover all risks to which Avida chooses to expose itself. All risks are restricted through limits for which an ongoing follow-up is carried out to ensure the reasonableness and/or level of risk taking. Any early warnings for the limits or actual limit breaches will be treated as incidents and addressed promptly. Avida works with external and internal limits, as well as target levels. External limits correspond to regulatory-linked requirements, while internal limits are limits determined by the Board. The target levels signal early warnings for management to act before a limit breach is risked. Avida has ensured good regulatory compliance by also defining internal limits and target levels for external limits.

The risk framework is updated annually through capital and liquidity assessment and on an ongoing basis through the change process (NPAP) or if necessary for example, using changed market conditions. The capital and liquidity evaluation is carried out through stress testing of the risk exposure to ensure that Avida has sufficient capital and liquidity. The stress test methods established in the capital and liquidity assessment are conducted monthly or quarterly to reflect the development of chosen risk exposures.

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.

Avida also has a comprehensive team for regulatory compliance led by the Director of Regulatory Compliance who reports directly to the CEO and whose task is to evaluate company compliance with laws, regulations and other relevant rules. During 2021, Avida changed its Director of Regulatory Compliance.

Avida outsources the internal audit assignment to Grant Thornton, which is responsible for reviewing and evaluating whether Avida's

## CREDIT QUALITY

| GROUP                             | 31-12-2021     |                |                 | 31-12-2020     |                |                 |
|-----------------------------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
| SEK MILLION                       | Company        | Private        | Total           | Company        | Private        | Total           |
| <b>Loans to the public, gross</b> | <b>3,260.7</b> | <b>8,666.3</b> | <b>11,927.5</b> | <b>2,735.1</b> | <b>7,894.8</b> | <b>10,629.9</b> |
| of which are Stage 1              | 3,163.9        | 6,781.9        | 9,945.8         | 2,653.8        | 6,308.5        | 8,962.3         |
| of which are Stage 2              | 28.3           | 438.1          | 466.4           | 41.7           | 476.2          | 517.9           |
| of which are Stage 3              | 68.5           | 1,446.7        | 1,515.2         | 39.6           | 1,110.1        | 1,149.7         |
| <b>Total provisions</b>           | <b>-72.2</b>   | <b>-778.7</b>  | <b>-850.9</b>   | <b>-60.4</b>   | <b>-590.4</b>  | <b>-650.8</b>   |
| of which provisions stage 1       | -8.1           | -87.4          | -95.5           | -15.5          | -96.2          | -111.7          |
| of which provisions stage 2       | -3.7           | -51.5          | -55.2           | -5.5           | -57.4          | -62.9           |
| of which provisions stage 3       | -60.4          | -639.8         | -700.2          | -39.4          | -436.8         | -476.2          |
| <b>Loans to the public, net</b>   | <b>3,188.5</b> | <b>7,887.6</b> | <b>11,076.6</b> | <b>2,674.7</b> | <b>7,304.4</b> | <b>9,979.1</b>  |

## CREDIT QUALITY

| GROUP                            | 31-12-2021     |              |              |                | 31-12-2020     |              |              |                |
|----------------------------------|----------------|--------------|--------------|----------------|----------------|--------------|--------------|----------------|
| SEK MILLION                      | Stage 1        | Stage 2      | Stage 3      | Total          | Stage 1        | Stage 2      | Stage 3      | Total          |
| <b>Loans to the public</b>       |                |              |              |                |                |              |              |                |
| <b>Business sector</b>           |                |              |              |                |                |              |              |                |
| Credit rating was to medium risk | 3,151.8        | 24.6         | 51.8         | 3,228.2        | 2,638.3        | 36.2         | -            | 2,674.5        |
| Credit rating higher risk        | -              | -            | -43.7        | -43.7          | -              | -            | 0.2          | 0.2            |
| <b>Total</b>                     | <b>3,151.8</b> | <b>24.6</b>  | <b>8.1</b>   | <b>3,184.5</b> | <b>2,638.3</b> | <b>36.2</b>  | <b>0.2</b>   | <b>2,674.7</b> |
| <b>Private sector</b>            |                |              |              |                |                |              |              |                |
| Credit rating was to medium risk | 6,277.2        | 21.5         | -            | 6,298.7        | 5,810.3        | 25.9         | -            | 5,836.2        |
| Credit rating high risk          | 416.9          | 365.1        | 806.9        | 1,588.9        | 402.0          | 392.9        | 673.3        | 1,468.2        |
| <b>Total</b>                     | <b>6,694.1</b> | <b>386.6</b> | <b>806.9</b> | <b>7,887.6</b> | <b>6,212.3</b> | <b>418.8</b> | <b>673.3</b> | <b>7,304.4</b> |

## AGE ANALYSIS

| GROUP                      | 31-12-2021     |                |                 | 31-12-2020     |                |                |
|----------------------------|----------------|----------------|-----------------|----------------|----------------|----------------|
| SEK MILLION                | Company        | Private        | Total           | Company        | Private        | Total          |
| <b>Loans to the public</b> |                |                |                 |                |                |                |
| Receivables not due        | 527.0          | 5,763.0        | 6,290.0         | 167.8          | 5,300.2        | 5,468.0        |
| 1-30                       | 2,637.9        | 1,180.9        | 3,818.8         | 2,466.8        | 1,161.4        | 3,628.2        |
| 31-90                      | 15.6           | 315.0          | 330.6           | 37.3           | 331.7          | 369.0          |
| >90                        | 8.3            | 628.7          | 637.0           | 2.8            | 511.1          | 513.9          |
| <b>Total</b>               | <b>3,188.5</b> | <b>7,887.6</b> | <b>11,076.6</b> | <b>2,674.7</b> | <b>7,304.4</b> | <b>9,979.1</b> |



internal controls are appropriate and effective. Grant Thornton started the internal audit assignment at the beginning of 2021.

**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. Avida always assesses the creditworthiness of all loans provided and only lends money to customers who have a repayment capacity, as well as an expected high level of willingness to pay. The Company collects collateral for lending to companies that manage and minimise the loss in the event of non-payment. For private lending, Avida works actively to divest the bad debts using the strategy of retaining the receivables, provided the underlying value exceeds the bid.

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

| <b>Private lending</b> | <b>Company lending</b> |
|------------------------|------------------------|
| Private loan           | Factoring              |
| Revolving Credit       | Corporate Loan         |

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 credit risk spread within Sweden, Norway, Finland, Denmark, Germany and the Netherlands, which reduces the risk of concentration in regions. In company lending, the Company has a good industry spread of risk exposures. The private lending portfolio is divided across many private customers, which is usually referred to as the portfolio taking the character of a collective and means that the concentration risk is low in terms of regions, counterparties and industries.

The Company procedures for monitoring credit exposures are adequate and focus on taking action, primarily for overdue payments and outstanding receivables, which aim to minimise credit losses through an early detection of payment issues among the creditors and an accompanying rapid handling of existing claims. Monitoring takes place with the support of a special requirement system that automatically monitors and reminds us when a requirement measure is required.

**Private lending**

Private loans are unsecured loans 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 the provision of credit within private lending, which includes 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 analysis team, which provides recommendations for improvement.

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 considered to be low/medium within the framework of the Company' risk capital and thus acceptable given the continuous good return 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. 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. There is no new lending within this part of the business and it is currently under collection.

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. Within the reservation process, the reserve may increase if there is observable data in the creditor monitoring.

Avida's assessment of credit risk in the area of corporate lending is that it is considered low/medium with elements of higher concentration risk compared to Private lending with regard to counterparties, but with a good spread in relation to industry and regions. Overall, the credit risk within the framework of the Company's risk appetite and acceptable given the good return on the transaction contributed.

## Liquidity and other assets

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 31-12-2021, the Company has a smaller exposure to assets valued at fair value of SEK 156.2 million (97.6). 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. Therefore, Avida pays capital cover for credit spread risk in Pillar 2 in accordance with current rules.

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.

Avida's risk appetite for market risk is very low and comes as a natural part of Avida's business, which is handled by being removed or remedied as far as possible.

## CURRENCY EXPOSURE

| Net exposure in SEK million in each currency | 2021 | 2020  |
|--|------|-------|
| <b>SEK MILLION</b>                           |      |       |
| EUR *)                                       | 42.3 | -48.4 |
| NOK *)                                       | -0.8 | 9.9   |
| Other *)                                     | -0.7 | -4.3  |

\*) Gross exposure 2021 in EUR was equivalent to SEK 5,074,286,211 with foreign exchange forwards of SEK 250,296,269. The EUR exposure arises from lending in Finland of 3.3 billion, Sweden of 0.3 billion. In NOK, the gross exposure was SEK 2,791,639,405 with foreign exchange forwards of SEK 827,396,426. NOK exposure arises from lending in Norway of SEK 1.7 billion. Gross exposure in other currencies was SEK 227,966,716 with counteracting foreign exchange forwards of SEK 72,594,388.

## FOREIGN EXCHANGE RATE RISK

The Company has financing in SEK, NOK and EUR and an asset base in SEK, NOK, EUR, DKK, GBP, USD, PLN 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 exposures in the balance sheet.

## INTEREST RATE

risk arises when there is no matching in interest rate fixing time between financing and assets. For the most part, Avida has both financing and assets with a short interest rate re-fixing periods, which reduces the interest rate risk. The Company is exposed to the Swedish, Norwegian and European interest markets, which results in 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 revaluation of the balance sheet of SEK 18.9 million as at 31-12-2021 (23.2 as at 31-12-2020).

## 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. The area of operational risk also includes legal risks such as the risk of money laundering or other types of sanctions.

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 using 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's risk appetite in operational risks is low and is a natural and important part of the business and operations.

## 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 limit imposed by the Board that is institution-specific and designed to manage Avida's inherent liquidity risk. Avida's assets are characterised by a higher proportion of the early redemption rights compared to the contractual maturity, while at the same time the non-term deposits have an inherent behaviour of a slow out-flow of the Company's debt portfolio, which together contribute to the low liquidity risk Avida has and desires according to risk appetite.

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 increased liquidity pressures, 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.

