Nordax Bank

2017

ANNUAL REPORT

Nordax Group AB (publ)

CONTENTS

Nordax in brief 3

CEO comments 4

Targets and Outcome 6

Priorities 8

Financial performance 9

Business model 13

Strategy 14

Sustainability Report 18

Risk management 29

Nordax shares 31

Board of Directors' Report 34

Chairman's comments 48

Corporate Governance Report 49
Board of Directors' 62
Senior Management 65

Financial reports and notes 67

Proposed disposition of profits 104

Independent Auditor's report 105

Auditor's report on the statutory sustainability report 108

Bridge statutory to adjusted accounts 109

Definitions 110

GRI-index and sustainability reporting 111

Staff Statistics 117

Key concepts and significant events since 2003 118

Annual general meeting 119
Financial calendar 119
Contacts 119

Niche bank focused on sustainable growth

Nordax is a leading niche bank in Northern Europe offering savings and loans to over 155,000 customers in Sweden, Norway, Finland and Germany.

Nordax has around 200 employees, all working from a central office in Stockholm. Nordax complements the major banks and concentrates on a limited number of products. We are specialists at helping people make informed decisions for a life they can afford. Our credit assessment process is our core competence and is thorough, sound and data-driven. The typical customer is around 50 years old and has an income exceeding the national average.

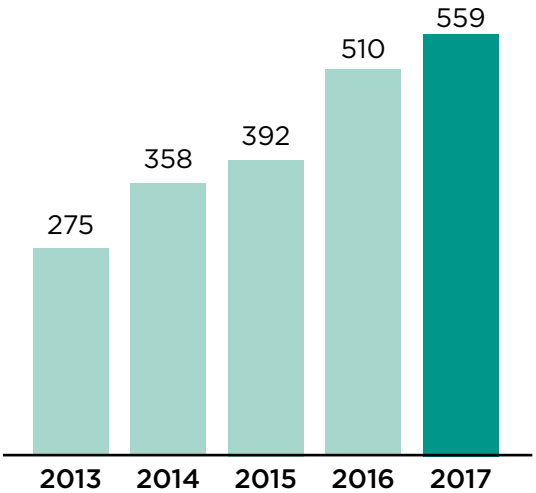
Nordax's business model has historically been focused on unsecured personal loans with geographical and funding diversification. In 2018 Nordax will broaden its product offering to include mortgage financing in Sweden and also analyse potential opportunities to add other lending products or geographical markets.

NORDAX STRENGTHS

- **Expertise** in data-driven credit assessment
- **Effective marketing** where the large share of lending is through our own channels
- **Central, scalable platform** with increasing efficiency
- **Focused business model** that delivers sound growth
- **Geographically diversified lending**
- **Gradual expansion of the business** to new geographical markets
- **Stable credit quality** based on responsible lending and financially stable customers
- **Diversified funding and robust liquidity**
- **Solid capital position**
- **Robust profitability** to finance growth and a dividend
- **Ability to cost-effectively** add more products to the central platform

ADJUSTED OPERATING PROFIT

MSEK



FINANCIAL DEVELOPMENT

MSEK

	2017	2016	%
Net profit	409	446	-8
Operating profit	529	573	-8
Adjusted operating profit[1]	559	510	10
Lending to the general public	13,488	12,794	5
Deposits from the public	7,511	7,141	5
Equity	2,345	2,120	11
Earnings per share. SEK	3.69	4.02	-8
Adjusted[1] earnings per share. SEK	3.90	3.59	9
Return on Equity. %	18.3	23.2	

[1] Adjustments has been made to show the underlying results, see page 109 for more information

CEO-comments

I was very pleased on 1 September to take over as CEO of Nordax. We have set a high pace since then, focusing on a review of the organisation and clarifying our strategic agenda. The strategic overview that we did during the autumn resulted in a number of focus areas. Among them are clear investments to improve in current markets especially in Germany, increased ambitions for digital investments in processess and as a channel to attract new customers, and for the first time in our history to broaden our product range.

The personal loan market experienced solid demand in 2017 together with tightening competition. This was especially evident in Norway. To be more competitive, we continued to invest in digitisation and improvements of customer processes.

We have in recent years increased the focus on our customers in everything we do. We are more attentive to the types of services our customers desire. To better meet them, we reorganised our customer service units in 2016. The results of the reorganisation and improvements to customer service is now evident in customer service surveys and at the same time efficiency has improved.
Our employees are also becoming more satisfied and engaged in their work. In 2017 we took frequent pulse surveys of employee satisfaction and focused on Nordax's purpose and positioning and on developing leadership in the company. Having engaged employees and a strong employer brand are imperative to retain talent and attract new employees.

Our customers come to us with a need and they increasingly demand quick, convenient and simple processes, which we will continue to adjust to and provide. In 2017 we devoted more resources than ever before to digital development. During the year we launched a "digital bank" for savings and loan customers, which gives them digital access to basic account information. Going forward we will continue to add services and functionality. We are streamlining and improving our credit application processes with a extra focus on Germany, where during 2018, we will begin collaborating with an external partner to digitise the application flow and improve efficiency. During the year we took the first steps in being available for our customers on social media and began marketing ourselves more digitally. Awareness of the Nordax brand is too low partly due to our direct marketing focus where branding has been less important. During 2018 we will clarify and market our brand more in other channels.

One focus area for us is to become more efficient in everything we do. Here we were successful during the year and our costs were stable. We will continue to increase efficiency in the organisation and in processess to further strengthen our competive position.

Nordax is a responsible lender with sound values and takes responsibility for every part of its business. We want to be farsighted and sustainable in everything we do. During the year the most important focus area in our sustainability work was responsible lending. We joined a Finnish debt register and in 2018 our hope of establishing a Norwegian debt register will finally be realised. In Sweden we helped the Swedish Bankers' Association draft a code of responsible lending for consumers. In addition, we developed a code of conduct for our employees, established a brand platform as a foundation for our marketing, began to carbon compensate for our marketing, and strengthened employeeship within Nordax.

A decision was made during the year to broaden Nordax's productportfolio. The first step in a broader strategy will be to launch mortgage loans for individuals who do not fit into the narrow criterias used by the major banks. Utilising our expertise in credit assessment, our targeted marketing and our central platform to add new products in the future will give us more room for growth and exciting development opportunities. At the same time we respect the fact that we have historically been focused one main product and that a broader strategy will require investments and entail new risks that need to be managed carefully.

COMMENT ON RESULT AND GOALS

Our net profit decreased to 409 MSEK (446) and the return on our growing equity was 18%. Adjusted operating profit (after adjusting for FX effects and non-recurring costs) rose in 2017 by 10% to 559 MSEK and our loan portfolio grew in total by 5%, which was a significantly lower rate than in previous years. Our margins were fairly stable during the year. Finland was the market that grew the most in 2017, at about 26%, and we are optimistic about growth opportunities in Finland going forward. Germany has also continued to grow steadily, but at this point accounts for only 7% of total lending. In Sweden lending grew 6%, but growth slowed in the second half of the year. In our largest market, Norway, lending fell 2% after we tightened lending terms at the end of 2016, but also due to increased competition.

The adjusted cost to income ratio decreased to 25.8% (27.3) and our ambition is to be even more efficient. The net credit loss level increased slightly during the year to 1.6% (1.4%), but remained well below the target of 2% over an economic cycle.

Our capitalisation remained solid and improved during the year. Here as well our ambition is to be more efficient in order to ensure that our equity is competitive.

Our financial targets for the return on average lending, capitalisation and dividend were exceeded during the year. For more information, see pages 6-7.

FUTURE OUTLOOK

During the year we saw a somewhat declining profit and lending growth. In the light of the strategic review we carried out I feel confident in the opportunity to improve long term. Nordax is a well-capitalised profitable niche bank which is well positioned for the future.

In addition to our current product portfolio, we will look at other areas for future growth and product development. The first step in 2018 is to launch mortgages in Sweden with a focus on workers who do not have a traditional full-time employment. This is a steadily growing customer group because of the way society is changing and where we can utilise our core competence in lending to develop an attractive service offer.

I am convinced that with our competence in credit assessment and our central platform we can within a few years serve customers with a significantly broader product range, broaden our operations to more countries and develop new channels to reach customers.

I would like to extend a big gratitude to all employees for all excellent efforts. Together we have a lot of exciting things in front of us!

Jacob Lundblad
CEO

Stockholm
March 2018

Strong profit leads to strong performance

Nordax has three financial targets, covering the return on lending, capitalisation levels and the dividend to shareholders. All the targets were exceeded in 2017. In addition, Nordax has a number of operating targets. For more information, see our sustainability report on pages 18-28.

RETURN ON AVERAGE LOANS

TARGET

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

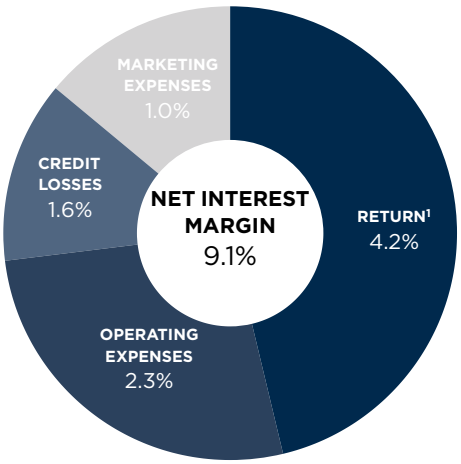
MOTIVATION

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

OUTCOME

In 2017 the adjusted return on average loans was 4.2% (4.3%). The adjusted return shows underlying profit after adjustments for FX-effects and one-offs (see page 109 for more information). The interest margin and net credit loss level had a slightly negative effect on the return, while increased efficiency in administration and marketing had a positive effect on the return.

FROM NET INTEREST MARGIN TO RETURN



[1] On average loan

RETURN ON AVERAGE LOANS

TARGET >3.0%

OUTCOME 4,2%

CAPITALISATION

TARGET
To maintain a 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 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 2017 and the capital ratios improved by 0.7 percentage points. The margin to the regulatory requirement for Common Equity Tier 1 capital increased to 5.0 percentage points and for total capital to 3.5 percentage points. The increased capitalisation was driven by the solid profitability, which with the margin financed the loan portfolio's growth and the proposed dividend of 54% of net profit. All capitalisation levels includes a provision in accordance with the Board of Directors proposal of dividend to the Annual General Meeting in 2018.

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 payout ratio is considered reasonable given Nordax's profitability, capitalisation target, capital position and growth aspirations. It allows Nordax to grow while at the same time generating a cash flow for our shareholders.

OUTCOME
For 2017 the Board of Directors has proposed an ordinary dividend of 1.60 SEK per share for 2017 (1.60) and a special dividend of 0.40 SEK per share, for to a total dividend of 221.5 MSEK. The ordinary dividend represents 43% of net profit for 2017, in line with Nordax's dividend policy. The special dividend is made possible by Nordax's strong capital position. The total proposed dividend corresponds to a payout ratio of approximately 54%. If Nordax pays the proposed dividend prior to the settlement of proceeds in the mandatory public cash offer described on page 47, the offer price per share will be reduced accordingly.

CAPITALISATION

Common Equity Tier 1 Capital Ratio

TARGET	OUTCOME
>12%	14.7%

Total Capital Ratio

TARGET	OUTCOME
>14.7%	16.7%

PROPOSED DIVIDEND

Pay-Out Ratio

TARGET	OUTCOME
~40%	54%

Dividend 2017

2.00 SEK

Priorities for long-term 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.

ORGANIC GROWTH IN PERSONAL LOANS

- Investments in brand and digital marketing
- Optimise loan broker channel
- Build customer loyalty
- Digitisation on-boarding Germany

The aim is to increase new lending and organic growth. Our priority is to increase our presence and new lending in digital channels through branding initiatives and campaigns. In the loan intermediary channel, this will be achieved by improving processes, adjusting pricing in various segments and adding more brokers. For existing customers, we will use loyalty building measures, more digital self-services, improved customer support and targeted offers to strengthen loyalty. In Germany, we will digitise and improve the application flow together with an external partner, which will broaden distribution to more channels.

BROADEN THE PRODUCT OFFERING

- Mortgage launch in Sweden
- Strategic analysis of product range

In 2018 we are expanding our product offering to include mortgage loans in Sweden. Mortgages will mainly be offered to applicants with non-traditional jobs, where there is a large and growing demand in society. We see good potential within this niche over time and can leverage our existing platform and credit assessment expertise to build a broader offering. For more information, see page 17. After the launch in Sweden, we will prepare to launch in our other Nordic markets. We will continue to explore opportunities to add other lending products in the future.

INCREASED EFFICIENCY WILL MAKE US MORE COMPETITIVE

- More self-services
- Automation of processes
- More efficient customer service
- Increased capital and funding efficiency

In 2017 we invested more than ever in digital development. It is a top priority to increase self-service options in our digital banking services and application processes. This will increase efficiency, drive customer satisfaction and improve the conversion rate from application to paid-out loan. Through investments in better tools to manage customer service flows, we will create efficiencies and customer satisfaction by ensuring that customers get support right away, whichever channel they choose. Being efficient in every way is essential to gain a competitive edge. This includes our capital and funding structure, where we will be reassessing our current strategies to see if we can improve efficiency further.

RESPONSIBLE BUSINESS

- Join the Norwegian debt register
- Increase customer satisfaction and employee engagement

In 2017 Norway made it legal to create a debt register. We feel this is imperative to create a sustainable credit market and look forward to joining it. By improving our services and working actively with the feedback we receive from our customers, we will further strengthen customer satisfaction. We will continue to promote employeeship and leadership to improve engagement, which is critical to reach our goals. For more information on these priorities and our aspirations as a responsible business, see pages 18-28.

Continued growth in the lending portfolio

In 2017 lending grew and our adjusted profit and capital position strengthened. Growth in the loan portfolio, increased cost efficiency and stable margins contributed to an improvement in adjusted profit. Net profit decreased, however, due to negative FX effects.

HIGHLIGHTS OF 2017

- The loan portfolio grew 7% in constant currencies
- Adjusted operating profit improved 10%
- Cost efficiency improved and underlying costs were stable
- The return on equity was 18%
- Capitalisation continued to strengthen
- Earnings per share 3.69 SEK (4.02)

NEW LENDING PRODUCED STRONG GROWTH

Continued efficient marketing and an attractive loan offer helped to grow the loan portfolio by 5% to a total of SEK 13.5 billion. Adjusted for FX effects the increase was 7%. The highest relative growth was in Finland and Germany, followed by Sweden, while the lending portfolio in Norway decreased slightly during the year.

LOWER NET PROFIT DUE TO FX

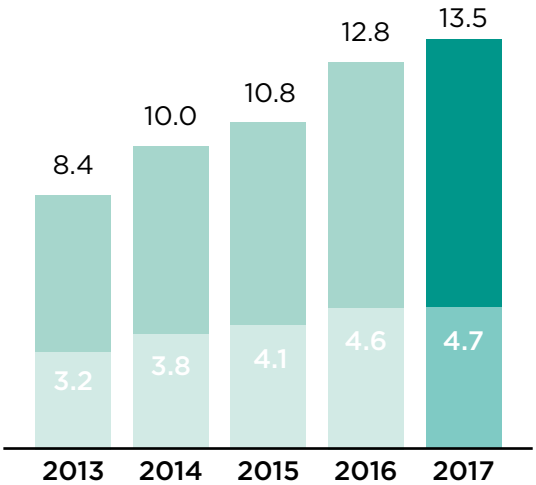
Net profit decreased to 409 MSEK (446). The decrease was mainly due to negative FX effects during the year. Adjusted operating profit, excluding FX effects and non-recurring items, rose by 10% to 559 MSEK, which was mainly a result of improved net interest income from the growing lending business.

The adjusted return on equity excluding intangible assets decreased to 22.4% (24.6) due to higher equity. The adjusted return on average net loans was 4.2% (4.3).

Earnings per share decreased to 3.69 SEK (4.02). Adjusted earnings per share rose by 9% to 3.90 SEK (3.58).

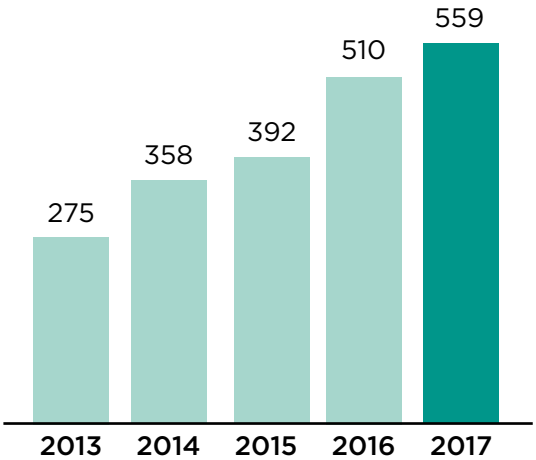
TOTAL LENDING AND NEW LENDING

BILLION SEK



ADJUSTED OPERATING PROFIT

MSEK



IMPROVED NET INTEREST INCOME

Total operating income increased by 1% to 1,189 MSEK (1,176), positively affected by a larger loan portfolio, while FX effects had a negative impact during the year.

Net interest income rose by 9% to 1,194 MSEK (1,100) thanks to increased lending volumes. Net interest income improved in all markets. The net interest margin decreased during the year to 9.1% (9.3). Interest income and interest expenses both decreased in relation to the lending portfolio.

Net profit from financial transactions amounted to -24 MSEK (60), mainly due to negative FX effects, with a stronger SEK against NOK having a negative effect. In the same period in 2016 SEK weakened against NOK and EUR, which strengthened profit. Nordax has open positions in foreign currencies to protect its capital adequacy ratios against currency fluctuations. The FX effect on regulatory capital has a corresponding impact on net profit from financial transactions. For more information on foreign currency sensitivity, see page 46.

Net commission income, which largely consists of income from the sale of payment protection insurance, increased to 19 MSEK (16).

INCREASED EFFICIENCY

Nordax is focused on increasing operational efficiency to be more competitive and improve the adjusted cost to income ratio (which excludes marketing costs). Marketing costs, which are an investment in new lending and future volume growth, account for about a third of the total cost base. Marketing efficiency is regularly monitored and measured as marketing costs in relation to new lending.

Total operating expenses rose slightly to 451 MSEK (439). Excluding non-recurring items, which reduced expenses in 2016, the cost level was stable. General administrative expenses increased 3% to 299 MSEK (291). IT costs increased the most due to investments in better digital customer solutions, while other expenses decreased. The largest share of general administrative expenses is staff costs, which account for about 54 % of expenses.

Other operating expenses, which largely consist of marketing costs, fell 6% to 128 MSEK (136). Marketing efficiency improved during the year, mainly in Finland and Germany, which also were the markets with the highest lending growth.

No non-recurring items were recognised during the year. In 2016 expenses decreased 13 MSEK due to non-recurring items related to dissolving provisions made in conjunction with the listing, 2015.

Depreciation, amortisation and impairment were stable at 24 MSEK (25).

The adjusted cost to income ratio improved during the year to 25.8% (27.3).

RETURN ON EQUITY

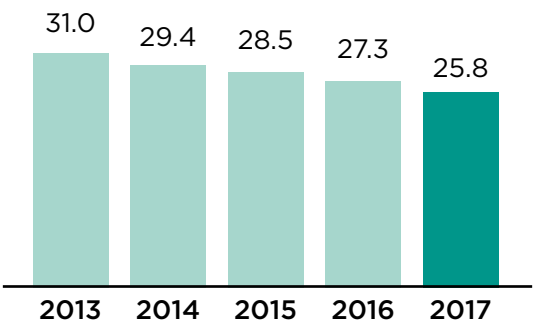
18%

INCREASED NET INTEREST INCOME

+9 %

ADJUSTED COST/INCOME RATIO

%



STABLE CREDIT QUALITY AND TAX RATE

Net credit losses increased slightly to 209 MSEK (164). The credit loss level increased slightly to 1.6% (1.4%), but remained well below the ambition of 2% over a business cycle. The credit loss level decreased in Finland, was relatively stable in Sweden and increased slightly in Norway and Germany.

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, but also because of lower recoveries of expected credit losses.

Tax amounted to 120 MSEK (127). The effective tax rate was 23% (22).

STRONG BALANCE SHEET AND LIQUIDITY

Total assets rose 7% during the year to 16,878 MSEK (15,773), mainly driven by a growing loan portfolio. Lending to the public grew 5% to 13,488 MSEK. Lending grew in all markets except Norway, where it fell slightly in local currency.

