

INTERIM REPORT

JANUARY-SEPTEMBER

2020



AVIDA FINANS AB (PUBL)
556230-9004

AVIDA

TABLE OF CONTENT

3	CEO COMMENTS
4	KEY FIGURES AND FINANCIAL DEVELOPMENT
5	INCOME STATEMENT
5	STATEMENT OF COMPREHENSIVE INCOME
6	BALANCE SHEET
7	STATEMENT OF CHANGES IN EQUITY
8	CASH FLOW STATEMENT
9	NOTES
25	DEFINITIONS - ALTERNATIVE PERFORMANCE MEASUREMENT
26	BOARD OF DIRECTORS AND CEO DECLARATION
27	FINANCIAL CALENDER 2020



Solid performance in challenging times

Growth continued during the third quarter, with 3% growth compared with the second quarter of 2020 and 28 % compared with the same period last year. Total lending to the public at the end of the third quarter was SEK10,164m. With new strong owners, an efficient organization and a well adapted and competitive offer to both the consumer and corporate markets, Avida will stand strong during the remainder of the pandemic and also in the period that follows.

GROWTH IN BOTH CONSUMER FINANCE AND BUSINESS FINANCE

After deliberately slowing down lending early on in the pandemic, we are once again growing in our Consumer Finance operation. The increase is mainly driven by the Swedish and Finnish markets but lending to consumers in Norway has also increased towards the end of the quarter as we started offering refinancing solutions to Norwegian customers again.

In Business Finance, we experience a strong underlying financing need from our customers, including both factoring solutions and corporate loans. Due to increased demand and efficient market processing, September was the strongest factoring month on record for the firm.

LOW COSTS AND REDUCED CREDIT LOSSES

A more efficient organization, reduced number of consultants and reduced travelling during the pandemic have been beneficial to Avida's cost development. During the quarter, a C/I ratio of 0.34 was reached which is an all time low for the company.

During the first half of this year, Avida made two extra credit provisions for potential losses due to uncertainties from the pandemic and how it would affect customers ability to pay their invoices. Avida's

CEO COMMENTS

current assessment is that no additional extra provisions are required. Management follows the development regarding the pandemic and our customers payment patterns closely and are prepared to act if necessary.

EMPLOYEES' HEALTH AND WELL FUNCTIONING OPERATIONS IN FOCUS

Avida decided early in the pandemic that employees, if possible, should work remotely instead of in the office. After primarily working at home up until the summer holidays, we have gradually begun to return to working in the office again during the third quarter. With a maximum of 50% of the workforce on site at the same time, we can maintain a safe working environment with the measures taken to minimize the risk of the spread of infection. We see that the controlled return benefits employees, who over time risk being negatively affected by isolation. We also see that creativity and efficiency are positively affected when working together with colleagues instead of at home. The goal of our strategy during the pandemic is to continue to have healthy employees and a healthy company. This is something we managed to maintain throughout the quarter.

BUSINESS IN AN UNCERTAIN WORLD

In recent months, the signs of a recovery in the economy are stronger and we see increased need for liquidity among our corporate customers. In a time when traditional banking solutions have their limitations, Avida's product portfolio with factoring services and corporate loans in combination with government guarantees, has proven to be highly useful for companies in need of capital to scale and grow their business.

When it comes to our consumer finance customers, they always receive an insurance that is free of charge for the first three months. This insurance covers the cost of the customers interest and repayments in the event of health issues or unemployment. Furthermore, we also see that many of our new customers come to us to refinance more expensive small loans they have been granted elsewhere. Such a refinancing solution leads to a lower monthly cost for the customer and thus an improved personal finance situation.

In troublesome times, good savings products are attractive, and we offer better conditions to our customers than most of the traditional banks. Our savings are covered by the Deposit guarantee scheme giving our customers peace-of-mind in

terms of the security of their deposit.

SIGNIFICANT AGREEMENTS DURING THE PERIOD

As a part of Avida's business operations we are collaborating with external debt collection agencies, both relating to selling of non-performing loan portfolios and third party collection. As previously announced, during the first quarter of 2020, we received a notice of termination of one of the agreements regarding sales of non-performing loans in Sweden. Avida disputes the right of the counterparty to terminate the forward flow agreement, and the discussion between the parties has not yet resulted in a settlement.

SIGNIFICANT EVENTS DURING THE PERIOD

On July 28, the previously announced rights issue was completed with a total of 9,090,909 shares to a price of NOK26 per share, which resulted in gross proceeds of NOK236m. On an extra general meeting on September 30, it was decided that Avida's board shall consist of five members and one deputy board member. Three new board members, Daniel Knottenbelt, Varun Khanna and John Howard, representing KKR were elected to the board in addition to Geir Olsen and Celina Midelfart. Dag Sigvart Kaada was elected as deputy board member.

SIGNIFICANT EVENTS AFTER THE PERIOD

In October, The Swedish Financial Supervisory Authority approved the proposed merger between Avida Finans and Avida Holding. The merger plan, which was announced on June 26, will be implemented in November 2020. Subsequently, on October 12, Avida Holding applied for delisting from the NOTC list at the Oslo Stock Exchange. The last trading day of the share will be November 16. Due to new recommendations from the Swedish Public Health Agency, Avida changed the guideline for 50% occupancy in the office and returned from the beginning of November to a larger proportion of remote work once again.

With our strong owners, efficient organization and competitive offerings to both the consumer and corporate markets, I am convinced that we will stand strong for the remainder of the ongoing pandemic. As we get through this, we have an excellent platform to continue working from when the world gradually returns to normal conditions.

Stockholm November 20 2020

Tord Topsholm
CEO

Key figures

	Q3 2020	Q2 2020	Q1 2020	Jan-Dec 2019	Q3 2019
MSEK					
Net interest income	188	177	172	535	139
Profit before credit losses	122	113	98	307	88
Credit losses, net	-82	-118	-104	-179	-50
Operating profit	41	-5	-7	128	38
Loans to credit institutions	1 325	1 956	1 616	1 777	1 501
Loans to the public	10 164	9 826	9 523	8 349	7 959
Deposits from the public	10 600	10 950	10 533	9 111	8 443
Equity	1 326	1 071	1 037	1 044	940
Solidity (%)	10.8	8.6	8.7	9.9	9.5
C/I relation	0.34	0.36	0.41	0.45	0.38
Return on equity (%)	11.6	-2.1	-2.6	11.2	13.0
Total capital ratio (%)	17.2	15.0	14.8	16.7	16.3
Provision ratio (%)	4.9	4.4	3.6	3.2	2.9

FINANCIAL DEVELOPMENT

During the third quarter, growth continued with a volume increase of 3 percent during the quarter compared with the second quarter this year and by 28 percent compared with the same period in 2019. Total lending to the public at the end of the third quarter was SEK10,164m. The increase in volume is driven by growth in both Consumer Finance and Business Finance.

