

Q4 2019 Presentation

Avida Holding AB

AVIDA

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Avida Group

- Avida's strong growth continued during Q4 with a lending volume growth of SEK390m (5% QoQ) mainly driven by Consumer Finance. Growth in approved financing limits continued for Business Finance, while actual financed volumes declined QoQ, impacted by seasonality. Year end volumes amounted to SEK8,353m, an increase of 54% YoY
- Q4 reported profit before tax of SEK48m which was an improvement of SEK11m QoQ. 2019 operating profit totaled SEK129m, representing an increase in profits of 57% YoY
- Yields stabilized and started to increase during the quarter in both segments. Avida has gone through a transition phase from volumes with higher risk and moved towards a more scalable and lower-risk client base, as reflected in the development in yields and margins throughout the past year. Net interest income increased by SEK14m (10% QoQ), as net interest margins improved for both Consumer Finance and Business Finance
- Cost of funds improved during the quarter as Avida has taken an active stance in managing deposit liquidity through optimizing pricing, and will take further steps to improve funding mix during 2020
- Cost-income ratio came in at 41% with room to improve as the organization in place is scalable with remaining capacity to handle the continued growth
- Credit loss ratio improved 0.2 pts QoQ to 2.4%
- Return on equity, calculated on CET1 capital, recorded at 16% compared to 15% in Q3
- CET1 capital of SEK 79m was injected during the quarter

Consumer Finance

- Volume growth remains on a positive trajectory with YoY growth at 49% and a total volume of SEK6,223m at the end of the quarter. Quarterly volume growth is in line with expectations of ~SEK400m (7% QoQ). Growth continues to be fueled by Sweden and Finland. The Norwegian portfolio is declining following limited new recruitment
- Net interest income increased by SEK12m (11% QoQ), leveraging on the improved margins. Yields improved during the quarter as continuous work is being put into optimizing scoring while allowing for continued volume growth
- Avida remains confident that credit origination in Norway will ramp up in the future, however we are awaiting the full impact of the debt register to optimize risk and reward in the Norwegian market before we resume recruitment
- Following the discontinued forward flow debt sale in Norway as of June, stage 3 balances have increased during the third and fourth quarter. Overall credit losses have not been impacted, and the loss ratio improved slightly QoQ. Credit quality remains stable

Business Finance

- Avida maintained most of the volume during the quarter despite declining demand due to seasonal effects for several clients. Volumes declined slightly QoQ but underlying sales strong with a growth by 25 percent of credit limits. Outstanding balances increased SEK881m (71%) YoY
- Profitability improved QoQ as risk exposures continued to be optimized along with yield improvements in the financed volume mix
- Credit losses remain at a low level, in line with expectations, reflecting the inherently diversified risk in the factoring portfolio
- The portfolio of digital loans is steadily increasing in size, having a positive effect on margins as well as the overall portfolio composition. Avida is continuing to scale up its loan portfolio and remains positive with regards to scalability and ability to grow at the current cost base
- Several initiatives are underway to further increase corporate lending, leveraging the scalable organization already in place