Nordax funding is about equally splitted between capital markets funding and deposits from the public. At year-end about 45% of funding was deposits, about 41% capital market funding and 14% equity funding.

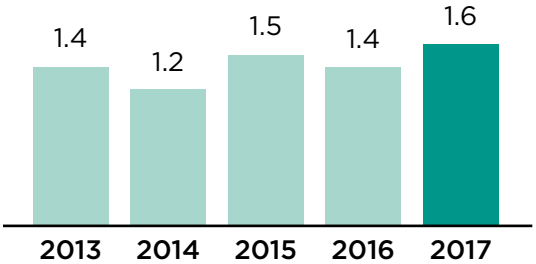
Nordax offers retail deposit products to private customers in all markets where we have a lending operation. During the year total deposits grew 5% to 7,511 MSEK (7,141). Deposits increased the most in the German market, which has become an effective source to fund the growing lending in EUR in Finland and Germany.

Nordax's funding costs fell during the year due to lower deposit rates and lower costs for capital market funding.

Nordax has robust liquidity and had a liquidity reserve at 31 December of 2,610 MSEK, which is conservatively invested in fixed-income securities with an average rating of AA and bank holdings. All bank holdings in the liquidity reserve are available and all securities are repo-able with central banks. Nordax's liquidity measures exceeds by a wide margin the current and expected future regulatory requirements with a liquidity coverage ratio (LCR) of 616% and a stable net stable funding ratio (NSFR) of 113%.

NET CREDIT LOSS LEVEL

%



SOLID LIQUIDITY

LIQUIDITY RESERVE

2.6 BILLION SEK

LCR

616%

NSFR

113%

EQUITY

Equity generation remained strong during the year as a result of solid profitability. Equity amounted at year-end to 2,345 MSEK (2,120) and during the year 177 MSEK was paid as a dividend to shareholders for 2016.

REGULATORY CAPITAL

Nordax has a strong capital situation and as of 31 December the total capital ratio was 16.7% (16.0). All capital ratios includes a provision in accordance with the Board of Directors' proposal for an ordinary dividend of 1.60 SEK per share and a special dividend of 0.40 SEK per share. The improvement in the ratio during the year is due to Nordax's robust profitability, and even with the increased proposed dividend the capital ratios strengthened during the year.

The Common Equity Tier 1 capital ratio was 14.7% (14.0), compared to an estimated requirement of 9.7% including the internally estimated Pillar 2 requirement and the target of 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%, 1.4% for the Countercyclical Capital Buffer and 1.3% for the internally estimated Pillar 2 requirement.

The risk exposure amount increased to 12,415 MSEK (11,714), of which 10,828 MSEK (10,208) relates to credit risk, 787 MSEK (752) to market risk, mainly for currency risk as a result of the strategy to hedge the capital adequacy ratios, and 800 MSEK (754) to operational risk.

Nordax's leverage ratio, which measures the ratio between capital and total assets, improved during the year to 11.2% (10.8), which is well over the levels indicated for future regulations and significantly higher than the ratio for the major Swedish banks.

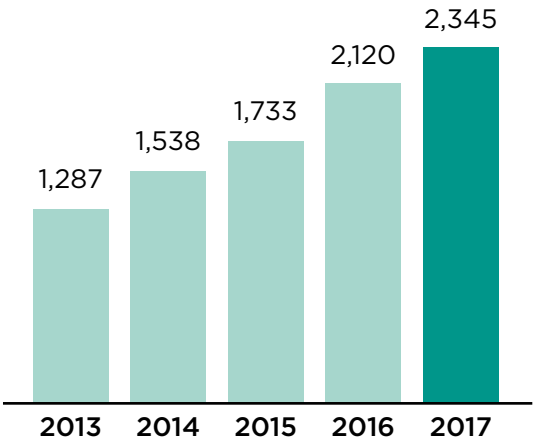
FUTURE IMPACT ON CAPITAL RATIOS

The new reporting standard IFRS 9 introduced as of 1 January 2018 requires increased provisions for expected credit losses. In the transition to the new standard in 2018 a one-off effect of 177 MSEK will arise for increased provisions for expected credit losses, with a corresponding decrease in equity before tax. In its capital adequacy calculations Nordax has decided to use the transition rules, for phase-in of this effect toward core Tier 1 Equity, see pages 76-77 for more information.

At the end of 2017 a review was launched of the strategy to manage Nordax's portfolio of non-performing loans going forward and the strategy to hedge the capital adequacy ratios. The aim is to see whether Nordax can further increase its cost and capital efficiency, which potentially could free up more capital.

TOTAL EQUITY

MSEK



COMMON EQUITY TIER 1 CAPITAL RATIO

REQUIREMENT

9.7%

TARGET

>12%

OUTCOME

2016 **14.0%**

2017 **14.7%**

Proven business model

PERSONAL LOANS AND SAVINGS

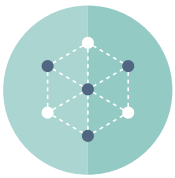
We offer unsecured personal loans with long and flexible repayment periods to people who are financially stable. Our savings customers receive competitive terms.

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 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 over 155,000 customers in Sweden, Norway, Finland and Germany.



DIVERSIFIED FUNDING

A key feature in 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 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 our strong customer group through targeted marketing.

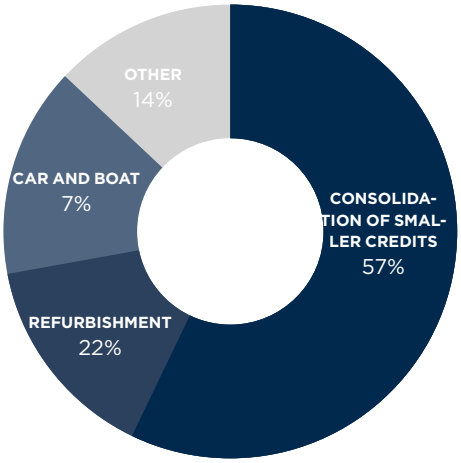
Many people begin to borrow when they move away from home, e.g., to pay for an education, driver's license, furniture or appliances, or other purchases. We target customers who have passed the age of 30 and begun to live more stable lives.

We offer our customers long repayment periods and a prepayment option without penalties. The total monthly cost of the loan, amortisation and interest is the most important thing for our customers. In 2017 the average new loan amount was 168,000 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

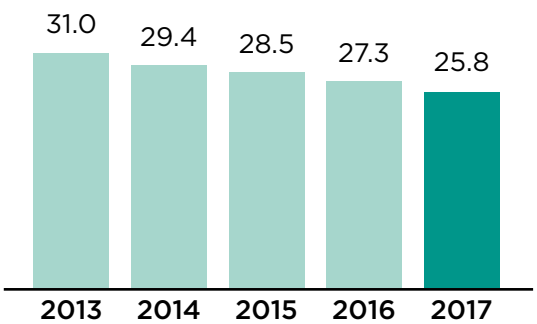
All operations are carried out at a central office in Stockholm, where we manage all our markets. Swedish, Norwegian, Finnish and German employees work together in customer service. Having everything centralised offers many advantages. It simplifies control and management of regulatory issues, reduces 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



INCREASED EFFICIENCY

ADJUSTED COST/INCOME RATIO %



FINANCIALLY STABLE CUSTOMERS

We primarily target customers between the ages of 30 and 60. We avoid lending to younger people, who in many cases have not achieved the stability necessary for us to make an accurate credit assessment, and only 3% of total lending is to customers younger than 30. The average age of our loan customers is 51. 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 with a loan from us have a co-borrower.

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

In 2017 our customers were more satisfied with the service they received from us and we have climbed the customer service rankings periodically conducted by the market research firm Bright. For more information, see page 24.

ROBUST CREDIT ASSESSMENTS PRODUCE STABLE CREDIT QUALITY

Evaluating risk is in our DNA thanks to our long experience in the industry through various economic cycles. Knowledge and collecting and using data over long periods to build algorithms for credit assessments are cornerstones in our model. We have a data-driven process for credit assessments that begins 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 from 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 2017 we approved 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

51 years

HOME OWNERS

65%

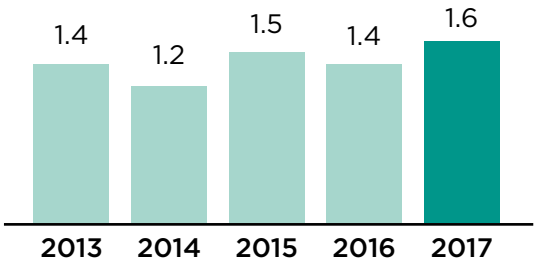
AVERAGE MONTHLY INCOME

36 000 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 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 ability to seek payment via an enforcement authority through wage garnishment is also an important common denominator for our markets. This is a situation we want to avoid, but because there are consequences to not paying back a debt the propensity to pay is higher in these markets.

In 2017 Norway made it legal to introduce a national debt register, an issue Nordax has lobbied for. A debt register makes accurate credit assessments easier in the market and benefits individuals, lenders and society. In 2017 Nordax joined the Finnish debt register, which contributed to the solid growth in Finland during the year.

Geographically diversified lending is a strength, since economic conditions and growth prospects vary over time by market. Nordax is actively evaluating expansion opportunities in other geographical markets in Northern Europe for the lending business.

UNIQUE DISTRIBUTION MODEL

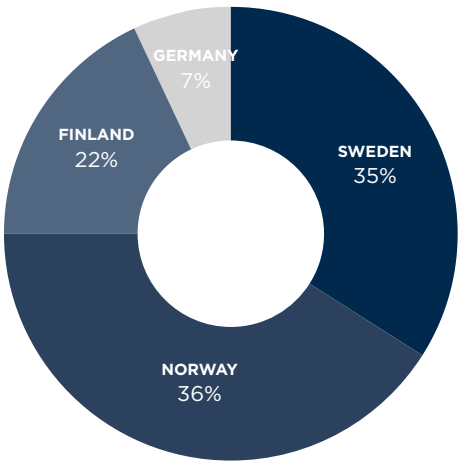
Our marketing is effective and based in large part on ourselves targeting customers through direct marketing campaigns. Our loan offers are marketed through several channels, mainly targeted marketing but also through loan brokers, digital channels and to existing customers. Targeted marketing is our core competence and consists of addressed direct mail, unaddressed direct mail and marketing through partners. We identify clusters of potential customers where from experience we 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. We work continuously to optimise response rates and the quality of loan applications with the help of sophisticated data analysis.

Direct marketing channels are cost-effective and historically have also had lower credit risk compared to lending through other channels.

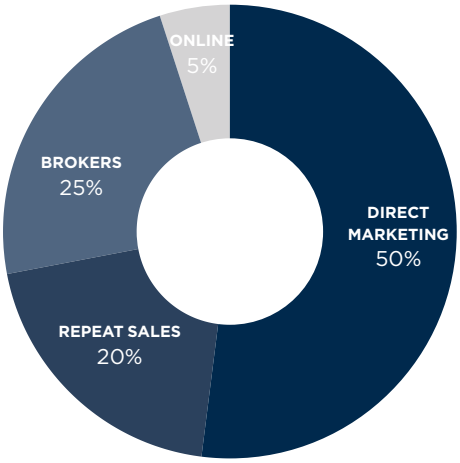
In broker channels we are mainly active in the segment where we have our expertise – evaluating large personal loans. The efficiency of direct marketing channels is high, but we have also increased the number of lending channels we use in recent years to reach more potential customers.

In 2018 will continue to broaden distribution 2018 by promoting the Nordax brand through digital marketing. The focus is also on better optimising loan intermediaries and broadening distribution channels in Germany.

LENDING PORTFOLIO BY MARKET



NEW LENDING BY CHANNEL 2017



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. The strategy to diversify funding and take a conservative approach to liquidity has been chosen 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 65% 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 2.6 billion at year-end and our liquidity measures exceeded the regulatory requirements by a wide margin.

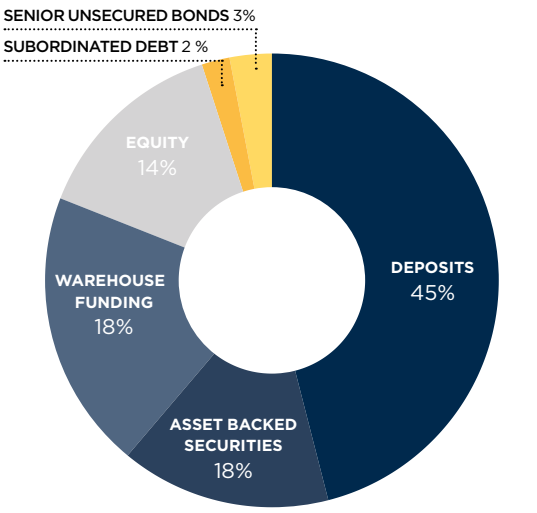
With a diversified platform, we ensure that we have funding for our future lending growth. This offers flexibility depending on current market conditions.

BROADEN THE PRODUCT OFFERING

In 2017 a strategic decision was made to broaden Nordax's product offering. Our core competence in credit assessment, central platform, marketing channels and diversified funding can be used to cost-effectively offer more financing solutions.

The first step in a broader product strategy is to launch mortgages in Sweden, before then expanding geographically to our other Nordic markets. The major banks are becoming more standardised in their processes and credit assessments, leaving many creditworthy customers without an option to finance their home through a mortgage. This standardisation is driven by automation and digitisation, and together with a hunt for cost savings has left less room for service and individualised credit assessments. At the same time a modern labour market is taking shape where more and more people don't have traditional full-timejobs. There is a customer demand here for Nordax to meet. As a smaller, more agile competitor, we see an opportunity to create value by doing more to meet customers' individual needs with services that allow for personal contact. Our mortgage offer will over time lead to increased lending growth, contribute to more stable earnings, reduce credit risk and give Nordax another leg to stand on.

FUNDING AND EQUITY



Sustainability Report

We are convinced that responsible business generates long-term benefits for us, at the same time that it delivers value to our stakeholders. If Nordax takes responsibility today, we have a better opportunity to stay successful in the future.

For us at Nordax, sustainability means having a responsible business that creates sustainable value for our stakeholders, where risk management is part of the value we create. This includes being a responsible lender to our customers and an attractive employer, acting responsibly towards investors, owners and authorities, and complying with banking laws, requirements and regulations. We want to take responsibility for our environmental impact and contribute to society's development by offering jobs, contribute to growth and through tax revenues. We want to contribute to the UN's global sustainable development goals.

OUR VALUES – THE FOUNDATION OF OUR SUSTAINABILITY WORK

We have strong values that guide us in everything we do, from thorough credit assessments to how we act towards each other and our customers. Four areas define these values and are reflected in every part of the business:

SIMPLE - We are efficient and agile. We are transparent in our pricing, without the fine print.

RESPONSIBLE - Our corporate culture is all about taking responsibility. It defines how we run our business and how we act internally and externally. We contribute to sustainable development and have a positive impact on the society.

SOUND - We make sound and solid credit assessments and lend only to customers who are financially stable. Credit assessment is in our DNA. All our decisions are well-founded, and we never take shortcuts.

CUSTOMER CENTRIC - The customer is always our priority. We listen to them and provide the information they need to make reasoned decisions calmly. We get involved and are there for all our customers.

NORDAX FOCUS AREAS FOR SUSTAINABLE BUSINESS

RESPONSIBLE LENDING

EMPLOYEE WELLBEING

SOLID BUSINESS ETHICS

EFFECTIVE USE OF RESOURCES

BACKGROUND NORDAX SUSTAINABILITY WORK

As a listed company and bank, we have a special responsibility to authorities and shareholders. Since 2016, we have taken a structured approach to this work. We joined the UN Global Compact in 2016 and in 2017 prepared our first Communication on Progress. In 2016 a materiality analysis was done and stakeholder dialogues were held with customers, employees, owners and interest groups to identify the most important areas for our sustainability work. In this way we identified our four focus areas and the aspirations that follow below.

Our sustainability reporting is prepared according to GRI's guidelines, making it comparable to those of other companies. Read more about our GRI report, our materiality analysis as well as the stakeholder dialouges on pages 111-116.

MANAGEMENT AND POLICY FRAMEWORK FOR SUSTAINABILITY WORK

During the year a steering committee for sustainability was appointed from among the Senior Management Team and operational leaders, with responsibility for driving Nordax's sustainability work forward and integrating it in operations. The steering committee meets monthly and reports to the Senior Management Team and the Board of Directors. A sustainability coordinator was hired as well during the year.

Nordax has a number of governing documents to support and guide employees in day-to-day operations. In 2017 a code of conduct was established as a framework to describe how we are expected to act when representing Nordax internally and externally. The purpose is to guide employees to act ethically, appropriately and responsibly in order to create long-term relationships with customers, partners and other stakeholders. The code also serves as a guide how to act internally to create a positive corporate culture and an attractive workplace.

In 2017 we adopted a sustainability policy, which describes our sustainability work, governance and the four focus areas. It also stresses the importance of integrating sustainability in operations. The policy describes how to identify and manage the risks associated with our business and their impact on the environment as well as social aspects. For more information on governing documents and policies, see page 112.

BUSINESS MODEL

Our business model, which is described on page 13 in this annual report, is founded on having a stable and sustainable business through economic cycles. The key is sound lending to a stable group of customers who we reach through a variety of channels with an emphasis on targeted marketing. We are careful to maintain diversified funding and a solid capital and liquidity situation to stay stable regardless of the economic climate. We reach out from a central office in Stockholm to four geographical markets.

DISTRIBUTION OF NORDAX TOTAL GENERATED ECONOMIC VALUE 2017 (MSEK)

Through our business, we create value for many different stakeholders in society. As a lender, we are part of an important sector of the national economy and provide people with a way to allocate their spending over time. Through responsible lending, we try to create value for all our stakeholders. The figure below shows how we generate economic value for various stakeholders: shareholders, customers, investors, society, suppliers and our employees.

PROFIT
profit reinvested in Nordax 188 MSEK, and proposed dividend to shareholders 221 MSEK, which contribute to value creation and society's development.

INTEREST RATES
to private customers 110 MSEK, and to financial institutions 151 MSEK. Increased value created for individuals and society as a whole.

TAX EXPENSE
and other state fees. Contribute to a stable and prosperous society, which is positive for us and our customers.

OTHER EXPENSES
purchased services and payments to suppliers. Contribute to economic development in the countries where we are active.

SALARIES
wages, social security expenses and pensions. Give value and stability to our employees.

Our Focus Areas

Since 2016 we work in a structured way with the four focus areas in our sustainability work, which we have integrated into our day-to-day operations. The areas have been chosen together with our stakeholders based on what is most relevant given the nature of our business and the risks it entails.

A summary is provided below of our focus areas with more information on each area on pages 22-28.

RESPONSIBLE LENDING

We are a customer centric bank that works continuously to increase customer satisfaction. Responsible lending is based on sound credit assessments, but there is always a risk that customers may incur problems repaying their loan. Responsible lending is our core business. Our overall target is a net credit loss level of 2% over an economic cycle. Data-driven marketing is important, since we try to target customers who we believe have the financial resources to pay back the loan.

Our risk management is primarily tied to thorough credit assessment processes and to ensuring correct collection and verification of data when support is not available from a credit or debt register. It is important to have an established framework for risk management, risk control and risk reporting. A key element in risk management is the model with three lines of defence described on page 29.

PROGRESS 2017	AMBITIONS 2018
Joined Finnish debt register, which improves credit assessment capabilities	Join Norwegian debt register when it is established
Established communication platform and tonality guide as basis for Nordax's communication	Develop Nordax's brand position as specialists in helping people make informed decisions
Improved satisfaction in customer service surveys[1] to 93% (85%) and ranked top three in the industry (7th)	Improved digital options for customers to further strengthen customer service
First customer loyalty survey conducted (NPS)	Increase the share of ambassadors among customers by working systematically with their feedback
Stable net credit loss level, 1.6%, well below our ambition of being below 2%	Create solid credit assessment processes for an expanded product offering in 2018

1 According to the customer service surveys that Bright conduct regularly

EMPLOYEE WELLBEING

Engaged employees are the key to our success. We are working to further improve employee engagement. The biggest risks are in recruiting and retaining the right talent, which are managed by focusing on strengthening our brand as an employer.