After deliberately slowing down lending early on in the pandemic, we are once again growing in our Consumer Finance operation. The increase is mainly driven by the Swedish and Finnish market but Norwegian lending to consumers has also shown increase towards the end of the quarter as we started offering refinancing solutions to Norwegian customers once again.

In Business Finance, we experience a strong underlying financing need among our customers, which includes both factoring solutions and corporate loans. The increased demand and efficient market processing led us to note in September, the strongest factoring month so far in the company's history.

Net interest income increased by 6 percent compared with the second quarter which is driven by volume growth and reduced financing costs. Avida has deliberately continued to reduce deposits during the third quarter as management does not see a need for such a large

liquidity buffer as in the beginning of the pandemic. This resulted in reduced interest expenses of SEK7m compared with the previous quarter.

Net income from financial transactions weakened during the third quarter. This is mainly driven by the fact that the SEK strengthened vigorously against other currencies which Avida is exposed to during the beginning of the quarter, which had a negative impact.

Costs continued to decline during the third quarter which resulted in a C/I ratio of 0.34, which is an all time low for the company. This is a result of a more efficient organization and reduced number of consultants and travelling during the pandemic.

Credit losses decreased during the quarter to SEK81.6m. This decrease can be explained with that no extra credit provisions have been made during the quarter similar to the previous quarters in 2020. Management does not assess that additional extra provisions are required based on the underlying credit quality and customers payment patterns. Nevertheless, management follows the development regarding the pandemic closely in order to act if necessary.

Avida's profit before tax for the period amounts to SEK40.6m.

Income statement

	Note	Q3 2020	Q2 2020	%	Q1 2020	%	Jan-Dec 2019	Q3 2019
MSEK								
Interest income	5	233.7	229.7	2%	223.4	5%	691.5	184.8
Interest expenses	5	-45.7	-52.7	-13%	-51.8	-12%	-156.0	-46.1
NET INTEREST INCOME		188.0	177.0	6%	171.6	10%	535.5	138.7
Net result of financial transactions		-2.8	-0.3	744%	-6.6	-58%	14.8	2.3
Other income		0.3	0.2	19%	0.3	-33%	4.3	1.4
TOTAL OPERATING INCOME		185.5	176.8	5%	165.3	12%	554.6	142.4
General administrative expenses		-60.3	-60.8	-1%	-65.0	-7%	-237.2	-51.0
Depreciation and write-downs of tangible and intangible assets		-3.0	-2.7	10%	-2.7	10%	-10.3	-3.4
TOTAL COSTS BEFORE CREDIT LOSSES		-63.3	-63.5	0%	-67.7	-7%	-247.5	-54.4
RESULT BEFORE CREDIT LOSSES		122.2	113.4	8%	97.6	25%	307.1	88.0
Credit losses, net	6	-81.6	-118.0	-31%	-104.3	-22%	-179.1	-50.2
OPERATING PROFIT		40.6	-4.6	-	-6.7	-	128.0	37.8
PROFIT BEFORE TAX		40.6	-4.6	-	-6.7	-	128.0	37.8
Income tax expense		-5.6	-0.9	537%	-	-	-30.9	-7.9
NET PROFIT FOR THE PERIOD		35.0	-5.5	-	-6.7	-	97.1	29.9

Statement of comprehensive income

	Note	Q3 2020	Q2 2020	Q1 2020	Jan-Dec 2019	Q3 2019
MSEK						
NET PROFIT FOR THE PERIOD		35.0	-5.5	-6.7	97.1	29.9
Changes in fair value on financial assets valued at fair value through equity	9,1	-	-	-	-	0.3
Currency translation differences relating to foreign operations		-0.4	0.3	3.7	-3.9	-1.8
Changes in Tier 1 instrument		-5.3	-5.4	-5.1	-10.3	-5.1
Sum of items that may be subsequently reclassified to the income statement		-5.7	-5.1	-1.4	-14.2	-6.6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		29.3	-10.6	-8.1	82.9	23.3

Balance Sheet

	Note	2020-09-30	2019-12-31	Δ msek	2019-09-30	Δ msek
MSEK						
ASSETS						
Cash and balances with central banks	9	231.4	72.3	159.1	20.7	210.7
Collateralised government bonds	9,10	409.8	249.1	160.7	241.2	168.6
Loans to credit institutions	9	1 324.9	1 777.1	-452.2	1 501.5	-176.6
Loans to the public	7,9	10 164.3	8 349.1	1 815.2	7 959.1	2 205.2
Derivatives	9,10	72.7	-	72.7	-	72.7
Intangible assets		40.1	42.1	-2.0	24.5	15.6
Tangible assets		1.8	3.0	-1.2	3.3	-1.5
Current tax asset		15.6	2.8	12.8	1.1	14.5
Other assets	9	43.5	38.2	5.3	17.0	26.5
Prepaid expenses and accrued income		14.2	21.2	-7.0	74.8	-60.6
TOTAL ASSETS		12 318.3	10 554.9	1 763.4	9 843.2	2 475.1
LIABILITIES AND PROVISIONS						
Deposits from the public	8,9	10 600.0	9 111.4	1 488.6	8 443.5	2 156.5
Derivatives	9	-	17.9	-17.9	16.3	-16.3
Other liabilities	9	99.7	96.9	2.8	162.1	-62.4
Accrued expenses and prepaid income		31.4	23.3	8.1	21.0	10.4
Subordinated debt	9	261.5	260.9	0.6	260.7	0.8
TOTAL LIABILITIES		10 992.6	9 510.4	1 482.2	8 903.6	2 089.0
EQUITY						
Share capital		12.8	12.8	-	12.8	-
Other reserves		1.8	1.8	-	1.8	-
Fund for development expenditure		35.5	24.4	11.2	14.4	21.1
Tier 1 capital		195.0	194.0	1.0	193.6	1.4
Retained earnings		1 058.0	714.4	343.6	654.5	403.5
Net profit		22.6	97.1	-74.5	62.5	-39.9
TOTAL EQUITY		1 325.7	1 044.5	281.3	939.6	386.1
TOTAL LIABILITIES AND EQUITY		12 318.3	10 554.9	1 763.4	9 843.2	2 475.1

