

# **Q2 2020 Presentation**

## **Avida Holding AB**

**AVIDA**

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- The second quarter resulted in continued growth, although at a lower pace than the first quarter. Avida has taken a prudent approach in the ongoing pandemic, with dampened volumes as a result. Net loans increased by SEK0.3bn or 3% vs last quarter. At the end of the quarter, net loans amounted to SEK9.8bn, an increase by 34% YoY.
- To further ensure that provision levels reflect the uncertainties of current macroeconomic conditions, an additional extraordinary credit loss provision of SEK46m was made at the end of the quarter. Given the additional credit loss provisions already made in the wake of COVID-19, Avida does not see the need for further extraordinary provisioning at this point.
- The underlying profitability of the business improved slightly with Q2 operating profits coming in at SEK40m, excluding the extraordinary loan loss provisions. Profits before credit losses increased by 10% QoQ and totaled SEK112m. This corresponds to a growth in profits before credit losses of 61% YoY.
- Liquidity has not been an issue during the quarter, as the heightened liquidity buffers that were imposed at the end of the first quarter have remained in place throughout the second quarter. Avida's deposit funding base is very stable, providing a solid foundation of funding in all significant currencies of operations. The heightened liquidity buffers have served well to reduce risk levels, although the Net interest margin has declined slightly as a result. Avida is monitoring the unfolding of the current situation and stands prepared to lower liquidity buffers to normal levels when considered appropriate.
- Cost-income ratio came in at 37.9% and improved by 2.8 ppt QoQ.
- Adjusted for the extraordinary credit loss provision, loss ratio increased 0.1 ppts QoQ to 3.0%
- Return on CET1 capital, excluding the extraordinary provision of SEK46m, increased 1ppt QoQ to 17%.

## Consumer Finance

- Net portfolio decreased slightly following the extraordinary provision of SEK46m. Net loans amounted to SEK6,947m at the end of the quarter, a decrease by 0.7%.
- New recruitment to the portfolio was deliberately slowed down in the beginning of the quarter and subsequently increased incrementally. Particularly, Sweden and Finland represented the main focus markets. However, the recently imposed regulatory interest rate cap in Finland puts downward pressure on margins.
- Credit origination in Norway remained on insignificant levels, with the ambition of ramping up volumes over the coming quarters.
- Net interest income decreased by SEK4m (-3% QoQ), driven by adverse funding cost effects compared to the first quarter as well as slower portfolio growth following the dampened new recruitment.
- Yields have been pressured by the intentionally decreased level of risk taking during the pandemic, as well as by the regulatory interest rate cap in Finland. Furthermore, the heightened liquidity buffers affects NIM negatively in the short term.
- As previously noted, an additional provision for credit losses relating to effects from the COVID-19 pandemic was made in the amount of SEK46m. Overall impairment and credit quality is being closely monitored. Rolling four quarters loss ratio, adjusted for the extraordinary provision, increased by 0.1 ppt to 3.3%.

## Business Finance

- Net volumes in the second quarter increased significantly QoQ amounting to SEK2,884m at the end of the quarter, an increase by SEK350m or 13.8%. The growth was mainly fueled by the factoring portfolio as key clients experienced positive seasonality combined with new sales volume.
- Margins improved driven by portfolio composition changes, as the mix of factoring volumes, corporate loans and digital loan improved. Net interest income increased by 20% QoQ, surpassing SEK55m for the quarter.
- Credit quality remained stable throughout the quarter and the overall credit quality of the portfolio was intact across all markets. Strict credit quality and a diversified client base have contributed to credit losses remaining on a low level.
- Credit loss ratio increased by 0.2ppts to 0.9. The increase loss ratio during H1 is mainly attributable to increased provisioning, as actual losses remain low. The effects from the COVID-19 outbreak so far have been very limited and have not had a significant effect on credit losses for Business Finance in the second quarter.