PROGRESS 2017	AMBITIONS 2018
Increased engagement score from 65 to 72 in employee surveys and implemented tool for more frequent, customised pulse surveys in the organisation	Reach engagement score >75 and accentuate employeeship tied to Nordax's goals and values
Clarification of Nordax's purpose and positioning internally	Strengthen internal awareness of Nordax's purpose and position to further increase our attractiveness as an employer
Leadership programme for all leaders	Further develop leadership by building on the leadership programme
Only bank on AllBright's green list of gender equal companies	Develop Nordax diversity plan and increase internal awareness amongst leaders and employees regarding diversity at Nordax

SOLID BUSINESS ETHICS

It is critical that our stakeholders are confident in us as a company if we are to remain a sustainable business. Acting ethically, appropriately and responsibly is a matter of course for us and we work constantly to ensure that we practice what we preach and to develop and minimise risks in this area. We rely on a solid framework and encourage our employees to report any suspicious activity. For more on business ethics and what it means to us, as well as our risk management, see page 27.

PROGRESS 2017	AMBITIONS 2018
Established and communicated Nordax's code of conduct	Draft a code of conduct for suppliers and partners
Established a new process for outsourcing and monitoring outsourced activities	Develop Nordax's structure for governing documents and their implementation in operations

EFFECTIVE USE OF RESOURCES

We have limited direct impact on our environment but strive to reduce it, including through automation, digital development and effective communication. While our environmental risks are considered to be low, Nordax works actively to reduce any negative impact on the environment.

PROGRESS 2017	AMBITIONS 2018
Bought carbon offsets for print-based marketing. Increased digital customer communication	Lower paper consumption through digitisation and process improvements
Established green lease for our office	Form an action plan connected to the green lease for our office to reduce the environmental impact of our office
Through a collaboration we were able to offer loyal customers a discount on electricity from a provider that uses 100% renewable sources	Continue examining the possibility to offer discounted loans used for enviromental friendly solutions

Responsible Lending

Responsible lending is our core business. For us it is the key to creating long-term value. Our credit assessments are sound, sophisticated and proven. We offer loans only to financial stable individuals to ensure that our customers get a loan they can afford. There is always an inherent risk, however, that customers could incur problems repaying their loans in various circumstances, which is undesirable for them, for society and for us as a lender.

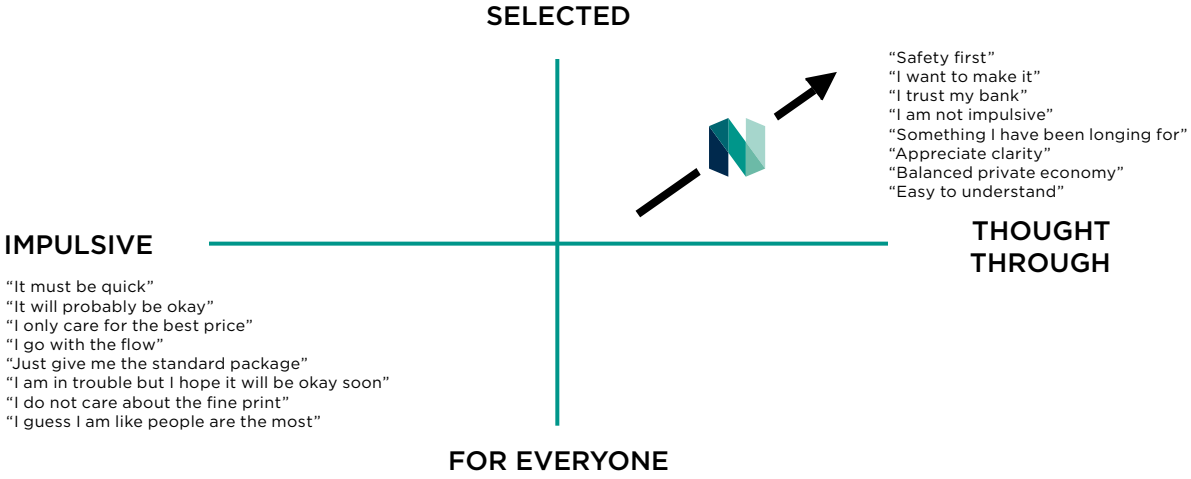
CONSCIOUS AND TARGETED MARKETING

Responsible lending begins with our marketing, where we use direct marketing to target offers to a stable customer group. We are transparent about our terms and pricing and always provide the information needed for customers to make informed decisions calmly.

To strengthen our marketing, we established a brand platform during the year to serve as a basis for our communication. The platform makes it easier to position Nordax as a responsible lender and reach our selected customer segment. We have historically focused on product and price, but now we are focusing more on the importance of making informed decisions when obtaining a loan. We also stress the security we offer, which is a result of our thorough credit assessments.

We are specialists in direct marketing, which is one of the reasons for Nordax's success. Around 70% of new lending is the result of targeted marketing. To reach customers effectively, we expanded the channel mix at the end of the year to include digital marketing and social media. Our marketing continues to be data-driven, regardless of channel, which is critical to reach our desired customer segment. The strength of our channel mix and marketing is evidenced by our customer base's strong demographics (see sidebar on page 15 for more information).

MARKET POSITION



CREDIT ASSESSMENT - BACKBONE OF OUR BUSINESS MODEL

In 2017 we handled around 450,000 loan applications. We ensure in each case that the credit assessment is correct by using a proven process, which is continuously improved. Our long experience in the industry, In our different geographic markets and during different economic cycles, have given our knowledge and data to be able to develop our models. A large part of our process is automated, but where the need exists, the process is strengthened up further through a manual feature of our experienced credit counselors.

Credit assessments are made in accordance with good lending practice, are always based on the customer's financial situation and comply with Nordax's credit policy. When needed, we contact customers by phone to ensure that the information on their application is correct. In markets where we have less access to information through credit agencies, we request additional material, e.g., salary statements and tax returns, to ensure that the customer can repay the loan. Prospective customers 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.

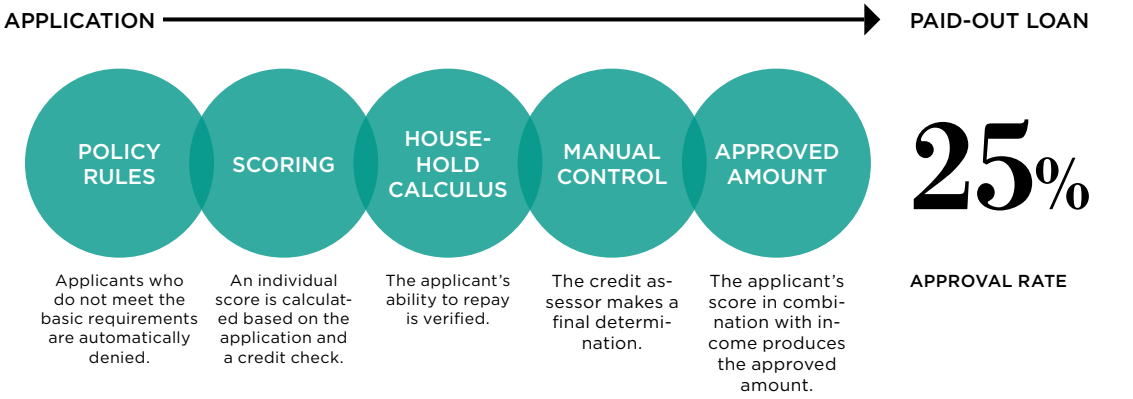
We welcome the change in Norway in 2017 that made it legal to introduce a national debt register, which we have lobbied for. Hopefully, a register will be created in 2018, which will improve credit assessments, reduce manual tasks and lower the risk of inaccurate assessments in the Norwegian market. In 2017 we joined a debt register in Finland, which improves our credit assessment capability.

RESPONSIBLE CREDIT LOSS LEVEL

Our ambition is to continue to grow the loan portfolio, but growth may not come at the price of less thorough credit assessments. 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 2017 it was 1.6%.

If a customer has a problem repaying a loan, we step in to help. We have specially trained staff who contact the customer early on to remind them that their payment is late and to come to a solution and possibly provide advice and support.

OUR CREDIT ASSESSMENT PROCESS – NORDAX'S CORE COMPETENCE



CUSTOMER SATISFACTION

Satisfied customers are imperative to succeed in our business. That customers value our services is important if we are going to maintain long-term relationships and attract new customers. We conduct follow-up surveys after speaking to customers. The surveys are made together with the company Bright International. The questions we ask concern our engagement, knowledge, ability to resolve the issue on first contact and their general satisfaction. The results are monitored systematically at both a unit and individual level. The target is an overall satisfaction rate of at least 92% and to be in the top three in our industry. Satisfaction with our service has continuously improved in recent years, and at the end of 2017 we reached 93% in overall satisfaction, placing us top three in the industry, according to Bright International surveys. This is a big improvement compared to 2016, when customer satisfaction was 85% and we ranked seventh. This is proof that our focus on customer service is producing results.

During the year we conducted our first major customer loyalty survey (so-called Net Promotor Score, "NPS"), which tells us whether customers would recommend us. It also provides answers to what our customers like about Nordax and in what areas we can improve. The results showed that our most loyal customers are in Germany, with an NPS[1] score of about 50, and in Finland with an NPS score of just over 20, while Norway and Sweden have NPS scores of around 6. Our goal in 2018 is to improve these scores. The survey shows that customers value our service, that we are easy to reach and that we see them as individuals. Customers say that we are flexible and see the option of longer repayment schedules as positive, but also see room for improvement in our pricing.

Our loyalty offers are important to create strong long-term relationships, we have to build loyalty. This is a partly question of providing the right offers to help customers on a daily basis. For example, we now offer legal advice through a specialised partner. We have also launched a partnership with an electricity provider to offer customers a discount on electricity from 100% renewable sources, which is good for our customers' wallets and for our environment.

[1] NPS = Net Promoter Score = % Ambassadors - % Dissapointed The NPS score is valued out of the answer of the question; "Can you recommend Nordax to a colleague or friend?" where the customer value us on a scale out of ten. The value 0-6 rates the respondent as dissapointed, 7-8 as passive and 9-10 as ambassador.

KEY RATIOS

KEY RATIOS	2017	2016
Net credit loss level, %	1.6	1.4
General satisfaction: customer service via phone, according to investigations by Bright (index 0-100)	93%	85%
Rank in Business, customer satisfaction investigation via Bright	Top 3	7
NPS-score Sweden	7	N/A
NPS-score Norway	6	N/A
NPS-score Finland	22	N/A
NPS-score Germany	50	N/A
Total NPS-score, all countries	20	N/A

Employee Wellbeing

Our employees play a critical role in our quest to become Northern Europe's leading niche bank. Engaged employees create more satisfied customers, which in turn generates success. Through broad competence and personal responsibility, we have built a corporate culture based on participation and decision-making. No ceilings, short decision paths and a working environment distinguished by cooperation and job satisfaction foster motivation and engagement. During the year employee engagement increased.

A YEAR FOCUSED ON ENGAGEMENT, LEADERSHIP AND NORDAX'S PURPOSE

After having previously conducted one large employee survey every second year, we implemented a new tool in 2017 for periodic pulse surveys in the organisation. These surveys can be initiated by individual leaders. In addition, a number of company-wide surveys are conducted each year. The aim is to more frequently take the temperature of the organisation and more quickly get feedback on what is working well and what we have to focus more on. The tool helps to create a continuous dialogue with employees on important areas, facilitates faster action based on the results and helps in our occupational health and safety work and with employee well-being. In 2017 six pulse surveys were taken at the company level, primarily focused on engagement and leadership.

At Nordax we see engagement as critical to creating a successful company. Being engaged makes employees more motivated and leads to better performance, lower turnover and makes it easier to recruit new employees. For this reason, we are focused on engagement. We were pleased to see that this work was reflected in the positive survey results received during the year. In December 2016 the engagement score was 65 (on a scale of 0-100). In surveys during the year it gradually rose and in December 2017 reached 72, in line with our target for the year. We also track our eNPS score based on this result, i.e., the likelihood of recommending Nordax as an employer, which at the end of the year was 19 (on a scale of -100 to + 100, where 0 is neutral). In comparison, the score was 4 at the end of 2016.

Our aspiration is to continue to improve and ensure that we remain an attractive employer. It will be critical to have the right competencies and organisational capacity in place to deliver on our plans to broaden the product offering, digitise our processes and automate parts of operations in the effort to become Northern Europe's leading niche bank.

The main HR risks we see are associated with this, and especially with attracting key IT expertise and maintaining stable employee turnover, i.e., retaining critical competencies. During the year we implemented several organisational changes, due to which a number of employees have left Nordax. Turnover has been controlled and necessary given the changes we have made, and the trend is now towards lower turnover. The increased engagement and lower turnover (see also page 117) are proof that we are headed in the right direction in terms of employee well-being. Two major initiatives at the company level to increase engagement have been focused on leadership as well as Nordax's purpose and positioning. More structured internal communication has also contributed to the improved results.

PRIDE IN NORDAX AS AN EMPLOYER

In 2017 we clarified Nordax's purpose and positioning (this was also one of the employee wellbeing goals for 2017), which are closely connected with our values. The aim has not been to change the company's soul but rather to celebrate it. One aspiration has been to build pride in Nordax as an employer based on our positioning as a responsible lender. As a result of this work, Nordax's has redefined its mission as: "We help people to make informed decisions for a life they can afford".

Nordax's purpose and positioning have been discussed by every team and we have held several workshops to internalise them. The next step is for the functions themselves to decide how to use this new tonality and communication platform in our external contacts. From an HR perspective, this includes how we position our employer brand and strengthen it to attract new employees. The work has begun and will continue in 2018.

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. It is important that we have a sound and open culture. We work in a single office in Stockholm, from which we help customers in Sweden, Norway, Finland, and Germany. To properly serve these customers, diversity is a key issue. We conduct annual salary surveys to ensure that there is no gender pay gap. The latest survey from March 2017 showed that women receive 99% of men's salaries (101% in 2016).

During the year the Allbright Report named Nordax one of 39 companies on its so-called green list of public companies with an equal gender distribution. Nordax ranked 28th out of 298 companies surveyed and was the only bank on the green list.

We feel, however, that we can do more on diversity issues, especially in terms of ethnic background. During the year we therefore drafted recruiting guidelines to facilitate this. The guidelines are drafted to assign merits and competence as well as how diversity can and should be considered in our recruitment processes. We will continue to focus on this and our core values going forward. (Read more abour our core values on page 18)

KEY RATIOS

KEY RATIOS AND DISTRIBUTION OF MEN/WOMEN	2017	2016
Engagement index for employees (index 0-100)	72	65
Recommendation index according to employees, eNPS (index -100 till +100)	19	4

	Men	Women
Board of Directors	4	4
Senior Management Team	6	5
Managers	13	20

Business Ethics

Business ethics are important for Nordax to build the confidence of its stakeholders. Fair treatment, transparency and taking responsibility are three areas that describe Nordax's view of what business ethics means.

For Nordax, it is fundamental to act ethically, appropriately and responsibly in order to create long-term relationships with customers, partners and other stakeholders. Acting in an ethically responsible way means following laws and ethical standards and maintaining a sound risk culture. Nordax strengthened its business ethics framework in 2017, as part of which the Board of Directors adopted a code of conduct that has been communicated to all employees and is available on the website. The code is based on Nordax's values and provides an overarching framework to describe how employees should act when representing Nordax internally and externally. In addition to the code, more specific rules on business ethics are found in other governing documents.

STRONGER PROCESS FOR MANAGING CONFLICTS OF INTEREST

Nordax's goal is to try to avoid conflicts of interest as far as possible. Routines are in place, however, to identify and manage any that do arise at various levels of the bank. In December the Board adopted a uniform policy on conflicts of interest, and the routine to identify and manage conflicts in procurement was strengthened.

STRONGER ORGANISATION TO PREVENT FINANCIAL CRIME

At Nordax, the term financial crime comprises money laundering, terrorist financing and fraud. Fighting financial crime is a matter of course for Nordax, first and foremost to curb crime in general, but also to protect the business and the brand. In 2017 we intensified our fight against financial crime by establishing an Anti-Financial Crime unit, in connection with which roles and responsibilities were clarified and new governing documents were prepared. The Anti-Financial Crime unit is responsible for implementing and executing the right routines and controls to prevent, detect and investigate financial crime. Besides the internal measures to fight financial crime, the Board of Directors also received training on financial crime in 2017.

WHISTLEBLOWING PROCESS

Nordax advocates transparency and encourages employees to report suspected irregularities and unethical or unlawful behaviour. Reporting can be done anonymously to the closest supervisor, the Chief Compliance Officer, the head of HR or the Chairman of the Audit Committee through Nordax's risk management system. Employees at Nordax should always feel that they have someone to turn to regardless of what they want to report, which is why we provide several different options. All reports are investigated immediately and appropriate action is taken.

BUSINESS ETHICS FOR SUPPLIERS AND IN OUTSOURCED ACTIVITIES

For Nordax, good governance and control are indispensable and include activities and operations that have been outsourced to suppliers and partners. Nordax has extensive routines to monitor outsourced activities and guarantee compliance and effective risk management. In 2017 a new process was established o better control suppliers and partners and ensure that outsourced activities are being properly monitored.

Effective use of Resources

Climate change is one of the most important issues facing society today. We have limited direct impact on the environment but challenge ourselves to reduce it.

DIGITAL CUSTOMER COMMUNICATION

We are in a digitisation process and are developing new internal processes and smart solutions for our customers. In 2017 the My Pages feature was launched for Swedish and Norwegian customers and makes it easy to keep track of loans and savings. To increase digital communication, we have also begun to send customers information and offers by email. One example of a new offer is that we offer our customers to switch electricity suppliers to one that uses 100% renewable sources at a discounted price, which is good for our customers' wallets and for our environment.

In our marketing we use Nordic Swan and FSC-labelled paper. Direct marketing by mail is one of our areas of expertise; 70% of our new lending is the result of targeted marketing. In 2017 we began buying carbon offsets for our print-based marketing in two projects that are working to preserve forests: Tropical Mix in Panama and Nakau in the Pacific islands. The islands are reminiscent of the archipelagos off the Swedish coast and are at risk of disappearing due to rising sea levels. By preserving forests and strengthening local communities, we are contributing to a more secure future in the area.

LOWER PAPER CONSUMPTION

We are trying to reduce our paper consumption through several initiatives. Historically, a paper application was enclosed in our mailings, which we stopped doing in 2017 in the Nordic countries. Loan commitments were previously mailed to customers. Today we encourage them to sign contracts electronically; 79% now do so in Sweden, 86% in Norway and 92% in Finland. Electronic signatures are scheduled for launch in Germany in 2018. We see room for improvement in the use of electronic billing, which we currently offer in Sweden and Finland. The service will be expanded to Norway in 2018. Our annual report has been published only in electronic form since 2016.

LOANS FOR ENVIRONMENTAL IMPROVEMENTS

During the year we established a collaboration with an energy supplier with the hope of offering discounted loans taken to invest in enviromental friendly solutions.

OUR OFFICE

At our office we stress waste sorting. Electronics are donated to specialists for reuse. The electricity used to power our office and cool the server room comes strictly from renewable sources. In early 2017 a green lease was prepared. We now have an annual dialogue with our landlord and look forward to creating a more resource-efficient office and a better working environment for our employees.

TRAVEL

Our environmental impact from travel is limited, but we still try to reduce it. All employees have been informed of our policy to choose climate-friendly alternatives when traveling for business purposes.

INTERNAL ENVIRONMENTAL ENGAGEMENT

During the year we tried to increase internal awareness of climate issues, and will continue to do so in 2018 through lectures and information.

For quantitative results in the area, see page 113.

Sound risk culture gives sustainable profitability

Nordax shall at any given time be well-capitalised in relation to its risks and have enough liquid assets that the bank can always meet its payment obligations, even in situations of financial stress. The single largest risk Nordax is exposed to is credit risk associated with lending to consumers. This is a risk Nordax is willing to take as a natural element in its business operations. The level of credit risk is limited, however, by the low risk level in the lending portfolio, which is maintained through robust credit regulations and a mature credit assessment process. Due to the nature of its business, Nordax also takes other risks, including operational risk, liquidity risk, market risk and strategic risk. Nordax generally has a low appetite for these risks.