Statement of changes in equity

2020-09-30						
MSEK						
	RESTRICTED EQUITY			UNRESTRICTED EQUITY		TOTAL
	SHARE CAPITAL	FUND FOR DEVELOPMENT EXPENDITURE	OTHER RESERVES	TIER 1 CAPITAL	RETAINED EARNINGS AND NET PROFIT	
Balance at 2020-01-01	12.8	24.4	1.8	194.0	811.5	1 044.5
Total comprehensive income for the period	-	-	-	-	10.3	10.3
Reported in income statement	-	-	-	-	22.6	22.6
Reported as comprehensive income	-	-	-	-	-12.3	-12.3
Change in fund for development expenditure	-	11.1	-	-	-11.1	-
Tier 1 capital, AT1	-	-	-	1.0	-	1.0
Transactions with shareholders						
Shareholder contribution	-	-	-	-	270.0	270.0
Group contribution	-	-	-	-	-	-
Balance at 2020-09-30	12.8	35.5	1.8	195.0	1 080.7	1 325.7
2019-12-31						
MSEK						
	RESTRICTED EQUITY			UNRESTRICTED EQUITY		TOTAL
	SHARE CAPITAL	FUND FOR DEVELOPMENT EXPENDITURE	OTHER RESERVES	TIER 1 CAPITAL	RETAINED EARNINGS AND NET PROFIT	
Balance at 2019-01-01	12.8	7.3	1.8		668.2	690.1
Total comprehensive income for the period	-	-	-	-	82.9	82.9
Reported in income statement	-	-	-	-	97.1	97.1
Reported as comprehensive income	-	-	-	-	-14.2	-14.2
Change in fund for development expenditure	-	17.1	-	-	-17.1	-
Tier 1 capital, AT1	-	-	-	194.0	-	194.0
Transactions with shareholders						
Shareholder contribution	-	-	-	-	78.9	78.9
Group contribution	-	-	-	-	-1.4	-1.4
Balance at 2019-12-31	12.8	24.4	1.8	194.0	811.5	1 044.5

Number of shares amounts to 128.000 with quota value at 100 sek/share

Cash flow statement

	2020-09-30	2019-12-31
MSEK		
Operating profit	29.1	128.0
<i>Adjustment for items not included in cash flow</i>		
Unrealized credit losses (Provisions)	268.2	112.3
Depreciation of tangible and intangible assets	7.7	10.0
Other items	-	-
Income tax paid	-19.2	-14.1
Cashflow from operating activities before changes in operating assets and liabilities	285.8	236.2
Changes in operating assets and liabilities		
Increase/decrease loans to the public	-2 083.4	-3 029.3
Increase/decrease other assets	-73.2	10.3
Increase/decrease deposits from the public	1 488.6	3 564.3
Increase/decrease other liabilities	-4.9	32.4
Cash flow from operating activities	-387.1	813.9
Investing activities		
Acquisition/Sale of tangible assets	-0.4	-0.8
Acquisition/Sale of intangible assets	-4.3	-31.5
Acquisition/Sale of collateralised government bonds	-160.6	-37.0
Cash flow from investing activities	-165.3	-69.3
Financing activities		
Emission of Tier 1 (AT1)	-	200.0
Interest on Tier 1 (AT1)	-14.8	-16.3
Change in subordinated debt	0.6	-6.4
Shareholder contribution	270.0	78.9
Group contribution	-	-1.2
Currency translation differences	3.5	-3.9
Cash flow from financing activities	259.3	251.1
Cash flow for the period	-293.1	995.7
Cash and cash equivalents at beginning of the period	1 849.6	853.9
Cash and cash equivalents at end of period	1 556.6	1 849.6

Cash and cash equivalents is defined as the total of loans to credit institutions and cash with central banks.

Notes

1 GENERAL INFORMATION

Avida Finans AB (publ) with organization number 556230-9004, is a wholly owned subsidiary of Avida Holding AB (556780-0593). It is in Avida Finans AB (publ) that the main business takes place. Avida Finans AB (publ) has had a permit from Finansinspektionen as a credit market company since 2000. The business consists of financing services to companies and lending to consumers, debt collection management and deposits from the public.

The Consumer Finance business area comprises lending to and deposits from private customers. The company offers overdrafts and unsecured loans as well as deposits at one of the market's better interest rates.

The Business Finance area offers financial services such as factoring in the form of an off-balance solution or traditional invoice lending and various types of corporate loans. The focus is on offering financing solutions to optimize our customers cash flow or support customer growth.

Avida conducts operations in Sweden and via branches in Norway and Finland: Avida Finans AB NUF (990 728 488) and Avida Finans AB, Finnish Branch (2541768-9).

2 ACCOUNTING POLICIES

This quarterly report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Act on Annual Accounts in Credit Institutions and Securities Companies (ÅRKL) and Finansinspektionen's regulations and general guidelines on Annual Accounts in credit institutions and securities companies (FFFS 2008:25).

FFFS 2008:25, 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 2 Accounting for legal entities and FFS 2008:25.

The accounting principles as well as calculations and reporting are essentially equal to the annual report for 2019. All amounts are stated in millions of Swedish kronor.

This report has not been subject to audit.

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*.

3 RISKS

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

Risk management aims to identify and analyze 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, analyze and report all the company's risks. The risk control function monitors and controls the company's risk management performed in the business. During the quarter, no significant changes took place in the company's identified risks or in its risk management.

FINANCIAL RISKS

Below is a general description of our financial risks, which is also the basis and forms a fundamental part of Avida's capital planning. More about capital planning can be read in the capital adequacy note.

Market risk/Exchange rate risk Exchange rate risk is the risk of losses related to changes in exchange rates at which the company has expo-

sure. The company is exposed to transaction risks which means that the value of inflows and outflows in currencies other than SEK is negatively affected by movements in exchange rates. To minimize this risk, the company uses forward contracts. The company is also exposed to currency translation risk, which arises because Avida Finans AB (publ) has branches in Norway and Finland.

Credit risk Credit/counterparty risk refers to the risk that the company will not receive payments in accordance with the agreement and/or will make a loss due to the counterparty's inability to meet its obligations. Credit risk is one of the most important risks for the company to control because this risk is an integrated part of lending.

Market risk/Interest rate risk: Interest rate risk arises if there is a difference in fixed interest rates between assets and liabilities in the company's balance sheet. The absolute majority of lending today takes place at variable interest rates, which limits exposure to interest rate risk.

Liquidity risk Liquidity risk is the risk that the company will not be able to meet current payments and other commitments in the short term. The company has cash and cash equivalents that guarantee liquidity and has the opportunity to immediately limit the acquisitions of new receivables, which directly reduces this risk.