# Q2 Financial Highlights

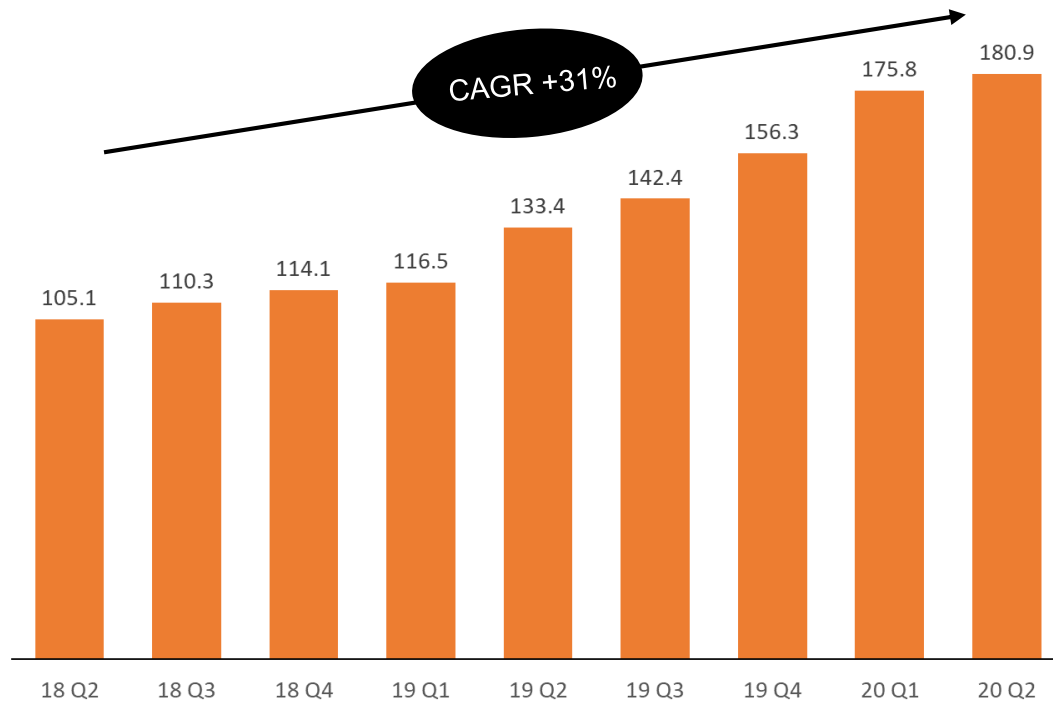
		Q2 2020	Q1 2020
I	<b>Portfolio growth</b>	<b>QoQ growth in net loans of 3%</b> - Total net loans of SEK9,831m	<b>QoQ growth in net loans of 14%</b> - Total net loans of SEK9,529m
II	<b>Net interest margin <sup>1)</sup></b>	<b>Net interest margin of 8.9%</b>	<b>Net interest margin of 9.3%</b>
III	<b>Cost / Income ratio</b>	<b>Cost / Income ratio of 37.9%</b>	<b>Cost / Income ratio of 40.7%</b>
IV	<b>Loan losses</b>	<b>Loan losses of 3.0% <sup>2)</sup></b>	<b>Loan losses of 2.9% <sup>2)</sup></b>
V	<b>Profits before tax</b>	<b>Pre-tax profits of SEK-6.0m &amp; SEK40.3m <sup>2)</sup></b> Profit before IFRS 9 provisions: SEK105m	<b>Pre-tax profits of SEK-2.2m &amp; SEK36.8m <sup>2)</sup></b> Profit before IFRS 9 provisions: SEK79m
VI	<b>Return on equity <sup>3)</sup></b>	<b>ROE of 17% <sup>2)</sup></b>	<b>ROE of 16% <sup>2)</sup></b>
VII	<b>Capital Ratio</b>	<b>Total Capital Ratio of 15.2% &amp; CET1 of 10.3%</b> - Total Capital Requirements: 12.0% - CET1 Requirements: 8.1%	<b>Total Capital Ratio of 15.5% &amp; CET1 of 10.6%</b> - Total Capital Requirements: 12.0% - CET1 Requirements: 8.0%

