



Nordax Bank

2015

ANNUAL REPORT

Nordax Group AB (publ)

## CONTENTS

	Significant events in 2015	2		Board of Directors' report	45
	Chairman's comments	4		Corporate Governance Report	59
	CEO comments	6		Board of Directors	73
	Core values	10		Management Team	76
	Business model	12		Financial reports	79
	Our process for credit assessments	14		Proposed disposition of profits	113
	Financial results	16		Independent Auditor's report	114
	Funding and capital position	18		Definitions	116
	Our customers	20		Key concepts	117
	Marketing	22		Bridge statutory to adjusted accounts	118
	Our markets	24		Annual General Meeting	119
	Our employees and organisation	34		Financial calendar	
	Nordax in society	36		Contacts	
	Risk management	40			
	Nordax shares	42			



# Nordax Bank



## LENDING AND SAVINGS

We offer large unsecured loans with long flexible repayment periods to people who are financially stable. To our savers we offer competitive terms.



## UNDER ONE ROOF

All our employees are working from our premises in Stockholm. Since its inception in 2003 we have grown to 217 employees and today we have 122,000 customers in Sweden, Norway, Finland, Denmark and Germany.



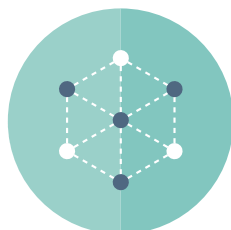
## RESPONSIBLE LENDING

The foundation of our business is our expertise in the risk assessment. For us it is important that our customers feel confident and are able to make well-informed decisions in peace and quiet.



## OUR CUSTOMERS

Our customers come to us when they need large loans with long repayment periods. Average loan with us is 140,000 SEK with an average payment of 2,300 SEK per month. The average maturity is nine years.



## SOLID FOUNDATION

The availability of financing is central to our operation. Our strategy with funding from several sources gives us a solid foundation and reduce our liquidity risk.

## SIGNIFICANT EVENTS IN 2015

### Q1

Preparations ahead of the listing on Nasdaq Stockholm

Katarina Bonde, Hans Larsson, Synnöve Trygg are appointed as new Board members

We launch e-signature for our Norwegian loan customers

New graphic design

Issuance of Tier 2 capital of MSEK 250, strengthening the capital base

### Q2

**All the employees are present as we ring the stock exchange bell to mark our listing on the Nasdaq Stockholm Main Market**

We are connected to data clearing, and Swedish savings customers are allocated bank accounts

We launch e-signature for our Swedish savings customers

Increase the maximum loan amount to EUR 40,000 in Finland and Germany

We expand the Stockholm office and move to larger premises





## Q3

Arne Bernroth succeeds Richard Pym as Chairman of the Board

All the countries have launched new websites

## Q4

We launch e-signature for our Swedish loan customers

Increased the maximum loan amount of loan to 500,000 in Norway and Sweden

Our funding is further strengthened by issuance of MSEK 1,831 of asset backed securities





# Chairman's comments

In October last year, I was entrusted with taking over the position of Chairman from Richard Pym. Richard chose to hand over the baton as he considered that, after being listed on Nasdaq Stockholm, the company would be better served by having a locally based Chairman. This is a manifestation of the importance attached by both Richard and Nordax to corporate governance issues and the responsibility of the Board of Directors for these issues.

Both the Board of Directors and I wish to express our appreciation and thanks to Richard for the way in which he has led the company's development during his five years as Chairman. His experience of other regulated markets in Europe has been a valuable source of support for a young, fast-growing company like Nordax.

I have become familiar with Nordax through my five years on the Board of Directors, and know that Nordax has the size and capacity to thrive as a listed company. The initial public offering in June last year was preceded by intensive work to adapt Nordax both to Nasdaq Stockholm's rules for issuers of shares and the Swedish Code of Corporate Governance. An important aspect of this was that the Board of Directors was strengthened by the addition of more external, independent members. This has contributed both expertise and new insights and perspectives to the Board's work.

Nordax was established by risk managers, and the company has solid and substantial experience of credit assessment. The knowledge of credit risks and risk management in the company is impressive, as is the effectiveness with which the company addresses the market. During the year, the Board of Directors decided to increase the maximum borrowing limits for all markets in which Nordax undertakes new lending. This was a solidly analysed decision, in which the risks were weighed up against increased customer benefit. The Board of Directors shares the senior management's view that growth must never be pursued at the expense of credit quality.

Nordax's core values are important in determining how the company behaves and is perceived by different stakeholders, such as customers, employees, regulators, investors and lenders. Nordax has to be a customer focused bank that is simple,

sound and responsible. As part of this endeavour, the company decided to structure its sustainability efforts and increase scrutiny of the value Nordax creates for different stakeholder groups.

A large part of the Board's work is devoted to following up and controlling risk management and risk assessments. The Board of Directors has endeavoured to support the senior management in establishing processes relating to internal control and risk management of the same quality as the big banks. Along with the other members of the Board of Directors, I will continue to ensure that Nordax is in the front rank in this area.

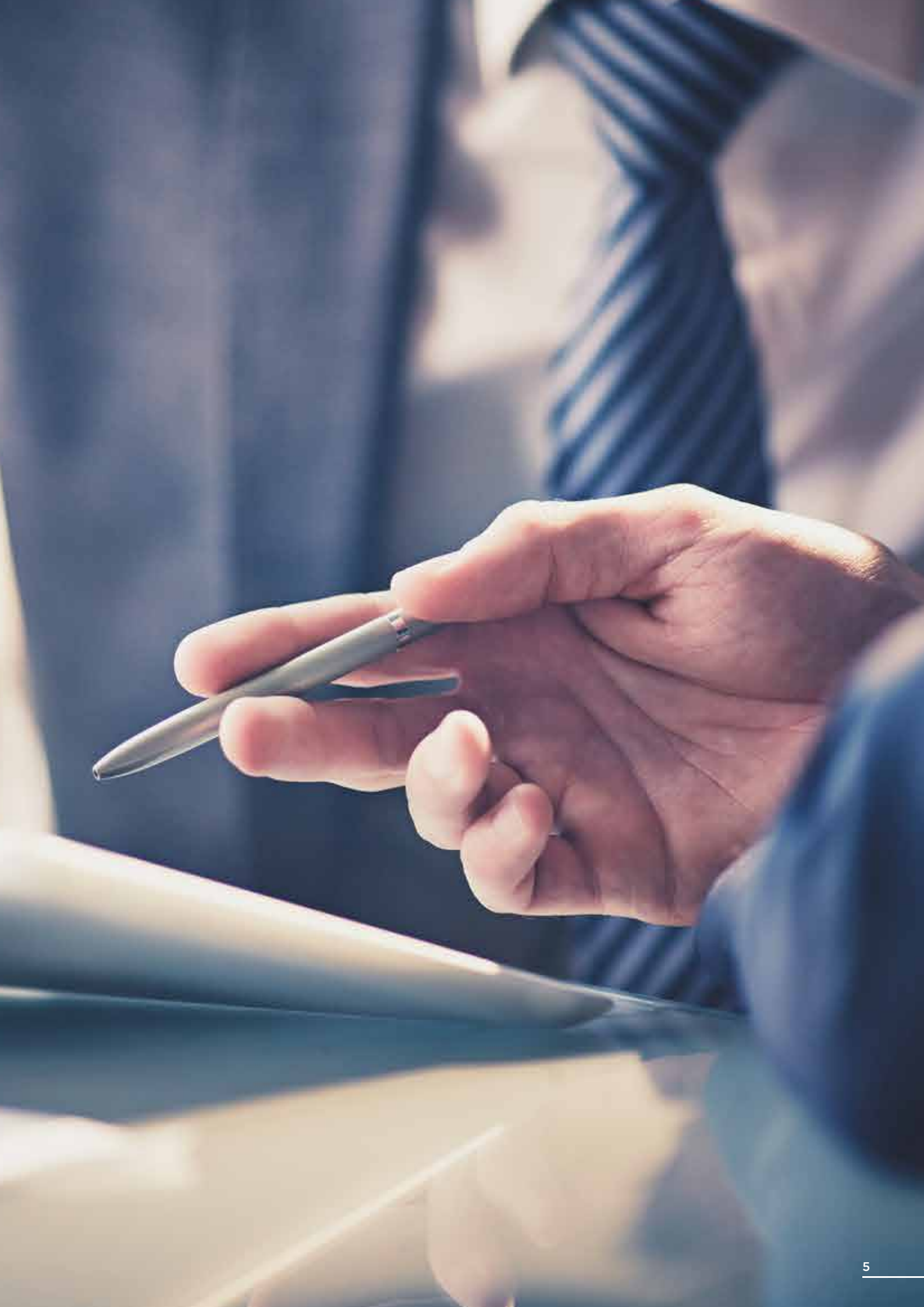
Funding and capital management are other areas that are always on the Board's agenda. Nordax has chosen to fund itself through several different sources, making the company less dependent on deposits. Funding was further strengthened during the year by issuing the company's fifth asset backed securities. In addition, the capital base was strengthened by a new subordinated loan.

Nordax has chosen to adopt a conservative line on capital requirements. The company's target is normally to hold a buffer of at least 1.5 percentage points above the Swedish Financial Supervisory Authority's requirement for Common Equity Tier 1 capital ratio and total capital ratio. At the same time Nordax is to provide a net return on average loans of more than 3%. This, combined with a dividend payout ratio of 40% of the profit for the year after tax, is to create shareholder value.

Finally, I wish to extend my sincere thanks to the management and staff of Nordax for their devotion and hard work over the past year. The loan sector is important to the national economy as it enables people to redistribute their consumer spending across their lifetime. However, healthy social development necessitates responsible lending. Nordax has the capacity to be a responsible lender and to create value for its shareholders and for the wider community.

Arne Bernroth

Chairman of the Board  
Stockholm, 5 April 2016







# CEO comments

2015 goes into history as Nordax's best year ever. Our new lending reached an all-time high of SEK 4.1 billion, and adjusted operating profit increased by 9.5% to SEK 392 million. This was our best result since Nordax was established in 2003, and we met during the year, all our financial targets. Our lending to the public totalled SEK 10.8 billion, which also is the highest level ever.

Customer inflow and financial development during the year show the strength of our business model and our customer offering. Nordax is a niche bank offering large personal loans up to SEK 500,000 to financially stable individuals. We offer our deposit customers attractive savings products. We have an effective marketing model in which we search for potential loan customers ourselves, and our thorough credit assessment process starts with our marketing. This restrains our credit losses and makes us less sensitive to the economic cycle.

All the markets where we are active developed well during the year. New lending reached all-time highs in Norway and Finland, with continued good margins. Sweden developed strongly during the second half of the year after we had refined our marketing efforts. Germany is our newest market, and there too new lending developed well.

We established a presence in Sweden back in 2004, in Norway in 2005 and in Finland in 2007. In 2012 we chose to enter Germany, because the German market has favourable macroeconomic prospects with stable public finances, a well-developed social security system and an established propensity to pay debts. The German market is an exciting opportunity for us as it is five times larger than the combined markets of Norway and Sweden.

## 4.1 BILLIONS

### ALL-TIME HIGH NEW LENDING

A result of a strong development in all four markets.

## 9.5%

### IN INCREASED OPERATING PROFIT

An increase to 392 MSEK

Our loan offering with large loans, variable interest rates and long terms has also proved attractive in Germany. In addition, our marketing model and credit assessment process are effective on the German market. We will continue to track how recovery volumes affect our profitability in Germany in the future. The recoveries come from customers whose loans have been booked as credit losses but who later are able to start paying off their loans again.

Accountability is part of our culture and has been characteristic of our business from the outset. Responsible lending means taking care to ensure that only those who can afford to do so take a loan. We therefore focus our marketing on groups we believe would be able to bear a loan. Our precise credit assessment process covers everyone who applies for loan from us. In twelve years as a company we have processed a million loan applications and have only granted loans in a third of cases. We never compromise on credit quality.



LOAN PORTFOLIO DEVELOPMENT 2012-2015, MSEK



Despite precise credit assessment, it happens that customers encounter problems in payment. We always make personal contact with customers who have been late with payments so that we can offer them advice and support if possible. Credit losses developed as expected in 2015. The net level of credit losses, 1.5%, is below our guideline of 2% over an economic cycle.

Our customers come to us because we are able to meet their needs at reasonable cost. We are able to offer our loan customers large loans at variable interest rates and with long repayment periods. What is most important to loan customers when they chose lenders is their monthly cost.

The variable interest rate on loans that we offer our customers is a significant component in our business model. If our cost of funding falls, we reduce our customers' interest. This means that we have natural protection against fluctuations in the interest environment and that our interest margin is stable over time. It is worth noting with regard to our customers' exposure to rises in interest rate that the portion of interest is relatively small for a larger loan, which means that the variation in the monthly cost is relatively limited.

Spreading of risk is another important component of our business model, and we therefore have several different sources of funding. We issued two bond transactions in the capital market in 2015, which reduced our costs of funding. Our strategy for spreading of risk has to be weighed against the cost. It is, however, important to us that the operation is on a stable foundation.

We are endeavouring to continue to build our loan portfolio and increase our profit in 2016. In the short term we see mixed macroeconomic prospects in our markets. It is in our DNA to have a cautious attitude to risk, and we therefore have contingency planning to deal with many different economic scenarios. Our good financial results during the global crisis of 2008-2009 show that our business model is also effective in times of turmoil. In 2008-2009 we increased our profit despite higher credit losses, as our business model permits us to adapt swiftly to changes in the world around us.

We have a strong focus on internal efficiency, and our goal is to continue to reduce costs in relation to revenue. Our core operation offers continued interesting opportunities for growth, and our objective is to continue to grow in Norway, Sweden, Finland and Germany through existing loan and savings products. Germany is our first step onto the European continent, and experience from there will underpin any future European initiatives. Our vision is to become a leading niche bank in northern Europe, offering competitive loan and savings products to private individuals.

Nordax was listed on the Main Market of Nasdaq Stockholm in 2015. This was a milestone for us and proof that our business has grown and that our business model is sustainable and attractive. We now have a broad shareholder base and are proud of the trust the investors have placed in us. It is exciting to be able to meet many new shareholders who are interested in Nordax and our business. For 2015 the Board of Directors have proposed a dividend of SEK 0,50 per share which is equivalent to 44 % of earnings per share for the second half of 2015.

Nordax is a stimulating workplace. All our employees are gathered together at our Stockholm office. This makes us efficient, with short decision paths. Our office is also a multicultural workplace, where many languages are spoken. Despite having only one office, we are able to offer our customers service in their own language, both on the phone and in digital and written correspondence.

I am pleased and proud of what Nordax's staff achieved in 2015 and wish to extend my sincere thanks to everyone for the success they achieved during the year. I am also proud that Nordax is able to offer loan and savings products for which there is great demand and which fulfil a need among our customers. The niche bank Nordax is part of an important link in the machinery that drives the engine of the economy.



Morten Falch

CEO and Executive Director  
Stockholm, April 5 2016



ADJUSTED OPERATING PROFIT 2012-2015, MSEK







---

# Core Values

Nordax was founded by entrepreneurs driven by a strong focus on customers and risk management. This approach still pervades our everyday activity and every decision we make.

We have established ourselves as one of the leading niche banks in the Nordic region since we started. We are experts in personal loans and deposits. Our loan customers are offered large loans with long terms, giving them a monthly cost they can afford. We offer competitive interest rates on our savings accounts.

Our credit assessment process is solid and sound. Our objective is for our customers to feel secure and be able to make well-informed decisions calmly. Boosted by our success in the Nordic region, since 2012 we have chosen also to offer our products to customers in Germany.

As a bank and listed company, we have great responsibility toward authorities and shareholders. Governance and control are a priority area.

We have strong core values. We are a niche bank that is:

## **SIMPLE**

We are nimble and efficient. Our terms for loans and savings accounts are clear – no small print and no surprises.

## **SOUND**

Nordax was founded by risk managers, and risk assessment is part of our DNA. All our decisions are well-founded, and we never take shortcuts. We offer loan products only to customers who are financially stable. Our credit assessment is sound and solid. We have a solid capital position and a highly diversified funding profile across markets and currencies to minimise liquidity and refinancing risk.

## **RESPONSIBLE**

Accountability is part of our culture and typifies our business and the way we act towards customers, authorities, investors and employees. We have been regulated by the Swedish Financial Supervisory Authority since 2004. High quality is maintained in our risk management, governance and compliance processes.

## **CUSTOMER CENTRIC**

Our employees are motivated, committed and meticulous. We listen to our customers. As a customer of Nordax, you have to make reasoned decisions calmly. We undertake to assist customers who face financial difficulties.

We listen to our  
customers.  
As a customer of  
Nordax, you are able  
to make well  
informed decisions  
in peace and quite.

---

VISION

Become a leading Northern European niche bank in offering deposits and providing consumer loans to financially stable people.

---

BRAND PROMISE

Our services are simple, sound and responsible





# Business model

Our business model has been successful since we started in 2003, and we have established ourselves as a leading niche bank in the Nordic region.

The basis of our operation is that we meet our customers' need by offering them large loans with long and flexible repayment periods. The maximum loan amount of loan we offer is SEK 500,000, and the longest repayment period is 15 years. Loan customers can pay off all or part of their loan at any time at no extra cost. We offer competitive interest rates to our savings customers.

We have effective marketing based, to a large extent, on seeking out our loan customers ourselves. We identify clusters of potential customers where we know from experience that there may be people who have an interest in and have the finances to take on more loans. We reach most of our customers through physical letters. By making use of letters we can ensure that we reach the potential customers we would like to reach and they have an opportunity to make their decisions calmly. We reach a smaller proportion of our customers through loan brokers and online marketing. Our savings accounts are displayed through online services that compare interest terms with those of other banks.

Our credit assessment is meticulous and is always based on the customer having to be able to afford to take the loan. As a consequence of our responsible credit assessment, we approve only

a third of loan applications. Not compromising on credit quality is of key importance both from a customer perspective and from the point of view of long-term profitability.

Our savings customers' deposits are guaranteed by the Government up to the level of the Swedish state deposit insurance scheme of EUR 100,000. The state deposit insurance scheme is regulated by the EU.

The interest rate offered to our loan customers is variable. When general interest rate levels fall, we also reduce our interest rate. In a corresponding way, we raise our interest rate when general interest rates rise. This gives us stability in our operation as we are able to keep our margin stable. For most of our customers a change in interest rates is less perceptible because the interest costs account for a smaller portion of the monthly cost of the loan.

An important part of our business model is that we have a diversified funding base. We have issued bonds, both secured and unsecured. We also have warehouse funding in international banks. We normally keep around 40 percent of deposits from the general public in as a liquidity reserve.

Our organisation is cost-effective as we are able to offer service from a single office to customers in all countries.



OUR BUSINESS MODEL

# Lending

WE OFFER LARGE UNSECURED LOANS TO FINANCIALLY STABLE INDIVIDUALS

# Deposits

WE OFFER ATTRACTIVE DEPOSIT PRODUCTS TO INDIVIDUALS WISHING TO INVEST THEIR SAVINGS SECURELY AND WITH COMPETITIVE INTEREST RATES

# Credit investors

WE OFFER CREDIT INVESTORS ACCESS TO THE ATTRACTIVE CONSUMER CREDIT MARKET THROUGH ASSET BACKED SECURITIES AND BONDS



# Our process for credit assessments

Our process for credit assessments is data-driven and starts in our marketing model.

We focus closely on risk management, which pervades the credit assessments. The process is based on statistical methods that we constantly test and develop.

The process is semi-automated by policy and assessment rules, scoring systems and strategies for limits being IT-based. The automated part of the process leads to a recommended decision and an amount of loan. The majority of the approvals are then reviewed manually by a credit officer before the final credit decision is made.

To ensure that the information about the person applying for the loan is correct, a large proportion of customers are contacted by phone. Personal contact is important, as it is the first important stage in building a longer relationship with the customer.

Our credit policy states that a loan applicant who does not meet the minimum criteria is turned down immediately. The minimum criteria include, for example, a permanent address and absence of unpaid debts.

Our assessment rules require the information the loan applicant has stated to be checked. We score the application based, for example, on income and family situation. We have developed scoring models for each country in which we operate. The models are based on historical results for our loan portfolio and are monitored every month.

In the household calculation the loan applicant's ability to service a loan is calculated on the basis of assumptions about income and expenditure.

In the last stage of our credit assessment process we set an amount of loan. The amount is arrived at by looking at the allocated scores and income.

We have carried out credit assessment of a million loan applications since Nordax was founded in 2003. Just under 30 percent of applications have been accepted.

We have a policy of tackling past-due payments early on. We have a special group that makes early contact with customers to remind them that payment is late, so that a joint solution can be found and, if possible, advice and support can be provided. We also have a collection group that deals with missing payments on loans at a later stage. When the payments on a loan are around 90 days late, we hand the case over to a debt collection company.

When a loan is less than 180 days past due, we make a provision using a dynamic country-specific model based on historical experience. When a loan is more than 180 days past due, we write the carrying amount of the loan down to the recoverable value. The recoverable value consists of an estimated discounted future cash flow.

Payments received on loans that are more than 180 days past due are included in the calculation of our credit losses and therefore affect our profit. Effective systems for debt collection have meant that we have received significant payments on loans that have been more than 180 days past due.



OUR PROCESS FOR CREDIT ASSESSMENTS

1.

WE CHECK AGAINST OUR  
CREDIT POLICY, MONEY  
LAUNDERING AND FRAUD

2.

WE CHECK AGAINST OUR  
ASSESSMENT RULES

3.

WE ALLOCATE POINTS AND PERFORM  
A HOUSEHOLD CALCULATION

4.

WE MAKE DECISIONS ON  
BORROWING LIMITS





# Financial results

2015 was a strong year for us, and we surpassed our financial targets. A weaker NOK and EUR had a negative impact on the financial result. Changes in exchange rates affected operating profit, growth in new lending and the loan portfolio equivalent in SEK.

New lending reached an all-time high of SEK 4.1 (3.8) billion.

The loan portfolio grew by 12.7% to SEK 10.8 billion at constant currencies. Growth in the portfolio is affected by volumes of new lending, as well as amortisation, impairments and early redemption of loans.

Our adjusted operating profit, adjusted for currency effects and one-off effects related to the IPO, increased by 9.5% to SEK 392 (358) million.

Total net interest income increased by 18.7% to SEK 927 (781) million. The increase is partially due to growth in the loan portfolio and new loans having a higher margin. The net interest margin increased by 0.4 percentage points to 8.9% (8.5%).

The net profit from financial transactions totalled SEK -55 (7) million. The difference of SEK 62 million compared with 2014 is principally due to exchange rate effects on the open positions held to hedge the capital adequacy ratio. The capital adequacy ratio was protected through the open currency positions, leading to a corresponding effect on the net profit from financial transactions.

Total operating income increased by 10.6% to SEK 888 (803) million, mainly driven by an increased loan portfolio and higher net interest margin. Currency movements affect earnings negatively.

The adjusted C/I ratio continued to fall and was 28.5% (29.4%).

General administrative expenses grew by 16.5% to SEK 261 (224) million, due to the increased volume of business.

Other operating expenses, mostly comprising marketing expenses, increased slightly by 1.6% to SEK 124 (122) million as a result of increased marketing efforts in the second half of the year. Market efficiency was good despite intensified marketing activities in the second half of the year. Nordax measures market efficiency in marketing costs in relation to new lending.

Credit losses were 1.5% (1.2%), which is well below the guideline of a level of 2% over an economic cycle.

The loan portfolio totalled SEK 55 (71) million. The effective rate of tax was 22% (22%).

Profit after tax decreased to SEK 195 (254) million. Profit after tax was negatively impacted by costs of the initial public offering of SEK 75 million and exchange rate effects of SEK -55 (-2) million.

Adjusted return on equity was 23.2% (25.6%). Adjusted return on average loans was 3.8% (3.9%).

Adjusted earnings per share increased by 9.5% to SEK 2.76 (2.52). The Board of Directors proposes to the Annual General Meeting a dividend of SEK 0.50 per share, equivalent to SEK 55.5 million in total.

OUR FINANCIAL TARGETS AND RESULTS 2015

3.0%

TARGET

Retain a yield above 3 percent on net average loans over a business cycle

3.8%

OUTCOME

40%

TARGET

40% dividend on the profit for the year after tax (from the second half of 2015)

44%

OUTCOME

(the Board of Directors' proposal to the 2016 Annual General Meeting)

12%, 14%, 1.5%

TARGET

Common Equity Tier 1 capital ratio above 12% and a total capital ratio above 14% and a buffer of at least 1.5 percentage points above the requirements for Common Equity Tier 1 capital ratio and total capital ratio.

12.6%, 14.6%, 4.1%

OUTCOME



# Funding and capital position

One of our strengths is our diversified funding. We fund ourselves through secured and unsecured bonds, bank warehouse funding facilities from international banks, deposits from the general public and equity. Our ability to grow our lending depends on access to funding, and the diversified funding base reduces our liquidity risk.

We offer our savings customers attractive, competitive interest rates. Deposits from the general public account for less than half of our total funding and supplement other sources of funding. Around 40% of deposits are normally held as a liquidity reserve. We set the interest rates on deposits according to our funding need of deposits.

In 2015, we issued Tier 2 capital of SEK 250 million and conducted an asset backed securities transaction of SEK 1.8 billion. The Tier 2 transaction made it possible for us to early redeem outstanding Tier 2 capital notes of SEK 200 million. The new subordinated bonds were targeted at Nordic institutional investors and strengthened the capital base, while interest expenses decreased. The asset backed securities transaction was our fifth, and also reduces the cost of funding. The transaction was targeted at international institutional investors and had a portfolio of our Swedish personal loans as collateral.

At year end our liquidity reserve was SEK 2,552 million. We have a conservative investment policy and only invest in securities and bank deposits with credit ratings between AAA and A. As a bank under the supervision of the Swedish Financial Supervisory Authority, Nordax is governed by requirements relating to capital adequacy. Under the Basel III requirements, Nordax must have adequate capital resources and fulfil specified capital ratio requirements at any given time. We also evaluate whether these standardised calculations under the regulations reflect the actual risks Nordax is exposed to. If this is not the case, further capital is reserved. We regularly conduct a capital evaluation process to evaluate the capital adequacy position

in relation to the business plan and different stress scenarios.

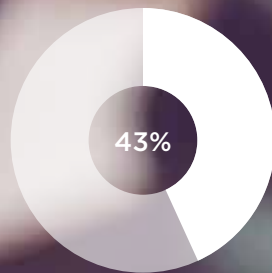
The total capital ratio at the end of the year was 14.6% (13.9%), which is above Nordax's capital requirement including buffer requirements of 12.5% (11.6%). Under Basel III, Nordax has a Pillar I requirement of 11.2% (10.5%) and a Pillar II requirement of 1.3% (1.1%). The total Common Equity Tier 1 capital ratio was 12.6% (12.4%). The requirement for total Common Equity Tier 1 capital including buffer requirements is 8.5% (7.7%). The countercyclical buffer was introduced in 2015 and Nordax requirements for buffer amounted to 0.72% at 31 December. The buffer was calculated as 1% of the relative exposure in Sweden and Norway. During the second quarter of 2016, the statutory rate will increase to 1.5% in Sweden and Norway. From March 2017, the statutory rate will be increased to 2% for Swedish exposures.

The funding interest Nordax pays on transaction and other funding are variable. The interest rates we charge to our loan customers are also variable. If our costs of funding rise or fall by more than 0.5 percentage points on the Norwegian and Swedish loan portfolios, we adjust the interest rates charged to loan customers. In other countries, the interest rate charged to loan customers is linked to a reference rate. When reference rates change, the change in interest rate is reflected in both assets and liabilities, leading to stable net interest margins. We set the interest rate on new loans based on various factors beyond cost of funding and reference rates, for example credit assessment of the customer and the size of the loan.

Our ability to adjust interest rates has made it possible to achieve stability in the net interest margin. Customers must, however, be informed in advance that the interest rate is to be adjusted, leading to differences in net interest margin in the short and medium terms. Net interest margin is also affected by arrangement fees and remuneration paid to credit intermediaries.

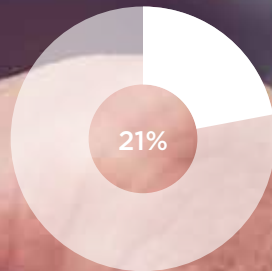


OUR FUNDING AND EQUITY IN MSEK



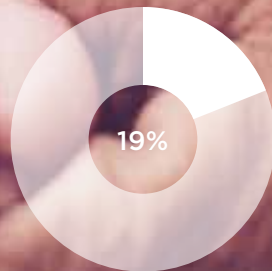
**5,991**

DEPOSITS  
(6 460)



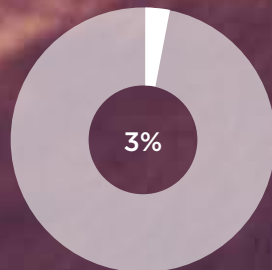
**2,891**

WAREHOUSE FUNDING FACILITIES  
(2 274)



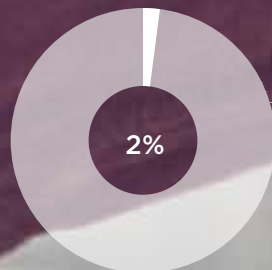
**2,763**

ASSET BACKED SECURITIES  
(3 110)



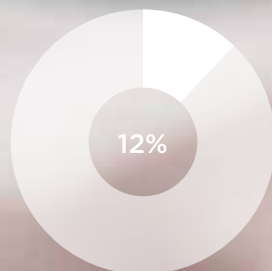
**453**

SENIOR UNSECURED BONDS  
(500)



**200**

SUBORDINATED DEBT  
(199)



**1,369**

EQUITY  
(1 233)



---

# Our customers

We have around 91,000 loan customers and 31,000 savings customers. We offer loans in Norway, Sweden, Finland and Germany. Savings accounts are offered in Norway, Sweden and Finland.

Our average loan customer is 49 years old, is a home-owner and has an annual income above the national average.

Our customers come to us when they need large loans with flexible terms. The average loan we grant is SEK 140,000, and the customer's average monthly payment is SEK 2,300. The average term is nine years, and an average of 25 percent of loans are paid off annually.