MARKET AND INTEREST RATE RISK FOR LOANS AND DEPOSITS

Risks in deposits from the public	Financial measure	Change	Q3 2020	Q3 2019
Change in deposit interest rate	Profit before tax	+/- 1 percent	+/- 26.9	+/- 19.4
	Change in equity	+/- 1 percent	+/- 21.2	+/- 15.2

Risks in loans to the public	Financial measure	Change	Q3 2020	Q3 2019
Change in lending interest rate	Profit before tax	+/- 1 percent	+/- 25.0	+/- 19.1
	Change in equity	+/- 1 percent	+/- 19.6	+/- 15.0

Risks in loans to credit institutions	Financial measure	Change	Q3 2020	Q3 2019
Change in lending interest rate	Profit before tax	+/- 1 percent	+/- 4.1	+/- 2.8
	Change in equity	+/- 1 percent	+/- 3.2	+/- 2.2

EXCHANGE RATE RISK

Risks for result from foreign branches and companies	Financial measure	Change	Q3 2020	Q3 2019
Change in exchange rate SEK-NOK	Profit before tax	+/- 10 percent	+/- 0.9	+/- 1.2
	Change in equity	+/- 10 percent	+/- 0.7	+/- 0.9
Change in exchange rate SEK-EUR	Profit before tax	+/- 10 percent	+/- 3.9	+/- 2.6
	Change in equity	+/- 10 percent	+/- 3.1	+/- 2.1

CREDIT RISK

Risk of change in recovery of overdue credits	Financial measure	Change	Q3 2020	Q3 2019
Changes in LGD	Profit before tax	+/- 5 percent	+/- 105.6	+/- 60.1
	Change in equity	+/- 5 percent	+/- 83.0	+/- 47.2

LIQUIDITY PLANNING

Just as the company has a process for managing the size of capital, the company also has a process for ensuring liquidity in the business. Liquidity planning is closely associated with liquidity risk and is always based on careful analysis of the same.

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's liquidity reserve is defined in accordance with Finansinspektionen's regulations FFFS 2010:7, which means that it only consists of available funds that are not used as collateral and that can be pledged with the Swedish, Norwegian or Finnish central bank. In addition to the liquidity reserve, the liquidity buffer currently also includes funds in cash/bank, provided that such balances are available on the following banking day. The minimum size of the liquidity reserve is regulated by board-decided limits.

It is also possible to adjust the deposit rate to attract additional deposits from the public in order to strengthen the liquidity situation if necessary.

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 controlling that the liquidity buffer is within the limits decided by the Board and to analyze whether there is any need for a limit adjustment based on changes in the business and its surroundings.

The risk control function evaluates the risk management of liquidity risks and is responsible for independent analysis of the models that the company uses to plan its need for liquidity risks correspond to the company's risk appetite. The internal auditor is responsible for the audit of risk management and of the independent risk control function.

CAPITAL PLANNING

Avida's strategies and methods for valuing and maintaining capital base requirements follow from the company's process for Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP). This process aims to assess whether the internal capital is sufficient to form the basis for current and future operations and to ensure that the capital base has the right size and composition. The process is a tool that ensures that Avida and its consolidated situation clearly and correctly identify, evaluate and manage all the risks that Avida is exposed to and make an assessment of its internal capital requirements in relation to this. This includes that Avida must have appropriate control and monitoring functions and risk management systems.

	2020-09-30	2019-12-31	2019-09-30
MSEK			
Liquidity reserve			
Cash and balances with central banks	231.4	72.3	20.7
Collateralised government bonds	409.8	249.1	241.2
Loans to credit institutions (available the next day)	1 324.9	1 777.1	1501.5
Total liquidity reserve	1 966.1	2 098.5	1 763.4

4 OPERATING SEGMENTS

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. Profit items that are not directly attributable to segments are allocated with distribution keys that the company management believes provide a fair distribution to the segments.

SEGMENT REPORTING THIRD QUARTER 2020	CONSUMER FINANCE	BUSINESS FINANCE	TOTAL
MSEK			
Interest income	173.1	60.7	233.8
Interest expense	-33.9	-11.9	-45.8
Net result of financial transactions	-2.1	-0.7	-2.8
Other income	0.2	0.1	0.3
Total operating income	137.3	48.2	185.5
General administrative expenses	-44.7	-15.7	-60.3
Depreciation and write-downs of tangible and intangible assets	-2.2	-0.8	-3.0
Total cost before credit losses	-46.9	-16.5	63.4
Result before credit losses	90.4	31.7	122.1
Credit losses, net	-78.8	-2.7	-81.5
Operating profit	11.6	29.0	40.6
Loans to the public	7 244.0	2 920.3	10 164.3
Net interest margin	7.8%	6.4%	7.3%
Credit losses (%)	4.4%	0.4%	3.2%
Return on equity Tier 1	4.2%	36.4%	13.7%

SEGMENT REPORTING THIRD QUARTER 2019	CONSUMER FINANCE	BUSINESS FINANCE	TOTAL
MSEK			
Interest income	140.7	44.1	184.8
Interest expense	-35.1	-11.0	-46.1
Net result of financial transactions	1.8	0.6	2.4
Other income	1.1	0.3	1.4
Total operating income	108.5	34.0	142.5
General administrative expenses	-38.8	-12.2	-51.0
Depreciation and write-downs of tangible and intangible assets	-2.6	-0.8	-3.4
Total cost before credit losses	-41.4	-13.0	-54.4
Result before credit losses	67.1	21.0	88.1
Credit losses, net	-46.1	-4.1	-50.2
Operating profit	21.0	16.9	37.9
Loans to the public	5 709.2	2 249.9	7 959.1
Net interest margin	7.9%	6.1%	7.4%
Credit losses (%)	3.4%	0.8%	2.7%
Return on equity Tier 1	12.0%	28.6%	16.8%

	Sweden	Norway	Finland	Total
MSEK				
Third quarter 2020				
Total operating income	106.8	24.4	54.3	185.5
Loans to the public	5 651.5	1 319.0	3 193.8	10 164.3
Third quarter 2019				
Total operating income	72.6	31.3	38.5	142.4
Loans to the public	4 246.5	1 413.8	2 298.8	7 959.1

5 NET INTEREST INCOME

	Q3 2020	Q2 2020	Q1 2020	Jan-Dec 2019	Q3 2019
MSEK					
Interest income					
Loans to the public	195.5	192.9	186.3	571.0	149.8
Factoring	35.6	35.1	31.4	118.0	34.9
Other	2.6	1.7	5.7	2.5	0.2
Total interest income	233.7	229.7	223.4	691.5	184.8
Interest expenses					
Deposits from the public	45.0	52.4	51.5	155.4	45.9
Other	0.7	0.3	0.3	0.6	0.2
Total interest expenses	45.7	52.7	51.8	156.0	46.1
Net interest income	188.0	177.0	171.6	535.5	138.7

