



Nordax Bank

2016

ANNUAL REPORT
Nordax Group AB (publ)



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Niche bank focused on sustainable growth

Nordax is a leading niche bank in Northern Europe, offering savings and loans to nearly 150,000 customers in Sweden, Norway, Finland and Germany.

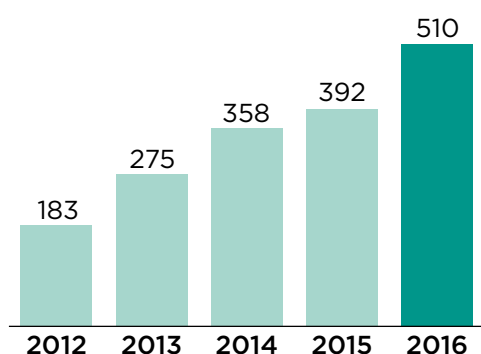
Nordax has around 200 employees, all of whom work from a central office in Stockholm. Our thorough, sound and data-driven credit assessment process is our core competence. Our customers are financially stable. The typical loan customer is around 50 years old and has an income in line with or higher than the average in each country. Nordax's business model is focused on unsecured personal loans with diversification in terms of geographical markets and funding sources.

NORDAX STRENGTHS

- **Focused business model** that delivers steady and sound organic growth
- **Geographically diversified lending** with growth potential in all markets
- **Management with extensive experience**, from the industry and different economic cycles
- **Gradual expansion of the business** to new geographical markets
- **Expertise** in data-driven credit assessment
- **Effective marketing** main part of lending is distributed through own channels
- **Stable credit quality** based on responsible lending and a financially stable customer group
- **Diversified funding** and robust **liquidity**
- **Solid capital generation** and **capital position**
- **Central, scalable platform** with increasing efficiency
- **Robust profitability** to finance growth as well as dividend

ADJUSTED OPERATING PROFIT

MSEK



FINANCIAL DEVELOPMENT

MSEK

	2016	2015	Δ%
Net profit	446	195	129
Operating profit	573	250	129
Adjusted operating profit ²	510	392	30
Lending to the general public	12,794	10,841	18
New lending	4,636	4,070	14
Earnings per share, SEK	4.02	1.76	128
Adjusted earnings ² per share, SEK	3.58	2.76	30
Dividend per share, SEK	1.60 ¹	0.50	
Return on equity, %	23.2	11.9	

¹ The Board of Directors proposal regarding 2016

² Adjustments has been made to show the underlying results, see page 107 for information

CEO comments

For Nordax, 2016 was a very successful year and we have established ourselves as a publicly traded bank with strong growth in new customers as well as in lending and earnings. Our business has developed positively in every market, with steady lending growth, stable margins and stable credit quality. Together with increased operational efficiency, this has led to improved earnings. For the global economy however 2016 was in many ways a year distinguished by geopolitical uncertainty, relatively low growth and low or negative interest rates.

Our customers come to us because we can meet their needs at a reasonable cost. We offer our customers large loans with variable interest rates and long repayment periods. For loan customers, the total monthly expense is the most important factor when choosing a lender. During the year we consolidated our market-leading position in large loans to financially stable borrowers. The average loan in our lending portfolio increased to 156,000 SEK (146,000), and in Finland we increased the maximum loan amount to EUR 50,000. Our processes for on-boarding new customers were improved and we have been able to shorten the time it takes to process loan applications. There is room here for further improvement, especially in the German market.

Nordax benefits from having all its employees in a single office. This facilitates day-to-day operations and controls and makes us agile. In 2016 we strengthened our organisation by hiring skilled managers in IT, customer operations and investor relations, among other areas. The country-based organisation we established during the year for our units that directly interface with customers has been an important step in improving customer service. Our employees have been quick to adapt, and the new organisation has been successful. One sign of this

is that our customers have become more and more satisfied with the service they receive from us, according to surveys that the research firm Bright regularly conducts. We have improved customer satisfaction and strengthened our relative position in the industry. Through improvements to digital solutions and more convenient processes, we have achieved this with higher efficiency. We have an ambitious development agenda ahead of us, with a focus on improving the customer experience through better digital solutions, increased self-service options and simplified administrative processes. This will over time further improve customer satisfaction, make our employees' work more stimulating and generate stable operating expenses.

In Nordax's business model, responsible lending and credit risk are always the focus. Our strong customer base ensures solid credit quality; our average customer today is around 50 years old and has an income in line with or above the national average for the country. We make sure to always do thorough credit assessments, and in the markets where it is needed we request additional data from customers to ensure that we base our credit decisions on correct information. During the year we joined the Finnish debt registry, and we have continued to lobby Norwegian authorities to introduce a similar registry. From our experience in Sweden and through numerous economic cycles, we know what a difference this can make in terms of accurate credit assessments and how it can reduce the risk of over-indebtedness in society. Our credit loss level was stable year-on-year at 1.4% (1.5%).

We have an effective marketing model where we target potential loan customers ourselves to a large extent. This makes a big difference in the quality of our customer group and remains a very cost effective way to market our products.

During the year we refined our direct marketing programme and established several new loan channels to reach our target group.

Demand for personal loans remains high in Northern Europe, and while growing even faster would be easy, we want to grow in the right way. We are protective of our credit quality and only lend to qualified customers. We received a record number of applications during the year and our new lending reached a new high at 4,636 MSEK, an increase of 14% compared to 2015.

Spreading risk is an important component of our business model and is why we use several different funding sources and have as our aim to match lending and funding in terms of currency and maturity. During the year we issued a senior unsecured bond, began offering retail savings products in Germany, and extended and renegotiated our funding agreements with international banks. Our diversified funding greatly reduces the risk of liquidity problems in the event of market turbulence, while adding flexibility and enabling us to continue to finance a growing lending business.

Nordax has strong core values that steer our day-to-day operations. We are a bank that is customer-focused, simple, sound and responsible. Being a responsible company is strategically important to us, as we are convinced that it benefits the business in the long term and is a competitive advantage. Our business model is designed to be sustainable through economic cycles and focuses on creating long-term value. During the year we formalised our sustainability efforts and joined the UN Global Compact. We have identified our most important sustainability issues in dialog with various stakeholder groups. Going forward we will focus on four main areas: responsible lending, employee-well-being, business ethics and efficient use of resources. *For more on our sustainability focus, see pages 20-27.*

COMMENT ON RESULTS

Our net profit increased to 446 MSEK (195) and the return on our growing equity was 23%. Adjusted operating profit rose by 30% in 2016 to 510 MSEK and our loan portfolio grew by a total of 18%. Our margins were stable during the year. All our lending is at variable rates, which means that we adjust loan rates when funding costs and market interest rates change, thereby generating stable margins. During the year we

were able to reduce lending rates for our existing customers in Sweden and Norway thanks to lower funding costs.

New lending continued to increase during 2016 and in our two largest markets, Norway and Sweden, the loan portfolios grew in local currency by 15% and 10%, respectively. The Finnish loan portfolio grew in 2016 by 10% in local currency, and Finland was the market with the highest margins and the lowest credit loss levels during the year.

Germany is our latest and so far smallest market, with great future potential. During the year the loan portfolio grew by just over 30% and margins trended higher. Our focus on the German market will increase in 2017 through additional resources and by broadening our marketing channels as a complement to direct advertising.

Our operating expenses were relatively stable during the year thanks to a scalable platform and focus on improving processes. The adjusted cost to income ratio decreased to 27.3% (28.5), and our goal is to be even more efficient.

Our capitalisation remains solid and improved during the year. Our profitability and strong cash flow enable us to fund both high-growth and a dividend to shareholders.

FUTURE OUTLOOK

Nordax's outlook and growth potential are good and our opportunities plentiful. I look forward, together with all our employees, to further developing the company. In 2017 we will focus on maintaining sound and sustainable growth, improving the customer experience and strengthening customer loyalty, increasing operational efficiency and solidifying our sustainability efforts. This will create increased value for our customers, employees, shareholders and society as a whole.

Our most important asset is our dedicated employees. I want to express my deepest gratitude for all the great efforts during the year.



Morten Falch
CEO
Stockholm 22 March 2017

Strong profit leads to strong performance

Since the IPO in 2015, Nordax has three financial targets. They cover return, capitalisation and dividend to shareholders. All financial targets were met during 2016.

RETURN ON AVERAGE LOANS

TARGET

To maintain a return through the cycle above 3% on net average loans.

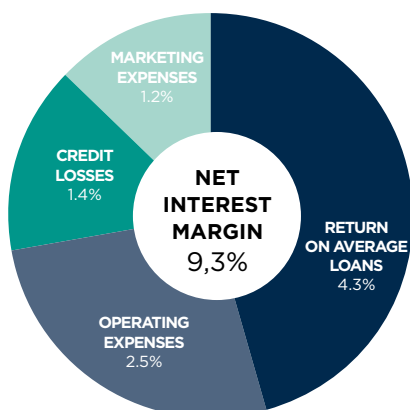
MOTIVATION

To retain a sustainable business that can finance growth and a dividend to shareholders requires a solid return.

OUTCOME

In 2016 the adjusted return on average loans improved to 4.3% (3.8). Profitability strengthened mainly with the help of improved interest margins and increased operational efficiency.

FROM NET INTEREST MARGIN TO RETURN



RETURN ON AVERAGE LOANS

TARGET

>3.0%

OUTCOME

4.3%

CAPITALISATION

TARGET

To maintain a 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 the Common Equity Tier 1 capital ratio and the total capital ratio.

MOTIVATION

Nordax shall be financially strong and well-capitalised. The capital target was set taking into consideration the dividend target of 40% of net profit and the profitability and growth opportunities available to Nordax. A buffer of at least 1.5 percentage points is considered necessary to provide flexibility and manage any changes in capital requirements or volatility in the growth rate.

OUTCOME

Capitalisation was strengthened in 2016 and capital ratios improved by 1.4 percentage points. The margin to the regulatory requirement for Common Equity Tier 1 capital increased to 4.9 percentage points and for total capital to 2.9 percentage points. The improvement was driven by solid profitability, together with a change in the method used to calculate the capital requirement for operational risks. Nordax's solid profitability in 2016 strengthened its capitalisation and financed growth in the loan portfolio and the proposed dividend of 40% of net profit for the year.

DIVIDEND

TARGET

To maintain a payout ratio of approximately 40% of net profit.

MOTIVATION

Prior to Nordax's IPO, the Board of Directors decided to introduce a dividend policy. The pay-out ratio is considered reasonable given Nordax's profitability, capitalisation target, capital position and growth ambition. It allows Nordax to grow while at the same time generating a cash flow for our shareholders.

OUTCOME

For 2016 the Board of Directors has proposed a dividend of 1.60 SEK per share, corresponding to a pay-out ratio of 40%. For 2015 the dividend was 0.50 SEK per share, which was paid for the second half of 2015, i.e., after the IPO in 2015.

CAPITALISATION

Common Equity Tier 1 Capital Ratio

TARGET

>12%

OUTCOME

14.0%

DIVIDEND

Pay-Out-Ratio

TARGET

~40%

OUTCOME

40%

Total Capital Ratio

TARGET

>14.6%

OUTCOME

16.0%

Dividend 2016

1.60 SEK

Proven business model



PERSONAL LOANS AND SAVINGS

We offer unsecured personal loans with long and flexible repayment periods to people who are financially stable. Our savings customers receive competitive terms.



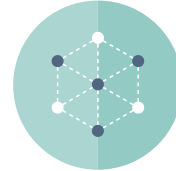
OUR MARKETING

We use a total of over 20 different channels to distribute offers in four geographical markets. The majority of lending is through our own channels, where we target customers ourselves with offerings.



CENTRAL PLATFORM

All our employees work at our office in Stockholm. Since the start in 2003 we have grown to around 200 employees, who service nearly 150,000 customers in Sweden, Norway, Finland and Germany.



DIVERSIFIED FUNDING

The key to our business model is not to rely on a single source of funding and instead have a diversified funding structure to match assets and liabilities in terms of maturity and currency.



DATA-DRIVEN AND RESPONSIBLE LENDING

The foundation of our business is our expertise in risk assessment and marketing. We use sophisticated data-driven methods to reach customers through our marketing and to make credit assessments.



RESPONSIBLE BUSINESS

We are committed to running our business responsibly. This is reflected in our attitude toward customers, society, authorities, investors and employees. Since 2016 we are a participant in the UN Global Compact and work actively with sustainability.

Focused strategy

Nordax has a focused strategy to create sustainable and profitable growth.

PRODUCTS WITH VALUE FOR OUR CUSTOMERS

Nordax offers large unsecured loans to financially stable customers who has a need to bridge the gap between income and expenses. The focus on larger personal loans is based on our long experience in credit assessment and the sophisticated methods we use to reach a strong customer group through targeted marketing.

Many people begin to borrow when they move away from home, e.g., to pay for an education, driver's license, furniture or appliances, or other purchases. We target customers who have passed the age of 30 and begun to live more stable lives.

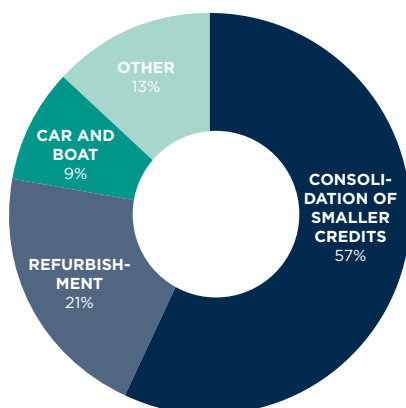
We offer our customers long repayment periods with a prepayment option without penalties. The total monthly cost of the loan, amortisation and interest is the most important thing for our customers. In 2016 the average new loan

amount was 165,000 SEK, with higher averages in Norway and Sweden and lower in Finland and Germany. The highest loan amount we offer is 500,000 SEK in Norway and Sweden, 50,000 EUR in Finland and 40,000 EUR in Germany. The longest possible repayment period on our loans is 15 years. Since we focus on a stable and mature target group, we offer our customers a way to consolidate smaller debts and reduce their monthly cost, but also to borrow for other purchases or investments.

CENTRAL PLATFORM OFFERS SCALABILITY

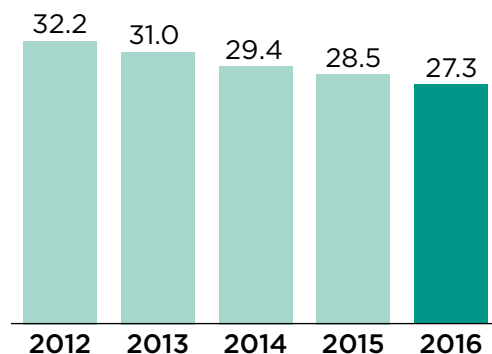
All operations are carried out at a central office in Stockholm, where we manage all our markets. Swedish, Norwegian, Finnish and German employees work together in customer service. Having everything centralised offers many advantages. It simplifies control and management of regulatory issues, reduces our environmental impact and shortens decision paths. The centralised model allows for scalability and cost efficiency, two factors that are becoming increasingly important to stay competitive in an industry with highly standardised products.

STATED REASON TO APPLY FOR LOAN



ADJUSTED COST/INCOME RATIO

%



FINANCIALLY STABLE CUSTOMERS

We primarily target customers between the ages of 30 and 60. We avoid lending to younger people, since they in many cases have not achieved the stability necessary for us to make an accurate credit assessment. The average age of our loan customers is 52. They are financially stable with an income level in line with or above the national average and many own their own homes. Just over one fourth of those who have a loan from us have a co-borrower. Only 2% of our total lending is to customers younger than 30.

Our customers amortise, on average, about 2 percent of its debt per month which we think is healthy. We do not offer interest-only loans.

ROBUST CREDIT ASSESSMENTS PRODUCE STABLE CREDIT QUALITY

Evaluating risk is part of our DNA thanks to our long experience in the industry through various economic cycles. Knowledge and the collection and use of relevant data over a long period to build algorithms for credit assessments are cornerstones in our model. We have a data-driven process for credit assessments that begins already with marketing to financially stable individuals. It is based on statistical models that we continuously test and improve.

The process is partly automated, but many approvals are reviewed manually to ensure that the data are correct before a final decision is made. The minimum criteria include that the customer has a permanent address and no history of unpaid and past due debts. We then score the applicant depending, for example, on income and family situation. There is a scoring model for each country based on historical results for our loan portfolio.

The scoring model is evaluated and reviewed each month. In the credit assessment we prepare a “left to live on” calculation and look at the customer’s total debt level. Our assessment is thorough, and in 2016 we approved only about one fourth of the applications we received. It is vital from a customer and long-term profitability perspective to never compromise on credit quality.

OUR CUSTOMERS

AVERAGE AGE

52
years

OWN THEIR OWN HOME

67%

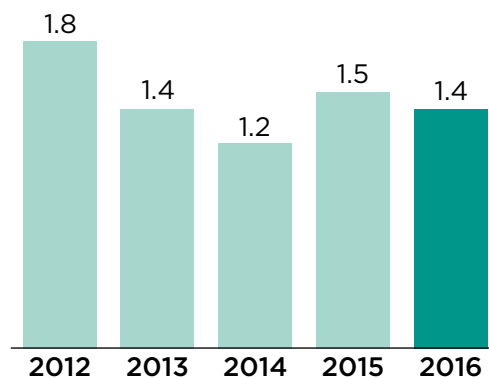
AVERAGE MONTHLY INCOME

37,000 SEK

In line with or above the national average in each market

NET CREDIT LOSS LEVEL

%



STABLE LENDING MARKETS

Nordax is currently active in four markets in Northern Europe: Sweden, Norway, Finland and Germany. They all share a stable macroeconomic outlook, stable public finances, comprehensive social insurance systems and good access to personal data, which facilitates credit assessments.

Our markets are characterised by a proven propensity among private customers to repay their debts at the same time that there is an effective legal system in place for debt collection. The option of seeking payment through a neutral enforcement authority through wage garnishment is also a common denominator for our markets.

Geographically diversified lending is a strength, since economic conditions and growth prospects in different markets vary over time.

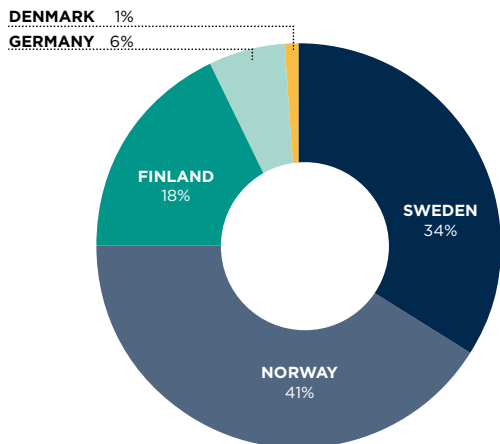
UNIQUE DISTRIBUTION MODEL

Our marketing is effective, and the strategy is based in large part in seeking out customers ourselves. Our loan offers are marketed through several different channels mainly targeted marketing, but also through loan brokers, digital channels and lending to existing customers. Targeted marketing is our core competence and consists of addressed direct mail, unaddressed direct mail and marketing through partners. We identify clusters of potential customers where we from experience know there may be individuals who are interested in and can afford a larger loan. Many of our customers are reached through the postal system. In this way we are sure to reach the potential customers we most want to and they in turn have the opportunity to consider our offer in peace and quiet. We work continuously to optimise response rates and the quality of loan applications with the help of sophisticated data analysis.

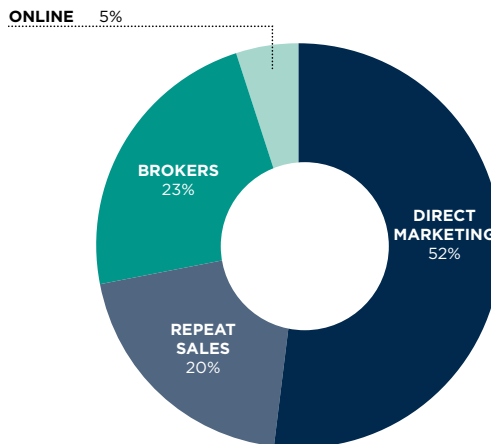
We prefer direct marketing channels to broker channels, since they are more cost-efficient and have lower credit risk.

We use brokers only in segments where we have expertise - in evaluating large personal loans. Despite the higher percentage of approved loans in direct marketing channels, these channels consistently have lower credit risk. Efficiency and lending growth in our direct marketing channels are good, but we have also increased the number of lending channels in recent years to reach more individuals in our target group.

LENDING BY MARKET



NEW LENDING - CHANNEL DISTRIBUTION



DIVERSIFIED FUNDING FACILITATES GROWTH AND REDUCES RISK

Nordax has a diversified funding structure where lending is matched to a great extent with funding in terms of maturity, term and currency. Our long experience in consumer finance has taught us that a sustainable business model should not rely on a single funding source.

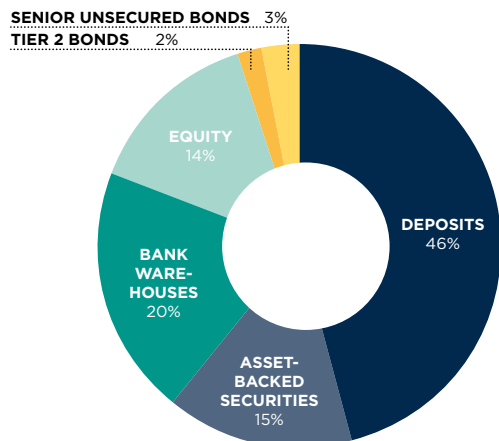
The strategy to diversify funding and take a conservative approach to liquidity is chosen in order to reduce refinancing and liquidity risks, two of the largest and most important risks that the bank has to face.

We obtain funding by issuing securitised assets (ABS), senior unsecured bonds, secured funding from international banks, deposits from the general public in all our markets and equity.

Maintaining good liquidity is important to us and at year-end we had utilised about 70% of deposits to finance our lending. The rest is placed in a liquidity reserve, which invests in fixed-income securities with AA and AAA ratings that are eligible for refinancing with central banks as well as bank holdings. In total, our liquidity reserve amounted to SEK 2.2 billion at year-end and our liquidity measures exceeded by a wide margin the regulatory requirements.

With a diversified platform, we ensure that we have funding for our future lending growth. It offers flexibility depending on current market conditions. The majority of our savings accounts are on-demand deposits and have variable interest rates. In Germany we offer fixed-rate savings accounts with a term of one or two years.

FINANCINGMIX



CORPORATE RESPONSIBILITY AND SUSTAINABILITY OUR BUSINESS MODEL

Long-term profitability is dependent on the confidence in us as a bank. As a publicly listed company, we have an especially large responsibility to authorities and our owners. Taking responsibility is part of our culture and pervades our operations and how we act with customers, the community, authorities, investors and employees. The key to Nordax's operations is responsible lending, where we in our marketing are transparent about the terms, pricing and conditions associated with our products. We offer loan products only to customers who are financially stable and we always perform a robust credit assessment to reduce the risk that our customers will incur future problems. Our customers are offered payment protection insurance to reduce the risk of being unable to repay their loan in the event of an illness or job loss.

As an employer, we care about our employees and their working environment. Through regular monitoring and training, we try to encourage employees to stay healthy and prevent sick leave. We are committed to gender equality and diversity and each year conduct a salary audit to ensure that fair wages are being paid. The latest survey showed that there are no unjustified pay differences between women and men. Business ethics and compliance are critical to us, and these two issues are always at the top of the Board of Directors' agenda. Without question, we carefully follow all legal and regulatory requirements. The internal resources to ensure

that we stay on top in this area have gradually been increased. It is important for us to have strong internal governance and control and educate our staff in the area. We have a good relationship with authorities and regulators, which we are keen to maintain. We are committed to doing the right thing and contributing to society. We maintain our registered office in Sweden and pay 22% in Swedish corporate tax on our taxable profit.

Since Nordax operates out of a single office, we do not have a significant direct impact on the environment, but environmental and climate issues are important to us. Our clearest impact on the environment is from the distribution of direct mail to potential customers, where we try to use environmentally friendly materials. In our communication with existing customers and our internal processes we try to reduce the use of paper in favour of digital solutions. *For more information on our sustainability commitment, see pages 20-27.*

TAKING RESPONSIBILITY AND SUSTAINABILITY

- Responsible lending is the core of our sustainability efforts
- Member of the UN Global Compact initiative since 2016
- Equal pay, women paid 1% more than men for comparable functions
- 60/40 distribution between men and women on the Board of Directors
- 50/50 distribution between men and women in senior management
- Limited direct environmental impact

EQUAL ORGANISATION

Distribution men and women

Board OF DIRECTORS

60/40

Distribution men and women

SENIOR MANAGEMENT

50/50

Salaries men and women

DIFFERENCE COMPARABLE FUNCTIONS

+1% for women

Focus on customers and efficiency creates growth

Nordax's priorities are focused on long-term competitiveness and sustainable growth. The areas below are those we feel will contribute the most in the near term to creating value for our stakeholders.

INCREASED NEW LENDING AND SUSTAINABLE GROWTH

- Strengthen position in large loans and consolidation of smaller credits
- More and developed sales channels
- Improve processes for new customers

The aim is to further increase new lending and organic growth in every market. We will focus on being more efficient and relevant in existing channels, but also on continuing to broaden our offering through more channels and collaborations. In Germany, we have only used addressed direct mail, but in 2017 we will evaluate whether to expand our marketing to more channels. More convenient processes to on-board as a new customer and an improved experience for existing customers will contribute to increased new lending. A precondition for increased new lending and sustainable growth is that margins remain attractive and credit quality is good.