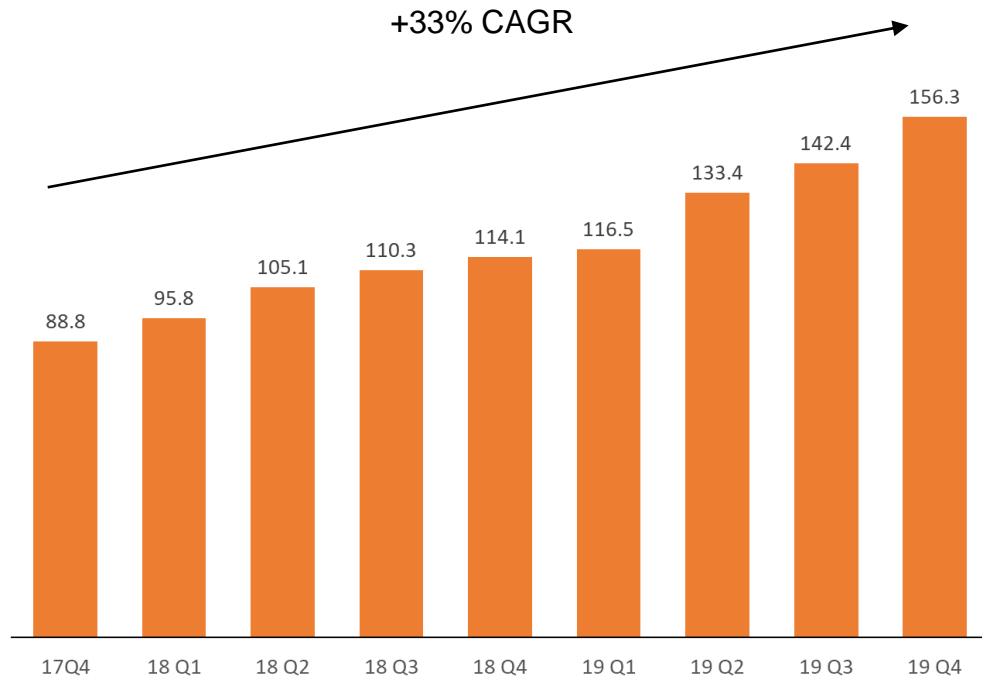
Q4 Financial Highlights

		Q4 2019	Q3 2019
I	Portfolio growth	QoQ growth in net loans of 5% - Total outstanding loans of SEK8,353m	QoQ growth in net loans of 9% - Total outstanding loans of SEK7,963m
II	Net interest margin*	Net interest margin of 9.0%	Net interest margin of 8.8%
III	Cost / Income ratio	Cost / Income ratio of 41.1%	Cost / Income ratio of 40.3%
IV	Loan losses	Loan losses of 2.4%	Loan losses of 2.6%
V	Profits before tax	Pre-tax profits of SEK47.5m Profit before IFRS 9 provisions: SEK83m	Pre-tax profits of SEK36.6m Profit before IFRS 9 provisions: SEK77m
VI	Return on equity**	ROE of 16%	ROE of 15%
VII	Capital Ratio	Total Capital Ratio of 16.9% & CET1 of 11.4% - Total Capital Requirements: 13.5% - CET1 Requirements: 9.6%	Total Capital Ratio of 16.6% & CET1 of 10.7% - Total Capital Requirements: 13.4% - CET1 Requirements: 9.5%

* Net interest margin is excluding sales provisions

** ROE calculated on CET1 capital

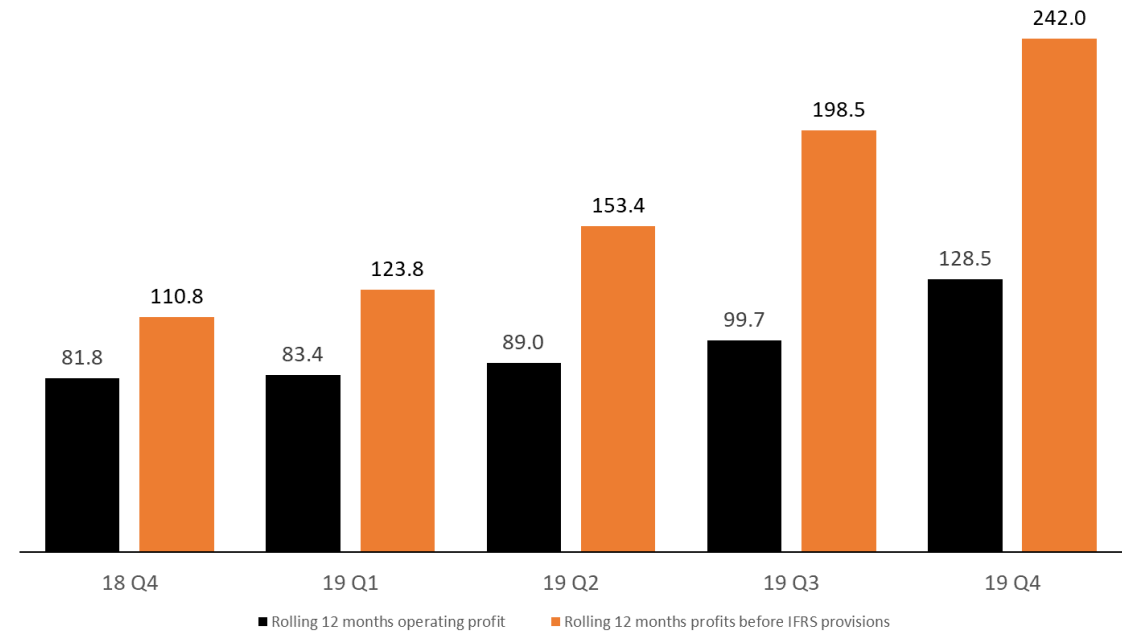
Net interest income* (SEKm)