6 CREDIT LOSSES, NET

	Q3 2020	Q2 2020	Q1 2020	Jan-Dec 2019	Q3 2019
MSEK					
Loans to the public					
Provisions - Stage 1	-2.8	5.4	-19.1	-12.0	-9.5
Provisions - Stage 2	7.4	0.3	-9.2	-20.6	-1.2
Provisions - Stage 3	-80.8	-117.1	-53.0	-80.7	-29.6
Total provisions	-76.2	-111.4	-81.3	-113.3	-40.3
Write-downs	-5.6	-6.8	-23.4	-66.9	-10.3
Recoveries	0.2	0.2	0.4	1.3	0.4
Total	-5.4	-6.6	-23.0	-65.6	-9.9
Total credit losses from loans to the public	-81.6	-118.0	-104.3	-178.9	-50.2
Loans to credit institutions					
Provisions - Stage 1	-	-	-	-0.2	-
Provisions - Stage 2	-	-	-	-	-
Provisions - Stage 3	-	-	-	-	-
Total provisions	-	-	-	-0.2	-
Write-downs	-	-	-	-	-
Recoveries	-	-	-	-	-
Total	-	-	-	-	-
Total credit losses from loans to credit institutions	-	-	-	-0.2	-
Credit losses, net	-81.6	-118.0	-104.3	-179.1	-50.2

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

- Determination of a significant increase in credit risk. The general definition consists of a backstop corresponding to the fact that a credit is due more than 30 days. For private lending, the definition has been expanded and calibrated to allow a majority of all loans that have matured more than 90 days (bad debts) to be considered to have significantly increased credit risk for at least six months before they are considered unsecured. In this way, Avida protects itself from excessive variations in credit losses.
- Macroeconomic aspects. Avida takes into account macroeconomic aspects regarding policy rates and unemployment in the market in which the company has its main operations. For these, an expected, deteriorated and improved outlook is designed, which at each reporting occasion is weighted at 80% for the expected outlook and at 10% each for the deteriorated and improved outlook.
- Valuation of loss in bankruptcy, loss given default (LGD).

7 LOANS TO THE PUBLIC

	2020-09-30	2019-12-31
MSEK		
Loans to the public, gross	10 697.3	8 622.5
Stage 1	9 166.7	7 447.8
Stage 2	568.5	655.5
Stage 3	962.1	519.2
Total provision	-533.0	-273.4
Stage 1	-79.1	-63.2
Stage 2	-53.6	-52.8
Stage 3	-400.3	-157.4
Loans to the public, net	10 164.3	8 349.1

	Stage 1	Stage 2	Stage 3	Total
MSEK				
Loans to the public, gross January 1 2020	7 447.8	655.5	519.2	8 622.5
Acquired and removed financial assets, net	2 107.3	58.5	89.4	2 255.2
Movement to Stage 1	210.4	-183.4	-27.1	-0.1
Movement to Stage 2	-267.1	274.8	-7.7	-
Movement to Stage 3	-302.4	-232.3	534.6	-0.1
Revaluation due to change in credit risk	-	-	-	-
Write-offs	-	-	-115.4	-115.4
Recycled financial assets	-	-	-	-
Exchange rate adjustments	-29.3	-4.6	-30.9	-64.8
Other	-	-	-	-
Loans to the public, gross September 30 2020	9 166.7	568.5	962.1	10 697.3

	Stage 1	Stage 2	Stage 3	Total
MSEK				
Loans to the public, gross January 1 2019	4 894.8	513.3	180.1	5 588.2
Acquired and removed financial assets, net	2 982.2	169.6	92.7	3 244.5
Movement to Stage 1	93.7	-91.9	-1.8	-
Movement to Stage 2	-230.1	230.6	-0.5	-
Movement to Stage 3	-334.6	-173.9	508.5	-
Revaluation due to change in credit risk	-	-	-	-
Write-offs	-	-	-268.1	-268.1
Recycled financial assets	-	-	-	-
Exchange rate adjustments	41.7	7.8	8.3	57.8
Other	-	-	-	-
Loans to the public, gross December 31 2019	7 447.7	655.5	519.2	8 622.4

	Stage 1	Stage 2	Stage 3	Total
MSEK				
Provisions January 1 2020	63.2	52.8	157.4	273.4
Acquired and removed financial assets, net	30.5	18.2	78.4	127.1
Movement to Stage 1	3.5	-15.5	-4.7	-16.7
Movement to Stage 2	-3.6	25.2	-1.5	20.1
Movement to Stage 3	-5.8	-26.0	158.9	127.1
Revaluation due to change in credit risk	-8.3	-0.8	43.4	34.3
Write-offs	-	-	-19.9	-19.9
Recycled financial assets	-	-	-	-
Exchange rate adjustments	-0.4	-0.3	-11.7	-12.4
Other	-	-	-	-
Provisions September 30 2020	79.1	53.6	400.3	533.0

	Stage 1	Stage 2	Stage 3	Total
MSEK				
Provisions January 1 2019	50.4	31.6	74.1	156.1
Acquired and removed financial assets, net	33.4	28.9	56.0	118.3
Movement to Stage 1	1.4	-7.2	-0.8	-6.6
Movement to Stage 2	-3.6	17.6	-0.1	13.9
Movement to Stage 3	-8.2	-17.8	52.6	26.6
Revaluation due to change in credit risk	-10.7	-0.9	-3.1	-14.7
Write-offs	-	-	-23.3	-23.3
Recycled financial assets	-	-	-	-
Exchange rate adjustments	0.5	0.6	2.0	3.1
Other	-	-	-	-
Provisions December 31 2019	63.2	52.8	157.4	273.4

8 DEPOSITS FROM THE PUBLIC

	2020-09-30	2019-12-31
MSEK		
Deposits from the public		
SEK	4 712.1	4 641.0
Foreign currency	5 887.9	4 470.4
Total	10 600.0	9 111.4

9 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

2020-09-30	Financial assets & liabilities valued at fair value through income statement	Financial assets valued at fair value through statement of comprehensive income	Financial assets & liabilities valued at amortized cost	TOTAL REPORTED VALUE	FAIR VALUE
MSEK					
Financial assets					
Cash and balances with central banks	-	-	231.4	231.4	231.4
Collateralised government bonds	96.9	-	312.8	409.7	409.7
Loans to credit institutions	-	-	1 324.9	1 324.9	1 324.9
Loans to the public	-	-	10 164.3	10 164.3	10 164.3
Other assets	-	-	73.3	73.3	73.3
Derivatives	72.7	-	-	72.7	72.7
Total assets	169.6	-	12 106.7	12 276.3	12 276.3
Financial liabilities					
Deposits from the public	-	-	10 600.0	10 600.0	10 600.0
Subordinated debt	-	-	261.5	261.5	261.5
Derivatives	-	-	-	-	-
Other liabilities	-	-	131.1	131.1	131.1
Total liabilities	-	-	10 992.6	10 992.6	10 992.6