**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**

| GROUP  | FINANCIAL MEASURE      | CHANGE                 | 2021      | 2020      |
|--|------------------------|------------------------|-----------|-----------|
| <b>Risks in deposits from the public</b>     |                        |                        |           |           |
| Change in deposit interest rate              | Profit/loss before tax | +/-1 percentage points | +/- 115.1 | +/- 105.6 |
|  | Change in equity       | +/-1 percentage points | +/- 91.4  | +/- 83.0  |
| <b>Risks in loans to the public</b>          |                        |                        |           |           |
| Change in lending interest rate              | Profit/loss before tax | +/-1 percentage points | +/- 108.0 | +/- 99.0  |
|  | Change in equity       | +/-1 percentage points | +/- 85.8  | +/- 77.8  |
| <b>Risks in loans to credit institutions</b> |                        |                        |           |           |
| Change in lending interest rate              | Profit/loss before tax | +/-1 percentage points | +/- 16.1  | +/- 15.0  |
|  | Change in equity       | +/-1 percentage points | +/- 12.8  | +/- 11.8  |

**EXCHANGE RATE RISK**

| GROUP   | FINANCIAL MEASURE      | CHANGE                  | 2021     | 2020    |
|---|------------------------|-------------------------|----------|---------|
| <b>Risks for result from foreign branches and companies</b> |                        |                         |          |         |
| Change in exchange rate SEK-NOK                             | Profit/loss before tax | +/-10 percentage points | +/- 9.7  | +/- 3.3 |
|   | Change in equity       | +/-10 percentage points | +/- 7.7  | +/- 2.6 |
| Change in exchange rate SEK-EUR                             | Profit/loss before tax | +/-10 percentage points | +/- 12.7 | +/- 9.9 |
|   | Change in equity       | +/-10 percentage points | +/- 10.1 | +/- 7.8 |

**CREDIT RISK**

| GROUP  | FINANCIAL MEASURE      | CHANGE                 | 2021     | 2020      |
|--|------------------------|------------------------|----------|-----------|
| <b>Risk of change in recovery of overdue credits</b> |                        |                        |          |           |
| Changes in LGD                                       | Profit/loss before tax | +/-5 percentage points | +/- 93.6 | +/- 127.8 |
|  | Change in equity       | +/-5 percentage points | +/- 74.3 | +/- 100.4 |



## LIQUIDITY EXPOSURE 2021

| 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 | 327.2           | -              | -            | -                 | -                 | 327.5           |
| Collateralised government bonds      | 156.3           | 150.8          | 24.2         | 205.7             | -                 | 537.0           |
| Loans to credit institutions         | 1,618.6         | -              | -            | -                 | -                 | 1,618.6         |
| Loans to the public                  | 3,844.0         | 154.2          | 334.1        | 1,833.9           | 4,909.8           | 11,076.1        |
| Other assets                         | -               | 46.2           | -            | -                 | -                 | 46.2            |
| <b>Total assets</b>                  | <b>5,946.2</b>  | <b>351.1</b>   | <b>358.3</b> | <b>2,039.6</b>    | <b>4,909.8</b>    | <b>13,605.1</b> |
| <b>Liabilities and provisions</b>    |                 |                |              |                   |                   |                 |
| Deposits from the public             | 10,453.2        | 883.0          | 556.4        | -                 | -                 | 11,892.6        |
| Derivatives                          | -               | 24.9           | -            | -                 | -                 | 24.9            |
| Other liabilities                    | -               | 135.3          | -            | -                 | -                 | 135.3           |
| Subordinated debt                    | -               | -              | -            | -                 | 247.3             | 247.3           |
| <b>Total liabilities and equity</b>  | <b>10,453.2</b> | <b>1,043.2</b> | <b>556.4</b> | <b>-</b>          | <b>247.3</b>      | <b>12,300.1</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 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         |
| Derivatives                          | -              | 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>584.0</b>   | <b>457.1</b> | <b>-</b>          | <b>246.6</b>      | <b>10,501.5</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 customer perspective; Consumer

Finance and Business Finance. The profit measure that is followed up at segment level is the operating profit. Company management also monitors operating revenue and loan balances on a geographical level. Profit items that are not directly attributable to segments are allocated with allocation formulas that the company management believes provide a fair distribution to the segments.

| SEGMENT REPORT 2021, GROUP   | CONSUMER FINANCE | FACTORING    | CORPORATE LOANS | TOTAL        |
|--|------------------|--------------|-----------------|--------------|
| <b>SEK MILLION</b>   |                  |              |                 |              |
| Interest income  | 658.0            | 149.8        | 96.1            | 903.9        |
| Interest expenses  | -95.5            | -21.4        | -14.3           | -131.2       |
| Commission income  | 15.2             | -            | -               | 15.2         |
| Net profit/loss of financial transactions                            | -0.7             | -0.4         | 0.2             | -0.9         |
| Other income   | 0.2              | 0.1          | -               | 0.3          |
| <b>Total operating income</b>  | <b>577.2</b>     | <b>128.1</b> | <b>81.9</b>     | <b>787.3</b> |
| General administrative expenses                                      | -156.9           | -102.9       | -15.7           | -275.5       |
| Depreciation and impairments of tangible and intangible fixed assets | -21.5            | -2.5         | -1.1            | -25.1        |
| <b>Profit/loss before credit losses</b>                              | <b>398.8</b>     | <b>22.7</b>  | <b>65.1</b>     | <b>486.7</b> |
| Credit losses, net   | -384.5           | -7.4         | -11.0           | -402.9       |
| <b>Operating profit</b>  | <b>14.3</b>      | <b>15.3</b>  | <b>54.1</b>     | <b>83.8</b>  |
| Tax  | -4.2             | -4.5         | -12.9           | -21.6        |
| <b>Recognised profit after tax</b>                                   | <b>10.2</b>      | <b>10.8</b>  | <b>41.2</b>     | <b>62.2</b>  |

|                         |         |         |         |          |
|-------------------------|---------|---------|---------|----------|
| Loans to the public     | 8,175.6 | 1,770.4 | 1,130.5 | 11,076.6 |
| Net interest margin     | 6.7%    | 7.0%    | 7.0%    | 6.8%     |
| Credit losses (%)       | 4.6%    | 0.4%    | 0.9%    | 3.5%     |
| Return on equity Tier 1 | 1.2%    | 5.8%    | 35.1%   | 5.1%     |

| SEGMENT REPORT 2020, GROUP   | CONSUMER FINANCE | FACTORING    | CORPORATE LOANS | TOTAL        |
|--|------------------|--------------|-----------------|--------------|
| <b>SEK MILLION</b>   |                  |              |                 |              |
| Interest income  | 656.3            | 150.2        | 113.3           | 919.8        |
| Interest expenses  | -149.1           | -26.9        | -19.7           | -195.7       |
| Commission income  | 11.5             | -            | -               | 11.5         |
| Net profit/loss of financial transactions                            | -4.7             | -2.0         | -1.3            | -8           |
| Other income   | 0.3              | 0.7          | -               | 1            |
| <b>Total operating income</b>  | <b>514.3</b>     | <b>122.0</b> | <b>92.3</b>     | <b>728.6</b> |
| General administrative expenses                                      | -145.8           | -95.9        | -18.0           | -259.7       |
| Depreciation and impairments of tangible and intangible fixed assets | -22.7            | -3.1         | -1.4            | -27.2        |
| <b>Profit/loss before credit losses</b>                              | <b>345.8</b>     | <b>-23.0</b> | <b>72.9</b>     | <b>441.7</b> |
| Credit losses, net   | -412.0           | -5.8         | -18.7           | -436.5       |
| <b>Operating profit</b>  | <b>-66.3</b>     | <b>17.2</b>  | <b>54.2</b>     | <b>5.2</b>   |
| Tax  | 13.0             | -3.8         | -12.2           | -3           |
| <b>Recognised profit after tax</b>                                   | <b>53.2</b>      | <b>13.4</b>  | <b>42.0</b>     | <b>2.2</b>   |

|                         |         |         |         |         |
|-------------------------|---------|---------|---------|---------|
| Loans to the public     | 7,137.1 | 1,595.9 | 1,246.2 | 9,979.1 |
| Net interest margin     | 6.9%    | 7.5%    | 7.4%    | 7.1%    |
| Credit losses (%)       | 5.6%    | 0.4%    | 1.5%    | 4.3%    |
| Return on equity Tier 1 | -7.4%   | 8.4%    | 33.6%   | 0.1%    |

| 2021                | Sweden  | Norway  | Finland | TOTAL    |
|---------------------|---------|---------|---------|----------|
| Operating income    | 459.0   | 106.6   | 221.7   | 787.3    |
| Loans to the public | 6,180.9 | 1,476.5 | 3,419.1 | 11,076.6 |

| 2020                | Sweden  | Norway  | Finland | TOTAL   |
|---------------------|---------|---------|---------|---------|
| Operating income    | 110.5   | 26.1    | 56.6    | 193.2   |
| Loans to the public | 5,562.8 | 1,276.8 | 3,139.5 | 9,979.1 |

### 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. The branch had a turnover of SEK 89.8 million (88.6) in 2021 and reported a profit after tax of SEK 62.3 million (-9.9). During the year, the branch had an average of 11 (7) employees.

The branch in Finland, Avida Finans AB (publ), Branch in Finland 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. The branch had a turnover of SEK 245.1 million (249.3) in 2021 and reported a profit after tax of SEK 125.4 million (124.6). During the year, the branch had an average of 14 (15) 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 SEK11.6 million (13.5) in 2021 with a profit after tax of SEK 1.9 million. During the year, the Company had an average of 8 (6) employees.

## 5 NET INTEREST INCOME

|                                      | GROUP        |              | PARENT COMPANY |              |
|--------------------------------------|--------------|--------------|----------------|--------------|
|                                      | 2021         | 2020         | 2021           | 2020         |
| <b>SEK MILLION</b>                   |              |              |                |              |
| <b>Interest income</b>               |              |              |                |              |
| Loans to the public                  | 739.87       | 753.4        | 728.1          | 740.4        |
| Factoring                            | 136.9        | 135.2        | 136.9          | 135.2        |
| Interest-bearing securities          | 21.4         | 14.8         | 21.5           | 14.8         |
| Other                                | 5.9          | 16.3         | 5.9            | 16.3         |
| <b>Total interest income</b>         | <b>903.9</b> | <b>919.7</b> | <b>892.4</b>   | <b>906.7</b> |
| <b>Interest expenses</b>             |              |              |                |              |
| Borrowing and credit from the public | 111.4        | 194.2        | 111.3          | 193.6        |
| Interest-bearing securities          | 18.9         | 1.1          | 18.9           | 1.1          |
| Other                                | 0.9          | 1.5          | 0.8            | 0.9          |
| <b>Total interest costs</b>          | <b>131.2</b> | <b>195.7</b> | <b>131.1</b>   | <b>195.6</b> |
| <b>Net interest income</b>           | <b>772.7</b> | <b>724.1</b> | <b>761.3</b>   | <b>711.2</b> |

Interest income from financial instruments that are not valued at fair value through the profit and loss account amounts to SEK 903.9 million (919.7). Interest costs from financial instruments that are not valued at fair value through the profit and loss account amount to SEK 131.2 million (195.7).