CAGR +33%

*Net of sales provisions and interest costs

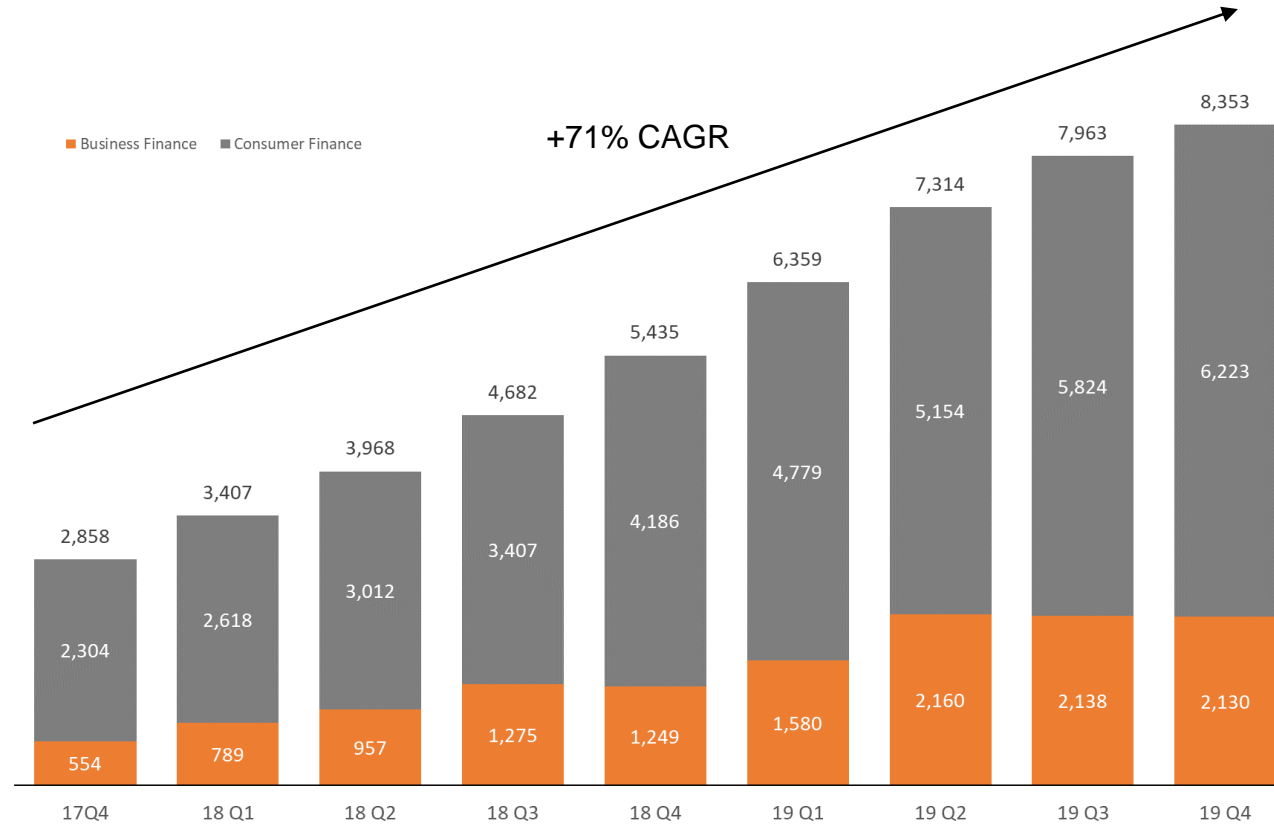
Rolling 12 months profit* (SEKm)



Continued growth in rolling EBT

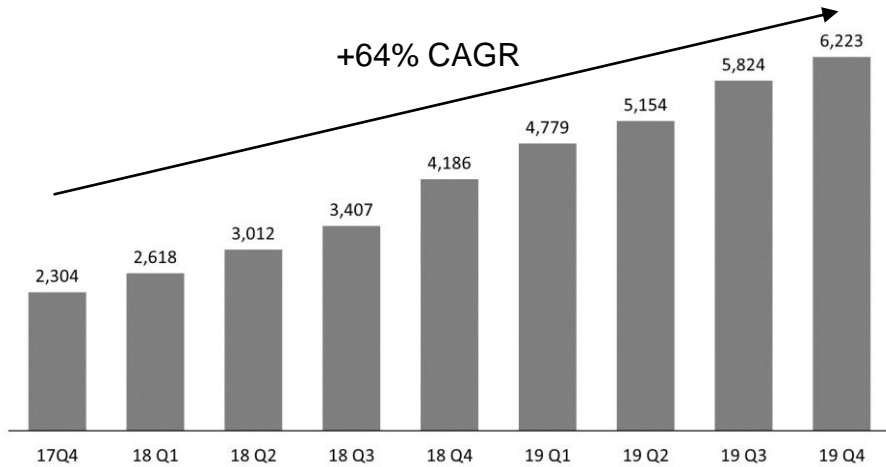
* Not adjusted for unsold NPL balances in IFRS provisions