FOCUS AREAS 2017

As Nordax strengthens its digital presence, we become increasingly exposed to financial crime online - cybersecurity risks. Nordax works actively and continuously to monitor and assess our risk exposure with respect to cybersecurity risks and known threats through intelligence gathering and best practices in order to improve resilience to external attacks and threats. Governing documents, internal processes, controls and technical countermeasures are implemented to ensure the confidentiality, integrity, availability and traceability of Nordax's information. Control testing, information security assessments and security tests are performed on a regular basis by both internal and external parties to ensure effective and appropriate processes.

THREE LINES OF DEFENCE MODEL

Effective risk management and a sound risk culture are essential to ensure good internal governance and control. To achieve this, Nordax has established the three lines of defence model. The three lines of defence are designed to create 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 and any irregularities are identified and managed effectively.

- The first line of defence is the risk management performed daily by the business 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 our responsible approach to lending is based on many years of experience maintaining low credit losses and sustainable profitability over time. The 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.

Responsible lending 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 help them. This combination of high creditworthiness requirements and a quick and effective response when a customer incurs a problem is an important reason why Nordax has maintained low credit losses for so long. Nordax's lending portfolio grew in 2017, while the credit loss level amounted to 1.6%, i.e., below the ambition of a credit loss level below 2% over a business cycle.

STRATEGIC RISKS

Strategic risk is defined as the risk of lower earnings due to inaccurate and failed business strategies, poor business decisions, inadequate implementation of decisions or an inability to manage changes in society, the regulatory system or the industry. Strategic risk also includes the risk of damage to Nordax's brand, reputation and credibility due to the actions of Nordax's employees, partners, suppliers or other financial institutions.

Nordax's business strategy and strategic targets are developed and formulated by the Senior Management Team together with the Board of Directors. Strategic risks are identified, analysed and managed in the business planning process and development, and monitored continuously by both management and the Board of Directors. Strategic risk management is an important part of Nordax's risk management framework.

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 these risks has risen in pace with the increasingly extensive regulatory requirements in banking 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 2017 we continued to identify and document our processes on a more detailed level, in part to identify operational risks and key controls. Several risk indicators associated with operational risks have been implemented in consultation with the business operations.

LIQUIDITY AND MARKET RISK (INTEREST RATE 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.

Liquidity risk is managed through a well-balanced combination of assets and liabilities as well as a distribution of maturities and currencies. A diversified funding platform and large liquidity reserve reduce Nordax's liquidity risk. Nordax's liquidity coverage ratio (LCR) and stable net stable funding ratio (NSFR) well exceed the regulatory requirements. Nordax's total LCR was 616 % at year-end, compared to the regulatory minimum requirement of 80%. Nordax's NSFR was 113 % at year-end. At year-end Nordax's liquidity reserve amounted to SEK 2.6 billion.

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.

FOCUS AREAS 2018

In 2018 we will continue to modernize our IT infrastructure to adapt it to a high degree of automation and digitisation. The initiatives that were launched in 2017 are designed to further strengthen Nordax's resilience through a modern, robust, secure, reliable and redundant IT environment. These initiatives will continue in 2018 to ensure that Nordax can offer a customer-friendly digital environment that lives up to the future requirements that will be placed on information security and management of personal information.

Nordax shares

During the year Nordax added a major shareholder in Nordic Capital, which at year-and owned 22.4% of the shares[1]. During the year the value of the Nordax share rose 2.4%. Earnings per share were 3.69 SEK (4.02). The Board of Directors has proposed to the Annual General Meeting a total dividend of 2.00 SEK per share (1.60)[2].

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

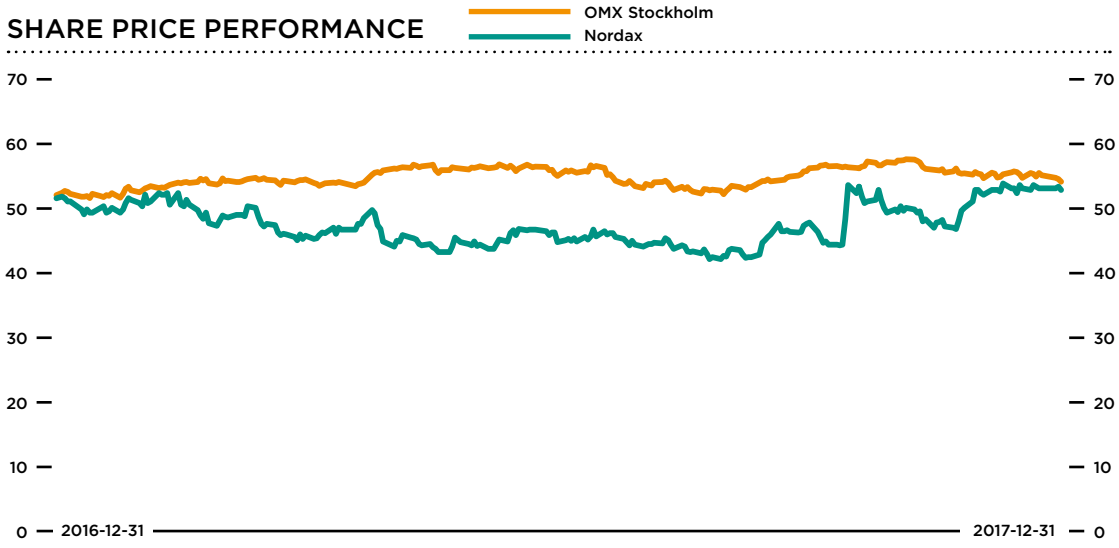
Nordax's Annual General Meeting authorised the Board of Directors to decide to acquire and transfer the company's own shares. The holding of treasury shares may not exceed 10% of all shares in the company. The purpose of the authorisation was to enable the company to satisfy its obligations resulting 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 acquisitions of companies or businesses. During the year 130,000 shares were repurchased and a total of 230,000 shares have been repurchased 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.

TRADING

At year-end Nordax had a market capitalisation of SEK 5.9 billion and the share price was 53.00 SEK. During 2017 the OMX Stockholm 30 Index gained 3.9%, while the OMX Stockholm Banks Index rose 0.5%. Nordax's share price increased 2.4% during the year, generating a total return including the dividend paid of 5.5% for 2017. The highest price paid during the year was 54.50 SEK. The lowest price paid was 41.60 SEK. The average daily turnover on Nasdaq Stockholm was 378,000 shares.

Nordax's shares are traded on a number of marketplaces such as Nasdaq Stockholm, Cboe CXE, Cboe BXE, Turquoise and Aquis. Nasdaq Stockholm accounted for 82% of turnover in 2017.

SHARE PRICE PERFORMANCE



1 Nordic Capital owned 9.96% of the shares at year-end and, in addition, had entered into a call option agreement according to which Nordic Capital is entitled to acquire an additional 12.44% of the shares in Nordax, according to the press releases published by Nordic Capital on 13 October 2017 and 24 November 2017. On 8 February 2018 Nordic Capital and Sampo, through the company NDX intressenter, announced a mandatory public cash offer for all the shares in Nordax. On 15 February 2018 Nordic Capital informed, through a pressrelease, that they owned 64.34% of the shares and that they together with Sampo owned 71.98% of the total number of shares in Nordax. For more information, see page 47.

2 In connection with the mandatory public cash offer that Nordic Capital and Sampo issued on 8 February through the company NDX intressenter, the Board of Directors of Nordax decided to postpone the Annual General Meeting where the dividend proposal was to be voted on. The AGM will be held in the spring of 2018, by 29 June at the latest. For more information, see page 47.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting an ordinary dividend of 1.60 SEK per share for 2017 (1.60) and a special dividend of 0.40 SEK per share, for to a total dividend of 221.5 MSEK. The ordinary dividend represents 43% of net profit for 2017, in line with Nordax's dividend policy. The special dividend is made possible by Nordax's strong capital position. The total proposed dividend corresponds to a payout ratio of approximately 54%. If Nordax pays the proposed dividend prior to the settlement of proceeds in the mandatory public cash offer described on page 47, the offer price per share will be reduced accordingly.

OWNERSHIP

As of 31 December 2017 Nordax had 4,453 shareholders (4,302), of whom 74% had holdings of 1,000 shares or less. Just over 4% of the shareholders together owned just over 95% of the company. Nordax's largest shareholder as of 31 December 2017 was funds managed by Nordic Capital, with a holding of 22.4% (0). Foreign ownership increased during the year to 48.8% (37.7).

INFORMATION

Nordax shall provide its shareholders as well as analysts and other stakeholders with 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

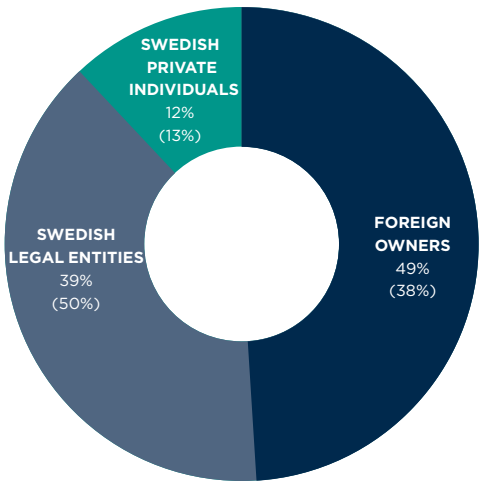
ABG Sundal Collier, Carnegie, Citigroup, Danske Bank (new in 2017), Morgan Stanley, Nordea, Pareto Securities, SEB and Sparebank 1 Markets have coverage on the Nordax share.

At the end of 2017 five institutions had a buy recommendation, three institutions had a neutral recommendation, one institution had no recommendation and no institutions had a sell recommendation on the Nordax share.

1 In connection with the mandatory public cash offer that Nordic Capital and Sampo issued on 8 February through the company NDX intressenter, the Board of Directors of Nordax decided to postpone the Annual General Meeting where the dividend proposal was to be voted on. The AGM will be held in the spring of 2018, by 29 June at the latest. For more information, see page 47.

OWNERSHIP CATEGORIES

%, as of 31 December 2017



STATISTICS NORDAX SHARE AND OWNERSHIP

NORDAX 15 LARGEST OWNERS [1] 31 December 2017	Share of votes and capital, %
Nordic Capital through companies [2]	22.4
Sampo Oyj [2]	7.6
Allianz Global Investors	6.2
Carnegie Fonder	6.0
Handelsbanken Fonder	5.8
Öresund, Investment AB	5.3
Vanguard	3.4
TIAA – Teachers Advisors	3.2
SEB fonder	2.8
R12 Kapital [2]	2.6
Morten Falch	2.4
Janus Henderson Investors	2.1
Olle Nordlöf	1.7
Swedbank Robur Fonder	1.7
Schroders	1.3
15 largest owners	**72.8**

OWNERSHIP STRUCTURE [3] 31 December 2017	Number of shareholders	Share of votes and capital, %
1–500	2,660	0.4
501–1 000	643	0.5
1 001 – 5 000	744	1.6
5 001 – 10 000	150	1.0
10 001 – 15 000	45	0.2
15 001 – 20 000	32	0.5
20 001 –	179	95.4
Total	**4 453**	**100**

OWNERSHIP CATEGORIES [3], %	Share of votes and capital, %	Share of votes and capital, %
31 December 2017	**2017**	**2016**
Foreign owners	48.8	37.7
Swedish owners	51.2	62.3
Legal Entities	39.4	49.8
Private Individuals	11.8	12.6

OWNERSHIP BY COUNTRY [3], % 31 December 2017	Share of votes and capital, %
Sweden	51.4
United Kingdom	18.4
USA	8.3
Germany	6.3
Luxembourg	2.1
Others	13.5

DATA PER SHARE	**2017**	**2016**
Earnings per share, SEK	3.69	4.02
Adjusted Earnings per share, SEK	3.90	3.58
Equity per share, SEK	21.3	19.2
Dividend per share, SEK	2.00[4]	1.60[4]
Payout ratio, %	54[4]	40[4]
Dividend yield, %	3.7	3.1
Number of outstanding shares, millions	110.7	110.8
Share price at year-end, SEK	53.00	51.75
Share price/Equity per share	2.5	2.7

SHARE STATISTICS [5]	**2017**	**2016**
Highest share price, SEK	54.5	57.0
Lowest share price, SEK	41,6	35.3
Share price on 31 December, SEK	53.0	51.75
Turnover of shares per trading day, millions	0.4	0.3
Turnover value traded shares per trading day, MSEK	18.4	12.7
Market capitalisation, 31 December, SEKbn	5.9	5.7

[1] Source: Modular Finance AB. Data compiled and processed by Euroclear, Morningstar and the SFSA, among others.

[2] Nordic Capital owned 9.96% of the shares at year-end and, in addition, had entered into a call option agreement according to which Nordic Capital is entitled to acquire an additional 12.44% of the shares in Nordax, according to the press releases published by Nordic Capital on 13 October 2017 and 24 November 2017. On 8 February 2018 Nordic Capital and Sampo, through the company NDX intressenter, announced a mandatory public cash offer for all the shares in Nordax. On 15 February 2018 Nordic Capital informed, through a pressrelease, that they owned 64.34% of the shares and that they together with Sampo owned 71.98% of the total number of shares in Nordax. For more information, see page 47.

[3] Source: Euroclear

[4] Board of Directors' dividend proposal for 2017. In connection with the mandatory public cash offer that Nordic Capital and Sampo issued on 8 February through the company NDX intressenter, the Board of Directors of Nordax decided to postpone the Annual General Meeting where the dividend proposal was to be voted on. The AGM will be held in the spring of 2018, by 29 June at the latest. For more information, see page 47.

[5] Source: Nasdaq Stockholm

Nordax Bank

2017

BOARD OF DIRECTORS' REPORT

Nordax Group AB (publ)

Content Board of Directors' Report

Group Structure and Owners 36

Nature and direction of the business 36

Market and competitors 37

Sustainability report 37

Important events 2017 38

Multi-year review 39

Financial results 2017 40

Lending volumes 41

Funding and liquidity 42

Capitalisation 43

Segment 44

Proposed dividend 46

Financial targets 46

Employees 46

Changes in exchange rates 46

Significant events after the end of the reporting period 47

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 2 AB, Nordax Nordic 4 AB (publ), Nordax Sverige AB 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 Nordic Capital with a total holding of 22,4%[1]. For more information on ownership, see page 33 and page 47.

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 123,000 active loan customers and 32,000 active savings customers.

Nordax offers large personal loans to individuals who, based on the absence of historical losses, are considered to be a low risk and have high creditworthiness.

Loan customers are typically middle-aged professionals with incomes above the national average. They are also close to or above the national average for home ownership and have no record of non-payment. Nordax also offers savings products in all countries where it has lending operations. The savings products are covered by the state deposit insurance scheme.

Nordax aims for controlled growth of its loan portfolio while staying focused on customers' creditworthiness. The risk assessment process begins in the marketing of Nordax's products. Targeted marketing is one of Nordax's core competencies and comprises the company's most important marketing channels such as addressed direct mail, unaddressed direct mail and marketing through partners. Nordax does not target segments that are unlikely to apply or be approved for a loan. This leads to higher marketing efficiency and a higher share of loan approvals. Targeted marketing accounted for 50% of Nordax's new lending in 2017. Nordax also lends to existing customers and uses credit intermediaries and online channels. In 2017, 20% of granted loans came through existing customers, 25% through credit intermediaries and 5% through online applications.

Before a loan is approved, Nordax conducts a thorough credit assessment of each applicant 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 loan amount offered to a customer is calculated using a credit limit matrix based on the customer's creditworthiness

Nordax operates from a single office site in Stockholm where all the employees and functions are located. This makes it possible to expand the business cost-effectively and share information between 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 detailed information on the loans in the portfolio and that they are performing well. Diversified funding reduces Nordax's liquidity risk and allows it to create a larger and more optimised funding mix over time.

Nordax's customers are charged a floating interest rate. 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 funding costs change. Nordax has made a policy decision only to adjust levels of interest on the Norwegian and Swedish loan portfolios if its funding costs increase or decrease by more than 50 basis points. In Finland, Germany and Denmark, the rate charged to loan customers is instead tied to a benchmark rate, such as 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 the cost of funding and benchmark rates, e.g., credit rating of the customer and the size of the loan.

1 Nordic Capital owned 9.96% of the shares at year-end and, in addition, had entered into a call option agreement according to which Nordic Capital is entitled to acquire an additional 12.44% of the shares in Nordax, according to the press releases published by Nordic Capital on 13 October 2017 and 24 November 2017. On 8 February 2018 Nordic Capital and Sampo, through the company NDX intressenter, announced a mandatory public cash offer for all the shares in Nordax. On 15 February 2018 Nordic Capital informed, through a pressrelease, that they owned 64.34 per cent of the shares and that they together with Sampo owned 71.98 per cent of the total number of shares in Nordax. For more information, see page 47.

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 consumer confidence and spending and demand for personal loans.

The personal loan market is characterised by a high level of competition and fragmentation. Nordax's competitors can largely be divided into two groups: full-service banks and niche banks. Niche banks (of which Nordax is one) have been taking market share in recent years from full-service banks. The niche banks have product offerings similar to Nordax and offer similar interest rates, which generally are slightly higher than the rates offered by full-service banks. Among the things that separate niche banks from others are the customer groups they serve, the channels through which they reach out to potential customers and how they fund their lending

There are several barriers to entry that make it difficult for new players of limited size or experience in a regulated environment to gain a foothold in the personal loan market. One obstacle is the economies of scale that typify the market. To meet strict and complex rules and regulations, credit institutions have to establish strong functions and systems for legal issues, compliance and finance, which require major investments and expertise. When such functions have been set up, they can normally handle higher loan volumes, creating economies of scale and operating leverage.

New companies 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 compliance and risk control functions.

The ability to make credit assessments requires proven models, which in turn depend on access to extensive historical loan information. Developing these models requires time and lending experience, which is an entry barrier to new players. The risk of making an incorrect credit decision is higher when a company has entered a new market without any previous experience or historical results to work with.

Sustainability report

Nordax has since 2016 been working systematically with sustainabilty. The work has four main focus areas, which have been formulated in consultation with Nordax's various stakeholders, are responsible lending, business ethics, employee well-being and resource efficiency.

In accordance with ÅRL chapter 6 paragraph 11, Nordax Group AB has decided to hold the statutory sustainability report as a separate section from the annual report. The sustainability report is retrieved on page 18-28 and includes Nordax Group AB and its subsidiary Nordax Bank AB.

In 2016 Nordax prepared its first sustainability report and GRI Report according to the GRI G4 core option, which were included in the annual report for 2016. The year's sustainability reporting according to GRI is also included in the annual report and can be read on pages 111-116.

Major events 2017

Quarter 1

A service called "Mina Sidor" (My Pages) is launched, enabling customers in Sweden and Norway to manage their savings digitally.

Nordax publishes its first sustainability report and GRI Report according to the GRI G4 core option.

Nordax's principal owner since 2010, the British private equity firm Vision Capital, sells its last shares in Nordax.

During the quarter Nordax joins a Finnish debt register, providing access to more information that can be used in credit assessments.

Nordax reaches an agreement with the credit management services provider Lindorff, which gives Nordax the opportunity to sell up to half of new non-performing loans in Sweden, Norway and Finland to Lindorff (so-called forward flows).

Lennart Erlandson is recruited as the new CFO from Skandiabanken.

Hans Larsson steps down from the Board of Directors to avoid any conflicts of interest after he is named chairman of Nordnet.

Quarter 2

During the quarter Nordax's new lending reaches its highest level ever.

Nordax's Annual General Meeting is held and among the most important resolutions are:
• Approval of a dividend of 1.60 SEK per share (0.50 SEK per share)
• Election of Susanne Hannestad as a new member
• Election of Deloitte AB as the new auditor and Malin Lüning as auditor in charge
• Amendment of the Articles of Association with regards to participation in and notification of the Annual General Meeting.

Quarter 3

Jacob Lundblad, Deputy CEO since 2010, is appointed by the Board of Directors as the new CEO as of 1 September, succeeding Morten Falch, who announced his desire to step down. Morten Falch who was one of the founders of Nordax retains his seat on the Board.

