

Year-end report

2017

We make it possible

We have been working long enough in the field of finance to see notes being replaced, currencies disappear and major banks fall. But there has been one constant. People. We see people nowadays putting tougher demands on simplicity, user-friendliness and fast flows.

This is why our promise is to engage more with our customers. So that we can understand their needs and problems. Their everyday lives. Then we can always develop services that are relevant, with value for businesses and private individuals. So that they can continue to focus on what is important for them and their activities.

As we continue to grow, we always keep our eyes peeled for new ways to keep our promise to make it possible for our customers. To help them drive their companies forward.

We now have a presence in several markets all over Europe and we continue to grow. Both organically and via various acquisitions.

In this year's year-end report you can read about how our business has grown, the significant events of the past year and a few examples of how we have helped our customers to grow.

Lennart Ågren
CEO, Svea Ekonomi



Five-year summary, Group (SEK thousands)

Income statements		2017	2016	2015	2014	2013
Net interest income		1,160,387	885,689	778,302	578,141	434,469
Net commissions		1,066,170	1,015,163	930,729	818,630	708,767
Other operating income		110,056	89,953	99,887	101,381	65,622
Operating income		2,336,613	1,990,805	1,808,918	1,498,152	1,208,858
Operating expenses		-1,458,571	-1,386,118	-1,260,418	-1,049,606	-864,449
Profit before credit losses		878,042	604,687	548,500	448,546	344,409
Credit losses, net		-92,449	-138,946	-162,967	-121,181	-148,978
Impairment charges, financial assets		0	0	-466	-1,460	0
Operating profit		785,593	465,741	385,067	325,905	195,431
Tax on profit for the year		-135,143	-114,642	-109,968	-94,738	-52,519
Profit for the year		650,450	351,099	275,099	231,167	142,912
Balance sheets						
Treasury bonds etc. acceptable as collateral		11,041	10,000	0	0	0
Lending to credit institutions	1)	1,688,428	1,969,596	1,367,998	1,880,907	1,048,866
Lending to the public		11,375,227	8,585,904	6,006,656	5,150,410	4,289,118
Other assets		2,649,743	1,904,123	2,393,894	2,114,276	1,529,825
Assets		15,724,439	12,469,623	9,768,548	9,145,593	6,867,809
Liabilities to credit institutions		64,704	7,869	14,816	29,052	37,730
Deposits from the public		12,554,571	9,920,075	7,641,412	7,544,755	5,561,667
Other liabilities		942,960	875,926	726,206	466,794	346,943
Shareholders' equity		2,162,204	1,665,753	1,386,114	1,104,992	921,469
Liabilities and shareholders' equity		15,724,439	12,469,623	9,768,548	9,145,593	6,867,809
Key ratios						
Return on total assets, %	2)	4.6	3.2	2.9	2.9	2.2
Return on shareholders' equity, %	3)	34.0	23.0	22.1	22.8	16.5
Debt/equity ratio	4)	6.4	6.3	6.6	6.9	6.4
Equity/assets ratio, %	5)	13.8	13.4	14.2	12.1	13.4
Revenues/expenses excl. credit losses	6)	1.6	1.4	1.4	1.4	1.4
Revenues/expenses incl. credit losses	7)	1.5	1.3	1.3	1.3	1.2
Credit loss ratio, %	8)	0.9	1.9	2.9	2.6	3.9
Total capital in consolidated situation	9)	2,275,652	1,786,707	1,468,418	951,780	790,612
Total capital ratio in consolidated situation, %	10)	15.5	15.1	15.3	11.9	-
Capital adequacy ratio in consolidated situation	11)	-	-	-	-	1.5
Cash flow from operating activities, SEK thousands	12)	883,358	795,329	703,254	629,917	539,625
Average number permanent employees	13)	1,033	980	916	839	656

- 1) Including Cash and bank balances at central banks.
- 2) Profit for the year as a percentage of average total assets.
- 3) Profit for the year as a percentage of average shareholders' equity.
- 4) Average liabilities divided by average shareholders' equity.
- 5) Shareholders' equity as a percentage of total assets at year end.
- 6) Operating revenues divided by operating expenses.
- 7) Operating revenues divided by operating expenses including credit losses, net.