## 6 NET COMMISSION INCOME

|   | GROUP       |             | PARENT COMPANY |             |
|---|-------------|-------------|----------------|-------------|
|   | 2021        | 2020        | 2021           | 2020        |
| <b>SEK MILLION</b>                        |             |             |                |             |
| <b>Commission income</b>                  |             |             |                |             |
| Commission income from brokered insurance | 15.2        | 11.5        | 15.2           | 11.5        |
| <b>Total commission income</b>            | <b>15.2</b> | <b>11.5</b> | <b>15.2</b>    | <b>11.5</b> |
| <b>Net commission income</b>              | <b>15.2</b> | <b>11.5</b> | <b>15.2</b>    | <b>11.5</b> |

## 7 NET PROFIT/LOSS OF FINANCIAL TRANSACTIONS

|   | GROUP       |            | PARENT COMPANY |            |
|---|-------------|------------|----------------|------------|
|   | 2021        | 2020       | 2021           | 2020       |
| <b>SEK MILLION</b>  |             |            |                |            |
| Change in value of foreign exchange forward contracts                           | -0.6        | -7.4       | -0.6           | -7.4       |
| Exchange rate profit/loss, net  | -0.3        | -1.8       | -0.3           | -1.8       |
| Valuation of financial assets at fair value through the profit and loss account | 0.1         | 1.1        | 0.1            | 1.1        |
| <b>Total</b>  | <b>-0.3</b> | <b>8.1</b> | <b>-0.3</b>    | <b>8.1</b> |

## 8 GENERAL ADMINISTRATIVE EXPENSES

|                               | GROUP        |              | PARENT COMPANY |              |
|-------------------------------|--------------|--------------|----------------|--------------|
|                               | 2021         | 2020         | 2021           | 2020         |
| OTHER ADMINISTRATIVE EXPENSES |              |              |                |              |
| <b>SEK MILLION</b>            |              |              |                |              |
| Costs for premises            | 3.2          | 5.2          | 10.6           | 12.5         |
| IT/data                       | 28.3         | 25.5         | 27.2           | 24.4         |
| Costs for disclosure services | 20.4         | 17.1         | 20.2           | 16.9         |
| Other external services       | 48.6         | 42.2         | 48.8           | 42.4         |
| Audit fees                    | 5.7          | 5.8          | 5.4            | 5.5          |
| Marketing costs               | 5.7          | 9.0          | 5.7            | 9.0          |
| Other administrative expenses | 21.9         | 23.0         | 20.4           | 21.0         |
| <b>Total other costs</b>      | <b>133.8</b> | <b>127.8</b> | <b>138.3</b>   | <b>131.8</b> |

### PERSONNEL COSTS

|  | GROUP       |             | PARENT COMPANY |             |
|--|-------------|-------------|----------------|-------------|
|  | 2021        | 2020        | 2021           | 2020        |
| SALARIES AND REMUNERATION              |             |             |                |             |
| <b>SEK MILLION</b>                     |             |             |                |             |
| Board and CEO                          | 0.8         | 3.3         | 0.8            | 3.3         |
| Other employees                        | 91.6        | 89.2        | 87.5           | 85.3        |
| <b>Total salaries and compensation</b> | <b>92.4</b> | <b>92.5</b> | <b>88.3</b>    | <b>88.6</b> |

|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| <b>Statutory and contractual social security contributions</b> | <b>28.1</b> | <b>23.0</b> | <b>27.5</b> | <b>22.5</b> |
|--|-------------|-------------|-------------|-------------|

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| Pension costs relating to the Board and CEO   | 1.4          | 0.9          | 1.4          | 0.9          |
| Pension costs for other employees   | 13.8         | 10.4         | 13.5         | 10.2         |
| <b>Total salaries, compensation for social security contributions and pension costs</b> | <b>135.8</b> | <b>126.4</b> | <b>130.7</b> | <b>122.2</b> |

|                          |              |              |              |              |
|--------------------------|--------------|--------------|--------------|--------------|
| <b>Other staff costs</b> | <b>5.9</b>   | <b>4.8</b>   | <b>5.8</b>   | <b>4.7</b>   |
| <b>Total staff costs</b> | <b>141.7</b> | <b>131.2</b> | <b>136.5</b> | <b>126.9</b> |

|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| <b>Total of general administrative expenses</b> | <b>275.6</b> | <b>259.3</b> | <b>274.7</b> | <b>258.4</b> |
|---|--------------|--------------|--------------|--------------|

|                             | GROUP      |            | PARENT COMPANY |            |
|-----------------------------|------------|------------|----------------|------------|
|                             | 2021       | 2020       | 2021           | 2021       |
| AVERAGE NUMBER OF EMPLOYEES |            |            |                |            |
| Women                       | 71         | 60         | 65             | 55         |
| Men                         | 74         | 63         | 72             | 62         |
| <b>Total number</b>         | <b>145</b> | <b>123</b> | <b>137</b>     | <b>117</b> |

|                         | GROUP       |             | PARENT COMPANY |             |
|-------------------------|-------------|-------------|----------------|-------------|
|                         | 2021        | 2020        | 2021           | 2020        |
| SICK LEAVE PER CENT     |             |             |                |             |
| Women                   | 3.01        | 3.67        | 2.76           | 3.63        |
| Men                     | 1.34        | 1.16        | 1.38           | 1.16        |
| <b>Sick leave total</b> | <b>2.14</b> | <b>2.43</b> | <b>2.04</b>    | <b>2.43</b> |

## REMUNERATION TO AUDITORS

|  | GROUP      |            | PARENT COMPANY |            |
|--|------------|------------|----------------|------------|
|  | 2021       | 2020       | 2021           | 2020       |
| DELOITTE   |            |            |                |            |
| <b>SEK MILLION</b>                                   |            |            |                |            |
| Audit assignment                                     | 3.2        | 3.8        | 2.9            | 3.5        |
| Audit activities in addition to the audit assignment | 1.0        | 0.3        | 1.0            | 0.3        |
| Tax advice   | -          | -          | -              | -          |
| Other services                                       | -          | -          | -              | -          |
| <b>Total Deloitte</b>                                | <b>4.2</b> | <b>4.1</b> | <b>3.9</b>     | <b>3.8</b> |



## 8 GENERAL ADMINISTRATIVE EXPENSES, CONT.

| REMUNERATION TO SENIOR EXECUTIVES, GROUP - 2021    |                    |                       |                |               |       |
|--|--------------------|-----------------------|----------------|---------------|-------|
| SEK MILLION  | BASIC SALARY/FEEES | VARIABLE COMPENSATION | OTHER BENEFITS | PENSION COSTS | TOTAL |
| Tord Topsholm (CEO up to 03-03-2021)               | 0.6                | 5.3                   | -              | -             | 5.9   |
| Pehr Olofsson (CEO from 03-03-2020)                | 2.6                | 1.6                   | -              | -             | 4.2   |
| Celina Midelfart (Board member)                    | -                  | -                     | -              | -             | -     |
| Geir Langfeldt Olsen (Board Member)                | -                  | -                     | -              | -             | -     |
| Varun Khaana (Charman of the Board)                | -                  | -                     | -              | -             | -     |
| Daniel Knottenbelt (Board member)                  | -                  | -                     | -              | -             | -     |
| John Howard (Board Member until 26-08-2021)        | -                  | -                     | -              | -             | -     |
| Vaibhav Piplapure (Board Member from 26-08-2021)   | -                  | -                     | -              | -             | -     |
| Teresa Robson-Capps (Board Member from 26-08-2021) | 0.3                | -                     | -              | -             | 0.3   |
| <b>Total</b>                                       | -                  | -                     | -              | -             | 10.4  |

| REMUNERATION TO SENIOR EXECUTIVES, GROUP - 2020     |                    |                       |                |               |       |
|---|--------------------|-----------------------|----------------|---------------|-------|
| SEK MILLION   | BASIC SALARY/FEEES | 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>  | 3.2                | -                     | 0.1            | 0.9           | 4.2   |

### VARIABLE COMPENSATION

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.

## 9 CREDIT LOSSES, NET

|  | GROUP         |               | PARENT COMPANY |               |
|--|---------------|---------------|----------------|---------------|
|  | 2021          | 2020          | 2021           | 2020          |
| <b>SEK MILLION</b>   |               |               |                |               |
| <b>Loans to the public</b>                                   |               |               |                |               |
| Provisions - Stage 1   | 25.5          | -50.4         | 25.4           | -50.4         |
| Provisions - Stage 2   | -1.2          | -12.0         | -1.2           | -12.0         |
| Provisions - Stage 3   | -388.5        | -332.1        | -388.4         | -332.1        |
| <b>Total provisions</b>                                      | <b>-364.2</b> | <b>-394.5</b> | <b>-364.2</b>  | <b>-394.5</b> |
| Write-offs   | -63.6         | -42.8         | -63.5          | -42.6         |
| Recovered financial assets                                   | 25.3          | 1.0           | 25.3           | 1.1           |
| <b>Total</b>   | <b>-38.3</b>  | <b>-41.8</b>  | <b>-38.2</b>   | <b>-41.5</b>  |
| <b>Total credit losses from loans to the public</b>          | <b>-402.5</b> | <b>-436.3</b> | <b>-402.4</b>  | <b>-436.0</b> |
| <b>Loans to credit institutions</b>                          |               |               |                |               |
| Provisions - Stage 1   | -0.4          | -0.2          | -0.4           | -0.2          |
| Provisions - Stage 2   | -             | -             | -              | -             |
| Provisions - Stage 3   | -             | -             | -              | -             |
| <b>Total provisions</b>                                      | <b>-0.4</b>   | <b>-0.2</b>   | <b>-0.4</b>    | <b>-0.2</b>   |
| Write-offs   | -             | -             | -              | -             |
| Recovered financial assets                                   | -             | -             | -              | -             |
| <b>Total credit losses from loans to credit institutions</b> | <b>-0.4</b>   | <b>-0.2</b>   | <b>-0.4</b>    | <b>-0.2</b>   |
| <b>Total credit losses, net</b>                              | <b>-402.9</b> | <b>-436.5</b> | <b>402.8</b>   | <b>-436.2</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 affect the level of provisions and are included as drivers in the models:

- Probability of default (PD) - PD model is based on historical portfolio development, which is updated as needed, however, at least quarterly. The general definition consists of a backstop corresponding to the fact that a credit is due more than 90 days.
- Determination of a significant increase in credit risk (SICR) - Even if an exposure is not mature according to the back stop rule, an assessment is made continuously whether the exposure has a significantly increased credit risk. The assessment of a significantly increased credit risk is based on whether its current calculated PD exceeds certain limit values compared to the PD calculated when the account was created (i.e. when the credit was issued). In addition, the debtor's payment pattern is added to the assessment, the debtor has been late with the same time. Of the customers that default, the majority receive a significantly increased credit risk before the default.