INCREASED EFFICIENCY EFFICIENCY

- Automated and paperless processes
- Focus on efficiency in the organisation

Greater focus was placed on efficiency in 2016, which included a reorganisation of our customer service units into a geographical structure instead of a functional structure. This allows us to more effectively interact with customers. In 2017 our customers will get more digital self-services options. Communication with customers will also be handled digitally to a greater extent, simplifying our work and improving efficiencies, which customers appreciate. All our employees are focused more on efficiency and smarter solutions, which is key to become even more competitive.

IMPROVE CUSTOMER EXPERIENCE AND STRENGTHEN CUSTOMER LOYALTY

- Simplified and improved loan application process
- Increased self-service options
- Improved customer relationship management (CRM)

We are committed to a high level of service for our customers, and in 2016 customers satisfaction increased. Our aim in 2017 is to further improve and simplify for our customers, especially in terms of digital services. In the last two years we have introduced electronic signatures for loan customers in Sweden, Norway and Finland and in 2017 will we give deposit customers the option of managing their savings digitally. For loan customers we will improve the application process and reduce manual steps. It should be easy and convenient to become a customer and to manage loans through digital self-service options. We will improve our customer relationship management (CRM) tools to ensure that we offer the right products at the right times to our existing customers.

SUSTAINABILITY PART OF OUR BUSINESS

- Continue strategic sustainability efforts
- Make progress in four identified core areas: responsible lending, employee well-being, business ethics and efficient use of resources

In the area of responsible lending the focus is to maintain low credit risk in the lending portfolio. With respect to employee well-being, we will improve and increase the interaction between leaders and employees through frequent pulse surveys. In the priority area of business ethics, we will formalise how we view ethics in a code of conduct. In terms of efficient use of resources we will work on how we can reduce the environmental impact of our offices and increase the rate of digitisation in order to reduce paper consumption. *For more information, see page 27.*

Strong lending and profit growth

In 2016 the loan portfolio continued to grow and Nordax strengthened its profit and capital position. Growth in the loan portfolio in all markets, improved margins, increased cost efficiency and solid credit quality all contributed to the strongest profit in Nordax's history.

HIGHLIGHTS OF 2016

- Net profit increased to 446 MSEK (195)
- The loan portfolio grew by 18%
- Adjusted operating profit improved by 30%
- Increased cost efficiency
- Improved credit quality
- Return on equity 23%
- Stronger capitalisation
- Earnings per share 4.02 SEK (1.76)
- Proposed dividend 1.60 SEK per share (0.50)

NEW LENDING PRODUCED STRONG GROWTH

Continued effective marketing and an attractive loan offer helped to grow the loan portfolio by 18% to a total of SEK 12.8 billion. Adjusted for FX effects the increase was 12%. The loan portfolio grew in all

markets with the highest relative growth in Germany. New lending was just over SEK 4.6 billion, an increase of 14% compared to 2015.

SIGNIFICANT PROFIT IMPROVEMENT

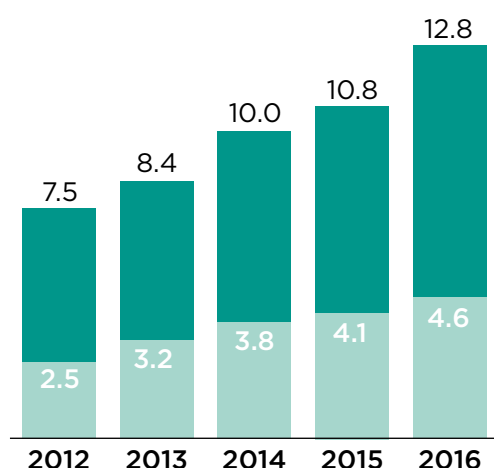
Net profit improved to 446 MSEK (195). The increase was mainly due to lending growth, which generated higher net interest income, positive FX effects and the non-recurring cost of 75 MSEK in 2015 connected with the IPO.

Adjusted operating profit increased by 30% to 510 MSEK (392) mainly as a result of increased net interest income and increased efficiency.

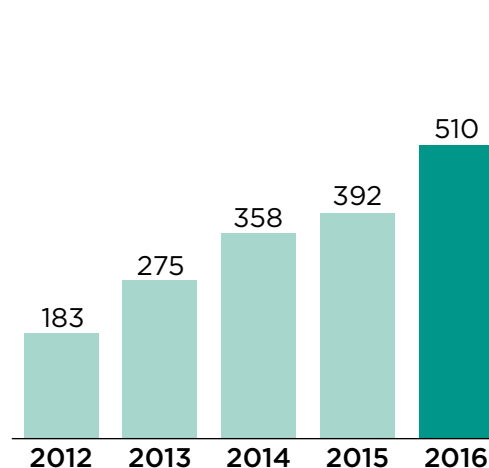
The adjusted return on equity excluding intangible assets improved to 24.6% (23.2) despite higher equity. The adjusted return on average net loans was 4.3% (3.8).

Earnings per share increased to 4.02 SEK (1.76). Adjusted earnings per share increased by 29% to 3.58 SEK (2.76).

TOTAL LENDING AND NEW LENDING BILLION SEK



ADJUSTED OPERATING PROFIT MSEK



IMPROVED NET INTEREST INCOME

Total operating income increased by 32% to 1,176 MSEK (888) mainly driven by a larger loan portfolio and higher net interest margins, but also by positive FX effects.

Net interest income increased by 19% to 1,100 MSEK (927). Contributing to the increase were higher lending volumes, lower funding costs and improved margins due to new loans granted with higher margins relative to the existing portfolio. Net interest income improved in all markets and the net interest margin increased to 9.3% (8.9). In Sweden and Norway lending rates for existing customers are adjusted when Nordax's funding costs change. During the year lending rates for Swedish customers were reduced by a total of one percentage point and for Norwegian customers by a half percentage point. In Finland and Germany lending rates for existing customers are adjusted based on market rates. Variable lending rates contribute to a stable interest margin when market rates change.

Net profit from financial transactions amounted to 60 MSEK (-55) with a stronger NOK and EUR having a positive effect. Nordax has open positions in currencies to protect its capital adequacy ratio from currency fluctuations. The FX effect on regulatory capital has a corresponding impact on profit from financial transactions.

Net commission income, which largely consists of income from the sale of payment protection insurance (PPI), was stable at 16 MSEK (16).

INCREASED EFFICIENCY

Nordax is focused on increasing operational efficiency and thereby improving the adjusted cost to income ratio (which excludes marketing expenses). Marketing expenses, which are an investment in new lending, account for about a third of the total cost base. Marketing efficiency is regularly monitored and measured as marketing expenses in relation to new lending.

The total operating expenses decreased to 439 MSEK (481) due to one-off expenses of 75 MSEK in 2015 related to the IPO. General administrative expenses rose by 11% to 291 MSEK (261). Larger business volumes and operational investments contributed to the increase. Higher regulatory-driven costs and provisions for variable remuneration due to the improved result during the year also raised expenses. The largest share of general administrative expenses is staff costs, which account for about 60% of expenses.

Other operating expenses, which largely consist of marketing expenses, rose by 10% to 136 MSEK (124) as a result of expanded marketing activities, which generated an increase in new lending of 14% during the year. Marketing efficiency improved slightly during the year.

Non-recurring items during the period related to the VAT reversal associated with the IPO in 2015 and other cost reductions related to the IPO. This reduced expenses by a total of 13 MSEK. The same period in 2015 included non-recurring costs of 75 MSEK related to the IPO.

The adjusted cost to income improved during the year to 27.3% (28.5).

INCREASED INCOME

TOTAL INCOME

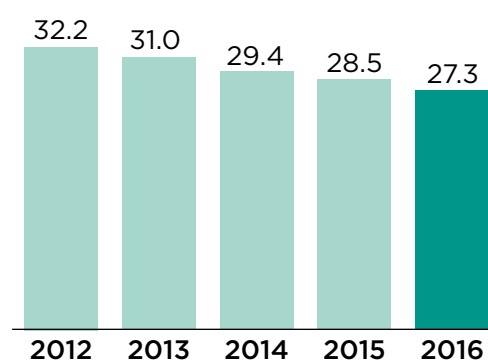
+32%

IMPROVED NET INTEREST MARGIN

9.3% (8.9%)

ADJUSTED COST/INCOME RATIO

%



STABLE CREDIT QUALITY AND TAX RATE

Net credit losses increased slightly to 164 MSEK (157). The credit loss level improved to 1.4% (1.5).

The level decreased during the year in Finland and increased slightly in Sweden from low levels. The credit loss levels in Norway and Germany were stable compared to the previous year.

The lowest credit loss level was reported in Finland and the highest in Germany, where the provision level for bad debts is conservative due to Nordax's shorter history and data on recoveries.

Credit losses remained well below the target of a 2% credit loss level over a business cycle.

Tax amounted to 127 MSEK (55). The effective tax rate was stable at 22%.

STRONG BALANCE SHEET AND LIQUIDITY

Total assets increased by 11% during the year to 15,773 MSEK (14,162) due to a growing loan portfolio. Lending to the public grew by 18% to 12,794 MSEK. Lending grew in all markets.

Nordax obtains funding about equally from the capital market and deposits from the public. At year-end about 46% of funding was deposits, about 40% capital market funding and 14% equity funding.

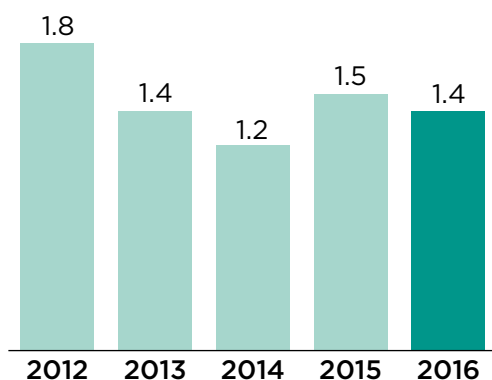
Nordax offers retail deposit products to private customers in all markets where we have a lending operation. Retail deposit products were launched in Germany during the year and at year-end deposits in Germany amounted to 1,103 MSEK. Total deposits increased to 7,141 MSEK (6,001) to finance lending growth.

Nordax's funding costs fell during the year, which benefitted customers through lower lending rates in Sweden and Norway.

Nordax has robust liquidity and had a liquidity reserve at 31 December 2016 of 2,189 MSEK, which is conservatively invested in fixed-income securities with an average rating of AA and bank holdings. Basically, about 30% of deposits from the public is allocated as liquidity and 70% is used to finance lending. All bank holdings in the liquidity portfolio are accessible and all securities are repo-able with central banks. Nordax's liquidity measure exceeds by a wide margin the current and expected future regulatory requirements with a liquidity coverage ratio (LCR) of 553% and a stable net stable funding ratio (NSFR) of 127%.

NET CREDIT LOSS LEVEL

%



SOLID LIQUIDITY

LIQUIDITY RESERVE

2.2 BILLION SEK

LCR

553%

NSFR

127%

EQUITY

Equity generation remained strong as a result of the higher profit and total equity grew to 2,120 MSEK (1,733).

REGULATORY CAPITAL

Nordax strengthened its capitalisation during the year and its solid profitability contributed to increased buffers relative to regulatory requirements and the capital target.

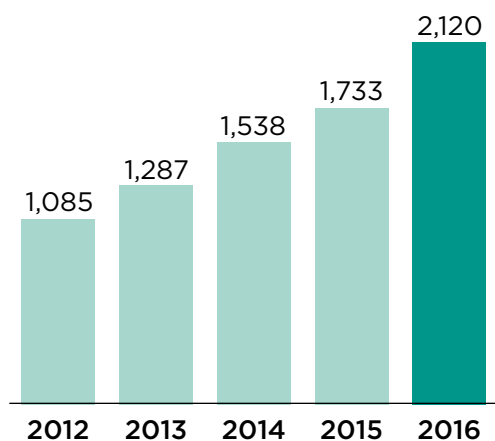
Capital ratios improved during the year and the total capital ratio was 16.0% (14.6) at year-end. The improvement is due to the solid return Nordax generated and because the method used to calculate operational risk was changed during the year from the basic indicator approach to the alternative standardised approach. The regulatory requirement is a total capital ratio of 13.1% and the target is a total capital ratio over 14% or at least 1.5 percentage points above the regulatory requirement. The capital ratio includes a dividend provision in accordance with the Board of Directors' proposal to the 2017 Annual General Meeting.

Total Common Equity Tier 1 capital increased to 1,640 MSEK (1,369) and the Common Equity Tier 1 capital ratio strengthened to 14.0% (12.6% as of 31 December 2015). The margins to the regulatory requirements and the capital target increased during the year. Nordax's Common Equity Tier 1 capital requirement was 9.1% at year-end and the capital target is a Common Equity Tier 1 capital ratio of at least 12%. The Common Equity Tier 1 capital requirement is comprised of the Common Equity Tier 1 Minimum Requirement of 4.5%, the Capital Conservation Buffer of 2.5%, 1.1% for the Countercyclical Capital Buffer and 1.0% for Pillar II buffers. The countercyclical buffer is calculated as a weighted average of the required level for each country's portfolio.

Nordax's leverage ratio, which measures the ratio between capital and total assets, improved during the year to 10.8% (9.9), which is well over the levels indicated for future regulations.

TOTAL EQUITY

MSEK



COMMON EQUITY TIER 1 CAPITAL RATIO

REQUIREMENT

9.1%

TARGET

>12%

Common Equity Tier 1 capital ratio

2015

12.6%

2016

14.0%

Sound core values steer the business

Nordax has strong core values that are important to how the company acts and is seen by our various stakeholders. Nordax is a customer-centric bank that is simple, sound and responsible. Nordax was founded by entrepreneurs driven by a strong focus on customers and risk management. This approach is still evident in our day-to-operations and corporate culture.

We are a niche bank that is:

- **Simple** - We are agile and efficient. Our terms for loans and savings accounts are simple and clear.
- **Sound** - Nordax was founded by risk analysts, 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 stable capital position and obtain funding through several sources.

- **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. Our risk management, governance and compliance processes all maintain high quality.
- **Customer centric** - We listen to our customers and consistently maintain a high service level. As a customer, you shall be able to make reasoned decisions calmly. We are committed to assisting customers who face financial difficulties.

Nordax

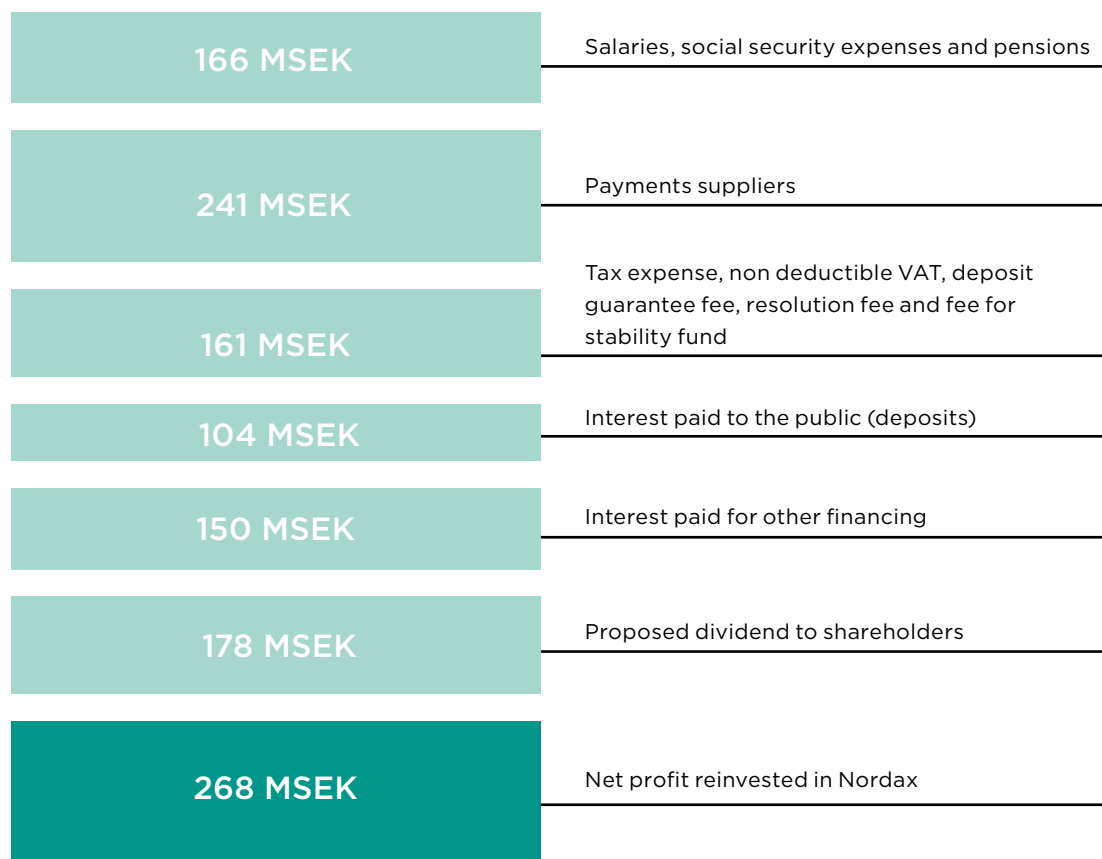
Sustainability focus

Being a responsible business is critical to Nordax's success. We are convinced that it benefits us in the long term while at the same time delivering value to our stakeholders. If Nordax takes responsibility today, we will be better positioned to remain a successful business in the future.

CREATING ECONOMIC VALUE

We have many different stakeholders that we create value for through our operations. As a lender, we are part of an important sector of the national economy that provides people a way to redistribute their spending across their lifetime. Through responsible lending, we want to create value for all our stakeholders. The figure below shows how we generate economic value for our stakeholders.

DISTRIBUTION OF NORDAX TOTAL GENERATED ECONOMIC VALUE 2016, 1 268 MSEK



NORDAX SUSTAINABILITY REPORT

As part of our efforts to be a responsible business, we joined the UN Global Compact in 2016 and present our first sustainability report according to the international guidelines for sustainability present, GRI version G4 level Core, issued by the Global Reporting Initiative. This means that we report according to accepted guidelines that make sustainability reporting comparable to other companies. *For information on GRI G4 indicators, see the index on pages 110-112.*

SUSTAINABLE BUSINESS, MATERIALITY ANALYSIS AND STAKEHOLDER DIALOGUE

We are always seeking to develop our approach to sustainability. To structure our work and identify the most important issues affecting our competitiveness and stakeholders' confidence in us, we performed a materiality analysis in 2015 from an internal perspective. In 2016 our aim was to validate Nordax's internal priorities, as part of which we dialogued with selected stakeholder groups to find out which areas they think we should focus on and their expectations. We then weighed the areas our stakeholders see as most important with those Nordax considers strategically important to ensure the creation of long-term value.

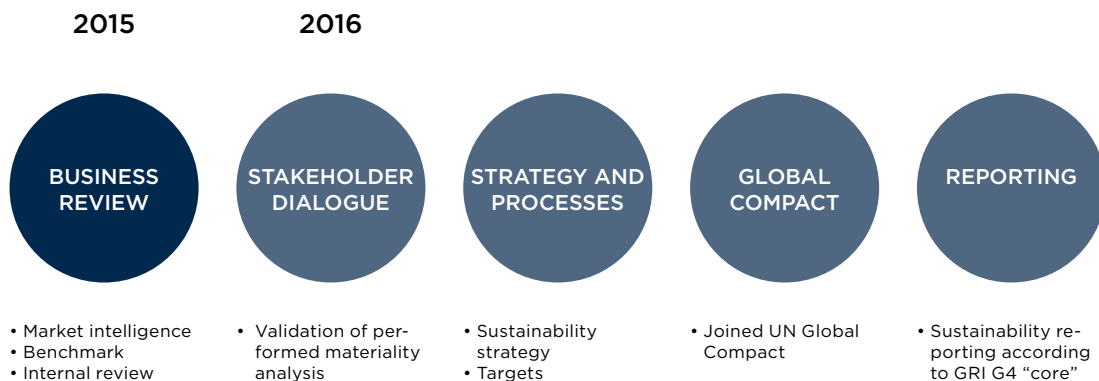
OUR MOST IMPORTANT AREAS - INTERNAL PERSPECTIVE

In 2015 we identified our most important sustainability areas through a materiality analysis that included gathering business intelligence, an industry benchmark survey and several workshops with a select group of key individuals within Nordax. This was done to identify the most important areas affecting our competitiveness and stakeholders' confidence in us.

The most important areas we identified were (in no particular order):

- Employee well-being
- Responsible lending
- Financial results
- Financial education
- Indirect economic impact
- Customer privacy and data security
- Customer satisfaction
- Environmental impact
- Money laundering issues
- Compliance

PROCESS NORDAX SUSTAINABILITY WORK



OUR MOST IMPORTANT ISSUES - EXTERNAL PERSPECTIVE

Nordax has a number of different external and internal stakeholders who affect and are affected by our operations. We have identified the following stakeholder groups: customers, employees, owners, investors, suppliers and partners, decision-makers, supervisory authorities and stakeholder organisations. We are in dialogue with many of our stakeholders on a daily basis. In 2016 we maintained a structured dialog with customers, employees, shareholders and stakeholder organisations to validate our materiality analysis and understand how they see our commitment to sustainability and what they feel we should prioritise going forward. The dialog was conducted through surveys of Swedish and Norwegian lending and savings customers and employees. We have also conducted in-depth interviews with three major shareholders and a stakeholder organisation.

In general, there is a consensus on which aspects are important for Nordax to deliver long-term value to our various stakeholders.

A sample of the feedback from our stakeholders follows:

FEEDBACK FROM OUR CUSTOMERS

The large percentage of customers feel that Nordax's sustainability approach can help greatly to strengthen their loyalty. They also feel that the focus on responsible lending, customer satisfaction and IT security are the most important areas for Nordax in these efforts.

FEEDBACK FROM OUR INVESTORS AND STAKEHOLDER ORGANISATIONS

Nordax's investors and stakeholder organisations feel that the company is genuinely committed, but that the work would benefit from being more strategic and integrated in day-to-day operations.

FEEDBACK FROM OUR EMPLOYEES

The majority of our employees feel that the company's dedication to sustainability is very important for them. They consider responsible lending to be the most important area of Nordax's sustainability efforts.

NORDAX CORE AREAS FOR SUSTAINABLE BUSINESS

Balanced perspective



Responsible lending

In Nordax's business model there is a built-in risk that our customers, due to various circumstances, may incur problems repaying their loan, which is not desirable for the customer, society or us as a lender.

Given the nature of our business, responsible lending is the most critical aspect to creating long-term value. To us, responsible lending means being transparent in our marketing about the terms, pricing and conditions associated with our products. As a customer, you should be able to make well-informed decisions calmly.

We offer loan products only to customers who are financially stable and we always make a robust credit assessment to reduce the risk that they will face future problems. If a customer has a problem repaying a loan, we try to help. We have specially trained employees who contact customers early on to remind them that a payment is late, so that we can together find a solution and if possible offer advice and support.

To make a correct credit assessment, we always do a thorough credit check. The assessment is done in accordance with good lending practice and is always based on the customer's financial situation and is done in accordance with Nordax's credit policy. To ensure that the information on loan applicants is correct, a large share of our customers are contacted by phone. In markets where we have access to less information through credit agencies, we request additional material, e.g., salary statements and tax returns, to ensure that our customers can repay their loans. A prospective customer cannot have a record of non-payment, must have enough of a margin to afford the loan, which we ensure through our "left to live on" calculation, and cannot be over-indebted.

We think it is sound that our customers do not receive their money the second after they apply

for a loan. All our lending is instalment loans and amortising loans. If a customer wants to amortise faster or prepay their entire loan, we do not charge any additional fees.

Our ambition is a net credit loss level of 2% over an economic cycle, a level we have been well below in recent years. In 2016 the credit loss level was further reduced to a total of 1.4%. Our ambition is to continue to grow the loan portfolio, but growth may not come at the price of less thorough credit assessments.

To attract new customers, maintain and develop relationships with existing customers and for the sake of our brand, our customers have to be satisfied with the services we offer. Nordax conducts systematic customer satisfaction surveys. After speaking with customers, we send out random questionnaires asking about their interaction. The questions concern our engagement, knowledge, ability to resolve the issue on first contact and their general satisfaction. The response rate is about 20%. The results are followed up systematically at both a unit and individual level and the target is an overall satisfaction rate of at least 85%, which Nordax achieved on an aggregate level in 2016.

If our customers for any reason are dissatisfied with us, we have clearly defined routines in place to handle complaints, and we are clear and transparent about where they can turn, both to us at Nordax and outside the company.

AMBITIONS 2017 - RESPONSIBLE LENDING

- Continue our responsible lending with focus on maintaining solid credit quality
- Continue to offer advice and support to customers having difficulty repaying their loans in order to help them get back on track
- Analyse how we can expand our offer to promote lending for environmental improvements

Employee well-being

Our employees are our most important asset. Competent and motivated employees who enjoy their work provide better service for our customers. As a result of broad competence and personal responsibility, 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.

DIALOG WITH OUR EMPLOYEES

At Nordax we have the benefit of having all our employees together in a single office, which facilitates a daily dialog and speeds up project implementation. The most important dialog and dissemination of information occurs on a daily basis between managers and their employees, but we also distribute information and share ideas in many other ways. Every month we hold a breakfast meeting for the entire staff where we provide information on current issues and projects. There is also an opportunity for employees to bring up any issues they want to discuss. To ensure a deeper dialog and discussion on performance and future development, employees have an annual performance conversation with their manager. In addition, we focus on continuous feedback.