- 8) Credit losses as a percentage of average lending to the public.
- 9) Capital base equals the total of core primary, primary and supplementary capital.
- 10) Total capital as a percentage of total of risk weighted exposures.
- 11) Total capital divided by capital adequacy requirement in accordance with pillar 1.
- 12) Cash flow from operating activities before changes in operating assets and liabilities.
- 13) Average of number of employees at beginning and end of year respectively.



A polished solution gave Synsam Lifestyle™ a better flow

To keep up with customers who are changing frames increasingly often, Synsam developed a service that allowed customers to subscribe to three different frames for a fixed monthly cost. The subscription service, which is called Synsam Lifestyle™, quickly became a success. But Synsam was not used to receiving payment in this way.

They handed over three pairs of glasses on Day 1, but did not receive full payment until 24 months had passed. So Synsam started to look for a financing solution that would meet their particular needs.

We took care of invoicing and provided the financial strength they needed to continue to polish their offering. The outcome was a better flow in Synsam's business, increased revenues and a high level of customer satisfaction.

2,000

new subscribers in the
first six months

8

per cent increase
in revenues

9/10

score for customer
satisfaction

Significant events during the year

The year was characterized by expansion and an increase in loans and deposits. The positive earnings trend is mainly attributable to an increase in net income from interest, fees and commissions. Credit losses within the Group fell in respect of loans to private individuals, while losses in respect of lending to companies increased. Total credit losses fell compared to the previous year. The fall in credit losses in respect of lending to private individuals is primarily attributable to new assessments of future cash flows, see also Note 13 in the Annual Report.

Financial operations developed according to plan or better with the exception of Switzerland and the Netherlands, which developed somewhat less well than planned, and the currency exchange operation in Sweden, which developed significantly worse than planned. The investment in overdue accounts receivable in Eastern and Central Europe developed better than planned.

Debt collection operations in Sweden developed better than planned, while operations in Norway, Finland, Denmark and Estonia developed less well than planned. The Eastern European operation developed better than planned.

Arne Liljedahl replaced Ulf Geijer as Board member and Chairman of the Board as of March 2017.

Here is a time line containing some of the most significant events from the past year.

2017

In February 2017, all of the shares were acquired in Svea Financial Services AB (formerly Flextronics International AB), which is dormant. During the year, the Parent Company received a dividend from the subsidiary of SEK 204.8 million, which resulted in an impairment of the shares in the subsidiary of SEK 136.1 million.

In March 2017, shares in the Hungarian subsidiary Svea Finance Zrt. were charged with an SEK 17.9 million impairment following completion of a new share issue in the amount of SEK 6.2 million, which was charged to the operating profit in the Parent Company.

During the year, the subsidiary Rhoswen Limited was dissolved through a merger into the subsidiary Svea Ekonomi Cyprus Limited.

June

During the year, the remaining 5% of the shares were acquired in the subsidiary Svea Ekonomi Cyprus Limited, with the effect that it is now wholly owned. In June 2017, shares in the subsidiary were charged with an SEK 57.8 million impairment following completion of a new share issue in the amount of SEK 57.8 million, which was charged to the operating profit in the Parent Company. In October 2017, shares in the subsidiary were charged with an additional SEK 19.5 million impairment following completion of another new share issue in the amount of SEK 19.5 million, which was charged to the operating profit in the Parent Company. An investment of around EUR 20 million was also made in the acquisition of a single loan portfolio in Croatia.

Investments have been made in a newly-formed Group company in Norway that conducts billing operations and in the associated company Stidner Complete AB, which develops freight solutions for e-commerce. Holdings in the associated companies Trade in Sports Europe AB and CreditExpress N.V. were also reduced.

July

In July 2017, 61.54% of the shares were acquired in Nicknamed AB, which carries out operations in the field of IT development. The subsidiary Smartvarsling Drift AS was formed in Norway in order to guarantee a receivable in the AFS business area.