- Failed assets that return to performance - The time that runs from when an asset returns to the status of being in performance or to being valued at 12 months of credit losses, has an average between one and six months depending on the characteristics of the individual credit.
- Macroeconomic outlook - 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. The macroeconomic element is updated at least annually and affects the probability of default. Updating the macroeconomic outlook in the latest update provided a more favourable scenario than before, mainly driven by reduced unemployment. The unemployment rate decreased in the new scenario, which gave rise to a dissolution of provisions in stage 1 and 2 driven by reduced probability of default.
- Valuation of losses in case of failure (LGD) - LGD is calculated on the basis of a discounted cash flow of expected receivables that are due. The expected cash flow is based on the current development in each portfolio, historical experience and LGD levels determined in contracts, for example through forward flow. The discounted cash flow is calculated at 15 years and is updated quarterly. Where the Company has entered into forward flow, the LGD is determined at the time of sale and corresponds to the difference between the gross value of the transferred exposure and the price under the agreement. At the end of the year, the Company had such an agreement in Finland and then only covered exposures below EUR 4,000. The LGD can also be determined for specific portfolio sales and corresponds to the difference between the exposure's original value and the cash flow that the sales generate. The LGD level was at the end of 2021 between 40-50 percent in the consumer portfolio and close to 100 percent in the Company portfolio.

## 10 TAX ON ANNUAL PROFIT/LOSS

|   | GROUP        |             | PARENT COMPANY |             |
|---|--------------|-------------|----------------|-------------|
|   | 2021         | 2020        | 2021           | 2020        |
| <b>SEK MILLION</b>  |              |             |                |             |
| <b>Tax reported in the profit and loss account</b>                        |              |             |                |             |
| Current tax on annual profit/loss   | -21.0        | -5.3        | -20.6          | -4.2        |
| Adjustment of tax relating to previous years                              | -0.5         | 2.0         | -0.5           | 2.0         |
| Deferred tax revenue  | -            | 0.2         | -              | -           |
| <b>Tax on annual profit/loss</b>  | <b>-21.5</b> | <b>-3.0</b> | <b>-21.0</b>   | <b>-2.2</b> |
| <b>Effective tax reconciliation</b>                                       |              |             |                |             |
| Reported earnings before tax  | 83.7         | 5.0         | 80.9           | 1.1         |
| Tax according to current tax rate   | -17.3        | -1.3        | -16.7          | -0.1        |
| Tax effect of non-deductible costs  | -3.6         | -3.9        | -3.5           | -3.9        |
| Tax effect of non-taxable revenue   | -            | -           | -              | -           |
| Tax effect of loss carry forwards   | -            | -           | -              | -0.1        |
| Tax effect on earnings for previous years                                 | -0.6         | 2.0         | -0.8           | 2.0         |
| <b>Tax on annual profit/loss according to the profit and loss account</b> | <b>-21.5</b> | <b>-3.2</b> | <b>-21.0</b>   | <b>-2.2</b> |
| <b>Tax reported in other total profit/loss</b>                            |              |             |                |             |
| Tax effect on conversion difference in branches                           | -            | -           | -              | -           |
| <b>Tax reported in the balance sheet</b>                                  |              |             |                |             |
| Current tax asset   | 43.6         | 20.4        | 43.9           | 21.4        |
| Deferred tax  | -            | 0.1         | -              | -           |

The applicable tax rate is 20.6% (21.4%) in Sweden, 20% in Norway and 20% in Finland.

## 11 CASH AND BALANCES WITH CENTRAL BANKS

|                             | GROUP        |              | PARENT COMPANY |              |
|-----------------------------|--------------|--------------|----------------|--------------|
|                             | 2021         | 2020         | 2021           | 2020         |
| <b>SEK MILLION</b>          |              |              |                |              |
| Balances with central banks | 327.2        | 220.5        | 327.2          | 220.5        |
| <b>Total</b>                | <b>327.2</b> | <b>220.5</b> | <b>327.2</b>   | <b>220.5</b> |
| of which foreign currency   | 327.2        | 220.5        | 327.2          | 220.5        |

## 12 COLLATERALISED GOVERNMENT BONDS

|                          | GROUP        |              | PARENT COMPANY |              |
|--------------------------|--------------|--------------|----------------|--------------|
|                          | 2021         | 2020         | 2021           | 2020         |
| <b>SEK MILLION</b>       |              |              |                |              |
| Loanable municipal bonds | 537.0        | 443.9        | 537.0          | 443.9        |
| <b>Total</b>             | <b>537.0</b> | <b>443.9</b> | <b>537.0</b>   | <b>443.9</b> |

## 13 LOANS TO CREDIT INSTITUTIONS

|  | GROUP          |                | PARENT COMPANY |                |
|--|----------------|----------------|----------------|----------------|
|  | 2021           | 2020           | 2021           | 2020           |
| <b>SEK MILLION</b>                         |                |                |                |                |
| <b>Loans to credit institutions, gross</b> | <b>1,618.5</b> | <b>1,085.4</b> | <b>1,606.5</b> | <b>1,075.2</b> |
| of which are Stage 1                       | 1,618.5        | 1,085.4        | 1,606.5        | 1,075.2        |
| of which are Stage 2                       | -              | -              | -              | -              |
| of which are Stage 3                       | -              | -              | -              | -              |
| <b>Total provisions</b>                    | <b>-0.4</b>    | <b>-0.2</b>    | <b>-0.4</b>    | <b>-0.2</b>    |
| of which are Stage 1                       | -0.4           | -0.2           | -0.4           | -0.2           |
| of which are Stage 2                       | -              | -              | -              | -              |
| of which are Stage 3                       | -              | -              | -              | -              |
| <b>Loans to credit institutions, net</b>   | <b>1,618.1</b> | <b>1,085.2</b> | <b>1,606.1</b> | <b>1,075.0</b> |
| Banks                                      | 1,618.1        | 1,085.2        | 1,606.1        | 1,075.0        |
| of which are Swedish banks                 | 652.4          | 260.9          | 652.9          | 260.9          |
| of which are foreign banks                 | 965.8          | 824.3          | 953.8          | 814.1          |
| <b>Total</b>                               | <b>1,618.1</b> | <b>1,085.2</b> | <b>1,606.1</b> | <b>1,075.0</b> |

## 14 LOANS TO THE PUBLIC

| GROUP                             | 31-12-2021      | 31-12-2020      |
|-----------------------------------|-----------------|-----------------|
| <b>SEK MILLION</b>                |                 |                 |
| <b>Loans to the public, gross</b> | <b>11,927.5</b> | <b>10,629.9</b> |
| of which are Stage 1              | 9,945.8         | 8,961.0         |
| of which are Stage 2              | 466.4           | 517.9           |
| of which are Stage 3              | 1,515.2         | 1,149.7         |
| <b>Total provisions</b>           | <b>-850.9</b>   | <b>-650.8</b>   |
| of which are Stage 1              | -95.5           | -111.7          |
| of which are Stage 2              | -55.2           | -62.9           |
| of which are Stage 3              | -700.2          | -476.2          |
| <b>Loans to the public, net</b>   | <b>11,076.6</b> | <b>9,979.1</b>  |

| GROUP  | Stage 1        | Stage 2      | Stage 3        | TOTAL           |
|--|----------------|--------------|----------------|-----------------|
| <b>SEK MILLION</b>                                 |                |              |                |                 |
| <b>Loans to the public, gross 1 January 2021</b>   | <b>8,962.3</b> | <b>517.9</b> | <b>1,149.7</b> | <b>10,629.9</b> |
| New, acquired and removed                          |                |              |                |                 |
| Acquired and removed financial assets, net         | 1,565.8        | 29.4         | -419.5         | 1,175.7         |
| Movement to stage 1                                | 93.8           | -88.2        | -5.5           | -               |
| Movement to stage 2                                | -247.9         | 254.5        | -6.7           | -               |
| Movement to stage 3                                | -522.2         | -252.3       | 774.5          | -               |
| Reassessment due to change in credit risk          | -              | -            | -              | -               |
| Write-offs   | -              | -            | -              | -               |
| Recovered financial assets                         | -              | -            | -              | -               |
| Exchange rate adjustments                          | 94.1           | 5.1          | 22.7           | 121.9           |
| Other  | -              | -            | -              | -               |
| <b>Loans to the public, gross 31 December 2021</b> | <b>9,945.4</b> | <b>466.4</b> | <b>1,515.2</b> | <b>11,927.5</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                          |                |              |                |                 |
| 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          | -               |
| 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          |
| Recovered financial assets                         | -              | -            | -              | -               |
| Exchange rate adjustments                          | -146.7         | -15.4        | -33.1          | -195.2          |
| Other  | -              | -            | -              | -               |
| <b>Loans to the public, gross 31 December 2020</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 2021</b>           | <b>111.70</b> | <b>62.90</b> | <b>476.20</b> | <b>650.80</b> |
| New, acquired and removed                  |               |              |               |               |
| Acquired and removed financial assets, net | 11.3          | 11.2         | -91.7         | -69.2         |
| Movement to stage 1                        | 2.0           | -9.3         | -2.0          | -9.3          |
| Movement to stage 2                        | -6.1          | 32.4         | -2.6          | 23.7          |
| Movement to stage 3                        | -16.0         | -42.0        | 257.0         | 199.0         |
| Reassessment due to change in credit risk  | -8.8          | -0.5         | 53.8          | 44.5          |
| Write-offs                                 | -             | -            | -             | -             |
| Recovered financial assets                 | -             | -            | -             | -             |
| Exchange rate adjustments                  | 1.4           | 0.5          | 9.5           | 11.4          |
| Other                                      | -             | -            | -             | -             |
| <b>Provisions 31 December 2021</b>         | <b>95.5</b>   | <b>55.2</b>  | <b>700.2</b>  | <b>850.9</b>  |

| GROUP                                      | Stage 1      | Stage 2     | Stage 3      | TOTAL        |
|--|--------------|-------------|--------------|--------------|
| <b>SEK MILLION</b>                         |              |             |              |              |
| <b>Provisions 1 January 2020</b>           | <b>63.2</b>  | <b>52.8</b> | <b>157.4</b> | <b>273.4</b> |
| New, acquired and removed                  |              |             |              |              |
| 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        |
| Recovered 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> |