1) Net interest margin is excluding sales provisions

2) Adjusted for extraordinary provision of SEK39m in Q1 and SEK46m in Q2

3) ROE calculated on CET1 capital

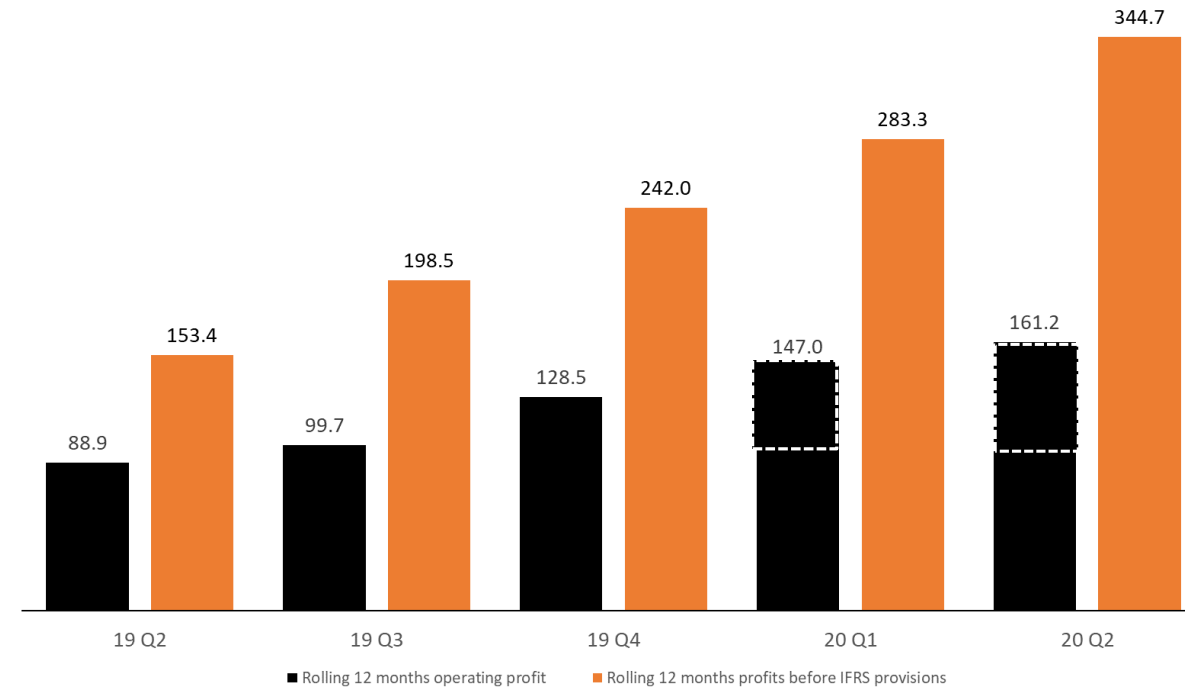
Net interest income\* (SEKm)



**CAGR +31%**

\*Net of sales provisions and interest costs

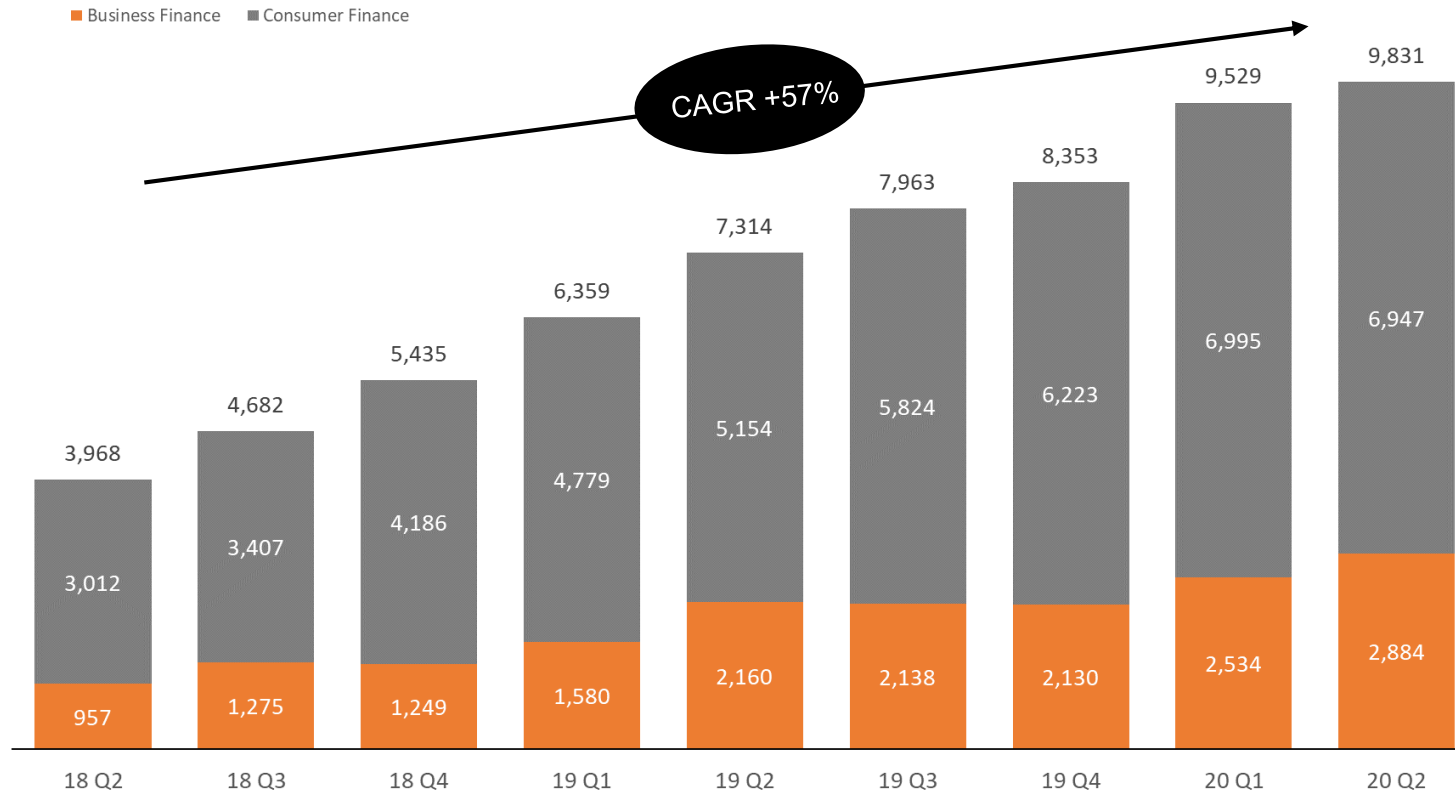
Rolling 12 months profit\* (SEKm)