We have historically conducted a major employee survey every second year, but recently switched to smaller and more frequent employee pulse surveys with the assistance of a cloud-based service. The aim is to facilitate a continuous dialogue with our employees, which helps us to ensure their well-being. The continuous feedback also gives us an opportunity to adapt the questions based on what is happening here and now in the business. In addition to incorporating this tool,

we have introduced an engagement index and an eNPS score, which measures the willingness to recommend Nordax as an employer. The first measurement in December 2016 produced an engagement score of 65 (on a scale of 0-100) and an eNPS score 3.7 (on a scale between -100 to + 100, where 0 is a neutral recommendation). We will continuously follow up and work to improve these numbers.

A LEARNING AND DEVELOPMENTAL ENVIRONMENT

We have to constantly learn from each other and the world around us to develop as individuals and grow the business. We work almost exclusively in cross-functional project groups and see our collective capacity as a success factor. Together, we have to continue to learn from each other and focus on further developing each employee's skills. As part of this, we implemented an organisational change in 2016 for those units that interact with customers, switching from a functional to a country-based structure. The purpose was to give our customers even better service and at the same time increase our employees' competence by giving them a broader mandate to support customers.

In addition to courses outside the company, we invest in effective training methods internally. In the end of 2016 a digital training portal was launched for all employees to partly replace traditional classroom training. The portal offers employees more flexibility and opportunities to build skills.

LEADERSHIP

Leadership at Nordax is a matter of understanding and taking responsibility for our business and driving it forward through the ability to manage and develop others. We place a premium on hands-on leadership where managers sit

together with their staff in an open-plan office to make daily and individual coaching possible. The management team works with annual 360-degree evaluations, an online feedback tool that gives leaders an opportunity to identify strengths and development needs, which are later followed up at individual meetings with an external coach.

SAFE AND SOUND WORKING ENVIRONMENT

Improving and developing our working environment is a natural element in Nordax's development and is strategically important to us. Our working environment is characterised by openness, where every employee is treated equally and with respect.

To ensure that we maintain a positive place to work, we had a team of representatives of employers and employees join together in 2016 to implement new working environment rules. The group drafted an action plan for further improvements, including setting guidelines for managing email. During the year we also conducted a survey to measure work-related stress. The overall results show that our employees are satisfied with leadership and feel they receive strong support from their immediate supervisor and colleagues. Moreover, most feel they have the skills to perform their jobs. The results show that our challenge, like that of many other companies with large customer service units, is to give employees more say in these areas. The reorganisation of customer service units during the year was designed to, among other things, make our employees' jobs more stimulating.

As part of our efforts to create a sound working environment, we regularly monitor sick leave, cooperate with occupational health providers and work actively with various initiatives to reduce illness and prevent sick leave. We also offer ergonomic assessments, annual wellness subsidies and arrange various wellness challenges and activities. In 2016 we adopted new guidelines on rehabilitation, workplace accommodations and sick leave to reduce and prevent absences.

Nordax currently has not signed any collective bargaining agreements. We do, however, adhere to the industry's agreement, which we consider essential in order to stay competitive. We see the low level of union membership in the company

as a sign of our commitment and generosity to our employees. We are concerned about our employees' well-being and are committed to maintaining the strong entrepreneurial spirit and informal codetermination that already exists. We rather spend what it costs to join an employer's association on investments in wellness, social activities and a sound working environment.

GENDER EQUALITY AND DIVERSITY

Gender equality and diversity are important to us. Our view is that everyone should be treated with respect and valued equally. Every employee has the right to be seen, heard and respected on the job, regardless of age, ethnicity, religion, physical limitation, gender or sexual orientation. With respect to ethnic origin, we will continue to broaden our diversity, e.g., by drafting a hiring policy and formalising our core values.

Of our employees, 67% are women and 33% men. Among managers, 57% are women and 43% men. The Senior Management Team consists of an equal number of women and men and on our Board of Directors 5 members are men and 3 are women.

Nordax encourages employees to take parental leave by supplementing their income for up to one year. Various initiatives have been taken to facilitate a work-life balance, including by trying wherever possible to schedule meetings between 9 am and 3 pm.

We conduct annual salary surveys to ensure that there is no gender pay gap. The latest survey from March 2016 showed that women receive 101% of men's salaries. In our industry this is something we can be very proud of. To us, the notion of equal wages for equal work goes without question.

AMBITIONS 2017 - EMPLOYEE WELL-BEING

- Develop our core value work and our communication platform
- Improve and increase interaction and feedback between Nordax's leaders and employees with the help of continuous employee pulse surveys
- Develop a basic company joint training program for Nordax's managers

Solid Business Ethics

Nordax wants to contribute to an ethical business community, not least to create confidence in the financial market. Fair treatment, transparency and taking responsibility are three aspects that describe Nordax's view of what business ethics means.

For Nordax, it is fundamental to act ethically and responsibly, which includes meeting legal requirements and ethical standards as well as maintaining a sound risk culture. Nordax has established a business ethics framework that includes strategies, processes, internal rules and reporting routines to promote sound and ethical behaviour in everything the bank does. High ethical standards apply to the entire company, from the Board of Directors to each individual employee.

Most of the business ethics framework is incorporated in Nordax's policy on ethical standards. Parts of the framework are also in other governing documents. To create a more uniform approach to business ethics, work has begun on establishing a code of conduct.

CONFLICTS OF INTEREST

Conflicts of interest are unavoidable, and identifying and managing them is essential in order to maintain complete confidence. Nordax has routines to continuously identify and manage potential conflicts of interest at every level of the company.

FIGHTING FINANCIAL CRIME

At Nordax, the term financial crime refers to money laundering, terrorist financing, bribes and corruption. Nordax takes a number of measures on a daily basis to prevent and detect financial crime. Fighting it is a matter of course for Nordax, first and foremost to curb crime in general, but also to protect the business and the brand.

WHISTLEBLOWING

Nordax advocates transparency and encourages employees to report suspected irregularities, unethical or unlawful behaviour within Nordax.

Reporting can be done anonymously to closest manager, the Chief Compliance Officer or the Chairman of the Risk Committee through Nordax's risk management system. All reports are investigated immediately and appropriate action is taken. In 2016 there were no reports of irregularities, unethical or unlawful behaviour in Nordax.

OUTSOURCING

For any company in the financial sector, internal governance and control are indispensable. This also covers activities and businesses that are outsourced to suppliers and partners. Nordax has extensive routines to continuously monitor outsourced operations and ensure compliance and effective risk management.

SUPPLY CHAIN

Nordax's procurement organisation is centralised with respect to company-wide purchases and decentralised for function-specific purchases. All employees responsible for procurement are tasked with keeping both sustainability and economic efficiency in mind. By placing demands on our suppliers, we can contribute to sustainability inside Nordax and out.

CUSTOMER RELATIONS

Our customers' needs and demands are the basis of Nordax's business. Ethical treatment of potential and existing customers is fundamental. Nordax tries to give every customer personalised service. Well-informed decisions are essential to having satisfied and profitable customers, which in turn creates the potential for building a sustainable business that creates value.

AMBITIONS 2017 - BUSINESS ETHICS

- Complete, communicate and train staff in Nordax's risk-based code of conduct
- Evaluate how solid business ethics is secured at suppliers and partners
- Identify key indicators to measure Nordax's performance in terms of business ethics

Efficient use of resources

Our business has limited direct impact on the environment. The biggest impact is from our distribution of direct mail to potential customers. We manage the operation from a single office, which reduces the need for travel. At the same time, the environment and climate change are one of the most important issues of our time, and we want to contribute to the UN's global climate goals.

ECO-EFFICIENT CUSTOMER COMMUNICATION

Our goal is to handle more of our communication with customers digitally instead of by post. This simplifies processes for customers, for us, is more cost effective and reduces our impact on the environment. In 2016 we started to offer electronic invoicing in Sweden and started sending general correspondence by text message or email instead. The targets in terms of digital development and simplifying processes to reduce paper consumption are ambitious, and much remains to be done.

In our direct mail we always use the most environmentally friendly paper available. Direct mail is one of our core competencies and will remain an important part of our distribution model, but we are trying to transition as much as possible of our customer flow after that to digital distribution.

WASTE MANAGEMENT

We have a well-functioning waste management solution at our office to maximise recycling. This applies to paper, plastics, electronics and other recyclables. For example, all reusable electronic equipment is given to a partner company that specialises in reuse and lifecycle management of IT products.

OUR ENVIRONMENTAL IMPACT

The environmental impact from our office and travel is limited, but here as well we are trying to reduce it. We established a travel policy in 2016 that all employees have been informed of through company meetings and the intranet. Employees are expected to be eco-conscious and cost-effective travellers. We will try to use more mass transit and travel by train rather than car, taxi or air whenever possible.

Electricity consumed in our office and cooling for our server room is from renewable sources. In 2016, 225,914 kWh were consumed.

AMBITIONS 2017 - EFFICIENT USE OF RESOURCES

- Continue digitalisation and process improvements to reduce paper consumption
- Evaluate how we can expand our offer to promote environmental improvements
- Sign a "green" lease to review and update an action plan to further reduce the office's environmental impact
- Identify key indicators to measure Nordax's resource consumption

Sound risk culture generates sustainable profitability

Nordax's business model is based on a restrictive approach to risk taking, and the bank has a low risk appetite and risk tolerance. This approach to risk pervades every part of operations and has helped Nordax over the years to build a sound risk culture.

Simplifying things, it is only in its lending that Nordax consciously takes risk, in the form of credit risk. Nordax tries to limit other risks as far as possible and reasonable. This approach to risk is one reason why Nordax's business model has been profitable during both financial crises and in good times. Credit risk management is also limited by a conservative credit risk appetite and high demands when it comes to our customers' creditworthiness, which has led to stable credit loss levels that have been below the ambition of 2% over an economic cycle. Nordax's overall risk appetite and risk tolerance is determined by the Board of Directors in the risk and capital policy. Special governing documents are in place as well to manage credit risk, market risk, liquidity risk and operational risks.

THREE LINES OF DEFENCE MODEL

To ensure that it effectively manages risk consistent with the risk culture and that good internal governance and control are in place, Nordax has established the three lines of defence model. The three lines of defence are designed to establish robust risk management with clearly delegated responsibility within operations. The three lines of defence are also an effective way to manage the increasing regulatory requirements Nordax faces in practically every part of its business as well as ensure that internal rules are being followed.

- The first line of defence is the risk management performed daily by operations.
- The second line of defence is by the Risk Control and Compliance functions, which monitor, control and report the company's risks and whether they fall within internal and external rules.
- The third line of defence consists of Internal Audit, which serves on behalf of the Board of Directors and, among other things, regularly reviews the Senior Management Team as well as the company's internal controls, the work of the control functions and the company's risk management.

The most important risks that Nordax is exposed to are:

CREDIT RISK

Credit risk is defined as the risk that Nordax will suffer a loss because a counterparty does not fulfil its contractual obligations.

For Nordax, it is primarily the risk that a customer cannot repay a loan, although credit risk also arises when Nordax invests its liquidity.

Nordax was founded by credit risk analysts, and the low risk tolerance that distinguishes its lending is based on many years of experience maintaining low credit losses and sustainable profitability over time.

Nordax's credit risk policy sets out the basic requirements for those who Nordax wants to lend money to - high creditworthiness and low risk. Within the framework of these basic requirements, loan officers have personal lending limits based on the officer's experience with credit assessments. Decisions on the highest amounts that Nordax offers are made by Nordax's most senior credit officers.

Credit risk also means managing customers who, for various reasons, are unable to pay. Nordax's claims department works proactively to take responsibility for customers at risk of default and to help them.

This combination of high creditworthiness requirements and quick and effective responses when a customer incurs problem is an important reason why Nordax has maintained low credit losses over a long period.

OPERATIONAL RISKS

Operational risks are defined as the risk of losses due to inappropriate or faulty internal processes, human error, system deficiencies and external events, including legal and compliance risks.

Every part of Nordax's operations is exposed to operational risks. The complexity of managing operational risks has risen in pace with the increasingly extensive regulatory requirements on banks and because of the fact that Nordax is growing. To manage and minimise operational risks, we use several different tools and processes such as self-assessments, incident management, continuity and crisis management, control testing and the process to approve new products, services and processes.

In 2016 we identified and documented our significant processes, in part to identify operational risks and the key controls in them. The incident reporting process has been made more efficient and system support is now in place that allows all employees to conveniently report incidents.

LIQUIDITY AND MARKET RISK (INTEREST RATE, PRICE AND CURRENCY RISKS)

Liquidity risk is defined as the risk that Nordax will fail to fulfil payment obligations at maturity without a significant increase in the cost of obtaining means of payment. Market risk is defined as the risk that Nordax's results or equity will decrease due to changes in risk factors in the financial markets. Market risk includes interest rate risk, price risk and currency risk.

Liquidity risk is managed through a well-balanced combination of assets and liabilities and distribution of maturities and currencies. Price risk is limited by investing only in stable counterparties with strong credit ratings and for relatively short terms. Interest rate risk is limited by matching the interest fixing periods for assets and liabilities. The impact of changes in foreign exchange rates is limited by matching assets and

liabilities in the same currency. Nordax maintains open currency positions to protect its capital adequacy ratio against changes in foreign exchange rates.

GLOBAL FACTORS

2016 was a turbulent year globally with political and economic turmoil: Brexit, terrorist attacks, the failed coup in Turkey, the war in Syria and the presidential election in the US, to name just a few. For Sweden, 2016 was distinguished by a continued focus on household debt. In February the Riksbank cut the repo rate by 0.15 basis points to -0.50%, and since then the repo rate has stayed unchanged. In October the Swedish government introduced measures to achieve a more responsible market for consumer credit. These measures take aim at so-called high-cost credit – loans with an effective interest rate of more than 30 percentage points over the Swedish Interest Act's benchmark rate, which is currently 0 – and include an interest rate cap, special marketing disclosure requirements and tighter rules on credit assessments. Nordax is positive to the initiative and welcomes policy initiatives to eliminate rogue operators and strengthen consumer protection.

Despite the relatively eventful year, Nordax has not seen a significant impact on its credit quality, and during the year the credit loss level was stable at 1.4%. Nordax's strong customer base has historically been shown to be resilient to economic slowdowns and increased unemployment. Nordax's diversified funding structure is also a form of built-in resilience to economic slowdowns that facilitates funding even during difficult times.

CAPITAL AND CAPITAL ADEQUACY

Nordax shall at all times be well-capitalised. The Board of Directors has established a capital target to satisfy the minimum regulatory requirement and buffer requirements and to manage risk exposures in situations of financial stress. Nordax conducts stress tests through a continuing capital evaluation process to ensure that it sets aside sufficient capital for unexpected losses. In addition to these reserves, we maintain capital buffers pursuant to the Basel III regulatory framework. At year-end our total capital ratio was 16.0% (14.6), compared to a capital requirement of 13.1% and a capital target of 14.6%. The Common Equity Tier 1 capital ratio was 14.0% (12.6), compared to capital requirement of 9.1% and the capital target of minimum 12%. *For more information on our capital adequacy, see page 18.*

Nordax shares

Nordax was listed on Nasdaq Stockholm's Main Market in June 2015. Nordax shares are traded under the ticker NDX. During the year the value of the Nordax share rose by 1.5%. Earnings per share were 4.02 SEK (1.76). The Board of Directors proposes to the Annual General Meeting a dividend of 1.60 SEK per share (0.50).

SHARE CAPITAL

Nordax's share capital amounts to about 111 MSEK, divided into 110.9 million shares, i.e., a share capital of 1 SEK per share.

HOLDING OF TREASURY SHARES

Nordax's Annual General Meeting authorised the Board of Directors to decide to acquire and transfer own shares. The holding of treasury shares may not exceed 10% of all shares in the company. The purpose of the authorisation was to enable the company to satisfy its obligations resulting from the allotment of shares to employees within the framework of the Group's long-term incentive plans. The repurchased shares can also be used as payment or financing for possible future ac-

quisitions of companies or businesses. In August the Board of Directors resolved to repurchase a maximum of 455,000 shares prior to 2017 Annual General Meeting to satisfy obligations resulting from the allotment of shares to employees within the framework of the Group's long-term incentive plans for 2015 and 2016. During the year 100,000 shares were repurchased to satisfy obligations from the incentive plan for 2015.

TRADING

At year-end Nordax had a market capitalisation of SEK 5.7 billion and the share price was 51.75 SEK. During 2016 the OMX Stockholm 30 Index gained 4.9%, while the OMX Stockholm Banks Index rose 17.8%. Nordax's share price increased by 1.4% during the year, generating a total return including the dividend paid of 2.5% for 2016. The highest price paid during the year was 57.00 SEK. The lowest price paid was 35.30 SEK. The average daily turnover on Nasdaq Stockholm was 284,000 shares.

Nordax's shares are also traded on other marketplaces such as BATS CXE, BATS BXE, Turquoise and Aquis. Nasdaq Stockholm accounted for 87% of turnover in 2016.

SHARE PRICE DEVELOPMENT



DIVIDEND

Nordax's Board of Directors has adopted a dividend policy that approximately 40% of net profit for the year shall be distributed. For 2016 the Board is proposing a dividend of 1.60 SEK per share (0.50 SEK per share in 2015, which was paid for the second half of 2015). The proposed dividend corresponds to a pay-out ratio of 40% and a total dividend of 177.1 MSEK.

OWNERSHIP

As of 31 December 2016 Nordax had 4,302 shareholders (3,182), of whom 76% had holdings of 1,000 shares or less. Just over 3.6% of the shareholders together owned nearly 96% of the company. Nordax's largest shareholder as of 31 December 2016 was funds advised by Vision Capital with a holding of 13.6%¹ (36.1). Vision Capital has been the largest owner since 2010 and began to reduce its holding when the company went public in 2015. Foreign ownership decreased in 2016 to 37.7% (62.0) at year-end, mainly due to Vision Capital's reduced holding and increased Swedish institutional ownership.

INFORMATION

Nordax shall provide its shareholders as well as analysts and other stakeholder's prompt, accurate, consistent and timely information on the bank's operations and financial position. Transparency and openness foster an understanding of Nordax's financial reporting, strategy and the decisions that have been made. Nordax's annual report and interim reports are available at www.nordaxgroup.com.

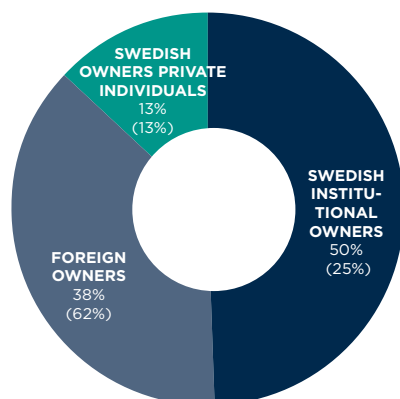
INSTITUTIONS AND ANALYSTS COVERING NORDAX

ABG Sundal Collier, Carnegie, Citigroup, Morgan Stanley, Nordea, Pareto Securities, SEB (new in 2016) and Sparebank 1 Markets (new in 2016), has coverage on the Nordax share.

At the end of 2016 four institutions had a buy recommendations and four institutions had a neutral recommendation, on the Nordax share.

OWNERSHIP CATEGORIES

%, as of 31 December 2016



¹ Vision Capital sold its remaining shares in February 2017.

STATISTICS NORDAX SHARE AND OWNERSHIP

NORDAX 15 LARGEST OWNERS ¹	Share of votes and capital, %
31 December 2016	
Vision Capital Partners ²	13.6
SEB Fonder incl. Lux	10.2
Swedbank Robur Fonder	9.5
Carnegie Fonder	9.1
Öresund, Investment AB	4.9
Handelsbanken Fonder	3.9
Lannebo fonder	3.5
Allianz Global Investors	3.0
Vanguard	2.8
Morten Falch (CEO and Founder)	2.4
JP Morgan Asset Management	2.1
TIAA - Teachers Advisors	1.9
Per Bodlund (Founder)	1.7
Mats Lagerqvist (Founder)	1.7
Olle Nordlöf (Founder)	1.7
15 largest owners	72.0

OWNERSHIP STRUCTURE ³	Number of shareholders	Share of votes and capital, %
31 December 2016		
1-500	2,628	0.4
501-1,000	653	0.5
1,001 - 5,000	683	1.5
5,001 - 10,000	114	0.8
10,001 - 15,000	35	0.4
15,001 - 20,000	33	0.5
20,001 -	156	95.9
Total	4,302	100

OWNERSHIP CATEGORIES ^{3, %}	Share of votes and capital, %	Share of votes and capital, %
31 December 2016	2016	2015
Foreign Owners	37.7	62.0
Swedish Owners	62.3	38.0
Legal entities	49.8	25.6
Private persons	12.6	12.6

OWNERSHIP BY COUNTRY ^{3, %}	Share of votes and capital, %
31 December 2016	
Sweden	62.6
United Kingdom	24.6
USA	4.6
Germany	3.1
Luxemburg	2.3
Others	2.8

DATA PER SHARE	2016	2015
Earnings per share, SEK	4.02	1.76
Adjusted Earnings per Share, SEK	3.58	2.76
Equity per share, SEK	19.2	15.7
Dividend per share, SEK	1.60 ⁴	0.50 ⁴
Payout-ratio, %	40 ⁴	44 ⁴
Dividend yield, %	3.1	1.0
Number of outstanding shares, millions	110.8	110.9
Share price at year-end, SEK	51.75	51.0
Share price/Equity per share	2.7	3.2

SHARE STATISTICS ⁵	2016	2015
Highest share price, SEK	57.0	52.0
Lowest share price, SEK	35.3	35.1
Share price on 31 December, SEK	51.75	51.00
Turnover of shares per trading day, millions	0.3	0.4
Turnover value traded shares per trading day, MSEK	12.7	18.5
Market capitalisation, 31 December, SEKbn	5.7	5.6

¹ Source; Holdings Modular Finance AB. Data from e.g. Euroclear, Morningstar and SFSA

² Vision Capital sold its remaining shares in February 2017

³ Source; Euroclear

⁴ Proposal for Dividend 2016. The Dividend for 2015 related to second half of 2015

⁵ Source; Nasdaq Stockholm



Nordax Bank

2016

BOARD OF DIRECTORS' REPORT

Nordax Group AB (publ)

Content Board of Directors' Report

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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) 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 within the framework of the Group's funding structure.

Nordax Group AB (publ) was listed on Nasdaq Stockholm's Main Market in 2015. The largest owner at year-end was Vision Capital Partners with a total holding of 13.6%¹ (36.1). *For more information on ownership, see page 32.*

Nature and direction of the business

Nordax is a leading niche bank with operations in Sweden, Norway, Finland, Germany and Denmark, offering personal loans and savings products. The Bank currently has around 120,000 active loan customers and 28,000 active 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.

Loan customers are typically middle-aged professionals with incomes above or in line with the national average. They are also close to or above the national averages for home ownership and do not have a 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 while retaining a focus on customers' creditworthiness. 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 52% of Nordax's new lending in 2016. Nordax's marketing channels also sell to existing customers and marketing channels that are not targeted, including credit intermediaries and online channels. In 2016, 20% of granted loans came through existing customers, 23% through credit intermediaries and 5% through online applications.

Before a loan is approved, Nordax conducts a thorough credit assessment of each 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 normally reach their maximum level 18-36 months after granting. 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 past due more than 180 days, Nordax writes down the carrying amount 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 past due more than 180 days are included in the calculation of Nordax's net credit losses and therefore affect Nordax's profit. Nordax has benefitted from effective debt collection systems and has obtained significant recoveries on loans that have been past due more than 180 days.

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, e.g., in marketing, credit risk assessment, collection and financing. Nordax's decision analysis and quantitative modelling are notable for their strong analytical know-how, which contributes to effective marketing and higher credit quality.

Nordax operates from a single office site in Stockholm where all the employees and functions are located. This makes it easy to expand the operation cost effectively and promotes exchange of information between various functions and markets. Centralised corporate governance and risk management, as well as the centralised control functions, enable Nordax to monitor internal governance and control closely and effectively. This also makes it easier to allocate resources.

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

¹ Vision Capital sold its remaining shares in February 2017.

The interest rates Nordax charges 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 the rate Nordax

charges loan customers is instead tied to a benchmark rate, i.e., EURIBOR and CIBOR. When benchmark rates change, the rate change 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, e.g., credit rating of the customer and the size of the loan.

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 demand for personal loans.

The personal loan market is characterised by a high level of competition and fragmentation. Nordax's competitors can be principally divided into two groups: full-service banks and niche banks. Nordax feels that the niche banks (of which Nordax is one) are taking market share 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. One of the things that separates niche banks is which customer groups they serve, in which channels they reach potential customers and how they finance their lending.

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. 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 in the personal loan market. One obstacle is economies of scale that to a great extent is a feature of the personal loan market. The strict and complicated rules and regulations for 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 significant economies of scale and operational leveraging effects.

New players also have to meet increasing, and increasingly complicated, requirements and provisions, e.g., on capital adequacy and liquidity. Compliance requires a large amount of capital, a strong management focus and sufficient revenue to invest in functions for compliance and risk control.

The ability to make credit assessments requires proven models, which in turn depend on access to extensive historical information on the loans. The development of these models requires time and experience in 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.