To create a more business-oriented management team for which the customer, digital development and leadership are the focus, Nordax announces changes to its Senior Management Team during the quarter. The new Senior Management Team consists of Jacob Lundblad (CEO), Per Alinder (Marketing Director and new in Group Management), Christine Ahlm (Credit Risk Manager), Lennart Erlandson (CFO), Malin Frick (HR Director and new in Group Management), Malin Jönsson (Head of Customer Operations and new in Group Management), Kristina Tham Nordlind (Chief Legal Counsel) and Ragnhild Tell (CIO and new in Group Management). Andreas Frid (Head of Investor Relations), Patrick MaCarthur (Head of Business Development & Strategy) and Olof Mankert (CRO) are non-voting members of the Senior Management Team.

The new function Business Development & Strategy is created to identify business opportunities, e.g., new geographical markets and future products for Nordax.

Nordax's customers are becoming more satisfied with the service they receive. During the quarter Nordax ranks third of 19 companies in the financial industry in a survey by the market research firm Bright, a big step up from 14th place in a survey less than 2 years ago.

Quarter 4

Nordax announces that the product offering will be broadened in 2018 to include mortgages in Sweden. The focus is on a niche of the market where customers today are denied the opportunity to invest in housing due to the major banks' standardised processes and credit assessments. The market is also driven by the evolving "gig" economy in modern society. The labour market is shifting from permanent employment towards project assignments or self-employment.

During the quarter Nordic Capital becomes Nordax's largest shareholder. At the end of the fourth quarter its holding amounts to 22,4% [1]. During the quarter Sampo also becomes a large owner in Nordax with an ownership of 7.6% [1] of the shares.

The "My Pages" service is expanded during the quarter to loan customers in Sweden and Norway. Customers can find information on their accounts and have more self-service options. More functions will gradually be added and the service can be used to target offers to existing customers.

Nordax issues bonds secured by a portfolio of Norwegian personal loans (so-called securitisation or ABS). The size of the issue was NOK 2.2 billion and the bonds strengthen and diversify Nordax's long-term funding.

Nordax Bank AB, a wholly owned subsidiary of Nordax Group AB, informs the Swedish Financial Supervisory Authority of changes that will be made in how the bank calculates its capital adequacy in Nordax Bank AB. The adjustment has no impact on the capital adequacy or financial accounts of the Group (the consolidated situation) or the Parent Company, Nordax Group AB, and affects only the subsidiary Nordax Bank AB.

1 Nordic Capital owned 9.96% of the shares at year-end and, in addition, had entered into a call option agreement according to which Nordic Capital is entitled to acquire an additional 12.44% of the shares in Nordax, according to the press releases published by Nordic Capital on 13 October 2017 and 24 November 2017. On 8 February 2018 Nordic Capital and Sampo, through the company NDX intressenter, announced a mandatory public cash offer for all the shares in Nordax. On 15 February 2018 Nordic Capital informed, through a pressrelease, that they owned 64.34% of the shares and that they together with Sampo owned 71.98% of the total number of shares in Nordax. For more information, see page 47.

Multi-year review

GROUP

KEY FIGURES	2017	2016	2015	2014	2013
Income statement					
Total operating income, MSEK	1,189	1,176	888	803	653
Adjusted total operating income, MSEK	1,207	1,113	943	805	668
Operating profit, MSEK	529	573	250	325	251
Adjusted operating profit, MSEK	559	510	392	358	275
Net interest margin, %	9.1	9.3	8.9	8.5	7.9
Profit before credit losses, MSEK	738	737	407	439	365
Net profit, MSEK	409	446	195	254	203
Earnings per share, SEK	3.69	4.02	1.76	2.29	-
Adjusted earnings per share, SEK	3.90	3.58	2.76	2.52	-
Balance sheet					
Lending to the general public, MSEK	13,488	12,794	10,841	10,042	8,393
Deposits, MSEK	7,511	7,141	6,001	6,479	4,753
New lending volumes, MSEK	4,655	4,636	4,070	3,843	3,180
Key figures					
Common equity Tier 1 capital ratio, %	14.7	14.0	12.6	12.3	12.0
Total capital ratio, %	16.7	16.0	14.6	13.9	14.5
Return on equity, %	18.3	23.2	11,9	18.0	17.1
Return on assets, %	2.4	2.8	1.4	1.8	1.9
Cost/Income ratio, %	37. 9	37.3	54.2	45.3	44.0
Adjusted C/I-ratio, 12 m rolling	25.8	27.3	28.5	29.4	31.0
Credit loss level, %	1.6	1.4	1.5	1.2	1.4
Adjusted return on tangible equity, %	22.4	24.6	23.2	25.6	26.1
Adjusted return on average net loans, %	4.2	4.3	3.8	3.9	3.5
Number of employees[1]	197	199	212	187	162
Summary income statement					
Net interest income	1,194	1,100	927	781	629
Net commission	19	16	16	15	15
Net profit/loss from financial transactions	-24	60	-55	7	5
Other operating income	0	0	0	0	4
Total income	1,189	1,176	888	803	653
Total operating expenses	-451	-439	-481	-364	-287
Credit losses	-209	-164	-157	-114	-114
Operating profit	529	573	250	325	251
Tax	-120	-127	-55	-71	-49
Net profit/loss for the year	409	446	195	254	203
Summary balance sheet					
Lending to credit institutions	1,808	1,672	1,810	2,212	1,608
Lending to the general public	13,488	12,794	10,841	10,042	8,393
Bonds and other fixed income securities	1,184	959	1,157	1,585	550
Intangible assets	300	305	320	316	330
Other assets	98	43	34	35	29
Total assets	**16,878**	**15,773**	**14,162**	**14,190**	**10,910**
Liabilities to credit institutions	3,054	3,205	2,880	2,259	2,314
Deposits from the general public	7,511	7,141	6,001	6,479	4,753
Issued securities	3,547	2,910	3,187	3,581	2,259
Other liabilities	174	150	115	134	99
Subordinated liabilities	247	247	246	199	198
Equity	2,345	2,120	1,733	1,538	1,287
Total equity and liabilities	**16,878**	**15,773**	**14,162**	**14,190**	**10,910**

[1] Number of full-time employees at balance sheet date

Financial results 2017

Net profit for the period amounted to 409 MSEK (446). The decrease is due to negative FX effects. Adjusted operating profit excluding FX effects and non-recurring items rose 10% to 559 MSEK (510), which was a result of improved net interest income.

Net interest income increased by 9% to 1,194 MSEK (1,100) thanks to increased lending volumes. Net interest income improved in all markets. The net interest margin decreased slightly to 9.1% (9.3). Interest income and interest expenses both decreased in relation to lending.

Net profit from financial transactions amounted to -24 MSEK (60), mainly due to negative FX effects, with a stronger SEK against NOK having a negative effect. In the same period in 2016 SEK weakened against NOK and EUR, which strengthened profit. Nordax has open positions in foreign currencies to protect its capital adequacy ratios against currency fluctuations. The FX effect on regulatory capital has a corresponding impact on net profit from financial transactions. For more information on foreign currency sensitivity, see page 46.

Net commission income, which largely consists of income from the sale of payment protection insurance, increased to 19 MSEK (16).

Total operating income increased 1% to 1,189 MSEK (1,176), driven by higher lending volumes.

The adjusted cost to income ratio (rolling 12 months), which excludes marketing costs, improved to 25.8% (27.3). General administrative expenses rose 3% to 299 MSEK (291). IT costs increased the most due to digitisation initiatives, while staff expenses and other expenses decreased.

Other operating expenses, which largely consist of marketing costs, decreased slightly to 128 MSEK (136). Marketing costs decreased, mainly in Norway. Marketing efficiency, measured as marketing costs in relation to new lending, improved, mainly in Finland and Germany.

Depreciation, amortisation and impairment totalled 24 MSEK (25).

No non-recurring costs were recognised in 2017. Nonrecurring items in the previous year reduced expenses by a total of 13 MSEK. The non-recurring items in 2016 refer to recovered VAT and other IPO-related cost reductions related to the 2015 IPO.

Total operating expenses increased to 451 MSEK (439). Excluding the non-recurring items in 2016 expenses were stable.

The credit loss level increased to 1.6% (1.4). The credit loss level decreased in Finland and was relatively stable in Sweden, while increased in Norway and Germany. Credit losses were well below the target level of 2% over a business cycle.

Tax amounted to 120 MSEK (127). The effective tax rate was 23% (22).

The adjusted return on equity excluding intangible assets (rolling 12 months) decreased to 22.4% (24.6) due to significantly higher equity. The adjusted return on average net loans (rolling 12 months) was 4.2% (4.3).

Earnings per share decreased to 3.69 SEK (4.02). Adjusted earnings per share increased 9% to 3.90 SEK (3.59).

The Board of Directors proposes to the Annual General Meeting an ordinary dividend of 1.60 SEK per share (1.60) and a special dividend of 0.40 SEK per share.

The adjustments have been made to show the underlying results of operation, reflecting constant exchange rates and excluding non-recurring items. A bridge between statutory and adjusted figures can be found on page 109.

1 In connection with the mandatory public cash offer that Nordic Capital and Sampo issued on 8 February through the company NDX intressenter, the Board of Directors of Nordax decided to postpone the Annual General Meeting where the dividend proposal was to be voted on. The AGM will be held in the spring of 2018, by 29 June at the latest. For more information, see page 47.

Lending volumes

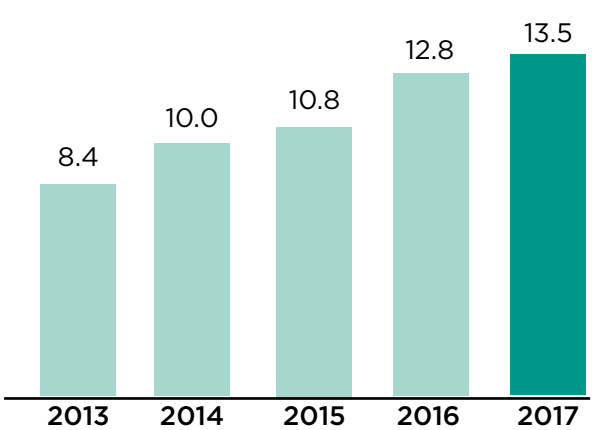
New lending was stable at 4,655 MSEK (4,636) in 2017. Growth was strongest in Finland, where new lending grew 64% due to higher demand and improved processes and because Nordax joined the Finnish debt register. In Germany new lending increased 23%, in Sweden it was stable and in Norway it decreased 27% after credit underwriting was tightened at the end of 2016 and due to increased competition.

The loan portfolio grew 5% to 13,488 MSEK (12,794). In constant currencies growth was 7%. The strongest relative growth was in Germany (27% in local currency) and Finland (26 %). In Sweden growth was 6%. In Norway lending volume decreased 2% in local currency.

The change in the lending portfolio was affected by new lending, depreciation, scheduled amortisation and prepayments.

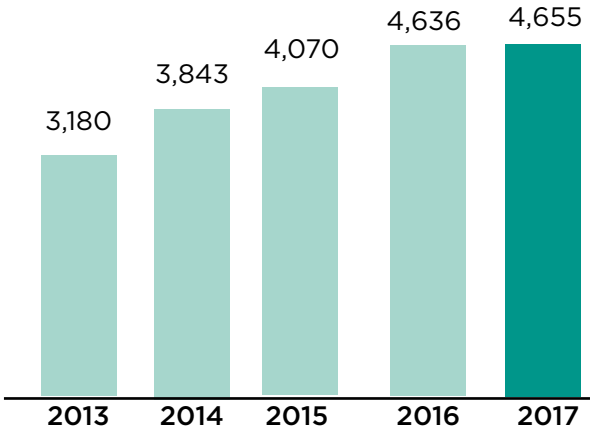
LOAN PORTFOLIO DEVELOPMENT 2013–2017

Billion SEK



NEW LENDING 2013–2017

MSEK



Funding and liquidity

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.

During the year deposits from the public increased to 7,511 MSEK (7,141 MSEK as of 31 December 2016). The increase was mainly in Germany, which has become an effective market to fund the growing lending in EUR. At the end of the period nominal funding was as follows: 3,074 MSEK (2,427) in asset backed securities, 500 MSEK (500) in senior unsecured bonds and 3,130 MSEK (3,218) in warehouse funding facilities provided by international banks. In 2017 Nordax issued bonds secured by a portfolio of Norwegian personal loans (so-called securitisation or ABS). The 2.2 billion NOK issue met with great interest from international investors and strengthened Nordax's long-term and diversified funding. The bonds mature in December 2040, but the first possible redemption date is in October 2020.

Nordax had a liquidity reserve of 2,610 MSEK (2,189 at 31 December 2016). Of these investments, 55% (56) was in Nordic banks, 19% (9) in Swedish covered bonds and 26% (35) 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 256 (43) days. All bank holdings are immediately available and all securities are eligible for refinancing with central banks. Nordax has robust liquidity exceeding current and expected future regulatory requirements. The liquidity coverage ratio (LCR), which reflects the short-term liquidity risk, was 616% (553% at 31 December 2016), compared to a requirement of at least 80% (100% as of 1 January 2018). Nordax's net stable funding ratio (NSFR), which essentially measures the long-term structural liquidity risk, was 113% (127% at 31 December 2016).

Lending to credit institutions, which corresponds to cash at bank, increased to 1,808 MSEK (1,672 MSEK at 31 December 2016), of which 381 MSEK (437) was pledged cash holdings for the funding structure and the rest was cash liquidity.

Total assets at 31 December 2017 amounted to 16,878 MSEK (15,773).

Capitalisation

Equity generation remained strong thanks to Nordax's robust profitability. During the period 177 MSEK was paid as a dividend to shareholders and at the end of the period equity amounted to 2,345 MSEK (2,120 MSEK as of 31 December 2016).

REGULATORY CAPITAL
Nordax has a strong capital situation and as of 31 December the total capital ratio was 16.7% (16.0). All capital ratios include a provision in accordance with the Board of Directors' proposal for an ordinary dividend of 1.60 SEK per share and a special dividend of 0.40 SEK per share. The improvement in the ratio during the year is due to Nordax's robust profitability, and even with the increased proposed dividend the capital ratios strengthened during the year.

The Common Equity Tier 1 capital ratio was 14.7% (14.0), compared to an estimated requirement of 9.7% including the internally estimated Pillar 2 requirement and the target of 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%, 1.4% for the Countercyclical Capital Buffer and 1.3% for the internally estimated Pillar 2 requirement.

The risk exposure amount increased to 12,415 MSEK (11,714), of which 10,828 MSEK (10,208) relates to credit risk, 787 MSEK (752) to market risk, mainly for currency risk as a result of the strategy to hedge the capital adequacy ratios, and 800 MSEK (754) to operational risk.

FUTURE IMPACT ON CAPITAL RATIOS
The new reporting standard IFRS 9 introduced in 2018 requires increased provisions for expected credit losses. In the transition to the new standard in 2018 a one-off effect of 177 MSEK will arise for increased provisions for expected credit losses, with a corresponding decrease in equity before tax. Nordax has decided to adopt the transition rules which allows a gradual phase-in of this effect of IFRS 9 on the core equity capital. See page 76-77 for more information.

At the end of 2017 a review was launched of the strategy to manage Nordax's portfolio of non-performing loans going forward (expected to be completed during the third quarter of 2018) and the strategy to hedge the capital adequacy ratios (expected to be completed during the first quarter of 2018). The aim is to see whether Nordax can further increase its cost and capital efficiency, which potentially could free up more capital.

Capital- and liquidity ratios

	2017	2016
Risk exposure amount, MSEK	12,415	11,714
Total Common Equity Tier 1 capital, MSEK	1,829	1,640
Common Equity Tier 1 capital ratio %	14.7	14.0
Total capital ratio %	16.7	16.0
Leverage ratio %	11.2	10.8
Liquidity Coverage Ratio %	616	553
Net stable funding ratio %	113	127

[1] See page 110 for definitions of key figures.

Segment

SWEDEN	2017	2016
Total net interest income, MSEK	399	366
Net interest margin, %	8.8	8.7
Net credit losses, MSEK	-61	-51
Net credit loss level (cost of risk), %	1.3	1.2
Lending, end of period, MSEK	4.685	4,419
New lending volumes, MSEK	1.592	1,598
Portfolio growth, MSEK	265	394
Growth %	6.0	9.8

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 and the number of deposit customers is nearly 18,000.

The average loan in Sweden is 161,000 SEK. Our loan customers in Sweden have an average monthly income of 32,000 SEK; 56% own their own home and their average age is 52.

The loan portfolio in Sweden grew 6% compared to the previous year to 4,685 MSEK. New lending was stable in comparison to 2016 and amounted to 1,592 MSEK.

The net interest margin for the period improved slightly to 8.8% (8.7%).

Credit quality remained solid in the Swedish portfolio even though the credit loss level increased slightly to 1.3% (1.2). From the third quarter 2017 Nordax started selling so-called forward flows, where we sell new past due receivables (+90 days) at an agreed price. Sales during the period concerned small volumes and had little impact on lending volumes and reported credit losses.

NORWAY	2017	2016
Total net interest income, MSEK	451	436
Total net Interest Income, MNOK	436	430
Net interest margin, %	9.0	9.3
Net credit losses, MSEK	-106	-81
Net credit loss level (cost of risk),%	2.1	1,7
Lending, end of period, MSEK	4,806	5,218
Lending, end of period, MNOK	4,806	4,923
New lending volume, MSEK	1,441	1,966
New lending volumes, MNOK	1,399	1,921
Portfolio growth, MSEK	-411	1,093
of which FX effects	-288	492
Growth excluding FX effects, %	-2.3	14.6

Nordax started its lending operation in Norway in 2005 and the deposit operation in 2009. The total number of loan customers in Norway is nearly 37,000 and the number of deposit customers is nearly 7,000.

The average loan in Norway is NOK 194,000. Our loan customers have an average monthly income of about NOK 40,000; 80% own their own home and their average age is 50.

The loan portfolio amounted to 4,806 MSEK, a decrease of 2% in local currency compared to the same period in 2016. New lending was down 27% year-on-year mainly driven by a decrease in new lending through loan intermediaries because of the stricter lending terms introduced in the fourth quarter of 2016. This reduced the approval rate during the year, mainly in the credit intermediary channel.

The net interest margin decreased compared to 2016 to 9.0% (9.3%).

The net credit loss level increased to 2.1% for 2017 (1.7%). The level also rose compared to the same quarter in 2016 as well as the previous quarter. The credit loss level has historically been seasonally higher in the fourth quarter. The credit loss level has been negatively affected by poorer credit performance and a slight decrease in the lending portfolio.

FINLAND	2017	2016
Total net interest income, MSEK	259	229
Total net Interest Income, MEUR	27	24
Net interest margin, %	10.0	10.8
Net credit losses , MSEK	-6	-9
Net credit loss level (cost of risk), %	0.2	0.4
Lending, end of period, MSEK	2,917	2,262
Lending, end of period, MEUR	297	236
New lending volume, MSEK	1,159	706
New lending volumes, MEUR	120	74
Portfolio growth, MSEK	655	298
of which FX effects	74	104
Growth excluding FX effects, %	25.7	9.9

Nordax started its lending operation in Finland in 2007 and the deposit operation in 2011. The total number of loan customers in Finland is nearly 31,000 and the number of deposit customers is just over 1,000.

The average loan in Finland is nearly EUR 14,000. Our loan customers have an average monthly income of about EUR 3,700; 74% own their own home and their average age is 51.

The loan portfolio in Finland amounted to 2,917 MSEK at the end of the year, an increase of 655 MSEK or 26% in constant currencies compared to 2016. New lending in local currency rose 62% year-on-year and gradually increased during the year. Increased demand, expanded lending channels, improvements to the loan application processes and joining the Finnish debt register all contributed to the increased lending.

The net interest margin decreased compared to 2016 to 10.0% (10.8). New lending in Finland is lower than historically, but margins are still the highest of all of Nordax's markets.

Credit quality remained strong and the net credit loss level decreased to 0.2% (0.4) compared to 2016. Credit quality in Finland has developed strongly with higher recoveries and stable claims. From the third quarter 2017 Nordax started selling so called forward flows, where we sell new past due receivables (+90 days) at an agreed price. Sales during the period concerned small volumes and had little impact on lending volumes and reported credit losses.

GERMANY	2017	2016
Total net interest income, MSEK	80	61
Total net Interest Income, MEUR	8	6
Net interest margin, %	9.1	9.3
Net credit losses , MSEK	-36	-23
Net credit loss level (cost of risk), §%	4.1	3.5
Lending, end of period, MSEK	993	761
Lending, end of period, MEUR	101	79
New lending volume, MSEK	463	366
New lending volumes, MEUR	48	39
Portfolio growth, MSEK	232	213
of which FX effects	25	35
Growth excluding FX effects, %	27.2	32.5

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 is 9,600 and the number of deposit customers is nearly 6,500.