2019-12-31	Financial assets & liabilities valued at fair value through income statement	Financial assets valued at fair value through statement of comprehensive income	Financial assets & liabilities valued at amortized cost	TOTAL REPORTED VALUE	FAIR VALUE
MSEK					
Financial assets					
Cash and balances with central banks	-	-	72.3	72.3	72.3
Collateralised government bonds	91.0	-	158.1	249.1	249.1
Loans to credit institutions	-	-	1 777.1	1 777.1	1 777.1
Loans to the public	-	-	8 349.1	8 349.1	8 349.1
Other assets	-	-	38.2	38.2	38.2
Total assets	91.0	-	10 394.8	10 485.8	10 485.8
Financial liabilities					
Deposits from the public	-	-	9 111.4	9 111.4	9 111.4
Subordinated debt	-	-	260.9	260.9	260.9
Derivatives	17.9	-	-	17.9	17.9
Other liabilities	-	-	96.9	96.9	96.9
Total liabilities	17.9	-	9 469.2	9 487.1	9 487.1

10 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

For financial instruments that are valued at fair value in the balance sheet, information on valuation at fair value per level in the following fair value hierarchy is required:

- Listed prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Other observable data for the asset or liability 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 company holds derivative instruments and a fund containing high-quality assets valued at fair value. Purchases in this funds took place during the period of SEK 0m (0).

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

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

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

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

Fair values for derivative instruments 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.

2020-09-30	Level 1	Level 2	Level 3	Total
MSEK				
Assets				
Collateralised government bonds	96.6	-	-	96.6
Derivatives	-	72.7	-	72.7
Total assets	96.6	72.7	-	169.6
Liabilities				
Derivatives	-	-	-	-
Total liabilities	-	-	-	-

2019-12-31	Level 1	Level 2	Level 3	Total
MSEK				
Assets				
Collateralised government bonds	91.0	-	-	91.0
Total assets	91.0	-	-	91.0
Liabilities				
Derivatives	-	17.9	-	17.9
Total liabilities	-	17.9	-	17.9

11 CAPITAL ADEQUACY

The information about Avida's capital adequacy in this document refers to such information that must be provided in accordance with Chapter 6. Sections 3-4 of Finansinspektionen's regulations and general guidelines (FFFS 2008:25) on annual accounts in 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 of Ch.8 Section 8 of Finansinspektionen's regulations and general guidelines (FFFS 2014:12) on supervisory requirements and capital buffer 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. 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 standardized method for credit risks and for operational risks the basic method is used.

CAPITAL BASE AND CAPITAL REQUIREMENT

For the determination of Avida's statutory capital requirements, the Act (2014:968) on a special supervision of credit institutions and securities companies, Regulation (EU) No. 575/2013, the Capital Buffer Act (2014:966) and Finansinspektionen's regulations and general guidelines (FFFS 2014:12) on prudential requirements and capital buffers. The purpose of the rules is to ensure that Avida manages its risks and

protects customers. 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, as well as the overall buffer requirement.

CONSOLIDATED SITUATION

The consolidated situation consists of the financial holding company- Avida Holding AB (publ), (556780-0593) and its wholly owned subsidiaries Avida Finans AB (publ) and Avida Inkasso AS (913778367). The responsible institution is Avida Finans AB (publ).

INTERNALLY ASSESSED CAPITAL REQUIREMENT

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

INTERNALLY ASSESSED CAPITAL REQUIREMENTS

As of 30 September 2020, the internally assessed capital requirement amounted to SEK 113.5 million (94.7) in Avida Finans AB. The internally assessed capital requirement in Consolidated situation amounted to SEK 113.5 million (95.1). The internal capital requirement in Pillar 2 is assessed by the Group to consist of the following types of risk: Credit concentration risk, Interest rate risk in the bank book and Business risk.

AVIDA FINANS AB						
MSEK						
Capital adequacy	Q3 2020		2019-12-31		Q3 2019	
Risk-weighted exposure amount	9 203.0		7 928.5		7 383.7	
Total capital base requirements	1 093.6	11.88%	1 069.4	13.49%	990.5	13.41%
Total capital base	1 583.8	17.21	1 325.9	16.72%	1 236.3	16.74%

Capital base requirements	Q3 2020		2019-12-31		Q3 2019	
Capital base requirements (Pillar1)	736.2	8.00%	634.3	8.00%	590.8	8.00%
Other capital base requirements (Pillar 2)	113.5	1.23%	94.7	1.19%	92.0	1.25%
Combined buffer requirement	243.9	2.65%	340.4	4.29%	307.7	4.17%
Total capital base requirements	1 093.6	11.88%	1 069.4	13.49%	990.5	13.41%

11 CAPITAL ADEQUACY, CONTINUED.

AVIDA FINANS AB						
MSEK						
CAPITAL SITUATION	Q3 2020		2019-12-31		Q3 2019	
Common Equity Tier 1 capital after eventual deductions	1 141.6	12.40%	883.0	11.14%	793.3	10.74%
Other Tier 1 capital after eventual deductions	195.0	2.12%	194.0	2.45%	193.6	2.62%
Supplementary capital after eventual deductions	247.2	2.69%	248.9	3.14%	249.4	3.38%
Capital base	1 583.8	17.21%	1 325.9	16.72%	1 236.3	16.74%
	Q3 2020		2019-12-31		Q3 2019	
	REA	Capital requirements	REA	Capital requirements	REA	Capital requirements
Risk-weighted exposure amount (REA) and capital base	9 203.0	736.2	7 928.5	634.3	7 383.7	590.8
of which: capital requirements for credit risk	8 389.1	671.1	6 893.4	551.5	6 592.1	527.4
of which: capital requirements for market risk	24.3	1.9	245.5	19.6	229.5	18.4
of which: capital requirements for operational risk	789.6	63.2	789.6	63.2	562.1	45.0
Transition adjustment	-	-	-	-	-	-
Common equity Tier 1 capital / Common equity Tier 1 capital ratio	1 141.6	12.40%	883.0	11.14%	793.3	10.74%
Tier 1 capital / Tier 1 capital ratio	1 336.6	14.52%	1 077.0	13.58%	986.9	13.37%
Total capital / Total capital ratio	1 583.8	17.21%	1 325.9	16.72%	1 236.3	16.74%
Total equity Tier 1 capital requirements including buffer requirements	658.0	7.15%	697.2	8.79%	640.0	8.67%
of which: Capital conservation buffer	230.1	2.50%	198.2	2.50%	184.6	2.50%
of which: Countercyclical buffer	13.8	0.15%	142.2	1.79%	123.1	1.67%
Common equity Tier 1 capital available to use as a buffer	727.5	7.90%	526.2	6.64%	461.0	6.24%
CAPITAL BASE	Q3 2020		2019-12-31		Q3 2019	
Common Equity Tier 1 capital						
Capital instruments and associated share premium fund	69.9		69.9		69.9	
Other contributed capital	882.3		612.4		612.4	
Retained earnings and reserves	155.8		168.1		63.7	
Departs:						
- Intangible assets	40.1		42.1		24.6	
- Net profit due to capitalization of future income	-		-		-	
- Adjustments relating to unrealized gains	-		-		-	
- Deferred tax assets	-		-		-	
- Other	-		-		-0.1	
Reversal transition rules to IFRS 9	73.7		74.7		72.0	
Total Common Equity Tier 1 capital	1 141.6		883.0		793.5	
Other Tier 1 capital						
Perpetual subordinated loans	195.0		194.0		193.6	
Deduction from primary and supplementary capital (half of this)	-		-		-	
Total other Tier 1 capital	195.0		194.0		193.6	
Supplementary capital						
Time-bound subordinated loans	247.2		248.9		249.4	
Deduction according to limitation rule	-		-		-	
Total supplementary capital	247.2		248.9		249.4	
Total capital base	1 583.8		1 325.9		1 236.5	