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 since 2003

- 2003** Nordax is founded by risk analysts with extensive experience in consumer lending, with support from Palamon Capital Partners.
- 2004** Nordax starts offering loans to individuals in Sweden under the supervision of the Swedish Financial Supervisory Authority.
- 2005** Nordax expands its loan operation to Norway.
- 2006** Nordax launches its operation in Denmark. As there was no possibility of effective collection of past due loans, Nordax decides 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.
- 2006** Nordax issues its first asset backed securities, denominated in EUR and listed on the Irish Stock Exchange (ISE).
- 2007** Loan operation started in Finland.
- 2008** Nordax starts offering retail deposits in Sweden.
- 2009** Nordax introduces savings accounts for private customers in Norway.
- 2010** The former majority owner Palamon Capital Partners sells their ownership to funds advised by Vision Capital Partners.
- 2011** Nordax starts offering savings accounts for private customers in Finland.
- 2012** Nordax decides to start a loan operations in Germany.
- 2013** Nordax issues senior unsecured bonds denominated in SEK, which were listed on Nasdaq Stockholm.
- 2014** Nordax receives a banking licence and the loan portfolio passes SEK 10 billion in loan volume.
- 2015** Nordax listed on Nasdaq Stockholm.
- 2016** Nordax launches retail deposit products in Germany and joins the UN's Sustainability initiative Global Compact.

Multi-year overview

KEY RATIOS	2016	2015	2014	2013	2012
Common equity Tier 1 capital ratio	14.0	12.6	12.3	12.0	10.1
Return on equity. %	23.2	12.9	18.0	17.1	13.4
C/I ratio. %	37.3	54.2	45.3	44.0	46.1
Credit loss level. %	1.4	1.5	1.2	1.4	1.8
Number of employees ¹	199	212	187	162	138
Summary of income statements					
Net interest income	1,100	927	781	629	504
Net commission	16	16	15	15	15
Net profit/loss from financial transactions	60	-55	7	5	45
Other operating income	0	0	0	4	15
Total income	1,176	888	803	653	579
Total operating expenses	-439	-481	-364	-287	-267
Credit losses	-164	-157	-114	-114	-127
Operating profit	573	250	325	251	185
Tax	-127	-55	-71	-49	-49
Net profit/loss for the year	446	195	254	203	136
Summary of balance sheets					
Lending to credit institutions	1,672	1,810	2,212	1,608	2,546
Lending to the general public	12,794	10,841	10,042	8,393	7,456
Bonds and other fixed income securities	959	1,157	1,585	550	1,991
Intangible assets	305	320	316	330	342
Other assets	43	34	35	29	24
Total assets	15,773	14,162	14,190	10,910	12,359
Liabilities to credit institutions	3,205	2,880	2,259	2,314	1,781
Deposits from the general public	7,141	6,001	6,479	4,753	7,165
Issued securities	2,910	3,187	3,581	2,259	2,033
Other liabilities	150	115	134	99	98
Subordinated liabilities	247	246	199	198	197
Equity	2,120	1,733	1,538	1,287	1,085
Total equity and liabilities	15,773	14,162	14,190	10,910	12,359

¹ In 2016 the number of employees is calculated at balance sheet date. The comparative periods have been changed accordingly.

Major events in 2016

Quarter 1

As part of its diversified funding structure, Nordax issued 500 MSEK in senior unsecured bonds.

Nordax began offering retail deposit products to private customers in Germany, which during the year became an effective source of funding.

Quarter 2

Nordax held its first annual general meeting as a listed company and among the most important resolutions were;

- Approval of a dividend of 0.50 SEK per share
- Jenny Rosberg was elected as a new Board member
- Approval of Directors' fee, remuneration guidelines for the CEO and management team, and a long-term management incentive plan for 2016
- Authorisation of the Board of Directors to resolve to acquire and transfer own shares

The maximum loan amount offered in Finland was raised to 50,000 EUR. The loan offering and loan application process in Finland were simplified and improved, leading to increased new lending from the third quarter on.

Customer operations, our units that service customers, was reorganized from a function-based organisation to a country-based organisation. The new organisation allows us to better interact with customers while at the same time giving employees more wide-ranging and stimulating assignments.

Quarter 3

The Board of Directors decided to repurchase shares in accordance with the authorisation of the Annual General Meeting to satisfy obligations within the scope of the long-term management incentive plans for 2015 and 2016. A maximum of 455,000 shares may be repurchased, and during the year 100,000 shares were bought back.

Nordax received approval from the Swedish Financial Supervisory Authority to use the alternative standardised method for calculating operational risks, which improves Nordax's capital ratios.

Olof Mankert was appointed Chief Risk Officer and a new member of the Senior Management Team.

During the quarter the provision rate for loans past due by more than 180 days was adjusted from 90 to 80%. The adjustment was made with the support of additional data. The provision level in Germany remains conservative in relation to the rest of the portfolio.

After approval from the Swedish Financial Supervisory Authority, Nordax merged the two wholly owned holding companies Nordax Group Holding AB and Nordax Holding AB with Nordax Bank AB (publ).

Quarter 4

The Nomination Committee was appointed. The composition of the committee for the 2017 Annual General Meeting is Hans Hedström, Carnegie Fonder (Chairman); Hans Ek, SEB Investment Management and Malin Björkmo, Handelsbanken Fonder.

Nordax CFO Camilla Wirth decided to leave Nordax in 2017. Lennart Erlandson, CFO of Skandiabanken was recruited in January 2017. Read more about Lennart on page 47.

Nordax joined the world's largest sustainability initiative - the UN Global Compact.

Consolidated income statement

GROUP	2016	2015
All amounts in MSEK		
Operating income		
Interest income	1,354	1,260
Interest expense	-254	-333
Total net interest income	1,100	927
Commission income	16	16
Net profit from financial transactions	60	-55
Other operating income	0	0
Total operating income	1,176	888
Operating expenses		
General administrative expenses	-291	-261
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-25	-21
Other operating expenses	-136	-124
Non-recurring items	13	-75
Total operating expenses	-439	-481
Profit before credit losses	737	407
Net credit losses	-164	-157
Operating profit	573	250
Tax on profit for the period	-127	-55
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME	446	195
KEY FIGURES¹	2016	2015
Income statement		
Total operating income, MSEK	1,176	888
Adjusted total operating income, MSEK	1,113	943
Operating profit, MSEK	573	250
Adjusted operating profit, MSEK	510	392
Net interest margin, %	9.3	8.9
Profit before credit losses, MSEK	737	407
Net profit, MSEK	446	195
Earnings per share, SEK	4.02	1.76
Adjusted earnings per share, SEK	3.58	2.76
Dividend per share¹		
Balance sheet	12,794	10,841
Lending to the general public, MSEK	7,141	6,001
Deposits, MSEK	4,636	4,070
New lending volumes, MSEK		
KPI		
Common Equity Tier 1 capital ratio %	14.0	12.6
Total capital ratio %	16.0	14.6
Return on equity %	23.2	11.9
Net credit loss level (cost of risk) %	1.4	1.5
Net credit loss level %	1.4	1.5
Cost to income ratio	37.3	54.2
Adjusted cost to income ratio %	27.3	28.5
Adjusted return on tangible equity %	24.6	23.2
Adjusted return on average net loans	4.3	3.8
Exchange rates		
NOK Income statement (average)	1.02	1.05
NOK Balance sheet (at end of period)	1.06	0.96
EUR Income statement (average)	9.47	9.36
EUR Balance sheet (at end of period)	9.58	9.14

¹ See page 108 for definitions of key figures.

Financial results in 2016

Net profit rose to 446 MSEK (195) mainly due to higher net interest income, positive FX effects and a non-recurring cost of 75 MSEK in 2015 connected with the IPO. Adjusted operating profit increased by 30% to 510 MSEK (392) mainly as a result of improved net interest income.

Net interest income increased by 19% to 1,100 MSEK (927). Contributing to the increase were higher lending volumes and improved margins on new loans granted with higher margins relative to the existing portfolio. Net interest income improved in all markets and the net interest margin rose to 9.3% (8.9).

Net profit from financial transactions amounted to 60 MSEK (-55), with a stronger NOK and EUR having a positive effect. Nordax has open positions in currencies to protect its capital adequacy ratio from currency fluctuations. The FX effect on regulatory capital has a corresponding impact on profit from financial transactions.

Net commission income, which largely consists of income from the sale of payment protection insurance (PPI), was stable at 16 MSEK (16).

Total operating income increased by 32% to 1,176 MSEK (888) driven by a larger loan portfolio and higher net interest margins, but also by positive FX effects.

The adjusted cost to income ratio (rolling 12 months) improved to 27.3% (28.5). General administrative expenses rose by 11% to 291 MSEK (261). The increase was due to larger business volumes, operational investments, increased regulatory-driven costs and higher provisions for variable remuneration due to the improved result during the year. The focus is on further improving the adjusted cost to income ratio (excluding marketing costs).

Other operating expenses, which largely consist of marketing costs, increased by 10% to 136 MSEK (124) as a result of expanded marketing activities, which generated higher new lending during the year. Marketing efficiency, measured as marketing costs in relation to new lending, improved slightly during the year. Non-recurring items during the period related to the VAT reversal associated with the IPO in 2015 and other cost reductions related to the IPO. This reduced expenses by a total of 13 MSEK. The same period in 2015 included non-recurring costs of 75 MSEK related to the IPO.

Total operating expenses decreased to 439 MSEK (481) due to the above-mentioned non-recurring costs in 2015.

The credit loss level improved to 1.4% (1.5). The credit loss level fell in Finland and rose slightly in Sweden from low levels. The credit loss levels in Norway and Germany were stable compared to the previous year. Credit losses remained well below the target of 2% over a business cycle.

Tax amounted to 127 MSEK (55). The effective tax rate was 22% (22).

The adjusted return on equity excluding intangible assets improved to 24.6% (23.2) despite higher equity. The adjusted return on average net loans was 4.3% (3.8).

Earnings per share increased to 4.02 SEK (1.76). Adjusted earnings per share increased by 29% to 3.58 SEK (2.76).

The Board of Directors proposes to the Annual General Meeting a dividend of 1.60 SEK per share for 2016 (0.50).

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 107.*

Lending volumes

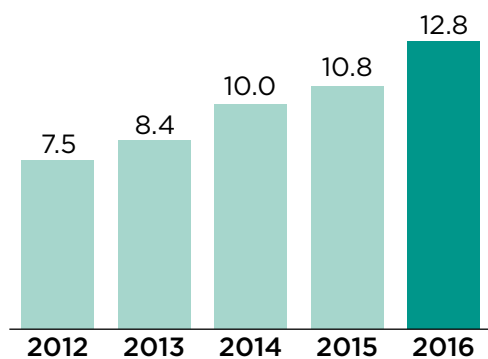
New lending amounted to 4,636 MSEK in 2016, an increase of 14% compared to 2015.

The loan portfolio grew by 18% to 12,794 MSEK (10,841) compared to the same period in 2015.

In constant currencies growth was 12%. Growth was good in all markets with the highest relative growth rate in Germany followed by Norway.

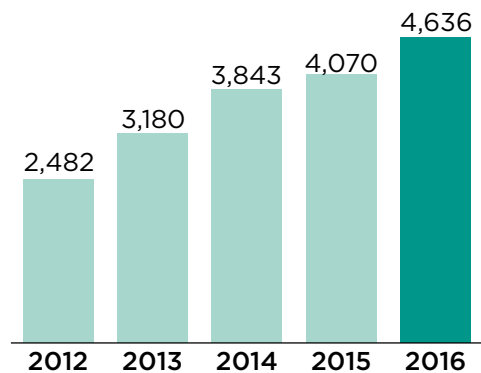
LOAN PORTFOLIO DEVELOPMENT 2012-2016

Billions SEK



NEW LENDING 2012-2016

MSEK



Funding

Maintaining a diversified funding structure and not relying on a single funding source is a cornerstone of Nordax's business model. Nordax uses a mix of asset backed securities, senior unsecured bonds, warehouse funding facilities provided by international banks and deposits from the public. Nordax offers attractive deposit products with competitive interest rates to customers in all four core markets and in three different currencies: SEK, NOK and EUR.

Nordax's funding costs fell in 2016, which benefitted our existing Swedish customers through two rate adjustments in the first half-year and our Norwegian customers through one adjustment. One reason for the lower funding costs was that Nordax during the year issued a 3-year, 500 MSEK senior unsecured bond to replace a maturing bond. During the year Nordax renegotiated the warehouse funding facilities provided by international banks, which also helped to reduce funding costs.

All retail deposit products are covered by the Swedish state deposit insurance scheme up to an equivalent of 950,000 SEK per depositor. Nordax offers attractive deposit products with competitive interest rates that reflect general interest rates as well as Nordax's assessment of the need for funding through deposits. In Sweden, Norway and Finland Nordax offers savings with no fixed term. In Germany Nordax launched retail deposit products in 2016. In the German market Nordax offers 1- and 2-year fixed rate accounts.

Inflows and outflows of deposits from the general public are managed by adjusting interest rates. Nordax markets its savings products through online services that compare different saving offerings and through savings cooperations with Avanza in Sweden and Raisin in Germany.

At the end of the period nominal funding was as follows: 2,427 MSEK (2,763) in asset backed securities, 500 MSEK (453) in senior unsecured bonds, 3,218 MSEK (2,891) in warehouse funding facilities provided by international banks and 7,135 MSEK (5,991) in deposits from the public.

Nordax has robust liquidity that exceeds current and expected future regulatory requirements. The liquidity coverage ratio (LCR), which reflects the short-term liquidity risk, was 553%, compared with a requirement of at least 70% in 2016. Nordax's net stable funding ratio (NSFR), which essentially measures more long-term structural liquidity risk, was 127%, compared to the future requirement of at least 100% from 2018.

Nordax had a liquidity reserve of 2,189 MSEK (2,552) at 31 December 2016. Of these investments, 56% (55) was in Nordic banks, 9% (16) in Swedish covered bonds and 35% (29) in Swedish municipal bonds. All investments had credit ratings ranging from AAA to A+ from Standard & Poor's, with an average rating of AA. The average maturity was 43 (48) days. All bank holdings are immediately available and all securities are eligible for refinancing with central banks.

Lending to credit institutions, which corresponds to cash at bank, decreased slightly during the year to 1,672 MSEK (1,810), of which 437 MSEK (597) was pledged cash holdings for the funding structure and the rest was cash liquidity.

Total assets at 31 December 2016 amounted to 15,773 MSEK (14,162).

Financial position

Equity generation remained strong as a result of the higher profit and total equity grew to 2,120 MSEK (1,733 at 31 December 2015).

REGULATORY CAPITAL

As of 31 December the total capital ratio was 16.0% (14.6). The improvement during the year is due to the solid return Nordax generated and because the method used to calculate operational risk was changed during the year. The method was switched from the basic indicator approach to the alternative standardised approach, which led to a lower risk exposure amount and lower capital requirement for operational risks. The capital ratio includes a dividend provision equal to 40% of net profit.

The Common Equity Tier 1 capital ratio was 14.0% (12.6% as of 31 December 2015), compared to an estimated requirement of 9.1% including the buffer requirement within Pillar 2 and the target of at least 12%.

The Common Equity Tier 1 capital requirement is comprised of the Common Equity Tier 1 Minimum Requirement of 4.5%, the Capital Conservation Buffer of 2.5%, 1.1% for the Countercyclical Capital Buffer and 1.0% for Pillar II buffers. The countercyclical buffer is calculated as a weighted average of the required level for each country's portfolio.

The risk exposure amount increased to 11,714 MSEK (10,834), of which 10,208 MSEK (8,745) relates to credit risk, 752 MSEK (624) to market risk and 754 MSEK (1,465) to operational risk. Nordax uses the standardised approach to measure credit risk, which means a 75% risk weight for household exposures that are not past due and a 100% risk weight for past due household exposures.

Nordax's leverage ratio improved and at year-end amounted to 10.8% (9.9).

RISK EXPOSURE AND CAPITAL RATIOS ACCORDING TO BASEL III

	2016	2015
Risk exposure amount, MSEK	11,714	10,834
Total Common Equity Tier 1 capital	1,640	1,369
Common Equity Tier 1 capital ratio %	14.0	12.6
Tier 1 capital ratio %	14.0	12.6
Total capital ratio %	16.0	14.6
Leverage ratio %	10.8	9.9
Liquidity Coverage Ratio %	553	676
Net stable funding ratio %	127	127

¹ See page 108 for definitions of key figures.

Cash flow analysis

The cash flow for the year was -138 MSEK (-402).

Cash flow from operating activities increased during the year to 2 MSEK (-1,334). The main items within cash flow from operating activities were operating profit and the increase in lending and deposits to the general public. In 2015 the cash flow was negative as an effect of new lending increasing and at the same deposits decreased.

The cash flow from investing activities was lower than last year and amounted to 185 MSEK (401) for the year.

The positive cash flow was mainly attributable to that sale of bonds and other fixed income securities exceeded the investments in bonds and other fixed income securities.

The Cash flow from financing activities was negative for the year and amounted to -325 MSEK (531). The negative cash flow was due to that repayment of issued bonds exceeded the volume of new issued bonds. The positive cash flow in 2015 was mainly related to an increase in liabilities to credit institutions. *For more information on cash flow see page 70.*

Segment

SWEDEN	2016	2015
Total net interest income	366	312
Net interest margin %	8.7	7.9
Net credit losses	-51	-40
Net credit loss level (cost of risk) %	1.2	1.0
Lending, end of period, MSEK	4,419	4,025
New lending volume, MSEK	1,598	1,280
Portfolio growth, MSEK	394	145
Growth %	9.8	3.7

Sweden was Nordax's first market, where we started our lending operation in 2004 and the deposit operation in 2008. The total number of loan customers in Sweden is slightly over 41,000, the total number of deposit customers is nearly 16,000 and the average loan in Sweden is about SEK 150,000. Our loan customers have an average income of just over SEK 30,000 per month, compared to the national average of SEK 27 000; 53% of loan customers own their own home and their average age is 53.

The loan portfolio in Sweden grew by 10% in 2016 to 4,419 MSEK. New lending increased by 25% to 1,598 MSEK compared to 2015.

The net interest margin for the period improved to 8.7% (7.9). The improvement was driven by higher margins on new lending thanks to lower funding costs. Lending rates for existing loan customers were reduced twice during the year by 0.5 percentage points each time due to lower funding costs.

Credit quality remained solid and the credit loss level increased slightly to 1.2% (1.0).

NORWAY	2016	2015
Total net interest income	436	374
Net interest margin %	9.3	9.3
Net credit losses	-81	-70
Net credit loss level (cost of risk) %	1.7	1.7
Lending, end of period, MSEK	5,218	4,125
New lending volume, MSEK	1,966	1,720
Portfolio growth, MSEK	1,093	191
of which FX effects	492	-387
Growth excluding FX effects, %	14.6	14.7

Nordax started its lending operation in Norway in 2005 and the deposit operation in 2009. The total number of loan customers in Norway was just over 38,000 at year-end and the number of deposit customers nearly 7,000. The average loan in Norway is NOK 186,000. Our loan customers have an average income of just over NOK 39,000 per month, compared to the national average of NOK 43,000; 76% own their own home and their average age is 50.

The Norwegian loan portfolio performed strongly during the year with stable margins and stable credit risk. The loan portfolio amounted to 5,218 MSEK, an increase of 1,093 MSEK or 15% compared to 31 December 2015 in constant currency. Demand in the Norwe-

gian market remained high during the year and new lending increased by 16% compared to the previous year to 1,921 MNOK.

The net interest margin was stable compared to 2015 at 9.3% (9.3). Lending rates for existing customers in Norway were reduced once during the year by 0.5 percentage points due to lower funding costs. Margins on new lending remain higher than the portfolio margin. Lending rates on the existing portfolios in Sweden and Norway are adjusted when Nordax's funding costs change beyond a specific level.

Credit quality remained strong during the year and the net credit loss level was stable at 1.7% (1.7) for 2016.

FINLAND	2016	2015
Total net interest income	229	199
Net interest margin %	10.8	10.9
Net credit losses	-9	-27
Net credit loss level (cost of risk) %	0.4	1.5
Lending, end of period, MSEK	2,262	1,964
New lending volume, MSEK	706	702
Portfolio growth, MSEK	298	276
of which FX effects	104	-82
Growth excluding FX effects, %	9.9	21.2

Nordax started its lending operation in Finland in 2007 and the deposit operation in 2011. The total number of loan customers in Finland was nearly 28,000 at year-end and the number of deposit customers just over 1,700. The average loan in Finland is nearly EUR 13,000. Our loan customers have an average income of about EUR 3,900 per month, compared to the national average of EUR 3,300; 88% own their own home and their average age is 53.

The loan portfolio in Finland amounted to 2,262 MSEK at year-end, an increase of 298 MSEK or 10% in con-

stant currency compared to the same period in 2015. New lending in local currency was stable compared to the previous year.

The net interest margin decreased slightly compared to the same period in 2015 to 10.8%.

Credit quality remained strong and the net credit loss level decreased to 0.4% (1.5) compared to 2015. Credit quality improved in Finland with higher recoveries and lower provisions due to a stable trend in claims.

GERMANY	2016	2015
Total net interest income	61	32
Net interest margin %	9.3	7.6
Net credit losses	-23	-15
Net credit loss level (cost of risk) %	3.5	3.6
Lending, end of period, MSEK	761	548
New lending volume, MSEK	366	368
Portfolio growth, MSEK	213	254
of which FX effects	35	-16
Growth excluding FX effects, %	32.5	91.9

Germany is Nordax's youngest market. Nordax started its lending operation in Germany in 2012 and the deposit operation in 2016. The total number of loan customers in Germany was nearly 8,000 at year-end and the number of deposit customers nearly 4,000. The average loan in Germany is about EUR 13,000. Our loan customers have an average income of EUR 3,700 per month, compared to the national average of EUR 3,100; 40% own their own home and their average age is 51.

The loan portfolio amounted to 761 MSEK at year-end, an increase of 32% in constant currencies compared to the same period in 2015. New lending was stable compared to 2015 at 39 MEUR.

New lending in Germany has been stable and controlled and the net interest margin is at an attractive

level. Direct mail is the only channel used in the German market to reach potential customers.

Net interest margin increased to 9.3% (7.6) compared to the full-year 2015. The increase was an effect of higher rates on new lending as well as lower funding costs.

The net credit loss level was 3.5% (3.6) during the year. The provision rate for loans past due by more than 180 days was adjusted during the year from 90% to 80%. The adjustment was made with the support of additional data and after careful evaluation of the recovery process.

Provision levels in Germany remain conservative compared to the total provision level of 62% for Nordax's overall portfolio.

Dividend proposal

The Board of Directors proposes to the Annual General Meeting a dividend of 1.60 SEK (0.50) per share, which represents 40% of earnings per share for 2016. The total proposed dividend amounts to 177.1 MSEK.

No dividend will be paid in relation to the company's own holding of shares. The proposed record day is Tuesday, 2 May and Euroclear expects to distribute the dividend to shareholders on Friday, 5 May 2017.

Financial targets

Nordax established financial targets in connection with the IPO in 2015. All the targets were reached in 2016. The financial targets are:

TARGET	OUTCOME
Maintain a return through the cycle above 3 % on net average loans	4,3%
Maintaining a payout ratio of approximately 40% of net profit	40%
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 ratio and total capital ratio	Common Equity Tier 1 capital ratio 14.0% Total capital ratio 16.0% 4.9 percentage points above the requirement for Common Equity Tier 1 capital ratio and 2.9 percentage points above the requirement for total capital ratio

Employees

The average number of employees during the year was 213 (208), of whom 136 (136) were women and 77 (72) men. The number of employees at year-end was 260 (250), of whom 206 (217) were permanent staff and 54 (33) were temporary. The number of full-time equivalent employees was 199 (212). Women made up 67% of the employees at year-end and men 33%. The proportion of women on the Senior Management Team was 50% at year-end.

Short-term absence due to illness was 2.9% (3.3) during the year and total absence due to illness including

employees on long-term sick leave was 4.4% (4.3). Staff turnover was 17.1% (6.8) 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 the results are used to develop the business and evaluate managers. Nordax wants to contribute to a learning workplace where everyone is given an opportunity to develop.

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 derivatives to limit the effect. Nordax does not use derivatives to limit the effects of changes in exchange rates on 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 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%	+/- 18 MSEK
EUR	+/- 5%	+/- 8 MSEK
DKK	+/- 5%	+/- 0 MSEK

Significant Events after the end of the reporting period

Lennart Erlandson was recruited as the new Chief Financial Officer (CFO). He was most recently CFO at Skandiabanken, prior to which he had a long career at SEB Kort, most recently as Head of Finance & Operations, CFO. Lennart begins his new position in April 2017. On 14 February 2017 Vision Capital sold its remaining shares in Nordax to Swedish and international institutional investors. After the sale Lannebo Fonder, Öresund and JP Morgan Asset Management disclosed that they had increased their holdings to more than 5% of the number of shares in the company.

On 22 February 2017 Nordax announced that the Nomination Committee for the 2017 Annual General Meeting is proposing the election of a new Board member, Susanne Hannestad, as well as the re-election of Board members Christian Beck, Arne Bernroth, Katarina Bonde, Morten Falch, Andrew Rich, Jenny Rosberg and Synnöve Trygg. It also recommended Arne Bernroth for re-election as Chairman of the Board. Board member Hans Larsson declined re-election and has requested to step down from the Board effective immediately. The reason is that there is a risk of a conflict of interest between Nordax's operations and Nordnet, where Hans Larsson was recently elected Chairman of the Board.