Half of our customers apply to us for loans because they wish to redeem other, more expensive loans, for example credit card debts. The other half apply for loans to invest in their property or for consumer spending. By borrowing, they can redistribute their disposable income across their lifetime.

In making credit assessments, we focus on what is best for the customer. We wish to ensure that anyone who receives a loan from us is able to afford the loan. We strive to a large extent to have phone contact with those who are granted a loan, and we contact customers who encounter problems with payment proactively in order to reach a joint solution.

Our savings customers are individuals wishing to put their savings or surplus cash into an account paying attractive interest.

The heart of our operation is our award-winning customer service, providing quick service to our customers in all the countries where we operate in their own language. 90 percent of customers who phone us are able to talk to our customer service within a minute. We make constant efforts to improve the experience for those customers who prefer our online services.



CUSTOMER QUOTES

“

**I received a very friendly response, and I am very pleased with the result of how I should handle my debt so I'm very happy. Thanks!**

“

**I talked to a customer service agent just a while ago, and I told him that I think you're really nice, and he was very pleased to hear!! And so we wished each other Happy New Year!**

”

**Very pleasant and correct personnel, 10 points out of 10! Or we say 5 in this case since this was your scale of 1-5, full marks! Thanks!**

”





# Marketing

We have developed an effective marketing model for each country we operate in. We market our loan products through various channels, principally targeted marketing but also repeat sales marketing to existing customers, credit intermediaries and online advertising.

Targeted marketing is our core competence. It consists of addressed direct mail, unaddressed direct mail and marketing through partners. When we send out our loan offers we target them at relevant customer segments. We have developed clearly defined criteria to ensure we reach groups that are financially stable. We can optimise both the level of response and the quality of loan applications using sophisticated data analysis.

The credit assessment process begins with designing the features of the loan product and the marketing campaigns, as this has a strong bearing on the credit risk in the loan portfolio. Our marketing team has great experience of credit risk management and works closely with the credit risk and credit assessment teams.

We have developed models for selecting potential loan customers by identifying similarities among those who have responded to previous marketing campaigns. The information needed for modelling is bought from external data suppliers. The level of information varies from country to country, as does legislation on data protection. The marketing strategies are therefore adapted to each country. Addressed direct mail is used in all markets, and unaddressed direct mail is also used in Norway, Finland and Germany. The marketing material is adapted to different groups, and varies in design.

The models are updated regularly, and new customer segments are added with attractive response and risk profiles. Age is one of the most important factors influencing turnover in our target groups. The average age of our customers at the time of loan application has typically been just under 50 since we started operating.

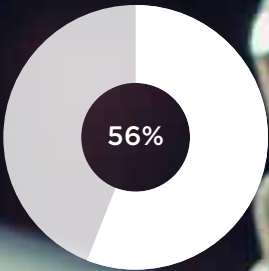
We cooperate with brokers on the Nordic market. When we make use of credit intermediaries, they carry out a first review of the loan applications. When the applications reach us, they undergo our usual credit assessment process.

We have also used online marketing in Norway and are reviewing the possibility of making use of more digital channels in the future.

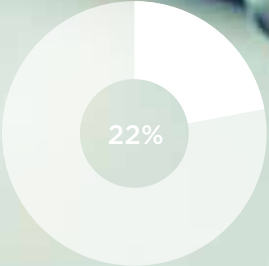
Nordax also offers payment protection insurance (PPI) policies. These are sold through independent insurance brokers and internal telemarketing. If the customer runs into problems, for example as a result of illness, PPI can be of great benefit as it covers both regular interest and repayments of principal. The insurance also helps reduce the risk of credit losses.

The deposit accounts are marketed through websites that compare the terms for different deposit accounts. We also offer deposits accounts through Avanza.

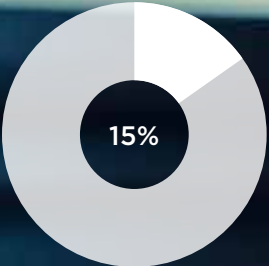
SHARE OF SALES THROUGH DIFFERENT CHANNELS



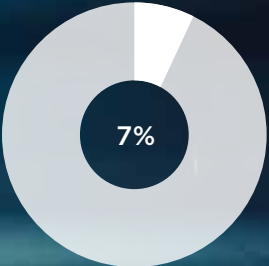
DIRECT MARKETING



REPEAT SALES



BROKERS



ADVERTISING ON-LINE



---

# Our markets

The markets we operate on have important common features. These are:

## **Stable macroeconomic prospects in the longer term**

In the short term we see mixed macroeconomic prospects in our markets. In Sweden and Germany, the macroeconomic trend is also more positive in the short-term, while the short-term picture is slightly worse for Norway and Finland. Continued stable growth in household consumption is leading to an increase in demand for personal loans. For Nordax, even slower macroeconomic growth means an opportunity for increased business, as a large proportion of the loans granted are used to consolidate other, existing loans.

## **Stable public finances and well developed social security systems**

Public finances on our markets are stable, and central government debt is at a relatively low level. The countries also have high credit ratings. In addition, there are well developed social insurance systems with high unemployment insurance and social support from central government.

## **A historically proven propensity to repay debts**

We consider there to be a historically proven propensity to pay one's debts on the markets where we operate. Willingness to pay off loans, combined with stable economies, has led to a low proportion of overdue loans.

## **Access to personal data**

There is a high level of access to personal data on the markets where we operate, with regard to both quantity and relevance of data. The systems facilitate easy access to public information about potential borrowers, for example income, credit history and information about bad debts.

## **Effective systems for legal debt collection**

There are effective systems for legal debt collection on our markets. This simplifies collection and contributes to the level of collection if loans become overdue. The principal method of legal debt collection is attachment of earnings, which is dealt with by the authorities.



LOAN AND DEPOSIT PORTFOLIOS IN MSEK

SWEDEN

NORWAY

FINLAND

GERMANY



4,025

4,125

1,964

548

LOAN PORTFOLIO  
DIVIDED BY  
32,921 LOANS

LOAN PORTFOLIO  
DIVIDED BY  
28,838 LOANS

LOAN PORTFOLIO  
DIVIDED BY  
20,622 LOANS

LOAN PORTFOLIO  
DIVIDED BY  
5,032 LOANS



3,676

1,931

689

DEPOSIT PORTFOLIO  
DIVIDED BY  
20,505 ACCOUNTS

DEPOSIT PORTFOLIO  
DIVIDED BY  
7,798 ACCOUNTS

DEPOSIT PORTFOLIO  
DIVIDED BY  
2,479 ACCOUNTS



---

# Sweden

It was in Sweden that we started our lending operation in 2004. Four years later we welcomed our first savings customers in Sweden.

In the beginning of 2015 growth was slower, but after, but after the summer we stepped up our marketing in Sweden, leading to record lending in the last quarter of the year and a growth rate for the year of 3.7%.

77% of our customers in Sweden are over the age of 40. Our average customer has a monthly income of SEK 30,000, which is above the national average of SEK 27,000. Customers who have a co-applicant have an average joint income of SEK 48,000.

There is intense competition on the Swedish market. Our competitive advantage is that we are able to offer larger loans with long and flexible loan terms. In November we reinforced our market position by raising the maximum loan amount of loan to SEK 500,000. The maximum length of repayment term is 15 years.

Operating profit was lower in 2014 due to increased marketing activities during the second half of the year and higher net loan losses due to the growth of the portfolio.

**77%**

**OF OUR CUSTOMERS ARE OVER 40 YEARS**

**30,000 SEK**

**NORDAX AVERAGE CUSTOMER MONTHLY INCOME**

**60%**

**OF OUR CUSTOMERS OWN THEIR HOMES**



**1,280**

NEW LENDING VOLUMES, MSEK  
(1,317)

**88,909**

NUMBER OF LOAN APPLICATIONS  
(66,265)

**26,797**

NUMBER OF GRANTED LOANS  
(22,286)

**7.9%**

NET INTEREST MARGIN  
(7.8%)

**1.0%**

NET CREDIT LOSS LEVEL  
(0.8%)





---

# Norway

Norway was the second market where we established a presence after Sweden. We started our lending operation in Norway in 2005 and began offering savings accounts in 2009.

2015 was a strong year for us in Norway, and new lending reached an all-time high of SEK 1.7 billion. We increased our new lending both through our own marketing channels and through loan intermediaries.

Growth during the year was 14.7% excluding currency effects.

We increased the maximum loan amount of loan to NOK 500,000 in November. The maximum length of repayment term is 15 years.

69% of our customers in Norway are over the age of 40. Our average customer has a monthly income of SEK 39,000, which is slightly lower than the national average of NOK 43,000. Most customers have a co-applicant, and the average joint income is NOK 65,000.

The Norwegian economy has been hit by the low price of oil, but the unemployment rate, for example, has previously been very low. Nordax customers are spread across the country. We are monitoring macroeconomic development in Norway closely and see great opportunities in the country in the longer term.

Operating profit was adversely affected by the weakening of the Norwegian krone during the year. Portfolio growth and higher net interest margin made a positive contribution.

# 69%


OF OUR CUSTOMERS ARE OVER 40 YEARS

# 39,000 NOK

NORDAX AVERAGE CUSTOMER MONTHLY INCOME

# 82%

OF OUR CUSTOMERS OWN THEIR HOMES



**1,720**

NEW LENDING VOLUMES, MSEK  
(1,605)

**85,984**

NUMBER OF LOAN APPLICATIONS  
(48,052)

**22,237**

NUMBER OF GRANTED LOANS  
(13,849)

**9.3%**

NET INTEREST MARGIN  
(8.8%)

**1.7%**

NET CREDIT LOSS LEVEL  
(1.4%)



---

# Finland

We started our lending operation in Finland in 2007 and began offering savings accounts in 2011.

2015 was a strong year for our new lending in Finland. Net lending was at an all-time high of SEK 702 million. One reason for the increase in new lending was that in June we increased the maximum loan amount of loan to EUR 40,000, with a maximum term of 15 years.

Growth during the year was 21.2% excluding currency effects

86% of our customers in Finland are over the age of 40. Our average customer has a monthly income of EUR 3,600, which is slightly lower than national average of EUR 3,300. Customers who have a co-applicant have an average joint income of EUR 5,600.

Finland has developed stably over the years, and we consider ourselves to hold a strong market position with our offering.

Operating profit developed strong mainly due to the portfolio growth.

# 86%

OF OUR CUSTOMERS ARE OVER 40 YEARS

# 3,600 EUR

NORDAX AVERAGE CUSTOMER MONTHLY INCOME

# 90%

OF OUR CUSTOMERS OWN THEIR HOMES



**702**

NEW LENDING VOLUMES, MSEK  
(677)

**76,384**

NUMBER OF LOAN APPLICATIONS  
(59,437)

**10,935**

NUMBER OF GRANTED LOANS  
(11,100)

**10.9%**

NET INTEREST MARGIN  
(10.4%)

**1.5%**

NET CREDIT LOSS LEVEL  
(1.2%)



# Germany

In 2012, we decided to establish a presence on the German market. Germany has a population of around 81 million, and the personal loan market of EUR 162 billion in 2014 is more than five times as large as the combined personal loan markets in Norway and Sweden. There is access to relevant information in Germany that we can use to model our targeted marketing. In addition, there is extensive information we can use in credit assessments.

We have grown in a stable and controlled manner in Germany. We are systematically building up our knowledge of the German market and of consumer behaviour. Our competitive advantage in Germany is that we offer variable and flexible loan terms.

Growth during the year was 91.9%, excluding currency effects, total loans amounted to MSEK 548.

In June, we raised the maximum loan amount to EUR 40,000 and the longest repayment period to 15 years.

We are particularly conservative with regard to provisions for bad debts in Germany as it is a new market for us.

During the second half of the year, we received positive signals regarding debt recovery in Germany. This is the last part of our business model that remains to be tested in Germany.

82% of our customers in Germany are over 40 years. Our average customers income is at 2,400 EUR per month, which is below the national average 3,100 EUR. Most of the customers have a co-applicant and their joint income is on average at 3,500 EUR per month.

As planned, operating profit was negative, due to the fact that Germany is a market we are investing in. The loss is due to marketing expenses and conservative provisions.

## 82%

OF OUR CUSTOMERS ARE OVER 40 YEARS

## 2,400 EUR

NORDAX AVERAGE CUSTOMER MONTHLY INCOME

## 47%

OF OUR CUSTOMERS OWN THEIR HOMES



368

NEW LENDING VOLUMES, MSEK  
(244)

27,393

NUMBER OF LOAN APPLICATIONS  
(12,851)

8,056

NUMBER OF GRANTED LOANS  
(4,765)

7.6%

NET INTEREST MARGIN  
(6.8%)

3.6%

NET CREDIT LOSS LEVEL  
(2.2%)





# Our employees and organisation

## Under one roof

All our staff work from our premises in Stockholm. This means that we can respond quickly and are efficient in carrying out various projects and implementing new processes. A condition that needs to be met for us to be able to conduct our operation under one roof is that the staff who assist our customers speak at least two languages. They have to do this in order to be able to meet the needs in the countries where we operate. This too is a strategic advantage, making it possible for us to optimise our resources in relation to needs

## Working environment

Improving and developing our working environment is a natural element in the company's development. Nordax makes active efforts to reduce ill-health and prevent sick leave through regular follow-up of sickness absence statistics, cooperation with the company health service, training programmes relating to stress and work-life balance and other external advice.

As well as our working environment, Nordax nurtures gender equality and respect. Of our employees, 64 percent are women and 36 percent are men. In April 2016, 57 percent of the Senior Management Team were women and 43 percent were men. Despite the Discrimination Act only requiring a pay survey every three years, Nordax conducts pay surveys annually, at its own initiative, to ensure equal pay. The outcome for 2015 shows that there are no differences in pay between men and women performing equivalent work. We are anxious not to change this.

## Hands-on leadership

Leadership for us is a matter of taking responsibility for the business and driving the operation forward through the ability to manage and develop others. At Nordax we cherish hands-on leadership where the managers sit together with their staff in an open-plan office to make daily and individual coaching possible.

As Nordax has grown quickly over the years leadership in the organization is continuously strengthened. Part of this has been that during the year we started to use 360-degree evaluations an online feedback tool that gives leaders opportunities to identify strengths and development. The overall picture is obtained by involving feedback from many different sources. This initiative has proved very useful and is greatly appreciated among those who have taken part, and we will be offering this tool to more staff.

# 217

## PERMANENTLY EMPLOYED STAFF

Year-end

### Stars

Twice a year we celebrate employees who have distinguished themselves for their efforts. The following received an award in 2015;

### Leader of the year

Rose Lindell

### Rookie of the year

Maija Puolakanaho

### Great achievement award

Marianne Nilsen, Ulrika Bjurman, Elin Nestor and IT infrastructure department

42 RECRUITMENTS IN 2015  
17 new and 25 replacement recruitments

Andreas, Elisabeth,  
Jasper, Fredrik,  
Jonas, Anneli, Peter,  
Sabrina, Chantal,  
Daniel, Patrik, Maija,  
Björn, Annica, Gabriel,  
Sabine, Elin, Sebastian,  
Jonatan, Annette, Marita,  
Sebastian, Conny, Filip,  
Kachnic, Johanna, Klara,  
Dyar, Gabrielle, Ellen,  
Merle, Rafael, Claudia,  
Jenni, Ilkay, Marie-Cecilie,  
Violeta, Susanna, Martin,  
Samer





# Nordax in society

## **Sustainability and corporate social responsibility**

Sustainability and corporate social responsibility are of key importance to us. Long-term profitability is dependent on the wider community having confidence in Nordax.

We have many stakeholders who affect us and who are affected by us. These stakeholders include customers, shareholders, employees and our credit providers, as well as authorities and regulators.

To ensure long-term trust in Nordax, we have identified the most important issues that have an impact on our competitiveness and stakeholders' confidence in Nordax. We have performed this materiality analysis this year on the basis of an internal focus.

Our most important issues are (in no particular order): employee well-being, responsible lending, financial results, indirect financial impact, customer privacy and data security, customer satisfaction, environmental impact and compliance.

## **Employee well-being**

Nordax offers financial services, and skilled and highly motivated employees are our most important asset. A good culture in which our employees are allowed to develop is essential in enabling us to attract and retain the skills we need. We therefore attach great importance to the ability of our managers to coach our employees on a daily and individual basis.


As a result of broad skills and a high level of personal responsibility among our employees, a corporate culture based on participation and decisiveness has emerged. An unfettered atmosphere, short decision paths and a working environment notable for cooperation, job satisfaction and commitment foster motivation.

We operate in an environment in which stress-related illnesses occur, and we therefore focus on health and work-life balance. Stress-related issues feature heavily in our staff surveys. Our senior managers also work together with their groups to minimise unnecessary work tasks and to get rid of inefficiencies. We make active efforts to reduce ill-health and prevent sick leave through regular follow-up of sickness absence, cooperation with the company health service, training programmes relating to stress and work-life balance and other external advice.

## **Responsible lending**

It is very important to lend responsibly. We therefore target our marketing at financially stable individuals and put great effort into accurate credit assessments. Society too has an important role to play by establishing regulations and creating the necessary basis for market scrutiny. We have pursued the issue of a national debt register in Norway as part of our efforts to create a better basis for responsible lending.





Long-term  
profitability is  
dependent on the  
wider community  
having confidence  
in Nordax

Our credit assessment processes begins with our marketing. We largely use addressed and unaddressed direct mail in our marketing . We find groups of potential customers who are financially stable through advanced data-based models.

When we receive a loan application, we undertake careful credit assessment. Credit assessment consists of four steps that are partly automated. We have detailed requirement levels and rules to ensure that customers to whom we grant loans have the financial capacity to cope with the loan. Read more about our credit assessment process on page 14-15.

We have made credit assessments regarding a million loan applications since Nordax was established in 2003. Just under 30 percent of applications have been accepted.

We have a policy of tackling past-due payments early on. We have a special group that makes early contact with customers to remind them that payment is late, so that a joint solution can be found and, if possible, advice and support can be provided. The group is sometimes able to offer simpler actions such as extending the term of the loan and waiving penalty charges. We also have a collection group that deals with missing payments on loans at a later stage. When the payments on a loan are around 90 days past due, we hand the case over to a debt collection agency.

We are constantly developing our capacity to carry out credit assessment and to understand factors that affect the ability of both potential and existing customers to pay.

#### **Financial results**

Nordax creates direct and indirect financial value for its stakeholders. Our shareholders and credit providers require sustainable long-term profitability to continue to fund our operation. We create jobs both directly and indirectly and also generate tax revenue. Read more about our financial targets and results on pages 16-17.

#### **Indirect financial impact**

Personal loans are intended to bridge the gap between income and expenditure. Our target group consists of individuals with stable finances aged between 40 and 60. Many people in this target group have a family, have moved to a larger home so that they have space for their children and are in a phase of life in which expenditure often exceeds income. Our loan products make it possible for customers to overcome this imbalance. Over the course of time, the balance between income and expenditure normally improves when the household income increases, the children move away from home and costs decreases. The household's savings and capacity to repay loans may potentially also increase as a result of inheritance.

Our loan products make it possible for customers to consume today instead of tomorrow, which has a significant impact on turnover in the national economy. Our loan products enable our customers to reallocate their lifetime income.

Around half of our loan customers use loans granted by us to consolidate other loans at higher interest rates, for example credit card debts.

We offer our savings customers attractive interest rates, which gives them opportunities for investments and consumer spending that have a positive impact on the national economy. Our funders obtain a return on their lending, which means that they are also able to fund other activities and stimulate economic growth.

#### **Customer privacy and data security**

Our customers need to feel secure with us and know that information about them is treated confidentially. High data security and good internal procedures are important and are followed up regularly.

### **Customer satisfaction**

Satisfied customers are essential for long-term profitability. Customer service and high availability are priorities for both loan customers and savings customers. We aim to create a good customer experience and high personal service. We are pleased that more than 90 percent of our customers who phone are able to talk to customer service within one minute.

Our loan customers also need to feel that they can take their loan decisions calmly. We often contact our customers by phone before a loan is granted. This gives the customers an opportunity to ask us questions. We contact customers who are late in making payments at an early stage by phoning them, to help them avoid additional costs and to ensure the payment.

We have loan customers in Norway, Sweden, Finland, Germany and Denmark. We also have savings customers in Norway, Sweden and Finland. All the languages of these countries are spoken in our customer service unit in Stockholm, so that our customers always deal with a person who speaks the local language.

We focused on improving our online services in 2015. E-signatures were introduced in Norway and Sweden during the year. The websites have also been improved, with new navigation and with more functionalities available online.

### **Environmental impact**

Our operation does not have any significant direct environmental impact. The clearest environmental impact comes from our distribution of direct mail to potential customers. A strength of our business model with regard to environmental impact is that we have a single office location, leading to reduced travel. Many of our customer contacts also take place by phone or e-mail, which means that our customers do not have to travel to us to conduct their banking business. Environmental and climate change issues are important to us, and we wish to assist towards enabling the UN's global climate targets to be met. We will therefore be conducting an analysis in 2016 of ways in which we can contribute to lowering our own carbon dioxide emissions.

### **Compliance**

It is a matter of course for us to comply fully with legal and regulatory requirements. This issue is at the top of the Board's agenda. Fulfilling regulatory and other requirements requires substantial internal and external resources. These are costs that we do not downgrade in terms of priority. We have increased the internal resources in the compliance units in recent years. This is a way of ensuring that we are always at the forefront in ability to respect both internal and external rules. The expansion of resources and investments in skills are also intended to ensure that we can manage our expanding business well. With the experience and expertise we have in our niche, we like to take an active role and assist in developing future rules and banking systems in the countries in which we operate.

Evidence of our ability to comply with regulations is the fact that we received a bank licence in 2014.

Read more about how we deal with risks and internal control on pages 40-41.

### **Our next step**

We will continue our dialogue with stakeholders in 2016. We are in dialogue with our customers every day, and a systematic customer satisfaction survey is due to be carried out in 2016. We conduct a dialogue with the employees in staff interviews and internal surveys. We regularly meet shareholders and credit providers, as well as authorities and regulators and suppliers and business partners, and listen to their opinions. Dialogues with stakeholders will be used to validate the materiality analysis and determine the priority sustainability issues. These issues will be linked to sustainability targets in 2016. The targets will then be broken down into activities with designated project owners and timetables. Our aim is to issue a Sustainability Report in 2016 in accordance with the Global Reporting Initiative (GRI) guidelines.





---

# Risk management

Nordax was established by risk managers, and risk assessment is part of our DNA. We have a strong risk culture focused on controlling risks in all aspects of the operation, where the most important external risks relate to credit, liquidity and compliance. We take a conservative view of risk, and have a consistently low risk appetite. The company has been regulated by the Swedish Financial Supervisory Authority since 2004. High quality is maintained in our risk management, governance and compliance processes. We have developed a stable framework for governance and risk management based on three lines of defence.

#### **Three lines of defence model**

The three lines of defence are aimed at ensuring that Nordax does not have any shortcomings in its risk management and compliance with laws, regulations and internal governing documents.

The company's overall risk and capital policy is established by the Board of Directors. There are also separate policies for the management of credit risk, market risk and operational risks. There are restrictions on the maximum risk exposure, based on low risk tolerance.

The most important risks to which Nordax is exposed are:

#### **Credit quality and credit risk management**

We manage this by offering loans only to customers deemed to have high creditworthiness and to pose a low risk.

#### **Global factors**

In 2015, the focus was on political and economic turmoil around the world, sharply declining energy prices and the indebtedness of Swedish households. We did not see any noticeable

impact on our credit quality during the year, and the customers are deemed to have a good ability to withstand any downturns in the economy.

#### **Liquidity and market risk (interest rate, price and currency risks)**

The liquidity risk is managed through a well-balanced combination of assets and liabilities and distribution of maturities and currencies, and we have a conservatively invested liquidity reserve. We limit the interest rate risk by matching the interest fixing periods for assets and liabilities. The price risk is limited by investing only in stable counterparties with strong credit rating and for relatively short maturities. The impact of changes in foreign exchange rates is limited by matching assets and liabilities in the same currency. The company maintains open currency positions in order to protect its capital adequacy ratio against changes in foreign exchange rates. The open currency positions offset the effects of changes in exchange rates in the statement of financial position by the corresponding effect that the changes in exchange rates have on the income statement.

#### **Operational risks**

To minimise operational risks, we have various tools intended to identify, measure, report and follow up continuously the risks that arise or may arise in the operation.

#### **Capital and capital adequacy**

We perform stress tests through an ongoing capital evaluation process to ensure that the company sets aside sufficient capital for unexpected events due to risk exposures. In addition to these reserves, we have capital buffers pursuant to the Basel III regulatory framework.

## THREE LINES OF DEFENCE MODEL

1

2

3

### BUSINESS OPERATIONS

The business units and support functions are fully responsible for risks arising in operation. The units/functions are responsible for developing effective controls in the company's business processes and monitoring these controls.

### INDEPENDENT CONTROL

There are internal functions for risk control and compliance independent of the business operation. These are responsible for monitoring and checking that the business operation manages all risks that may arise.

### INTERNAL AUDIT

Internal audit is an independent review function reporting directly to the Board of Directors. The Internal Audit Function reviews both the first and second lines of defence and is tasked with improving the company's risk management, governance and internal control by identifying any deficiencies.



---

# Nordax shares

Nordax was listed on the Main Market of Nasdaq Stockholm on 17 June. The offer price was SEK 45.00. The share price at the end of the year was SEK 51.00, and Nordax's share price at that time had risen by 13.3% since the initial public offering. The Nasdaq Stockholm bank index fell by 14.8% over the same period. Nordax shares are traded under the ticker NDX.

#### **The initial public offering**

Nordax announced its intention to apply for listing on the main list of Nasdaq Stockholm on 26 May. Selling shareholders ahead of the initial public offering were the funds Vision Capital Partners VII A LP and Vision Capital Partners VII LP and individuals in the company's management. The funds together owned 75.6% and individuals in the company's management the remaining 24.4%.

Swedbank Robur Fonder was what is known as an anchor investor and, on the same terms as the other investors, purchased 10.5 million shares, equivalent to 9.5% of the shares.

#### **Share price movement and liquidity**

At the turn of the year, the market value of Nordax was SEK 5.66 billion. During the year the highest price paid was SEK 52.00. The lowest price paid was SEK 35.90. The average number of shares traded daily on Nasdaq Stockholm was 426,000.

#### **Share capital**

Nordax's share capital totals SEK 111 million, divided into 110.9 million shares.

#### **Dividend policy**

The Board of Directors has adopted a dividend policy under which approximately 40% of the profit for the year is to be distributed. The dividend target is based on the existing requirements relating to regulatory capital. The dividend for 2015 is based on profit during the second half of the year.

#### **Institutions observing Nordax**

ABG Sundal Collier, Carnegie, Citi Group, Morgan Stanley, Nordea, Pareto Securities.



## SHARE PRICE COMPARED WITH NASDAQ STOCKHOLM



### NORDAX'S 15 LARGEST SHAREHOLDERS\*

31 December 2015	Proportion of votes and capital, %
Vision Capital Partners	36.1
Swedbank Robur Fonder	9.5
Carnegie Fonder	7.2
Handelsbanken Fonder	4.4
Allianz Global Investors Europe	3.4
Nordea Fonder	2.7
Morten Falch	2.4
Andra AP-fonden	2.1
Per Bodlund	1.7
Mats Lagerqvist	1.7
Olle Nordlöf	1.7
SEB Investment Management	1.5
JP Morgan Bank Luxembourg	1.4
JP Morgan Chase	1.2
Norges Bank	1.2

### OWNERSHIP STRUCTURE\*

31 December 2015	Number of shareholders	Proportion of votes and capital, %
1-500	1,903	0.30
501-1,000	503	0.38
1,001 - 5,000	522	1.11
5,001 - 10,000	69	0.47
10,001 - 15,000	31	0.35
15,001 - 20,000	21	0.32
20,001 -	133	97.07
Total	3 182	100.0

### SHAREHOLDERS PER CATEGORY, %\*

31 December 2015	Proportion of votes and capital, %
Non-Swedish shareholders	51.9
Swedish shareholders	38.1
Legal entities	25.5
Private individuals	12.5

### THE FIVE LARGEST COUNTRIES, %\*

31 December 2015	Proportion of votes and capital, %
United Kingdom	45.4
Sweden	40.2
United States	5.6
Germany	4.3
Finland	2.0

### DATA PER SHARE

	2015	2014
Net profit, SEK	1,76	2,29
Adjusted operating profit, SEK	2,76	2,52
Dividend for second half of year (proposed), SEK	0,50	-
Share price at end of year, SEK	51,00	-
Dividend in relation to profit after tax during second half of year, %	44	-
Yield (dividend in relation to share price), %	1,0	-
P/E ratio (share price in relation to adjusted operating profit), %	18	-
Number of outstanding shares at end of year, millions	110,9	110,9

\* Source Euroclear





Nordax Bank

2015

BOARD OF DIRECTORS' REPORT

Nordax Group AB (publ)



# Major events during the year

- New lending at all-time high of SEK 4.1 (3.8) billion
- Loan portfolio of SEK 10.8 (10.0) billion
- Number of loan customers rose by 8%
- Net interest margin increased to 8.9% (8.5%)
- The C/I-ratio amounted to 28.5% (29.4%).
- Adjusted operating profit increased by 9.5% to SEK 392 (358) million
- Proposed dividend of SEK 0.50 per share (relating to second half of year only)
- Two new funding transactions
- Expanded customer offerings – new borrowing limits of SEK/NOK 500,000 in Norway and Sweden and EUR 40,000 in Finland and Germany
- Broadening of the Board of Directors
- Shares listed on the Main Market of Nasdaq Stockholm

## Contents

Nature and direction of the operation	47
Significant events since inception in 2003	48
Business development 2015	48
Financial results in 2015	49
Key ratios	50
Segments	51
Seasonal variations	53
Changes in exchange rates	53
Funding and financial position	54
Risk exposure and capital ratios according to Basel III	55
Proposed dividend	55
Financial targets 2016	55
Employees	56
Group structure and owners	56
Market and competitors	57
Significant events after the end of the reporting period	57

# The nature and direction of the operation

Nordax is a leading niche bank with operations in Norway, Sweden, Finland, Germany and Denmark, offering personal loans and savings products. The Bank currently has 91,000 loan customers and 31,000 savings customers.