The average loan in Germany is about EUR 14,000. Our loan customers have an average monthly income of EUR 4,000; 38% own their own home and their average age is 50.

The loan portfolio amounted to 993 MSEK, an increase of 27% in local currency compared to 2016. New lending rose 23% in local currency year-on-year. At the end of the year distribution was broadened after Nordax launched its first partnership with a loan intermediary in the German market after having previously worked only with direct marketing. In 2017 marketing efficiency improved significantly. In 2018 Nordax will begin collaborating with an external partner that has an established platform to digitise the application flow and improve efficiencies. The aim is to be more competitive and increase scalability as well as to create a broader distribution platform in Germany going forward. The cooperation is expected to be established during the summer of 2018.

The net interest margin decreased to 9.1% (9.3) compared to the full-year 2016.

The net credit loss level increased to 4.1% (3.5). In 2016 the provision level was adjusted for past due loans, which reduced the credit loss level. Provision levels for past due loans in Germany remain conservative compared to the provision level for Nordax's total portfolio. Loans more than 180 days past due are valued at 20%, compared to an average of 39% for Nordax's entire portfolio (including Germany).

Proposed dividend

The Board of Directors proposes to the Annual General Meeting an ordinary dividend of 1.60 SEK per share for 2017 (1.60) and a special dividend of 0.40 SEK per share, corresponding to a total dividend of 221.5 MSEK. The ordinary dividend represents 43% of net profit for 2017, in line with Nordax's dividend policy. The special dividend is made possible by Nordax's strong capital position. The total proposed dividend corresponds to a payout ratio of approximately 54%. If Nordax pays the proposed dividend prior to the settlement of proceeds in the mandatory public cash offer described in the section *Significant events after the end of the period* on page 47, the offer price per share will be reduced accordingly.

Financial targets

Nordax established financial targets in connection with the IPO in 2015. All the targets were exceeded in 2017. The financial targets are:

TARGETS	OUTCOME
Maintain a return through the cycle above 3% on net average loans	4.2% (4.3% 2016)
Maintaining a payout ratio of approximately 40% of net profit	54% according to the proposed dividend (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 14.7% (14.0%) Total capital ratio 16.7% (16.0%) 5.0 percentage points above the requirement for Common Equity Tier 1 capital ratio and 3.5 percentage points above the requirement for total capital ratio

Employees

Number of employees during the year was 255 (260). The number of full-time equivalent employees was 197 (199). Of the employees at year-end 59% and were women and 41% men. The proportion of women in the Senior Management Team was 45% at year-end.

Short-term absence due to illness was 2.5% (2.9) during the year, and total absence due to illness including employees on long-term sick leave was 4.7% (4.4). Staff turnover was 14.1% (17.1) during the year.

Change in exchange rates

Nordax's results are affected by changes in exchange rates between SEK, NOK. EUR and DKK. The exchange rates affect the translation 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 exchanges 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 exchanges rates are offset in the statement of financial position by a corresponding effect that the changes have on Nordax's income statement. This effect is recognised in net profit from financial transactions.

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 (1,000) and the actual exposure amount is 787 MSEK (752), distributed into 418 MNOK (438), 4 MDKK (9) and 37 MEUR (29). A change of 5% in the value of SEK against the other currencies would cause a change in profit/loss and in equity of 39 MSEK (38), distributed into 21 MNOK (22), 0.2 MDKK (0.5) and 1.8 MEUR (1.5).

NORDAX'S EXCHANGE-RATE SENSITIVITY

Currency	Change	Impact on Nordax's operating profit
NOK	+/- 5%	+/- 21 MSEK
EUR	+/- 5%	+/- 18 MSEK
DKK	+/- 5%	+/- 0 MSEK

Significant events after the end of the reporting period

MANDATORY CASH OFFER

On 8 February 2018, NDX Intressenter, which is controlled by Nordic Capital and Sampo, announced a mandatory public cash offer to the shareholders of Nordax to sell all of their shares to NDX Intressenter. NDX Intressenter offers SEK 60 in cash per Nordax share. If, prior to settlement of the public offer, Nordax pays a dividend or makes any other value transfer to its shareholders, the offer price per share will be reduced accordingly. The Board of Directors in Nordax has unanimously resolved to recommend that all shareholders accept the offer. More information about the offer, including NDX Intressenter's press release concerning the offer and the Board of Directors' recommendation, is available on NDX Intressenter's website: www.ndxintressenter.com.

On 15 February 2018 Nordic Capital informed, through a pressrelease, that they owned 64.34% of the shares and that they together with Sampo owned 71.98% of the total number of shares in Nordax.

ANNUAL GENERAL MEETING 2018

As a consequence of the mandatory public cash offer to the shareholders, the Board of Directors has decided to postpone the Annual General Meeting, which was initially scheduled to be held on 20 April 2018. A new date for the 2018 Annual General Meeting will be announced later this spring.

NEW REPORTING STANDARD - IFRS 9

The introduction of the new reporting standard IFRS 9 in 2018 gives rise to a one-off effect that increases provisions for expected credit losses and reduces equity. See also page 76. In calculating capital adequacy there is an option to use transition rules to reduce the impact on capital adequacy due to IFRS 9. In January Nordax notified the Swedish Financial Supervisory Authority of its decision to apply the transition rules.

For more information of the impact, see page 77.

Chairman's comments

2017 was another year with negative policy rates and positive economic development in our markets. Demand for personal loans was good and Nordax's lending continued to grow, but at a slightly lower rate than in recent years. The market that grew the most was Finland, where access to data in the form of the debt register we joined during the year has made us more secure in our credit assessments. In Norway there was a lively debate during the year on the personal loan market and its high rate of growth, and regulators have introduced restrictions in the form of guidelines for credit assessments to slow that growth. We tightened our credit underwriting in Norway at the end of 2016 when we saw that the trend for parts of the portfolio was going in the wrong direction. It is important that all of us in the industry share responsibility for a sound and well-functioning financial market, where we put the customer and credit assessments first. We welcome the legal change in Norway that allows for the creation of a debt register for the benefit of all stakeholders. In Sweden we participated in the Swedish Bankers' Association's initiative to introduce a code for responsible consumer lending.

Being sound and sustainable and taking responsibility for society as a whole is important for Nordax. Our sustainability work was expanded and formalised during the year. Among other things, we reviewed all our marketing texts, drafted a code of conduct for our employees and began buying carbon offsets for our marketing material. Our increased customer focus and efforts to raise employee engagement have produced good results. Continuing to develop our role in society and taking responsibility in every part of our business are critical for customers, employees and other stakeholders.

During the year Morten Falch decided to step down as CEO. Morten was one of the founders of Nordax in 2003 and from the start helped to build a bank that today has more than 150,000 customers, more than 200 employees, operations in four countries and a market value of nearly SEK 7 billion. He has personified the successful journey Nordax has taken, and we on the Board of Directors want to express our thanks to Morten for all his years as CEO and are pleased to still have his skills with us on the board.

As the new CEO, the Board appointed Jacob Lundblad, who was previously Deputy CEO. Since taking over, Jacob has maintained a fast pace and reorganised the management team to be even more focused on customers and leadership. Jacob and his team have quickly implemented a broader strategy, which management, together with the Board, drafted during the year.

Since the start in 2003 Nordax has had a limited number of products with a focus on unsecured personal loans. The company has grown and built up all the functions it requires as a regulated bank today. During the year the Board completed a strategic review which concluded that broadening the strategy is necessary to develop the company. We are convinced that the central platform Nordax has today can be used to serve more customers with additional products and services and can be further broadened geographically. An expanded product strategy will give Nordax a more stable foundation and growth opportunities, even if in the short and medium term it means more risks and investments as well. During the year we also initiated a review of how to most efficiently use our capital, as part of which we entered into an agreement to continuously sell non-performing loans to Lindorff to avoid tying up too much capital in these assets over time. The strategic review also pointed out the need to continue to digitise processes and to improve our processes in Germany.

Last autumn Nordax added two new major shareholders in Nordic Capital and Sampo. The two new owners decided in February to make an offer through a jointly owned company, NDX Intressenter AB, for all the shares in Nordax at 60 SEK per share. After carefully evaluating the offer together with our external advisors, the Board has unanimously decided to recommend that the shareholders accept the offer, which we feel is attractive given the company's future growth opportunities and risks. At the time of writing NDX Intressenter had secured ownership of at least 72% of the shares in Nordax. Those shareholders who decided to subscribe for the Nordax shares in the IPO in June 2015 and accept the offer from NDX Intressenter will have received a return of nearly 40% including dividends paid.

Arne Bernroth
Chairman of the Board
Stockholm in March 2018

Nordax Bank

2017

CORPORATE GOVERANCE REPORT

Nordax Group AB (publ)

Introduction

Shares in Nordax Group AB (publ) ("Nordax") have been listed on the Main Market of Nasdaq Stockholm since 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"). 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 corporate governance and control, 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 (2004:297) 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 other authorities such as 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 on 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 operations, 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 27 April 2017. 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 and shareholders may vote all the shares they own or represent. The share capital as of 31 December 2017 amounted to 110,945,598 MSEK, distributed into 110,945,598 shares and votes. The largest shareholder as of 31 December 2017 was Nordic Capital Fund VIII through Cidron Humber Ltd ("Nordic Capital"), with a holding of 9.96 percent of the shares and votes. In addition, Nordic Capital has entered into a call option agreement according to which Nordic Capital is entitled to acquire an additional 12.44 percent of the shares in Nordax, of which 9.50 percent through Carnegie Investment Bank AB and 2.94 percent through R12 Kapital. The second largest owner was Sampo plc ("Sampo"), with a total holding of 7.64 percent of the shares and votes[1]. The company owned 230,000 treasury shares as of 31 December 2017. More information regarding ownership can be found on page 33 and page 47.

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. Resolutions by the General Meeting normally require a simple majority, i.e., more than half of the total number of votes cast, unless otherwise indicated in the Annual Accounts Act. 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 AGM, an Extraordinary General Meeting may be called.

Under the Nordax Articles of Association, a General Meeting of Shareholders will 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 AGM 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 AGM as well as the minutes of the AGM 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 AGM 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.

Information on the date and time of the next AGM 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. A notice convening other Extraordinary General Meetings must be issued no earlier than six weeks and no later than three weeks prior to the meeting.

The AGM on 27 April 2017 was attended by 111 shareholders representing just over 60% of the total number of shares and votes in the company. The company's auditor and all Board members except Katarina Bonde and Andrew Rich were present at the meeting, as well as all members of the company's Nomination Committee. The 2017 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 2016
- payment of a dividend of 1.60 SEK per share in accordance with the Board's proposal
- discharge of the Board members and the CEO from liability for 2016
- approval of number of Board members and auditors
- approval of number of Board members and auditors
- 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 2017
- 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 (up to 10% of all shares in the company)
- transfer of no more than 415,000 shares to participants in the Management Incentive Plan 2017
- amendment to the Articles of Association

1 Source Holdings by Modular Finance AB (Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority) and pressrelease published by Nordic Capital on 13 October and 24 November 2017. On 8 February 2018 Nordic Capital and Sampo, through the company NDX intressenter, announced a mandatory public cash offer for all the shares in Nordax. On 15 February 2018 Nordic Capital informed, through a pressrelease, that they owned 64.34% of the shares and that they together with Sampo owned 71.98% of the total number of shares in Nordax. For more information, see page 47.

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

An Extraordinary General Meeting held on 14 April 2015 resolved to adopt principles for appointing the Nomination Committee. According to these principles, which were not amended by the 2017 AGM, the Nomination Committee is to consist of representatives of each of the three largest shareholders based on shareholdings at 31 August, according to the register of shareholders maintained by Euroclear Sweden AB. The individuals in question may not be members of the Board. If any of the three largest shareholders decline to appoint a member of the Nomination Committee, the next largest shareholder will have the opportunity to appoint a member of the Nomination Committee until the Nomination Committee consists of at least three members. In addition to the members of the Nomination Committee who represent the largest shareholders, the Chairman of the Board of Directors can appoint a member of the Nomination Committee. The CEO or others from Nordax's management may not be members of the Nomination Committee.

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 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 composition of the Nomination Committee must be announced no later than six months prior to the AGM. The names of the members of the Nomination Committee and the shareholders they represent were announced on 15 September 2017. Changes in the composition of the Nomination Committee were announced on 1 November 2017.

COMPOSITION OF THE NOMINATION COMMITEE[1]

Name	Representing	Percentage of shares at 2017-10-31 [2]	Percentage of shares at 2017-12-31 [3]
Robert Furuhjelm (Chairman)	Nordic Capital Fund VIII through Cidron Humber Ltd	9.96 [4]	9.96 [5]
Hans Hedström	Carnegie Fonder AB	7.90	5.82
Ricard Wennerklint	Sampo plc	7.64	7.64

[1] The Nomination Committe is not composed of representatives of the three largest owners as of 31 August 2016 since changes in ownership has taken place after 31 of August which has changedwho the top three shareholders in Nordax is.
[2] Source Holdings by Modular Finance AB (Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority) and pressrelease published by Nordic Capital on 13 October 2017.
[3] Source Holdings by Modular Finance AB (Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority)
[4] In addition, Nordic Capital has entered into a call option agreement with Carnegie Investment Bank AB, according to which Nordic Capital is entitled to acquire another 5.04 percent of the shares in Nordax, according to a press release published by Nordic Capital on October 13, 2017.
[5] In addition, Nordic Capital has entered into a call option agreement under which Nordic Capital has the right to acquire an additional 12.44 percent of Nordax shares as per press release published by Nordic Capital on October 13, 2017 and November 24, 2017, of which 9.50 per cent through Carnegie Investment Bank AB and 2.94 percent through R12 Capital.

Nordax's Chairman of the Board, Arne Bernroth, has served as a non-voting 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 September 2017 held two meetings at which minutes were kept. The Nomination Committee convened in November 2017 has held three meetings at which minutes were kept through 31 December 2017, 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 been evaluated as well. Furthermore, the Nomination Committee has held individual meetings with each Board member.

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 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.

Board of Directors

Under the Nordax Articles of Association, the Board of Directors consists 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 2017 AGM of eight elected members and no deputies. The former CEO, Morten Falch, who stepped down as CEO in autumn 2017, is a member of 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
In connection with the publication of the Nomination Committee's proposal for the Board of Directors in February 2017, Director Hans Larsson announced that he had declined re-election and resigned from the Board effective immediately due to the risk of a conflict of interest with a new board position. The 2017 AGM re-elected the previously elected members. Susanne Hannestad was elected as a new member. After the election the Board consisted of the following members: Arne Bernroth (Chairman), Christian Beck, Katarina Bonde, Morten Falch, Susanne Hannestad, Andrew Rich, Jenny Rosberg and Synnöve Trygg. The Board held its first meeting following the AGM on 27 April 2017.

The composition of the Board of Directors and the Board's committees, along with information on each Board member, is shown on page 62-64.

Chairman of the Board
The Chairman of the Board is elected by the General Meeting of Shareholders. If the Chairman 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.

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 appropriate systems are in place 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 AGM. 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 reviewed at least once per year.

OVERVIEW OF BOARD MEETINGS 2017

MONTH	TASKS:
February	Annual financial statements and year-end report 2016, report by the Group's external auditor, approval of the control functions' annual plans for 2017 and reports on Q4 2016, budget 2017, decision on variable remuneration for management and heads of control functions, report on sustainability project
March	Adoption of annual report for 2016, report by the Group's external auditor, decision to continuously sell non-performing loans in Sweden, Norway and Finland, preparation of proposal to AGM 2017, examination of Norwegian operations, report on sustainability project, the Board's evaluation of the CEO, decision on fixed compensation for management and heads of control functions, training in IFRS 9
April	Interim report Q1 2017, Annual General Meeting and first Board meeting, report from the control functions on Q1, decision on early redemption of SCL IV (securitisation issued 2014) on the first possible date, theme IT
May	Presentation of new external auditor and approval of audit plan for 2017
June	Approval of ICLAAP report 2017, approval of financial recovery plan 2017, report by the Group's internal auditor to the Audit Committee
July	Interim report Q2 2017, report by the Group's external auditor to the Audit Committee
August	Appointment of Jacob Lundblad as the new CEO, report by the control functions on Q2
September	Strategy and business development, changes to Senior Management Team, decision to issue securitisation SCL VI, decision to apply to sell insurance as an intermediary
October	Interim report Q3 2017, changes in reporting and calculation of capital adequacy for Nordax Bank, report by the Group's internal and external auditors to the Audit Committee, report by the control functions on Q3 2017, theme IT, training in new money laundering rules
November	Decision to extend warehouse facility, the Marketing, theme HR
December	Draft budget 2018, Board evaluation, approval of the control functions' annual plans for 2018, report by the Group's external auditors to the Audit Committee, approval of updated ICLAAP

The Board meets according to an annual schedule and on the basis of an annual plan. Further meetings may be convened to address issues that cannot be referred to one of the regular sessions. The Board makes decisions on matters concerning the company's strategic orientation, e.g., through the business plan and budget, funding, material organisational changes and governing documents in the form of policies. The financial reporting is addressed at each Board meeting in connection with reporting from the CFO. The Board discusses and reviews interim reports and the annual accounts prior to publication and decides whether to adopt and publish the financial reports. The Board regularly follows up the Group's risks and compliance through reporting from the independent compliance and risk control functions. The Board also receives reports on the internal control from ÖhrlingsPriceWaterhouseCoopers AB, to which Nordax Bank has outsourced the Internal Audit Function. The Group's external auditor submits reports on reviews of the administration of the company and the financial reporting. The CEO and CFO attend the Board's meetings. Individuals from the Senior Management Team and other staff attend as needed to present reports. The minutes of the Board's meetings are kept by the Chief Legal Counsel.

The Board of Directors of Nordax held 17 meetings in 2017, of which 12 were regularly scheduled sessions, one followed the election of the new Board and four were unscheduled. The Board of Directors of the operating subsidiary Nordax Bank held 15 meetings in 2017, of which 11 were regularly scheduled sessions, one followed the election of the new Board and three were unscheduled. The regular sessions always take up financial reporting, credit risk reporting, operational reporting by the CEO and function manager based on the annual plan, and reporting from the independent risk control and compliance functions. 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 three committees and adopted a policy for each one, 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 Swedish Inspectorate of Auditors 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 auditor or audit firm.

As part of its duties, the Audit Committee will, 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 will 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 is taking 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), Andrew Rich and Synnöve Trygg. 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 seven meetings during the year, of which five were regularly scheduled sessions and two were unscheduled. The company´s external auditors attended six 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 the risks that exist or may arise in Nordax's operations 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 also assists the Board in continuously assessing Nordax's capital situation and internal capital evaluation, the financial recovery plan and calculations of provisions for expected credit losses.

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

The Risk Committee held six regularly scheduled meetings during the year.

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 laws and other laws, regulations and guidelines applicable to Nordax, and 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), Christian Beck and Synnöve Trygg. 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, of which two were regularly scheduled sessions and one was unscheduled.

Remuneration of the Board
The following compensation has been approved for the Board of Directors for the period until the end of the 2018 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 120,000 each to the Chairmen of the Audit Committee and the Risk Committee, SEK 60,000 each to the other members of the Audit Committee and the Risk Committee, and SEK 50,000 to each member of the Remuneration Committee.

No compensation was paid to the Chairman of the Board for committee work. No compensation was paid either 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.

Policy on diversity and assessment of suitability of directors and key function holders
Pursuant to the rules on management assessments, all members of the Board must undergo a management assessment by the Swedish Financial Supervisory Authority. The Board members and the composition of the Board must also conform to the Swedish Financial Supervisory Authority's rules on diversity, suitability and that the Board as a group meets the requirements mandated by law and guidelines. In addition, Nordax's Board has adopted a policy on diversity and assessment of the suitability of Board members, the Chief Executive Officer and other members of the Senior Management Team in accordance with the regulations issued by the Swedish Financial Supervisory Authority, guidelines issued by the EBA and the provisions of the Code. The policy states that the composition of the Board must achieve diversity with regards to 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.