Susanne Hannestad, born 1961, is the founder and CEO of Fintech Mundi AS and Bozan AS and Chairman of Payr AS, VIO Media AS and Førstehjelpen AS.

She has previously held senior positions at Nordea, Nets and Sparebank 1 Forsikring in Norway and held several board assignments, among them at Visa Bankgruppe AS, MasterCard Forum, Scandpower IT AS and Visa Norge AS. The Nomination Committee considers Susanne Hannestad to have broad and relevant experience of the Norwegian financial market. She also has experience in strategic planning and creation of effective governance and internal control, as well as from digital change of business models and will help to diversify and broaden the Board of Directors.

Nordax has reached an agreement on cooperation with the credit management services company Lindorff to continuously sell non-performing loans in Sweden, Norway and Finland. The first sale is expected during the second quarter of 2017. The sales are expected to have a marginal but positive effect on Nordax results for 2017. As from the second quarter of 2017, up to half of the non-performing loans that are overdue more than 90 days will be sold to Lindorff (so called forward-flows). By selling the non-performing loans, the cash flow from such loans is accelerated and Nordax's risk exposure is reduced. Nordax has historically not sold non-performing loans and the existing portfolio of non-performing loans is not part of the cooperation.

Chairman's comments

The past year was an eventful one both geopolitically and for Nordax as a company. The concerns we felt heading into the Brexit referendum and the US election and their potential impact on the financial markets fortunately so far did not come to pass, though we took measures early on to manage any market changes and currency fluctuations. In our work, the Board of Directors is always planning to minimise the risk of the improbable.

Regulatory pressure for change in the financial market remains great, with many new and extensive regulations at a national and European level. During the year, for example, new rules were implemented on market abuse and financial recovery plans. The Board of Directors and the company meet regularly with outside advisors to better understand and be aware of the requirements we are subject to and the opportunities that the new regulations present to us. Two of the more comprehensive future regulations we prepared for during the year were the new EU General Data Protection Regulation (GDPR) and the second Payment Services Directive (PSD 2), both of which come into force in 2018. The new accounting standard IFRS 9, which, among other things, regulates the recognition of credit losses, was also given a great deal of consideration. We have come quite far in implementing the new standard thanks to our streamlined business model, statistical expertise and centralised data storage.

During the second half of the year the Board of Directors, through the Audit Committee, devoted considerable time to evaluating a number of audit firms, as the new legislation requires a rotation of auditors after a certain time. The Nomination Committee has issued a recommendation to the 2017 Annual General Meeting for election of auditors based on the Audit Committee's thorough evaluation. Öhrlings PricewaterhouseCoopers has been Nordax's auditor since the beginning and over the years has excellently supported the company in its development, not least in connection with the IPO in 2015. I would like to express our thanks for a great working relationship through the years.

I would also would like to express my gratitude to Hans Larsson who left the Board in February 2017 after becoming the new Chairman in Nordnet.

Hans has been a valuable contributor in the Board since he was elected during 2015.

The Board's work during the year was focused on the strategic agenda, including how digitisation can make us more efficient and improve how our customers experience their contacts with us. We also spent a great deal of time on our expansion in Germany, where we have tried to balance risk with opportunity. We are feeling more secure about our development in Germany, which was manifested during the year by a reduction in provisions levels for bad debts.

In 2015 the Board of Directors initiated a structured approach to sustainability. Two milestones during the year were joining the UN Global Compact and the inclusion of a sustainability report in this year's annual report in accordance with the international GRI G4 framework.

Nordax's ownership base has changed and the previous principal owner, the British private equity firm Vision Capital, sold its remaining shares in February 2017. As a result, we have added many new shareholders, both in Sweden and internationally. We are pleased to be able to attract new owners and will do our best to meet their expectations.

We are also pleased to propose a dividend of 1.60 SEK per share, in line with our financial target of a dividend pay-out ratio of 40%. It is a strength to be able to do this and at the same time continue to build our capital buffer against the regulatory requirements we face. We have a strong financial position and an increased buffer, which creates a good margin to finance future growth and handle any volatility and changes in future regulatory requirements.

I would like to express my warmest thanks to Nordax's management and staff for their excellent work during the year. As Chairman of the Board, I am proud of the tremendous commitment I see to grow Nordax into an even bigger company in the future.

Arne Bernroth
Chairman of the Board
Stockholm 22 March 2017



Nordax Bank

2016

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 the operating subsidiary Nordax Bank AB (publ) (“Nordax Bank”). In autumn 2016 Nordax merged the two wholly owned holding companies Nordax Group Holding AB and Nordax Holding AB with 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 the business, 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 the 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”). The description below explains how Nordax follows the rules. For further information about the Code, see 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 audit 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.

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 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 condition 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 11 May 2015. The Articles of Association are available on the website www.nordaxgroup.com.

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 of 31 December 2016 totalled SEK 111 million, distributed into 110,945,598 shares and votes. The largest shareholder, Vision Capital Partners, with a total holding of 13.6 percent¹ at 31 December 2016, the second largest owner was SEB Fonder with a total holding of 10.2 percent.

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, consolidated income statement and statement of financial position, dividend and other dispositions of profit or loss, discharge from liability for Board members and the CEO, election of Board members and auditors, Board fees and audit fees, nomination procedure for appointment of the Nomination Committee, and remuneration guidelines for 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.

To be entitled to vote at a General Meeting of Shareholders, shareholders must attend the meeting, either personally or by 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 specific date prior to the meeting and have notified the company of their intention to participate in accordance with the instructions in the notice convening the meeting. Shareholders may vote all the shares they own or represent. Shareholders wishing to have a matter discussed at the General Meeting of Shareholders must submit a written request by email to ir@nordax.se or by post to Nordax Group AB (publ), Attn: Board of Directors, Box 23124, SE-104 35 Stockholm, Sweden. Requests must be received by no later than the date stated on the website, which for the 2017 AGM is 9 March 2017.

Information on the date and time of future AGMs and how shareholders exercise the right of initiative can be found on the Nordax website www.nordaxgroup.com under Corporate Governance no later than the date when the third quarter report in the year preceding the AGM is published. If the Board of Directors finds reason to hold a General Meeting of Shareholders prior to the next scheduled 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.

The AGM on 11 May 2016 was attended by 48 shareholders representing just over 78% of the total number of shares and votes in the company. The company's auditor and all Board members except Katarina Bonde were present at the meeting, as well as all members of the company's Nomination Committee. The 2016 AGM passed the following resolutions:

- approval of the company's income statement and statement of financial position and the consolidated income statement and statement of financial position for the financial year 2015
- payment of a dividend of 0.50 SEK per share in accordance with the Board's proposal
- discharge of the Board members and the CEO from liability for 2015
- approval of number of Board members and auditors
- approval of the fees paid to Board members and auditor
- election of the Board of Directors, the Chairman of the Board and auditor
- approval of remuneration guidelines and other employment terms for the CEO and management team
- approval of Management Incentive Plan 2016
- authorisation of the Board of Directors to resolve to acquire and transfer the company's own shares to enable it to satisfy its obligations resulting from the allotment of shares to employees within the framework of the Group's long-term incentive plans and, in addition, to create an appropriate capital structure at any given time while enabling the implementation of acquisitions and transfer of repurchased shares on Nasdaq Stockholm or outside Nasdaq Stockholm to be used as payment or financing for possible future acquisitions of companies or businesses (up to 10% of all shares in the company)
- transfer of no more than 455,000 shares to participants in the Management Incentive Plan 2015 and Management Incentive Plan 2016

¹ Vision Capital sold its remaining shares in February 2017.

² In February 2017 SEB Fonder notified that they had decreased their holdings to below 10 percent.

Nomination Committee and the nomination procedure

Pursuant to the Code, the company has a Nomination Committee 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 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 to adopt principles for appointing the Nomination Committee. According to these principles, which were not changed by the 2016 AGM, the Nomination Committee is to consist of representatives of each of the three largest shareholders based on shareholding at 31 August, 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 AGM, the members representing 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. The term of office of the Nomination Committee extends until a new Nomination Committee has been appointed. 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, has 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 AGM. The members of the Nomination Committee are not remunerated for their duties. However, Nordax reimburses reasonable costs that the Nomination Committee deems necessary for it to fulfil its duties.

The names of the members of the Nomination Committee and the shareholders they represent were published on 7 October 2016.

COMPOSITION OF THE NOMINATION COMMITTEE¹

Name	Representing	Percentage of shares at 31.08.2016	Percentage of shares at 31.12.2016 ²
Hans Hedström (Chairman)	Carnegie Fonder	7.4	9.1
Malin Björkmo	Handelsbanken Fonder	5.2	3.9
Hans Ek	SEB Investment Management	0.5	10.2

¹ The Nomination Committee is not composed of representatives of the three largest shareholders at 31 August 2016, 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.

² Source: Holdings Modular Finance AB. Data from e.g. Euroclear, Morningstar and SFSA.

Nordax's Chairman of the Board, Arne Bernroth, served as an adjunct member of the Nomination Committee.

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 AGM. Shareholders may contact the Nomination Committee with nomination proposals. Such proposals may be sent by email to ir@nordax.se or by post to Nordax Group AB (publ), Attn: Nomination Committee, Box 23124, SE-104 35 Stockholm, Sweden.

The Nomination Committee appointed in October 2016 held three meetings in 2016 at which minutes were kept, and between these meetings maintained contact by phone and email. The Nomination Committee has also reviewed and discussed the results of the evaluation of 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 Directors' fees, comparisons are made with companies engaged in similar operations and of a similar size and complexity. Pursuant to the Code, the Nomination Committee, in assessing the Board's evaluation and in its proposal for a Board of Directors to the 2017 AGM, 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 Nomination Committee's proposal to the 2017 AGM on the auditor's election must contain the Audit Committee's recommendation. If the proposal differs from the alternative recommended by the Audit Committee, the Nomination Committee must clarify the reasons why the Audit Committee's recommendation was not followed in its proposal. The auditor or auditors proposed by the Audit Committee must also have been in the Audit Committee's selection procedure

Board of Directors

Under the Nordax Articles of Association, the Board of Directors must consist of no fewer than five and no more than twelve members. The members are elected annually at the Annual General Meeting for the period until the end of the next AGM. The Nordax Board of Directors consists since the 2016 AGM of eight elected members and no deputies. 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 Bank. The composition of the Board of Directors is identical in Nordax and Nordax Bank.

Composition of the Board of Directors

The 2016 AGM re-elected all the Board members except Daryl Cohen and Richard Pym, who declined re-election. Jenny Rosberg was elected as a new member. The Chairman of the Board is Arne Bernroth. After the election the Board consisted of the following members: Arne Bernroth (Chairman), Christian Beck, Katarina Bonde, Morten Falch, Hans Larsson¹, Andrew Rich, Jenny Rosberg and Synnöve Trygg. The Board held its first meeting following the AGM on 11 May 2016.

Chairman of the Board

The Chairman of the Board is elected by the General Meeting of Shareholders. If the Chairman terminates steps down before the end of his term, the Board of Directors will appoint a new Chairman from among its members until the end of the General Meeting when a new Chairman is elected. The Chairman is responsible for the management of the Board's work and ensuring that such work is well organised and conducted effectively, supervising that the Board receives the training required for its duties, verifying that executive management implements the Board's decisions, initiating the annual evaluation of the work of the Board and the CEO, and representing the Board to the shareholders

¹ Hans Larsson resigned from the Board of Directors February 22, 2017 to avoid a potential risk of conflict of interest after he was elected as Chairman of Nordnet.

Work of the Board of Directors

The Board of Directors is responsible for the company's administration and organisation. These responsibilities include determining and reviewing overall targets and strategies taking into consideration Nordax's long-term financial interests, the risks to which Nordax is exposed and applicable capital requirements, ensuring that the company has satisfactory control of compliance and that internal rules on risk management, risk control and risk reporting are established, ensuring that there are appropriate systems to monitor and control 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 information and financial reports released by Nordax are characterised by openness and are correct, relevant and reliable. The Board is also responsible for establishing guidelines for how the Company acts in society to ensure the long-term capacity of Nordax to create value.

The Board's work 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 Swedish Companies Act, 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's processes for decision-making and Board meetings, as well as the distribution of work between the Board, the Chairman and the Board committees. The rules of procedure also regulate the distribution of work between the members of the Board and the Chief Executive Officer. The rules of procedure are revised at least once per year. The Board meets according to an annual schedule and on the basis of an annual plan.

OVERVIEW OF BOARD MEETINGS 2016

MONTH	TASKS
February	Annual financial statements and year-end report 2015, report by Internal Audit to Audit Committee, budget 2016, decision on variable remuneration for 2015 for management and heads of control functions, business review Sweden
March	Decision to issue senior unsecured bonds, Board's evaluation of the CEO, report by Internal Audit to Remuneration Committee, gender equality analysis, decision on fixed compensation for management and heads of control functions, decision to offer retail deposit products in Germany
April	Annual report 2015 and interim report first quarter 2016, report by external audit to Board, report by Internal Audit to Audit Committee, business review Norway
May	Annual General Meeting and first Board meeting, decision to merge the two wholly owned holding companies Nordax Group Holding AB and Nordax Holding AB with Nordax Bank AB (publ), decision to raise the maximum loan amount in Finland to EUR 50,000, business review Finland
June	Approval of ICAAP report 2016, decision to apply to use alternative standardised approach to calculate operational risks, decision on early redemption of SCL II (securitisation issued July 2011) on first possible date, business review Germany
July	Interim report second quarter 2016
August	Decision on timetable to procure auditing services and mandatory audit firm rotation, decision on strategic digital development, decision to repurchase shares in accordance with AGM's authorisation
September	Strategy and business development, decision to appoint Chief Risk Officer
October	Interim report third quarter 2016
November	Decision to join UN's Global Compact initiative, presentation of Board evaluation
December	Report from Internal Audit to Audit Committee, draft budget 2017

Further meetings may be convened to address issues that cannot be addressed at one of the regular sessions. The Board makes decisions on matters concerning the company's strategic orientation, e.g., through a business plan and budget, financing, material organisational changes and governing documents in the form of policies. The Board discusses the company's interim reports and decides on adoption and publication of the financial reports. The Board regularly follows up the Group's risks and compliance through reporting from the independent functions for compliance and risk control. The Board 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 the financial reporting. The Chief Executive Officer, also a member of the Board, attends the Board's meetings. The Chief Financial Officer, the Treasurer and other staff attend as necessary to present reports. The minutes of the Board's meetings are kept by the Chief Legal Counsel.

The Board of Directors of Nordax held 13 meetings in 2016, of which 11 were regular sessions, one followed the election of the new Board and one was unscheduled. The Board of Directors of the operating subsidiary Nordax Bank held 16 meetings in 2016, of which 11 were regular sessions, two followed the election of a new Board and three were unscheduled. The regular sessions always include financial reporting, operational reporting by the CEO and the function manager based on the annual plan and reporting from the independent control functions for risk control and compliance. In addition to the recurring reporting presented at each of its regular sessions, the Board discusses issued during the year as listed on page 53.

Board committees

The Board of Directors of Nordax has established the following committees and adopted a policy for each committee, which among other things governs the work and mandate of the committee. The issues and matters addressed at each committee's meetings are reported verbally through the chairman of the committee at the next meeting of the Board. The minutes of committee meetings are provided to all Board members.

Audit Committee

The main duties of the Audit Committee include monitoring Nordax's financial reporting; issuing recommendations and proposals to ensure the reliability of the reporting; monitoring the effectiveness of Nordax's internal controls, internal audits and risk management with respect to the financial reporting; keeping informed on the audit of the annual report and consolidated accounts as well as the conclusions of the Supervisory Board of Public Accountant's quality control; informing the Board of the results of the audit and in what ways the audit contributed to the reliability of the financial reporting as well as of the role the Audit Committee has played, reviewing and monitoring the

objectivity and independence of the external auditor, approving the external auditor's advisory services and monitoring the calculation and follow-up of fees for advisory services and in connection with rotation of the external auditor; and submitting recommendations to the Nomination Committee, along with information to the Board on the election of the audit firm.

As part of its duties, the Audit Committee must, among other things, support the Board in its work to ensure 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 in its work to ensure the quality of Nordax's financial reporting. Furthermore, the Audit Committee must review and recommend for approval by the Board the annual plans for Nordax's compliance and the risk control functions, review and approve a risk-based audit plan for Nordax's Internal Audit Function, evaluate audit reports, verify that Nordax's management takes the necessary corrective actions in a timely manner to address control weaknesses and other problems identified by the auditors, monitor the choice of accounting policies and principles, and perform other tasks delegated to the Audit Committee by the Board.

The Audit Committee consists of three Board members: Jenny Rosberg (Chairman), Hans Larsson¹ and Andrew Rich. All of the members are independent of Nordax and its executive management, and the majority of the members are independent of the company's major shareholders. At least one member has accounting or auditing proficiency.

The Audit Committee held eight meetings during the year, of which six were regular sessions and two were unscheduled. The company's external auditors attended three of the meetings and the internal auditors attended five 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 monitoring and reviewing Nordax's risk strategy and its implementation, monitoring and reviewing Nordax's risk appetite and risk tolerance (including limits and exposure), and monitoring and reviewing risk management processes and policies.

The Risk Committee consists of three Board members: Hans Larsson¹ (Chairman), Jenny Rosberg and Katarina Bonde.

The Risk Committee held six meetings during the year, of which five were regular sessions and one was unscheduled.

¹ Hans Larsson resigned from the Board of Directors February 22, 2017 to avoid a potential risk of conflict of interest after he was elected as Chairman of Nordnet.

Remuneration Committee

The main duties of the Remuneration Committee include preparing the Board of Directors' decisions on issues concerning remuneration principles, remuneration structures and other terms of employment, as well as decisions on measures to monitor the application of Nordax's remuneration policy. The Remuneration Committee prepares the Board's decisions on remuneration for the executive management and employees with overarching responsibility for any of Nordax's control functions. In addition, the Remuneration Committee is responsible for monitoring and evaluating Nordax's variable remuneration programmes as well as monitoring and evaluating the application of the remuneration guidelines that the Annual General Meeting is legally obliged to establish.

The Remuneration Committee also supports the Board of Directors in ensuring that the risks associated with Nordax's remuneration systems are identified, managed and reported. This includes ensuring that Nordax's remuneration systems comply with applicable labour law and other laws, regulations and guidelines applicable to Nordax, as well as that Nordax's employees are remunerated fairly and responsibly with the company's long-term interests in mind.

The Remuneration Committee consists of three Board members: Arne Bernroth (Chairman), Synnöve Trygg and Christian Beck. All the members of the Committee are independent of the company and the Senior Management Team.

The Remuneration Committee held three 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 has to fulfil the requirements of the Swedish Financial Supervisory Authority. The Board of Directors of Nordax Bank has also adopted a

policy on diversity and suitability assessment of Board members, 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 states that the composition of the Board must achieve diversity in terms of gender, age, geographical origin, and educational and professional background, and that an assessment must be made of each individual's experience, expertise, reputation and judgement, taking account of a broad set of criteria.

The Nomination Committee has received information from the company on the above-mentioned rules and guidelines that impact the Nomination Committee's task to nominate members of the Nordax Board of Directors and has studied the Board's policy 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 2016. The evaluation was based on responses to an online questionnaire as well as interviews with each member conducted by an independent party. The evaluation contributes to and is aimed at further improving the Board's work and assists the Nomination Committee in assessing the composition of the Board and its size. The evaluation reviews whether the members actively take part in the work and discussions of the Board and any committees, whether the climate at the Board's meetings contributes to and fosters open discussions, how the Chairman of the Board carries out his work, and whether the Board members contribute independent judgement. The Board continuously evaluates the work of the Chief Executive Officer. A separate evaluation of the CEO's work was made in 2016 and one will be made in 2017 in conjunction with the decision on variable remuneration. The outcome of the evaluation was reported to the Nomination Committee by the Chairman of the Board.

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 operations in accordance with the Board's guidelines, adopted policies and instructions.

The division of work between the Board and the CEO is set forth in the rules of procedure for the Board and the instructions for the CEO established by the Board. Pursuant to these instructions, the CEO is responsible for ensuring that the Board receives objective, detailed and relevant information necessary for making informed decisions. Accordingly, the CEO must continually keep the Board informed of, among other things, developments in 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 Nordax Senior Management Team at the end of 2016 consisted of eight persons: four women and four men. The CEO and the Senior Management Team hold formal Senior Management Team meetings weekly and additional informal meetings as required. For information on the CEO and members of the Senior Management Team, see page 64.

The CEO has appointed a number of forums as support for his work directing operating activities to assist the CEO and other function managers in making decisions that affect day-to-day operations, based on material produced by the heads of functions or for preparation of recommendations by the Senior Management Team for approval by the Board. The forums are intended to coordinate and assess the effect of proposed strategies and decisions prior to implementation and include the Risk Profile Forum, the Risk and Compliance Forum and the Interest Margin Forum.

Remuneration of the Senior Management Team

Remuneration for members of the Senior Management Team consists of a fixed salary and variable, performance-based remuneration. The variable remuneration is offered through a long-term incentive plan based on both cash compensation and shares in the company.

The Board of Directors has adopted a remuneration policy consistent with the Swedish Financial Supervisory Authority's regulations and the guidelines issued by the EBA. The policy is based on a risk analysis and covers all employees of the Nordax Group. The policy states that remuneration and other benefits must be competitive to promote Nordax's long-term interests while discouraging excessive risk taking. The Board

decides on individual remuneration to, among others, the CEO and other members of the Senior Management Team.

Pursuant to Nordax's remuneration policy, total variable remuneration must not limit Nordax's ability to maintain an adequate capital base or, if necessary, strengthen its capital base. This is ensured through, among other things, the Board's Risk Committee. Furthermore, there must be an appropriate balance between the fixed and variable components of the remuneration. The fixed components must represent a sufficient portion of an employee's total compensation for it to be possible to set the variable remuneration components to zero. Variable remuneration in one year must never exceed 100 percent of the individual'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 current and future risks and the actual cost of the capital and liquidity required by operations. Should Nordax use subjective risk-based assessments to adjust results, the considerations underlying the adjustments must be balanced and appropriately documented. The assessment must aim to promote Nordax's long-term, sustainable results, and its underlying business cycle must be considered when the result-based remuneration is paid.

Remuneration to members of the Senior Management Team is subject to regulatory restrictions and requirements pursuant to the Swedish Financial Supervisory Authority's regulations and guidelines. At least 60% 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. For information on remuneration to the CEO and Senior management, see note 10.

Remuneration of the Board

The following compensation amounts have been adopted for the Board of Directors for the period until the end of the 2017 Annual General Meeting: SEK 1,100,000 to the Chairman of the Board and SEK 400,000 to each of the other members of the Board. It was also decided to pay SEK 50,000 for each assignment as chairman or a member of the Board's committees. No compensation was paid to the Chairman of the Board for committee work. No compensation was paid either to Andrew Rich or to Board members who receive a salary from the company. 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 on the administration by the Board of Directors and the 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 also reviews Nordax's interim reports and the year-end report, and presents a review report to the Audit Committee at regular meetings of the Committee when the reviewed interim reports or year-end report are discussed, as well as to the Board of Directors.

At the General Meeting held on 11 May 2016 Öhrlings PriceWaterhouseCoopers AB was re-elected as auditor for the period until the end of the 2017 Annual General Meeting. Helena Kaiser de Carolis is the auditor in charge. Helena Kaiser de Carolis is an authorised public accountant.

Öhrlings PriceWaterhouseCoopers
SE-113 97 Stockholm, Sweden
Telephone +46 10 212 4000

A more detailed presentation of the auditor, the auditor in charge, and the fees and reimbursement of costs paid to the auditors can be found in note 10.

In accordance with the provisions of the EU's audit package on audit firm rotation that took effect in June 2016, Nordax initiated a procurement process during the year. Nordax's Audit Committee is responsible for the tendering ahead of the election of the auditor. Nordax's Nomination Committee will propose auditors to the Annual General Meeting. The Audit Committee assists the Nomination Committee in its work.

Internal control and risk management

Pursuant to the rules of procedure of the Board of Directors, the Board is responsible for working for good internal control to be a feature of the organisation and 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 certain that the company has an effective organisation that identifies, measures and controls the risks that arise in operations and that ensures reliable financial reporting. The Board of Directors establishes internal rules for sound and effective control and risk management and continuously ensures 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 are 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, IR, 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 routines are in place together with internal governing documents that govern how Nordax must operate in various respects.

The second and third lines of defence

- Independent control functions

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, controlling and analysing 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 routines 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 regularly attends Board meetings. In addition, the Risk Control Function reports to the Audit Committee and the Risk Committee. Nordax's Chief Risk Officer is responsible for the Risk Control Function and is a direct subordinate of the CEO. On a regular basis, and whenever necessary, the Chief Risk Officer has direct contact with the Chairman of the Board and the Chairmen of the Audit Committee and the Risk Committee.

Risks identified by the Risk Control Function are managed and followed up on a regular basis by, among others, Nordax's Risk Profile Forum, which is attended by the CEO and risk owners, and the Risk and Compliance Forum, where the Compliance Function and representatives of business units and support functions also participate.