Nordax offers large personal loans to individuals who, based on the absence of historical losses, are deemed to pose a low risk and have high creditworthiness. The loan customers are typically middle-aged professionals with incomes above the national average for household incomes. They are also close to or above the national averages for home ownership and do not have any record of non-payment. Nordax also offers savings products covered by the state deposit insurance scheme.

Nordax aims for controlled growth of the loan portfolio, retaining a focus on the creditworthiness of loan customers. The risk assessment process at Nordax begins with designing the features of the loan product and the marketing campaigns, as this has a strong bearing on the final credit risk in the loan portfolio. Targeted marketing is one of Nordax's core areas of expertise, and covers the company's most important marketing channels such as addressed direct mail, unaddressed direct mail and marketing through partners. By using sophisticated statistical methods, Nordax is able to target attractive customer segments by excluding from its marketing those segments that are unlikely to apply or qualify for a loan. This leads to greater effectiveness in marketing and a higher proportion of approved loan applications. Targeted marketing accounted for 56% of Nordax's new lending in 2015. Nordax's marketing channels also cover sale to existing customers and marketing channels that are not targeted, including credit intermediaries and online channels. In 2015, 15% of granted loans came through credit intermediaries and 7% through online applications.

Before a loan is approved, Nordax conducts a thorough credit assessment of each loan application in accordance with credit policies and applicable laws and regulations. The credit assessment process comprises a combination of policy rules, referral rules, internal credit rating models and a calculation of affordability. The maximum amount of loan offered to a customer is calculated using a credit limit matrix based on the customer's creditworthiness.

The age of the loan portfolio affects Nordax's credit losses. All customers generally pay for the first six months after the loan has been granted. The first credit losses start to appear after six months, and credit losses reach their maximum level 18-36 months after granting. As a consequence, there is a tendency for the level of credit losses to be lower during periods when Nordax has high growth and therefore a large proportion of recently granted loans. As soon as a loan falls in arrears, Nordax makes a provision based on a dynamic country-specific model founded on empirical experience. When the loan is more than 180 days past due, Nordax writes down the carrying amount of the loan to the recoverable value, which consists of an estimated future cash flow, discounted by the effective interest rate on the loan at the time of impairment.

Payments received on loans that are more than 180 days past due are included in the calculation of Nordax's net credit losses and therefore affect Nordax's profit. Nordax has benefited from effective debt collection systems and has obtained significant recoveries on loans that have been more than 180 days past due.

Nordax's processes are based on effective data management, statistical analysis, a "test and learn" method and quantitative decision-making. This approach is applied throughout the operation, for example in marketing, credit risk assessment, collection and financing. Nordax's decision analysis and quantitative modelling are notable for strong analytical know-how, which contributes to effective marketing and higher credit quality.

The bank conducts its operation from one single office site in Stockholm where all the employees and functions are located. This makes it possible to expand the operation in a cost-effective way and promotes exchange of information between Nordax's various functions and markets. The centralised corporate governance and risk management, as well as the centralised control functions, mean that Nordax is able to monitor internal governance and control in a close and effective manner. This also makes it easier to allocate resources.

Nordax's diversified funding consists of asset backed securities, funding from international banks, deposits from the general public, senior unsecured bonds, equity and subordinated liabilities. Nordax's asset backed securities transactions require accessible and detailed information about the loans in the loan portfolio and good development of the loans. The diversified funding reduces Nordax's liquidity risk and means that Nordax is able to create a larger and more optimised funding mix over time.

The interest rates charged by Nordax to its customers are variable. The customer margin in Norway and Sweden is related to the cost of funding, and interest rates paid by loan customers are adjusted when the cost of funding changes. Nordax has made a policy decision only to adjust levels of interest on the Norwegian and Swedish loan portfolios if Nordax's funding costs increase or decrease by more than 50 basis points. In Finland, Germany and Denmark, Nordax is not allowed to relate the customer margin to the cost of funding, and the interest charged by Nordax is therefore linked instead to a reference interest rate, which is Euribor and CIBOR. When benchmark rates change, the change in interest rate is reflected in both assets and liabilities, leading to stable net interest margins. Nordax sets the interest rate on new loans based on various factors beyond cost of funding and benchmark rates, for example credit rating of the customer and the size of the loan. The ability to adjust interest rates makes it possible to achieve low volatility in the net interest margin.

# Significant events since 2003

Nordax was founded in 2003 by credit managers.

In 2004, Nordax started offering loans to private individuals in Sweden under the supervision of the Swedish Financial Supervisory Authority.

The loan operation was expanded to Norway in 2007, and the operation in Finland started in 2007. Savings accounts targeted at private customers were introduced in Sweden in 2008, in Norway in 2009 and in Finland in 2011.

Nordax launched its operation in Denmark in 2006. As there was no possibility of effective collection of loans past due, Nordax decided not to resume its new lending operation in Denmark after the global financial crisis of 2008. The Danish loan portfolio is being amortised according to plan.

In 2006, Nordax issued its first asset backed securities, denominated in EUR and listed on the Irish Stock Exchange (ISE).

In 2011, the asset backed securities from 2006 were redeemed early at the first possible early redemption date. In the same year, asset backed securities were issued in NOK and SEK, also listed on the Irish Stock Exchange.

In 2012, Nordax made a decision to launch a loan operation in Germany. The German market has important features in common with the markets in Norway, Sweden and Finland: favourable macroeconomic prospects in the longer term, stable public finances and well developed social insurance systems, a strong built-in cultural propensity to pay debts, access to personal data and effective and objective legal collection systems.

In 2013, Nordax issued senior unsecured bonds denominated in SEK, which were listed on Nasdaq Stockholm.

In 2014, Nordax received a banking licence. In the same year, Nordax issued further asset backed securities denominated in NOK, which were listed on the Irish Stock Exchange.

In 2015, Nordax conducted its fifth asset backed securities transaction. They were denominated in SEK and were listed on the Irish Stock Exchange. The asset backed securities denominated in SEK from 2011 were also redeemed early. The company also issued a subordinated loan of SEK 250 million that made it possible to redeem a previous subordinated loan of SEK 200 million early. The new subordinated loan was targeted at Nordic institutional investors and strengthened the capital base, while interest expenses on the subordinated loan decreased. Nasdaq Stockholm decides to approve Nordax application for listing on the stock exchange.

# Business development in 2015

Nordax's strategy is to grow with existing products on the markets in Norway, Sweden, Finland and Germany. New lending grew on all markets in 2015. New lending reached record high levels in Norway and Finland, with good net interest margins. Sweden developed strongly during the second half of the year after Nordax had enhanced and expanded its marketing efforts. New lending also developed strongly in Germany, which is Nordax's newest market.

The borrowing limits in Norway and Sweden were raised to SEK 500,000 and in Finland and Germany to EUR 40,000 during the year. The maximum term of loan was also increased to 15 years in Finland and Germany. As a result, the maximum term of loan is the same in all the markets. The expanded customer offering improves the customer benefit offered by Nordax. The maximum loan amount are granted only to financially very strong customers.

The focus in 2015 was on enhancing the online services. Among other things, e-signatures on loan commitments were introduced in Norway and Sweden. The websites have also been improved with new and more flexible navigation, more documents available and new design. Ahead of the Nasdaq Stockholm listing, a website was established for the Group with company information relating to corporate governance, shareholder information about annual general meetings, etc. Nordax has endeavoured to create a good customer experience and a high level of personal service. More than 90 percent of customers who phone are able to talk to customer service within one minute.

Nordax's loan offering with variable interest rates and long terms of loan is also attractive on the German market. Nordax's marketing model and credit rating process have also proved effective in Germany. Nordax's business model in Germany is under construction, and the company needs more empirical observations of recovery volumes on problem loans. Running credit losses excluding recoveries in Germany to date have been at a level between the Nordax portfolios in Sweden and Finland.



# Financial results in 2015

Adjusted operating profit increased by 9.5% to SEK 392 (358) million.

Net interest increased by 18.7% to SEK 927 (781) million. The improvement is partly an effect of the growth in the loan portfolio and due to new loans having a higher net interest margin than the existing loan stock.

The net interest margin increased by 0.4 percentage points to 8.9% in comparison with the previous year.

Net profit on financial transactions was SEK -55 (7) million, a difference of SEK 62 million compared with 2014, mainly due to changes in exchange rates on open currency positions held to ensure a minimum level of capital adequacy ratio.

Total operating income increased by 10.6% to SEK 888 (803) million, mainly driven by the higher loan portfolio and higher net interest margin.

The adjusted C/I ratio continued to improve and was 28.5% (29.4%) due to continued internal focus on efficiency.

General administrative expenses increased by 16.5% to SEK 261 (224) million, driven by higher business activity.

Other operating expenses, mostly comprising marketing expenses, increased slightly by 1.6% to SEK 124 (122) million as a result of increased marketing activities in the third quarter. Market efficiency, measured as marketing expenses in relation to new lending, remained strong. Nordax's direct marketing expenses are directly recognised in profit for the year and account for approximately 60% of new lending. Costs of loan intermediaries, which account for approximately 15% of new lending, are recognised as an investment and written off over a period of around four years.

Net credit losses developed as expected and were 1.5% (1.2%). Nordax has a particularly conservative approach to credit provisions in Germany as this is a new market for Nordax. The level of provision for loans more than 180 days past due in Germany is 90%, compared with 63% in other countries. The reason for the conservative approach is that Nordax does not yet know to what extent the company will be able to recover non-performing loans in Germany.

Tax during the year totalled SEK 55 (71) million. The effective rate of tax was 22% (22%).

Net profit fell during the year to SEK 195 (254) million, negatively affected by the initial public offering expenses of SEK 75 million and exchange-rate effects of SEK -55 (-2) million.

Adjusted return on tangible equity (ROTE) was 23.2% (25.6%). Average return on average loans was 3.8% (3.9%).

Adjusted earnings per share increased by 9.5% to SEK 2.76 (2.52).

New lending in 2015 was higher than volumes in 2014, totalling SEK 4,111 (3,779) million in unchanged currencies.

The loan portfolio increased by 8.0% or SEK 799 million in 2015 to SEK 10,841 (10,042) million. Exclusive exchange-rate effects the portfolio increased by SEK 1,276, equivalent to 12.7%. Growth in the loan portfolio is affected by new lending, repayments, impairment and repayments in excess of plan.

The adjustments have been made to show the underlying results of operation, reflecting unchanged exchange rates and excluding non-recurring items principally related to the listing. A bridge between statutory and adjusted figures can be found on page 118.

# Key figures

	JAN-DEC 2015	JAN-DEC 2014
<b>Income statement</b>		
Adjusted total operating income, MSEK	943	805
Adjusted operating profit, MSEK	392	358
Total operating income, MSEK	888	803
Net interest margin, %	8.9	8.5
Profit before credit losses, MSEK	407	439
Operating profit, MSEK	250	325
Net profit, MSEK	195	254
Adjusted earnings per share, SEK	2.76	2.52
Earnings per share, SEK	1.76	2.29
<b>Balance sheet</b>		
Lending to the general public, MSEK	10,841	10,042
Deposits, MSEK	6,001	6,479
New lending volumes, MSEK	4,070	3,843
New lending volumes excluding FX effects, MSEK	4,111	3,779
<b>KPI</b>		
Common Equity Tier 1 capital ratio %	12.6	12.3
Total capital ratio %	14.6	13.9
Return on equity %	11.9	18.0
Net credit loss level (cost of risk) %	1.5	1.2
Net credit loss level %, 12m roll	1.5	1.2
Cost to income ratio %	54.2	45.3
Adjusted cost to income ratio %, 12m roll	28.5	29.4
Adjusted return on tangible equity %	23.2	25.6
Adjusted return on average net loans %, 12m roll	3.8	3.9
<b>Exchange rates</b>		
NOK Income statement (average)	1.05	1.05
NOK Balance sheet (at end of period)	0.96	1.05
EUR Income statement (average)	9.36	9.39
EUR Balance sheet (at end of period)	9.14	9.52
DKK Income statement (average)	1.25	1.26
DKK Balance sheet (at end of period)	1.22	1.28

# Segment

## SWEDEN

	JAN-DEC 2015	JAN-DEC 2014
Total net interest income, MSEK	312	289
Net interest margin %	7.9	7.8
Net credit losses, MSEK	-40	-31
Net credit loss level (cost of risk) %	1.0	0.8
Operating profit, MSEK	110	137
Lending, end of period, MSEK	4,025	3,880
New lending volumes, MSEK	1,280	1,317
Portfolio growth, MSEK	145	340
Growth %	3.7	9.6

Net lending at SEK 1,280 (1,317) million was slightly lower than in the previous year due to a weaker first half of the year. The rate of new lending increased after the marketing efforts for direct mail had been enhanced and intensified in the second half of the year. The loan portfolio was SEK 4,025 (3,880) million.

Net interest margin was stable during the year at 7.9% (7.8%). Net credit losses were 1.0% (0.8%). Operating profit was SEK 110 (137) million. The difference is due to increased marketing efforts and higher net credit losses in 2015, resulting from growth of the loan portfolio.

## NORWAY

	JAN-DEC 2015	JAN-DEC 2014
Total net interest income, MSEK	374	320
Net interest margin %	9.3	8.8
Net credit losses, MSEK	-70	-49
Net credit loss level (cost of risk) %	1.7	1.4
Operating profit, MSEK	144	140
Lending, end of period, MSEK	4,125	3,934
New lending volumes, MSEK	1,720	1,605
New lending volumes excluding FX effects, MSEK	1,746	1,559
Portfolio growth, MSEK	191	627
-of which FX effects, MSEK	-387	-57
Growth excluding FX effects, %	14.7	20.7

New lending of SEK 1,720 (1,605) million was at an all-time high. The loan portfolio was SEK 4,125 (3,934) million.

Net interest margin increased to 9.3% (8.8%), due to new loans carrying a higher interest rate than the existing loan stock.

The Norwegian economy has been hit by the low price of oil, but unemployment, for example, has previously been very low. Nordax is monitoring macroeconomic development in Norway closely and sees great opportunities in the country in the longer term.

Operating profit increased slightly in 2015 to SEK 144 (140) million, despite negative changes in exchange rates, due to positive effects of portfolio growth and higher net interest margin.



## FINLAND

	JAN-DEC 2015	JAN-DEC 2014
Total net interest income, MSEK	199	149
Net interest margin %	10.9	10.4
Net credit losses, MSEK	-27.0	-17
Net credit loss level (cost of risk) %	1.5	1.2
Operating profit, MSEK	106	86
Lending, end of period, MSEK	1,964	1,688
New lending volumes, MSEK	702	677
New lending volumes excluding FX effects, MSEK	714	662
Portfolio growth, MSEK	276	509
-of which FX effects, MSEK	-82	88
Growth excluding FX effects, %	21.2	35.7

New lending of SEK 702 (677) million was at an all-time high. The loan portfolio was SEK 1,964 (1,688) million.

Net operating margin increased to 10.9% (10.4%), due to new loans have better margins than the existing loan stock.

Net credit losses were 1.5% (1.2%). Operating profit increased by 23.3% to SEK 106 (86) million, positively affected by growth in the loan portfolio.

## GERMANY

	JAN-DEC 2015	JAN-DEC 2014
Total net interest income, MSEK	32	12
Net interest margin %	7.6	6.8
Net credit losses, MSEK	-15	-4
Net credit loss level (cost of risk) %	3.6	2.2
Operating profit, MSEK	-32	-29
Lending, end of period, MSEK	548	294
New lending volumes, MSEK	368	244
New lending volumes excluding FX effects, MSEK	371	241
Portfolio growth, MSEK	254	224
-of which FX effects, MSEK	-16	14
Growth excluding FX effects, %	91.9	400.0

New lending of SEK 368 (244) million was at an all-time high. The loan portfolio totalled SEK 548 (294) million.

Net interest margin increased to 7.6% (6.8%). Net interest margin in the last quarter of the year had risen to 9.2%.

Net credit losses were 3.6% (2.2%). Nordax has a conservative attitude to provisions as the company does

not yet know how volumes for recovery will develop. Nordax believes that provision levels will decrease when the company has seen a pattern of recoveries.

Operating profit was SEK -32 (-29) million, due to the German market still being in an investment phase. The loss is due to marketing expenses of SEK 27 million and Nordax's conservative policy for allocation of provisions.

## DENMARK

	JAN-DEC 2015	JAN-DEC 2014
Total net interest income, MSEK	10	11
Net interest margin %	4.7	4.1
Net credit losses, MSEK	-5	-13
Net credit loss level (cost of risk) %	2.4	4.8
Operating profit, MSEK	-1	-10
Lending, end of period, MSEK	179	246
New lending volumes, MSEK	-	-
New lending volumes excluding FX effects, MSEK	-	-
Portfolio growth, MSEK	-67	-51
-of which FX effects, MSEK	-9	16
Growth excluding FX effects, %	-23.7	-22.6

In 2008, a strategic decision was made to cease issuance of new loans in Denmark, and the Danish loan portfolio is therefore declining. The portfolio is being paid off according to plan.

## Seasonal variations

Nordax has historically experienced somewhat weaker new lending in January, June, July and December. These months contain many public holidays and/or periods when substantial holiday leave is taken, when there tend to be fewer loan applications. As these months are evenly distributed across the quarters, no clear quarterly-related seasonal variation occurs with regard to new lending.

Loan losses are generally higher in the first quarter. This is due to the generally higher proportion of loans

in claims during the autumn developed to credit losses the first quarter. In addition, provisions tend to be high in the beginning of the year when even January and February are relatively higher proportion of loans in requirements. These two factors contribute to the higher credit losses in the first quarter.

The most important component of the borrowing volumes is the interest rate offered by Nordax, which varies with the need for deposit volumes.

## Changes in exchange rates

Nordax's results are affected by changes in exchange rates between SEK, NOK, EUR and DKK. The exchange rates affect the conversion of receivables and liabilities to SEK. Nordax's policy is to limit the effects of fluctuations in exchange rates by matching assets and liabilities in the same currency. Nordax also uses derivative instruments to limit the effect. Nordax does not use derivative instruments to limit the effects of changes in exchange rates for future income or expenditure.

To ensure a capital adequacy ratio in line with the company's financial targets despite exchange-rate fluctuations, Nordax has open currency positions. As a result of the open currency positions, the effects of changes in exchange rates are offset in the statement of financial position by the corresponding effect that the changes in exchange rates have on Nordax's income statement. This effect is recognised in net profit from financial transactions.

### NORDAX'S EXCHANGE-RATE SENSITIVITY

Currency	Change	Impact on Nordax's operating profit
NOK	+/- 5%	+/- 19 MSEK
EUR	+/- 5%	+/- 11 MSEK
DKK	+/- 5%	+/- 1 MSEK

# Funding and financial position

One of Nordax's leading strengths is the Group's diversified funding. Nordax's long-term goal is to attain a high degree of matching of maturities between assets and liabilities, as well as matching of currency and interest rate fixing periods. The intention is to achieve diversified funding through asset backed securities, senior unsecured bonds, warehouse funding facilities provided by international banks, retail deposits from customers in Sweden, Norway and Finland and equity and subordinated debt. Nordax has not to date sold on its loan receivables.

Deposits are used to complement Nordax's other sources of funding. Nordax's policy is to maintain high liquidity. The liquidity reserve averaged SEK 2.8 billion during the year, which is equivalent to 25-30% of the loan portfolio. All Nordax's retail deposit products are covered by the Swedish state deposit insurance scheme up to an amount equivalent to EUR 100,000 per depositing individual. Nordax offers attractive, competitive levels of interest for deposits where levels of interest reflect the general interest-rate situation, as well as Nordax's assessment of the need for funding through deposits. Inflows and outflows of deposits from the general public are managed by adjusting the interest rates and by launching new deposit products. Nordax markets its savings products through online services that compare different saving offerings and through cooperation on deposits with Avanza.

At the end of the year, Nordax had a liquidity reserve of SEK 2,552 (3,246) million. Of these investments, 55% (51%) was in Nordic banks, 16% (19%) in Swedish covered bonds and 29% (30%) in Swedish municipal papers. All investments had a credit rating between AAA and A+, with an average of AA except for an exposure of SEK 27 million to Avanza Bank AB. The average term was 48 (68) days. All holdings are accessible, and all securities are repoable within Riksbanken (the Swedish central bank).

Lending to credit institutions, which is equivalent to the bank balances, decreased during the year by SEK 402 million to SEK 1,810 (2,212) million, of which SEK 597 (699) million consisted of pledged assets for the funding structure and the remainder was liquidity. Total assets at the end of the year stood at SEK 14,162 (14,190) million.

Nordax's nominal amounts of funding at the end of year was: SEK 2,763 (3,110) million in asset backed securities, SEK 453 (500) million in senior unsecured bonds, SEK 2,891 (2,274) million in warehouse funding facilities provided by international banks and SEK 5,991 (6,460) million in deposits from the general public.

On 12 March, Nordax issued ten year subordinated bonds of SEK 250 million at three-month Stibor +5.75%. The transaction made it possible for Nordax to redeem early existing senior unsecured debt of SEK 200 million early. The transaction encountered strong demand, principally among Nordic investors. The transaction strengthened, and reduced the cost, of Nordax capital base.

On 5 November, Nordax conducted an asset backed securities transaction of around SEK 1.8 billion. The

transaction was targeted at international institutional investors, and the collateral pool in the transaction is a portfolio of unsecured Swedish consumer loans issued by Nordax Bank AB (publ). This was Nordax's fifth asset backed securities transaction. The transaction strengthened Nordax's diversified funding and reduced the cost of funding.

Asset backed securities issued in 2011 were called on 15 December, at the first possible call date.

As a bank regulated by the Swedish Financial Supervisory Authority, Nordax is governed by extensive supervisory requirements relating to capital adequacy, including the Basel III regulatory framework implementing parts of CRD IV and the Capital Buffers Act (2014:966), as well as the Swedish Financial Supervisory Authority's Regulations on supervisory requirements and capital buffers (FFFS 2014:12). Under Basel III, Nordax must have adequate capital resources and fulfil specified capital ratio requirements at any given time. This requirement means that Nordax has to set aside sufficient capital to meet unexpected losses resulting from its investments. Capital requirements under Pillar I of Basel III are established by standardised calculations specified by the relevant rules. Nordax also evaluates whether these standardised calculations reflect the actual risks Nordax is exposed to. If this is not the case, further capital is reserved in accordance with Pillar II in Basel III. In addition Nordax must have capital buffers, where only common equity Tier 1 capital is taken into account. The capital buffers can vary depending on when, how and by whom they are applied. Nordax must have a capital conservation buffer of 2.5%, which is a permanent buffer required of regulated credit institutions. Since September 2015, Nordax also needs a countercyclical capital buffer of 0.72%. This buffer can vary from time to time with the aim of managing cyclical systemic risks and is calculated as a weighted average of the statutory level for each country's portfolio.

In response to the requirements under Pillar II, Nordax continuously carries out an internal credit assessment process that is formally documented at least once a year. The purpose of the process is to assess Nordax's capital adequacy position in relation to the business plan, including the levels of regulatory capital in various stress scenarios over the next three years. Nordax also has a capital planning buffer of 0.5%.

The total capital ratio at the end of the year was 14.6% (13.9%), which is above Nordax's capital requirement including buffer requirements of 12.5% (11.6%). Under Basel III, Nordax has a Pillar I requirement of 11.2% (10.5%) and a Pillar II requirement of 1.3% (1.1%).

The total Common Equity Tier 1 capital ratio was 12.6% (12.3%). The requirement for total Common Equity Tier 1 capital including buffer requirements is 8.5% (7.7%). The countercyclical buffer is calculated as a weighted average of the statutory level of each country's portfolio, and Nordax's requirement at 31 December 2015 was 0.72%. The countercyclical buffer is calculated 2016 as 1% of the relative exposure in Sweden and Norway and will be raised to 1.5% in the second quarter of 2016. The Swedish Financial Supervisory Authority has decided that the countercyclical buffer for Sweden be raised to 2% in March 2017.

## RISK EXPOSURE AND CAPITAL RATIOS ACCORDING TO BASEL III

	DECEMBER 31 2015	DECEMBER 31 2014
Risk exposure amount, MSEK	10,834	10,046
Total Common Equity Tier 1 capital, MSEK	1,369	1,233
Common Equity Tier 1 capital ratio %	12.6	12.3
Tier 1 capital ratio %	12.6	12.3
Total capital ratio %	14.6	13.9
Leverage ratio %	9.9	8.9
Liquidity Coverage Ratio %	676	840
Net stable funding ratio %	127	146

## Proposed dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 0.50 per share, which is equivalent to 44% of the earnings per share for the second half of 2015. The total proposed dividend is SEK 55.5 million, calculated on the total number of

outstanding shares at the end of the year. It is proposed that the record date be Friday 13 May, and it is anticipated that the dividend will be paid by Euroclear on Wednesday 18 May 2016.

## Financial targets

Nordax set financial targets at the time of the initial public offering on 17 June. All the targets were met in 2015. The financial targets were:

TARGET 2015	OUTCOME
Retain a yield above 3 percent on net average loans over a business cycle	2015: 3.8% 2014: 3.9%
40% dividend on the profit for the year after tax (from the second half of 2015)	44% (the Board of Directors' proposal to the 2016 Annual General Meeting)
Common Equity Tier 1 capital ratio above 12%, a total capital ratio above 14% and a buffer of at least 1.5 percentage points above the requirements for Common Equity Tier 1 capital and total capital ratio	Common Equity Tier 1 capital ratio 12.6% Total capital ratio 14.6% 5.0 percentage points above the requirement for the Common Equity Tier 1 capital ratio 6.7 percentage points above the requirement for total capital ratio

Nordax's financial targets for 2016 are as follows:

TARGET 2016
Yield of over 3 percent on net average loans over a business cycle
40% dividend on the profit for the year after tax
Common Equity Tier 1 capital ratio above 12%, a total capital ratio above 14% and a buffer of at least 1.5 percentage points above the requirements for Common Equity Tier 1 capital and total capital ratio

Nordax does not provide any forecasts of future results.

## Outlook 2015 in connection with the IPO

AMBITION	OUTCOME
New lending in 2015 is to be high as in 2014, and new lending is to increase in the medium to long term.	2015: 4,070 MSEK 2014: 3,843 MSEK
The adjusted C/I ratio is to continue to decrease in the medium to long term	2015: 28.5% 2014: 29.4%
The annual cost of risk is to be around 2 percent over a business cycle	2015: 1.5% 2014: 1.2%



# Employees

The average number of employees during the year was 208 (187), of whom 136 (127) were women and 72 (60) men. The number of employees at the end of the year was 250 (237). Of these, 217 (192) were permanent staff and 33 (45) were temporary staff. The number of full-time equivalent employees was 179 (159). Women made up 64.5% of the employees at the end of the year and men 35.5%. The proportion of women in the Senior Management Team was 71% at the end of the year

Short-term absence due to sickness during the year was 3.3% (3.2%), and total absence due to sickness

including employees on long-term sick leave was 4.3% (3.9%). Staff turnover was 6.8% (9.3%) during the year.

Nordax aims for an even gender distribution and equal opportunities for all irrespective of background, gender, religion or sexual orientation. Staff surveys are conducted regularly, and their results are used to develop the operation and assess the managers. Nordax wishes to contribute to a learning workplace where everyone is given an opportunity to develop and, if possible, advance.

# Group structure and owners

Nordax Group AB (publ) is the parent company of the Nordax Group. The company's operational subsidiary is Nordax Bank AB (publ). Nordax Bank has been licensed to conduct banking business since 2014. Nordax Nordic AB (publ), Nordax Nordic 3 AB (publ), Nordax Sverige 3 AB (publ) and Nordax Sverige 4 AB (publ) are registered as financial institutions at the Swedish Financial Supervisory Authority and are used solely for the acquisition and funding of personal loans in the framework of the Group's funding structure.

Nordax Group AB (publ) was listed on the Main Market of Nasdaq Stockholm on 17 June. The listing was preceded by a public offering for the acquisition of

shares. The seller was the company's principal shareholder Vision Capital Partners and its funds, which together owned 75.6% of the shares. The remaining shares are owned by the company's management. The motive for the offering was that Nordax had taken several important strategic initiatives under its then owners. The owners and the Board of Directors considered that it was a suitable time to broaden the ownership base and list the company. The offering and listing gave Nordax better access to both Swedish and international capital markets, contributing to the continued growth and development of the company. After the offering, Vision Capital Partners' total holding was 36.1%.

# Market and competitors

An important driver of development in the personal loan market is macroeconomic development. Economic growth such as rising GDP, rising housing prices, higher disposable incomes and low unemployment usually drive household optimism, private consumer spending and therefore demand for personal loans. The personal loan market is characterized for a high level of competition and fragmentation. Nordax's competitors can be principally divided into two groups: full-service banks and niche banks. Nordax considers that the niche banks (of which Nordax is one) are taking market shares and that they are Nordax's closest direct competitors. The niche banks have product offerings similar to that of Nordax and offer similar interest rates, which are generally higher than the interest rates offered by full-service banks.

The full-service banks offer various secured or unsecured personal loan products, of which unsecured personal loans account for a fairly limited share. Full-service banks have historically had a relatively limited focus on the personal loan market, with the result that their offerings in the area are not particularly well known. Their limited focus has led to new players such as the niche banks being able to establish a presence in the market. The personal loan customers often have a tendency to differentiate their personal loans from traditional bank products such as mortgages and debit cards.

There are several barriers to entry that make it difficult for new players of limited size or limited experience of operating in a regulated environment to establish a

presence on the personal loan market. One obstacle is economies of scale that to a great extent are a feature of the personal loan market. The strict and complicated rules and regulations for banks and credit institutions require the players to create strong functions and systems for legal issues, compliance and finance, necessitating significant investments and expertise. When such functions have been set up, they can normally handle large loan volumes, creating substantial economies of scale and operational leveraging effects. New players also have to meet the increasing number of and increasingly complicated requirements and the provisions, complicated requirements on for example capital adequacy and liquidity. Compliance requires a large amount of capital, strong management focus and sufficient revenue to be able to invest in functions for compliance and risk control. An ability to make credit assessments necessitates proven models, which in turn depend on access to extensive historical information on the development of loans. The development of these models requires time and experience of lending, which is an entry barrier to new players. The risk of making incorrect credit decisions is higher when a player has established a presence on a new market without previous experience or historical results on which to base itself. New players often have limited access to funding due to their limited history with regard to credit assessment, financial stability and compliance with regulatory capital requirements. New establishment therefore requires a significant contribution of capital, leading to low return on equity until loan funding has been obtained.