**Continued growth in rolling EBT**

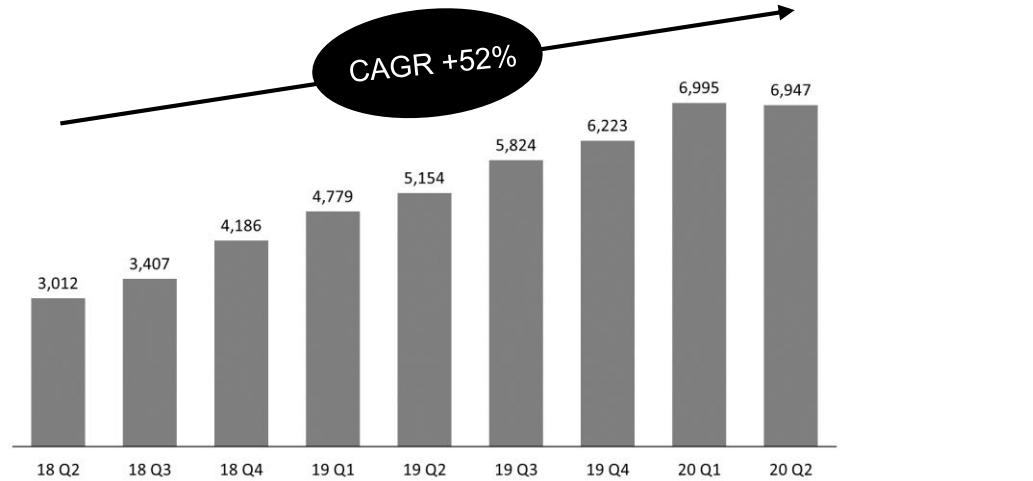
\* Adjusted for extraordinary provisions of SEK39m in Q1 2020 and SEK46m in Q2 2020