## 14 LOANS TO THE PUBLIC, CONT.

| PARENT COMPANY                    | 31-12-2021      | 31-12-2020      |
|-----------------------------------|-----------------|-----------------|
| <b>SEK MILLION</b>                |                 |                 |
| <b>Loans to the public, gross</b> | <b>11,924.2</b> | <b>10,628.6</b> |
| of which are Stage 1              | 9,942.6         | 8,961.0         |
| of which are Stage 2              | 466.4           | 517.9           |
| of which are Stage 3              | 1,515.2         | 1,149.7         |
| <b>Total provisions</b>           | <b>-850.9</b>   | <b>-650.8</b>   |
| of which are Stage 1              | -95.5           | -111.7          |
| of which are Stage 2              | -55.2           | -62.9           |
| of which are Stage 3              | -700.2          | -476.2          |
| <b>Loans to the public, net</b>   | <b>11,073.2</b> | <b>9,977.8</b>  |

| PARENT COMPANY                                     | Stage 1        | Stage 2      | Stage 3        | TOTAL           |
|--|----------------|--------------|----------------|-----------------|
| <b>SEK MILLION</b>                                 |                |              |                |                 |
| <b>Loans to the public, gross 1 January 2021</b>   | <b>8,961.0</b> | <b>517.9</b> | <b>1,149.7</b> | <b>10,628.6</b> |
| New, acquired and removed                          |                |              |                |                 |
| Acquired and removed financial assets, net         | 1,563.8        | 29.4         | -419.5         | 1,173.7         |
| Movement to stage 1                                | 93.8           | -88.2        | -5.5           | -               |
| Movement to stage 2                                | -247.9         | 254.5        | -6.7           | -               |
| Movement to stage 3                                | -522.2         | -252.3       | 774.5          | -               |
| Reassessment due to change in credit risk          | -              | -            | -              | -               |
| Write-offs   | -              | -            | -              | -               |
| Recovered financial assets                         | -              | -            | -              | -               |
| Exchange rate adjustments                          | 94.1           | 5.1          | 22.7           | 121.9           |
| Other  | -              | -            | -              | -               |
| <b>Loans to the public, gross 31 December 2021</b> | <b>9,941.9</b> | <b>466.4</b> | <b>1,515.2</b> | <b>11,924.2</b> |

| PARENT COMPANY                                     | Stage 1        | Stage 2      | Stage 3        | TOTAL           |
|--|----------------|--------------|----------------|-----------------|
| <b>SEK MILLION</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                          |                |              |                |                 |
| 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          |
| Recovered financial assets                         | -              | -            | -              | -               |
| Exchange rate adjustments                          | -146.7         | -15.4        | -33.1          | -195.2          |
| Other  | -              | -            | -              | -               |
| <b>Loans to the public, gross 31 December 2020</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>SEK MILLION</b>                         |              |             |              |              |
| <b>Provisions 1 January 2021</b>           | <b>111.7</b> | <b>62.9</b> | <b>476.2</b> | <b>650.8</b> |
| New, acquired and removed                  |              |             |              |              |
| Acquired and removed financial assets, net | 11.3         | 11.2        | -91.7        | -69.2        |
| Movement to stage 1                        | 2.0          | -9.3        | -2.0         | -9.3         |
| Movement to stage 2                        | -6.1         | 32.4        | -2.6         | 23.7         |
| Movement to stage 3                        | -16.0        | -42.0       | 257.0        | 199.0        |
| Reassessment due to change in credit risk  | -8.8         | -0.5        | 53.8         | 44.5         |
| Write-offs                                 | -            | -           | -            | -            |
| Recovered financial assets                 | -            | -           | -            | -            |
| Exchange rate adjustments                  | 1.4          | 0.5         | 9.5          | 11.4         |
| Other                                      | -            | -           | -            | -            |
| <b>Provisions 31 December 2021</b>         | <b>95.5</b>  | <b>55.2</b> | <b>700.2</b> | <b>850.9</b> |

| PARENT COMPANY                             | Stage 1      | Stage 2     | Stage 3      | TOTAL        |
|--|--------------|-------------|--------------|--------------|
| <b>SEK MILLION</b>                         |              |             |              |              |
| <b>Provisions 1 January 2020</b>           | <b>63.2</b>  | <b>52.8</b> | <b>157.4</b> | <b>273.4</b> |
| New, acquired and removed                  |              |             |              |              |
| 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        |
| Recovered 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> |



The increased provision in stage 1 is driven by increased volume in both Business Finance and Consumer Finance. A small part of the increase in provision is driven by a recovery of mainly stage 2 balances. This is mainly attributable to exposures in Business Finance. We have seen a slightly increased PD in Consumer Finance Sweden and Finland for exposures in stage 1 between 2020 and 2021. The increase in provision in stage 2 is largely driven by exposures that have gone from stage 1 to stage 2. A very limited part has recovered and gone from stage 3 to stage 2. Here too we have seen a slightly deteriorating PD in Consumer Finance Sweden and Finland between 2020 and 2021. The increased provision is driven primarily by inflows from stages 1 and 2. Here, the LGD has driven of the model in Consumer Finance increased from 41.0% at the end of 2020 to 42.7%. This change is largely driven by the age of exposures in maturity, which has increased between 2020 and 2021. A review of the Swedish maturing portfolio showed the discounted cash flow from that portfolio that an LGD of 48.9% is rather fair. This led to management deciding to make a manual adjustment alongside the model of SEK 52.3 million.

## 15 SHARES AND UNITS IN GROUP COMPANIES

| NAME                    | COMPANY NO | SEAT | EQUITY SHARE | PERCENTAGE OF VOTES | NUMBER OF SHARES | 2021       | 2020       |
|-------------------------|------------|------|--------------|---------------------|------------------|------------|------------|
| Avida Inkasso A/S       | 913841603  | Oslo | 100%         | 100%                | 230,000          | 2.0        | 2.0        |
| <b>Total book value</b> |            |      |              |                     |                  | <b>2.0</b> | <b>2.0</b> |

## 16 INTANGIBLE ASSETS

|                                     | GROUP        |              | PARENT COMPANY |              |
|-------------------------------------|--------------|--------------|----------------|--------------|
|                                     | 2021         | 2020         | 2021           | 2020         |
| <b>SEK MILLION</b>                  |              |              |                |              |
| Opening acquisition value           | 80.8         | 77.0         | 78.9           | 74.9         |
| This year's investments             | 14.7         | 3.8          | 14.5           | 4.0          |
| <b>Closing acquisition value</b>    | <b>95.5</b>  | <b>80.8</b>  | <b>93.4</b>    | <b>78.9</b>  |
| Opening depreciation and impairment | -51.7        | -34.3        | -50.0          | -32.8        |
| Depreciation for the year           | -12.8        | -17.4        | -12.5          | -17.2        |
| <b>Closing depreciation</b>         | <b>-64.4</b> | <b>-51.7</b> | <b>-62.5</b>   | <b>-50.0</b> |
| <b>Closing carrying amount</b>      | <b>31.1</b>  | <b>29.1</b>  | <b>30.9</b>    | <b>28.9</b>  |

## 17 TANGIBLE ASSETS

|  | GROUP        |              | PARENT COMPANY |              |
|--|--------------|--------------|----------------|--------------|
|  | 2021         | 2020         | 2021           | 2020         |
| <b>SEK MILLION</b>   |              |              |                |              |
| Opening acquisition value  | 14.9         | 14.5         | 14.9           | 14.4         |
| This year's investments  | 1.0          | 0.5          | 1.0            | 0.5          |
| This year's sales  | -            | -            | -              | -            |
| Right-of-use assets as per IFRS16  | 38.0         | 22.3         | -              | -            |
| <b>Closing acquisition value</b>   | <b>53.9</b>  | <b>37.2</b>  | <b>15.9</b>    | <b>14.9</b>  |
| Opening depreciation according to plan                                       | -26.8        | -18.1        | -13.4          | -11.4        |
| Recovery of depreciation/amortisation of sold and decommissioned inventories | -            | -            | -              | -            |
| Depreciation for the year, inventory   | -1.2         | -1.9         | -1.2           | -1.9         |
| This year's amortisation of leases in accordance with IFRS16                 | -4.5         | -6.9         | -              | -            |
| <b>Closing depreciation</b>  | <b>-32.6</b> | <b>-26.8</b> | <b>-14.6</b>   | <b>-13.4</b> |
| <b>Closing carrying amount</b>   | <b>21.3</b>  | <b>10.3</b>  | <b>1.3</b>     | <b>1.6</b>   |

## 18 OTHER ASSETS

|                                  | GROUP       |             | PARENT COMPANY |             |
|----------------------------------|-------------|-------------|----------------|-------------|
|                                  | 2021        | 2020        | 2021           | 2020        |
| <b>SEK MILLION</b>               |             |             |                |             |
| Tax account                      | 20.2        | 6.8         | 20.2           | 6.8         |
| Receivables from Group companies | -           | -           | 0.4            | 0.7         |
| Fund liquid funds                | 0.4         | 0.4         | 1.1            | 0.3         |
| Other receivables                | 25.6        | 36.6        | 24.8           | 36.5        |
| <b>Total</b>                     | <b>46.2</b> | <b>43.8</b> | <b>46.5</b>    | <b>44.3</b> |

In the value for other receivables, SEK 22.0 million relates to receivables for the last portfolio transferred in the forward flow agreement that was terminated in early 2020. Arbitration was reached in January 2022 and the claim was settled.

## 19 PREPAID EXPENSES AND ACCRUED INCOME

|                     | GROUP      |             | PARENT COMPANY |             |
|---------------------|------------|-------------|----------------|-------------|
|                     | 2021       | 2020        | 2021           | 2020        |
| <b>SEK MILLION</b>  |            |             |                |             |
| Prepaid other costs | 7.6        | 14.4        | 7.2            | 12.6        |
| Prepaid rent        | 0.6        | 2.0         | 0.6            | 2.0         |
| <b>Total</b>        | <b>8.2</b> | <b>16.4</b> | <b>7.7</b>     | <b>14.6</b> |

## 20 DEPOSITS FROM THE PUBLIC

|                           | GROUP           |                 | PARENT COMPANY  |                 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
|                           | 2021            | 2020            | 2021            | 2020            |
| <b>SEK MILLION</b>        |                 |                 |                 |                 |
| Deposits from the public  | 11,892.6        | 10,159.9        | 11,892.6        | 10,159.9        |
| of which Swedish currency | 4,133.6         | 4,552.7         | 4,133.6         | 4,552.7         |
| of which foreign currency | 7,758.9         | 5,607.2         | 7,758.9         | 5,607.2         |
| <b>Total</b>              | <b>11,892.6</b> | <b>10,159.9</b> | <b>11,892.6</b> | <b>10,159.9</b> |

## 21 DERIVATIVES

|  | GROUP       |            | PARENT COMPANY |            |
|--|-------------|------------|----------------|------------|
|  | 2021        | 2020       | 2021           | 2020       |
| <b>SEK MILLION</b>                       |             |            |                |            |
| Derivatives                              | 23.1        | 7.5        | 23.1           | 7.5        |
| Foreign exchange forwards<br>DnB - asset | -           | -          | -              | -          |
| Foreign exchange forwards<br>DnB - debt  | 23.1        | 7.5        | 23.1           | 7.5        |
| <b>Total</b>                             | <b>23.1</b> | <b>7.5</b> | <b>23.1</b>    | <b>7.5</b> |

## 22 OTHER LIABILITIES

|  | GROUP        |             | PARENT COMPANY |             |
|--|--------------|-------------|----------------|-------------|
|  | 2021         | 2020        | 2021           | 2020        |
| <b>SEK MILLION</b>                     |              |             |                |             |
| Accounts payable                       | 14.8         | 15.0        | 13.5           | 14.6        |
| Liquid funds                           | 72.2         | 23.0        | 71.2           | 21.8        |
| Leasing liabilities as per<br>IFRS16   | 20.0         | 9.3         | -              | -           |
| Withholding tax on savings<br>accounts | 8.9%         | 12.0        | 8.9%           | 12.0        |
| Other liabilities                      | 35.7         | 28.2        | 35.1           | 27.7        |
| <b>Total</b>                           | <b>151.6</b> | <b>87.5</b> | <b>128.8</b>   | <b>76.1</b> |

In the amount of other liabilities, SEK 10.5 million relates to variable pay.