## Significant events after the end of the reporting period

On 22 February 2016, Nordax announced that the Nomination Committee proposes that the 2016 Annual General Meeting re-elect the members Christian Beck, Arne Bernroth (Chairman), Katarina Bonde, Morten Falch, Hans Larsson, Andrew Rich and Synnöve Trygg. Directors Daryl Cohen and Richard Pym have declined re-election. It is proposed that Jenny Rosberg, who is to undergo the usual management assessment, be elected as a new member. The Nomination Committee further proposes that Arne Bernroth be elected as Chairman of the Board of Directors. The Nomination Committee proposes that the number of members of the Board of Directors for the coming term be eight.

Based on strong demand from Nordic investors, Nordax has issued SEK 500,000,000 of senior unsecured bonds. Nordax has an outstanding senior unsecured bond that matures on 21 March 2016 and once that has matured Nordax's outstanding debt instruments will include SEK 250,000,000 of Tier 2 Capital, as well as asset backed securities issued by subsidiaries of the Nordax Group.

In March 2016, Nordax started a deposit operation in Germany and now offers private customer savings accounts.

No events have otherwise occurred following the end of the reporting period that have a material impact on





Nordax Bank

2015

CORPORATE GOVERNANCE REPORT

Nordax Group AB (publ)



# Introduction

Shares in Nordax Group AB (publ) ("Nordax") have been listed on the Main Market of Nasdaq Stockholm since 17 June 2015. The company is the parent company of the Nordax Group and holds all the shares in Nordax Group Holding AB, Nordax Holding AB and the operating subsidiary Nordax Bank AB (publ) ("Nordax Bank"). Nordax bank conducts a banking business and is under the supervision of the Swedish Financial Supervisory Authority. Nordax and Nordax Bank follow a number of laws and rules on good corporate governance and control of operation, such as the Swedish Companies Act (2005:551), the Annual Accounts Act (1995:1554), the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Corporate Governance Code, Nasdaq Stockholm's Rule Book for Issuers, the Banking and Finance Service Act and International Financial Reporting Standards. In addition, Nordax Bank is covered by a number of regulations and general guidelines issued by the Swedish Financial Supervisory Authority and the European Banking Authority ("EBA").

Nordax has prepared this corporate governance report in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (referred to below as "the Code"). In accordance with

the statement made in the Offering Memorandum prepared ahead of the listing on Nasdaq Stockholm, Nordax's intention was to follow the Code from the time of listing. The Code, according to the version applicable at that time was to be applied from the first Annual General Meeting in the year following listing. The Code was amended on 2 November 2015 and is now to be applied in full from the time of listing. The description below explains how Nordax follows the new rules or how it is intended that these will be handled in future. For further information about the Code, see [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

In accordance with the fundamental rules on the governance and organisation of a limited liability company, Nordax is governed through the General Meeting of Shareholders, the Board of Directors appointed by the shareholders at the Annual General Meeting, the Chief Executive Officer appointed by the Board of Directors and the Board of Directors' control of the Nordax management. The auditor appointed by the Annual General Meeting issues an audit report on his or her auditing of the company's annual report and consolidated accounts, on the disposition of profit and on the administration of the company and its operations by the Board of Directors and the Chief Executive Officer.

## Explanation of deviation from the Code

Under the Code, members of the Board of Directors may sit on the Nomination Committee, but must not constitute a majority of the members of the Nomination Committee. The Chairman of the Board of Directors or another member of the Board is not allowed to serve as Chairman of the Nomination Committee. If more than one member of the Board of Directors sits on the Nomination Committee, no more than one of them may be dependent on the company's major shareholders. The member of the Board of Directors Andrew Rich is Chairman and a member of the Nomination Committee, nominated by Vision Capital Partners VII LP and Vision Capital Partners VII A LP (jointly referred to below as "Vision Capital Partners"), funds that are advised by

Vision Capital Management Limited. The fact that the Board member Andrew Rich chairs the Nomination Committee represents a deviation from the Code. The deviation is explained by the fact that Vision Capital Partners remains the largest shareholder in Nordax after the listing. Andrew Rich has been a member of the Board of Directors of the Nordax Group since Vision Capital Partners acquired the Group in 2010 and has good knowledge and experience of the company's business.

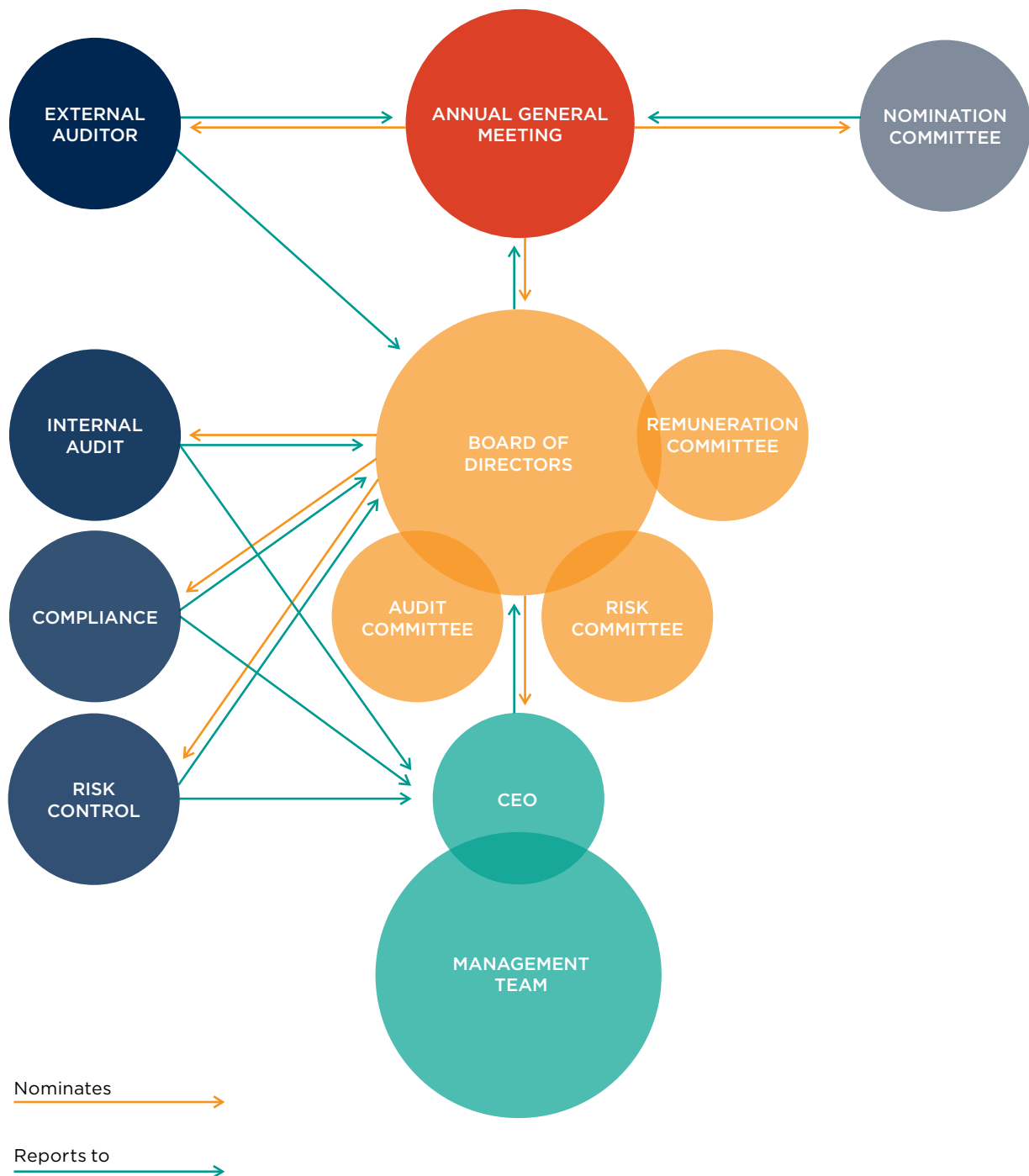
Other than the above, Nordax did not deviate from the Code during the period covered by the corporate governance report.

## Articles of Association

The Nordax Articles of Association regulate the company's operation, among other things. The object of the company's business is to be to own and manage securities and to conduct other business activities compatible therewith. The Articles of Association do not contain any conditions concerning the appointment or dismissal of members of the Board of Directors, with the exception of a conditions on the minimum and maximum number of Board members. A notice of an

Extraordinary General Meeting at which a question concerning amendment of the Articles of Association is to be discussed must, under the Companies Act, be issued no earlier than six weeks and no later than four weeks prior to the meeting. The current Articles of Association of Nordax were adopted at an Extraordinary General Meeting held on May 11 2015. The Articles of Association are available on the website [www.nordaxgroup.com](http://www.nordaxgroup.com).

# Organisational chart



# Ownership and right to vote

The share capital consists of one share class, where all the shares carry the same rights. The share capital as at 31 December 2015 totalled SEK 111 million, distributed into 110,945,598 shares and votes. The largest shareholder, Vision Capital Partners, with a total holding of 36.1 percent at 31 December 2015, is represented by Andrew Rich on the Nomination Committee and therefore in the process of nominating the Board of Directors and the auditor, and by Daryl Cohen and Andrew Rich on the Board of Directors.

## General Meeting of Shareholders

The General Meeting of Shareholders is the company's highest decision-making body. At a General Meeting, shareholders exercise their right to vote on matters such as adoption of the income statement and statement of financial position, the disposition of profit or loss, the granting of discharge from liability for Board members, election of Board members and auditors, adoption of Board fees and audit fees and deciding on guidelines for the remuneration of senior management. The Annual General Meeting (AGM), under the Articles of Association, has to be held within six months following the end of the financial year. In addition to the Annual General Meeting, an Extraordinary General Meeting may be called.

Under the Nordax Articles of Association, a General Meeting of Shareholders has to be held in Stockholm. Under the Articles of Association, a notice convening a General Meeting must be published in the Swedish Official Gazette (Post och Inrikes Tidningar) and be made available on the Company's website. At the time of the notice convening a General Meeting of Shareholders, information regarding the notice has to be announced in the newspaper Dagens Nyheter. A notice convening the Annual General Meeting must be issued no earlier than six weeks and no later than two weeks before the meeting. The material released prior to and in connection with the General Meeting as well as the minutes of the General Meeting will be made available on the Company's website. [www.nordaxgroup.com](http://www.nordaxgroup.com).

In order to be entitled to vote at a General Meeting of Shareholders, shareholders must attend the meeting, either personally or through a proxy. In addition, shareholders are required to be registered in their own name in the register of shareholders maintained by Euroclear Sweden AB on a particular day prior to the meeting and have notified their participation to the company in accordance with the instructions in the notice convening the General Meeting of Shareholders. Shareholders may vote for all the shares owned or represented by the shareholder.

Shareholders wishing to have a matter discussed at the General Meeting of Shareholders must submit a written request for this to be done to the Board of Directors.

Information on the date and time of a future General Meeting of Shareholders and how shareholders exercise the right of initiative can be found on the Nordax website [www.nordaxgroup.com](http://www.nordaxgroup.com) under "Corporate Governance" at the latest at the time when the third quarter report in the year preceding the General Meeting of Shareholders is published. If the Board of Directors considers there to be reason to hold a General Meeting of Shareholders prior to the next Ordinary General Meeting of Shareholders, or if the company's auditor or at least ten percent of the shares so request, an Extraordinary General Meeting may be convened. A notice convening an Extraordinary General Meeting at which a matter concerning amendment of the Articles of Association is to be discussed must be issued no earlier than six weeks and no later than four weeks prior to the meeting. A notice convening a second Extraordinary General Meeting must be issued no earlier than six weeks and no later than three weeks prior to the General Meeting.

Four Extraordinary General Meetings were held during the financial year ahead of the company's listing on Nasdaq Stockholm in June 2015.

At an Extraordinary General Meeting held on 27 February 2015, Synnöve Trygg was appointed as a new Board member and Öhrlings PriceWaterhouseCoopers AB was appointed as auditor for the company for the period until the end of the 2016 Annual General Meeting, with Helena Kaiser de Carolis as auditor in charge.

At an Extraordinary General Meeting held on 1 April 2015, Katarina Bode and Hans Larsson were appointed as new members of the Board of Directors of Nordax. At an Extraordinary General Meeting held on 14 April 2015, a decision was made to adopt principles for how the Nomination Committee is to be appointed by the company. See "Nomination Committee and nomination procedure" below.

At an Extraordinary General Meeting held on 11 May 2015 a decision was made to adopt new Articles of Association and a new share issue ahead of the issue of shares against consideration in kind through which Nordax became the new parent company of the Nordax Group prior to listing on Nasdaq Stockholm.

# The Nomination Committee and the nomination procedure

Pursuant to the Code, the company has a Nomination Committee which has to present proposals to the General Meeting concerning the following:

- proposal for Chairman of the Annual General Meeting
- proposal for Board of Directors
- proposal for Chairman of the Board of Directors
- proposal for fees and other remuneration of the members of the Board of Directors and any remuneration for Committee work
- proposal for auditor
- proposal for fee payable to the company's auditors
- proposal for any changes to the procedure for appointing a Nomination Committee

At an Extraordinary General Meeting held on 14 April 2015, it was decided that the Nomination Committee ahead of the 2016 Annual General Meeting is to consist of representatives of each of the three largest shareholders based on shareholding at 31 August 2015 according to the register of shareholders maintained by Euroclear Sweden AB. The member representing the largest shareholder is to be appointed Chairman of the Nomination Committee. If one or more shareholders who have appointed members to the Nomination Committee are no longer among the three largest shareholders at a time more than two months before the 2015 Annual General Meeting, the members repre-

senting these shareholders must relinquish their duties and new members must be appointed by the new shareholders who, at that time, are among the three largest shareholders. If a member of the Nomination Committee withdraws from his or her duties before the term of office of the Nomination Committee has come to an end, the same shareholder who appointed the departing member, if considered necessary, must have the right to appoint a new member, or, if the shareholder is no longer among the three largest shareholders, the next largest shareholder.

Changes to the composition of the Nomination Committee must be announced immediately.

The composition of the Nomination Committee must be announced no later than six months prior to the Annual General Meeting. The members of the Nomination Committee are not remunerated for their duties. On the other hand, Nordax reimburses reasonable costs the Nomination Committee deems necessary for the Nomination Committee to be able to fulfil its duties. The term of office of the Nomination Committee extends until the time when a new Nomination Committee has been appointed

The names of the members of the Nomination Committee and the shareholders they represent were published on 9 October 2015.

## COMPOSITION OF THE NOMINATION COMMITTEE<sup>1</sup>

Name	Representing	Percentage of shares at 31.08.2015	Percentage of shares at 31.12.2015
Andrew Rich (chairman)	Vision Capital Partners VII LP och Vision Capital Partners VII A LP	36.1	36.1
Hans Hedström	Carnegie Fonder	4.7	7.2
Ulrika Danielson	Andra AP-fonden	2.2	2.1

<sup>1</sup> The Nomination Committee is not composed of representatives of the three largest shareholders at 31 August 2015, as some shareholders have chosen to refrain from appointing a representative, in accordance with the revised Code, and their turn has been taken instead by the next shareholder in size.

The Nomination Committee's proposals, as well as a report on its work, are published no later than in conjunction with the notice convening the Annual General Meeting. Shareholders may approach the Nomination Committee with nomination proposals. Such proposals may be sent by e-mail to [ir@nordax.se](mailto:ir@nordax.se) or by post to Nordax Group AB (publ), Att: Nomination Committee, Box 23124, 104 35 Stockholm.

The Nomination Committee held several meetings in 2015, and between these meetings maintained contact by phone and e-mail. The Nomination Committee has also reviewed and discussed the results of the evaluation made by the Board of Directors and its work as well as

of the Chairman, in which the size and composition of the Board of Directors have also been evaluated. When the Nomination Committee presents proposals for Board of Directors' fees, comparisons are made with companies engaged in similar operations and of a similar size and complexity. Pursuant to the revised Code that became effective on 1 November 2015, the Nomination Committee, in assessing the Board's evaluation and in its proposal for a Board of Directors to the 2016 Annual General Meeting, has to pay particular attention to the requirement for diversity and breadth in the Board of Directors and to endeavour to attain an even gender distribution.



# The Board of Directors

Under the Nordax Articles of Association, the Board of Directors must consist of not fewer than five and not more than twelve members. The members are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. The Nordax Board of Directors consists of nine members elected by the Annual General Meeting. The Chief Executive Officer sits on the Board.

The company is the parent company of the Nordax Group and holds all the shares in Nordax Group Holding AB, Nordax Holding AB and Nordax Bank AB (publ). The composition of the Board of Directors is identical in these Group companies.

## Composition of the Board of Directors

Following the election of the Board of Directors at the Extraordinary General Meetings held on 27 February 2015 and 1 April 2015, the Board of Directors consisted of the following members: Richard Pym (Chairman), Arne Bernroth (Vice Chairman), Christian Beck, Andrew Rich, Daryl Cohen, Synnöve Trygg, Hans Larsson, Katarina Bonde and Morten Falch.

In accordance with what was communicated in conjunction with the Offering Memorandum prepared ahead of the listing in June 2015, Richard Pym expressed the wish that the Board of Directors would appoint a new Chairman after the listing, as he considered that the companies would be better served by having a locally based Chairman. The Vice Chairman Arne Bernroth indicated his willingness to serve as Chairman. The Board of Directors appointed Arne Bernroth as Chairman on October 15 2015, and Richard Pym remained on the Board as an ordinary member.

## Chairman of the Board of Directors

The Chairman of the Board of Directors is elected by the General Meeting of Shareholders. If the Chairman of the Board of Directors terminates his or her duties during the period of office, the Board of Directors will appoint from within its number a new Chairman until the end of the General Meeting, when a new Chairman is elected by the meeting. The Chairman of the Board has particular responsibility for the management of the work of the Board of Directors and ensuring that such work is well organised and conducted effectively, supervising that the Board of Directors receives the training required for its duties, checking that the executive management implements the decisions of the Board of Directors, takes the initiative for the annual evaluation of the Board of Directors and the work of the Chief Executive Office and represents the Board of Directors through the shareholders.

## The work of the Board of Directors

The Board of Directors is responsible for the organisation and administration of the company. These responsibilities include, among other things, determining and reviewing overall targets and strategies that take into consideration the long-term financial interests of Nordax, the risks to which Nordax is exposed and applicable capital requirements, ensuring that the company has satisfactory control of compliance and that internal rules concerning risk management, risk control and risk reporting are established, ensuring that there are appropriate systems for follow-up and control of the company's operations and the risks with which the company and its operations are associated, continuously evaluating the Group's financial position and ensuring that the information given by Nordax is characterized by openness and is

## OVERVIEW OF THE BOARD MEETINGS 2015

MONTH	TASKS
January	Budget 2015, decision on variable compensation for 2014 for management and responsible for control
February	Annual financial statements and year-end 2014, reports of Internal Audit to the Audit Committee
March	The Board's self-evaluation, a decision on new sub-ordinated loan
April	Annual General Meeting and first board, the Annual Accounts 2014 Interim report first quarter, reports of external audit to the audit committee, the determination of remuneration to management and those responsible for control
May	Decisions on listing on the Nasdaq Stockholm
June	Approval of the prospectus for listing on the Nasdaq Stockholm, decided to raise the maximum loan amount in Finland and Germany EUR 40 000
July	Interim report second quarter
August	Reporting of internal audit to the audit committee, approval of ICAAP report 2015
September	Strategy and business development
October	Arne Bernroth takes over as chairman, interim report third quarter. Decision on the securitization transaction
November	Decided to raise the maximum loan amount in Sweden and Norway 500 000
December	Presentation of the evaluation of the board, reports from Internal Audit to the Audit Committee, the draft budget 2016

correct, relevant and reliable. The Board of Directors is also responsible for establishing guidelines for how the Company acts in society with the aim of ensuring the long-term capacity of Nordax to create value.

The work of the Board of Directors follows written rules of procedure adopted annually at the first meeting of the new Board of Directors following the Annual General Meeting. The rules of procedure follow, among other things, the Banking and Finance Business Act, applicable regulations issued by the Swedish Financial Supervisory Authority and guidelines issued by the European Banking Authority (EBA). The rules of procedure govern, among other things, the Board of Directors' processes for decision-making and Board meetings, as well as the distribution of work between the Board of Directors, the Chairman of the Board and Board committees. The rules of procedure also regulate the distribution of work between the members of the Board of Directors and the Chief Executive Officer. The rules of procedure are revised at least once per year. The Board of Directors meets according to an annually determined schedule and on the basis of an annual plan. Further meetings may be convened to address issues that cannot be referred to one of the ordinary meetings. The Board of Directors makes decisions on matters concerning the strategic orientation of the company, for example through a business plan and budget, financing, material organisational changes and governing documents in the form of policies. The Board of Directors discusses the company's interim reports and decides on adoption and publication of the quarterly report. The Board of Directors regularly follows up the Group's risks and compliance through reporting from the independent functions for compliance and risk control. The Board of Directors also receives reports on internal control from Mazars SET Revisionsbyrå AB, to which Nordax Bank has outsourced the Internal Audit Function. The Group's external auditors submit reports on reviews of the administration of the company and of the financial reporting. The Chief Executive Officer, also a member of the Board of Directors, attends the meetings of the Board of Directors. The Chief Financial Officer, the Treasurer and other staff attend as necessary to present reports. The minutes of meetings of the Board of Directors are kept by the Chief Legal Counsel.

The Board of Directors of Nordax has held seven meetings since the company was listed in June 2015, of which five ordinary meetings and two non-ordinary meetings. The Board of Directors of the operating subsidiary Nordax Bank held 19 meetings in 2015, of which eleven ordinary meetings, three meetings following election of a new Board and five non-ordinary meetings. The ordinary meetings of the Board of Directors always receive financial reporting, operational reporting by the Chief Executive Officer and the Function Manager based on the annual plan, reporting from the independent control functions for risk control and compliance and credit risk reporting. As well as the recurrent reporting above, presented at each ordinary meeting of the Board of Directors, the Board discusses issues during the year as listed on page 64.

#### **Board committees**

The Board of Directors of Nordax has established the following committees and has adopted a policy for each committee, which among other things governs the work and terms of reference of the committee. The committees prepare and report verbally through the Chairman of the committee those issues and matters that have been addressed at the meeting of the committee at a subsequent meeting of the Board of Directors. The minutes of committee meetings are supplied to the Board of Directors.

#### **Audit Committee**

The main duties of the Audit Committee include monitoring Nordax's financial reporting; monitoring the efficiency of Nordax's internal controls, internal audits, and risk management in respect of the financial reporting; keeping itself informed regarding audit of the annual report and group accounts; reviewing and monitoring the objectivity and independence of the external auditor; and assisting in the preparation of proposals to the Annual General Meeting regarding the election of the auditor.

As part of its duties, the Audit Committee must, among other things, support the Board of Directors in its work of ensuring that Nordax has an effective internal risk management and control framework, participate in the planning of the audit work by discussing the scope and the focus of the audit work with the external auditor and the executive management, and review the external auditor's audit plan and support the Board of Directors in its work of ensuring the quality of Nordax's financial reporting. Furthermore, the Audit Committee must review and recommend for approval by the Board of Directors the annual plans for Nordax's Compliance Function and the Risk Control Function, review and approve a risk-based audit plan for Nordax's Internal Audit Function, oversee the appointment, compensation and dismissal of the internal and external auditors, review audit reports, check that Nordax's management takes necessary corrective actions in a timely manner to address control weaknesses and other problems identified by the auditors, monitor choice of accounting policies and principles, and perform other tasks delegated to the Audit Committee by the Board of Directors.

The Audit Committee consists of three Board members. Since the company was listed, the Audit Committee has consisted of Arne Bernroth (Chairman), Hans Larsson and Andrew Rich. The majority of the members of the Audit Committee are independent of Nordax and its executive management, and at least one member of the Committee is independent of the company's major shareholders. At least one member has accounting or auditing proficiency.

The Audit Committee held seven meetings during the year. The company's auditors attended two of the meetings.

### **Risk Committee**

The main responsibilities of the Risk Committee include supporting the Board of Directors in identifying and defining risks within Nordax's business and ensuring that risk taking is measured and controlled. In addition, the Risk Committee is responsible for, among other things, monitoring and reviewing Nordax's risk strategy and the implementation thereof, monitoring and reviewing Nordax's risk appetite (including limits and exposure), and monitoring and reviewing risk management policies and practices.

The Risk Committee consists of three Board members. Since the company was listed, the Risk Committee has consisted of Hans Larsson (Chairman), Arne Bernroth and Daryl Cohen.

The Risk Committee held five meetings during the year.

### **Remuneration Committee**

The main duties of the Remuneration Committee include preparing the Board of Directors' decisions on issues concerning principles for remuneration, remuneration and other terms of employment for the executive management, monitoring and evaluating programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management, and monitoring and evaluating the application of the guidelines for remuneration that the Annual General Meeting is legally obliged to establish, as well as the current remuneration structures and levels in Nordax. The Remuneration Committee also supports the Board of Directors in its work of ensuring that the risks associated with Nordax's remuneration systems are identified, managed and reported. The Remuneration Committee furthermore assists the Board of Directors when (i) establishing standards and principles in order to ensure compliance with applicable labour law, (ii) determining the remuneration for Nordax's employees and in ensuring that Nordax's remuneration systems comply with relevant labour law and other laws, regulations and guidelines applicable to Nordax, (iii) ensuring that Nordax's staff are remunerated fairly and responsibly with the long-term interests of Nordax in mind, (iv) preparing proposals for a remuneration policy that is aligned with Nordax's risk strategy and applicable laws, regulations and guidelines, (v) monitoring the remuneration system to ensure that it is applied consistently throughout Nordax at all employee levels in compliance with the remuneration policy, (vi) reviewing the information on remuneration to be disclosed in conjunction with the adoption of the annual report according to regulations issued by the Swedish Financial Supervisory Authority and performing other tasks delegated to the Remuneration Committee by the Board of Directors.

The Remuneration Committee consists of three Board members. Initially, from the time of listing of the company, the Remuneration Committee consisted of Andrew Rich (Chairman), Richard Pym and Synnöve Trygg. In conjunction with the appointment of Arne Bernroth as Chairman of the Board of Directors during the autumn of 2015, the Board of Directors appointed

Arne Bernroth as a member of the Committee and Richard Pym was relieved of his duties as a member of the Committee. The members of the Committee are independent of the company and the Senior Management Team.

The Remuneration Committee held four meetings during the year.

### **Diversity and suitability policy**

Pursuant to the rules on management review, all members of the Board of Directors have to be approved by the Swedish Financial Supervisory Authority, and the composition of the Board of Directors has to fulfil the requirements of the Swedish Financial Supervisory Authority. The Board of Directors of Nordax Bank has also adopted a policy regarding diversity and suitability assessment of members of the Board of Directors, the Chief Executive Officer and other members of the Senior Management Team pursuant to regulations issued by the Swedish Financial Supervisory Authority and guidelines issued by the EBA. The policy indicates that the composition of the Board of Directors must achieve diversity in terms of gender, age, geographical origin and educational and professional background, and that an assessment must be made of the individual's experience, expertise, reputation and rating for suitability, taking account of a broad set of criteria.

The Nomination Committee has received information from the company about applicable rules and guidelines mentioned above that have an impact on the task of the Nomination Committee to nominate members for the Nordax Board of Directors and has also studied the policy of the Board of Directors described above

### **Evaluation of the work of the Board of Directors and the Chief Executive Officer**

An evaluation of the Board of Directors and its work was made during the fourth quarter of 2015. The evaluation was based on responses to an online questionnaire provided by an external party. The evaluation contributes towards and is aimed at further improving the work of the Board of Directors and assists the Nomination Committee in assessing the composition of the Board of Directors and its size. The evaluation reviews whether the members of the Board of Directors actively take part in the work and discussions of the Board of Directors and any committee, whether the climate at the meetings of the Board of Directors contributes to and fosters open discussions, how the Chairman of the Board carries out his or her work and whether the members of the Board of Directors contribute independent judgement. The Board of Directors continuously evaluates the work of the Chief Executive Officer. Separate evaluation of the work of the Chief Executive Officer will take place in 2016 in conjunction with decisions on variable remuneration. The outcome of the evaluation was reported for the Nomination Committee by the Chairman of the Board of Directors.

# CEO and Senior Management Team

The Chief Executive Officer reports to the Board of Directors and is responsible for the day-to-day management of the company's affairs and daily operations in accordance with the Board of Directors' guidelines, adopted policies and instructions.

The division of work between the Board of Directors and the CEO is set forth in the rules of procedure for the Board of Directors and the instructions for the CEO. Pursuant to the instructions for the CEO, the CEO is responsible for ensuring that the Board of Directors receives objective, detailed and relevant information necessary for making informed decisions. Accordingly, the CEO must continually keep the Board of Directors informed of, among other things, the developments of Nordax's operations, sales, earnings and financial position, liquidity, risk situation and other significant business events and circumstances.

The Senior Management Team comprises the CEO and the senior executives appointed by the CEO. The Nor-

dax Senior Management Team at the end of 2015 consisted of seven persons, five women and two men. The CEO and the Senior Management Team hold formal Senior Management Team meetings monthly and additional informal meetings as and when required. For information on the CEO and members of the Senior Management Team, see page 76-77.

The CEO has appointed a number of forums as support for his work of directing operational activity to assist the CEO and other function managers in making decisions that affect day-to-day operation, based on material produced by the heads of function or for preparation of a recommendation by the Senior Management Team for decision by the Board of Directors. The forums are intended to coordinate and assess the effect of proposed strategies and decisions prior to implementation. Examples of forums are the Risk Profile Forum, the Anti-money Laundering Forum, the Credit Risk and MIS Forum, the Risk and Compliance Forum, the HR Forum and the IT and Security Forum.