Application of the policy on diversity and assessment of suitability of directors and key function holders
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 to the Nordax Board, and has also reviewed the policy adopted by the Board as described above.

The Nomination Committee has, in connection with its task to nominate the Chairman and other members of the Board to the AGM 2017 on the basis of provided information, evaluated to what extent the current Board meets the demands that will placed on the Board owing to the company's and the Group's business and organisation, current situation and future development, as well as the demands and criteria emanating from rules and guidelines applicable to the operations, including in terms of relevant experience and expertise in relation to the Group's operations, current situation and future development. In accordance with the company's above-mentioned diversity policy, the Nomination Committee has in particular considered the requirement on diversity and breadth on the Board with regards to gender, age, geographical origin, and educational and professional background in order to ensure that the composition of the Board of Directors is diversified. The Nomination Committee has in particular strived for gender parity. An assessment has also been made of each member's ability to devote to the Board sufficient time, attention and engagement to safeguard the company's and its shareholders' interests.

Pursuant to the Nomination Committee's proposal to the AGM 2017, the Nomination Committee concluded that the proposed Board meets the demands on the company's and the Group's business and organisation, current situation and future development, as well as the demands and criteria emanating from rules and guidelines, including with respect to other assignments, and that the proposed Board collectively has the breadth, expertise and experience needed in relation to the company's operations, stage of development and other relevant circumstances. The Nomination Committee determined that the proposed individuals are well-suited to the task, both individually and as a group, and that they can devote the necessary time and give the company's Board the attention and engagement required. The Nomination Committee also stated that the proposed members represent a diversification in terms of gender, age and geographical origin as well as diversity and breadth with regards to education and professional background in compliance with the company's diversity policy. The Nomination Committee further established that four of the eight nominated candidates, or 50%, are women and that gender parity has thereby been achieved.

The Nordax Board performed a suitability assessment of the candidates proposed by the Nomination Committee that were submitted to the Swedish Financial Supervisory Authority in connection with the application for management assessments of the candidates as well as an assessment of the Board's collective competence and experience based on certain given criteria so that the Swedish Financial Supervisory Authority can determine whether the Board as a whole has sufficient expertise and experience to lead the company.

Nordax's policy on diversity and assessment of suitability of directors and key function holders also includes guidelines on how the company will ensure that key function holders within the company have the right skills. A suitability assessment is made with every recruitment of a key function holder. Evaluations of key function holders are also made in connection with decisions on variable and fixed remuneration.

CEO and Senior Management Team

Jacob Lundblad, former Deputy CEO, was appointed at the Board meeting in August 2017 as the new CEO of Nordax after Morten Falch announced his desire to step down. Jacob Lundblad took over as CEO on 1 September 2017.

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 2017 consisted of eleven individuals, three of whom are non-voting members. Senior Management Team consists of six men and five women. 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 65-66.

The CEO has appointed a number of forums and steering committees to support the management of operating activities, which assist the CEO and other function managers in making decisions that affect day-to-day operations on the basis of material prepared by function managers, or to prepare recommendations by the Senior Management Team for approval by the Board. The purpose of the forums is to coordinate and assess the impact of proposed strategies and decisions prior to implementation. The forums and steering committees include the Strategy Forum, Country Forum and IT Steering Committee.

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 assessment 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, variable remuneration may 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 may never on an annual basis exceed 100 percent of fixed annual salary.

Pursuant to the remuneration policy, the performance assessment underlying the calculation of variable remuneration is mainly based on risk-adjusted profit measures. This assessment takes 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 performance assessment aims to promote sustainable profitability, and Nordax's underlying business cycle must be considered when performance-based remuneration is paid.

Remuneration to members of the Senior Management Team is subject to regulatory limits and requirements pursuant to the Swedish Financial Supervisory Authority's regulations and guidelines. At least 60% of 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.

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 done in the fourth quarter of 2017. The evaluation, which was based on responses to a questionnaire, is designed to further improve the Board's work and assist 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 an open debate, 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 prior to his appointment and consisted of a suitability assessment conducted by the Board and a leadership evaluation by an external party. An evaluation of the CEO is also made in conjunction with decisions on variable remuneration.

Auditor

The company's auditor is appointed by the General Meeting of Shareholders. The Nordax Audit Committee assesses the work of the auditor and assists the Nomination Committee in preparing the auditor proposal. The Nomination Committee's proposal to the AGM for the auditor's election contains the Audit Committee's recommendation. 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 year-end report, and presents a review report to the Audit Committee at its regularly scheduled meetings when the reviewed interim reports or year-end report are discussed, as well as to the Board of Directors.

The General Meeting held on 27 April 2017 elected Deloitte AB as the company's new auditor in accordance with the Nomination Committee's proposal for the period until the end of the 2018 Annual General Meeting. Authorised Public Accountant Malin Lüning is the auditor in charge.

Deloitte AB
SE-113 79 Stockholm, Sweden
Telephone +46 75 246 2000

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

Internal control and risk management

Pursuant to the rules of procedure of the Board of Directors, the Board is responsible for making 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.

Governing documents
A key part of Nordax's internal control environment consists of governing documents such as policies, instructions and manuals. Governing documents cover material areas and provide a framework for operations. All policies are adopted by the Board and instructions are adopted by the CEO or person delegated by the Board. Governing documents are evaluated, updated and adopted continuously, but at least one a year. The compliance function coordinates internal management of governing documents. Current governing documents are available to all employees on Nordax's intranet.

Reporting of irregularities – whistle-blowing process
Nordax has a whistleblowing process to anonymously report irregularities, which is governed by the whistleblowing policy adopted by the Board of Directors.

Three lines of defence model
To ensure adequate risk management and internal governance and control, Nordax applies the three lines of defence model.

The first line of defence – owners of risk and compliance

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 such risks. This includes responsibility for ensuring that clear processes and routines are in place together with internal documents that govern how Nordax operates in various respects.

The second line of defence – monitoring and control

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 supporting and independently reviewing the business operations to ensure compliance with laws, regulations and internal rules, as well as generally accepted practices or accepted standards for 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 identifying and 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 employees receive information and training on new or amended internal and external rules.

The Compliance Function submits compliance reports 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 Senior Management Team.

The third line of defence - independent audit

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

The Internal Audit Function is part of Nordax's third line of defence and is currently outsourced to the audit firm Öhrlings PricewaterhouseCoopers AB ("PwC"). The scope of the outsourced services is governed by a written agreement pursuant to which PwC must perform the services in accordance with the policy adopted by the Board, 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 recommendations to the relevant departments or functions.

The Internal Audit Function is directly subordinate to the Board through the Audit Committee.

Risk management processes

Riskbased annual plans
Nordax's independent control functions follow risk-based annual plans established by the Board. The risk assessments that serve as a basis for the plans comprise both internal and external factors and have both a historical and a forward-looking perspective. The risk assessments by the risk control and compliance functions are based partly on contributions from operations, including through the self-assessment process for operational risks. Other factors that are taken into consideration in the risk assessment include incidents that occurred during the year, pending regulations, new products, services, markets, processes, IT systems and deficiencies identified by the control functions and the auditors. Furthermore, an assessment is made of the control environment in the area covered by the risk assessment. Each control function conducts its own assessment, while the work involved in drafting the annual plans is done in consultation. The primary aim is to ensure a comprehensive control environment where most resources are devoted to the areas that pose the greatest risk, but also to avoid overlapping and unnecessary duplication. The results of the risk assessments are evaluated by the Board when it approves the annual plans.

Below are a number of examples of the processes and methods Nordax has established to identify and manage risks. The results are compiled in reports and presented to the Board, the Board's committees and/or the Senior Management Team.

Nordax risk profile
The evaluation of Nordax's risk profile is conducted on the basis of Nordax's operating environment and identifies risks that could have a negative impact on Nordax's ability to reach its strategic targets. The risks that are identified are evaluated based on probability and potential impacts, and for each risk there is an action plan. The risk profile is updated and discussed on a continuous basis by Nordax's Senior Management Team. Nordax's risk profile is compiled by the risk control function. The risk profile is presented to the Board at least four times a year on a separate risk radar.

Independent control and analysis of the credit risk function for Internal Audit
The risk control function controls, analyses and continuously reports credit risks to the Board and the Risk Committee. Together with the continuous reporting that the credit risk department provides to the Board, the independent reporting from the risk control function provides a comprehensive and objective view of credit risks. The control also comprises independent monitoring and reporting of the limits that the Board has established with regard to credit risk.

Incident reporting
Nordax defines an incident as an adverse event that has caused or has the potential to cause damage to Nordax's business, assets, reputation and/or personnel. Incident reporting at Nordax is managed in a GRC system ("Governance, Risk and Compliance"). All employees are encouraged and expected to report incidents that occur in operations. The incident reporting process includes gathering information and investigations through risk assessments, quantification of potential impacts and categorisation of incidents. Analysis, monitoring and reporting to the Board are done on a regular basis. Management of incident reporting is governed by the "Instruction for incident reporting".

Business continuity management
Nordax's business continuity management aims to create robustness in operations in order to better manage disruptions and losses in all or parts of operating activities. Business continuity management is a continuous process with annual Business Impact Analyses, updates of continuity plans and tests of the plans for material processes. Business continuity management is governed by the "Instruction for business continuity management".

New Product Approval Process
The New Product Approval Process (NPAP) ensures that all operational risks arising in connection with new or materially altered products, services, markets, processes, IT systems or other major changes to the organisation or operations are identified and managed. Residual risks and critical key controls are documented and tracked. Compliance monitoring is included as well. The CEO is responsible for approving the NPAP before launch or implementation. The Risk Control function is responsible for at least quarterly reporting newly identified and significantly heightened risks to the Board of Directors and the CEO. The NPAP is governed by the "Instruction for project coordination and the NPAP".

Self-assessments of operational risks
The process owners of Nordax's material processes at least once a year perform a self-assessment of operational risks in their process. This includes an assessment of the probability that the risks will occur and their potential impact. Mitigating controls and plans for managing identified risks are also included in the assessments and are documented. Self-assessments of operational risks are governed by the "Instruction for material processes".

Key control testing
An effective internal control environment is a critical aspect in operational risk management. Internal controls must be designed to ensure operational efficiency, that Nordax's assets are protected and that the financial reporting is reliable. Risk control tests key controls in the material processes to evaluate their design and operational efficiency. Key control testing does not aim to repeat or replace the controls in the first line of defence, but rather to evaluate the effectiveness of the controls. The testing process for Nordax's key controls is governed by the "Instruction for risk control".

Board of Directors' report of internal control

IN RESPECT OF THE FINANCIAL REPORTING FOR THE FINANCIAL YEAR OF 2017

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 of financial reporting is built around the six fundamental pillars of internal control presented below: control environment, risk management, control activities, information and communication, follow-up, and evaluation and positions regarding internal audit.

System of internal control and risk management with respect to financial reporting
Internal control of 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 of 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. Governing documents are evaluated continuously, but at least once a year, and are updated as needed due to new or amended regulations and/or internal changes in operations.

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 within Nordax, comprising risks pertaining to the 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 as well as any irregularities that may have a material impact on the financial reporting. The control activities are prepared and documented at the 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 the department's operations and financial reporting processes. Furthermore, high IT security is crucial to good internal control of 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 channels aimed at promoting complete and accurate financial reporting. Governing documents in the form of internal policies, instructions and manuals pertaining to the financial reporting have been made available and known to the appropriate employees through the Nordax intranet 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 of financial reporting
The Board of Directors' measures to follow up the Internal control of 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 internal 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 channels are regularly monitored 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 through the Audit Committee. The role of Internal Audit is governed by the policy on the Internal Audit function, and the function's work is based on a review plan reviewed by the Audit Committee and adopted annually by the Board.

The plan is based on a risk assessment made in cooperation with the Risk Control and Compliance functions, 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

AS OF 31 DECEMBER 2017

	Arne Bernroth	Christian Beck	Katarina Bonde
Position	Chairman Chairman Remuneration Committee	Non-Executive Director Member of Remuneration Committee	Non-Executive Director Chairman Risk Committee
Education	BSc in Economics Lunds University	Master of Laws and Advanced Studies in Political Economics, Oslo University	Msc in Physics and Mathematics, Royal Institute of Technology, Stockholm
Elected	2010	2004	2015
Year of birth	1947	1956	1958
Nationality	Swedish	Norwegian	Swedish
Other assignments	Chairman of Emragruppen AB with subsidiaries, Ceres Food AB and Motala Verkstad Group AB. Member of the Advisory Board of Axcel Investment Management. Non-Executive Director and CEO of elcecat AB.	Chairman of Arcasa Arkitekter AS, Cant Invest AS, Case Holding AS and Design og Interior AS. Non-Executive Director in Blår AS and Member of the Advisory Board of Palamon Capital Partners	Chairman of Propellerhead Software Aktiebolag, Opus Group AB (publ) and IMINT Image Intelligence AB. Member of i Aptilo Holding 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	Several Board assignments, among them Chairman Espresso House Sweden AB and Bangsoft AS	Senior management positions in the IT-industry
Own and related parties' holdings at 31 December 2017	135 639 shares	1 025 899 shares	1 500 shares
Audit Committee, attendance	2 [1]	-	-
Risk Committee, attendance	-	-	6
Remuneration Committee, attendance	3	3	-
Board of Directors meetings, attendance	17	17	16
Directors' fees, SEK	1 100 000	400 000	400 000
Fees for committee assignments, SEK	-	50 000	120 000

[1] Arne Bernroth was appointed a member of the Audit Committee in the Board meeting on the 21 March 2017 since Hans Larsson resigned from the Board of Directors. Hans Larsson attended one meeting in the Audit Committee and one meeting in the Risk Committee before he resigned.

Board of Directors

AS OF 31 DECEMBER 2017

	Morten Falch	Susanne Hannestad	Andrew Rich[2]
Position	Executive Director[1]	Non-Executive Director Member of Risk Committee	Non-Executive Director Member of Audit Committee
Education	B.Sc. (Hons) in business administration, University of Bath	Masters of Business Administration (Hons), Northeastern University, USA, and First Level Bachelor of Law, Oslo University and Executive Leadership, INSEAD, France	M.A. (Hons) in History of Art, University of Edinburgh
Elected	2004	2017	2010
Year of birth	1967	1961	1974
Nationality	Norwegian	Norwegian	British
Other assignments	-	Chairman inPayr AS, VIO Media AS and Førstehjelperen AS. CEO Fintech Mundi AS and Bozan AS	Head of Group M&A for 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[1]	Yes	Yes
Independent of major shareholders	Yes	Yes	Yes
Previous experience	Co-founder of Nordax and CEO Nordax until end of August 2017 Senior management positions i in GE Capital, Citigroup, and AVCO/The Associates	Senior management positions i Nordea, Nets and Sparebank 1 Forsikring in Norway and several board assignments, among them Zwipe AS, Visa Bankegruppe AS, Mastercard Forum, Scandpower IT AS and Visa Norge AS.	Former partner and Member of the Board of Vision Capital LLP and several board assignments, among them Non-Executive Director in JDR Enterprises Limited and ADDO Food Group Limited
Own and related parties' holdings at 31 December 2017	2 697 738 shares	2 200 shares	10 000 shares
Audit Committee, attendance	-	-	7
Risk Committee, attendance	-	3[2]	-
Remuneration Committee, attendance	-	-	-
Board of Directors meetings, attendance	17	14[3]	17
Directors' fees, SEK	-	400 000	400 000
Fees for committee assignments, SEK	-	60 000	60 000

[1] Morten Falch ended his employment at Nordax on the 28 February 2018 and is thereafter a Non-Executive Director and independent of the company and the management

[2] Susanne Hannestad was appointed Member of the Risk Committee at the inaugural Board Meeting in conjunction to the AGM on the 27 April 2017 where she was appointed as new Non-Executive Director.

[3] Susanne Hannestad was appointed Non-Executive Director at the AGM on the 27 April 2017.

Board of Directors

AS OF 31 DECEMBER 2017

CEO

	Jenny Rosberg	Synnöve Trygg	Jacob Lundblad
Position	Non-Executive Director Chairman Audit Committee Member of Risk Committee	Non-Executive Director Member of Remuneration Committee Member of Audit Committee	CEO
Education	Executive MBA, Stockholm School of Economics	BSc in Business Administration, Stockholms University	MSc in Business Administration, BSc Business Law, Lund University
Elected	2016	2015	2017
Year of birth	1966	1959	1978
Nationality	Swedish	Swedish	Swedish
Other assignments	CEO and Non-Executive Director in ROPA management AB, Non-Executive Director i AB Persson Invest, IRtalks AB and NetEnt AB (publ) and Member of Audit Committee in NetEnt AB (publ)	Non-Executive Director i Intrum Justitia AB, Landshypotek Bank AB, Valitor HF, Volvofinans Bank AB, Precise Biometrics AB and Wrapp AB	CEO Nordax Bank AB (publ) CEO and Board member in subsidiaries to Nordax Bank AB (publ)
Independent of the company and the management	Yes	Yes	No
Independent of major shareholders	Yes	Yes	Yes
Previous experience	Senior management positions in Nasdaq, Erik Penser Bankaktiebolag, Skandia, Nordiska Fondkommission and Pronator	CEO of SEB Kort	Deputy CEO since 2010 Experience from different positions within Nordax since 2004
Own and related parties' holdings at 31 December 2017	10 000 shares	2 000 shares	567 688 shares
Audit Committee, attendance	7	4 [1]	-
Risk Committee, attendance	7	-	-
Remuneration Committee, attendance	-	3	-
Board of Directors meetings, attendance	17	15	-
Directors' fees, SEK	400 000	400 000	-
Fees for committee assignments, SEK	180 000	110 000	-

[1] Synnöve Trygg was appointed member of the Audit Committe at the inaugural Board Meeting in conjunction to the AGM on the 27 April 2017.

