Nordax Bank

30 January 2018

Effects of transitioning to IFRS 9 and decision to apply transitional rules for capital adequacy

A new standard for the accounting of financial instruments, IFRS 9, was introduced on 1 January 2018, replacing the previous standard, IAS 39. IFRS 9 introduces a new model to calculate credit loss reserves that is essentially based on expected credit losses and not solely on loss events that have already occurred. As Nordax previously has communicated transitioning to the new standard increase provisions and reduce equity. In transitioning to the new standard provisions for credit losses in Nordax Group AB (publ) ("Nordax") increases by approximately 177 MSEK. Nordax has decided to apply the transition rules, which in the case of capital adequacy permits a gradual phasing in of the effect.

The new standard IFRS 9 applies to the financial year beginning 1 January 2018. In accordance with IFRS 9, provisions for credit losses are made directly in connection with the lending instead of when a loss event already has occured, as done before. This means that the provisions for credit losses are brought forward and increase, but with no impact on either cash flow or the underlying credit risk.

The EU has decided on transition rules in connection with the introduction of IFRS 9 that permit a gradual phasing in of the effect in capital adequacy that arises directly from increased provisions for expected credit losses. Nordax has informed the Swedish Financial Supervisory Authority of its decision to apply the transition rules. Nordax informed the market, already in the IPO prospectus in 2015, about expexted effects from transitioning into a new standard (see https://www.nordaxgroup.com/en/investors/initial-public-offering/ for more information).

The financial one-off effects for Nordax of the transition to IFRS 9 are:

- Provisions for expected credit losses increase by 177 MSEK. The majority of the additional provisions relate to loans where there was no indication as of year-end of a diminished ability to pay and for which, in accordance with previous accounting rules, no provisions had been allocated.
- A decrease in equity of approximately 138 MSEK before tax.
- In the calculation of the capital base for capital adequacy, the decrease in equity is accrued over the period 2018-2022 as follows:
  - 2018 95% reversal of the initial impact on equity
  - 2019 85% reversal of the initial impact on equity
  - 2020 70% reversal of the initial impact on equity
  - 2021 50% reversal of the initial impact on equity
  - 2022 25% reversal of the initial impact on equity

As of 30 September 2017 Nordax reported a Common Equity Tier 1 capital ratio of 14.9%, compared to the calculated capital requirement of 9.1% and the target to have a Common Equity Tier 1 capital ratio above 12%.

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Nordax releases its year-end report for 2017 on 8 February 2018 at 7.30am CET and will in the report provide more details with regards to the implementation of IFRS9.

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About Nordax

Nordax has a vision to become the leading niche bank in Northern Europe. Today we offer service to more than 150,000 customers in Sweden, Norway, Finland and Germany. We are a complement to the major banks and concentrate on a few products in which we are experts. We specialise in helping people make informed decisions for a life they can afford. Nordax employs about 200 people, all working in its office in Stockholm. The underwriting process is Nordax's core competency; it is thorough, sound and data driven. Nordax's customers are financially stable individuals. The typical customer is 49 years old and has an income above the national average. As of September 30, 2017 lending to the general public amounted to SEK 13.5 billion and deposits amounted to SEK 8.3 billion. Read more onwww.nordaxgroup.com. For more information about Nordax's customer offerings, read more on each country's web site: www.nordax.se, www.nordax.no, www.nordax.fi andwww.nordax.de.