## Remuneration of Board of Directors and senior executives

### Remuneration of the Senior Management Team

Remuneration for members of the Senior Management Team consists of a fixed salary and a variable and performance based remuneration. The variable remuneration is offered through a long term incentive plan which is based on both cash and share related compensation

The Board of Directors has adopted a remuneration policy based on the Swedish Financial Supervisory Authority regulations and guidelines issued by the EBA. The policy is based on a risk analysis and covers all employees of the Nordax Group. According to the policy, remuneration and other benefits must be competitive in order to promote Nordax's long-term interests while discouraging excessive risk taking. Individual remuneration to, among others, the CEO and all other members of the Senior Management Team is decided by the Board of Directors.

Pursuant to the Remuneration Policy, the total variable remuneration must not limit Nordax's ability to maintain an adequate capital base, or, if necessary, strengthen its capital base. Furthermore, there must be an appropriate balance between fixed and variable components of the remuneration. The fixed remuneration components must represent a sufficient portion of the employee's total compensation for it to be possible to set the variable remuneration components to zero. The variable remuneration in one year for each individual employee must never exceed 100 percent of the individual employee's fixed annual salary.

Pursuant to the Remuneration Policy, the assessment of the result that forms the basis for calculating variable remuneration must primarily be based on risk adjusted profit measures. This assessment must take account of both future current and future risks and the actual cost of the capital and liquidity required for the operations.

Should Nordax use subjective assessments based on risk to adjust results, the considerations underlying the adjustments must be balanced and appropriately documented. The result assessment must aim to promote Nordax's long term sustainable results, and Nordax's underlying business cycle must be considered when the result-based remuneration is paid.

Remuneration of members of the Senior Management Team is subject to regulatory restrictions and requirements pursuant to regulations issued by the Swedish Financial Supervisory Authority. For example, at least 60 percent of the variable remuneration must be deferred for a period of three years for senior executives and a period of five years for the CEO.

### Remuneration of the Board

The following compensation amounts have been adopted for the Board of Directors for the period until the end of the 2016 Annual General Meeting: SEK 1,100,000 to the Chairman of the Board of Directors and SEK 400,000 to each of the other members of the Board of Directors, with the exception of Morten Falch (CEO), Daryl Cohen and Andrew Rich, who are not entitled to any remuneration for their work on the Board of Directors. In addition, SEK 50,000 is payable per committee assignment, with the exception of the Chairman of the Board of Directors, Daryl Cohen and Andrew Rich. In addition, it has been resolved that SEK 50,000 will be paid to Arne Bernroth for his assignment as Vice Chairman of the Board of Directors. Provided that it is cost-neutral for Nordax, remuneration may be invoiced through a Board member's wholly owned company.



# Auditor

The Company's auditor is appointed by the General Meeting of Shareholders. The Nordax Audit Committee assesses the work of the auditor and will assist the Nomination Committee in preparing proposals for an auditor. An auditor for Nordax is elected annually pursuant to the Companies Act and the Articles of Association.

The auditor reviews and submits an audit report on his or her audit of the Nordax annual report and consolidated statements, on the company's disposition of its profit or loss and the administration by the Board of Directors and Chief Executive Officer and expresses an opinion on the corporate governance report. The reports mentioned will be submitted and presented to the shareholders at the Annual General Meeting. The auditor issues an audit report which is presented to the Annual General Meeting. The auditor also reviews Nordax interim reports and the year end report, and presents a review report to the Audit Committee at

ordinary meetings of the Committee when the reviewed interim reports or year end report are discussed, as well as to the Board of Directors.

At an Extraordinary General Meeting held on 27 February 2015, Öhrlings PriceWaterhouseCoopers AB was re-elected as auditor for the period until the end of the 2016 Annual General Meeting. Helena Kaiser de Carolis is the auditor in charge. Helena Kaiser de Carolis is an authorised public accountant.

Öhrlings PriceWaterhouseCoopers  
113 97 Stockholm  
Telephone +46 (0)10-212 4000

Information on fees and reimbursement of costs paid to the auditors can be found in Note 10.

## Internal control and risk management

Pursuant to the rules of procedure of the Board of Directors, it is the responsibility of the Board of Directors for good internal control to be a feature of the organisation and operation of the company's business in order to ensure that the company's business is conducted in accordance with applicable rules. The Board of Directors must make sure that the company has an effective organisation that identifies, measures and controls the risks that arise in operation and that ensure reliable financial reporting. The Board of Directors must establish internal rules for sound and effective control and risk management and shall continuously ensure that these rules are followed.

### **Three lines of defence model**

To ensure adequate control of risks and compliance with laws, regulations and internal governing documents, Nordax's risk management and internal control is built according to the three lines of defence model.

### **The first line of defence - Risk management by operations**

Nordax's business units and support functions (Credit Risk, Treasury, Decision Science, Legal, Finance, IT, HR, Marketing and Operations) are responsible for the risks that arise within their operations and must identify, assess, control and internally report risks. This includes responsibility for ensuring that clear processes and procedures are in place together with internal governing documents that govern how Nordax must operate in various respects. The first line of defence also includes the First Line Risk and Compliance Function, which assists managers in the operation in identifying, controlling and reporting operational and compliance risks.

### **The second line of defence - Independent control functions**

#### **The Risk Control Function**

The Board of Directors has established a Risk Control Function whose work is based on a policy adopted by the Board of Directors. The Risk Control Function is part of Nordax's second line of defence. The Risk Control Function is responsible for independently reviewing and analysing Nordax's risks and risk management. The responsibility of the Risk Control Function includes providing a comprehensive and objective view of Nordax's risks, monitoring risk limits, control and analysis of Nordax's material risks, and identifying new risks that may arise as a result of changed circumstances. The Risk Control Function is also responsible for verifying that relevant internal rules, processes and procedures in the risk management framework are appropriate and complied with, and for proposing amendments thereto, if needed.

The Risk Control Function reports at least quarterly to the Board of Directors and the CEO and the Risk Control Manager regularly attends Board of Directors meetings. In addition, the Risk Control Function reports to the Audit Committee and the Risk Committee. On a regular basis, and whenever necessary, the head of the Risk Control Function, the Risk Control Manager, also has direct contact with the Chairman of the Board of Directors.

The Risk Control Manager independently reports to the Board of Directors and the CEO, and is a direct subordinate of the CEO. The review and questioning of decisions that affect Nordax's risk exposure is carried out in, the Board of Directors meetings, and in the Audit Committee and the Risk Committee meetings and in forum where the function for risk control and participants responsible for several functions are present.

### **The Compliance Function**

The Board of Directors has established a Compliance Function whose work is based on a policy adopted by the Board of Directors. The Compliance is part of Nordax's second line of defence. The Compliance Function is responsible for independently supporting and reviewing the business operations as a part of its work in ensuring compliance with legislation, ordinances, regulations and internal rules, as well as generally accepted practices or accepted standards regarding the operations that are subject to licenses obtained by Nordax. The Compliance Function is also responsible for independently reviewing and evaluating the appropriateness and efficiency of the measures taken by Nordax and the processes implemented for the purpose of managing compliance risks. The Compliance Function is responsible for issuing recommendations based on identified deficiencies and also regularly providing information regarding any risks that could arise as a consequence of a lack of compliance. The Compliance Function also provides assistance in the drafting of internal governing documents and supports the business operations when new products are developed, as well as in connection with any changes in the organisation. The Compliance Function is also responsible for ensuring that the employees obtain information and training regarding new or amended internal and external rules.

The Chief Compliance Officer is a subordinate of the CEO, and reports directly to the Board of Directors and the CEO. The Compliance Function submits a compliance report to the Board of Directors and the CEO at least quarterly. The Chief Compliance Officer also regularly attends meetings of the Board of Directors. In addition, regular reporting takes place to the Audit Committee and the Risk Committee. On a regular basis, and whenever necessary, the Compliance Function has direct contact with the Chairman of the Board of Directors. Regular management and follow-up of risks identified by the Compliance Function take place every two months in the Nordax Risk and Compliance Forum, attended by the Compliance Function and participants responsible for a number of functions.

### **The Internal Audit Function**

The Board of Directors has established an Internal Audit Function whose work is based on a policy adopted by the Board of Directors.

The Internal Audit Function is part of Nordax's third line of defence. Nordax has outsourced the Internal Audit Function to the audit firm Mazars Set Revisionsbyrå AB ("Mazars"). The scope of the services outsourced is governed through a written agreement pursuant to which Mazars Set Revisionsbyrå AB must perform the services in accordance with applicable legislation, ordinances, practice, written audit instructions adopted by the Board of Directors and the risk-based audit plan adopted by the Board of Directors. The Internal Audit Function is responsible for reviewing and evaluating Nordax's first and second lines of defence. The internal audit also includes, among other things, an independent audit of the IT systems and information security. In addition, the function reviews and evaluates whether Nordax's

internal rules are suitable and consistent with laws and regulations and, based on its observations, issues recommendations to the relevant departments or functions. The Internal Audit Function is directly subordinate to the Board of Directors through the Audit Committee.

### **The Risk Management Process**

Nordax's risk management process consists of the following phases: identification, evaluation and assessment, control and monitoring, and reporting. Nordax identifies its risks through, among other things, incident reporting, new product approval process, quarterly self-assessments, independent reviews, sample checks, and controls. Through the self-assessments, Nordax identifies important risks specifically related to each department and to Nordax in general and the risks are assessed in terms of the probability that the risk will occur and its potential impact in the event it does occur.

The self-assessments are logged and the risks that are ranked highest based on probability and potential impact are reported quarterly on a risk radar to the Board of Directors and the CEO.

Identified and quantified risks are logged and monitored by the Risk Control Function. The risk log is updated on a quarterly basis by Nordax's "risk owners", who are the persons or units with specialist knowledge of a particular risk and have been granted the authority to assess the risk exposure. The updated risk assessments are compiled and reviewed by the independent Risk Control Function. The following is assessed in this review:

- whether the risk profile has changed;
- whether new risks have arisen;
- whether the risk assessments have changed,
- whether sufficient controls are in place in light of the above.

This review is presented to the Risk Committee at least four times per year. New material risks, problems or changes that could significantly affect the strategic risk, important performance targets and/or Nordax's prioritised plans are reported to the CEO and the executive management on a monthly basis.

The effectiveness of existing controls and routines implemented in the day-to-day business to manage risks is evaluated and controlled on an ongoing basis through reviews and controls by the Risk Control Function, the Compliance Function and the First Line Risk and Compliance Function.

During 2015 Nordax invested in system support for governance, risk management and compliance aimed at further strengthening the risk management processes. The system support is also intended to ensure rapid access to risk information concerning business risks and operational risks.

# Risks, risk management and risk appetite

Nordax's risk appetite defines the level and direction of Nordax's risks that are acceptable for Nordax to attain its strategic objectives. The purpose of the risk appetite is to ensure that Nordax has a common and sound view of risk taking, based on an understanding of all the risks to which Nordax is exposed or to which it may be exposed, and how these are managed. The Board of Directors is responsible for approving the risk appetite and for establishing limits within the risk appetite. The Board of Directors is in addition responsible for regularly and when needed, at least once per year, evaluate and update the risk appetite. Nordax's risk appetite is consistently low for all risk categories.

## **Credit quality and credit risk management**

Lending by Nordax is based on accountability by offering loans only to customers deemed to have a high credit rating and to pose a low risk. Before a loan is approved, a thorough credit assessment is carried out in accordance with the company's guidelines for loans. The credit assessment process consists of four steps, where each application is examined according to guidelines for lending, credit assessment rules, internal credit rating models including calculation of ability to pay and decisions on limits. The credit process was strengthened in 2015 by further automation.

Accountability also means that Nordax is proactive in helping its customers if their economic circumstances worsen. The Payment Solutions Department deals with missed loan payments at an early stage. The action taken consists of a dialogue with the customer to remind them of late payment and sometimes offering customised solutions.

## **Global factors**

Nordax's operations and market are subject to external factors beyond the company's control that affect, or may in future affect, the risk picture. Examples of such factors are changes in laws and regulations, reduced demand for private loans and increased credit losses resulting from macroeconomic conditions.

During 2015, focus has been on the global political and economic turmoil, sharply declining energy prices and the indebtedness of Swedish households. Nordax did not see any noticeable impact on the company's credit quality during the year, and the customers are deemed to have good ability to withstand any downturns in the economy.

## **Market and liquidity risk**

Nordax is exposed through its operations to liquidity and market risk such as interest rate risk, price risk and foreign exchange risk. Interest rate risk arises due to differences in interest rate fixing terms between funding, lending and invested liquidity. Price risk arises in investments

in the liquidity reserve. Foreign currency risk arises as a result of differences between the currencies in which assets and liabilities are denominated and a result of margins in currencies other than Swedish kronor.

Pursuant to the financial risk policy, Nordax limits its interest rate risk by matching the interest rate fixings to a large extent for assets and liabilities. The price risk is limited by the company investing only in stable counterparties with strong credit rating and for relatively short terms. The impact of changes in exchange rates is limited by matching assets and liabilities in the same currency. The company maintains open currency positions in order to protect its capital adequacy ratio against changes in exchange rates. As a result of these open currency positions, the effects of changes in exchange rates are offset on the statement of financial position by the corresponding effect that the changes in exchange rates have on the income statement.

The liquidity risk arises through the risk of not being able to fulfil payment obligations when they fall due for payment without substantial increases in costs. To reduce the risk, Nordax has liquidity management based on a number of measures. As well as a well-balanced composition of assets and liabilities and distribution of maturities and currencies, the company has also a conservatively invested liquidity reserve.

## **Operational risks**

The operational risks are limited to a centralised operation enabling effective management of risks that can arise in the processes. In addition to process risk, the operation is subject to IT and security risk, legal and compliance risk, risks due to human error and risks in the remuneration system. To minimise operational risks, Nordax has a number of tools for continuous identification, measurement, reporting and follow up of the risks that arise, or may arise, in the operation.

Losses related to operational risk events have historically been low and totalled SEK 0.55 million during the year.

## **Capital and capital adequacy**

Nordax conducts stress tests through the ongoing capital evaluation process to ensure that the company sets aside sufficient capital for unexpected events due to risk exposures. In addition to these reserves, the company has capital buffers pursuant to the Basel III regulatory framework in which only Common Equity Tier 1 capital is considered.

For further information on risks and risk management, see "Risk management and capital adequacy report" on the website [www.nordaxgroup.com](http://www.nordaxgroup.com).

# The Board of Directors' report on internal control

## IN RESPECT OF THE FINANCIAL REPORTING FOR THE FINANCIAL YEAR OF 2015

Pursuant to the Swedish Companies Act, the Annual Accounts Act and the Code, the Board of Directors is responsible for the internal control of both Nordax Group (AB (publ)), referred to below as "Nordax", and the whole of the Nordax Group. Internal control in respect of financial reporting is built around the six fundamental pillars of internal control presented below: control environment, risk management, control activities, information and communication, follow-up and evaluation and opinion regarding internal audit.

### **System of internal control and risk management in respect to financial reporting**

Internal control in respect to financial reporting is a process by which it is ensured that established principles of internal control and financial reporting are complied with and that the company's financial reporting is prepared in accordance with laws, regulations, applicable accounting standards and good accountancy practice, as well as other requirements to be met by companies whose transferable securities are listed for trading on a regulated market.

### **Control environment**

The control environment described in the corporate governance report, including a clear and transparent organisational structure, distribution of responsibility and governing documents such as internal policies, instructions and manuals, is fundamental to Nordax's internal control of financial reporting. This also includes the ethical guidelines communicated to all employees, which are crucial for a good control environment. Examples of policies, instructions and manuals are the Board of Directors' rules of procedure, the CEO's instructions, the policy for the Risk Control Function, the Compliance Function and the Internal Audit Function and the policy for reporting and certification.

Another part of the control environment consists of the risk assessment, that is to say identification and management of the risks that may impact on the financial reporting and the control activities intended to prevent, identify and correct errors and discrepancies.

To ensure adequate control of risks and compliance with laws, regulations and internal governing documents, Nordax's risk management and internal control is built around the three lines of defence.

### **Risk management**

Risk management in Nordax, comprising risks pertaining to financial reporting, is proactive and follows up risks, emphasising evaluation, control and training programmes. Nordax applies available techniques and methods of risk management in a cost effective way. Risk management is an integral part of the business operation.

### **Control activities**

Various control activities are built into the financial reporting process. The control activities comprise both general and detailed controls intended to prevent, discover and correct errors and discrepancies. The control activities are prepared and documented at company and department level, based on a reasonable level related to the risk of errors and the impact of such errors. The head of department concerned is primarily responsible for managing the risks associated with the activity and financial reporting processes of his or her own department. Furthermore, high IT security is crucial to good internal control of financial reporting. There are therefore rules and guidelines to ensure availability, correctness, secrecy and traceability of information in the business systems.

### **Information and communication**

The company has information and communication paths aimed at promoting complete and correct financial reporting. Governing documents in the form of internal policies, instructions and manuals pertaining to financial reporting have been made available to and known by personnel affected, and have been supplemented by relevant descriptions of procedures and processes. It is ensured through regular information, dialogue, training programmes and controls that staff are informed of and understand the internal regulatory framework. The internal regulatory framework of policies, instructions and manuals, supplemented by descriptions of procedures and processes, represents the most important tool for providing information to ensure financial reporting. The system used for financial reporting covers the whole Group. The external communication is aimed at providing a true and fair view of Nordax and is governed by the communication policy. Nordax holds meetings for investors and analysts and takes part in investor seminars.



**Follow-up**

Nordax's Accounting and Reporting unit regularly compiles and reports financial and operational figures and analyses for heads of function, management and the Board of Directors. Accounting and Reporting works actively on regular follow-up of operating expenses in relation to budget and forecast. This work takes place in close interaction with the management team and the rest of the organisation.

The Risk Control, Compliance and Internal Audit control functions check that policies, instructions and manuals are complied with.

The Board of Directors receives monthly financial reports and discusses the company's and the Group's financial situation at each Board meeting. The Board of Directors and the Board's Audit Committee also review the financial quarterly reporting and annual accounts, as well as the findings and conclusions of the external and internal auditors.

The Board of Directors receives at least quarterly reports from Risk Control and Risk Compliance. The reports contain evaluations of operation in respect of risk management and compliance and cover the whole organisation.

The Group's information and communication paths are regularly followed up to ensure that they are appropriate to the financial reporting.

**Evaluation of and opinions on internal audit**

Nordax's Internal Audit Function is appointed by, and reports directly to, the Board of Directors. The role of Internal Audit is governed by Policy regarding the Internal Audit function, and the Function's work is based on a review plan reviewed by the Audit Committee and adopted by the Board of Directors.

The plan is based on a risk assessment made in cooperation with Nordax's external auditors and the Chairman of the Audit Committee. The work of internal audit includes reviewing and assessing whether systems, internal control mechanisms and procedures are suitable and effective and issued recommendations are followed, as well as reporting at least annually to the Board of Directors and the Audit Committee.

Internal audit has been outsourced to an external party with the aim of ensuring quality and independence in evaluation and review.

# The Board of Directors



Arne  
Bernroth

Christian  
Beck

Katarina  
Bonde

<b>Position</b>	Chairman (from Oct. 2015)  Chairman of Audit Committee, Member of Remuneration Committee (from Oct. 2015) and Risk Committee	Non-Executive Director	Non-Executive Director
<b>Education</b>	B.A. in Economics, Lund University	Master of Laws and Advanced Studies in Political Economics, Oslo University	MSc Physics and Mathematics, Royal Institute of Technology, Stockholm
<b>Elected</b>	2010	2004	2015
<b>Year of birth</b>	1947	1958	1958
<b>Nationality</b>	Swedish	Norwegian	Swedish
<b>Other assignments</b>	Chairman of Aqilles Invest AB and Emra gruppen AB with subsidiaries. Member of the Board of Directors of Biolin Scientific Holding AB, elcecat AB and Motala Verkstad Group AB. Member of the Advisory Board of Axcel Investment Management. CEO of elcecat AB	Chairman of the Board of Directors of Arcasa Arkitekter AS, Cant Invest AS, Case Hol- ding AS, Eneas-gruppen and Design og Interior AS. Member of the Board of Directors of Blår AB and of the Advisory Board of Palamon Capital Partners	Chairman of the Board of Directors of Propellerhead Software AB. Member of the Board of Directors of Aptilo Holding AB, Avega Group AB, Fingerprint Cards AB, Image Systems AB, Jarl Securities AB, Mycronic AB (publ), Micro Systemation AB and the Sixth AP Fund (Sjätte AP-fonden)
<b>Independent of the company and the management</b>	Yes	Yes	Yes
<b>Independent of major share- holders</b>	Yes	Yes	Yes
<b>Previous experience</b>	Senior management positions in Nordea and Skandia	Multiple Board assignments, including as Chairman of the Board of Directors of Espresso House Sweden AB and Banqsoft AS	Senior management positions in the IT industry
<b>Own and related parties' hol- dings at 31 December 2015</b>	135,639 shares	1,025,899 shares	1,500 shares
<b>Audit Committee, attendance</b>	7/7	-	-
<b>Risk Committee, attendance</b>	5/5	-	-
<b>Remuneration Committee, attendance</b>	1/4 <sup>1</sup>	-	-
<b>Board of Directors meetings, attendance<sup>9</sup></b>	17/19	17/19	14/19 <sup>2</sup>

<sup>1</sup> Arne Bernroth joined the committee at the committee meeting in December 2015.

<sup>2</sup> Relates to part of the year, Katarina Bonde joined at the time of the Extraordinary General Meeting held on 1 April 2015.

<sup>9</sup> Relates the Board meetings of the operating company Nordax Bank AB (publ)

# The Board of Directors



Daryl  
Cohen

Morten  
Falch

Hans  
Larsson

<b>Position</b>	Non-Executive Director Member of Risk Committee Member of Remuneration-Committee (retired Sept. 2015)	CEO and Executive Director	Non-Executive Director Chairman of Risk Committee Member of Audit Committee
<b>Education</b>	B.A. and M.A. in Natural Sciences, University of Cambridge	B.Sc. (Hons) in Business Administration, University of Bath	B.Sc. in Business Administration and Economics, Uppsala University
<b>Elected</b>	2010	2004	2015
<b>Year of birth</b>	1978	1967	1961
<b>Nationality</b>	British	Norwegian	Swedish
<b>Other assignments</b>	Partner of Vision Capital LLP and Member of the Board of Directors of Bormioli Rocco Holdings S.A. and Portman Group Holdings Ltd	-	Member of the Board of Directors of Linderyd Advisory AB and Lock TopCo AS, the holding company of the Lindorff Group. CEO of Linderyd Advisory AB
<b>Independent of the company and the management</b>	Yes	No	Yes
<b>Independent of major shareholders</b>	No	Yes	Yes
<b>Previous experience</b>	Multiple Board assignments	Co-founder of Nordax, senior management positions in GE Capital, Citigroup and AVCO/The Associates	Senior management positions in SEB
<b>Own and related parties' holdings at 31 December 2015</b>	-	2,697,738 shares	-
<b>Audit Committee, attendance</b>	3/7 <sup>3</sup>	-	5/7 <sup>5</sup>
<b>Risk Committee, attendance</b>	4/5	-	4/5
<b>Remuneration Committee, attendance</b>	3/4 <sup>4</sup>	-	-
<b>Board of Directors meetings, attendance <sup>9</sup></b>	16/19	19/19	13/19 <sup>5</sup>

<sup>3</sup> Daryl Cohen retired from the Audit Committee after the committee meeting in April 2015.

<sup>4</sup> Daryl Cohen retired from the Remuneration Committee ahead of the committee meeting in December 2015.

<sup>5</sup> Relates to part of the year, Hans Larsson joined at the time of the Extraordinary General Meeting held on 1 April 2015.

<sup>9</sup> Relates the Board meetings of the operating company Nordax Bank AB (publ)

# The Board of Directors



Richard  
Pym

Andrew  
Rich

Synnöve  
Trygg

<b>Position</b>	Non-Executive Director Member of Remuneration Committee (retired Sept. 2015)	Non-Executive Director Member of Audit Committee Chairman of Remuneration Committee	Non-Executive Director Member of Remuneration Committee
<b>Education</b>	B.Sc. (Hons) in Physics, University of Warwick	M.A. (Hons) in History of Art, University of Edinburgh	B.Sc. in Business Administration, Stockholm University
<b>Elected</b>	2010	2010	2015
<b>Year of birth</b>	1949	1974	1959
<b>Nationality</b>	British	British	Swedish
<b>Other assignments</b>	Chairman of the Board of Directors of Allied Irish Banks plc, UK Asset Resolution Ltd and Fellow of the Institute of Chartered Accountants in England and Wales.	Partner of Vision Capital LLP and Member of the Institute of Chartered Accounts in England Wales. Member of the Board of Directors of Systemhaus AG. Member of the Board of Directors of JDR Enterprises Ltd, Park Cakes Acquisitions Ltd, Addo Food Group Ltd, First Quench Acquisitions Ltd. Member of the Executive Committee of Trio Acquisitions LLP and Trio Acquisitions 2 LLP	Member of the Board of Intrum Justitia AB, Landshypotek Bank AB, Valitor HF, Volvofinans Bank AB and Wrapp AB
<b>Independent of the company and the management</b>	Yes	Yes	Yes
<b>Independent of major shareholders</b>	Yes	No	Yes
<b>Previous experience</b>	Several senior management positions as well as assignments as Non-Executive Director in the banking sector	Multiple Board assignments	CEO of SEB Kort
<b>Own and related parties' holdings at 31 December 2015</b>	678,197 shares	-	-
<b>Audit Committee, attendance</b>	-	7/7	-
<b>Risk Committee, attendance</b>	-	2/5 <sup>7</sup>	-
<b>Remuneration Committee, attendance</b>	3/4 <sup>6</sup>	4/4	3/4 <sup>8</sup>
<b>Board of Directors meetings, attendance<sup>9</sup></b>	18/19	18/19	16/19 <sup>8</sup>

<sup>6</sup> Richard Pym retired from the Remuneration Committee ahead of the committee meeting in December 2015.

<sup>7</sup> Andrew Rich retired from the Risk Committee after the committee meeting in April 2015.

<sup>8</sup> Relates to part of the year, Synnöve Trygg joined at the time of the Extraordinary General Meeting held on 27 February 2015.