Net loans to customers (SEKm)

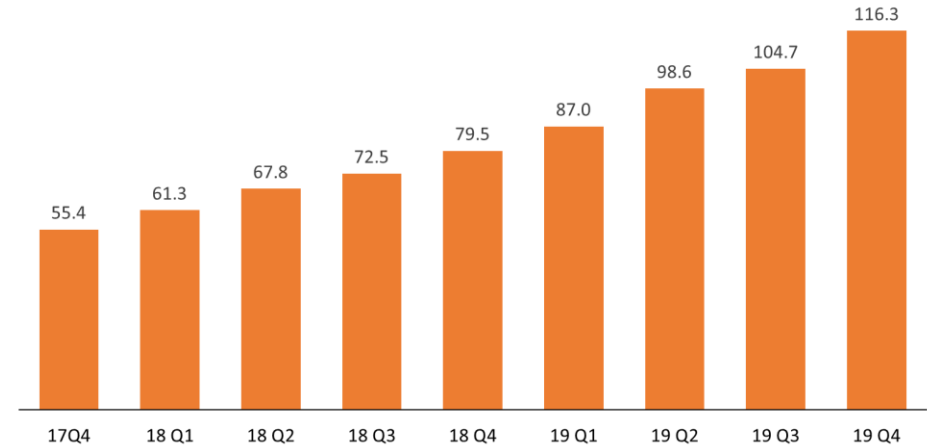


Significant volume growth continues during Q4 2019

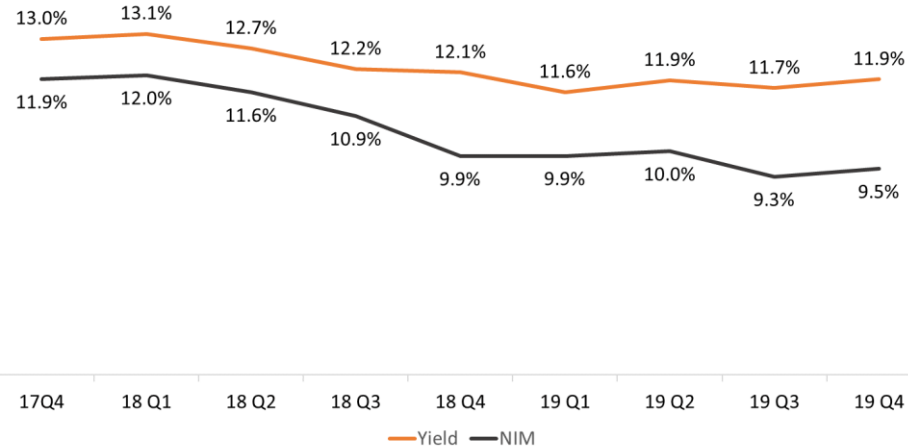
Net loans (SEKm)*



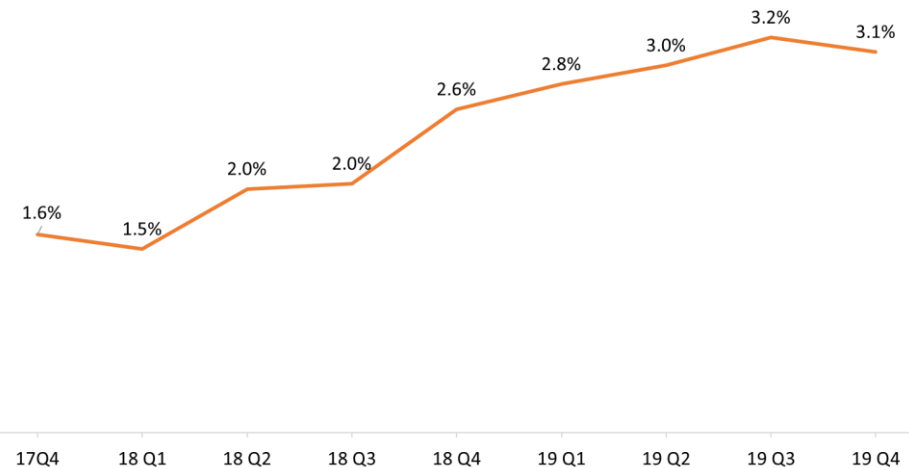
Net interest income (SEKm)