## Net loans to customers (SEKm)

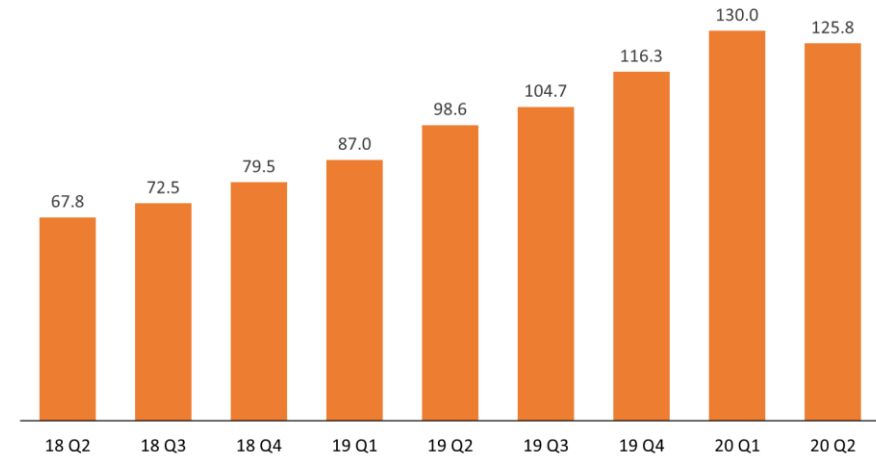


**Volume growth continues during Q2 2020**

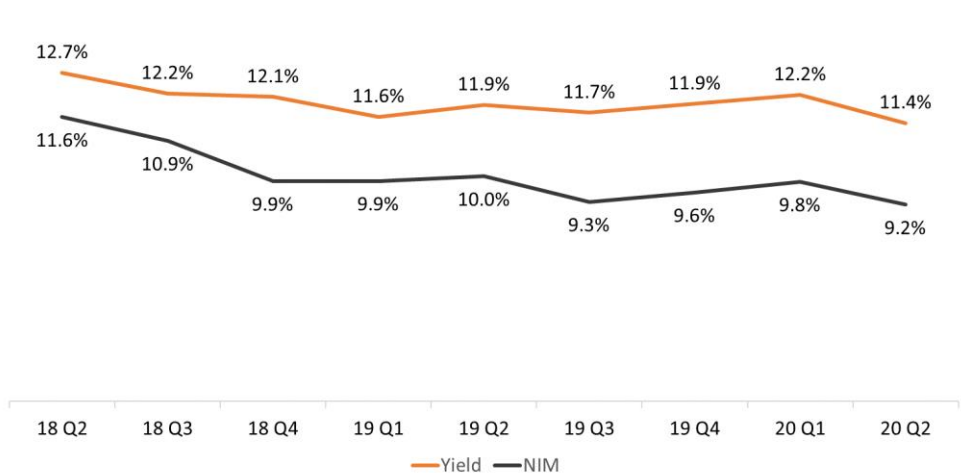
Net loans (SEKm)\*



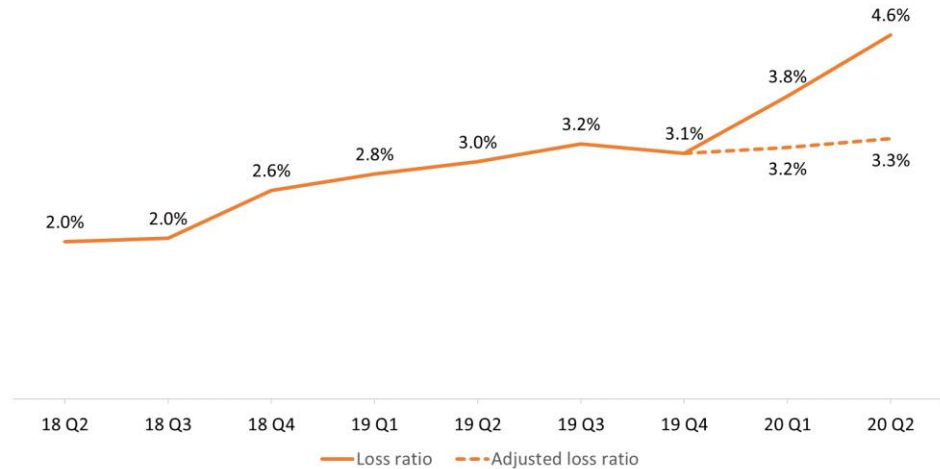
Net interest income (SEKm)



Yield (%) and NIM (%)\*



Loss ratio (%)\*\*

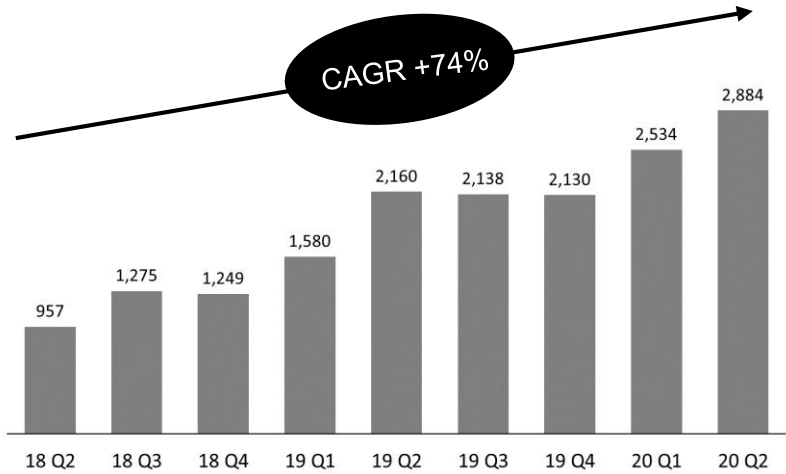


\* Net loans, Yield and NIM are excluding sales provisions

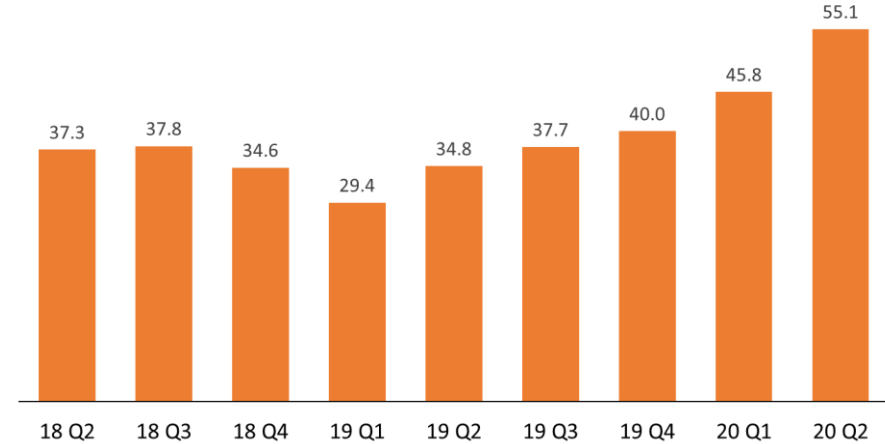
\*\* Loss ratio calculated as rolling 4 quarters credit losses divided by rolling 4 quarters average net loans  
Adjusted loss ratio disregards extraordinary provisions of SEK39m in Q1 2020 and SEK46m in Q2 2020