## 23 ACCRUED EXPENSES AND PREPAID INCOME

|                                       | GROUP       |             | PARENT COMPANY |             |
|---------------------------------------|-------------|-------------|----------------|-------------|
|                                       | 2021        | 2020        | 2021           | 2020        |
| <b>SEK MILLION</b>                    |             |             |                |             |
| Accrued holiday pay                   | 10.2        | 10.4        | 9.8            | 10.0        |
| Accrued social security contributions | 3.7         | 4.1         | 3.6            | 4.1         |
| Other accrued expenses                | 12.1        | 10.1        | 12.0           | 10.0        |
| <b>Total</b>                          | <b>25.9</b> | <b>24.6</b> | <b>25.4</b>    | <b>24.1</b> |

## 24 SUBORDINATED DEBT

|   | ISIN         | CURRENCY | DATE OF ISSUE | DUE DATE   | INTEREST RATE % | NOMINAL VALUE | 2021         | 2020         |
|---|--------------|----------|---------------|------------|-----------------|---------------|--------------|--------------|
| <b>SEK million</b>                                      |              |          |               |            |                 |               |              |              |
| AFF 001 Avida Finans AB<br>18/28 FRN C SUB <sup>1</sup> | SE0010100883 | SEK      | 06-11-2018    | 06-11-2028 | 3m STOBOR + 6.5 | 250           | 247.3        | 246.6        |
| <b>Total</b>  |              |          |               |            |                 | <b>250</b>    | <b>247.3</b> | <b>246.6</b> |

|                                   | 2021        | 2020        |
|-----------------------------------|-------------|-------------|
| <b>SEK MILLION</b>                |             |             |
| Costs of subordinated liabilities | 17.5        | 17.7        |
| <b>Total</b>                      | <b>17.5</b> | <b>17.7</b> |

## 25 TIER 1 CAPITAL

|   | ISIN             | DATE OF ISSUE | MATURITY* | INTEREST RATE % | NOMINAL VALUE | 2021         | 2020         |
|---|------------------|---------------|-----------|-----------------|---------------|--------------|--------------|
| <b>SEK million</b>  |                  |               |           |                 |               |              |              |
| Flow Rate Perpetual Add Tier 1<br>Capital Bond <sup>1</sup> | ISINSE0012729085 | 29-06-2016    | Forever   | 3M Stibor +9.5  | 200           | 196.7        | 195.3        |
| <b>Total</b>  |                  |               |           |                 | <b>200</b>    | <b>196.7</b> | <b>195.3</b> |

\*First redemption opportunity in June 2024

## 26 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

| GROUP 31-12-2021                     |   |   |   |                      |                            |  |
|--------------------------------------|---|---|---|----------------------|----------------------------|--|
| 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 | -   | -   | 327.2   | 327.2                | 327.2                      |  |
| Collateralised government bonds      | 156.2   | -   | 537.0   | 693.2                | 693.2                      |  |
| Loans to credit institutions         | -   | -   | 1,618.7   | 1,618.7              | 1,618.7                    |  |
| Loans to the public                  | -   | -   | 11,076.6  | 11,076.6             | 11,076.6                   |  |
| Other assets                         | -   | -   | 97.9  | 97.9                 | 97.9                       |  |
| <b>Total assets</b>                  | <b>156.2</b>  | <b>-</b>  | <b>13,656.8</b>   | <b>13,813.0</b>      | <b>13,813.0</b>            |  |
| <b>Financial liabilities</b>         |   |   |   |                      |                            |  |
| Deposits from the public             | -   | -   | 11,892.6  | 11,892.6             | 11,892.6                   |  |
| Subordinated debt                    | -   | -   | 247.3   | 247.3                | 247.3                      |  |
| Derivatives                          | 24.9  | -   | -   | 24.9                 | 24.9                       |  |
| Other liabilities                    | -   | -   | 151.6   | 151.6                | 151.6                      |  |
| <b>Total liabilities</b>             | <b>24.9</b>   | <b>-</b>  | <b>12,291.5</b>   | <b>12,316.4</b>      | <b>12,316.4</b>            |  |
| 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              | [sic: 9 9979,1]<br>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>10,526.0</b>            |  |

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

| PARENT COMPANY 31-12-2021            |   |   |   |                      |                  |
|--------------------------------------|---|---|---|----------------------|------------------|
| 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 | -   | -   | 327.2   | 327.2                | 327.2            |
| Collateralised government bonds      | 156.2   | -   | 537.0   | 693.2                | 693.2            |
| Loans to credit institutions         | -   | -   | 1,606.7   | 1,606.7              | 1,606.7          |
| Loans to the public                  | -   | -   | 11,073.2  | 11,073.2             | 11,073.2         |
| Shares in subsidiaries               | 2.0   | -   | -   | -                    | 2.0              |
| Other assets                         | -   | -   | 98.1  | 98.1                 | 98.1             |
| <b>Total assets</b>                  | <b>158.2</b>  | <b>-</b>  | <b>13,641.5</b>   | <b>13,797.8</b>      | <b>13,797.8</b>  |
| <b>Financial liabilities</b>         |   |   |   |                      |                  |
| Deposits from the public             | -   | -   | 11,892.6  | 11,892.6             | 11,892.6         |
| Subordinated debt                    | -   | -   | 247.3   | 247.3                | 247.3            |
| Derivatives                          | 24.9  | -   | -   | 24.9                 | 24.9             |
| Other liabilities                    | -   | -   | 128.8   | 128.8                | 128.8            |
| <b>Total liabilities</b>             | <b>24.9</b>   | <b>-</b>  | <b>12,268.6</b>   | <b>12,293.5</b>      | <b>12,293.5</b>  |

| 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  | 67.6                 | 67.3             |
| <b>Total assets</b>                  | <b>99.6</b>   | <b>-</b>  | <b>11,687.0</b>   | <b>11,784.6</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>10,514.1</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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Observable data for the asset or liability other 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)

The Parent Company Avida Finans AB (publ) holds derivative instruments and a fund containing high-quality assets valued at fair value. Purchases of funds took place during the period for SEK 51.3 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. Models based on discounted cash flows are

mainly used. In individual cases, the calculations can also be based on own assumptions or assessments, i.e. level 3.

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.

| 31-12-2021                      | Level 1      | Level 2     | Level 3  | Total        |
|---------------------------------|--------------|-------------|----------|--------------|
| <b>SEK MILLION</b>              |              |             |          |              |
| <b>Assets</b>                   |              |             |          |              |
| Collateralised government bonds | 156.2        | -           | -        | 156.2        |
| <b>Total assets</b>             | <b>156.2</b> | <b>-</b>    | <b>-</b> | <b>156.2</b> |
| <b>Liabilities</b>              |              |             |          |              |
| Derivatives                     | -            | 24.9        | -        | 24.9         |
| <b>Total liabilities</b>        | <b>-</b>     | <b>24.9</b> | <b>-</b> | <b>24.9</b>  |

| 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>  |

## 28 CAPITAL ADEQUACY

Information about Avida's capital coverage in this document relates to such information as is provided under Chapter 6 Sections 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 Section 8 of the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12) on prudential requirements and capital buffers and column 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.avidase.se](http://www.avidase.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 Credit Institutions and Securities Companies (Special Supervision) Act (2014:968), Regulation (EU) No. 575/2013, the Capital Buffer

Act (2014:966) and Swedish Financial Supervisory Authority regulations (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 capital base must cover the capital requirement, including the minimum capital requirement according to Pillar 1 for credit risk, market risk and operational risks, the special capital base requirement and the total buffer requirement.

### CONSOLIDATED CONTEXT

The consolidated context 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 for the consolidated context is published.