October

In October 2017, an agreement was concluded to the effect that the subsidiary Svea Inkasso AB is to acquire all the shares in the associated company CreditExpress N.V. from Svea Ekonomi AB (publ) and from other external shareholders, taking possession in January 2018. The CreditExpress Group runs debt collection operations through its subsidiaries in Eastern Europe and becomes wholly owned through this transaction.

In October 2017, an SEK 40 million withdrawal of shares in the company took place for repayment to shareholders.

November

In November 2017, the Parent Company issued another convertible loan in the amount of SEK 100 million, which was taken up by the new company Svea Intressenter 3 AB. In November 2017, the earlier convertible loan was also converted into equity, shares were withdrawn and the existing subordinated loan increased from SEK 75 to 100 million.

In December 2017, an investment was made in a newly-formed Group company in the Netherlands that will conduct lending operations to businesses.

December

In December 2017, an agreement was concluded to sell the currency exchange operation in the subsidiary Svea Exchange AB, with the buyer taking possession in March 2018.

In December, impairment tests were carried out in respect of operations that developed less well than planned; impairments were charged to the consolidated operating profit in the amount of SEK 5.2 million.

2018

We are growing with CreditExpress



We are growing with CreditExpress Group

Through its subsidiary company Svea Inkasso AB, Svea Ekonomi has increased its holding in the Hungary-based debt collection company CreditExpress Group from 33 per cent of the shares to 100 per cent. CreditExpress Group has net sales of around SEK 250 million and around 1,000 employees in ten countries in Central and Eastern Europe. Svea Ekonomi and CreditExpress have been collaborating closely for many years, and Svea Ekonomi has been a co-owner since 2013.

“CreditExpress has enthusiastic employees who run a world-class business, always using new, innovative technology. We welcome CreditExpress into the family and are convinced that our merger will be positively received in the market,” says Lennart Ågren, CEO of Svea Ekonomi.

“Svea Ekonomi is the perfect owner for us. They’re a reliable provider of financial services, have a strong brand and have been well-known in the Nordic market since 1981. I see major opportunities to develop and expand our business together with Svea Ekonomi,” says Balazs Pados, CEO of CreditExpress Group.

1,000
employees in ten
countries in Central
and Eastern Europe

250
million Swedish
kronor
in net sales

+ 3,000
customers who have
been helped to manage
their debts

How we have helped our customers to grow



Lysman AB

Despite strong growth with figures heading skywards, Lysman did not get a sympathetic hearing from the big banks when they were looking for financing. Selling lamps online did not fit in with the banks' templates.

Instead of fixating on our own templates, we listened carefully to what Lysman had to say. The conclusion was that the concept was a good one, the ambition was there and the trend was positive. At the same time, we understood that a bigger investment was needed to achieve further growth.

The solution was a company credit that made it possible for Lysman to update their website and expand their product range.

Bygghemma

Bygghemma is currently one of the biggest online shops in the Nordic region in the DIY sector. They use our payment solutions to increase the conversion rate and throughput at the point of sale without risking major credit losses.

One major factor is that we were able to adapt our payment solutions to Bygghemma's particular business. Bygghemma included us in discussions about goals and visions for their online shops and sales. We countered by explaining how our payment solutions work, after which we were able to link up the two and develop them to work optimally together.

99%
approval rate
at the checkout

**180 million to
3.5 billion Swedish kronor**
in net sales in five years



How we have helped our customers to grow



Arlanda Express

Arlanda Express chose a customised solution that makes it possible for their passengers to book and pay for their tickets directly in the app before they travel. The payment solution and the app were developed entirely in-house. Our systems in the background with the app environment entirely in line with the Arlanda Express profile.

The solution also included a simplified ticket inspection for the conductors, using a unique image in the app that is updated automatically. Passengers present the image via the app. The conductors see that it is the right image. The ticket inspection is complete. It couldn't be simpler.