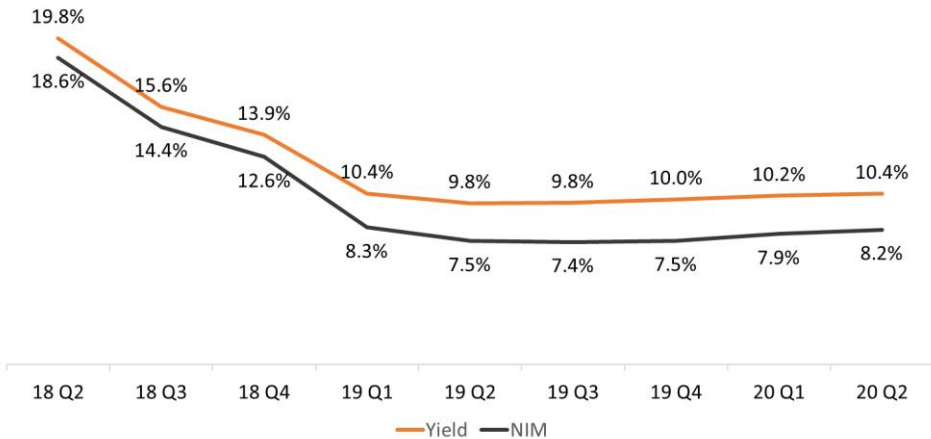
Net loans (SEKm)\*



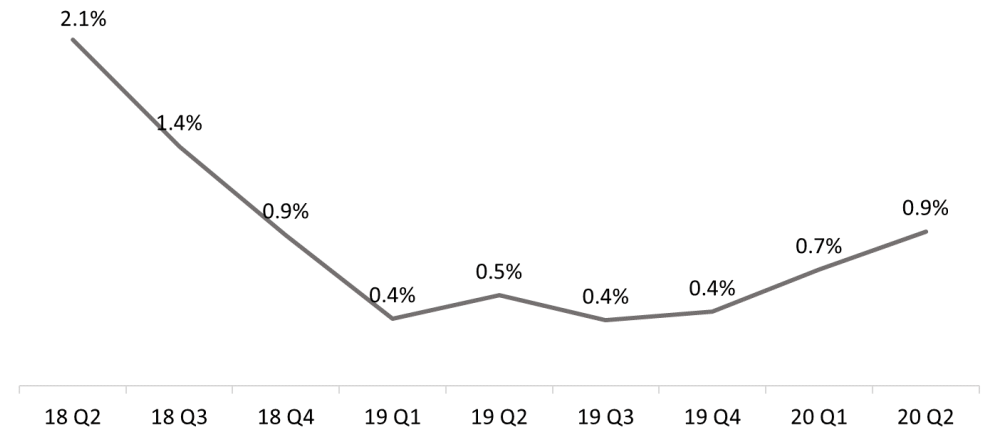
Net interest income (SEKm)



Yield (%) and NIM (%)\*



Loss ratio (%)\*\*



\* Net loans, Yield and NIM are excluding sales provisions

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

## Profit & loss

SEKm	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Interest income	233.5	227.4	205.6	188.1	167.7	142.6
Interest cost	-52.6	-51.6	-49.3	-45.7	-34.2	-26.1
<b>Net interest income</b>	<b>180.9</b>	<b>175.8</b>	<b>156.3</b>	<b>142.4</b>	<b>133.4</b>	<b>116.5</b>
Net result from financial transactions	-0.7	-3.9	6.2	2.0	3.4	3.2
Other income	0.3	0.4	0.3	1.2	0.3	0.7
<b>Total income</b>	<b>180.5</b>	<b>172.4</b>	<b>162.9</b>	<b>145.6</b>	<b>137.2</b>	<b>120.4</b>
Administrative cost	-64.0	-65.6	-57.3	-55.9	-65.1	-62.6
Depreciation and amortization	-4.5	-4.6	-9.6	-2.8	-2.4	-2.5
<b>Sum operational cost</b>	<b>-68.5</b>	<b>-70.2</b>	<b>-66.9</b>	<b>-58.7</b>	<b>-67.6</b>	<b>-65.1</b>
<b>Result before credit losses</b>	<b>112.0</b>	<b>102.1</b>	<b>95.9</b>	<b>86.8</b>	<b>69.7</b>	<b>55.3</b>
Actual losses	-6.6	-23.0	-12.7	-9.9	-25.6	-17.5
<b>Result before IFRS 9 provisions</b>	<b>105.4</b>	<b>79.2</b>	<b>83.2</b>	<b>76.9</b>	<b>44.0</b>	<b>37.8</b>
IFRS 9 provisions	-111.4	-81.3	-35.7	-40.3	-18.1	-19.5
<b>Operating profit</b>	<b>-6.0</b>	<b>-2.2</b>	<b>47.5</b>	<b>36.6</b>	<b>26.0</b>	<b>18.4</b>
Tax	-0.9	0.0	-13.6	-8.6	-3.6	-5.6
<b>Profit after tax</b>	<b>-6.9</b>	<b>-2.2</b>	<b>33.9</b>	<b>28.0</b>	<b>22.5</b>	<b>12.8</b>