### INTERNALLY ASSESSED CAPITAL REQUIREMENTS

As of 31 December 2021, the internally assessed capital requirement amounted SEK 138.3 million (165.1) in Avida Finans AB. The internally assessed capital requirement in the Consolidated situation amounted to SEK 138.5 million (165.1). 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                                      | 31-12-2021     |               | 31-12-2020     |               |
| Risk exposure amount                                  | 10,875.7       |               | 9,380.5        |               |
| Total own funds requirements                          | 1,294.0        | 11.90%        | 1,162.9        | 12.40%        |
| Total own funds                                       | 1,603.6        | 14.74%        | 1,662.2        | 17.72%        |
| Own funds requirements                                | 31-12-2021     |               | 31-12-2020     |               |
| Own funds requirements (Pillar 1)                     | 870.0          | 8.00%         | 750.5          | 8.00%         |
| Special Own funds requirement (Pillar 2) <sup>1</sup> | 138.3          | 1.27%         | 165.1          | 1.76%         |
| Combined buffer requirement                           | 285.7          | 2.63%         | 247.3          | 2.64%         |
| Pillar 2 guide <sup>2</sup>                           | -              | -             | -              | -             |
| <b>Total own funds requirements</b>                   | <b>1,294.0</b> | <b>11.90%</b> | <b>1,162.9</b> | <b>12.40%</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 CONTEXT  | 31-12-2021        |                             | 31-12-2020        |                             |
| Common Equity Tier 1 capital after any deductions                      | 1,159.7           | 10.66%                      | 1,220.3           | 13.01%                      |
| Additional Tier 1 capital after any deductions                         | 196.7             | 1.81%                       | 195.3             | 2.08%                       |
| Tier 2 capital after any deductions                                    | 247.2             | 2.27%                       | 246.6             | 2.63%                       |
| <b>Own funds</b>   | <b>1,603.6</b>    | <b>14.74%</b>               | <b>1,662.2</b>    | <b>17.72%</b>               |
|  | <b>31-12-2021</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               | 10,875.7          | 870.0                       | 9,380.5           | 750.5                       |
| of which: own funds requirements for credit risk                       | 9,586.5           | 766.9                       | 8,271.3           | 661.7                       |
| of which: own funds requirements for market risk                       | 9.9               | 0.8                         | 59.7              | 4.8                         |
| of which: own funds requirements for operational risk                  | 1,279.2           | 102.3                       | 1,049.5           | 84.0                        |
| Transitional adjustment  | -                 | -                           | -                 | -                           |
| Common equity Tier 1 capital / Common equity Tier 1 capital ratio      | 1,159.7           | 10.66%                      | 1,220.3           | 13.01%                      |
| Tier 1 capital / Tier 1 capital ratio                                  | 1,356.4           | 12.47%                      | 1,415.6           | 15.09%                      |
| Total own funds / Total capital ratio                                  | 1,603.6           | 14.74%                      | 1,662.2           | 17.72%                      |
| Total equity Tier 1 capital requirements including buffer requirements | 775.1             | 7.13%                       | 669.4             | 7.14%                       |
| of which: Capital conservation buffer                                  | 271.9             | 2.50%                       | 234.5             | 2.50%                       |
| of which: Counter-cyclical buffer                                      | 13.8              | 0.13%                       | 12.8              | 0.14%                       |
| Common equity Tier 1 capital available to use as a buffer              | 670.3             | 6.16%                       | 798.2             | 8.51%                       |
|  | <b>31-12-2021</b> |                             | <b>31-12-2020</b> |                             |
| <b>OWN FUNDS</b>   |                   |                             |                   |                             |
| <b>Common Equity Tier 1 capital</b>                                    |                   |                             |                   |                             |
| Capital instruments and associated share premium reserve               | 934.4             |                             | 934.4             |                             |
| Other contributed capital  | -                 |                             | -                 |                             |
| Retained earnings and reserves   | 165.8             |                             | 186.1             |                             |
| Regulatory adjustments:  |                   |                             |                   |                             |
| - Intangible assets  | 8.6               |                             | 6.6               |                             |
| - Net profit due to capitalisation of future income                    | -                 |                             | -                 |                             |
| - Adjustments relating to unrealised gains                             | -                 |                             | -                 |                             |
| - Deferred tax assets  | 0.7               |                             | 1.0               |                             |
| - Other  | -                 |                             | -                 |                             |
| Reversal transitional rules to IFRS 9                                  | 68.8              |                             | 107.4             |                             |
| <b>Total Common Equity Tier 1 capital</b>                              | <b>1,159.7</b>    |                             | <b>1,220.3</b>    |                             |
| <b>Additional Tier 1 capital</b>                                       |                   |                             |                   |                             |
| Perpetual subordinated loans   | 196.7             |                             | 195.3             |                             |
| Deduction from primary and supplementary capital (half of this)        | -                 |                             | -                 |                             |
| <b>Total other Tier 1 capital</b>                                      | <b>196.7</b>      |                             | <b>195.3</b>      |                             |
| <b>Tier 2 capital</b>  |                   |                             |                   |                             |
| Time-bound subordinated loans  | 247.2             |                             | 246.6             |                             |
| Deduction according to limitation rule                                 | -                 |                             | -                 |                             |
| <b>Total supplementary capital</b>                                     | <b>247.2</b>      |                             | <b>246.6</b>      |                             |
| <b>Total own funds</b>   | <b>1,603.6</b>    |                             | <b>1,662.2</b>    |                             |

## 28 CAPITAL ADEQUACY, CONT.

| AVIDA FINANS AB   |                 |                      |                |                      |
|---|-----------------|----------------------|----------------|----------------------|
| SEK MILLION   |                 |                      |                |                      |
|   | 31-12-2021      |                      | 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                          | 3.8             | 0.3                  | 5.7            | 0.5                  |
| Institution exposures   | 334.2           | 26.7                 | 215.3          | 17.2                 |
| Corporate exposures   | 1,958.6         | 156.7                | 1,634.3        | 130.7                |
| Retail exposures  | 6,484.8         | 518.8                | 5,709.7        | 456.8                |
| Exposures secured by immovable property                                   | 0.3             | 0.0                  | 31.9           | 2.6                  |
| Exposures in default  | 748.1           | 59.8                 | 599.8          | 48.0                 |
| Equity exposures  | 2.0             | 0.2                  | 2.0            | 0.2                  |
| Other items   | 54.8            | 4.4                  | 72.6           | 5.8                  |
| <b>Total risk exposure amount and capital requirements</b>                | <b>9,586.6</b>  | <b>766.9</b>         | <b>8,271.3</b> | <b>661.7</b>         |
| <b>Market risk</b>  |                 |                      |                |                      |
| Foreign exchange rate risk  | 9.9             | 0.8                  | 59.7           | 4.8                  |
| <b>Total risk exposure amount and capital requirements</b>                | <b>9.9</b>      | <b>0.8</b>           | <b>59.7</b>    | <b>4.8</b>           |
| <b>Operational risk</b>   |                 |                      |                |                      |
| Basic indicator approach  | 1,279.2         | 102.3                | 1,049.5        | 84.0                 |
| <b>Total risk exposure amount and capital requirements</b>                | <b>1,279.2</b>  | <b>102.3</b>         | <b>1,049.5</b> | <b>84.0</b>          |
| <b>Total risk exposure amount and capital requirements</b>                | <b>10,875.7</b> | <b>870.1</b>         | <b>9,380.5</b> | <b>750.4</b>         |
| <b>ADDITIONAL CAPITAL REQUIREMENTS PILLAR 2</b>                           |                 |                      |                |                      |
| Credit concentration risk   | 97.0            |                      | 82.2           |                      |
| Interest rate risk in banking book  | 36.5            |                      | 44.8           |                      |
| Other additional capital requirements                                     | 4.8             |                      | 38.1           |                      |
| <b>Total additional capital requirements Pillar 2</b>                     | <b>138.3</b>    |                      | <b>165.1</b>   |                      |
| <b>LEVERAGE RATIO</b>   |                 |                      |                |                      |
| Exposure measures for calculation of leverage ratio                       | 14,130.2        |                      | 12,168.8       |                      |
| Tier 1 capital  | 1,356.4         |                      | 1,415.6        |                      |
| <b>Leverage ratio, %</b>  | <b>9.60%</b>    |                      | <b>11.63%</b>  |                      |
| <b>TOTAL OWN FUNDS REQUIREMENT (INCLUDING PILLAR 2)</b>                   |                 |                      |                |                      |
| Common Equity Tier 1 capital requirements                                 | 852.9           | 7.84%                | 762.3          | 8.13%                |
| Tier 1 capital requirements   | 1,041.9         | 9.58%                | 934.0          | 9.96%                |
| <b>Total Capital</b>  | <b>1,294.0</b>  | <b>11.90%</b>        | <b>1,162.9</b> | <b>12.40%</b>        |

If Avida had not applied transitional rules for IFRS 9: Common Equity Tier 1 capital 9.79%, Tier 1 capital 11.64%, Total 13.90%.

## 28 CAPITAL ADEQUACY, CONT.

| AVIDA CONSOLIDATED CONTEXT   |                |                      |                |                      |
|--|----------------|----------------------|----------------|----------------------|
| SEK MILLION  |                |                      |                |                      |
| CAPITAL ADEQUACY   | 31-12-2021     |                      | 31-12-2020     |                      |
| Risk exposure amount   | 10,903.3       |                      | 9,408.4        |                      |
| Total own funds requirements   | 1,297.3        | 11.90%               | 1,165.9        | 12.39%               |
| Total own funds  | 1,610.9        | 14.77%               | 1,668.6        | 17.74%               |
| OWN FUNDS REQUIREMENTS   | 31-12-2021     |                      | 31-12-2020     |                      |
| Own funds requirements (Pillar 1)                                      | 872.3          | 8.00%                | 752.7          | 8.00%                |
| Special Own funds requirement (Pillar 2) <sup>1</sup>                  | 138.5          | 1.27%                | 165.1          | 1.75%                |
| Combined buffer requirement  | 286.5          | 2.63%                | 248.1          | 2.64%                |
| Pillar 2 guide <sup>2</sup>  | -              | -                    | -              | -                    |
| <b>Total own funds requirements</b>                                    | <b>1,297.3</b> | <b>11.90%</b>        | <b>1,165.9</b> | <b>12.39%</b>        |
| OWN FUNDS SITUATION  | 31-12-2021     |                      | 31-12-2020     |                      |
| Common Equity Tier 1 capital after any deductions                      | 1,167.0        | 10.70%               | 1,226.7        | 13.04%               |
| Additional Tier 1 capital after any deductions                         | 196.7          | 1.80%                | 195.3          | 2.08%                |
| Tier 2 capital after any deductions                                    | 247.2          | 2.27%                | 246.6          | 2.62%                |
| <b>Own funds</b>   | <b>1,610.9</b> | <b>14.77%</b>        | <b>1,668.6</b> | <b>17.74%</b>        |
|  | 31-12-2021     |                      | 31-12-2020     |                      |
|  | REA            | Capital requirements | REA            | Capital requirements |
| Risk exposure amount (REA) and capital base requirements               | 10,903.3       | 872.3                | 9,408.4        | 752.7                |
| of which: own funds requirements for credit risk                       | 9,592.5        | 767.4                | 8,275.0        | 662.0                |
| of which: own funds requirements for market risk                       | 9.9            | 0.8                  | 59.7           | 4.8                  |
| of which: own funds requirements for operational risk                  | 1,300.9        | 104.1                | 1,073.6        | 85.9                 |
| Transitional adjustment  | -              | -                    | -              | -                    |
| Common equity Tier 1 capital / Common equity Tier 1 capital ratio      | 1,167.0        | 10.70%               | 1,226.7        | 13.04%               |
| Tier 1 capital / Tier 1 capital ratio                                  | 1,363.7        | 12.51%               | 1,422.0        | 15.11%               |
| Total own funds / Total capital ratio                                  | 1,610.9        | 14.77%               | 1,668.6        | 17.74%               |
| Total equity Tier 1 capital requirements including buffer requirements | 777.1          | 7.13%                | 671.5          | 7.14%                |
| of which: Capital conservation buffer                                  | 272.6          | 2.50%                | 235.2          | 2.50%                |
| of which: Counter-cyclical buffer                                      | 13.9           | 0.13%                | 12.9           | 0.14%                |
| Common equity Tier 1 capital available to use as a buffer              | 676.4          | 6.20%                | 803.3          | 8.54%                |