11 CAPITAL ADEQUACY, CONTINUED.

AVIDA FINANS AB						
MSEK						
Specification risk-weighted exposure amount (REA) and Capital requirements	Q3 2020		2019-12-31		Q3 2019	
	REA	Capital requirements	REA	Capital requirements	REA	Capital requirements
Credit risk according to the standard method						
Exposures to municipalities and comparable communities and authorities	5.6	0.4	5.6	0.4	3.3	0.3
Institute exposures	279.7	22.4	359.8	28.8	300.3	24.0
Corporate exposures	1 734.8	138.8	1 144.7	91.6	1 208.8	96.7
Household exposures	5 770.3	461.6	4 973.4	397.9	4 670.2	373.6
Exposures with security in real estate	36.0	2.9	38.0	3.0	42.2	3.4
Unregulated items	511.4	40.9	338.3	27.1	264.3	21.1
Other items	51.2	4.1	33.6	2.7	102.8	8.2
Total risk-weighted exposure amount and capital requirements	8 389.0	671.1	6 893.4	551.5	6 591.9	527.4
Market risk						
Exchange rate risk	24.3	1.9	245.5	19.6	229.5	18.4
Total risk-weighted exposure amount and capital requirements	24.3	1.9	245.5	19.6	229.5	18.4
Operational risk						
The basic method	789.6	63.2	789.6	63.2	562.1	45.0
Total risk-weighted exposure amount and capital requirements	789.6	63.2	789.6	63.2	562.1	45.0
Total risk-weighted exposure amount and capital requirements	9 202.9	736.2	7 928.5	634.3	7 383.5	590.7
ADDITIONAL CAPITAL REQUIREMENTS PILLAR 2						
Credit concentration risk	84.0		74.1		82.4	
Interest risk in the bank book	22.3		15.7		15.2	
Other additional capital requirements	7.2		4.9		4.3	
Total additional capital requirements Pillar 2	113.5		94.7		92.0	
GROSS SOLVENCY						
Exposure measures for calculation of gross solvency ratio	12 595.7		10 782.7		10 168.3	
Tier 1 capital	1 336.6		1 077.0		986.9	
Gross solvency ratio, %	10.61%		9.99%		9.71%	

11 CAPITAL ADEQUACY, CONTINUED.

AVIDA CONSOLIDATED SITUATION						
MSEK						
Capital adequacy	Q3 2020		2019-12-31		Q3 2019	
Risk-weighted exposure amount	9 224.6		7 963.5		7 402.9	
Total capital base requirements	1 095.8	11.88%	1 074.3	13.49%	993.1	13.42%
Total capital base	1 604.6	17.39%	1 346.9	16.91%	1 257.7	16.99%
Capital base requirements	Q3 2020		2019-12-31		Q3 2019	
Capital base requirements (Pillar 1)	737.9	8.00%	637.1	8.00%	592.2	8.00%
Other capital base requirements (Pillar 2)	113.5	1.23%	95.1	1.19%	92.3	1.25%
Combined buffer requirement	244.4	2.65%	342.1	4.30%	308.6	4.17%
Total capital base requirements	1 095.8	11.88%	1 074.3	13.49%	993.1	13.42%
CAPITAL SITUATION	Q3 2020		2019-12-31		Q3 2019	
Common Equity Tier 1 capital after eventual deductions	1 163.1	12.61%	907.0	11.39%	818.4	11.06%
Other Tier 1 capital after eventual deductions	195.0	2.11%	194.0	2.44%	193.6	2.62%
Supplementary capital after eventual deductions	246.5	2.67%	245.9	3.09%	245.7	3.32%
Capital base	1 604.6	17.39%	1 346.9	16.91%	1 257.7	16.99%
	Q3 2020		2019-12-31		Q3 2019	
	REA	Capital requirements	REA	Capital requirements	REA	Capital requirements
Risk-weighted exposure amount (REA) and capital base	9 224.6	737.9	7 963.5	637.1	7 402.9	592.2
of which: capital requirements for credit risk	8 394.2	671.5	6 914.5	553.2	6 605.6	528.4
of which: capital requirements for market risk	24.3	1.9	243.0	19.4	225.9	18.1
of which: capital requirements for operational risk	806.0	64.5	806.0	64.5	571.4	45.7
Transition adjustment	-	-	-	-	-	-
Common equity Tier 1 capital / Common equity Tier 1 capital ratio	1 163.1	12.61%	907.0	11.39%	818.4	11.06%
Tier 1 capital / Tier 1 capital ratio	1 358.1	14.72%	1 101.0	13.83%	1 012.0	13.67%
Total capital / Total capital ratio	1 604.6	17.39%	1 346.9	16.91%	1 257.7	16.99%
Total equity Tier 1 capital requirements including buffer requirements	659.5	7.15%	700.4	8.80%	641.7	8.67%
of which: Capital conservation buffer	230.6	2.50%	199.1	2.50%	185.1	2.50%
of which: Countercyclical buffer	13.8	0.15%	143.0	1.80%	123.5	1.67%
Common equity Tier 1 capital available to use as a buffer	748.0	8.11%	548.6	6.89%	485.3	6.65%