Yield (%) and NIM (%)*



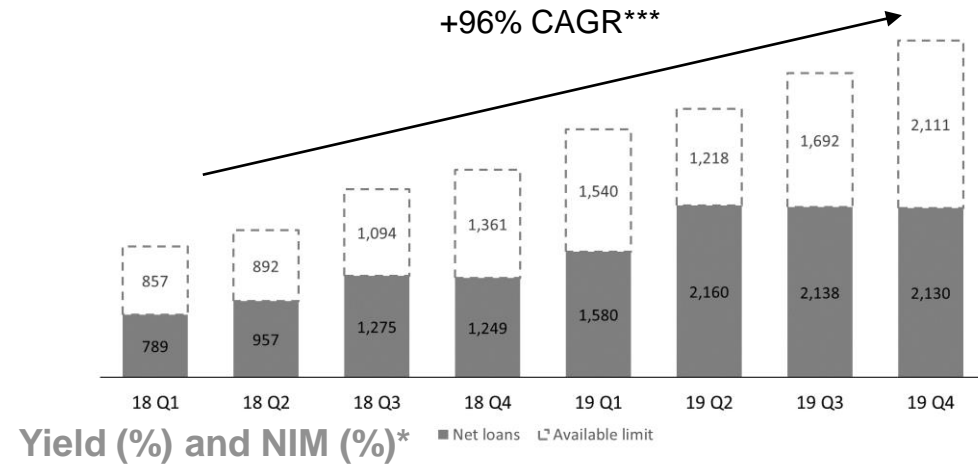
Loss ratio (%)**



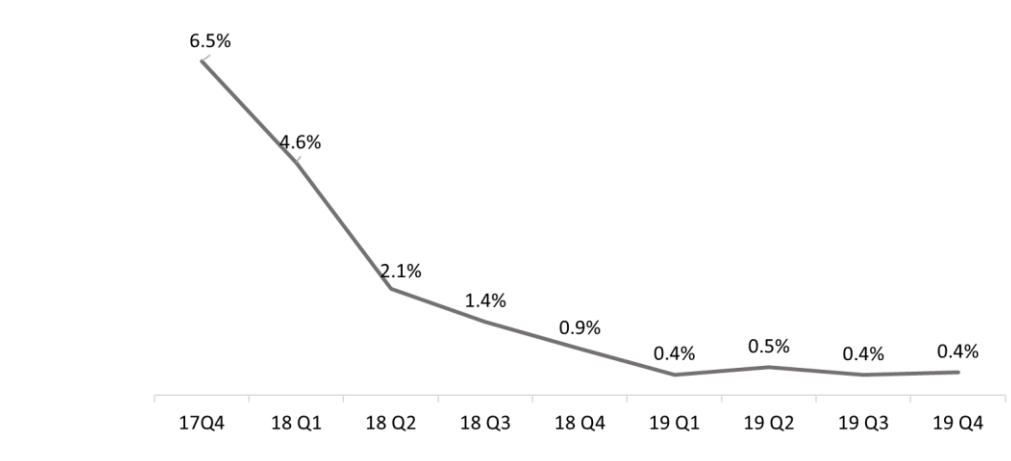
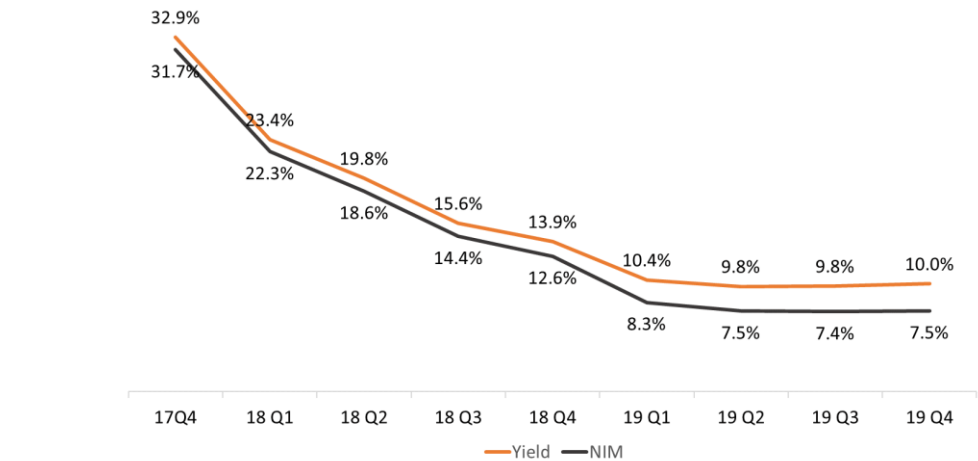
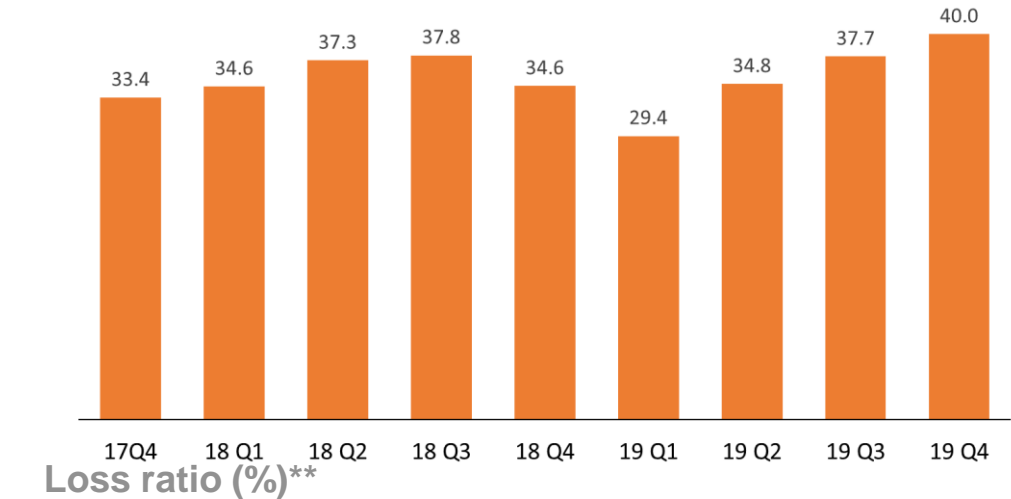
* Net loans, Yield and NIM are excluding sales provisions