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 CONSOLIDATED CONTEXT                                      |                |                |
|---|----------------|----------------|
| SEK MILLION   |                |                |
| OWN FUNDS   | 31-12-2021     | 31-12-2020     |
| <b>Common Equity Tier 1 capital</b>                             |                |                |
| Capital instruments and associated share premium reserve        | 936.3          | 936.1          |
| Other contributed capital                                       | -              | -              |
| Retained earnings and reserves                                  | 171.4          | 191.0          |
| Regulatory adjustments:   |                |                |
| - Intangible assets   | 8.8            | 6.8            |
| - Net profit due to capitalisation of future income             | -              | -              |
| - Adjustments relating to unrealised gains                      | -              | -              |
| - Deferred tax assets   | 0.7            | 1.0            |
| - Other   | -              | -              |
| Reversal transitional rules to IFRS 9                           | 68.8           | 107.4          |
| <b>Total Common Equity Tier 1 capital</b>                       | <b>1,167.0</b> | <b>1,226.7</b> |
| <b>Additional Tier 1 capital</b>                                |                |                |
| Perpetual subordinated loans                                    | 196.7          | 195.3          |
| Deduction from primary and supplementary capital (half of this) | -              | -              |
| <b>Total other Tier 1 capital</b>                               | <b>196.7</b>   | <b>195.3</b>   |
| <b>Tier 2 capital</b>   |                |                |
| Time-bound subordinated loans                                   | 247.2          | 246.6          |
| Deduction according to limitation rule                          | -              | -              |
| Total supplementary capital                                     | 247.2          | 246.6          |
| <b>Total own funds</b>  | <b>1,610.9</b> | <b>1,668.6</b> |

## 28 CAPITAL ADEQUACY, CONT.

| AVIDA CONSOLIDATED CONTEXT  |                 |                      |                |                      |
|---|-----------------|----------------------|----------------|----------------------|
| SEK MILLION   |                 |                      |                |                      |
| Specification of risk exposure amount (REA) and capital base requirements | 31-12-2021      |                      | 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                          | 3.8             | 0.3                  | 5.7            | 0.5                  |
| Institution exposures   | 336.6           | 26.9                 | 219.9          | 17.6                 |
| Corporate exposures   | 1,958.6         | 156.7                | 1,634.3        | 130.7                |
| Retail exposures  | 6,486.3         | 518.9                | 5,700.2        | 456.0                |
| Exposures secured by immovable property                                   | 0.3             | 0.0                  | 31.9           | 2.6                  |
| Defaulted exposures   | 748.1           | 59.8                 | 599.8          | 48.0                 |
| Other items   | 59.0            | 4.7                  | 83.2           | 6.7                  |
| <b>Total risk exposure amount and capital requirements</b>                | <b>9,592.7</b>  | <b>767.4</b>         | <b>8,275.4</b> | <b>662.0</b>         |
| <b>Market risk</b>  |                 |                      |                |                      |
| Foreign exchange rate risk  | 9.9             | 0.8                  | 59.7           | 4.8                  |
| <b>Total risk exposure amount and capital requirements</b>                | <b>9.9</b>      | <b>0.8</b>           | <b>59.7</b>    | <b>4.8</b>           |
| <b>Operational risk</b>   |                 |                      |                |                      |
| Basic indicator approach  | 1,300.9         | 104.1                | 1,073.6        | 85.9                 |
| <b>Total risk exposure amount and capital requirements</b>                | <b>1,300.9</b>  | <b>104.1</b>         | <b>1,073.6</b> | <b>85.9</b>          |
| <b>Total risk exposure amount and capital requirements</b>                | <b>10,903.5</b> | <b>872.3</b>         | <b>9,408.3</b> | <b>752.7</b>         |
| <b>ADDITIONAL CAPITAL REQUIREMENTS PILLAR 2</b>                           |                 |                      |                |                      |
| Credit concentration risk   | 97.2            |                      | 82.2           |                      |
| Interest rate risk in banking book  | 36.5            |                      | 44.8           |                      |
| Other additional capital requirements                                     | 4.8             |                      | 38.1           |                      |
| <b>Total additional capital requirements Pillar 2</b>                     | <b>138.5</b>    |                      | <b>165.1</b>   |                      |
| <b>LEVERAGE RATIO</b>   |                 |                      |                |                      |
| Exposure measures for calculation of leverage ratio                       | 14,172.9        |                      | 12,106.5       |                      |
| Tier 1 capital  | 1,363.7         |                      | 1,422.0        |                      |
| <b>Leverage ratio, %</b>  | <b>9.62%</b>    |                      | <b>11.75%</b>  |                      |
| <b>TOTAL OWN FUNDS REQUIREMENT (INCLUDING PILLAR 2)</b>                   |                 |                      |                |                      |
| Common Equity Tier 1 capital requirements                                 | 855.1           | 7.84%                | 764.4          | 8.12%                |
| Tier 1 capital requirements   | 1,044.6         | 9.58%                | 936.5          | 9.95%                |
| <b>Total Capital</b>  | <b>1,297.3</b>  | <b>11.90%</b>        | <b>1,165.9</b> | <b>12.39%</b>        |

If Avida had not applied transitional rules for IFRS 9: Common Equity Tier 1 capital 9.83%, Tier 1 capital 11.63%, Total 13.90%.

## 29 IFRS 16 LEASING

| AMOUNTS REPORTED IN THE CONSOLIDATED PROFIT/LOSS STATEMENT | 2021       | 2020       |
|--|------------|------------|
| Depreciation on rights of use                              | 6.7        | 6.9        |
| Interest costs for leasing liabilities                     | 0.5        | 0.9        |
|  | <b>7.3</b> | <b>7.8</b> |

| MATURITY ANALYSIS OF LEASING LIABILITIES | 31-12-2021  | 31-12-2020  |
|--|-------------|-------------|
| Year 1                                   | 7.7         | 9.3         |
| Year 2                                   | 7.7         | 1.0         |
| Year 3                                   | 7.0         | 1.0         |
| Year 4                                   | 6.0         | 0.6         |
| Year 5                                   | 6.0         | -           |
|  | <b>34.5</b> | <b>11.9</b> |

| RIGHT OF USE                                      | Buildings    |
|---|--------------|
| Acquisition value as per 01-01-2021               | 22.3         |
| Outgoing rights of use                            | -2.3         |
| Additional rights of use                          | 31.9         |
| <b>Acquisition value as per 31-12-2021</b>        | <b>51.9</b>  |
| Accumulated depreciation as per 01-01-2021        | -13.5        |
| Adjustment of outgoing rights of use              | 2.1          |
| Depreciation for the year                         | -6.7         |
| <b>Accumulated depreciation as per 31-12-2021</b> | <b>-18.1</b> |
| <b>Carrying amount as per 31-12-2021</b>          | <b>33.8</b>  |

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

## 30 CONTINGENT LIABILITIES AND COMMITMENTS

|                               | GROUP           |                |
|-------------------------------|-----------------|----------------|
| <b>SEK MILLION</b>            |                 |                |
| <b>PLEGGED ASSETS</b>         | <b>2021</b>     | <b>2020</b>    |
| Guarantees provided           | -               | -              |
| <b>Total</b>                  | <b>-</b>        | <b>-</b>       |
| <b>CONTINGENT LIABILITIES</b> | <b>2021</b>     | <b>2020</b>    |
| Contingent liabilities/loans  | 3,172.1         | 1,064.2        |
| <b>Total</b>                  | <b>3,172.1-</b> | <b>1,064.2</b> |
| Commitments                   | -               | -              |
| <b>Total</b>                  | <b>-</b>        | <b>-</b>       |

## 31 RELATED PARTY TRANSACTIONS

### Group

All transactions between companies within the Group have taken place on market terms.

### Parent company

On the balance sheet date, Avida Finans AB has a claim on the subsidiary Avida Inkasso AS in the amount of SEK 347,242.

During the year, Avida Finans AB sold services to the subsidiary Avida Inkasso AS in the amount of SEK 903,089.

During the year, Avida Finans AB purchased services from the subsidiary Avida Inkasso AS at an amount of SEK 2,504,895.

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

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

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

On 1 January 2022, Tine Wollebekk took over as the new CEO of the Company. In connection with this, Pehr Olofsson reclaimed the role as CFO.

The dispute regarding the terminated forward flow agreement as described in previous interim reports and in the annual report 2020, reached a settlement on 11 January 2022. The agreement meant that all financial accounts between the parties had been settled. This also means that the dispute does not go to arbitration and the parties release their respective claims for compensation. The financial settlement meant a devaluation of SEK 10 million for Avida, which has been reported during credit losses in December 2021.

During the first quarter of 2022, Russia's invasion of Ukraine began. It's currently difficult to get an overview of the financial consequences this may have for Avida's operations. The Company follows developments closely and the organization is prepared to act to ensure that Avida and its customers are affected as little as possible.

## 33 PROPOSED ALLOCATION OF PROFITS

The following profits are available to the general meeting:

|                                     |                      |
|-------------------------------------|----------------------|
| Other contributed capital           | 196,664,792          |
| Retained earnings SEK million       | 1,115,804,638        |
| This year's profit/loss SEK million | 59,828,190           |
| <b>TOTAL AVAILABLE PROFITS</b>      | <b>1,372,297,620</b> |

The Board proposes that the profits are allocated so:

|   |                      |
|---|----------------------|
| to be carried forward in new account, SEK million | 1,372,297,620        |
| <b>TOTAL</b>                                      | <b>1,372,297,620</b> |

# Definitions

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

### RETURN ON EQUITY

Adjusted net profit divided by average adjusted equity

CALCULATION (62.3 / 1,344.6 \* 100)

### RETURN ON TOTAL ASSETS

Operating profit divided by total assets

CALCULATION (83.8 / 12,978.8 \* 100)

### C/I RATIO

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

CALCULATION (300.6 / 787.3)

### OWN FUNDS

The sum of Tier 1 capital and supplementary capital minus deductions

under the Capital Adequacy Regulation (EU)

No. 575/2013 Article 36

### COMMON EQUITY TIER 1 CAPITAL RATIO

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

CALCULATION: (1,159.7 / 10,875.7 \* 100)

### LIQUIDITY COVERAGE RATIO LCR

The size of the liquidity reserve in relation to an expected stressed net cash flow over a 30-day period

Calculation (864.0 / 398.6)

### TIER 1 CAPITAL RATIO

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

CALCULATION (1,356.4 / 10,875.7 \* 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 (848.1 / 11 924.2 \* 100)

### RISK EXPOSURE AMOUNT

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

### NET INTEREST INCOME

Interest income minus interest costs

CALCULATION (903.9-131.2)

### SOLIDITY

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

CALCULATION: (1,366.7 / 13,709.1 \* 100)

### TOTAL CAPITAL RATIO

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

CALCULATION (1,603.6 / 10,875.7 \* 100)

### TOTAL PRE-TAX PROFIT/LOSS

Total comprehensive income including components that have been or may be subsequently reclassified to the income statement

### PROFIT MARGIN

Profit before allocations and tax divided by operating income

CALCULATION (83.8/ 787.3 \* 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, 29 April 2022**

Varun Khanna, Chairman of the Board

Tine Wollebekk CEO

Daniel Knottenbelt, Member

Celina Midelfart, Member

Geir Olsen, Member

Vaibhav Piplapure, Member

Teresa Robson-Capps, Member

Our audit report was submitted on 29 April 2022

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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