## Comments

### Key developments in Consumer Finance

Consumer Finance net loans declined by SEK47m (-0.7%) QoQ resulting in LTM growth of SEK1,793m (+35%). Growth has been driven by Sweden and Finland, since new recruitment in Norway remained insignificant.

New recruitment increased steadily throughout the quarter, although sales volumes have not reverted to similar levels as before the COVID-19 outbreak.

Margins declined QoQ, facing pressure from regulatory tightening in Finland as well as negative funding cost effects.

### Key developments in Business Finance

Business Finance net volumes increased QoQ, positively influenced by new sales volumes as well as seasonality. Quarterly growth in net loans was SEK350m (+14%) and LTM growth of SEK725m (+34%).

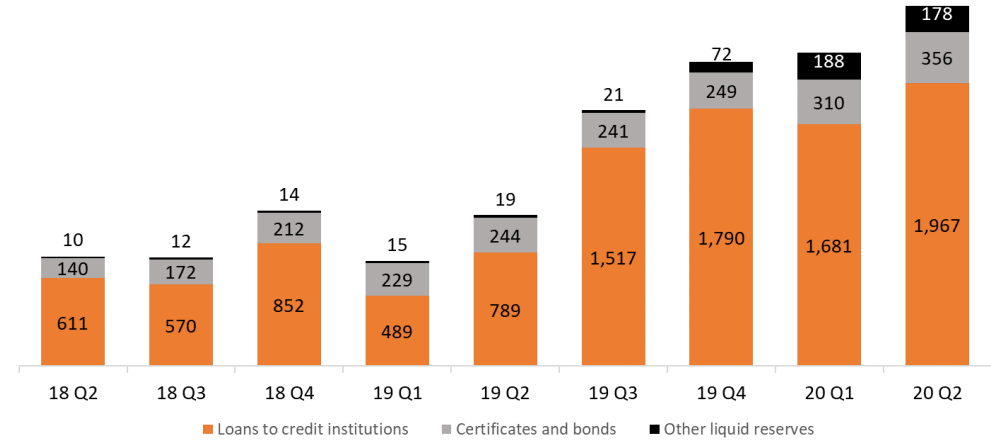
Yield and overall profitability improved QoQ driven primarily by changes in portfolio composition. Moreover, operations are highly scalable and set for continued growth with existing capacity.

As the credit portfolio is highly diversified, credit losses remain at a very low level. Rolling four months loss ratio increased slightly QoQ driven by increased provisioning, whereas actual losses remain low.

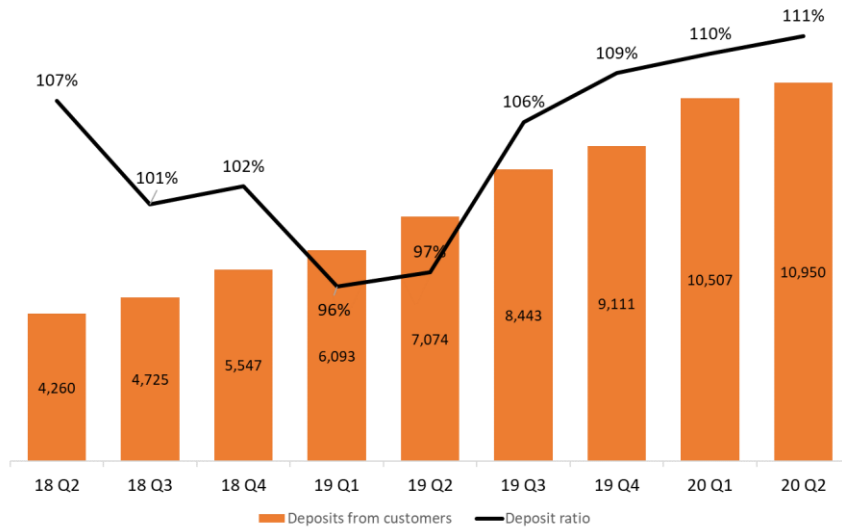
## Key ratios

<b>Average outstanding loan size</b>	~SEK 105,000
<b>LCR</b>	192%
<b>Deposit ratio</b>	111%