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

Net loans (SEKm)*



Net interest income (SEKm)



* Net loans, Yield and NIM are excluding sales provisions

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

*** CAGR calculated on financed net volumes between 2017Q4 and 2019Q4

Profit & loss

SEKm	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	FY 2019	FY 2018
Interest income	205.6	188.1	167.7	142.6	139.9	703.9	484.2
Interest cost	-49.3	-45.7	-34.2	-26.1	-25.8	-155.3	-58.8
Net interest income	156.3	142.4	133.4	116.5	114.1	548.6	425.4
Net result from financial transactions	6.2	2.0	3.4	3.2	-2.4	14.9	-4.5
Other income	0.3	1.2	0.3	0.7	0.9	2.5	2.7
Total income	162.9	145.6	137.2	120.4	112.7	566.0	423.6
Administrative cost	-57.3	-55.9	-65.1	-62.6	-55.0	-240.9	-235.4
Depreciation and amortization	-9.6	-2.8	-2.4	-2.5	-2.4	-17.4	-9.8
Sum operational cost	-66.9	-58.7	-67.6	-65.1	-57.5	-258.3	-245.1
Result before credit loss	95.9	86.8	69.7	55.3	55.2	307.7	178.5
Actual losses	-12.7	-9.9	-25.6	-17.5	-15.5	-65.7	-67.7
Result before IFRS 9 provisions	83.2	76.9	44.0	37.8	39.7	242.0	110.8
IFRS - New	-13.5	-18.6	-12.7	-14.2	-23.7	-59.0	-57.8
IFRS - Back book	-22.1	-21.7	-5.4	-5.3	2.6	-54.4	28.8
Operating profit / EBT	47.5	36.6	26.0	18.4	18.7	128.5	81.8
Tax	-13.6	-8.6	-3.6	-5.6	-5.6	-31.4	-16.9
Profit after tax	33.9	28.0	22.5	12.8	13.1	97.1	64.9

Comments

Key developments in Consumer Finance

Consumer Finance delivered a quarterly growth of SEK399m (+7%) and LTM growth of SEK2,037m (+49%). Growth has been driven by Sweden and Finland, since new recruitment in Norway remained suspended throughout the fourth quarter