<sup>9</sup> Relates the Board meetings of the operating company Nordax Bank AB (publ)



# Senior Management Team

AS OF APRIL 5 2016



Christine Ahlm

Credit Risk Manager  
Born 1967  
Employed 2004  
In current position since: 2004  
Education: Master of Science in Business and Economics, Stockholm University  
Own and related parties' holdings as of 31 December 2015: 271,279 shares



Johanna Clason

Treasurer  
Born 1965  
Employed 2011  
In current position since 2011  
Education: B.Sc. in Economics and Business Administration, Stockholm School of Economics  
Own and related parties' holdings as of 31 December 2015: 271,279 shares



Morten Falch

CEO and Executive Director  
Born 1967  
Co-Founder  
In current position since 2004  
Education: B.Sc. Honours degree in Business Administration, University of Bath  
Own and related parties' holdings as of 31 December 2015: 2,697,738 shares



Andreas Frid

Head of Investor Relations  
Born 1977  
Employed 2016  
In current position since 2016  
Education: Degree of Master in Business Administration, Lund University  
Own and related parties' holdings as of 31 December 2015: 0 shares



Jacob Lundblad

COO and Deputy CEO  
Born 1978  
Employed 2004  
In current position since 2009  
Education: Degree of Master in Business Administration, Degree of Bachelor of Business Law, School of Economics and Management, Lund University  
Own and related parties' holdings as of 31 December 2015: 1,085,115 shares



Kristina Nordlind

Chief Legal Counsel  
Born 1972  
Employed 2007  
In current position since 2007  
Education: Master of Laws (LL.M.), Stockholm University  
Own and related parties' holdings as of 31 December 2015: 54,256 shares



Camilla Wirth

CFO  
Born 1970  
Employed 2011  
In current position since 2011  
Education: Master of Science in Business and Economics, Stockholm University  
Own and related parties' holdings as of 31 December 2015: 50,586 shares

# Business Management Team

AS OF APRIL 5 2016



Per  
Alinder

Marketing Director



Olof  
Bengtsson

Data Scientist Manager, deputy



Per  
Bodlund

Senior Project Manager,  
Co-Founder



Malin  
Frick

HR Manager



Fredrik  
Hedberg

Chief Information Officer



Mats  
Lagerqvist

Data Scientist Manager,  
Co-Founder



Olof  
Mankert

Chief Compliance Officer



Tom  
Rabben

Marketing Director



Markus  
Stoor

Chief Security Officer





Nordax Bank

2015

FINANCIAL REPORTS

Nordax Group AB (publ)



# Contents

Multi-year review	81
Consolidated income statement	82
Consolidated statement of financial position	83
Consolidated cash flow statement	84
Statement of changes in consolidated equity	85
Notes	86
Parent Company income statement	109
Parent Company statement of financial position	110
Parent Company statement of cash flows	111
Parent Company statement of changes in shareholders' equity	111
Proposed disposition of profits	113

# Multi-year review

## GROUP

KEY RATIOS	2015	2014	2013	2012
Common equity Tier 1 capital ratio. %	12.6	12.3	12.0	10.1
Return on equity. %	11.9	18.0	17.1	13.4
C/I ratio. %	54.2	45.3	44.0	46.1
Credit loss level. %	1.5	1.2	1.4	1.8
Number of employees	179	163	138	132
<b>Summary of income statements</b>				
Net interest income	927	781	629	504
Net commission	16	15	15	15
Net profit/loss from financial transactions	-55	7	5	45
Other operating income	0	0	4	15
<b>Total income</b>	<b>888</b>	<b>803</b>	<b>653</b>	<b>579</b>
<b>Total operating expenses</b>	<b>-481</b>	<b>-364</b>	<b>-287</b>	<b>-267</b>
Credit losses	-157	-114	-114	-127
<b>Operating profit</b>	<b>250</b>	<b>325</b>	<b>251</b>	<b>185</b>
Tax	-55	-71	-49	-49
<b>Net profit/loss for the year</b>	<b>195</b>	<b>254</b>	<b>203</b>	<b>136</b>
<b>Summary of balance sheets</b>				
Treasury bills eligible for refinancing				
Lending to credit institutions	1,810	2,212	1,608	2,546
Lending to the general public	10,841	10,042	8,393	7,456
Bonds and other fixed income securities	1,157	1,585	550	1,991
Intangible assets	320	316	330	342
Other assets	34	35	29	24
<b>Total assets</b>	<b>14,162</b>	<b>14,190</b>	<b>10,910</b>	<b>12,359</b>
Liabilities to credit institutions	2,880	2,259	2,314	1,781
Deposits from the general public	6,001	6,479	4,753	7,165
Issued securities	3,187	3,581	2,259	2,033
Other liabilities	115	134	99	98
Subordinated liabilities	246	199	198	197
Equity	1,733	1,538	1,287	1,085
<b>Total equity and liabilities</b>	<b>14,162</b>	<b>14,190</b>	<b>10,910</b>	<b>12,359</b>

# Consolidated income statement

## GROUP

All amounts are in MSEK	Note	JAN-DEC 2015	JAN-DEC 2014
<b>Operating income</b>			
Interest income	7,14	1,260	1,196
Interest expenses	7,14	-333	-415
<b>Total net interest income</b>		<b>927</b>	<b>781</b>
Commission income	8,14	16	15
Net profit/loss from financial transactions	9,14	-55	7
<b>Total operating income</b>		<b>888</b>	<b>803</b>
<b>Operating expenses</b>			
General administrative expenses	10,14	-261	-224
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,14,19	-21	-18
Other operating expenses	14	-124	-122
Non-recurring costs	11,14	-75	-
<b>Total operating expenses</b>		<b>-481</b>	<b>-364</b>
<b>Profit before credit losses</b>		<b>407</b>	<b>439</b>
Net credit losses	12,14	-157	-114
<b>Operating profit</b>		<b>250</b>	<b>325</b>
Tax on profit for the year	13	-55	-71
<b>NET PROFIT FOR THE YEAR/COMPREHENSIVE INCOME</b>		<b>195</b>	<b>254</b>
<b>Attributable to:</b>			
Parent Company shareholders		195	254
Non-controlling interest		0	0
Basic earnings per share, SEK	2	1,76	2,29
Diluted earnings per share, SEK	2	1,76	2,29
Average number of shares	2	110,945,598	110,945,598

# Consolidated statement of financial position

## GROUP

All amounts are in MSEK

	Note	31 DECEMBER 2015	31 DECEMBER 2014
<b>ASSETS</b>			
Lending to credit institutions	5,6,15	1,810	2,212
Lending to the general public	5,6,14,16	10,841	10,042
Bonds and other fixed-income securities	5,6,17	1,157	1,585
Tangible assets	18	8	7
Intangible assets	19	320	316
Other assets	20	9	18
Prepaid expenses and accrued income		17	10
<b>TOTAL ASSETS</b>		<b>14,162</b>	<b>14,190</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	5,6,21	2,880	2,259
Deposits from the general public	5,6,22	6,001	6,479
Issued securities	5,2,3	3,187	3,581
Current tax liability	24	10	16
Deferred tax liability	13	9	29
Other liabilities	25	24	25
Accrued expenses and deferred income		72	64
Subordinated liabilities	5,6,26	246	199
<b>Total liabilities</b>		<b>12,429</b>	<b>12,652</b>
<b>Equity</b>			
Share capital		111	1
Other capital contributions		736	846
Retained earnings, incl. profit for the year		886	691
<b>Total equity</b>		<b>1,733</b>	<b>1,538</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>14,162</b>	<b>14,190</b>
<b>Memorandum items</b>			
Pledged assets for own liabilities	27	9,787	9180
Contingent liabilities	28	None	None

# Consolidated cash flow statement

## GROUP

All amounts are in MSEK	JAN-DEC 2015	JAN-DEC 2014
<b>Operating activities</b>		
Operating profit (Group) / profit before tax (Parent Company)	250	325
Adjustment for non-cash items		
Exchange rate effects	-277	-8
Income tax paid	-81	-63
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	21	15
Amortisation of financing costs	21	27
Unrealised changes in value of bonds and other fixed-income securities	0	-9
<b>Change in operating assets and liabilities</b>		
Decrease/Increase in lending to the general public	-799	-1,649
Decrease/Increase in other assets	2	-5
Decrease/Increase in deposits from the general public	-478	1,726
Decrease/Increase in other liabilities	7	25
<b>Cash flow from operating activities</b>	<b>-1,334</b>	<b>384</b>
<b>Investing activities</b>		
Purchase of equipment	-26	0
Investment in bonds and other interest bearing securities	-3,403	-3,797
Sale/disposal of bonds and other fixed income securities	3,830	2,772
Sale of shares	0	-
<b>Cash flow from investing activities</b>	<b>401</b>	<b>-1,025</b>
<b>Financing activities</b>		
Change in minority	0	-3
Increase in liability to credit institutions	3,136	1,789
Repayment of debt to credit institutions	-2,395	-1,936
Issue of subordinated loans	244	-
Redemption of subordinated loans	-194	-
Issued bonds	1,079	1,874
Repayment of issued bonds	-1,339	-479
<b>Cash flow from financing activities</b>	<b>531</b>	<b>1,245</b>
<b>Cash flow for the period</b>	<b>-402</b>	<b>604</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,212</b>	<b>1,608</b>
<b>Cash and cash equivalents at end of year</b>	<b>1,810</b>	<b>2,212</b>

Cash and cash equivalents are defined as treasury bills eligible for refinancing and lending to credit institutions. Pledged cash and cash equivalents according to Note 27 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents because they are pledged for not more than 30 days and therefore are current.

Operating income for the Group includes interest income paid by the public totalling SEK 1,251 (1,176) million and interest income paid by credit institutions totalling SEK 10 (20) million, as well as interest expenses paid to the public totalling SEK 108 (174) million and interest expenses paid to credit institutions totalling SEK 199 (242) million.



# Statement of changes in consolidated equity

GROUP	Restricted equity	Non-restricted equity			Total
	Share capital	Other capital contributions	Retained earnings	Non-controlling interest	
All amounts are in MSEK					
<b>OPENING BALANCE, 1 JANUARY 2014</b>	1	846	118	322	1,287
<b>Comprehensive income</b>					
Net profit/loss for the year			254	-	254
<b>Total comprehensive income</b>			254		254
<b>Transactions with shareholders</b>					
Change in non-controlling interest			319	-322	-3
<b>Total transactions with shareholders</b>			319	-322	-3
<b>CLOSING BALANCE, 31 DECEMBER 2014</b>	1	846	691	-	1,538
<b>OPENING BALANCE, 1 JANUARY 2015</b>	1	846	691	-	1,538
<b>Comprehensive income</b>					
Net profit/loss for the year			195	-	195
<b>Total comprehensive income</b>			195		195
<b>Transactions with shareholders</b>					
Intragroup restructuring (see Note 1)	110	-110	-	-	0
<b>Total transactions with shareholders</b>	110	-110	-	-	0
<b>CLOSING BALANCE, 31 DECEMBER 2015</b>	111	736	886	-	1,733

# Notes

Amounts stated in the notes are in SEK million unless otherwise indicated.

## Note 1 General information

Nordax Group AB (publ) (Corporate Identity Number 556993-2485), with registered office in Stockholm, Sweden, is the Parent Company in a Group with the subsidiary Nordax Group Holding AB. Nordax Group Holding AB in turn owns companies that own companies and manage interest in companies whose principal activity consists in lending to private individuals in the Nordic countries.

### Information on the consolidated situation

The ultimate parent company in the consolidated situation is Nordax Group AB (publ). The following companies are included in the consolidated financial statements for the group of financial companies in accordance with full IFRS and in the group-based financial statements for calculation of capital requirements: Nordax Group AB (publ), Nordax Group Holding AB, Nordax Holding AB, Nordax Bank AB (publ), Nordax Finans AS, PMO Sverige OY, Nordax Nordic AB (publ), Nordax Sverige AB, Nordax Sverige 3 AB (publ), Nordax Sverige 4 AB (publ), Nordax Nordic 2 AB and Nordax Nordic 3 AB (publ).

Nordax Group AB (publ) acquired at 11 May 2015, by way of a share swap, Nelson Luxco Sarl, the former parent company in the Nordax Group. The transaction was a pure share exchange between units under joint control, and therefore this is considered an intra-group restructuring. Since this is a restructuring under joint control and was made by way of a share exchange, Nordax Group AB (publ) cannot be considered the acquirer for financial reporting purposes. Thus the consolidated financial reports are prepared as a continuance of the former Nordax Group, which ensures continuity in the financial reporting.

The consolidated financial statements and annual report for Nordax Group AB (publ) for the financial year 2015 were approved by the Board of Directors and Chief Executive Officer to be published on 6 April 2016 for adoption by the Annual General Meeting in 2016.

## Note 2 Accounting and measurement policies

The most important accounting policies applied in preparing these consolidated financial statements are indicated below.

The consolidated financial statements for the Nordax Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, together with the Credit Institutions and Securities Companies Act (1995:1559), the Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Regulations for Groups as well as the Swedish Financial Supervisory Authority's regulations and guidelines FFFS 2008:25.

### (i) Shares in Group companies

Shares in Group companies are recognised at cost in the Parent Company. Distributions received are recognised as revenue when the right to receive payment is virtually certain. Tests for impairment are performed quarterly and an impairment loss is recognised when a permanent decline is established.

### (ii) Group contributions

Group contributions received from subsidiaries are recognised as financial income in the income statement. Group contributions paid to subsidiaries are recognised as increase in participations in Group companies to the extent that impairment is not required. All Group contributions paid and received between the company and its Parent Company are recognised in equity. The tax effect of Group contributions paid and received is recognised in the income statement in cases where the

Group contribution is recognised in the income statement. As the Group contribution is recognised in equity, the tax effect is also recognised in equity.

### (iii) Transactions with related parties

All related-party transactions are conducted according to the arms-length principle.

Otherwise, there are no material differences in the Parent Company's accounting policies compared with the Group's accounting policies presented below.

### Consolidated financial statements

The consolidated financial statements have been prepared on the basis of the cost method, except as regards instruments, treasury bills eligible for refinancing, bonds and other securities measured at fair value through profit and loss.

### Consolidation of subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to or has the right to variable returns from its holding in the entity and is able to affect this return through its influence in the entity. Subsidiaries are included in the consolidated financial statements from the date when control passes to the Group. They are deconsolidated from the date on which the control ceases.

## Translation of foreign currency

### (i) Functional currency and reporting currency

Items included in the financial statements for the different units in the Group are measured in the currency used in the financial environment in which the company concerned is mainly active (functional currency). The functional currency and reporting currency of the Parent Company, which is the Swedish krona (SEK), is used in the consolidated financial statements.

### (ii) Transactions and balance-sheet items

Transactions in foreign currencies are translated to the functional currency at the exchange rate applicable on the transaction date. Exchange gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate prevailing on the reporting date are recognised in the income statement under the item Net profit from financial transactions.

## Property, plant and equipment

Items of property, plant and equipment are recognised at cost and depreciated on a straight-line basis over their useful life. The depreciation period for property, plant and equipment is between 3 and 5 years. Impairment testing takes place if there is an indication of a decline in value.

## Intangible assets

### (i) Internally developed software

Costs of software maintenance are recognised as an expense when they arise. Development costs directly attributable to development and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically possible to complete the software so that it can be used,
- the entity's intention is to complete the intangible asset and use or sell it,
- the conditions necessary to use or sell the software exist,
- it can be shown how the software generates probable future financial benefits,
- adequate technical, financial and other resources are available to complete the development and to use or sell the software, and
- the expenditure attributable to the software during its development can be calculated in a reliable manner.

Development costs are recognised as an asset in the balance sheet if it is probable that the future economic benefits will accrue to the company. Development costs not meeting the criteria for capitalisation are expensed as incurred. Development costs which have previously been recognised as an expense are not recognised as an asset in the subsequent period. Development costs for software recognised as an asset are amortised over its estimated useful life, which is not more than five years.

### (ii) Goodwill

The carrying amount of goodwill is attributable to the acquisition of Nordax Holding AB in 2010. The carrying amount of customer relationships, which is an estimate of the value of acquired customer databases, is also attributed to goodwill. The intangible asset attributable to customer databases is amortised over a period of ten years.

## Value in use

Goodwill relates to the whole Group, Nordax Holding AB. The recoverable amount was established at the end of 2015 based on value in use. This means that the expected future cash flows of the assets are established by calculating the present value with a discount rate. The expected future cash flows are based on the Group's prepared five-year plan. The key assumptions in the five-year plan are the management's estimation of growth and net profit including credit losses, estimated by the Board of Directors. The assumptions are based on both historical experience and market data.

The cash flow calculations have been made based on five years of assumed cash flows and an estimated final value at the end of the five-year period that is equal to the book value of the assets. No growth is assumed after the forecasting period. The Group considers an unweighted Tier 1 capital ratio of 15% to be reasonable. The discount rate ranges between 4.1% and 5.3% (5.2%) before tax, depending on country, and has been established on the basis of an assumed requirement for return on equity of 20%, as well as market yield requirements in funding the assets.

Based on the calculation described above, there was no impairment of goodwill at year-end. Nor would a change in discount rate, which is the most sensitive parameter (+1 percentage point) lead to any impairment. Goodwill was previously monitored at total level, but since 2014 goodwill has been monitored and tested at operating segment level, based on relative values of the segments existing at the time of acquisition. The carrying amount of goodwill is attributable to Sweden at SEK 93 (92) million, to Norway at SEK 105 (110) million and to Finland at SEK 53 (49) million.

## Financial assets

The Group classifies its financial assets in the following categories: financial assets measured at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of the financial assets on initial recognition.

### (i) Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss are financial assets held for trading and those financial assets that management at initial recognition classified to this category, i.e. designated at fair value. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading as the Group does not apply hedge accounting. Assets in this category, so-called derivatives, are classified as current assets, i.e. with the intent to be used within 12 months and are recognised under the items Other assets. Nordax has chosen to classify bonds and other fixed-income assets as financial assets measured at fair value through profit and loss (the fair value option) since the management at initial recognition classified these assets to this category, i.e. designated at fair value.

### **(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets, which have fixed or determinable payments and which are not listed on an active market. They are included in current assets with the exception of items with a due date more than 12 months after the balance-sheet date, which are classified as non-current assets. The Group's loans and receivables consist of Lending to credit institutions, Lending to the general public, Cash and bank balances at central banks and Other assets in the balance sheet.

### **(iii) Recognition and measurement**

Purchases and sales of financial assets are recognised on the settlement date. Financial instruments are initially recognised at fair value plus transaction expenses, which applies to all financial assets not recognised at fair value through profit and loss. Financial assets measured at fair value through profit and loss are initially recognised at fair value, while related transaction costs are recognised in profit and loss. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or has been transferred and the Group has transferred substantially all the risks and benefits associated with right of ownership. Financial assets measured at fair value through profit and loss are recognised after the time of acquisition at fair value. Loans and receivables are recognised at amortised cost with application of the effective interest method.

Gains and losses due to changes in fair value pertaining to the category of financial assets measured at fair value through profit and loss are recognised in the income statement in the period in which they arise and are included in the income statement item Net profit from financial transactions.

Fair value of listed securities is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group determines fair value by applying measurement techniques such as use of information pertaining to recent transactions on an arm's length basis, reference to the fair value of another instrument which is essentially equivalent and analysis of discounted cash flows. In this respect, market information is used to as great an extent as possible, while company-specific information is used to as small an extent as possible.

Cash and cash equivalents are defined as treasury bills eligible for refinancing and lending to credit institutions. Pledged cash and cash equivalents according to Note 27 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents.

### **(iv) Impairment of assets carried at amortised cost**

The bank assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of assets has declined in value, and impairment is made, only if there is objective evidence that they have declined in value as a result of one or more events that have occurred after the asset was first recognised ("loss event"), and the loss event (or loss events) has (or have) an impact on future

expected cash flows from the financial asset or from the group of financial assets and this impact can be estimated with reasonable assurance.

If, at a later time, the amount by which an asset needs to be impaired decreases and the decrease can be objectively attributed to an event after the impairment was made (as in the case of an improvement in a borrower's creditworthiness), the previously made impairment is reversed by reducing the amount of the provision.

### **Financial liabilities**

The Group classifies its financial liabilities in the following categories: financial liabilities measured at fair value through profit and loss and other financial liabilities.

#### **(i) Financial liabilities measured at fair value through profit and loss**

Financial liabilities measured at fair value through profit and loss are financial liabilities held for trading. A financial liability is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading as the Group does not apply hedge accounting. Change in fair value is recognised in the income statement item Net profit from financial transactions. Liabilities in this category are recognised under the items Other liabilities.

#### **(ii) Other financial liabilities**

Other financial liabilities are recognised under the items Liabilities to credit institutions, Deposits from the public, Issued securities and Subordinated liabilities and are measured at amortised cost with application of the effective interest method. Where material covenants exist, this should be disclosed.

### **Lending**

Loan receivables intended to be held to maturity are classified as financial assets. These are recognised in the balance sheet at amortised cost net of realised and expected credit losses. Received arrangement commissions are included in the cost of loan receivables.

Disbursement takes place immediately after granting, whereupon there are no commitments in granted, non-disbursed loans.

Credit losses consist of write-off for the year of observed credit losses, provisions for loans with an individually identified loss event (individually identified loss event is understood to mean receivables past due more than 180 days) and group provision for receivables measured as a group (past due 1-180 days). No individual reservation is made for a loss event until the receivable is 180 or more days past due.

When the value of a loan receivable has declined, the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the instrument at the time of impairment, i.e. the initial effective interest rate.

See note 3 and 4.

### **Interest income**

Interest income is recognised as income with application of the effective interest method. The Group recognises transaction costs such as opening fees, invoicing fees and monthly fees as income when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably, and will be recognised as interest income. Transaction costs are included in the calculation of effective interest rate.

### **Commission income**

Commission income consists of insurance commission. Income comprises the fair value of the amount received or which will be received for services sold in the Group's operating activities. The Group recognises income when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably

### **Net profit/loss from financial transactions**

Net profit/loss from financial transactions include realised gains and losses on all financial instruments. Gains and losses include gains and losses from changes in the exchange rate and profit from investments in bonds and other fixed-income securities

### **General administrative expenses**

General administrative expenses refers to employee benefit expenses and other administrative expenses, such as IT expenses, external services (audit, other services), costs of premises, telephone and postage and other expenses.

### **Tax**

Recognised income taxes comprise tax which is payable or receivable pertaining to the current year, adjustments pertaining to the current tax of previous years and changes in deferred tax. Tax liabilities/assets are measured at what, in the company's assessment, is due to be paid to or received from the tax authority.

Deferred tax is recognised in its entirety on all temporary differences arising between tax base and carrying amount of assets and liabilities for tax purposes. Deferred income tax is recognised with application of the tax rates applicable on the balance sheet date.

### **Earnings per share**

Basic EPS is calculated by dividing the profit or loss for the year attributable to shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as undiluted earnings per share since there was no dilution.

### **Employee benefits**

#### **(i) Pension expenses**

The Group's pension plans are funded through payments to insurance companies. The Group only has defined-contribution pension plans. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees all the benefits relating to employee service in current and prior periods.

For defined-contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as the pension is vested. Prepaid contributions are recognised as an asset to the extent that cash repayment or decrease in future payments can accrue to the Group.

#### **(ii) Share-based payment**

During 2015, Nordax introduced a long-term scheme for senior executives and key employees (including members of the Senior Management Team. Part of this scheme comprises free shares for which social security contributions are calculated, which are recognised as an expense in the periods in which the free shares were earned. No share-based payments have been made up to and including 2015.

### **Segment**

The segment information is presented based on the perspective of the chief operating decision-maker, and the segments are identified on the basis of internal reporting to the Chief Executive Officer, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway, Finland, Denmark and Finland which reflects Nordax's lending portfolio. Income not directly attributable to segments is allocated with effect from 2014 with allocation keys in accordance with internal principles that the senior management considers to provide a fair allocation to the segments. The chief operating decision-maker mainly follows the income concept of operating income.

### **New and revised standards adopted by the Group**

The standards which have been adopted by the Group and the Parent Company for the first time for the financial year commencing on January 1 2015 and which have a material impact on the consolidated financial statements are indicated below.

Revision of FFFS 2008:25 concerning disclosures on capital adequacy analysis. None of the IFRS standards or IFRIC interpretations which are mandatory for the first time for the financial year commencing on January 1 2015 have had a material impact on the Group's income statement or balance sheet. Additional disclosure requirements due to revisions of FFFS 2008:25 are presented in the note on Capital adequacy analysis.

### **New applicable standards, amendments and interpretations of existing standards that have not yet become effective and have not been adopted early by the Group.**

through profit and loss. How an instrument is to be classified depends on the company's business model and the characteristics of the instrument. Investments in equity instruments are to be recognised at fair value through profit and loss but there is also an option to recognise the instrument at fair value through other comprehensive income at initial recognition. No reclassification to the income statement will then take place when divesting the instrument. IFRS 9 also introduces a new model for calculating the credit loss provision arising from expected credit losses. In the case of financial liabilities, classification and measurement



are not changed, apart from where a liability is reported at fair value through the income statement. Value changes attributable to changes in own credit risk are then to be recognised in other comprehensive income. IFRS 9 changes the requirements for application of hedge accounting by replacing the 80-125 criterion with requirements for financial relationship between hedging instruments and secured object and by the hedging ratio having to be the same as that used in risk management. The hedging documentation is also little changed in comparison with that prepared under IAS 39. The standard shall be applied for financial years beginning January 1, 2018. Earlier application is permitted. The Group has not yet evaluated the effects.

IFRS 15 Revenue from contracts with customers governs how revenue not governed by other standards, such as revenue from financial instruments, leases and insurance contracts, is to be recognised. The principles upon which IFRS 15 is based are to provide users of financial statements with more useful information about the company's revenues. The expanded disclosure obligation means that information about revenue type, time of settlement, uncertainties linked to revenue recognition and cash flow attributable to the company's customer contracts has to be provided. IFRS is based upon the principle of revenue being recognised when the customer obtains control of the sold good or service – a principle that replaces the previous principle that revenue is recognised when risks and benefits have transferred to the buyer. IFRS 15 supersedes IAS 11 Construction Contracts including related SIC and IFRIC interpretations. IFRS 15 is effective from January 1 2018. 18 Revenue and earlier application is permitted. The EU has not yet adopted the standard. An entity may choose between

full retrospective application and forward-looking application with additional disclosure. The Group has not yet evaluated the effects of adopting the standard.

#### **IFRS 16 Leases**

In January 2016, IASB published a leasing standard that will replace IAS 17 Leases, as well as associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leases, with some exceptions, to be recognised in the statement of financial position. This recognition is based on the view that the lessee has a right to use an asset for a specific period and, at the same time, an obligation to pay for this right. Recognition for the lessor will remain essentially unchanged. The standard shall be applied for financial years beginning on or after 1 January, 2019. Earlier application is permitted. The EU has not yet adopted the standard. The Group has not yet evaluated the effects of IFRS 16.

No other IFRS standards or IFRIC interpretations which have not yet come into force are expected to have a material impact on the Group or Parent Company.

#### **Changes in accounting policies**

During 2015, the accounting policies remained essentially the same as in 2014.

#### **Parent Company**

The Parent Company's annual report has been prepared in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 "Accounting for legal entities".

## **Note 3 Significant accounting estimates**

Nordax has made a number of significant estimates and assumptions affecting the measurement of assets and liabilities in the financial statements. These estimates and assumptions are continuously evaluated against previous experience and other factors, such as anticipated future events.

The measurement of lending to the general public includes non-observable inputs and therefore belongs to Level 3. The value has been established by calculating the present value of the expected future cash flows of the assets with a discount rate. The future expected cash flows have been based on the size of the portfolio at the end of the balance sheet date and an expected future cash flow of 15 years, which is the maximum term. The Group considers an unweighted Tier 1 capital ratio of 15% to be reasonable. The discount rate ranges between 4.1% and 5.3% (5.2%) before tax, depending on country, and has been established on the basis of an assumed requirement for return on equity of 20%, as well as market yield requirements in funding the assets.

#### **Impairment of loan receivables, credit risk**

The Nordax Group regularly reviews its credit portfolios in order to identify impairment losses. In order to determine whether impairment should be recorded through profit or loss, an assessment is made of whether there are indications of reductions in future estimated cash flows from receivables in the credit portfolio. These indications may be a decline in payment status among a group of debtors or worsened economic conditions correlating with suspension of payments in the portfolio.

When the value of a loan receivable has declined, the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the variable rate instrument at the time of impairment of the instrument.

Management uses estimates based on historical credit losses for assets with the same credit risk and attributes as those in the loan portfolio. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between estimated and actual losses.

### Calculation of fair value

The fair values of financial instruments which are traded in an active market (such as financial instruments held for trading and available-for-sale financial instruments) are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices from an exchange, broker, industry group, pricing service or regulatory authority are easily and regularly available, and these prices represent actual and regularly occurring arm's length market transactions. The quoted market price used for the Group's financial assets is the current bid price. These instruments belong to Level 1.

Fair value of financial instruments not traded in an active market are established using inputs other than quoted market prices that are observable for the asset or liability, either directly (i.e. in the form of quoted prices) or indirectly (i.e. derived from quoted prices). Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable the instrument belongs to Level 2. In cases where one or several significant inputs are not based on observable market information the instrument is classified as Level 3. The company does not have any financial liabilities measured at Level 3.

## Note 4 Financial risk management

### Financial risk factors

Through its operations, the Group is exposed to both credit risks and other financial risks, market risk (including currency risk, interest-rate risk at fair value, interest-rate risk in cash flow and price risk) and liquidity risk. The Group's overall risk management policy focuses on managing credit risks which have been taken intentionally and minimising the potentially adverse effects of unpredictability in the financial markets. The Group employs derivative instruments to hedge certain risk exposure.

The funding deficit in EUR and DKK is managed through FX swaps with terms up to one month. As a result, the desired ratio is achieved between assets and liabilities in the currency concerned.

Risk management is handled primarily by a credit department and a central treasury department in accordance with policies determined by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units. The Board draws up written policies both for overall risk management and for specific areas, such as credit risk, foreign-currency risk, interest-rate risk, use of derivative and non-derivative financial instruments and investment of surplus liquidity. Risk management is supervised by the risk control function which reports to the Board of Directors in accordance with FFFS 2014:1.

#### (i) Credit risks in general

Lending activities are based on policies adopted by the Board of Directors. All loans are assessed in a separate, centrally located department in the Group.

As consumer loans are provided without physical collateral, credit assessment is an important element. To obtain a loan, the customer and submitted application documents must fulfil a number of policy rules, such as minimum income, minimum age, maximum indebtedness and no record of non-payment. Decisions on loans are based on creditworthiness, which is determined using a model for calculating the probability that a borrower will be able to adhere to the concluded agreements ("credit scoring").

A customer's credit score determines, for instance, how much he or she will be able to borrow. The credit decision is additionally based on a calculation of affordability to ensure that the customer is able to repay the loan. The affordability calculation assesses the customer's income, housing expenses, borrowing costs and living expenses. In cases where it is not possible to obtain income and debt information from credit reference agencies the customer is required to submit further information in addition to the application documents, such as a salary specification and tax return, to confirm his or her stated income and debts. This information is used to assess the customer's financial situation, for instance by calculating the customer's debt ratio and a "left to live on" amount.

Credit risks in other counterparty relationships, such as derivatives and financial investments, are regulated by a policy adopted by the Board of Directors. Collateral agreements are used to limit counterparty risks in derivative contracts. Derivative transactions and investments of the liquidity reserve are concluded only with stable counterparties with satisfactory credit scores. Nordax's policy is to invest only in approved instruments up to a specified maximum amount, up to a maximum term and with a minimum credit score. Nordax's liquidity reserve consists of investments in Nordic banks, Swedish covered bonds, Swedish securities issued by municipalities and similar instruments.

#### (ii) Measurement of credit risk

The credit risk in the portfolio is measured against the specified targets on an ongoing basis. The measurements are based partly on how loans perform over time, how old the individual loans are ("vintage") and the maturity of the overall portfolio. Measurements are made depending on the risk that a loan will fall into arrears and whether it has been impaired.

Continuous measurements are also made on a segment basis. The applicable credit regulations and scoring models are followed up continuously to ensure the effectiveness of applied regulations and models. The results of these measurements are used as a basis for any adjustments to credit regulations and scoring models.

### (iii) Risk management and risk control

The Group's continued operations depend on its ability to manage and control credit risk. Great emphasis is placed on establishing procedures to deal with this. Among other things, reporting takes place at least monthly to the management team and the Board of Directors. Credit risk reporting is also a standing agenda item at each Board meeting. The risk control and compliance unit perform regular checks to ensure that loans are issued in accordance with the instructions adopted by the Board. Under the instructions, any deviations must be reported to the Board. When the Group has received loans from external parties, these parties also perform regular and extensive credit risk assessments.

### (iv) Principles for credit risk provisions

Principles for credit risk provisions are indicated in Note 2 and Note 3. When the value of a loan receivable

has declined, the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the instrument at the time of impairment. Management uses estimates based on historical credit losses for assets with the same credit risk and attributes as those in the loan portfolio. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between estimated and actual losses.

Provisions are calculated for loans with an individually identified loss event (individually identified loss even is understood to mean receivables past due more than 180 days), and group provision for receivables measured as a group (due 1 - 180 days) is based on an established model. The criteria for determining whether a loss has occurred are delays in the payment of principal and interest.

## MAXIMUM EXPOSURE TO CREDIT RISK

All amounts are in MSEK

	31 DECEMBER 2015	31 DECEMBER 2014
<b>Credit risk exposures relate to the balance sheet as follows:</b>		
Lending to credit institutions	1,810	2,212
Lending to the general public	10,841	10,042
Bonds and other fixed-income securities	1,157	1,585
<b>Total</b>	<b>13,808</b>	<b>13,839</b>

The assets above are recognised at carrying amount in accordance with the balance sheet.