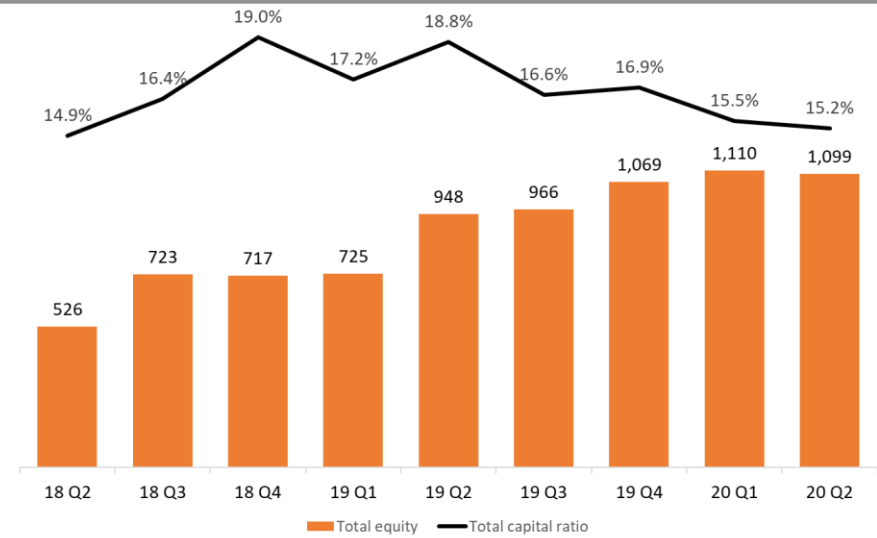
## Liquidity (SEKm)



## Funding (SEKm) and deposit ratio (%)



## Total equity (SEKm) & Capital ratios (%)



## Balance sheet

	2020-06-30	2020-03-31	2019-12-31	2019-09-30	2019-06-30	2019-03-31
SEKm	Q2	Q1	Q4	Q3	Q2	Q1
Cash and balance to central bank	177.7	187.7	72.3	20.7	18.8	15.4
Certificates and bonds	355.6	310.4	249.1	241.2	243.8	228.6
Loans to credit institutions	1,966.9	1,680.7	1,789.6	1,516.5	788.6	488.5
Net loans to customers	9,831.2	9,528.6	8,352.6	7,962.7	7,314.0	6,358.9
Intangible assets	43.0	45.3	42.7	25.3	17.1	18.5
PP&E	14.5	16.4	18.6	16.7	18.6	20.8
Other assets	54.1	226.2	35.2	8.0	20.8	9.4
Prepaid expenses and accrued income	15.5	17.9	23.2	76.9	71.3	72.0
<b>Total assets</b>	<b>12,458.5</b>	<b>12,013.2</b>	<b>10,583.3</b>	<b>9,868.0</b>	<b>8,493.1</b>	<b>7,212.3</b>
Deposits from customers	10,950.1	10,506.7	9,111.4	8,443.5	7,074.2	6,092.7
Other liabilities	132.6	122.3	132.1	175.9	167.4	98.5
Accrued expenses and prepaid income	30.9	27.9	24.9	37.6	45.6	42.8
Deferred tax liabilities	0.0	0.0	0.0	0.0	11.6	0.8
Subordinated debt	246.4	246.1	245.9	245.4	245.9	252.4
<b>Total liabilities</b>	<b>11,359.9</b>	<b>10,902.9</b>	<b>9,514.3</b>	<b>8,902.4</b>	<b>7,544.7</b>	<b>6,487.1</b>
Share capital	6.2	6.2	6.1	5.8	5.8	5.8
AT1 bond	194.6	194.3	194.0	193.6	200.0	0.0
Retained earnings	906.8	911.9	771.9	703.0	707.3	706.5
Earnings in year	-9.0	-2.2	97.1	63.2	35.2	12.8
<b>Total equity</b>	<b>1,098.6</b>	<b>1,110.3</b>	<b>1,069.1</b>	<b>965.6</b>	<b>948.4</b>	<b>725.1</b>
<b>Total equity and liabilities</b>	<b>12,458.5</b>	<b>12,013.2</b>	<b>10,583.3</b>	<b>9,868.0</b>	<b>8,493.1</b>	<b>7,212.3</b>

## Comments

Net loans increased by SEK303m (+3%) QoQ and SEK2,517m (+34%) LTM, resulting in a total outstanding balance of net loans to customers of SEK9,831m.

Deposits from customers have been stable during the quarter, and proven to be a highly reliable and responsive source of funding. Liquidity levels have intentionally been higher than normally throughout the quarter, as the ongoing pandemic unfolded. Liquidity buffers will be lowered to normal levels when considered appropriate.

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