Margins have increased during the quarter following continuous optimization in scoring, as well as lower funding costs

Key developments in Business Finance

Business Finance financed volumes decreased QoQ mainly driven by seasonality effects for several clients. However, available limits continued to increase, reflecting the growth in new client sales. Outstanding balance end-of-quarter decreased by SEK9m (-0.4%) and growth LTM was SEK881m (+71%)

Margins have been increasing QoQ, and the improved profitability is being supported by an increasing share of digital loans to SMEs

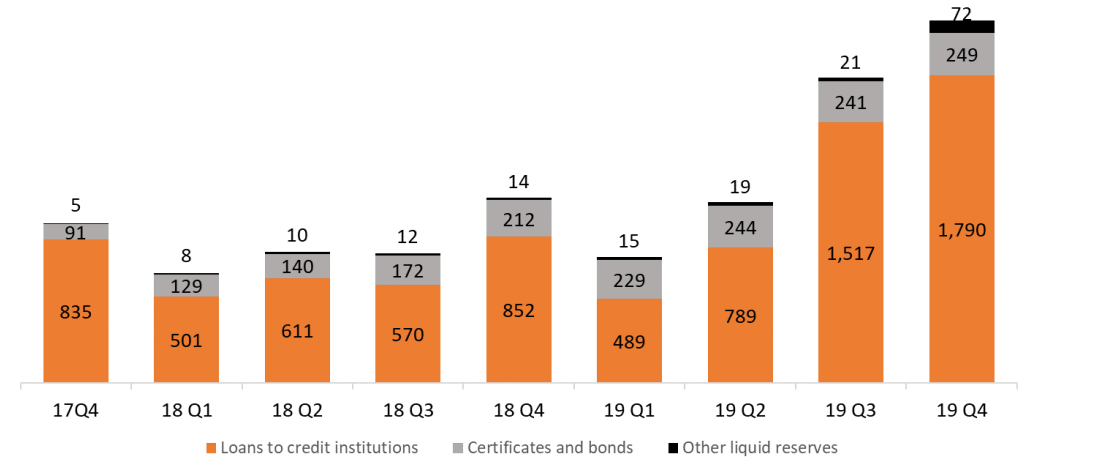
Credit losses remain at a very low level as a result of the strategy of constructing a diversified and low risk factoring portfolio.