## LENDING TO THE GENERAL PUBLIC

31 December 2015	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision past due receivables	
Not yet past due	3,690	3,772	150	1,699	537	9,848		
Past due 30 days	44	96	5	82	8	235	-23	10%
Past due 60 days	21	37	3	27	4	92	-20	22%
Past due 90 days	18	28	3	14	2	65	-24	36%
Past due 120-150 days	29	29	1	23	3	85	-43	51%
Past due 180 days or more	574	513	292	282	13	1,674	-1,048	63%
<b>Total past due</b>	<b>686</b>	<b>703</b>	<b>304</b>	<b>428</b>	<b>30</b>	<b>2,151</b>	<b>-1,158</b>	<b>54%</b>
<b>Total</b>	<b>4,376</b>	<b>4,475</b>	<b>454</b>	<b>2,127</b>	<b>567</b>	<b>11,999</b>		
Reserve <sup>1</sup>	-351	-350	-275	-163	-19	-1,158		
<b>Total lending to the general public</b>	<b>4,025</b>	<b>4,125</b>	<b>179</b>	<b>1,964</b>	<b>548</b>	<b>10,841</b>		

31 December 2014	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision past due receivables	
Not yet past due	3 586	3 598	209	1 458	289	9 139		
Past due 30 days	45	86	8	77	3	220	-18	8%
Past due 60 days	23	32	4	27	2	89	-19	21%
Past due 90 days	13	21	6	10	1	51	-17	33%
Past due 120-150 days	26	20	3	14	2	65	-33	51%
Past due 180 days or more	489	495	298	238	2	1,522	-957	63%
<b>Total past due</b>	<b>596</b>	<b>654</b>	<b>319</b>	<b>366</b>	<b>10</b>	<b>1,947</b>	<b>-1,044</b>	<b>54%</b>
<b>Total</b>	<b>4,182</b>	<b>4,252</b>	<b>528</b>	<b>1,824</b>	<b>299</b>	<b>11,086</b>		
Reserve <sup>1</sup>	-302	-318	-282	-136	-5	-1,044		
<b>Total lending to the general public</b>	<b>3,880</b>	<b>3,934</b>	<b>246</b>	<b>1,688</b>	<b>294</b>	<b>10,042</b>		

<sup>1</sup> Provision for receivables which are more than 180 days past due are assessed individually and total SEK -1,048 (-957) million. The group provision is SEK -110 (-87) million. The difference between the provision recognised above and credit losses as indicated in the income statement is due to exchange rate effects, which are accounted for under Net profit from financial transactions.

When a loan becomes past due more than 180 days the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the instrument at the time of impairment. Expected recoveries are assumed to be generated up to 13 years from the date on which the receivable becomes past

due more than 180 days. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between estimated and actual losses. The senior management uses estimates based on historical data and forecasts for longer periods where there are no own historical data.

## PROVISION FOR CREDIT LOSSES

All amounts are in MSEK

	31 DECEMBER 2015	31 DECEMBER 2014
<b>Provision for loans with individually identified loss events<sup>1</sup></b>		
Opening reserve at start of year	-957	-805
- allocated during the year	-92	-86
- foreign exchange effects <sup>2</sup>	1	-66
<b>Provision for loans with individually identified loss events at end of year</b>	<b>-1,048</b>	<b>-957</b>
<b>Group provision for receivables measured as a group</b>		
Opening reserve at start of year	-87	-72
- allocated during the year	-28	-13
- foreign exchange effects <sup>2</sup>	5	-2
<b>Group provision for receivables measured as a group at end of year</b>	<b>-110</b>	<b>-87</b>
<b>Total provision for credit losses</b>	<b>-1,158</b>	<b>-1,044</b>

<sup>1</sup> Individually identified loss events refer to loans which are more than 180 days past due

<sup>2</sup> Exchange-rate effects are recognised in Net profit/loss from financial transactions

<sup>3</sup> Group valued receivables and performing receivables where no loss event has yet been identified pertain to loans past due between one and 180 days

## CREDIT QUALITY

Alla belopp anges i MSEK

	31 DECEMBER 2015	31 DECEMBER 2014
<b>Credit quality pertaining to fully performing receivables<sup>1</sup></b>		
Rating A	707	762
Rating B	1,982	1,849
Rating C	3,843	3,394
Rating D	2,712	2,578
Rating E	445	520
No rating	159	36
<b>Total</b>	<b>9,848</b>	<b>9,139</b>

<sup>1</sup> Credit quality is based on ratings A to E, where A is the lowest risk and E is the highest risk. Creditworthiness is determined using a model for calculating the probability that a borrower will be able to adhere to the concluded agreements ("credit scoring").

Regarding credit quality for lending to credit institutions and bonds and other interest bearing securities, please see Note 4 under Information on liquidity risk.

### Risk concentrations in financial assets with credit risk exposure – geographical areas

A breakdown of credit exposure by geographical area is presented below. The values are carrying amounts. The allocations are based on the domiciles of borrowers.

#### CREDIT EXPOSURE

31 December 2015	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Lending to credit institutions	1,810					1,810
Lending to the general public	4,025	4,125	179	1,964	548	10,841
Bonds and other fixed-income securities	1,157					1,157
<b>Total</b>	<b>6,992</b>	<b>4,125</b>	<b>179</b>	<b>1,964</b>	<b>548</b>	<b>13,808</b>

31 december 2014	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Lending to credit institutions	2,212					2,212
Lending to the general public	3,880	3,934	246	1,688	294	10,042
Bonds and other fixed-income securities	1,585					1,585
<b>Total</b>	<b>7,677</b>	<b>3,934</b>	<b>246</b>	<b>1,688</b>	<b>294</b>	<b>13,839</b>

No credit limits were exceeded during the year.

#### Market risk

##### Foreign exchange risk

The Group is active in the Nordic countries and is exposed to currency risks arising from currency exposure in relation to NOK, DKK and EUR. The most significant currency risk arises in the translation of receivables and liabilities into foreign currency. The Group's policy is to limit the risk by matching assets and liabilities in the same currency. Derivative instruments are also utilised to attain this balance, when considered necessary. The Group also protects the capital adequacy ratio against any exchange rate effects with respect to the portfolios in foreign currency, which results in exchange rate effects in the income statement. The impact due to exchange rate effects on the portfolios is consequently offset by a corresponding effect on Group earnings

The Board of Directors has adopted a policy stipulating that the Company continually measures and reports its exchange-rate risk. This contains adopted limits for maximum permitted net exposure in foreign currencies. The current limit adopted by the Board is SEK 700 (700) million, and actual exposure totalled SEK 624 (541) million, broken down into NOK 394 (332) million, DKK 13 (13) million and EUR 25 (18) million. A change of 5% in the value of SEK against the other currencies would cause a change in profit/loss and a change in equity of SEK 31 (27) million, broken down into NOK 20 (16), DKK 0.6 (0.6) and EUR 1.3 (0.9).

##### Interest-rate risks attributable to cash flow and fair value

In principle, the Group's assets and liabilities have a fixed-interest term of one month. The Group's interest-rate risk is consequently very limited, as regards both the fair value of assets and liabilities and the margin between interest income and interest expenses.

The Board of Directors has adopted a policy stipulating that the Company continually measures and reports its interest-rate risk. This is measured by a sensitivity analysis of a parallel movement in the interest-rate curve of 2.0 units. The limit determined by the Board of Directors is a net exposure of SEK 20 (20) million, and the actual exposure at year-end was SEK 7 (11) million.

Lending to the general public, lending to credit institutions, bonds and other fixed-income securities have an average fixed interest term of less than three months. Funding through the asset-backed securities market (securitised) and secured funding from two global banks have an average fixed interest term of less than one month. Senior unsecured bonds have an average fixed interest term of three months and deposits from the general public have an average fixed interest term of 0 months. Other assets, liabilities and equity do not accrue interest.

##### Liquidity risk

Please refer to the section concerning capital adequacy.



The table below presents an analysis of the Group's financial liabilities to be settled net, broken down according to the time remaining until the first contractual date of early redemption, at the balance sheet date.

The contractual maturity for issued securities exceeds five years, see Note 23 for further information. The amounts stated in the table are the contractual, undiscounted cash flows.

## MATURITY DISTRIBUTION

31 December 2015	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Liabilities to credit institutions	59	2,923	-	-	2,982
Deposits from the general public	6,001	-	-	-	6,001
Issued securities	508	1,653	1,091	-	3,252
Subordinated liabilities	15	15	46	312	388
Trade payables and other liabilities	33	-	-	-	33
<b>Total</b>	<b>6,616</b>	<b>4,591</b>	<b>1,137</b>	<b>312</b>	<b>12,656</b>

31 December 2014	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Liabilities to credit institutions	1,392	943	-	-	2,335
Deposits from the general public	6,479	-	-	-	6,479
Issued securities	1,206	748	1,794	-	3,748
Subordinated liabilities	212	-	-	-	212
Trade payables and other liabilities	89	-	-	-	89
<b>Total</b>	<b>9,378</b>	<b>1,691</b>	<b>1,794</b>	<b>-</b>	<b>12,863</b>

### Capital adequacy analysis

Capital adequacy information in this document refers to information the disclosure of which is provided for in Chapter 6, Sections 3-4 of the Regulations and General Recommendations (FFFS 2008:25) on the annual accounts of credit institutions and securities companies (investment firms) and information as referred to in the Regulations and General Recommendations on capital adequacy and risk management (FFFS 2014:12) of the Swedish Financial Supervisory Authority. As of the first quarter of 2014 a capital adequacy analysis for the consolidated situation is reported. Other information required under FFFS 2014:12 is provided on the Company's website, [www.nordaxgroup.com](http://www.nordaxgroup.com)

### Information on the consolidated situation

The ultimate parent company in the consolidated situation is Nordax Group AB (publ). The following companies are included in the consolidated financial statements for the group of financial companies in accordance with full IFRS and in the group-based financial statements for calculation of capital requirements: Nordax Group AB (publ), Nordax Group Holding AB, Nordax Holding AB, Nordax Bank AB (publ), Nordax Finans AS, PMO Sverige OY, Nordax Nordic AB (publ), Nordax Sverige AB, Nordax Sverige 3 AB (publ), Nordax Sverige 4 AB (publ), Nordax Nordic 2 AB and Nordax Nordic 3 AB (publ).

## CAPITAL ADEQUACY

All amounts are in MSEK

	Consolidated situation	
	31 DECEMBER 2015	31 DECEMBER 2014
<b>OWN FUNDS</b>		
Common Equity Tier 1 capital	1,678	1,538
Deduction from Tier 1 capital	-309	-304
<b>Tier 1 capital</b>	<b>1,369</b>	<b>1,234</b>
Tier 2 capital	217	159
<b>Net own funds</b>	<b>1,586</b>	<b>1,393</b>
Risk exposure amount for credit risk	8,745	8,234
Risk exposure amount for market risk	624	541
Risk exposure amount for operational risk	1,465	1,271
<b>Total amount of risk exposure</b>	<b>10,834</b>	<b>10,046</b>
Core Tier 1 capital ratio	12.64%	12.28%
Tier 1 capital ratio	12.64%	12.28%
Total capital ratio	14.64%	13.86%
Capital adequacy ratio (own funds / capital requirement)	1.83	1.73
Total Common Equity Tier 1 capital requirement including buffer requirement	7.72%	7.00%
- of which capital conservation buffer requirement	2.50%	2.50%
- of which countercyclical capital buffer requirement	0.72%	-
Common Equity Tier 1 capital available for use as buffer <sup>1</sup>	8.14%	7.78%
<b>Specification of own funds</b>		
Common Equity Tier 1 capital		
- Capital instruments and related share premium reserve	847	847
- of which share capital	111	1
- of which other paid-in capital	736	846
- Retained earnings	691	437
- Independently reviewed interim results, adjusted for forecast dividend <sup>2</sup>	140	254
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>1,678</b>	<b>1,538</b>
Regulatory adjustments:		
- Intangible assets	-309	-304
<b>Total regulatory adjustments for CET 1</b>	<b>-309</b>	<b>-304</b>
<b>Tier 1 capital</b>	<b>1,369</b>	<b>1,234</b>
Tier 2 capital		
-Tier 2 capital, instruments	217	159
<b>Tier 2 capital</b>	<b>217</b>	<b>159</b>
<b>Total capital</b>	<b>1,586</b>	<b>1,393</b>
<b>Specification of amount of risk exposure<sup>3</sup></b>		
Institutional exposures	365	444
Covered bonds	41	60
Household exposures	7,629	7,085
Past due items	669	597
Other items	41	48
<b>Total risk exposure amount for credit risk, Standardised Approach</b>	<b>8,745</b>	<b>8,234</b>
Exchange rate risk		
Total risk exposure amount for market risk	624	541
	<b>624</b>	<b>541</b>
Basic Indicator Approach		
Total risk exposure amount for operational risks	1,465	1,271
	<b>1,465</b>	<b>1,271</b>
<b>LEVERAGE RATIO</b>		
<b>Exposure measure for calculating leverage ratio</b>		
Leverage ratio	13,862	13,893
<b>Gross Equity ratio</b>	<b>9.88%</b>	<b>8.88%</b>

<sup>1</sup> Common Equity Tier 1 capital ratio 12.64% less the statutory minimum requirement of 4.5% excluding the capital conservation buffer requirement. A total capital requirement of a further 6.72% of which a capital conservation buffer of 2.50%, a counter cyclical capital buffer of 0.72% and other capital of 3.5%.

<sup>2</sup> Of which net profit SEK 195 (254) million and SEK -55 (-) million adjustment for forecast dividend. The Swedish Financial Supervisory Authority has approved Nordax's application to increase the capital base on condition that the responsible auditor has reviewed the surplus, that the surplus has been calculated in accordance with applicable accounting rules, that predicted costs and dividends have been deducted in accordance with Regulation (EU) No 575/2013 and that the calculation has been made in accordance with Regulation (EU) No 241/2014.

<sup>3</sup> The capital requirement is 8% of the amount of risk exposure pursuant to Regulation (EU) No 575/2013 (CRR).

### Internally estimated capital requirement

As at 31 December 2015, the internally estimated capital requirement totalled SEK 83 (67) million. The internally capital requirement is assessed using Nordax' internal models for financial capital and is not entirely comparable to the estimated capital requirement that the Swedish Financial Supervisory Authority publishes, due to different assumptions and approaches used.

### Information on liquidity risk pursuant to FFFS 2014:12

The Group defines liquidity risk as the risk of failing to fulfil payment obligations at maturity without a significant increase in the cost of obtaining means of payment. The Group uses asset backed borrowing in which parts of the Group's asset portfolios are pledged as collateral for the loans. The Group's long-term strategy is to match lending assets with the maturities of liabilities. The strategy is aimed at achieving a diversified funding platform comprising equity, subordinated debt, securitised assets ("ABS"), bank credit facilities, deposits from the public and corporate bonds.

The goal is to use funding sources which:

- Provide a high degree of matching, of currencies as well as fixed interest terms and maturities, between assets and liabilities.
- Offer diversification in terms of markets, investors, instruments, maturities, currencies, counterparties and geography.
- Carry a low liquidity risk and offer a high possibility of refinancing at maturity, as evidenced by price stability, regularity of issuance and a broad investor base.
- Provide access to relatively large volumes, to meet the funding requirements for a growing balance sheet.

The Group has an independent function for liquidity risk control. The function reports directly to the Board and CEO.

Liquidity is measured on a daily basis and reported to the Company's management. The liquidity risk is reported at each Board meeting.

Cash flows expected to result from the liquidation of all assets, liabilities and off-balance sheet items are calculated. Key ratios from the balance sheet (such as the cash ratio, loan-to-deposit ratio, liquidity coverage ratio, net stable funding ratio and deposit usage) are calculated and monitored over time to elucidate the financial structure and the Group's liquidity risk. Liquidity risk is measured monthly for different scenarios and events (such as less favourable advance rates and changed cash flows) and highlighted separately and in combination.

The contingency plan specifies a clear division of responsibilities and contains instructions for how the Group should respond in a liquidity crisis situation. The plan specifies appropriate actions for managing the consequences of different crisis situations and contains definitions of events which trigger and escalate the contingency plan. The contingency plan has been tested and updated.

At 31 December 2015, Nordax had a liquidity coverage ratio (EBA definition) of 6.76 (8.40) and a net stable funding ratio of 1.27 (1.46) according to the definition of the Basel Committee, which has not yet been adopted.

Nordax had a liquidity reserve at 31 December 2015 of SEK 2,552 (3,246) million. Of these investments, 55% (51%) was in Nordic banks, 16% (19%) in Swedish covered bonds and 29% (30%) in Swedish municipal papers. All investments had credit ratings ranging from AAA to A+ from Standard & Poor's, with an average rating of AA (apart from an exposure of SEK 27 million to Avanza Bank AB). The average maturity was 48 days (68). All bank holdings are accessible and all securities are repoable with central banks.

At December 31 2015 Nordax's sources of funding comprised SEK 2,763 (3,110) million in funding through the asset backed securities market (securitised), SEK 453 (500) million in corporate bonds, SEK 2,891 (2,274) million in secured funding from two global banks and SEK 5,991 (6,460) million in deposits from the general public. The figures refer to the nominal amounts.

## Note 5 Classification of financial assets and liabilities

### GROUP

31 December 2015	Financial instruments measured at fair value through profit and loss		Investments held to maturity	Loans and receivables	Other financial liabilities	TOTAL
	Held for trading	Designated at initial recognition				
<b>ASSETS</b>						
Lending to credit institutions	-	-	-	1,810	-	1,810
Lending to the general public	-	-	-	10,841	-	10,841
Bonds and other fixed income securities	-	1,157	-	-	-	1,157
Derivatives	3	-	-	-	-	3
<b>Total assets</b>	<b>3</b>	<b>1,157</b>	<b>-</b>	<b>12,651</b>	<b>-</b>	<b>13,811</b>
<b>Liabilities</b>						
Liabilities to credit institutions	-	-	-	-	2,880	2,880
Deposits from the general public	-	-	-	-	6,001	6,001
Issued securities	-	-	-	-	3,187	3,187
Subordinated liabilities	-	-	-	-	246	246
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,314</b>	<b>12,314</b>

31 December 2014	Financial instruments measured at fair value through profit and loss		Investments held to maturity	Loans and receivables	Other financial liabilities	TOTAL
	Held for trading	Designated at initial recognition				
<b>ASSETS</b>						
Lending to credit institutions	-	-	-	2,212	-	2,212
Lending to the general public	-	-	-	10,042	-	10,042
Bonds and other fixed income securities	-	1,585	-	-	-	1,585
<b>Total assets</b>	<b>-</b>	<b>1,585</b>	<b>-</b>	<b>12,254</b>	<b>-</b>	<b>13,839</b>
<b>Liabilities</b>						
Liabilities to credit institutions	-	-	-	-	2,259	2,259
Deposits from the general public	-	-	-	-	6,479	6,479
Issued securities	-	-	-	-	3,581	3,581
Derivatives	4	-	-	-	-	4
Subordinated liabilities	-	-	-	-	199	199
<b>Total liabilities</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,518</b>	<b>12,522</b>

Trade receivables, trade payables and prepaid/accrued items are not included in the classification above as they are not tangible, and are recognised instead as Loan and receivables or Other financial liabilities. No offsetting of financial assets and financial liabilities has taken place.

## Note 6 Fair values of financial assets and liabilities

### GROUP

31 December 2015	Carrying amount	Fair value	Fair value gain (+)/fair value loss (-)
<b>ASSETS</b>			
Lending to credit institutions <sup>1</sup>	1,810	1,810	-
Lending to the general public <sup>2</sup>	10,841	13,342	2,501
Bonds and other fixed income securities	1,157	1,157	-
Derivatives	3	3	-
<b>Total assets</b>	<b>13,811</b>	<b>16,312</b>	<b>2,501</b>
<b>Liabilities</b>			
Liabilities to credit institutions <sup>1</sup>	2,880	2,880	-
Deposits from the general public <sup>1</sup>	6,001	6,001	-
Issued securities <sup>3</sup>	3,187	3,205	18
Subordinated liabilities <sup>3</sup>	246	254	8
<b>Total liabilities</b>	<b>12,314</b>	<b>12,340</b>	<b>26</b>

31 December 2014	Carrying amount	Fair value	Fair value gain (+)/fair value loss (-)
<b>ASSETS</b>			
Lending to credit institutions <sup>1</sup>	2,212	2,212	-
Lending to the general public <sup>2</sup>	10,042	12,302	2,260
Bonds and other fixed income securities	1,585	1,585	-
<b>Summa tillgångar</b>	<b>13,839</b>	<b>16,099</b>	<b>2,260</b>
<b>Liabilities</b>			
Liabilities to credit institutions <sup>1</sup>	2,259	2,259	-
Deposits from the general public <sup>1</sup>	6,479	6,479	-
Issued securities <sup>3</sup>	3,581	3,593	12
Derivatives	4	4	-
Subordinated liabilities <sup>3</sup>	199	199	-
<b>Total liabilities</b>	<b>12,522</b>	<b>12,534</b>	<b>12</b>

<sup>1</sup> Fair value is deemed to be the same as the carrying amount, as these are of a short-term nature.

<sup>2</sup> The measurement includes significant non-observable inputs and belongs to Level 3.

<sup>3</sup> Fair value data for issued securities and debenture loans belong to Level 2, as the inputs for measurement are based directly or indirectly on quoted prices

The table below shows financial instruments carried at fair value based on the classification in the fair-value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted market prices included in Level 1 that are observable for the

asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2).

- Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3)

No transfers between levels occurred in 2015.

### GROUP

31 December 2015	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Bonds and other fixed income securities	1,157	-	-	1,157
Derivatives	-	3	-	3
<b>Total assets</b>	<b>1,157</b>	<b>3</b>	<b>-</b>	<b>1,160</b>

31 December 2014	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Bonds and other fixed income securities	1,585	-	-	1,585
<b>Total assets</b>	<b>1,585</b>	<b>-</b>	<b>-</b>	<b>1,585</b>

<b>Liabilities</b>				
Derivatives	-	4	-	4
<b>Total liabilities</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>4</b>



## Not 7 Net interest income

### GROUP

All amounts are in MSEK	JAN-DEC 2015	JAN-DEC 2014
Interest income from the general public <sup>1</sup>	1,251	1,176
Interest income from credit institutions	9	20
<b>Total interest income</b>	<b>1,260</b>	<b>1,196</b>
Interest expenses to the general public	-108	-174
Interest expenses to credit institutions	-200	-217
Interest expenses debenture loans	-25	-24
<b>Total income expenses</b>	<b>-333</b>	<b>-415</b>
<b>Net interest income</b>	<b>927</b>	<b>781</b>

<sup>1</sup> Interest income on financial assets impaired totals SEK 53 million (SEK 50 million).

## Note 8 Commission income

### GROUP

All amounts are in MSEK	JAN-DEC 2015	JAN-DEC 2014
Insurance commission	16	15
<b>Total</b>	<b>16</b>	<b>15</b>

## Note 9 Net profit from financial transactions

### GROUP

All amounts are in MSEK	JAN-DEC 2015	JAN-DEC 2014
Changes in exchange rates	-55	-2
Profit from investments in bonds and other fixed-income securities	0	9
Group contributions	-	-
<b>Net profit/loss from financial transactions</b>	<b>-55</b>	<b>7</b>

The Group profit pertains to profit/loss from changes in exchange rates in the net position and flows in operations related to lending in NOK and DKK as well as lending in EUR and profit from investments in bonds and other fixed-income securities.

## Note 10 General administrative expenses

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
<b>Employee benefit expenses</b>		
Salaries and fees	-101	-107
Pension expenses	-11	-10
Social security contributions	-36	-32
Other employee benefit expenses	-7	-2
<b>Total employee benefit expenses</b>	<b>-155</b>	<b>-151</b>
<b>Other administrative expenses</b>		
IT expenses	-26	-18
External services	-30	-21
Costs of premises	-9	-6
Telephone and postage	-26	-15
Other	-15	-13
<b>Total other administrative expenses</b>	<b>-106</b>	<b>-73</b>
<b>Total general administrative expenses</b>	<b>-261</b>	<b>-224</b>

## GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
<b>Fees to auditors</b>		
<b>Pwc</b>		
- Audit engagement	1	1
- Audit work in addition to the audit assignment	1	-
- Tax advisory services	0	-
Other services <sup>1</sup>	6	0
<b>Total</b>	<b>8</b>	<b>1</b>
<b>Mazars</b>		
- Other services	1	1
<b>Total</b>	<b>1</b>	<b>1</b>
<b>KPMG</b>		
Other services <sup>1</sup>	2	0
<b>Total</b>	<b>2</b>	<b>0</b>
<b>EY</b>		
Other services <sup>1</sup>	2	0
<b>Total</b>	<b>2</b>	<b>0</b>
<b>Total expense for audit fees</b>	<b>13</b>	<b>2</b>

<sup>1</sup> The greater part pertains to expenses arising in connection with the issuing of an offering memorandum and listing of Nordax shares on Nasdaq Stockholm, and the expenses are recognised under the item Non-recurring expenses.

## GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
<b>Specification of salaries and fees<sup>1</sup></b>		
Directors, Chief Executive Officer and other senior executives	21	39
Other employees	85	68
<b>Total</b>	<b>106</b>	<b>107</b>
<b>Breakdown of social security contributions</b>		
Directors, Chief Executive Officer and other senior executives	7	11
Other employees	29	21
<b>Total</b>	<b>36</b>	<b>32</b>
<b>Breakdown of pension expenses</b>		
Directors, Chief Executive Officer and other senior executives	2	6
Other employees	9	4
<b>Total</b>	<b>11</b>	<b>10</b>
<b>Breakdown of average number of employees (converted to full-time equivalents)</b>		
Women	113	108
Men	66	55
<b>Total</b>	<b>179</b>	<b>163</b>

<sup>1</sup> Of the total breakdown of salaries and fees, SEK 5 million pertains to fees invoiced for members of the Board of Directors and the Chief Executive Officer.

Regular working hours have been defined as available working time. This does not include overtime or fulltime or parttime leave. The figures relate to the full year.

## GROUP

	31 DECEMBER 2015	31 DECEMBER 2014
<b>Breakdown between women and men on the Board of Directors</b>		
Women	2	1
Men	7	7
<b>Total</b>	<b>9</b>	<b>8</b>
<b>Breakdown between women and men in the senior management</b>		
Women	5	8
Men	2	14
<b>Total</b>	<b>7</b>	<b>22</b>

## GROUP

All amounts are in TSEK	Basic salary/ Board fee	Variable remuneration	Pension cost	Total
<b>Remuneration and other benefits 2015</b>				
Chairman A. Bernroth <sup>1</sup>	861	-	-	861
CEO M. Falch	2,716	367	427	3,510
Director C. Beck	438	-	-	438
Director K. Bonde	495	-	-	495
Director D. Cohen	0	-	-	0
Director H. Larsson	520	-	-	520
Director R. Pym <sup>2</sup>	931	-	-	931
Director A. Rich	0	-	-	0
Director S. Trygg	616	-	-	616
Other senior management (7 persons)	11,584	1,565	1,945	15,094

<sup>1</sup> Chairman of the board Oct-Dec 2015 (379 TSEK)

<sup>2</sup> Chairman of the board Jan-Oct 2015 (829 TSEK)

All amounts are in TSEK	Basic salary/ Board fee	Variable remuneration	Pension cost	Total
<b>Remuneration and other benefits 2014</b>				
Chairman R. Pym	1,118	0	0	1,118
CEO M. Falch	2,103	500	417	3,020
Deputy CEO J. Lundblad	1,830	500	411	2,741
Director A. Rich	-	-	-	-
Director D. Cohen	-	-	-	-
Director C.A. Beck	250	-	-	250
Director A. Bernroth	413	-	-	413
Other senior management (19 persons)	21,885	10,872	4,736	37,493

Social security contributions are included in provisions in variable remuneration for other senior executives.

### Information on remuneration systems

Information on the remuneration system under the Swedish Financial Supervisory Authority regulations on supervisory requirements and capital buffers, FFFS 2014:12, is presented on the Nordax website, [www.nordax.se](http://www.nordax.se)

## Note 11 Non-recurring costs

Non-recurring expenses total SEK 75 million and pertain to events and transactions which have an impact on profit of such magnitude that it is prudent to highlight these when the financial performance for the period is

compared with other periods. Non-recurring expenses pertain to expenses arising in conjunction with the issuing of an offering memorandum and listing of Nordax shares on Nasdaq Stockholm.

## Note 12 Credit losses

### GROUP

All amounts are in MSEK	JAN-DEC 2015	JAN-DEC 2014
<b>Credit losses</b>		
Write-offs for the period pertaining to actual credit losses	-37	-15
Gross value of new receivables during the year past due more than 180 days	-371	-312
Payments received during the year pertaining to loans past due more than 180 days	191	163
Adjustment to recoverable value pertaining to receivables past due more than 180 days	88	63
Total provision for loans with individually identified loss event <sup>1</sup>	-92	-86
Group provision for receivables valued as a group	-28	-13
<b>Credit losses for the year</b>	<b>-157</b>	<b>-114</b>

<sup>1</sup> Individually identified loss event pertains to receivables past due more than 180 days, see also Note 4 under the section on credit risk.

## Note 13 Tax on profit for the year

### GROUP

All amounts are in MSEK	JAN-DEC 2015	JAN-DEC 2014
<b>Tax recognised in profit or loss</b>		
Current tax on profit for the year	-60	-65
Deferred tax expense/income	5	-6
<b>Tax on profit for the year</b>	<b>-55</b>	<b>-71</b>
<b>Reconciliation of effective tax</b>		
Reported profit before tax	250	325
Tax at current tax rate	-55	-72
Tax effect of non-deductible expenses		
Tax effect of non-taxable income		1
<b>Tax on profit for the year according to the income statement</b>	<b>-55</b>	<b>-71</b>
<b>Deferred tax recognised in the balance sheet</b>	<b>27</b>	<b>29</b>
<b>Opening balance deferred tax liability</b>	<b>29</b>	<b>32</b>
Through profit or loss	-5	-6
Related to temporary differences	-15	3
<b>Closing balance deferred tax liability</b>	<b>9</b>	<b>29</b>
<b>Deferred tax liability is attributable to</b>		
Deferred tax related to business combinations	54	54
Recognised in profit or loss	-39	-34
Deferred tax liability attributable to temporary differences in accrued costs of loans	-6	9
<b>Deferred tax liability according to balance sheet</b>	<b>9</b>	<b>29</b>

The applicable tax rate is the tax rate for income tax in the Group. The tax rate is 22% (22%). The deferred tax liability pertains to temporary differences in accrued arrangement fees for loans and handling fees.