Compliance Function

The Board of Directors has established a Compliance Function whose work is based on a policy adopted by the Board. The Compliance Function 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 laws, 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 effectiveness 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 Function also provides assistance in drafting 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 on new or amended internal and external rules.

The Compliance Function submits a compliance report to the Board of Directors and the CEO at least quarterly and regularly attends the Board's meetings. The Compliance Function also regularly reports to the Audit Committee. Nordax's Chief Compliance Officer is a subordinate of the CEO and maintains direct contact with the Chairman of the Board on a regular basis, and whenever necessary.

Risks identified by the Compliance Function are managed and followed up on a regular basis by, among others, Nordax's Risk and Compliance Forum, where the Compliance Function and representatives of business units and support functions participate.

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 outsourced services is governed by a written agreement pursuant to which Mazars must perform the services in accordance with the policy adopted by the Board of Directors, applicable laws, regulations, practices, written audit instructions adopted by the Board and the risk-based audit plan adopted by the Board. The Internal Audit Function is responsible for reviewing and evaluating Nordax's first and second lines of defence. Internal Audit also includes 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 recommenda-

tions to the relevant departments or functions. The Internal Audit Function is directly subordinate to the Board through the Audit Committee.

Risk management processes

Nordax identifies its risks through, among other things, incident reporting, the new product approval process, self-assessments of operational risks, risk owners' quarterly evaluation of Nordax's risk profile and the control functions' independent reviews and controls.

The self-assessments of operational risks are made on the basis of Nordax's material processes and identify important risks specifically related to the business units and support functions that are covered by those material processes. In addition to providing support for the business units' ongoing risk identification and risk management, the self-assessments provide a basis for the control functions' risk-based annual plans.

The evaluation of Nordax's risk profile is conducted on the basis of Nordax's operating environment and identifies external risks that could have an impact on Nordax's operations. The risk profile is updated on a quarterly basis by Nordax's risk owners, who are persons with specialised knowledge of a particular risk and are best suited to assess the risk exposure. Nordax's risk profile is compiled by the Risk Control Function and discussed at the quarterly Risk Profile Forum, which the CEO and risk owners attend. The risk profile is presented to the Risk Committee at least four times a year, and the risks that rank highest based on probability and potential impact are reported to the Board four times a year on a special risk radar.

The effectiveness of controls and routines that have been implemented by business units and support functions in the day-to-day business to manage compliance risks is evaluated and controlled on an ongoing basis by the Compliance Function through independent reviews and controls. Management and monitoring of identified risks and recommendations issued by the Compliance Function are partly the responsibility of Nordax's Risk and Compliance Forum, where representatives of business units and support functions participate. Completed reviews, identified risks and recommendations are presented to the Board of Directors at least four times a year.

To support the risk management processes, Nordax has an IT system for governance, risk management and compliance ("GRC system"). The GRC system ensures rapid access to information on business risks and operational risks and currently comprises the following risk management processes: incident reporting, whistleblowing and risk profile evaluation. Nordax is working continuously to transfer risk management processes to the GRC system.

Board of Directors' report on internal control

IN RESPECT OF THE FINANCIAL REPORTING FOR THE FINANCIAL YEAR OF 2016

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 and the entire Nordax Group. Internal control over 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 positions regarding internal audit.

System of internal control and risk management with respect to financial reporting

Internal control over 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 generally accepted accounting principles, 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 over financial reporting. This also includes the ethical guidelines communicated to all employees, which are crucial to a good control environment. Examples of policies, instructions and manuals include the Board of Directors' rules of procedure, the CEO's instructions, the policies 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 risk assessment, i.e., identification and management of the risks that can impact the financial reporting and the control activities intended to prevent, detect and correct errors and discrepancies.

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

Risk management

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

Control activities

Various control activities are built into the financial reporting process. The control activities comprise both general and detailed controls intended to prevent, detect 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 each department is primarily responsible for managing the risks associated with their department's operations and financial reporting processes. Furthermore, high IT security is crucial to good internal control over financial reporting. Rules and guidelines are therefore in place to ensure the availability, accuracy, privacy and traceability of information in the business systems.

Information and communication

The company has information and communication paths aimed at promoting complete and accurate financial reporting. Governing documents in the form of internal policies, instructions and manuals pertaining to financial reporting have been made available and known to the appropriate employees, and have been supplemented by relevant descriptions of routines and processes. Ongoing information, dialogue, training and controls ensure that employees are informed of and understand the internal regulatory framework. The internal regulatory framework of policies, instructions and manuals, supplemented by descriptions of routines and processes, represents the most important tool for disseminating information to ensure financial reporting. The system used for financial reporting covers the entire Group.

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.

Board of Directors' measures to follow up the internal control over financial reporting

The Board of Directors' measures to follow up the internal control over financial reporting are taken in, among other ways, through the Board's ongoing follow up of the company's and the Group's finances and results, key ratios, expenses in relation to budgets and forecasts, etc., but also through the Board's review and follow up of the external and internal auditors' audit reports. The Board receives monthly financial reports and discusses the company's and the Group's financial situation at each Board meeting. The Board and the Board's Audit Committee also review the quarterly financial reporting and annual accounts, as well as the findings and conclusions of the external and internal auditors.

Nordax's Accounting and Reporting unit regularly compiles and reports financial and operational figures and analyses for function heads, management and the Board of Directors. Accounting and Reporting works actively to monitor operating expenses in relation to budgets and forecasts. This is done in close interaction with the management team and the rest of the organisation.

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

The Board receives at least quarterly reports from Risk Control and Risk Compliance. The reports contain

evaluations of operations with respect to risk management and compliance and cover the entire organisation.

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

Evaluation of and positions on internal audit

Nordax's Internal Audit Function is appointed by, and is directly subordinate to, the Board of Directors. The role of Internal Audit is governed by policy on 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.

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 routines are appropriate and effective and issued recommendations are followed, as well as reporting at least annually to the Board and the Audit Committee.

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

Board of Directors



Arne
Bernroth

Christian
Beck

Katarina
Bonde

Position	Chairman Chairman of Remuneration Committee	Non-Executive Director Member of Remuneration Committee	Non-Executive Director Member of Risk Committee
Education	BSc in Economics, Lund University	Master of Laws and Advanced Studies in Political Economics, Oslo University	MSc in Physics and Mathe- matics, Royal Institute of Technology, Stockholm
Elected	2010	2004	2015
Year of birth	1947	1956	1958
Nationality	Swedish	Norwegian	Swedish
Other assignments	Chairman of Emra gruppen AB with subsidiaries, Ceres Food AB and Motala Verkstad Group AB. Member of the Board of elcecat AB and Scandinavian Chemotec AB. Member of the Advisory Board of Axcel Man- agement, CEO of elcecat AB	Chairman of the Board of Arcasa Arkitekter AS, Cant Invest AS, Case Holding AS and Design og Interior AS. Member of the Board of Blår AS and of the Advisory Board of Palamon Capital Partners	Chairman of the Board Propellerhead Software Aktiebolag, Opus Group AB (publ) och IMINT Image Intelligence AB. Member of Aptilo Holding AB, Avega Group AB, Fingerprint Cards AB, Birger Jarl Securities AB, Mycronic AB (publ), Micro Systemation AB (publ)
Independent of the company and the management	Yes	Yes	Yes
Independent of major shareholders	Yes	Yes	Yes
Previous experience	Senior management positions in Nordea and Skandia	Multiple board assignments, including Chairman of the Board of Espresso House Swe- den AB and Banqsoft AS	Senior management positions in the IT industry
Own and related parties' holdings at 31 December 2016	135,639 shares	1,025,899 shares	1,500 shares
Audit Committee, attendance	3 ¹	-	-
Risk Committee, attendance	2 ²	-	4 ⁴
Remuneration Committee, attendance	3	1 ³	-
Board of Directors meetings, attendance	13	13	10
Directors' fees, SEK	1,100,000	400,000	400,000
Fees for committee assignments, SEK	-	50,000	50,000

¹ Arne Bernroth was Chairman of the Audit Committee through 11 May 2016.

² Arne Bernroth was a member of the Risk Committee through 11 May 2016.

³ Christian Beck was elected a member of the Remuneration Committee on 11 May 2016.

⁴ Katarina Bonde was elected a member of the Risk Committee on 11 May 2016.

Board of Directors



Morten
Falch

Hans
Larsson¹

Andrew
Rich²

Position	CEO and Executive Director	Non-Executive Director Chairman of Risk Committee Member of Audit Committee	Non-Executive Director Member of Audit Committee
Education	B.Sc. (Hons) in business administration, University of Bath	BSc in Business Administration and Economics, Uppsala University	MA (Hons) in History of Art, University of Edinburgh
Elected	2004	2015	2010
Year of birth	1967	1961	1974
Nationality	Norwegian	Swedish	British
Other assignments	-	Member of the Board of Linderyd Advisory AB, Lunda Advisory AB, Lindorff AB and Lock TopCo AS, the holding company of the Lindorff Group. CEO of Linderyd Advisory AB and Lunda Advisory AB	Responsible for Group M&A at Jardine Lloyd Thompson Group plc (JLT) and Fellow of the Institute of Chartered Accountants in England and Wales
Independent of the company and the management	No	Yes	Yes
Independent of major shareholders	Yes	Yes	No
Previous experience	Co-founder of Nordax, senior management positions at GE Capital, Citigroup and AVCO/The Associates	Senior management positions at SEB	Former Partner and Member of the Board of Vision Capital LLP and Member of the Board of JDR Enterprises Limited and ADDO Food Group Limited
Own and related parties' holdings at 31 December 2016	2,697,738 shares	3,000 shares	-
Audit Committee, attendance	-	8	8
Risk Committee, attendance	-	6	-
Remuneration Committee, attendance	-	-	2 ²
Board of Directors meetings, attendance	13	12	13
Directors' fees, SEK	-	400,000	-
Fees for committee assignments, SEK	-	100,000	-

¹ Hans Larsson resigned from the Board of Directors February 22, 2017 to avoid a potential risk of conflict of interest after he was elected as Chairman of Nordnet

² Andrew Rich was previously Vision Capitals appointed representative in the Board of Directors. He left his assignment at Vision Capital in January 2017. Andrew Rich was Chairman of the Remuneration Committee through 11 May 2016.

Board of Directors



Jenny
Rosberg

Synnöve
Trygg

Position	Non-Executive Director Chairman of Audit Committee Member of Risk Committee	Non-Executive Director Member of Remuneration Committee
Education	Executive MBA, Stockholm School of Economics	BSc in Business Administration, Stockholm University
Elected	2016	2015
Year of birth	1966	1959
Nationality	Swedish	Swedish
Other assignments	CEO and Member of the Board of ROPA Management AB, Member of the Board of IRtalks AB and NetEnt AB (publ) and Member of the Audit Commit- tee of NetEnt AB (publ)	Member of the Board of Intrum Justitia AB, Lands- hypotek Bank AB, Valitor HF, Volvofinans Bank AB, Precise Biometrics AB and Wrapp AB
Independent of the company and the management	Yes	Yes
Independent of major shareholders	Yes	Yes
Previous experience	Senior management positions at Nasdaq, Erik Penser Bankaktiebolag, Skandia, Nor- diska Fondkommission and Pronator	CEO of SEB Kort
Own and related parties' holdings at 31 December 2016	10,000 shares	2,000 shares
Audit Committee, attendance	5 ¹	-
Risk Committee, attendance	4 ²	-
Remuneration Committee, attendance	-	3
Board of Directors meetings, attendance	10 ³	12
Directors' fees, SEK	400,000	400,000
Fees for committee assignments, SEK	100,000	50,000

¹ Jenny Rosberg was elected Chairman of the Audit Committee on 11 May 2016.

² Jenny Rosberg was elected a member of the Risk Committee on 11 May 2016.

³ Jenny Rosberg was elected a Non-Executive Director at the Annual General Meeting on 11 May 2016.

Senior Management Team

AS OF 31 DECEMBER 2016



Christine Ahlm

Credit Risk Manager
Born 1967
Employed 2004
In current position since 2004
Education: MSc in Business and Economics, Stockholm University
Own and related parties' holdings as of 31 December 2016: 271,279 shares



Johanna Clason¹

Group Treasurer
Born 1965
Employed 2011
In current position since 2011
Education: BSc in Economics and Business Administration, Stockholm School of Economics
Own and related parties' holdings as of 31 December 2016: 271,279 shares



Morten Falch

CEO and Executive Director
Born 1967
Co-Founder
In current position since 2004
Education: BSc Honours degree in Business Administration, University of Bath
Own and related parties' holdings as of 31 December 2016: 2,697,738 shares



Andreas Frid

Head of Investor Relations
Born 1977
Employed 2016
In current position since 2016
Education: MSc in Business Administration, Lund University
Own and related parties' holdings as of 31 December 2016: 1,650 shares



Jacob Lundblad

COO and Deputy CEO
Born 1978
Employed 2004
In current position since 2009
Education: MSc in Business Administration, B.Sc. in Business Law, School of Economics and Management, Lund University
Own and related parties' holdings as of 31 December 2016: 1,085,115 shares



Olof Mankert

Chief Risk Officer
Born 1979
Employed 2013
In current position since 2016
Education: Master of Laws (LL.M.), Stockholm University
Own and related parties' holdings as of 31 December 2016: 666 shares



Kristina Tham 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 2016: 54,256 shares



Camilla Wirth²

Chief Financial Officer
Born 1970
Employed 2011
In current position since 2011
Education: MSc in Business and Economics, Stockholm University
Own and related parties' holdings as of 31 December 2016: 50,586 shares

¹ Johanna Clason has chosen to leave Nordax, but remains in her role until June 2017.

² Camilla Wirth left Nordax in March 2017 and will be replaced by Lennart Erlandson. Read more about Lennart Erlandson on page 47.

Other Senior Managers

AS OF 31 DECEMBER 2016



Per
Alinder

Marketing Director



Olof
Bengtsson

Data Scientist, deputy



Malin
Frick

HR Manager



Fredrik
Hedberg

CIO



Malin
Jönsson

Operations Director



Mats
Lagerqvist

Data Scientist Manager,
Co-Founder



Tom
Rabben

Marketing Director



Nordax Bank

2016

FINANCIAL REPORTS AND NOTES

Nordax Group AB (publ)

Multi-year review

GROUP

KEY RATIOS	2016	2015	2014	2013	2012
Common equity Tier 1 capital ratio	14.0	12.6	12.3	12.0	10.1
Return on equity, %	23.2	11.9	18.0	17.1	13.4
C/I ratio, %	37.3	54.2	45.3	44.0	46.1
Credit loss level, %	1.4	1.5	1.2	1.4	1.8
Number of employees ¹	199	212	187	162	138
Summary of income statements					
Net interest income	1,100	927	781	629	504
Net commission	16	16	15	15	15
Net profit/loss from financial transactions	60	-55	7	5	45
Other operating income	0	0	0	4	15
Total income	1,176	888	803	653	579
Total operating expenses	-439	-481	-364	-287	-267
Credit losses	-164	-157	-114	-114	-127
Operating profit	573	250	325	251	185
Tax	-127	-55	-71	-49	-49
Net profit/loss for the year	446	195	254	203	136
Summary of balance sheets					
Lending to credit institutions	1,672	1,810	2,212	1,608	2,546
Lending to the general public	12,794	10,841	10,042	8,393	7,456
Bonds and other fixed income securities	959	1,157	1,585	550	1,991
Intangible assets	305	320	316	330	342
Other assets	43	34	35	29	24
Total assets	15,773	14,162	14,190	10,910	12,359
Liabilities to credit institutions	3,205	2,880	2,259	2,314	1,781
Deposits from the general public	7,141	6,001	6,479	4,753	7,165
Issued securities	2,910	3,187	3,581	2,259	2,033
Other liabilities	150	115	134	99	98
Subordinated liabilities	247	246	199	198	197
Equity	2,120	1,733	1,538	1,287	1,085
Total equity and liabilities	15,773	14,162	14,190	10,910	12,359

¹ In 2016 the number of employees is calculated at balance sheet date. The comparative periods have been changed accordingly.

Consolidated income statement

GROUP

All amounts in MSEK	Not	JAN-DEC 2016	JAN-DEC 2015
Operating income			
Interest income	7,14	1,354	1,260
Interest expense	7,14	-254	-333
Total net interest income		1,100	927
Commission income	8,14	16	16
Net profit from financial transactions	9,14	60	-55
Other operating income		0	0
Total operating income		1,176	888
Operating expenses			
General administrative expenses	10,14	-291	-261
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,14,19	-25	-21
Other operating expenses	14	-136	-124
Non-recurring items	11,14	13	-75
Total operating expenses		-439	-481
Profit before credit losses		737	407
Net credit losses	12,14	-164	-157
Operating profit		573	250
Tax on profit for the period	13	-127	-55
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		446	195
Attributable to:			
The Parent Company's shareholders		446	195
Non-controlling interest		-	-
Earnings per share, SEK	2	4.02	1.76
Diluted earnings per share, SEK	2	4.02	1.76
Average number of outstanding shares	2	110,912,265	110,945,598

Consolidated statement of financial position

GROUP

All amounts are in MSEK	Not	31 DECEMBER 2016	31 DECEMBER 2015
ASSETS			
Lending to credit institutions	5,6,15	1,672	1,810
Lending to the general public	5,6,14,16	12,794	10,841
Bonds and other fixed-income securities	5,6,17	959	1,157
Tangible assets	18	7	8
Intangible assets	19	305	320
Other assets	20	19	9
Prepaid expenses and accrued income		17	17
TOTAL ASSETS		15,773	14,162
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities			
Liabilities to credit institutions	5,6,21	3,205	2,880
Deposits from the general public	5,6	7,141	6,001
Issued securities	5,6,22	2,910	3,187
Current tax liability	23	36	10
Deferred tax liability	13	30	9
Other liabilities	24	16	24
Accrued expenses and deferred income		68	72
Subordinated liabilities	5,6,25	247	246
Total liabilities		13,653	12,429
Equity			
Share capital		111	111
Other capital		-4	-
Other capital contributions		736	736
Retained earnings, incl. profit for the		1,277	886
Total equity		2,120	1,733
TOTAL LIABILITIES, PROVISIONS		15,773	14,162

Consolidated cash flow statement

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Operating activities		
Operating profit (Group) / profit before tax (Parent)	573	250
Adjustment for non-cash items		
Exchange rate effects ¹	-60	55
Income tax paid	-80	-81
Depreciation, amortisation and impairment of property, plant	25	21
Amortisation of financing costs	-	-
Unrealised changes in value of bonds and other fixed-	3	0
Change in operating assets and liabilities		
Decrease/Increase in lending to the general public	-1,577	-1,110
Decrease/Increase in other assets	-10	2
Decrease/Increase in deposits from the general public	1,140	-478
Decrease/Increase in other liabilities	-12	7
Cash flow from operating activities	2	-1,334
Investing activities		
Purchase of equipment	-9	-26
Investment in bonds and other interest bearing securities	-3,879	-3,403
Sale/disposal of bonds and other fixed income securities	4,073	3,830
Cash flow from investing activities	185	401
Financing activities		
Increase in liability to credit institutions	186	3,136
Repayment of debt to credit institutions	-	-2,395
Issue of subordinated loans	-	244
Redemption of subordinated loans	-	-194
Issued bonds	500	1,079
Repayment of issued bonds	-952	-1,339
Paid dividend	-55	-
Repurchase own shares	-4	-
Cash flow from financing activities	-325	531
Cash flow for the period	-138	-402
Cash and cash equivalents at beginning of year	1,810	2,212
Cash and cash equivalents at end of year	1,672	1,810

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 26 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 1,351 (1,250) million and interest income paid by credit institutions totalling SEK 3 (10) million, as well as interest expenses paid to the public totalling SEK 91 (108) million and interest expenses paid to credit institutions totalling SEK 148 (199) million.

¹ Unrealized exchange rate effects are now included in operating assets and liabilities instead of as a non-cash item.

Statement of changes in consolidated equity

GROUP

All amounts are in MSEK	Restricted equity	Non restricted equity		Retained earnings	Total
	Share capital	Other capital	Other contrib- uted capital		
OPENING BALANCE, 1 JANUARY 2015	1		846	691	1,538
Comprehensive income					
Net profit/loss for the year				195	195
Total comprehensive income				195	195
Transactions with shareholders					
Intragroup restructuring (see Note 1)	110		-110	-	0
Total transactions with shareholders	110		-110	-	0
CLOSING BALANCE, 31 DECEMBER 2015	111	-	736	886	1,733
OPENING BALANCE, 1 JANUARY 2016	111	-	736	886	1,733
Comprehensive income					
Net profit/loss for the year				446	446
Total comprehensive income				446	446
Transactions with shareholders					
Dividends paid				-55	-55
Repurchase of own shares		-4			-4
Total transactions with shareholders		-4		-55	-59
CLOSING BALANCE, 31 DECEMBER 2016	111	-4	736	1,277	2,120

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 its registered office in Stockholm, is the parent company of a group that includes the subsidiary Nordax Bank AB. In its turn, Nordax Bank AB owns companies whose business includes owning companies and managing shares in companies. The Group's main operations consist of lending to private individuals in the Nordic region.

Information on the consolidated situation

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

Changes in the consolidated situation

During 2016, with the approval of the Swedish

Financial Supervisory Authority, Nordax merged the two wholly owned holding companies Nordax Group Holding AB and Nordax Holding AB with Nordax Bank AB (publ).

Nordax Group AB (publ) acquired as of May 11 2015, through a share exchange, Nelson Luxco Sarl which was the former ultimate parent company for the Nordax Group. The transaction was purely a share exchange under common control and is considered to be a pure reorganisation. Since this is a reorganization under common control, and it was carried out through a share exchange Nordax Group AB (publ) cannot be considered the accounting acquirer. Accordingly, the consolidated financial statements prepared as a continuation of the previous Nordax Group.

The consolidated financial statements and annual report for Nordax Group AB (publ) for the financial year 2016 were approved by the Board of Directors and Chief Executive Officer to be published on 22 March 2017 for adoption by the Annual General Meeting in 2017.

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 recognized 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 recognized as increase in participations in Group companies to the extent that impairment is not required. 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 recognized 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 recognized in the income statement under the item Net profit from financial transactions.

Property, plant and equipment

Items of property, plant and equipment are recognized 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. During the year Nordax Holding AB merged with Nordax Bank AB, consequently the goodwill is now attributable to Nordax Bank AB.

Value in use

Goodwill relates to the whole Group, Nordax Holding AB. The recoverable amount was established at the

end of 2016 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%) after 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 90 (93) million, to Norway at SEK 114 (105) million and to Finland at SEK 47 (53) 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 even 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 recognizes 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 recognizes 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) Shared-based payments

Nordax introduced a management incentive plan that combines cash and shares in 2015 and the Annual General Meeting 2016 approved a similar plan for 2016. The incentive plans comprise two remuneration components: a cash component and a share-based component in the form of deferred restricted stock units. Shares and social security contributions are expensed in the period in which the free shares are earned, which is the same year that the variable remuneration is earned. After the Board of Directors has decided on the variable remuneration, shares can be acquired within the framework of Nordax's long-term incentive plans at the prevailing market price on the date of the Board's decision. Repurchased shares are recognised as a reduction in equity.

The deferred restricted stock units convert to shares when the qualifying period has elapsed. The qualifying period is 3 years for all participants in the plan with the exception of the CEO, who has a qualifying period of 5 years. To qualify for restricted stock units, the participant must remain an employee throughout the qualifying period.

No share-based payments have been made up to and including 2016.

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

None of the IFRS standards or IFRIC interpretations that are mandatory for the first time in the financial year commencing on 1 January 2016 have had a material impact on the Group's income statement or balance sheet. Revisions of the Annual Accounts Act for Credit Institutions and Securities Companies and FFS 2008:25 have led to changes in presentation and disclosures.

New applicable standards, amendments and interpretations of existing standards that have not yet entered into force and have not been adopted early by the Group.

IFRS 9 Financial Instruments addresses the classification and measurement, including impairment, of financial assets and liabilities, as well as hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that address the classification and measurement of financial instruments. The standard will be applied to financial years beginning 1 January 2018 and has been adopted by the EU. Prospective application is permitted. The Group will not apply IFRS 9 prospectively.

IFRS 9 retains a mixed measurement model but simplifies it in certain respects. There will be three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. How an instrument is classified depends on the company's business model and the instrument's characteristics. There will be three business models for debt instruments that are financial assets that determine which valuation category to apply. To recognise a financial asset at amortised cost requires, apart from it being consistent with the business model, that the asset's contractual terms at any point in time only give rise to cash flows that are payments of the principal amount and interest. Even if the financial asset meets the definition for the business model and the cash flows are only payments of the principal amount and interest, the company can, as in IAS 39, choose to apply recognition at fair value through profit and loss. Debt instruments that are financial assets and meet the definition of SPPI (Solely Payment of Principal and Interest) but whose business model does not lead to recognition at amortised cost are recognised at fair value through other comprehensive income or profit and loss depending on the business model. Investments in equity instruments are recognised at fair value through profit and loss, but there is also an option upon initial recognition to recognise the instrument at fair value through other comprehensive income. There is then no reclassification to profit and loss when the instrument is divested. Independent derivatives are recognised at fair value through profit and loss. In the case of financial liabilities, classification and measurement do not change, apart from when a liability is recognised at fair value through profit and loss based on the fair value alternative. Value changes attributable to changes in own credit risk are then recognised in other comprehensive income.