Key balance sheet figures

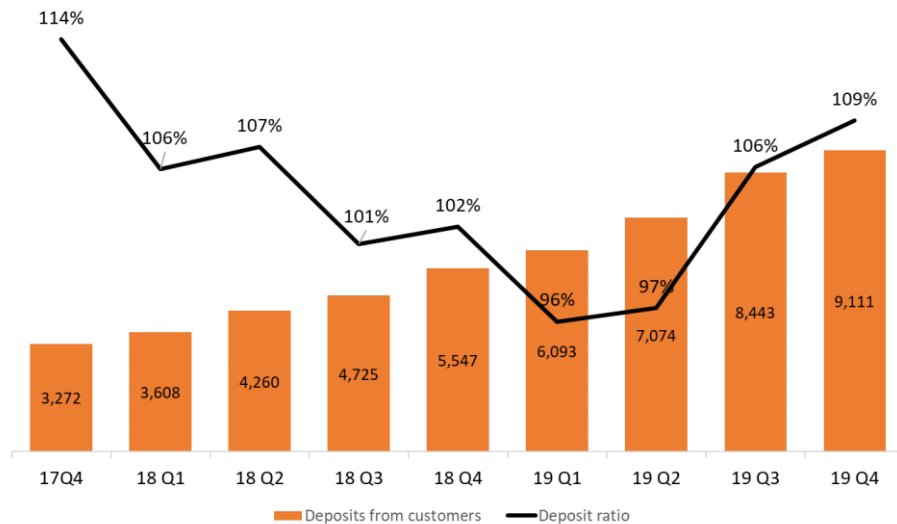
Key ratios

Average outstanding loan size	~SEK 90,000
LCR	125%
Deposit ratio	109%

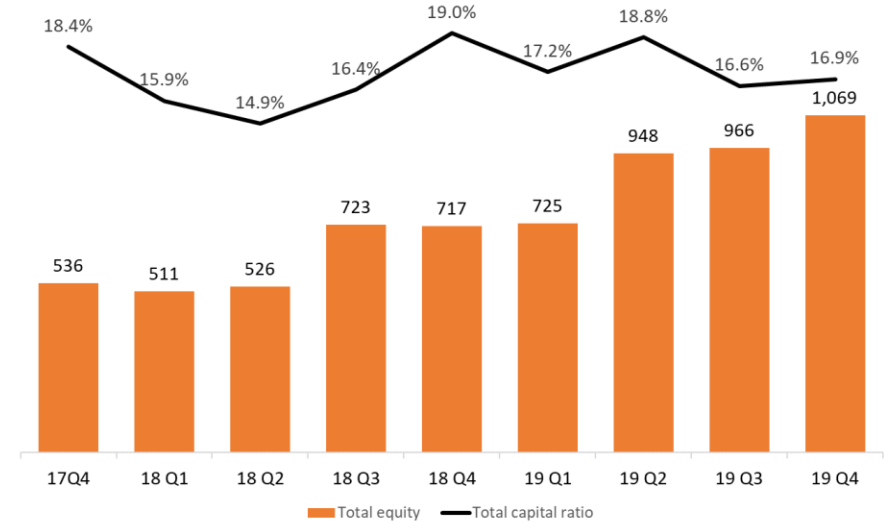
Liquidity (SEKm)



Funding (SEKm) and deposit ratio (%)



Total equity (SEKm) & Capital ratios (%)



Balance sheet

SEKm	2019-12-31	2019-09-30	2019-06-30	2019-03-31	2018-12-31	2017-12-31
Cash and balance to central bank	72.3	20.7	18.8	15.4	13.7	5.5
Certificates and bonds	249.1	241.2	243.8	228.6	212.1	91.0
Loans to credit institutions	1,789.6	1,516.5	788.6	488.5	851.9	834.7
Net loans to customers	8,352.6	7,962.7	7,314.0	6,358.9	5,435.4	2,858.0
Intangible assets	42.7	25.3	17.1	18.5	19.4	19.9
PP&E	18.6	16.7	18.6	20.8	4.2	5.3
Other assets	35.2	8.0	20.8	9.4	33.7	4.2
Prepaid expenses and accrued income	23.2	76.9	71.3	72.0	47.6	53.7
Total assets	10,583.3	9,868.0	8,493.1	7,212.3	6,617.9	3,872.2
Deposits from customers	9,111.4	8,443.5	7,074.2	6,092.7	5,547.1	3,271.6
Other liabilities	132.1	175.9	167.4	98.5	80.9	41.1
Accrued expenses and prepaid income	24.9	37.6	45.6	42.8	21.0	23.6
Deferred tax liabilities	0.0	0.0	11.6	0.8	0.0	0.0
Subordinated debt	245.9	245.4	245.9	252.4	252.3	0.0
Total liabilities	9,514.3	8,902.4	7,544.7	6,487.1	5,901.3	3,336.2
Share capital	6.1	5.8	5.8	5.8	5.8	5.4
AT1 bond	194.0	193.6	200.0			
Retained earnings	771.9	703.0	707.3	706.5	645.9	494.5
Earnings in year	97.1	63.2	35.2	12.8	64.9	36.2
Total equity	1,069.1	965.6	948.4	725.1	716.6	536.0
Total equity and liabilities	10,583.3	9,868.0	8,493.1	7,212.3	6,617.9	3,872.2

Comments

Net loans increased by SEK390m (+5%) QoQ and SEK2,917m (+54%) LTM, resulting in a total outstanding balance of net loans to customers of SEK8,353m.

The inflow of deposited funds during Q4 was lower than Q3, following frequent pricing adjustments. Avida stands well equipped in terms of funding sources with deposits in all major currencies used in lending operations

CET1 capital of SEK 79m was injected during the quarter

I	Growth	<ul style="list-style-type: none"> ▪ Significant growth opportunity; realistic target of SEK10 bn loan book by 2020 by pursuing opportunities in both the consumer and business segment ▪ Dynamic allocation of capital to products/segments with best risk/reward
II	Return on equity	<ul style="list-style-type: none"> ▪ Target return on equity of more than 25% ▪ Lower ROE in the short term due to investment in organization and infrastructure, expected to increase in line with volume growth
III	Capital ratios	<ul style="list-style-type: none"> ▪ Both CET1 ratio and current total capital ratio at least 100bps above regulatory target floor ▪ Will leverage capital markets for both debt and additional equity to grow intelligently
IV	Dividend policy	<ul style="list-style-type: none"> ▪ Target dividend payout ratio of 35% ▪ No dividend payments in short / medium term due to growth focus

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