## Note 14 Operating segments

The segment information is presented based on the perspective of the chief operating decision-maker, and the segments are identified on the basis of internal reporting to the Chief Executive Officer, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway, Finland, Denmark and Finland which reflects Nordax's lending portfolio. Income not directly attributable to segments is allocated with effect from 2014 with distribution

keys in accordance with internal principles that the senior management considers to provide a fair allocation to the segments. The chief operating decision-maker mainly follows the income concept of operating income. An impairment test was done in conjunction with the change in segment classification. This test did not have any impact on the recognised value.

### GROUP

JAN-DEC 2015	Sweden	Norway	Denmark	Finland	Germany	TOTAL
<b>Income statement</b>						
Interest income <sup>1</sup>	420	542	14	242	42	1,260
Interest expenses	-108	-168	-4	-43	-10	-333
<b>Total net interest income</b>	<b>312</b>	<b>374</b>	<b>10</b>	<b>199</b>	<b>32</b>	<b>927</b>
Commission income	8	7	-	1	-	16
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-11	-5	0	-2	-2	-21
Operating expenses <sup>2</sup>	-132	-113	-6	-43	-21	-315
Non-recurring costs <sup>3</sup>						-75
Marketing expenses <sup>2</sup>	-27	-49	0	-22	-27	-125
<b>Profit before credit losses</b>	<b>150</b>	<b>214</b>	<b>4</b>	<b>133</b>	<b>-18</b>	<b>407</b>
Credit losses	-40	-70	-5	-27	-15	-157
<b>Operating profit</b>	<b>110</b>	<b>144</b>	<b>-1</b>	<b>106</b>	<b>-33</b>	<b>250</b>
<b>Balance sheet</b>						
Lending to the general public	4,025	4,125	179	1,964	548	10,841

JAN-DEC 2014	Sweden	Norway	Denmark	Finland	Germany	TOTAL
<b>Income statement</b>						
Interest income <sup>1</sup>	453	517	19	189	18	1,196
Interest expenses	-164	-197	-8	-40	-6	-415
<b>Total net interest income</b>	<b>289</b>	<b>320</b>	<b>11</b>	<b>149</b>	<b>12</b>	<b>781</b>
Commission income	9	6	0	0	-	15
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-8	-5	-1	-2	-1	-18
Non-recurring costs <sup>3</sup>	-103	-90	-6	-28	-15	-243
Marketing expenses <sup>2</sup>	-18	-41	-	-16	-21	-96
<b>Profit before credit losses</b>	<b>168</b>	<b>189</b>	<b>3</b>	<b>103</b>	<b>-25</b>	<b>439</b>
Credit losses	-31	-49	-13	-17	-4	-114
<b>Operating profit</b>	<b>137</b>	<b>140</b>	<b>-10</b>	<b>86</b>	<b>-29</b>	<b>325</b>
<b>Balance sheet</b>						
Lending to the general public	3,880	3,934	246	1,688	294	10,042

<sup>1</sup> Interest income refers to revenues from external customers.

<sup>2</sup> Operating expenses consist of net results of financial transactions, other operating income, general administrative expenses and the portion of other operating expenses that does not pertain to marketing expenses.

<sup>3</sup> Non-recurring expenses pertain to expenses arising in conjunction with the issuing of an offering memorandum and listing of Nordax shares on Nasdaq Stockholm.



## Note 15 Lending to credit institutions

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
Banks	1,810	2,211
<b>Total</b>	<b>1,810</b>	<b>2,211</b>

The Group's lending to credit institutions includes SEK 597 (699) million in pledged assets for liabilities to credit institutions and issued securities.

## Note 16 Lending to the general public

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
Households	10,841	10,042
<b>Total</b>	<b>10,841</b>	<b>10,042</b>

The Group item includes SEK 9,190 (8,481) million in pledged assets for liabilities to credit institutions and issued securities. Lending takes place in the currency of the country concerned. The geographical breakdown is presented in Note 4. Of total lending, SEK 10,182 million (9,454) has a maturity of more than one year.

## Note 17 Bonds and other fixed-income securities

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
<b>Holdings broken down by issuer</b>		
Swedish municipalities	745	980
Swedish covered bonds	412	605
<b>Bonds and other fixed-income securities</b>	<b>1,157</b>	<b>1,585</b>

All holdings are listed, SEK 106 million (312) has a maturity of more than one year and the remainder less than one year.

## Note 18 Tangible assets

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
<b>Non-current assets</b>		
Cost at start of year	18	20
- acquisitions during the year	4	4
- reclassification between property, plant and equipment and intangible assets	-	-4
- disposals during the year	-1	-2
<b>Cost at end of year</b>	<b>21</b>	<b>18</b>
Accumulated and amortisation at start of year	-11	-14
- amortisation for the year	-3	-3
- reclassification between property, plant and equipment and intangible assets	-	4
- disposals during the year	1	2
<b>Accumulated amortisation at end of year</b>	<b>-13</b>	<b>-11</b>
<b>Carrying amount</b>	<b>8</b>	<b>7</b>

## Note 19 Intangible assets

### GROUP

31 December 2015	Goodwill	Contractual relationships	Internally generated software development costs	Total
<b>Opening carrying amount</b>	<b>251</b>	<b>60</b>	<b>5</b>	<b>316</b>
- purchases	-	-	20	20
- amortisation	-	-12	-4	-16
<b>Closing carrying amount</b>	<b>251</b>	<b>48</b>	<b>21</b>	<b>320</b>
Cost	251	99	54	404
Accumulated amortisation and impairment losses	-	-51	-33	-84
<b>Carrying amount</b>	<b>251</b>	<b>48</b>	<b>21</b>	<b>320</b>

31 December 2014	Goodwill	Contractual relationships	Internally generated software development costs	Total
<b>Opening carrying amount</b>	<b>251</b>	<b>73</b>	<b>6</b>	<b>330</b>
- purchases	-	-	2	2
- reclassification between property, plant and equipment and intangible assets	-	-	4	4
- amortisation	-	-13	-7	-20
<b>Closing carrying amount</b>	<b>251</b>	<b>60</b>	<b>5</b>	<b>316</b>
Cost	251	99	34	384
Accumulated amortisation and impairment losses	-	-39	-29	-68
<b>Carrying amount</b>	<b>251</b>	<b>60</b>	<b>5</b>	<b>316</b>

## Note 20 Other assets

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
Other	9	18
<b>Total</b>	<b>9</b>	<b>18</b>

## Note 21 Liabilities to credit institutions

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
Foreign banks	2,880	2,259
<b>Total</b>	<b>2,880</b>	<b>2,259</b>

For the above liabilities in the Group, collateral has been provided in an amount of SEK 4,927 (3,699) million for receivables attributable to Lending to the general public and SEK 188 (229) million to Lending to credit institutions. Granted credit totals SEK 3,074 (3,202) million.

The Group's strategy for liquidity risk is aimed at achieving a diversified funding platform comprising equity, subordinated debt, securitised assets ("ABS"), bank credit facilities, Deposits from the general public and corporate bonds.

## Note 22 Deposits from the general public

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
Deposit accounts	6,001	6,479
<b>Total</b>	<b>6,001</b>	<b>6,479</b>

## Note 23 Issued securities

### GROUP

All amounts are in MSEK	Term	Early redemption date	31 DEC 2015	31 DEC 2014
Bonds issued by Nordax Sverige 3 AB (publ), issued in SEK	Jan 2033	Dec 2015	-	1,104
Bonds issued by Nordax Sverige 4 AB (publ), issued in SEK	Dec 2038	Nov 2018	1,081	-
Bonds issued by Nordax Nordic AB (publ), issued in NOK	Oct 2028	Aug 2016	21	204
Bonds issued by Nordax Nordic 3 AB (publ), issued in NOK	Jan 2037	Jun 2017	1,632	1,777
Bonds issued by Nordax Bank AB (publ), issued in SEK	Mar 2016	-	453	496
<b>Total</b>			<b>3,187</b>	<b>3,581</b>

The foreign-exchange positions for securities issued in SEK and NOK are fully matched against assets in the currencies concerned. Securities issued in Nordic AB, Nordic 3 AB and Sverige 4 AB are listed on the Irish stock exchange. Securities issued in Nordax Bank AB are listed on Nasdaq Stockholm. For the above liabilities, collateral has been provided in an amount of SEK 4,262 (4,782) million for receivables attributable to Lending to the general public and SEK 409 (469) million to Lending to credit institutions. The amounts above pertain to volumes issued to external investors.

## Note 24 Current tax liability

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
Current tax liability	10	16
<b>Total</b>	<b>10</b>	<b>16</b>

## Note 25 Other liabilities

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
Trade payables	9	3
Other	15	22
<b>Total</b>	<b>24</b>	<b>25</b>

## Note 26 Subordinated liabilities

### GROUP

All amounts are in MSEK	31 DECEMBER 2015	31 DECEMBER 2014
Subordinated loans	246	199
<b>Total</b>	<b>246</b>	<b>199</b>

### SPECIFICATION

31 December 2015	Currency	Date of issue	Principal amount	Coupon rate	Maturity
Subordinated bonds	SEK	2015-03-12	250 MSEK	3-month stibor +5.75%	2025-03-18 <sup>1</sup>

31 December 2014	Currency	Date of issue	Principal amount	Coupon rate	Maturity
Subordinated loan	SEK	2010-07-27	200 MSEK	1-month stibor +10.75-11.50%	2015-07-31

<sup>1</sup> First call date March 2020

## Note 27 Pledged assets

### GROUP

All amounts are in MSEK

	31 DECEMBER 2015	31 DECEMBER 2014
<b>Pledged assets for own liabilities</b>		
Lending to the general public	9,190	8,481
Lending to credit institutions	597	699
<b>Total</b>	<b>9,787</b>	<b>9,180</b>

## Note 28 Contingent liabilities

The Group does not have any contingent liabilities.

## Note 29 Transactions with related parties

In conjunction with re-structuring in the Nordax Group in May 2015, some shareholders received a purchase sum totalling SEK 1.8 (-) million in advances for their transferred shares in Nordax Group Holding AB in the form of debt instruments issued by Nelson Luxco SARL. The debt instruments were issued on market terms and were repaid on 21 May 2015, including accrued interest.

A monitoring fee has been paid to the related company Vision Capital LLP from Nordax Group Holding AB of SEK 0.08 million, of which 0.07 fee and 0.01 reimbursement (Q2 2015 monitoring fee of SEK 0.08 million, of which 0.07 fee and 0.01 reimbursement).

The Group has not otherwise had any transactions with related parties other than those referred to in the proposed allocation of profits and remuneration of employees stated in Note 10.

## Note 30 Significant events after balance sheet date

On 22 February 2016, Nordax announced that the Nomination Committee proposes that the 2016 Annual General Meeting re-elect the members Christian Beck, Arne Bernroth (Chairman), Katarina Bonde, Morten Falch, Hans Larsson, Andrew Rich and Synnöve Trygg. Directors Daryl Cohen and Richard Pym have declined re-election. It is proposed that Jenny Rosberg, who is to undergo the usual management assessment, be elected as a new member. The Nomination Committee further proposes that Arne Bernroth be elected as Chairman of the Board of Directors. The Nomination Committee proposes that the number of members of the Board of Directors for the coming term be eight.

Based on strong demand from Nordic investors, Nordax has issued SEK 500,000,000 of senior unsecured bonds. Nordax has an outstanding senior unsecured bond that matures on 21 March 2016 and once that has matured Nordax's outstanding debt instruments will include SEK 250,000,000 of Tier 2 Capital, as well as asset backed securities issued by subsidiaries of the Nordax Group.

In March 2016, Nordax started a deposit operation in Germany and now offers private customer savings accounts.

No events have otherwise occurred following the end of the reporting period that have a material impact on the information contained in the report.

# Parent Company income statement

## PARENT COMPANY

All amounts are in MSEK	2014-12-02 2015-12-31
<b>Net sales</b>	<b>1</b>
<b>Operating expenses</b>	
Employee benefit expenses	-2
Other external expenses	-77
<b>Total operating expenses</b>	<b>-79</b>
<b>Operating profit</b>	<b>-78</b>
<b>Profit from financial investments</b>	
Profit from shares in Group companies	141
Interest and similar expenses	0
<b>Profit from financial investments</b>	<b>141</b>
<b>Profit after financial items</b>	<b>63</b>
Tax on profit for the year	-
<b>NET PROFIT FOR THE YEAR/COMPREHENSIVE INCOME</b>	<b>63</b>



# Parent Company statement of financial position

## PARENT COMPANY

All amounts are in MSEK

	31 DECEMBER 2015
<b>ASSETS</b>	
<b>Financial assets</b>	
Shares in Group companies	4,970
<b>Total financial assets</b>	<b>4,970</b>
<b>Total non-current assets</b>	<b>4,970</b>
<b>Current receivables</b>	
Receivables from Group companies	141
Prepaid expenses and accrued income	0
<b>Total current receivables</b>	<b>141</b>
<b>Cash and bank balances</b>	<b>83</b>
<b>Total current assets</b>	<b>224</b>
<b>TOTAL ASSETS</b>	<b>5,194</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>	
<b>Equity</b>	
Share capital	111
Share premium reserve	4,859
Retained earnings, incl. profit for the year	69
<b>Total equity</b>	<b>5,039</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accrued expenses and deferred income	0
Other liabilities	0
Liabilities to Group companies	155
<b>Total current liabilities</b>	<b>155</b>
<b>Total liabilities</b>	<b>155</b>
<b>TOTAL EQUITY, PROVISIONS AND LIABILITIES</b>	<b>5,194</b>
<b>Memorandum items</b>	
Pledged assets for own liabilities	None
Contingent liabilities	None

# Parent Company statement of cash flows

## PARENT COMPANY

	2014-12-02 2015-12-31
All amounts are in MSEK	
<b>Operating activities</b>	
Profit after financial items	63
Adjustment for non-cash items	
Anticipated dividends	-141
<b>Change in operating assets and liabilities</b>	
Decrease/Increase in liability to Group companies	155
<b>Cash flow from operating activities</b>	<b>77</b>
<b>Investing activities</b>	
Acquisition of financial assets	-4,970
<b>Cash flow from investing activities</b>	<b>-4,970</b>
<b>Financing activities</b>	
New issue	4,970
Result of the liquidation of Nelson LuxCo Sarl	6
<b>Cash flow from financing activities</b>	<b>4,976</b>
<b>Cash flow for the period</b>	<b>83</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>0</b>
<b>Cash and cash equivalents at end of year</b>	<b>83</b>

# Parent Company statement of changes in equity

## PARENT COMPANY

	Restricted equity	Non-restricted equity	TOTAL
		Share premium reserve	Retained earnings
All amounts are in MSEK			
<b>SHARE CAPITAL 2 MARCH 2014</b>		1	-
<b>Comprehensive income</b>			
Net profit/loss for the year			63
<b>Total comprehensive income</b>			<b>63</b>
<b>Transactions with shareholders</b>			
Result of the liquidation of Nelson LuxCo Sarl			6
Intragroup restructuring	110	4,859	0
<b>Transactions with shareholders</b>	<b>110</b>	<b>4,859</b>	<b>6</b>
<b>CLOSING BALANCE, 31 DECEMBER 2015</b>	<b>111</b>	<b>4,859</b>	<b>69</b>
			<b>5,039</b>

The share capital consists of 110,945,598 ordinary shares of the same share class and with a quotient value of SEK 1. All shares have equal voting rights.

## Note 1 Parent Company shares in Group companies

### PARENT COMPANY

31 December 2015	Corporate Identity Number	Registered office	Share of equity	Share of votes	Number of shares	Book value SEK thousand
Nordax Group Holding AB	556792-7305	Stockholm	100%	100%	20 010 076	4,970,052
Nordax Holding AB (publ)	556647-6726	Stockholm	100%	100%	1,296,875	-
Nordax Bank AB (publ)	556647-7286	Stockholm	100%	100%	50,100,000	-
Nordax Sverige AB	556794-0126	Stockholm	100%	100%	100,000	-
Nordax Nordic AB (publ)	556787-1891	Stockholm	9.10%	50.10%	9,100	-
Nordax Nordic 2 AB	556823-4255	Stockholm	100%	100%	50,000	-
Nordax Nordic 3 AB (publ)	556961-5254	Stockholm	100%	100%	500,000	-
Nordax Sverige 3 AB (publ)	556863-1104	Stockholm	100%	100%	500,000	-
Nordax Sverige 4 AB (publ)	559007-7425	Stockholm	100%	100%	500,000	-
Nordax Nordic AB (publ)	556787-1891	Stockholm	90.90%	49.90%	90,900	-
Nordax Finans AS, Norge	986 568 158	Oslo	100%	100%	100,000	-
PMO Sverige OY, Finland	1983408-0	Helsinki	100%	100%	1,000	-
<b>Totalt</b>						<b>4,970,052</b>

### PARENT COMPANY

All amounts are in MSEK

	31 DECEMBER 2015
<b>Opening balance, cost</b>	-
- acquisitions	4,970
- disposals	-
- reclassification between property, plant and equipment and intangible assets	-
- amortisation	-
<b>Closing balance, cost</b>	<b>4,970</b>
Opening balance, impairment	-
Accumulated amortisation and impairment losses	-
<b>Carrying amount</b>	<b>4,970</b>

# Proposed disposition of profits

## THE FOLLOWING PROFITS ARE AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING:

All amounts are in SEK

Retained earnings	4,865,839,603
Net profit/loss for the year	63,156,055
<b>Total</b>	<b>4,928,995,658</b>

## THE BOARD OF DIRECTORS PROPOSES THAT THE PROFITS BE APPROPRIATED AS FOLLOWS:

All amounts are in SEK

Dividend to shareholders of SEK 0.50 per share, total	55,472,799
carried forward to new account	4,873,522,859
<b>Total</b>	<b>4,928,995,658</b>

The Board of Directors proposes that the 2016 Annual General Meeting that SEK 55 472 799 be distributed to the shareholders at SEK 0.50 per share, and that the AGM authorise the Board of Directors to determine the date of payment of the dividend, which must fall before the next AGM. As a consequence of the Board's proposal on disposition of profits, the Board of Directors makes the following statement:

Nordax Group AB (publ) is to pay to the shareholders the part of the company's profits not deemed to be needed to meet the requirements made by the nature, scope and risks of the operation for the size of equity and the consolidation needs, liquidity and financial position in other respects of the Group.

The Board of Directors and the President and CEO certify that the annual financial reports have been prepared in accordance with generally accepted accounting prin-

ciples in Sweden and the consolidated financial statements have been prepared in accordance with international accounting standards as prescribed by the European Parliament and the Regulation (EC) No 1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The annual financial reports and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations. It is further assured that the administration report for the Parent Company and Group provides a true and fair overview of the development of the Parent Company's and Group's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

Stockholm, 6 April, 2016

**Arne Bernroth**  
Chairman

**Christian A. Beck**  
Director

**Katarina Bonde**  
Director

**Daryl Cohen**  
Director

**Morten Falch**  
CEO, Director

**Hans Larsson**  
Director

**Richard Pym**  
Director

**Andrew Rich**  
Director

**Synnöve Trygg**  
Director

Our audit report was issued 6 April, 2016

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis  
Authorised Public Accountant

# Independent Auditor's report

**To the annual meeting of the shareholders of Nordax Group AB, corporate identity number 556993-2485**

## **Report on the annual accounts and consolidated accounts**

We have audited the financial statements and consolidated financial statements of Nordax Group AB for the year 2015. The financial statements and consolidated financial statements are included in the printed version of this document on pages 45-58 and 79-113.

## **Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Security Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the financial year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Security Companies. Our opinions do not cover the corporate governance statement on pages 59-78. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordax Group AB for the year the financial year 2014-12-02 - 2015-12-31. We have also conducted a statutory examination of the corporate governance statement.

## **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.



**Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Security Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

**Opinions**

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 6 April 2016  
Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis  
Authorised Public Accountant

# Definitions

## **Adjusted operating income**

Total operating income excluding foreign exchange gains/losses. Adjusted operating income is a non-IFRS-EU financial measure.

## **Adjusted cost to income ratio (C/I ratio)**

Adjusted operating expenses excluding marketing costs as a percentage of adjusted operating income. Adjusted cost to income ratio is presented on a 12-month rolling basis.

## **Adjusted operating expenses**

Total operating expenses excluding amortization of acquired intangible assets and non-recurring items. Adjusted operating expenses are a non-IFRS-EU financial measure.

## **Adjusted operating profit**

Operating profit excluding amortization of acquired intangible assets, foreign exchange gains/losses and non-recurring items. Adjusted operating profit is a non-IFRS-EU financial measure.

## **Adjusted profit**

Profit excluding amortization of acquired intangible assets, foreign exchange gains/losses and non-recurring items as well as the tax effect thereof. Adjusted profit is a non-IFRS-EU financial measure.

## **Adjusted return on average net loans**

Adjusted operating profit as a percentage of average loan portfolio. Return on average net loans is presented on a 12-month rolling basis.

## **Adjusted return on tangible equity**

Adjusted net profit in relation to average tangible equity on a 12-month rolling basis.

## **Average loan portfolio**

The average of lending to the general public at the beginning of the period and lending to the general public at the end of the period.

## **Common Equity Tier 1 capital**

Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments defined in Regulation (EU) No 575/2013 (CRR).

## **Common Equity Tier 1 capital ratio**

Common Equity Tier 1 capital as a percentage of risk exposure amount.

## **Cost of risk**

Net credit losses as a percentage of average loan portfolio.

## **Credit loss level**

Net credit losses as a percentage of the average lending to the general public.

## **Earnings per share**

Net profit attributable to shareholders in relation to the average number of shares.

## **Leverage ratio**

Tier 1 capital as a percentage of total assets including off balance sheet items with conversion factors according to the standardized approach.

## **Liquidity Coverage Ratio (LCR)**

High-quality liquid assets in relation to the estimated net cash outflows over the next 30 calendar days, as defined by Swedish regulations (the SFSA's code FFFS 2012:6).

## **Liquidity reserve**

A separate reserve of high quality liquid assets that can be used to secure the company's short-term ability to pay for loss or reduced access to commonly available sources of funding.

## **Non-IFRS-EU-financial measures**

Measures, which are unaudited, and used by management to monitor the underlying performance of Nordax's business and operations.

## **Own funds**

The sum of Tier 1 and Tier 2 capital.

## **Return on equity**

Net profit attributable to shareholders in relation to average shareholders' equity.

## **Risk exposure amount**

Total assets and off balance sheet items, weighted in accordance with capital adequacy regulation for credit and market risks. The operational risks are measured and added as risk exposure amount. Risk exposure amounts are only defined for the consolidated situation.

## **Tangible equity**

Shareholders' equity less intangible assets.

## **Tier 1 capital ratio**

Tier 1 capital as a percentage of risk exposure amount.

## **Tier 1 capital**

Common Equity Tier 1 capital plus qualifying forms of subordinated loans.

## **Tier 2 capital**

Mainly subordinated loans not qualifying as Tier 1 capital contribution.

## **Total capital ratio**

Total own funds as a percentage of risk exposure amount.

# Key concepts

## **Interest margin hedging**

Nordax lends at variable interest rate. In addition to this, by law and under general terms of contract for lending in Sweden and Norway Nordax is obliged to adjust the loan customer's interest rate if Nordax's cost of funding changes. This means that when Nordax's total cost of funding changes, Nordax adjusts the lending interest rate charged to a loan customer. At present, this adjustment takes place in steps of 0.5 percentage points. This principle means that Nordax is able to keep the margin constant even if the cost of funding changes. In Finland and Germany, the possibility of adjusting the interest rate on loans is limited to a change in the benchmark rate.

## **Hedging of capital adequacy ratio**

Nordax protects its capital adequacy ratio against changes in exchange rates. If, for example, the Norwegian krone strengthens, all other things being equal this leads to an increase in capital requirement for the Norwegian portfolio. Nordax therefore has an open position in the respective currency corresponding to the capital requirement and consequently obtains an effect on results that neutralises the change in capital requirement. The result of this hedging is recognised in the income statement item Net profit from financial transactions.

## **Recognition of marketing expenses**

Nordax reaches its customers through its own direct marketing and through loan intermediaries. Own direct marketing corresponds to approximately 70% of new lending, and the marketing expense for this lending is recognised directly in the income statement. In the case of loans mediated through loan intermediaries, the marketing expense is allocated over four years, which means that the cost is spread over time and is charged against the income statement on a gradual basis.

## **Provision for credit losses**

Nordax's credit loss provisions are divided into early and later requirements. The earlier requirements cover the first 1-180 days after missing payment, where provision is made for the amounts which Nordax anticipates will become more than 180 days past due. Later requirements cover amounts more than 180 days past due. The later requirements are measured on the basis of present value of expected future cash flows from these receivables. The model is based on a recovery period of 13 years, where the cash flows are discounted at the average interest rate on the loans in the segment portfolio concerned at the time when they became more than 180 days past due.

## **Unsecured personal loans versus secured loans**

Nordax loans are not secured in property, which means that if a customer fails to pay on his or her loan, Nordax does not have any pledged property to which to lay claim in order to cover any losses. Nordax only operates in countries where there is an established collection system, where the state as an independent party ensures that loan contracts are fulfilled if the borrower is deemed to have the ability to fulfil his or her undertakings. This procedure is supported by systems for attachment of earnings and attachment of property.

## **Maturity cycle for unsecured personal loans:**

A portfolio of personal loans typically generates limited credit losses until the loans are 18-20 months old. At this time in the credit cycle a relative increase typically takes place which then levels off and remains stable until the loan falls due. As a consequence, there is a tendency for the level of credit losses to be lower during periods when Nordax has high growth and therefore a large proportion of recently granted loans.

# Bridge statutory to adjusted accounts

<b>BRIDGE STATUTORY TO ADJUSTED ACCOUNTS</b>	<b>JAN-DEC</b>	<b>JAN-DEC</b>
All amounts in MSEK	<b>2015</b>	2014
<b>Total operating income statutory accounts</b>	<b>888</b>	<b>803</b>
Foreign exchange gain/loss	55	2
<b>Adjusted total operating income</b>	<b>943</b>	<b>805</b>
<b>Total operating expenses statutory accounts</b>	<b>481</b>	<b>364</b>
Non-recurring items	-74	-18
Amortization of acquired intangible assets	-13	-13
<b>Adjusted total operating expenses</b>	<b>394</b>	<b>333</b>
Marketing expenses	-125	-96
Adjusted total operating expenses excluding marketing costs	269	237
<b>Net credit losses (as reported)</b>	<b>-157</b>	<b>-114</b>
<b>Operating profit statutory accounts</b>	<b>250</b>	<b>325</b>
Non-recurring items	74	18
Foreign exchange gain/loss	55	2
Amortization of acquired intangible assets	13	13
<b>Adjusted operating profit</b>	<b>392</b>	<b>358</b>
<b>Tangible equity</b>	<b>1,413</b>	<b>1,222</b>
Shareholders' equity	1,733	1,538
Intangible assets	-320	-316
<b>Adjusted return on tangible equity (last 12 months)</b>	<b>23.2%</b>	<b>25.6%</b>

# Annual general meeting

**Annual general meeting and nomination committee**  
The Annual General Meeting of Nordax Group AB (publ) will take place at 5:30 pm on Wednesday 11 May, 2016 in Bryggarsalen, Norrtullsgatan 12N, Stockholm, Sweden.

## Notification

Shareholders wishing to attend the Annual General Meeting must

- be listed in the register of shareholders held by Euroclear no later than 4 May 2016, and
- notify Nordax of their attendance no later than 4 May 2016.

Notification may be given in one of the following three ways:

- on the Nordax website [www.nordaxgroup.com](http://www.nordaxgroup.com)
- by post to: Nordax Group AB, Årsstämma 2016, c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm, Sweden
- by telephone on +46 (0)8-402 92 09.

When notifying your attendance, you will need to state your name, address and personal identity number.

## Shares registered in the name of nominees

Shareholders who have nominee-registered their shares must ensure in good time before 4 May 2016 that the nominee temporarily registers the shares in the shareholder's own name so that the shareholder has the right to attend the meeting. For shareholders who are represented by a proxy, the authorisation

must be sent prior to the meeting to Nordax Group AB, Årsstämma 2016, c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm. A person representing a legal entity must present a copy of the certificate of incorporation or corresponding authorisation documents showing who is an authorised signatory.

## Nomination committee and items for discussion at the meeting

Information on the Nomination Committee appeared in the Nordax interim report for the period January-September 2015. The information was also published on the website [www.nordaxgroup.com](http://www.nordaxgroup.com).

Information on how shareholders are to proceed in order to have an item discussed at the Annual General Meeting appeared in the Nordax interim report for the period January-September 2015 and in the year-end report for 2015. The information was also published on the website [www.nordaxgroup.com](http://www.nordaxgroup.com).

## Dividend

The Board of Directors and Chief Executive Officer propose that a dividend be paid for 2015 of SEK 0.50 per share, corresponding to SEK 55.5 million. The proposed record date is Friday 13 May, 2016. It is anticipated by Euroclear Sweden AB that the dividend will be transferred to the shareholders on Wednesday 18 May 2016, subject to the decision of the Annual General Meeting.

# Financial calendar

## 2016

April 28, 7.30 am  
May 11, 5.30 pm

Interim report January-March  
Annual General Shareholders'  
Meeting, Bryggarsalen,  
Norrtullsgatan 12N,  
Stockholm, Sweden

July 15, 7.30 am  
October 26, 7.30 am

Interim report jan-jun  
Interim report jan-sep

## 2017

February

Year-End report

# Contacts

## Head of Investor Relations:

Andreas Frid, [andreas.frid@nordax.se](mailto:andreas.frid@nordax.se)  
Telephone +46 8 690 14 25

## Order print version:

E-mail [ir@nordax.se](mailto:ir@nordax.se) or telephone +46 8 690 15 61

## About Nordax Group:

[www.nordaxgroup.com](http://www.nordaxgroup.com)

## Customer information:

Sweden - [www.nordax.se](http://www.nordax.se)  
Norway - [www.nordax.no](http://www.nordax.no)  
Finland - [www.nordax.fi](http://www.nordax.fi)  
Germany - [www.nordax.de](http://www.nordax.de)

**Address:** Box 23124, SE10435 Stockholm, Sweden

**Visitors:** Gävlegatan 22, SE11330 Stockholm, Sweden

**Corporate Identity Number:** 556993-2485

Photographer (Board of Directors and Management Team): Fredrik Persson  
Other photos: iStock  
Printing: Gävle Offset