IFRS 9 changes the requirements for application of hedge accounting by replacing the 80-125 criteria with requirements for the financial relationship between hedging instruments and hedged asset and by having the same hedging ratio as used in risk management. Hedging documentation is also little changed in comparison with what was prepared under IAS 39. The Group currently does not apply hedge accounting.

IFRS 9 also introduces a new model for calculating the credit loss provision arising from expected credit losses. This means that the credit losses are recognised based on expected loss events and not on

incurred losses. Financial assets are divided into three stages based on the risk of default. Stage 1 comprises assets that have not had a significant increase in credit risk, stage 2 comprises assets that have had a significant increase in credit risk, and stage 3 comprises impaired assets. In stage 1 provisions correspond to 12-month expected credit losses. In stage 2 and 3 provisions correspond to lifetime expected credit losses. An important aspect affecting the size of the provisions according to IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. The Group must decide which parameters to use to determine the increase in credit risk and how much these parameters have to change for them to entail a significant increase in accordance with the rules. Customers who are past due more than 30 days on their payments and customers which an elevated risk relative to the established risk level are transferred to stage 2 according to the Group's preliminary definition.

In the current model the provision for loans with individually identified loss events (receivables past due more than 180 days) and collective provision for collectively measured receivables is based on an established model where the criterion for a loss event is the delayed payment of principal and interest. A loss event in the existing model is not expected, however, to fully correspond to the trigger that moves an item from category 1 to 2 according to IFRS 9.

When the Group estimates losses during the remaining term according to IFRS 9, they are based on probability-weighted, forward-looking information. The work to determine macroeconomic scenarios to take into account the nonlinear aspects of expected credit losses is underway and has not yet been finalised. The use of forward-looking information will increase complexity and make the provisions more dependent on management's view of economic development.

The Group expects, in accordance with the prospectus from the IPO 2015, credit loss provisions to increase because even performing assets are included in the calculation of expected credit losses. The new requirements are expected to increase the provisions for credit losses and reduce equity for the initial application period. This is not expected to have a significant effect on large exposures. The impact on capital adequacy cannot yet be determined, since the Basel Committee is working on new rules for the transition to IFRS 9, and these rules are not yet complete. When any transition rules cease to apply, the effects of IFRS 9 are expected to have a negative impact on capital adequacy, since the decrease in equity is expected to reduce Common Equity Tier 1 capital.

IFRS 15 Revenue from Contracts with Customers is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, as well as all associated interpretations (IFRIC and SIC). In IFRS 15 revenue is recognised when the customer gains control of the sold goods or services, a principle that replaces the previous principle that revenue is recognised when risks and benefits are assumed by the buyer. The basic principle in IFRS 15 is that a company recognises revenue in a way that best reflects the transfer of the promised goods or service to the cus-

tomers. A company can choose between full retroactivity or prospective application with additional disclosures. The standard will be applied to financial years beginning 1 January 2018 and has been adopted by the EU. Prospective application is permitted. The Group will not apply IFRS 15 prospectively. The Group has not yet evaluated the effects of IFRS 15.

IFRS 16 Leases mainly affects recognition for lessees and will mean that nearly all leases are recognised in the statement of financial position. The standard eliminates the distinction between operating and finance leasing in IAS 17 and requires that a right to utilise the leased asset is recognised as an asset in the statement of financial position and that a financial liability corresponding to the lease payments is recognised. A voluntary exception can be made for short-term contracts and contracts with marginal value. The income statement will also be affected because expenses are higher at the beginning of the contract and lower at the end. Operating profit is affected by the replacement of lease expenses with interest expenses and depreciation/amortisation. Cash flow from operating activities will be higher since payments of the principal amount in the lease liability are recognised as cash flow from financing activities and only the part of the payment that refers to interest can be recognised as

cash flow from operating activities. Recognition for the lessor will not be significantly affected. Differences compared to the current standard can arise due to the new definition of a lease. In IFRS 16 a contract is, or contains, a lease if it conveys a right to control an identified asset for a period of time in exchange for payment. The standard will be applied to financial years beginning 1 January 2019 and has not been adopted by the EU. Prospective application is permitted of IFRS 15 is applied from the same reporting date. The Group has not yet evaluated the effects of IFRS 16.

None of the IFRS standards or IFRIC interpretations that have not yet entered into force are expected to have had a material impact on the Group.

Changes in accounting policies

During 2016, the accounting policies remained essentially the same as in 2015.

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%) after 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.

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.

(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 control

The Group's continued operations depend on its abil-

ity 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 2016	31 DECEMBER 2015
Credit risk exposures relate to the balance sheet as follow:		
Lending to credit institutions	1,672	1,810
Lending to the general public	12,794	10,841
Bonds and other fixed-income securities	959	1,157
Total	15,425	13,808

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

LENDING TO THE GENERAL PUBLIC

31 december 2016	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision past due receivables	
Not yet past due	4,021	4,719	109	1,957	732	11,538		
Past due 30 days	50	143	3	80	15	291	-30	10%
Past due 60 days	28	63	2	33	9	135	-33	24%
Past due 90 days	28	39	2	12	4	85	-32	37%
Past due 120-150 days	24	41	0	18	6	89	-46	52%
Past due 180 days or more	685	683	308	361	38	2,075	-1,278	62%
Total past due	815	969	315	504	72	2,675	-1,419	53%
Total	4,836	5,688	424	2,461	804	14,213		
Reserve ¹	-417	-470	-290	-199	-43	-1,419		
Total lending to the general public	4,419	5,218	134	2,262	761	12,794		

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%
Total past due	686	703	304	428	30	2,151	-1,158	54%
Total	4,376	4,475	454	2,127	567	11,999		
Reserve ¹	-351	-350	-275	-163	-19	-1,158		
Total lending to the general public	4,025	4,125	179	1,964	548	10,841		

¹ Provision for receivables which are more than 180 days past due are assessed individually and total SEK -1,278 (-1,048) million. The group provision is SEK -141 (-110) 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 2016	31 DECEMBER 2015
Provision for loans with individually identified loss events¹		
Opening reserve at start of year	-1,158	-957
- allocated during the year	-96	-92
- foreign exchange effects ²	-24	1
Provision for loans with individually identified loss events	-1,278	-1,048
Group provision for receivables measured as a group³		
Opening reserve at start of year	-110	-87
- allocated during the year	-24	-28
- foreign exchange effects ²	-7	5
Group provision for receivables measured as a group at end	-141	-110
Total provision for credit losses	-1,419	-1,158

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

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

³ 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

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Credit quality pertaining¹		
Rating A	828	707
Rating B	2,355	1,982
Rating C	4,662	3,843
Rating D	3,103	2,712
Rating E	418	445
No rating	172	159
Total	11,538	9,848

¹ 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 2016	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Lending to credit institutions	1,672					1,672
Lending to the general public	4,419	5,218	134	2,262	761	12,794
Bonds and other fixed-income securities	959					959
Total	7,050	5,218	134	2,262	761	15,425

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
Total	6,992	4,125	179	1,964	548	13,808

No credit limits were exceeded during the year.

Market risk

Foreign exchange risk

The Group is active in the Nordic countries and Germany 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 in foreign currency. The Group's policy is to largely limit the risk by matching assets and liabilities in the same currency. Derivatives are used when considered necessary to attain this balance. 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. It contains established limits for the maximum permitted net exposure in foreign currencies. The current limit adopted by the Board is 1,000 MSEK (700) and actual exposure amount is 752 MSEK (624), distributed into 438 (394) MNOK, 9 (13) MDKK and 29 (25) MEUR. A change of 5% in the value of SEK against the other currencies would cause a change in profit/loss and in equity of 38 (31) MSEK, distributed into 22 MNOK (20), 0.5 MDKK (0.6) and 1.5 MEUR (1.3).

Interest rate risk 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 Group continually measures and reports interest rate risk. This is divided into two parts: fixed rate deposits and other interest rate risk. Deposits with a fixed interest rate are measured through a parallel shift downward on the interest rate curve of 2.0 units with an interest rate floor of 0% and has a limit of 40 MSEK (N/A). Other interest rate risk is measured through a parallel shift upward of the interest rate curve of 2.0 units with a limit of 20 MSEK (20). The actual exposures at year-end were 11 MSEK (N/A) and 4 MSEK (11), respectively.

Lending to the 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 international banks has an average fixed interest term of one month. Corporate bonds have a fixed interest term of three months and deposits from the public have an average fixed interest term of 0 months, with the exception of deposits with a fixed interest rate, which have a term of up to two years. Other assets, liabilities and equity do not accrue interest.

Liquidity risk

Refer to the section on 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 22 for further information. The amounts stated in the table are the contractual, undiscounted cash flows.

MATURITY DISTRIBUTION

31 december 2016	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Liabilities to credit institutions	49	49	1,323	2,609	4,030
Deposits from the general public	6,846	295	-	-	7,141
Issued securities	55	55	637	3,136	3,883
Subordinated liabilities	16	16	46	314	392
Trade payables and other liabilities	46	-	-	-	46
Total	7,012	415	2,006	6,059	15,492

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
Total	6,616	4,591	1,137	312	12,656

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.

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 Bank AB (publ), Nordax Finans AS, PMO Sverige OY, Nordax Nordic AB (publ), Nordax Sverige AB, Nordax Nordic 4 AB (publ), Nordax Sverige 4 AB (publ), Nordax Nordic 2 AB och Nordax Nordic 3 AB (publ).

CAPITAL ADEQUACY

All amounts in MSEK	Consolidated situation	
	31 DECEMBER 2016	31 DECEMBER 2015
OWN FUNDS		
Common Equity Tier 1 capital	1,942	1,678
Deduction from own funds	-302	-309
Total Common Equity Tier 1 capital	1,640	1,369
Tier 2 capital	234	217
Net own funds	1,874	1,586
Risk exposure amount for credit risk	10,208	8,745
Risk exposure amount for market risk	752	624
Risk exposure amount for operational risks ⁴	754	1,465
Total risk exposure amount (risk weighted assets)	11,714	10,834
Common Equity Tier 1 capital ratio	14.01%	12.64%
Tier 1 capital ratio	14.01%	12.64%
Total capital ratio	16.01%	14.64%
Capital adequacy ratio (own funds / capital requirement)	2.00	1.83
Total Common Equity Tier 1 capital requirement including buffer requirement	8.13%	7.72%
- of which, capital conservation buffer requirement	2.50%	2.50%
- of which, countercyclical capital buffers	1.13%	0.72%
Common Equity Tier 1 capital available for use as buffer ¹	9.51%	8.14%
Specification own funds		
Common Equity Tier 1 capital:		
- Capital instruments and the related share premium accounts	843	847
- of which share capital	111	111
- of which other contributed capital	736	736
- of which repurchase of own shares	-4	-
- Retained earnings	831	691
- Independently reviewed interim profits	446	195
- Calculated dividend ²	-178	-55
Common Equity Tier 1 capital before regulatory adjustments	1,942	1,678
Regulatory adjustments:		
- Intangible assets	-297	-309
- Own shares	-4	-
Total regulatory adjustments to Common Equity Tier 1	-302	-309
Common Equity Tier 1	1,640	1,369
Tier 2 capital		
- Tier 2 capital instrument	234	217
Tier 2 capital	234	217
Total capital	1,874	1,586
Specification of risk exposure amount ³		
Institutional exposures	336	365
Covered bonds	20	41
Household exposures	8,966	7,629
Past due items	840	669
Other items	46	41
Total risk exposure amount for credit risk, Standardised Approach	10,208	8,745
Exchange rate risk	752	624
Total risk exposure amount for market risk	752	624
Operative risk according to alternative Standardized Method 2016 and Basic Indicator Approach 2015 ⁴	754	1,465
Total risk exposure amount for operational risks	754	1,465
LEVERAGE RATIO		
Exposure measure for calculating leverage ratio	15,479	13,862
Leverage ratio	10.81%	9.88%

¹ Common Equity Tier 1 capital ratio 14.01% less the statutory minimum requirement of 4.5% excluding the buffer requirement. A total capital requirement of a further 3.63% of which capital conservation buffer of 2.50% and 1.13% for the countercyclical capital buffers is also applicable.

² Calculated dividend consists of MSEK 178 attributable to the current financial year. The Swedish Financial Supervisory Authority has approved Nordax's application to include earnings in 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.

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

⁴ During the period the method for calculating operational risk was changed from basic indicator approach to the alternative standardized method.

Internal capital requirement

As of 31 December 2016 the internal capital assessment for Nordax consolidated situation amounted to 97 MSEK (83). The internal capital requirement is assessed using Nordax internal models for economic capital and is not fully comparable to the estimated capital requirement published by the Swedish Financial Supervisory Authority due to differences in assumptions and methodologies.

Information on liquidity risk pursuant to FFFS 2014:12

The Group defines liquidity risk as the risk of failing to fulfill 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, asset backed securities ("ABS"), bank warehouse funding facilities, deposits from the general public and senior unsecured bonds.

The goal is to use funding sources which:

- Provide a high degree of matching, of currencies and interest period as well as 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. Liquidity risk is reported to the Board of Directors 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 illustrate the financial structure and the Group's liquidity risk. Liquidity risk is measured monthly for different scenarios and events (such as less favorable advance rates and changed cash flows) and illustrated 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.

As of 31 December 2016, Nordax had a liquidity coverage ratio (EBA definition) of 553% (676). As of the same date the net stable funding ratio was 127% (127), calculated in accordance with the Basel Committee's definition, which may be altered when adopted by the EU.

Nordax had a liquidity reserve at 31 December 2016 of MSEK 2,189 (2,552). Of these investments, 56 (55) per cent was in Nordic banks, 9 (16) per cent in Swedish covered bonds and 35 (29) per cent in Swedish municipal papers. All investments had credit ratings ranging from AAA to A+ from Standard & Poor's, with an average rating of AA (except 27 MSEK in exposure to Avanza Bank AB). The average maturity was 43 (48) days. All bank holdings are accessible and all securities are repo-able with central banks.

At 31 December 2016 Nordax's sources of funding comprised MSEK 2,427 (2,763) in funding through the asset-backed securities market (securitized), MSEK 500 (453) in senior unsecured bonds, MSEK 3,218 (2,891) in warehouse funding facilities provided by international banks in addition to MSEK 7,135 (5,991) in Deposits from the general public. The figures refer to the nominal amounts.

Note 5 Classification of financial assets and liabilities

GROUP

31 december 2016	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				
Assets						
Lending to credit institutions	-	-	-	1,672	-	1,672
Lending to the general public	-	-	-	12,794	-	12,794
Bonds and other fixed income	-	959	-	-	-	959
Derivatives	1	-	-	-	-	1
Total assets	1	959	-	14,466	-	15,426
Liabilities						
Liabilities to credit institutions	-	-	-	-	3,205	3,205
Deposits from the general public	-	-	-	-	7,141	7,141
Issued securities	-	-	-	-	2,910	2,910
Subordinated liabilities	-	-	-	-	247	247
Total liabilities	-	-	-	-	13,503	13,503

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				
Assets						
Lending to credit institutions	-	-	-	1,810	-	1,810
Lending to the general public	-	-	-	10,841	-	10,841
Bonds and other fixed income	-	1,157	-	-	-	1,157
Derivatives	3	-	-	-	-	3
Total assets	3	1,157	-	12,651	-	13,811
Liabilities						
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
Total liabilities	-	-	-	-	12,314	12,314

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 2016	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions ¹	1,672	1,672	-
Lending to the general public ^{2,4}	12,794	14,952	2,158
Bonds and other fixed income	959	959	-
Derivatives	1	1	-
Total assets	15,426	17,584	2,158
Liabilities			
Liabilities to credit institutions ¹	3,205	3,205	-
Deposits from the general public	7,141	7,141	-
Issued securities ³	2,910	2,910	0
Subordinated liabilities ³	247	254	7
Total liabilities	13,503	13,510	7

31 december 2015	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions ¹	1,810	1,810	-
Lending to the general public ^{2,4}	10,841	12,483	1,642
Bonds and other fixed income	1,157	1,157	-
Derivatives	3	3	-
Total assets	13,811	15,453	1,642
Liabilities			
Liabilities to credit institutions ¹	2,880	2,880	-
Deposits from the general public	6,001	6,001	-
Issued securities ³	3,187	3,205	18
Subordinated liabilities ³	246	254	8
Total liabilities	12,314	12,340	26

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

² The measurement includes significant non-observable inputs and belongs to Level 3.

³ 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

⁴ Fair value for lending to the general public is calculated after tax. The value for 2015 has been adjusted according to the new method.

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 2016.

GROUP

31 december 2016	Level 1	Level 2	Level 3	TOTAL
Assets				
Bonds and other fixed income securities	959	-	-	959
Derivatives	-	1	-	1
Total assets	959	1	-	960
31 december 2015				
Assets				
Bonds and other fixed income securities	1,157	-	-	1,157
Derivatives	-	3	-	3
Total assets	1,157	3	-	1,160

Note 7 Net interest income

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Interest income from the general public ¹	1,351	1,251
Interest income from credit institutions	3	9
Total interest income	1,354	1,260
Interest expenses to the general public	-91	-108
Interest expenses to credit institutions	-147	-200
Interest expenses debenture loans	-16	-25
Total income expenses	-254	-333
Net interest income	1,100	927

¹ Interest income on financial assets impaired totals SEK 64 million (SEK 53 million).

Note 8 Commission income

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Insurance commission	16	16
Total	16	16

Note 9 Net profit from financial transactions

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Changes in exchange rates	64	-55
Profit from investments in bonds and other fixed-income securities	-4	0
Group contributions	-	-
Net profit/loss from financial transactions	60	-55

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 2016	31 DECEMBER 2015
Employee benefit expenses		
Salaries and fees	-110	-101
Pension expenses	-11	-11
Social security contributions	-37	-36
Other employee benefit expenses	-7	-7
Total employee benefit expenses	-165	-155
Other administrative expenses		
IT expenses	-29	-26
External services	-34	-30
Costs of premises	-10	-9
Telephone and postage	-25	-26
Other	-28	-15
Total other administrative expenses	-126	-106
Total general administrative expenses	-291	-261

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Fees to auditors		
Pwc		
- Audit engagement	-1	-1
- Audit work in addition to the Audit assignment	-1	-1
- Tax advisory services	0	0
Other services ¹	0	-6
Total	-2	-8
Mazars		
- Other services	-1	-1
Total	-1	-1
KPMG		
Other services ¹	0	-2
Total	0	-2
EY		
Other services ¹	0	-2
Total	0	-2
Deloitte		
Other services	0	-
Total	0	-
Total expense for audit fees	-3	-13

¹ 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 2016	31 DECEMBER 2015
Specification of salaries and fees¹		
Directors, Chief Executive Officer and other senior executives	-21	-21
Other employees	-94	-85
Total	-115	-106
Breakdown of social security contributions		
Directors, Chief Executive Officer and other senior executives	-5	-7
Other employees	-32	-29
Total	-37	-36
Breakdown of pension expenses		
Directors, Chief Executive Officer and other senior executives	-3	-2
Other employees	-8	-9
Total	-11	-11
Breakdown of average number of employees (converted to full-time equivalents)		
Women	123	113
Men	69	66
Total	192	179

¹ 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 overtimes or fulltime or parttime leave. The figures related to the full year.

GROUP

Number	31 DECEMBER 2016	31 DECEMBER 2015
Breakdown between women and men on the Board of Directors		
Women	3	2
Men	5	7
Total	8	9
Breakdown between women and men in the senior management		
Women	4	5
Men	4	2
Total	8	7

GROUP

All amounts are in TSEK	Basic salary/ Board fee	Variable remuneration	Pension cost	Total
Remuneration and other benefits 2016				
Chairman A. Bernroth	-1,600	-	-	-1,600
CEO M. Falch	-2,502	-516	-591	-3,609
Director C. Beck	-547	-	-	-547
Director K. Bonde	-739	-	-	-739
Director H. Larsson	-821	-	-	-821
Director J. Rosberg	-602	-	-	-602
Director A. Rich	0	-	-	0
Director S. Trygg	-739	-	-	-739
Other senior management (7 persons)	-10,300	-3,061	-2,545	-15,906

All amounts are in TSEK	Basic salary/ Board fee	Variable remuneration	Pension cost	Total
Remuneration and other benefits 2015				
Chairman A. Bernroth ¹	-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 ²	-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

¹ Chairman of the board Oct-Dec 2015 (379 TSEK)

² Chairman of the board Jan-Oct 2015 (829 TSEK)

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

Information on remuneration system

Information on the remuneration according to the Swedish Financial Supervisory Authority's regulations on supervisory requirements and capital buffers (FFFS 2014:12) is provided on Nordax's website www.nordax-group.com.

Share-based remuneration

Nordax has a long-term management incentive plan comprising the following remuneration components: 40% of the variable remuneration is paid out in cash in the same year that the decision to grant the remuneration is made, while 60% of the variable remuneration is deferred for up to 3 years or, in the case of the CEO, 5 years (the qualifying period), in the form of restricted share units. Deferral takes place each year when the variable cash remuneration is paid out. One requirement for a participant to be entitled to receive an award is that the participant remains an employee throughout the qualifying period. After the qualifying period the restricted share units are converted to shares. One (1) restricted share unit entitles its holder to one (1) share. If employment terminates before vesting, all deferred restricted stock units as a rule lapse on the date on which the participant ceases to be employed. The shares awarded in the incentive plan are common shares that are entitled to dividends after the qualifying period.

The number of restricted share units is determined from the established amount for deferred variable remuneration divided by the market price of the Nordax share based on settlements on the business day immediately preceding the day of the award decision, i.e., 7 February 2017 for the 2016 plan (9 February 2016 for the 2015 plan).

Within the framework of the long-term management incentive plan, Nordax intends to repurchase 130,000

shares for the 2016 plan (100,000 shares were repurchased for the 2015 plan).

	2016	2015
Number of restricted share units:	129,231	90,709
Share price on day immediately preceding the award decision:	52.50	41.10
Market value of units upon reward:	6,784,628	3,728,140

CEO and other senior management

The term of notice for the CEO is 6 months regardless of whether notice is given by the company or the employee. The CEO has a non-compete clause of 24 months, which prevents him from operating a competing business.

The term of notice for other senior management is 4 months for the employee and 9 months for the company. If terminated during the period 20 November - 1 January or 20 May - 20 July, the term of notice for the employee is 6 months instead of 4 months.

No employees, including the CEO, are eligible for severance upon termination.

All employees including the CEO are entitled to an occupational pension according to the following premium scale:

- Salary components to 7.5 income base amounts 4.5%
- Salary components over 7.5 income base amounts 30%
- Annual pensionable salary is calculated as monthly salary x 12.2.

With respect to the incentive plans, reference is made to the section of the accounting policies on employee benefits, as well as the section on share-based remuneration.

Note 11 Non-recurring costs

Non-recurring costs of MSEK -13 (75) refer to events and transactions which have an impact on profit of such magnitude that it is prudent to highlight these when the financial performance of the period is compared with earlier periods. Non-recurring items related to VAT reversal from the IPO 2015 and other cost

reductions associated with the IPO were recognised during the period, which reduced costs by a total of 13 MSEK. The same period in 2015 included a non-recurring cost of 75 MSEK related to the IPO. The total net cost for the IPO in 2015 amounted to 62 MSEK, after the dissolution of the reserve in 2016.

Note 12 Credit losses

GROUP

All amounts are in MSEK

	JAN-DEC 2016	JAN-DEC 2015
Credit losses		
Write-offs for the period pertaining to actual credit losses	-44	-37
Gross value of new receivables during the year past due more than 180 days	-476	-371
Payments received during the year pertaining to loans past due more than 180 days	241	191
Adjustment to recoverable value pertaining to receivables past due more than 180 days	139	88
Total provision for loans with individually identified loss event ¹	-96	-92
Group provision for receivables valued as a group ²	-24	-28
Credit losses for the year	-164	-157

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

² Group provisions for loan receivables due between one and 180 days.

Note 13 Tax on profit for the year

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Tax recognised in profit or loss		
Current tax on profit for the year	-105	-60
Deferred tax expense/income	-22	5
Tax on profit for the year	-127	-55
Reconciliation of effective tax		
Reported profit before tax	573	250
Tax at current tax rate	-127	-55
Tax effect of non-deductible expenses	0	0
Tax effect of non-taxable income	0	0
Tax on profit for the year according to the income statement	-127	-55
Deferred tax recognised in the balance sheet	30	9
Opening balance deferred tax liability	9	29
Through profit or loss	-5	-5
Related to temporary differences	26	-15
Closing balance deferred tax liability	30	9
Deferred tax liability is attributable to		
Deferred tax related to business combinations	54	54
Recognised in profit or loss	-44	-39
Deferred tax liability attributable to temporary differences in accrued costs of loans	20	-6
Deferred tax liability according to balance sheet	30	9
Deferred tax to be regained in 12 months	-4	-5
Deferred tax to be regained after 12 months	34	14

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 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.