11 CAPITAL ADEQUACY, CONTINUED.

AVIDA CONSOLIDATED SITUATION			
MSEK			
CAPITAL BASE	Q3 2020	2019-12-31	Q3 2019
Common Equity Tier 1 capital			
Capital instruments and associated share premium fund	930.4	658.9	580.3
Other contributed capital	0.0	0.0	0.0
Retained earnings and reserves	199.4	216.1	191.5
Departs:			
- Intangible assets	40.4	42.7	25.3
- Net profit due to capitalization of future income			
- Adjustments relating to unrealized gains			
- Deferred tax assets			
- Other	0.0	0.0	-0.1
Reversal transition rules to IFRS 9	73.7	74.7	72.0
Total Common Equity Tier 1 capital	1 163.1	907.0	818.6
Other Tier 1 capital			
Perpetual subordinated loans	195.0	194.0	193.6
Deduction from primary and supplementary capital (half of this)			
Total other Tier 1 capital	195.0	194.0	193.6
Supplementary capital			
Time-bound subordinated loans	246.5	245.9	245.7
Deduction according to limitation rule			
Total supplementary capital	246.5	245.9	245.7
Total capital base	1 604.6	1 346.9	1 257.9

11 CAPITAL ADEQUACY, CONTINUED.

AVIDA CONSOLIDATED SITUATION						
MSEK						
Specification risk-weighted exposure amount (REA) and Capital requirements	Q3 2020		2019-12-31		Q3 2019	
	REA	Capital requirements	REA	Capital requirements	REA	Capital requirements
Credit risk according to the standard method						
Exposures to municipalities and comparable communities and authorities	5.5	0.4	5.6	0.4	3.3	0.3
Institute exposures	284.9	22.8	360.8	28.9	303.3	24.3
Corporate exposures	1 734.8	138.8	1 144.7	91.6	1 208.8	96.7
Household exposures	5 757.8	460.6	4 983.2	398.7	4 664.2	373.1
Exposures with security in real estate	36.0	2.9	38.0	3.0	42.2	3.4
Unregulated items	511.4	40.9	338.3	27.1	264.3	21.1
Other items	63.7	5.1	44.0	3.5	119.4	9.6
Total risk-weighted exposure amount and capital requirements	8 394.2	671.5	6 914.6	553.2	6 605.5	528.4
Market risk						
Exchange rate risk	24.3	1.9	243.0	19.4	225.9	18.1
Total risk-weighted exposure amount and capital requirements	24.3	1.9	243.0	19.4	225.9	18.1
Operational risk						
The basic method	806.0	64.5	806.0	64.5	571.4	45.7
Total risk-weighted exposure amount and capital requirements	806.0	64.0	806.0	64.5	571.4	45.7
Total risk-weighted exposure amount and capital requirements	9 224.5	738.0	7 963.6	637.1	7 402.8	592.2
ADDITIONAL CAPITAL REQUIREMENTS PILLAR 2						
Credit concentration risk	84.0		74.5		72.8	
Interest risk in the bank book	22.3		15.7		15.2	
Other additional capital requirements	7.2		4.9		4.3	
Total additional capital requirements Pillar 2	113.5		95.1		92.3	
GROSS SOLVENCY						
Exposure measures for calculation of gross solvency ratio	12 536.8		10 780.6		10 157.6	
Tier 1 capital	1 358.1		1 101.0		1 012.0	
Gross solvency ratio, %	10.83%		10.2%		9.96%	

12 RELATED PARTY TRANSACTIONS

Avida Holding AB (556780-0593) (situated in Sweden), owns 100 % of Avida Finans AB (publ)'s shares and has controlling influence over Avida Finans AB. Avida Holding AB is parent company in the group which consists of Avida Holding, Avida Finans AB and Avida Inkasso and also prepares the consolidated accounts.

Avida Inkasso AS (org. Nr 913778367) conducts debt collection services and is a wholly owned subsidiary to Avida Holding AB.

The following transactions have taken place with related parties on market terms.

(A) SALES OF GOODS AND SERVICES

Avida Finans AB has during the quarter sold services to the sister company Avida Inkasso AS (org.Nr 913778367) to an amount of SEK 0.7m (0.9).

(B) PURCHASE OF GOODS AND SERVICES

Avida Finans AB has during the quarter sold services to the sister company Avida Inkasso AS (org.Nr 913778367) to an amount of SEK 0.1m (0.1).

(C) RECEIVABLES AND LIABILITIES AT THE END OF PERIOD

As of the balance sheet date, Avida Finans AB has a net debt of SEK 0.2m (0.2) to the sister company Avida Inkasso AS and a net receivable on Avida Holding of SEK 1.8m (0.0).

13 SIGNIFICANT SUBSEQUENT EVENTS

In October, Finanspektionen approved the proposed merger between Avida Finans and Avida Holding. The merger plan, which was announced on June 26, will be implemented in November 2020. Subsequently, on October 12, Avida Holding applied for delisting from the NOTC list at the Oslo Stock Exchange. The last trading day of the share will be November 16. Due to new recommendations from the Swedish Public Health Agency, Avida changed the guideline for 50% occupancy in the office and returned from the beginning of November to a larger proportion of remote work once again.

Definitions

ALTERNATIVE PERFORMANCE MEASURES¹⁾

RETURN ON EQUITY

Net profit divided with average adjusted equity

CALCULATION (34.9/ 1 199.3 * 100)

C/I -RELATION

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

CALCULATION (63.3/ 185.5)

CAPITAL BASE

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: (1 141.6 / 9 203.0 * 100)

LIQUIDITY COVERAGE RATIO LCR

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

CALCULATION: (634.9 / 352.9)

PRIMARY CAPITAL RATIO

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

CALCULATION (1 336.6 / 10 697.3 * 100)

PROVISION RATIO

Provision at the end of the period for future credit losses in relation to gross lending to the public

CALCULATION (533.0 / 10 697.3 * 100)

RISK EXPOSURE AMOUNT

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

NET INTEREST MARGIN

Interest income minus interest expenses.

CALCULATION (233.7 - 45.7)

SOLIDITY

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

CALCULATION: (1 325.8 / 12 318.3 * 100)

TOTAL CAPITAL RATIO

The capital base divided by the total risk-weighted exposure amount

CALCULATION (1 583.8 / 9 203.0 * 100)

TOTAL COMPREHENSIVE INCOME

Total result including components that have or may come to be reclassified to the income statement.

PROFIT MARGIN

Profit before allocations and tax divided by operating income

CALCULATION (40.6 / 185.5 * 100)

¹⁾ Alternative Performance Measures, 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 Finans 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.

Board of directors and CEO declaration

The Board of Directors and the CEO assure that the interim report provides a fair picture Avida Finans AB's operations, financial standing and result and describes significant risks and uncertainties that the company faces

Stockholm on 20 of november 2020

Geir Olsen, Chariman of the Board

Celina Midelfart

Daniel Knottenbelt

Tord Topsholm, CEO

Khanna Varun

John Howard

Publication of financial information

AVIDA FINANS AB (PUBL)'S FINANCIAL REPORTS ARE AVAILABLE AT WWW.AVIDA.SE

FINANCIAL CALENDER 2020

19 FEBRUARY 2021

Q4 - YEAR-END REPORT 2020

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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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