10%
of revenues came from
sales in the app

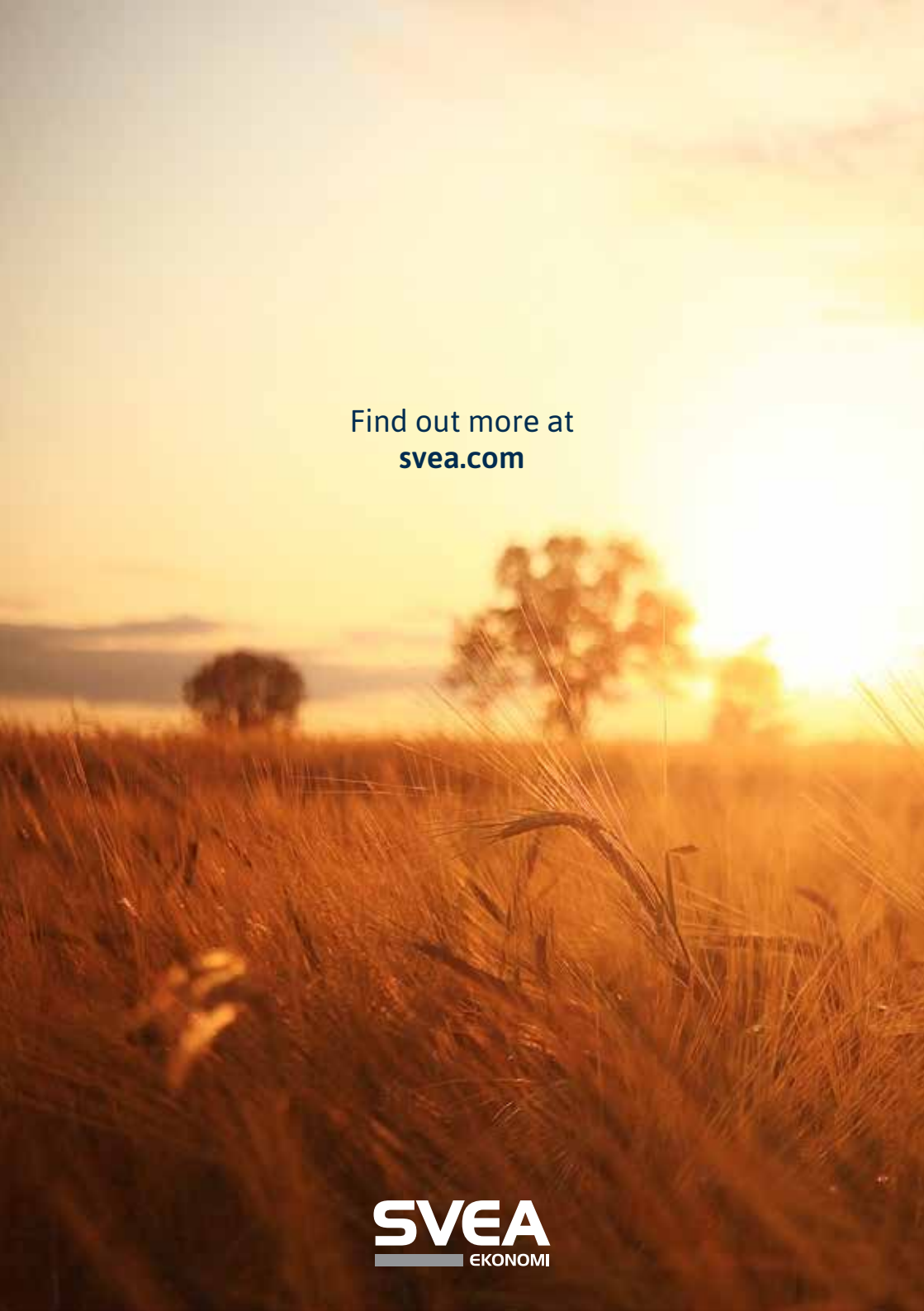
195,000
downloads on iOS
and Android devices

Parkman i Sverige AB

The focus is on the environment and service when Parkman i Sverige develops systems for car parks. To make it even easier for customers to pay in a barrierless car park, they customised a solution for invoicing together with us at Svea Ekonomi.

We developed a solution that makes it convenient to invoice those who have not paid retrospectively within 48 hours. A file is created and sent to us with the registration number and parking fee, then we issue an invoice and take care of reminders and demands.





Find out more at
svea.com

SVEA
EKONOMI