GROUP

JAN-DEC 2016	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Income statement						
Interest income ¹	426	582	10	264	72	1,354
Interest expenses	-60	-146	-2	-35	-11	-254
Total net interest income	366	436	8	229	61	1,100
Commission income	7	7	0	2	-	16
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-11	-8	0	-4	-2	-25
Operating expenses ²	-84	-88	-3	-43	-14	-232
Non-recurring costs ³						13
Marketing expenses ²	-32	-45	0	-26	-32	-135
Profit before credit losses	246	302	5	158	13	737
Credit losses	-51	-81	0	-9	-23	-164
Operating profit	195	221	5	149	-10	573
Balance sheet						
Lending to the general public	4,419	5,218	134	2,262	761	12,794
JAN-DEC 2015						
	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Income statement						
Interest income ¹	420	542	14	242	42	1,260
Interest expenses	-108	-168	-4	-43	-10	-333
Total net interest income	312	374	10	199	32	927
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 ²	-132	-113	-6	-43	-21	-315
Non-recurring costs ³						-75
Marketing expenses ²	-27	-49	0	-22	-27	-125
Profit before credit losses	150	214	4	133	-18	407
Credit losses	-40	-70	-5	-27	-15	-157
Operating profit	110	144	-1	106	-33	250
Balance sheet						
Lending to the general public	4,025	4,125	179	1,964	548	10,841

¹ Interest income refers to revenues from external customers.

² 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.

³ 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 2016	31 DECEMBER 2015
Banks	1,672	1,810
Total	1,672	1,810

The Group's lending to credit institutions includes SEK 480 (597) 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 2016	31 DECEMBER 2015
Households	12,794	10,841
Total	12,794	10,841

The Group item includes SEK 9,479 (9,190) 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 11,959 million (10,182) has a maturity of more than one year.

Note 17 Bonds and other fixed-income securities

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Holdings broken down by issuer		
Swedish municipalities	755	745
Swedish covered bonds	204	412
Bonds and other fixed-income securities	959	1,157

All holdings are listed, SEK 0 million (106) 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 2016	31 DECEMBER 2015
Non-current assets		
Cost at start of year	21	18
- acquisitions during the year	2	4
- disposals during the year	-	-1
Cost at end of year	23	21
Accumulated and amortisation at start of year	-13	-11
- amortisation for the year	-3	-3
- reclassification between property, plant and equipment and intangible assets	-	-
- disposals during the year	-	1
Accumulated amortisation at end of year	-16	-13
Carrying amount	7	8

Note 19 Intangible assets

GROUP

31 december 2016	Goodwill	Contractual client relationships	Internally generated software development costs	TOTAL
Opening carrying amount	251	48	21	320
- purchases	-	-	6	6
- amortisation	-	-14	-7	-21
Closing carrying amount	251	34	20	305
Cost	251	99	60	410
Accumulated amortisation and impairment losses		-65	-40	-105
Carrying amount	251	34	20	305

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

Note 20 Other assets

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Other	19	9
Total	19	9

Note 21 Liabilities to credit institutions

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Foreign banks	3,205	2,880
Total	3,205	2,880

For the above liabilities in the Group, collateral has been provided in an amount of SEK 5,567 (4,927) million for receivables attributable to Lending to the general public and SEK 169 (188) million to Lending to credit institutions. Granted credit totals SEK 3,218 (3,074) 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 Issued securities

GROUP

All amounts are in MSEK	Term	Early redemption	31 DECEMBER 2016	31 DECEMBER 2015
Bonds issued by Nordax Sverige 4 AB, issued in SEK	Dec 2038	Nov 2018	1,087	1,081
Bonds issued by Nordax Nordic AB, issued in NOK	Oct 2028	Aug 2016	-	21
Bonds issued by Nordax Nordic 3 AB, issued in NOK	Jan 2037	Jun 2017	1,326	1,632
Bonds issued by Nordax Bank AB, issued in SEK	Mar 2019	-	497	453
Total			2,910	3,187

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 3,912 (4,262) million for receivables attributable to Lending to the general public and SEK 311 (409) million to Lending to credit institutions. The amounts above pertain to volumes issued to external investors.

Note 23 Current tax liability

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Current tax liability	36	10
Total	36	10

Note 24 Other liabilities

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Trade payables	1	9
Other	15	15
Total	16	24

Note 25 Subordinated liabilities

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Subordinated loans	247	246
Summa	247	246

SPECIFICATION

31 DECEMBER 2016	Currency	Date of issue	Principal amount	Coupon rate	Maturity ¹
Subordinated bonds	SEK	2015-03-12	250	Stibor 3 mon +5,75%	2025-03-18

31 December 2015	Currency	Date of issue	Principal amount	Coupon rate	Maturity ¹
Subordinated bonds	SEK	2015-03-12	250	Stibor 3 mon +5,75%	2025-03-18

¹ First call date March 2020

Note 26 Pledged assets

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Pledged assets for own liabilities		
Lending to the general public	9,479	9,190
Lending to credit institutions	480	597
Total	9,959	9,787

Note 27 Contingent liabilities

The Group does not have any contingent liabilities.

Note 28 Transactions with related parties

The Group has not had any transactions with related parties.

Note 29 Significant events after balance sheet date

No events with significant impact on the information in this report have occurred after the end of the reporting period.

Parent Company income statement

PARENT COMPANY

All amounts in MSEK	Not	JAN-DEC 2016	2014-12-02 2015-12-31
Net income		198	1
Operating expenses			
Personnel expenses	1	-5	-2
Other external expenses		7	-77
Total operating expenses		2	-79
Operating profit		200	-78
Profit/loss from financial investments			
Group contributions		0	141
Interest and similar expenses		-1	0
Profit/loss from financial investments		-1	141
Profit/loss after financial items		199	63
Tax on profit for the period		-	-
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		199	63

Parent Company statement of financial position

PARENT COMPANY

Alla belopp anges i MSEK	Not	31 DECEMBER 2016	31 DECEMBER 2015
ASSETS			
Financial assets			
Shares in Group companies	2	4,970	4,970
Total financial assets		4,970	4,970
Total non-current assets		4,970	4,970
Current receivables			
Receivables from Group companies		189	141
Prepaid expenses and accrued income		1	0
Total current receivables		190	141
Cash and bank balances		22	83
Total current assets		212	224
TOTAL ASSETS		5,182	5,194
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		111	111
Other equity		-4	-
Share premium reserve		4,859	4,859
Retained earnings, incl. net profit for the year		213	69
Total equity		5,179	5,039
Liabilities			
Current liabilities			
Accrued expenses and deferred income		3	0
Other liabilities		0	0
Liabilities to Group companies		0	155
Total current liabilities		3	155
Total liabilities		3	155
TOTAL EQUITY, PROVISIONS AND LIABILITIES		5,182	5,194

Parent Company statement of cash flows

PARENT COMPANY

All amounts are in MSEK	31 DECEMBER 2016	2014-12-02 2015-12-31
Operating activities		
Profit after financial items	199	63
Adjustment for non-cash items		
Anticipated dividends	-121	-141
Change in operating assets and liabilities		
Decrease/Increase in other assets	-1	-
Decrease/Increase in other assets to Group companies	73	-
Decrease/Increase in other liabilities	3	-
Decrease/Increase in liability to Group companies	-155	155
Cash flow from operating activities	-2	77
Investing activities		
Acquisition of financial assets	-	-4,970
Cash flow from investing activities	-	-4,970
Financing activities		
Paid dividend	-55	-
Repurchase own shares	-4	-
New issue	-	4,970
Result of the liquidation of Nelson LuxCo Sarl	-	6
Cash flow from financing activities	-59	4,976
Cash flow for the period	-61	83
Cash and cash equivalents at beginning of year	83	0
Cash and cash equivalents at end of year	22	83

Parent Company statement of changes in equity

PARENT COMPANY	Restricted equity	Non-restricted equity			Total
	Aktiekapital	Other capital	Share premium reserve	Retained earnings	
All amounts are in MSEK					
SHARE CAPITAL 2 MARCH 2014	1		-	-	1
Comprehensive income					
Net profit/loss for the year				63	63
Total comprehensive income				63	63
Transactions with shareholders					
Result of the liquidation of Nelson LuxCo Sarl				6	6
Intragroup restructuring	110		4,859	0	4,969
Transactions with shareholders	110		4,859	6	4,975
CLOSING BALANCE, 31 DECEMBER 2015	111		4,859	69	5,039
OPENING BALANCE 1 JANUARY 2016	111	-	4,859	69	5,039
Comprehensive income					
Net profit/loss for the year				199	199
Total comprehensive income				199	199
Transactions with shareholders					
Dividends paid				-55	-55
Repurchase of own shares		-4			-4
Transactions with shareholders		-4		-55	-59
CLOSING BALANCE, 31 DECEMBER 2016	111	-4	4,859	213	5,179

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 Employee benefit expenses

PARENT COMPANY

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Employee benefit expenses		
Salaries and fees	-3	-2
Pension expenses	-1	0
Social security contributions	-1	0
Other employee benefit expenses	-	0
Total employee benefit expenses	-5	-2

Note 2 Parent Company shares in Group companies

PARENT COMPANY

31 december 2016	Corporate Identity Number	Registered office	Share of equity	Share of votes	Number of shares	Book value SEK thousand
Nordax Group AB	556993-2485	Stockholm	100%	100%	20,010,076	4,970,052
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	100%	100%	500,000	-
Nordax Nordic 2 AB	556823-4255	Stockholm	100%	100%	50,000	-
Nordax Nordic 3 AB (publ)	556961-5254	Stockholm	100%	100%	500,000	-
Nordax Nordic 4 AB (publ)	559049-5023	Stockholm	100%	100%	500,000	-
Nordax Sverige 4 AB (publ)	559007-7425	Stockholm	100%	100%	500,000	-
Nordax Finans AS, Norge	986 568 158	Oslo	100%	100%	100,000	-
PMO Sverige OY, Finland	1983408-0	Helsingfors	100%	100%	1,000	-
Total						4,970,052

PARENT COMPANY

Alla belopp anges i MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Opening balance, cost	4,970	-
- acquisitions	500	4,970
- disposals	-500	-
- reclassification between property, plant and equipment and intangible assets	-	-
- amortisation	-	-
Closing balance, cost	4,970	4,970
Opening balance, impairment	-	-
Accumulated amortisation and impairment losses	-	-
Carrying amount	4,970	4,970

Note 3 Proposed disposition of profits

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

All amounts are in SEK

Retained earnings	4,873,522,859
Net profit/loss for the year	199,316,744
Total	5,072,839,603

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

All amounts are in SEK

Dividend to shareholders of SEK 1.60 per share, total	177,144,957
carried forward to new account	4,895,694,646
Total	5,072,839,603

The Board of Directors proposes that the 2017 Annual General Meeting that SEK 177,144,957 be distributed to the shareholders at SEK 1.60 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. No dividend will be paid in relation to the company's own holding of shares. 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 pre-

pared in accordance with generally accepted accounting principles 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) No1606/2002 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 the 22 March 2017

Arne Bernroth
Chairman

Christian A. Beck
Director

Katarina Bonde
Director

Morten Falch
CEO, Director

Andrew Rich
Director

Jenny Rosberg
Director

Synnöve Trygg
Director

Our audit report was issued 22 March, 2017

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant

Independent auditor's report

To the general meeting of the shareholders of Nordax Group AB (publ), corporate identity number 556993-2485

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordax Group AB (publ) for the year 2016, with the exception of the corporate governance statement on pages 49-65. The annual accounts and consolidated accounts of the company are included on pages 33-48 and 66-103 in this document.

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 parent company as of 31 December 2016 and its financial performance and cash flow for the 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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 49-65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates, such as credit provisions, that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

We organised our audit to perform full scope audit of entities with high significance and risk to the group. The procedures applied generally include an assessment and testing of controls over key business processes related to the financial reporting, such as the process of credit provisions, tests of accounting records combined with analytical procedures. The audit was conducted during the year. In November, we reported to the Board of Directors on our audit of internal control over financial reporting and management's administration. We also conducted a review of the Interim Reports at each quarter during 2016. At year end, we reported the results of our audit of the annual accounts and management's administration to the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Provision for credit losses

Accounting of loan portfolios and calculations of credit provisions are based on management's judgments of future cash flows and discount rates. This includes management's subjective judgments over both timing of recognition of impairment and the estimation of the size of any such provision.

Nordax has models for calculating provision for probable credit losses both on individually assessed loans and on a collective basis.

Important areas for calculating provisions relate to:

- Measurements on how loans perform over time
- Vintage of individual loans
- Maturity of the portfolio

As per 31 December, 2016 the accounting value of lending to the general public amounted to MSEK 12 794, whereof the provisioning reserve was MSEK - 1 419. We consider this to be a significant part of the balance sheet.

Refer to Annual Report note 12 - Credit losses and note 4 - Financial risk management.

How our audit addressed the Key audit matter

Our audit procedures included a combination of testing of controls over financial reporting relating to the provision calculation procedures as well as substantive testing.

The testing of internal controls included procedures relating to the governance structure of the credit provision process. This includes management's assessment of the models for credit provisions, segregation of duties within the approval process and key controls in the lending process.

Substantive testing consisted of evaluating and validating the models and assumptions related to the calculation of the credit provisions. We assessed and compared the models and assumptions used to appropriate benchmarks in order to judge the reasonableness of the provisions.

We examined, compared and assessed historical data to assess the certainty of the forecasts of cash flows within the provisioning models.

We also examined and obtained support for a random sample of parameters and data used in the model of forecast future cash flows. We performed detailed testing on a sample of data in the models and tested the classification for each credit class.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-32 and 49-65. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act of Credit Institutions and Security Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs

and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Report on other legal and regulatory requirements Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordax Group AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Security Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 49-65 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm the 22 March 2017
Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant

Bridge statutory to adjusted accounts

BRIDGE STATUTORY TO ADJUSTED ACCOUNTS

All amounts in MSEK	JAN-DEC 2016	JAN-DEC 2015
Total operating income statutory accounts	1,176	888
Foreign exchange gain/loss	-63	55
Adjusted total operating income	1,113	943
Total operating expenses statutory accounts	439	481
Non-recurring items	13	-74
Amortization of acquired intangible assets	-13	-13
Adjusted total operating expenses	439	394
Marketing expenses	-135	-125
Adjusted total operating expenses excluding marketing costs	304	269
Net credit losses (as reported)	-164	-157
Operating profit statutory accounts	573	250
Non-recurring items	-13	74
Foreign exchange gain/loss	-63	55
Amortization of acquired intangible assets	13	13
Adjusted operating profit	510	392
Tangible equity	1,815	1,413
Shareholders' equity	2,120	1,733
Intangible assets	-305	-320
Adjusted return on tangible equity	24.6%	23.2%

Definitions

The Group considers that the key figures are relevant to the users of the financial report as a complement to assess the financial performance of the Group.

Adjusted operating income

Total operating income excluding foreign exchange gains/losses.

Adjusted cost to income ratio (C/I ratio)¹

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 expenses¹

Total operating expenses excluding amortization of acquired intangible assets and non-recurring items.

Adjusted operating profit¹

Operating profit excluding amortization of acquired intangible assets, foreign exchange gains/losses and non-recurring items.

Adjusted profit¹

Profit excluding amortization of acquired intangible assets, foreign exchange gains/losses and non-recurring items as well as the tax effect thereof.

Adjusted return on average net loans¹

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 equity¹

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 capital²

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 ratio²

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

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 ratio²

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)²

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.

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 ratio²

Tier 1 capital as a percentage of risk exposure amount.

Tier 1 capital²

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

Tier 2 capital²

Mainly subordinated loans not qualifying as Tier 1 capital contribution.

Total capital ratio²

Total own funds

¹ The adjusted numbers are presented in order to show the underlying performance of the business reflecting constant currencies and excluding non-recurring items primarily related to the IPO 2015. A bridge between statutory and adjusted accounts can be found on page 107.

² These are reported with respect SFSA's regulations and general recommendations see regarding capital adequacy, pages 83-85.

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.

GRI-Index

About the Sustainability Report: Nordax report 2016 for the first time its sustainability work in accordance with reporting standard Global Reporting Initiative (GRI). The Sustainability Report in all essential follow Version 4.0, Core-level. The report will published annually.

Report Scope and Boundary

The starting point for the report is mainly the activities that have a significant and direct impact from a sustainability point of view, that is, the Group own businesses. The report covers the entire Group in terms of social and economic aspects.

For more information about Nordax sustainability efforts, please contact: Andreas Frid, andreas.frid@nordax.se

GRI INDICATOR	PAGE/COMMENTS
General Standard Disclosures	
Strategy & Analysis	
G4-1	CEO and Chairman of the board comments CEO comments page 4 och chairman´s comments page 48
Organizational profile	
G4-3	Name of the organisation Frontpage
G4-4	Primary brands, products, and services Nordax in brief, page 3
G4-5	Location of the organisation's headquarters Nordax in brief, page 3
G4-6	Countries where the organisation operates or names of countries where either the organisation has significant operations Nordax in brief, page 3
G4-7	Nature of ownership and legal form Board of Directors' report page 33 and note 1 page 72
G4-8	Markets served Nordax in brief, page 3
G4-9	Scale of the organisation Nordax in brief, page 3, Multi-Year Review page 37, KPI page 39
G4-10	Total number of employees by employment contract and gender Staff statistics page 113
G4-11	Percentage of total employees covered by collective bargaining agreements Sustainability - Employee well-being page 25
G4-12	Describe the organisation's supply chain Sustainability - Business ethics page 26
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain First Sustainability report
G4-14	Explanation of whether and how the precautionary approach is addressed by the organisation Not relevant for Nordax
G4-15	Subscription to externally developed economic, environmental and social charters or principles Sustainability, page 21
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations Member of Global Compact and Swedish Bankers' Association
Identified Material Aspects and Boundaries	
G4-17	Entities included in the organisation's consolidated financial statement GRI index page 110
G4-18	Process for defining report content and aspect boundaries Sustainability, page 21
G4-19	Material Aspects identified in the process for defining report content GRI index page 110 Sustainability, page 21
G4-20	For each material Aspect, report the Aspect Boundary within the organisation Concerns Nordax Group
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation Not applicable, does not report anything outside of the organisation
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements First Sustainability report
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries First Sustainability report

Stakeholder Engagement		
G4-24	Stakeholder groups engaged by the organisation	Sustainability, page 22
G4-25	Basis for identification and selection of stakeholders with whom to engage	Sustainability, page 22
G4-26	Approaches to stakeholder engagement	Sustainability, page 22
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Sustainability, page 22
Report Profile		
G4-28	Reporting period for information provided	1 January - 31 December 2016
G4-29	Date of most recent previous report	First Sustainability report
G4-30	Reporting cycle	Annually
G4-31	Contact point for questions regarding the report or its contents	andreas.frid@nordax.se
G4-32	The "in accordance" option and GRI content index	G4 core 4.0
G4-33	Policy and current practice with regard to seeking external assurance for the report	Reports for the first time but will evaluate the external review in the future
Governance		
G4-34	Governance structure of the organisation	Corporate Governance Report page 49
Ethics and Integrity		
G4-56	The organisation's values, principles, standards and norms of behavior.	Core values page 19 and Business ethics page 26
Specific Standard Disclosures		
ENVIRONMENTAL		
Materials		
G4-DMA		Sustainability - Resource efficiency page 27
G4-EN1	Materials used by weight or volume	Ongoing dialogue with suppliers to provide data for 2017
Energy		
G4-DMA		Sustainability - Resource efficiency page 27
G4-EN3	Energy consumption within the organisation	Sustainability - Resource efficiency - page 27
SOCIAL		
Labor Practices and Decent Work		
Employment		
G4-DMA		Sustainability - Employee well-being, pages 24-25
G4-LA1	Total number of employees and employee turnover by age group, gender and region	Staff statistics, page 113
Occupational Health and Safety		
G4-DMA		Sustainability - Employee well-being, pages 24-25
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender	4 work-related illnesses and 3 injuries recorded during in 2016
Training and Education		
G4-DMA		Sustainability - Employee well-being pages 24-25
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Not measured in 2016, start of measurement 2017
G4-LA11	Percentage of employees receiving regular performance and career development reviews	100%

Diversity and Equal Opportunity		
G4-DMA		Sustainability - Employee well-being, pages 24-25
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership	Staff statistics, page 113
Equal Remuneration for Women and Men		
G4-DMA		Sustainability - Employee well-being pages 24-25
G4-LA13	Ratio of basis salary and remuneration of women to men by employee category, by significant locations of operation	Sustainability - Employee well-being page 25
Human Rights		
Non- discrimination		
G4-DMA		Sustainability - Employee well-being, pages 24-25
G4-HR3	Total number of incidents of discrimination and corrective actions taken	0
Society		
Anti-Corruption		
G4-DMA		Sustainability - Business ethics, page 26
G4-SO3	Total number and percentage of operations assesses for risks related to corruption and the significant risks identified	Evaluation will be carried out in 2017
G4-SO4	Communication and training on anticorruption policies and procedures	Anti-corruption is part of Nordax Ethical standards, which have been communicated to all employees. Compliance maintains ongoing internal training regarding the content of the ethical standards.
Compliance		
G4-DMA		Sustainability - Business ethics, page 26
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	0
Product Responsibility		
Product and Service Labeling		
G4-DMA		Sustainability - Responsible lending, page 23
G4-PR5	Result of surveys measuring customer satisfaction	Sustainability - Responsible lending, page 23
Product Portfolio		
G4-DMA		Sustainability - Resource efficiency, page 27
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainability - Resource efficiency - ambition for 2017, page 27

Staff statistics

GROUP

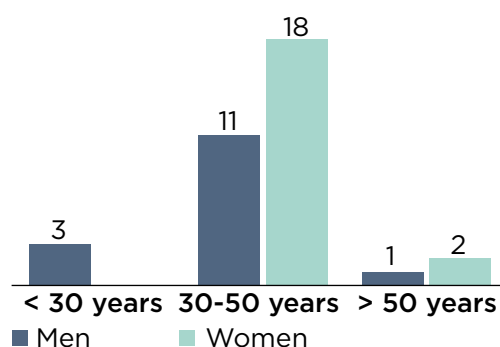
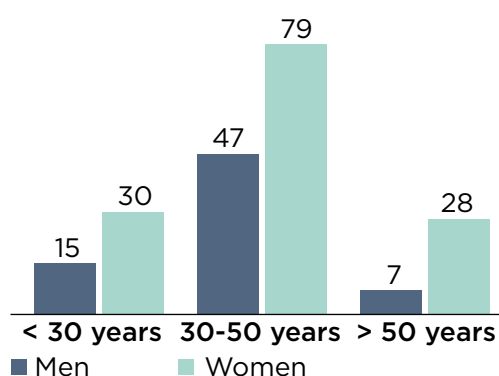
	2016			2015		
	Men	Women	TOTAL	Men	Women	TOTAL
Total number of employees	96	164	260	90	160	250
	Full-time	Part-time	Hour	Full-time	Part-time	Hour
Permanent employees	206	0	0	217	0	0
Temporary employees		0	54		0	33
	2016			2015		
	Men	Women	Total	Men	Women	Total
Permanent employees	69	137	206	78	139	217
Managers	15	20	35	16	17	33
Senior Management	4	4	8	2	5	7
Board of Directors	5	3	8	7	2	9
Staff turnover, number	Men	Women	Total	Men	Women	Total
<30 years old	6	4	10	1	4	5
30-50 year	11	13	24	4	5	9
>50 years	2	0	2	0	2	2
Total	19	17	36	5	11	16
Total staff turnover, %			17.1%			6.8%
Accidents and illness			Number			Number
Workrelated accidents			0			0
Workrelated illness			4			0
Total			4			0
Sick-leave						
Sick-leave, %			4.40%			4.30%
Long-term healthy, %			68%			65%
Number of permanent employees that had appraisals	Men	Women	Total	Men	Women	Total
	69	137	206	78	139	217

GENDER

	Men	Women
All employees	96	164
Senior Managment Team	4	4
Board of Directors	5	3
Managers	15	20

AGE DISTRIBUTION EMPLOYEES

AGE DISTRIBUTION MANAGERS



Annual General Meeting

Annual General Meeting and Nomination Committee

The Annual General Meeting of Nordax Group AB (publ) will be held at 9:00 am on Thursday, 27 April 2017 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 Friday 21 April 2017, and
- notify Nordax of their attendance no later than Friday 21 April 2017

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

- on the Nordax website www.nordaxgroup.com
- by post to: Nordax Group AB, Årsstämma 2017, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden
- by telephone on +46 8 402 92 09.

When notifying the company of your intention to attend, you will need to state your name, address and personal identity number.

Nominee-registered shares

Shareholders with nominee-registered their shares must ensure in good time before Friday 21 April 2017 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 proxy, the authorisation must be sent prior to the meeting to Nordax Group AB, Årsstämma 2017, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden. Persons representing a legal entity must present a copy of the certificate of incorporation or corresponding authorisation documents showing the names of authorised signatories.

Nomination committee and agenda at the meeting

Information on the Nomination Committee appeared in the Nordax interim report for the period January-September 2016. The information was also published on the website www.nordaxgroup.com.

Information how shareholders can have an item discussed at the Annual General Meeting was provided in the year-end report for 2016. The information was also published on the website www.nordaxgroup.com.

Dividend

The Board of Directors and the Chief Executive Officer propose that a dividend of 1.60 SEK per share be paid for 2016, corresponding to SEK 177.1 million. The proposed record date is Tuesday, 2 May, 2017. Euroclear Sweden AB anticipates that the dividend will be paid out to shareholders on Friday 5 May 2017, subject to the decision of the Annual General Meeting.

Financial calendar

2017

April 26, 7:30 am	Interim report January-March
April 27, 9:00 am	Annual General Meeting, Bryggarsalen, Norrtullsgatan 12N, Stockholm, Sweden
July 14, 7:30 am	Interim report January-June
October 25, 7:30 am	Interim report January-September

2018

February	Year-end report
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Contacts

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Corporate Identity Number: 556993-2485