Senior Management Team

AS OF 31 DECEMBER 2017

Jacob Lundblad

CEO
Year of birth 1978
Employed 2004
In current position since 2017
Education: MSc in Business Administration, BSc Business Law, Lund University
Own and related parties' holdings as of 31 December 2017: 567 668 shares

Lennart Erlandson

CFO
Year of birth 1966
Employed 2017
In current position since 2017
Education: BSc Business Administration, Gothenburg School of Economics
Own and related parties' holdings as of 31 December 2017: 0 shares

Christine Ahlm

Credit Risk Manager
Year of birth 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 2017: 271 279 shares

Per Alinder

Marketing Director
Year of birth 1985
Employed 2006
In current position since 2014
Education: BSc Business Administration, Stockholm University
Own and related parties' holdings as of 31 December 2017: 666 shares

Malin Frick

HR Manager
Year of birth 1986
Employed 2012
In current position since 2012
Education: Bsc in Human Resource Management and Development, Linköping University
Own and related parties' holdings as of 31 December 2017: 666 shares

Malin Jönsson

Head of Customer Operations
Year of birth 1971
Employed 2016
In current position since 2016
Education: MSc Business Administration, International Business Program, Linköping University.
Own and related parties' holdings as of 31 December 2017: 1 600 shares

Ragnhild Tell

CIO
Year of birth 1973
Employed 2017
In current position since 2017
Education: Degree of Bacholor of Science - major in information systems science, Örebro University
Own and related parties' holdings as of 31 December 2017: 2 650 shares

Kristina Tham Nordlind

Chief Legal Counsel
Year of birth 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 2017: 54 256 shares

Non-voting members of Senior Management Team

AS OF 31 DECEMBER 2017

Andreas Frid

Head of Investor Relations

Year of birth 1977

Employed 2016

In current position since 2016

Education: MSc Business Administration Lund University

Own and related parties' holdings as of 31 December 2017: 1 650 shares

Patrick MacArthur

Head of Business Development & Strategy

Year of birth 1980

Employed 2017

In current position since 2017

Education: M.Sc. Economics and Business Stockholm School of Economics, Master of Laws Lund University

Own and related parties' holdings as of 31 December 2017: 0 shares

Olof Mankert

CRO

Year of birth 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 2017: 666 shares

Nordax Bank

2017

FINANCIAL REPORTS AND NOTES

Nordax Group AB (publ)

Consolidated income statement

GROUP

All amounts in MSEK	Note	JAN–DEC 2017	JAN–DEC 2016
Operating income			
Interest income	7,13	1,455	1,354
Interest expense	7,13	-261	-254
Total net interest income		**1,194**	**1,100**
Commission income	8,13	19	16
Net profit from financial transactions	9,13	-24	60
Other operating income		0	0
Total operating income		**1, 189**	**1,176**
Operating expenses			
General administrative expenses	10,13	-299	-291
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,13,18	-24	-25
Other operating expenses	13	-128	-136
Non-recurring items	13	-	13
Total operating expenses		**-451**	**-439**
Profit before credit losses		**738**	**737**
Net credit losses	11,13	-209	-164
Operating profit		**529**	**573**
Tax on profit for the period	12	-120	-127
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		**409**	**446**
Attributable to:			
The Parent Company's shareholders		409	446
Non-controlling interest		-	-
Earnings per share, SEK	2	3.69	4.02
Diluted earnings per share, SEK	2	3.69	4.02
Average number of shares	2	110,744,487	110,912,265

Consolidated statement of financial position

GROUP

All amounts are in MSEK	Note	31 December 2017	31 December 2016
ASSETS			
Lending to credit institutions	5,6,14	1,808	1,672
Lending to the general public	5,6,13,15	13,488	12,794
Bonds and other fixed-income securities	5,6,16	1,184	959
Tangible assets	17	6	7
Intangible assets	18	300	305
Other assets		68	19
Prepaid expenses and accrued income		24	17
TOTAL ASSETS		**16,878**	**15,773**
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities			
Liabilities to credit institutions	5,6,19	3,054	3,205
Deposits from the general public	5,6	7,511	7,141
Issued securities	5, 6,20	3,547	2,910
Current tax liability		61	36
Deferred tax liability	12	31	30
Other liabilities	21	24	16
Accrued expenses and deferred income		58	68
Subordinated liabilities	5,6,22	247	247
Total liabilities		**14,533**	**13,653**
Equity			
Share capital		111	111
Other funds		19	-
Other capital		-11	-4
Other capital contributions		736	736
Retained earnings, incl. profit for the		1,490	1,277
Total equity		**2,345**	**2,120**
TOTAL LIABILITIES, PROVISIONS AND EQUITY		**16,878**	**15,773**

Consolidated cash flow statement

GROUP

All amounts are in MSEK	JAN–DEC 2017	JAN–DEC 2016
Operating activities		
Operating profit [1]	529	573
Adjustment for non-cash items		
Exchange rate effects [2]	24	-60
Income tax paid	-94	-80
Depreciation, amortisation and impairment of property, plant & equipment	24	25
Amortisation of financing costs	-1	-
Unrealised changes in value of bonds and other fixed income securities	6	3
Change in operating assets and liabilities		
Decrease/Increase in lending to the general public	-834	-1,577
Decrease/Increase in other assets	-56	-10
Decrease/Increase in deposits from the general public	370	1,140
Decrease/Increase in other liabilities	-3	-12
Cash flow from operating activities	**-36**	**2**
Investing activities		
Purchase of equipment	-18	-9
Investment in bonds and other interest bearing securities	-3,791	-3,879
Sale/disposal of bonds and other fixed income securities	3,560	4,073
Cash flow from investing activities	**-249**	**185**
Financing activities [3]		
Increase in liability to credit institutions	-133	186
Issue of subordinated loans	-	-
Redemption of subordinated loans	-	-
Issued bonds	2,107	500
Repayment of issued bonds	-1,369	-952
Paid dividend	-177	-55
Repurchase own shares	-7	-4
Cash flow from financing activities	**421**	**-325**
Cash flow for the period	**137**	**-138**
Cash and cash equivalents at beginning of year	**1,672**	**1,810**
Cash and cash equivalents at end of year	**1,808**	**1,672**

Cash and cash equivalents are defined as lending to credit institutions. Pledged cash and cash equivalents according to Note 23 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.

1 Whereof received interest MSEK 1,398 (MSEK 1,300) and paid interest MSEK 146 (MSEK 146).

2 Unrealized exchange rate effects were reported in earlier periods as exchange rate effects and have now been reclassified as change in operating assets and liabilities.

[3] Changes in liabilites arising from financing activities - Group

GROUP

All amounts are in MSEK	OB 2016	Cash-flows	Other non-cash-flow changes	Foreign exchange effects	CB 2017
Lliabilities to credit institutions	3,205	-133	7	-24	3,054
Issued securities	2,910	738	-9	-92	3,547
Total liabilities from financing activities	**6,115**	**-605**	**-2**	**-116**	**6,601**

Statement of changes in equity

GROUP

All amounts are in MSEK	Restricted equity		Non restricted equity			Total
	Share capital	Other reserves	Other capital	Other contribu-ted capital	Retained earnings	
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**
Other reserves						
Capitalization		5			-5	**0**
Depriciation		0			0	**0**
Total other reserves		**5**			**-5**	**0**
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**	**5**	**-4**	**736**	**1,272**	**2,120**
OPENING BALANCE, 1 January 2017	**111**	**5**	**-4**	**736**	**1,272**	**2,120**
Comprehensive income						
Net profit/loss for the year					409	**409**
Total comprehensive income					**409**	**409**
Other reserves						
Capitalization		16			-16	**0**
Depriciation		-2			2	**0**
Total other reserves		**14**			**-14**	**0**
Transactions with shareholders						
Dividends paid					-177	**-177**
Repurchase of own shares			-7			**-7**
Total transactions with shareholders			**-7**		**-177**	**-184**
CLOSING BALANCE, 31 December 2017	**111**	**19**	**-11**	**736**	**1,490**	**2,345**

Notes

Amounts stated in the notes are in MSEK unless otherwise stated.

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 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).

The consolidated financial statements and annual report for Nordax Group AB (publ) for the financial year 2017 were approved by the Board of Directors and Chief Executive Officer to be published on 15 March 2018 for adoption by the Annual General Meeting in 2018.

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 SwedishFinancial 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 are reported in the income statement in accordance with RFR 2. 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.

Consolidated financial statementsg
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. Intra-Group transactions and balance sheet items as well as unrealised gains and losses on transactions between Group companies are eliminated. For more information regarding changes in accounting policies for the subsidiaries, see section Changes in accounting policies in note 2.

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 resourcesare 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 2017 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 93 (90) million, to Norway at SEK 97 (114) million and to Finland at SEK 61 (47) 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 measurment
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 23 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 assess 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 neds 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.

Principles for offsetting Financial assets and financial liabilites
A financial asset and financial liability are offset and reported with a net amount in the balance sheet only when the following two criteras are met: There is a legal right to offset the recognised amounts and there is an intent to pay a net amount or at the same time realise the asset and settle the liability. No offsetting of financial assets or financial liabilites has occurred.

Lending
Loan receivables intended to be held to maturity are classified as financial assets and constitute a separate category of financial instruments in IAS 39. 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

Impairment of loan receivables is recognised in the income statement as Net credit losses, which consist of the year's write-off of observed credit losses, provisions for loans with individually identified loss events (individually identified loss events are understood to mean receivables past due more than 180 days) and a group provision for receivables measured collectively (past due 1-180 days). No provision 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 and interest expenses
Interest income is recognised as income with application of the effective interest method. The effective interest method is used to recognise interest income and interest expenses from financial assets and financial liabilites measured at amortised cost. The method is used to calculate the amortised cost of a financial asset or a financial liability and to distribute interest income and interest expenses over time. 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. Interest income and interest expenses from financial instruments measured according to effective interest method are reported within total net interest income. Interest income from financial instruments held for trading are reported within Net profit/loss from financial transactions.

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 bemeasured 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 pensionis vested. Prepaid contributions are recognised as anasset 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 2017 approved a similar plan for 2017. 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 longtermincentive 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 2017.

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
New or amended standards and interpretations adopted by the EU and applied as of 1 January 2017 have not had a material effect on the company's financial reports. The accounting policies and calculation methods used in the preparation of the company's financial statements are essentially unchanged since the previous year. For information om adjusted accounting policies in the subsidiaries, see the section Changes in accounting policies in note 2.

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.

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
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 and replaces IAS 39. The standard will be applied to financial years beginning 1 January 2018 and has been adopted by the EU.

IFRS 9 is principle driven, in contrast to IAS 39, which was rules based, and contains new principles on how financial assets are classified and measured. The determining factors in the classification – the measurement category to which a financial asset belongs – are the entity's business model, the objective of the holding and the financial asset's contractual cash flows. The rules address classification and measurement, hedge accounting and impairment of financial instruments.

Nordax's financial assets – classification and measurement
The majority of Nordax's assets consists of lending to the public. Nordax has defined its business model for these assets as being that the assets are held to collect contractual cash flows (Hold to Collect) and that the contract terms for the financial assets give rise to cash flows that are solely payments of principal and interest on the outstanding principal (according to the so-called SPPI test). This means that Nordax will measure its assets on the asset side at amortised cost.

Since Nordax had already measured its lending in this way, in accordance with IAS 39, the transition to IFRS 9 does not change the recognition of these assets.

Lending to credit institutions consists of Nordax's holdings in the liquidity portfolio and are recognised through profit or loss at market value and therefore are not affected by the credit impairment model in IFRS 9. Bonds and other fixed income securities and derivatives are valued at fair value through profit and loss and are not affected by the transition to IFRS9.

Hedge accounting
The Group currently does not apply hedge accounting and, as a result, is not affected by the change in rules.

Impairment
IFRS 9 also introduces a new model for calculating credit loss provisions based on expected credit losses and not solely on loss events that have already occurred. The impairment rules in IFRS 9 are based on a three-stage model where each stage reflects the current credit risk, stating that stage one represents the lowest credit risk.

Nordax's model for impairment according to IFRS 9
Nordax's model for impairment according to IFRS 9 consists of two parts: a quantitative cash flow model that calculates expected credit loss and a qualitative model that adjusts the result from the quantitative model based on a projected macro scenario.

In the qualitative model, the assumption is that there are two forward-looking macro scenarios for the impairment model: a "normal" scenario based on macroeconomic conditions which indicate that the countries relevant to Nordax are not in economic crisis and a "crisis scenario" that shows clear signs of an economic downturn for each country. The expected credit risk in the quantitative model is calculated based on the normal scenario and then adjusted monthly as needed for the estimated risk and the effect of the crisis.

In the quantitative model, a credit loss can arise from both write off (written off amount less expected recovery) and from the sale of overdue receivables (written off amount less sales proceeds).

The quantitative model is also a three-stage model that distinguishes between three types of receivables: receivables with normal risk (stage 1), receivables whose credit risk is considered to have significantly increased (stage 2) and receivables in default occurred (stage 3). Nordax's definition of a loss event is that the receivable is more than 90 days past due.

To determine whether a receivable has has experienced a significant increase in credit risk, a method is used in which the receivable's twelve month probability of default (PD) is compared to a certain threshold that is a function of the original risk class and the time since the loan was granted. (the receivables probability of default in 12 month are used as an approximation for the probability for default during the whole life of the receivable.) If the observed twelve month PD for the receivable is below the threshold, the receivable is considered to have a normal risk (belongs to stage 1) and the expected credit loss is measured on a twelve-month horizon. This is done by calculating expected write off during the twelve-month period and subsequently the expected recovery/sales proceeds. The expected recovery is calculated based on cumulative recovery curves stretching over 20 years (15 years in Finland due to legal constraints on the collection of the receivable), while the sales proceeds are based on a agreeed price. The expected write off and expected recovery are both discounted back to the time of the provision by applying the receivables current effective interest rate, with the provision consisting of the difference between them.

ASSET/PORTOLIO	IFRS 9			IAS 39		
	Hold to Collect- amortised cost	Hold to Collect and Sell -fair value through other comprehensive income	Other -fair value through profit and loss	Loans and receivables-amortised cost	Investment held to maturity	Financial instruments measured at fair value through profit and loss
Lending to credit institutions - Not for trading			X			X
Lending to the general public	X			X		
Bonds and other fixed income securities - Not for trading			X			X
Derivatives- Held for Trading			X			X

If, on the other hand, the receivable's PD (significant risk increase) within the next twelve months exceeds the above-mentioned limit, the receivable is considered to have significant increased risk (belongs to stage 2) and the expected credit loss is calculated for the receivable's expected life (provisions for all receivables that are between 30-89 days past due are by definition based on expected life). (so called "backstop") The expected life is determined by Nordax by adjusting the receivable's remaining maturity downward by an expected utilisation factor. The receivable's lifetime PD is subsequently based on the receivable's current risk class, its expected life and a cumulative lifetime PD curve. This is done by calculating expected write off over the receivable's expected life and subsequently its expected recovery/sales proceeds. As for receivables with normal risk (stage 1), expected recovery is calculated based on cumulative recovery curves stretching over 20 years (15 years in Finland due to time constraints on the collection of the receivable), while the sales proceeds are based on a agreed price. Expected write off and expected recovery are both discounted back to the time of the provision by the account's current effective interest rate, with the provision consisting of the difference between them.

The third class is receivables where a loss event has occurred (stage 3). This includes receivables more than 90 days past due, impaired receivables and estates. For Nordax, a receivable is impaired when it is more than 180 days past due (for estates it is based on the time of death).

The remaining receivables are receivables where a default event has occurred but which have not yet been written off (receivables between 90 and 180 days past due). The expected credit loss is calculated as expected write off and subsequently the expected recovery. Expected recovery is calculated based on expected write off and cumulative recovery curves stretching over 20 years (15 years in Finland). Expected write off and expected recovery are discounted back to the time of the provision by the receivable's current effective interest rate, with the provision consisting of the difference between them.

Corporate governance
Nordax has developed a governance framework tied to IFRS 9 that comprises a committee meeting chaired by the CFO and where all relevant functions are represented. Moreover, a key control matrix has been developed where controls for the material aspects of the IFRS 9 process are formalised. The purpose of these controls is to control and verify among other things inputs, outputs and that material prepared for committee meetings has been produced in line with the duality principle. Moreover, the risk control function has its own controls for two purposes: to control the controls in the first line, and to verify the results. The risk control function also performs quarterly validations of the impairment model.

Expected effects
The transition to IFRS 9 gives rise to a one-off effect of increased provisions for expected credit losses by 177 MSEK (equivalent to 1.3% of lending to the general public) and a reduction of equity before tax with the corresponding amount. The increase in provisions is mainly because IFRS9 includes provisioning also for current accounts. For capital adequacy reporting, Nordax has decided to use the transition rules that allow a gradual phasing of this effect. In the calculation of the capital base in capital adequacy the decrease in equity is amortised during the period 2018-2022 according to below:

- 2018 95% reversal of the initial negative effect on equity
- 2019 85% reversal of the initial negative effect on equity
- 2020 70% reversal of the initial negative effect on equity
- 2021 50% reversal of the initial negative effect on equity
- 2022 25% reversal of the initial negative effect on equity

IFRS 15 "Revenue from Contracts"
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 customer. 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 evaluated that IFRS 15 will not have a significant impact on the financial statements due to the Group's revenue being transaction-based.

IFRS16 "Leasing"
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 theleased asset is recognised as an asset in the statementof 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 anddepreciation/amortisation. Cash flow from operating activities will be higher since payments of the principal amount in the lease liability are recognised as cashflow 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
On 2 October Nordax Bank AB, a wholly owned subsidiary of Nordax Group AB, informed the Swedish Financial Supervisory Authority of changes that will be made in how the bank calculates its capital adequacy. The change in Nordax Bank AB's reporting is based on discussions in relation to an adjustment in the accounting treatment according to IAS 39, article 17, as a result of which Nordax Bank AB has assumed the credit risk from its subsidiary. The change affects loan receivables where the risk has not been transferred in its entirety through the sale of the loan to the subsidiaries in connection with securitisation. The loan receivables are therefore recognised in Nordax Bank AB. The change means that lending to the public increased in Nordax Bank AB and that all items attributable to the securitisation ae also recognised in Nordax Bank AB.The adjustment has no impact on the capital adequacy or the financial accounts of the Group (the consolidated situation) or the Parent Company, Nordax Group AB, and affects only the subsidiary Nordax Bank AB. For more information, please refer to the annual report of Nordax Bank AB (publ).
The accounting policies in 2017 are otherwise essentially the same as in 2016.

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

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 todetermine 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. For more information regarding Nordax Financial Risk factors see Corporate Governance Report, page 49.

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

(iv) Principles for credit risk provisions
Principles for credit risk provisions are indicated in Note 2 and Note 3. When the value of a loan receivable has declined, the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the instrument at the time of impairment. Management uses estimates based on historical credit losses for assets with the same credit risk and attributes as those in the loan portfolio. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between estimated and actual losses.

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

MAXIMUM EXPOSURE TO CREDIT RISK

All amounts are in MSEK	31 December 2017	31 December 2016
Credit risk exposures relate to the balance sheet as follow:		
Lending to credit institutions	1,808	1,672
Lending to the general public	13,488	12,794
Bonds and other fixed-income securities	1,184	959
Total	**16,480**	**15,425**

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

LENDING TO THE GENERAL PUBLIC

31 December 2017[1]	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision- past due receivables	
Not yet past due	4,223	4,197	65	2,543	950	11,978		
Past due 30 days	75	164	3	103	22	367	-36	10%
Past due 60 days	26	81	2	44	8	161	-32	20%
Past due 90 days	21	46	1	20	6	94	-36	38%
Past due 120-150 days	22	60	1	16	7	106	-57	54%
Past due 180 days or more	794	813	312	424	79	2,422	-1,479	61%
Total past due	**938**	**1,164**	**319**	**607**	**122**	**3,150**	**-1,640**	**52%**
Total	**5,161**	**5,361**	**384**	**3,150**	**1,072**	**15,128**		
Reserve [2]	-476	-555	-297	-233	-79	-1,640		
Total lending to the general public	**4,685**	**4,806**	**87**	**2,917**	**993**	**13,488**		

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 [2]	-417	-470	-290	-199	-43	-1,419		
Total lending to the general public	**4,419**	**5,218**	**134**	**2,262**	**761**	**12,794**		

1 From the third quarter 2017 forward-flow sales were made to Lindorff where we sell parts of new past due receivables (+90 days) at an agreed price. Sales during the period concerned small volumes, in Sweden and Finland, and had a minor impact on lending volumes and reported credit losses.

2 Provision for receivables, which are more than 180 days past due are assessed individually and total -1,479 MSEK (-1,278). The group provision is-161 MSEK (-141). 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 2017	31 December 2016
Provisions for loans with individually identified loss events[1]		
Opening reserve at start of year	-1,419	-1,158
- allocated during the year	-78	-96
- foreign exchange effects[2]	18	-24
Provision for loans with individually identified loss events	**-1,479**	**-1,278**
Group provision for receivables measured as a group[3]		
Opening reserve at start of year	-141	-110
- allocated during the year	-22	-24
- foreign exchange effects[2]	2	-7
Group provision for receivables measured as a group at end	**-161**	**-141**
Total provision for credit losses	**-1,640**	**-1,419**

[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 2017	31 December 2016
Credit quality pertaining[1]		
Rating A	895	828
Rating B	2,395	2,355
Rating C	4,842	4,662
Rating D	3,284	3,103
Rating E	427	418
No rating	135	172
Total	**11,978**	**11,538**

[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. Risk concentrations refers to risk attributable to financial instruments with similar characteristics and which may be affected in a similar manner by changes in the market. Nordax has determined that the most significant way to monitor risk concentrations are at a geographical level.

CREDIT EXPOSURE

31 December 2017	Svweden	Norway	Denmark	Finland	Germany	TOTAL
Lending to credit institutions	1,808	-	-	-	-	1,808
Lending to the general public	4,685	4,806	87	2,917	993	13,488
Bonds and other fixed-income securities	1,184	-	-	-	-	1,184
Derivatives	7	-	-	-	-	7
Total	**7,684**	**4,806**	**87**	**2,917**	**993**	**16,487**

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
Derivatives	1	-	-	-	-	1
Total	**7,051**	**5,218**	**134**	**2,262**	**761**	**15,426**

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 andreports 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 (1000) and actual exposure amount is 787 MSEK (752), distributed into 418 (438) MNOK, 4 (9) MDKK and 37 (29) 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 39 (38) MSEK, distributed into 21 MNOK (22), 0.2 MDKK (0.5) and 1.8 MEUR (1.5).

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 (40). 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 12 MSEK (11) respectively 6 MSEK (4). A sensitivity analysis for the interest risk in the next 12 months, when the interest rate was stressed by 1 % amounts to 20.0 MSEK (17.8 MSEK) with a revaluation effect of -1.8 MSEK (-1.9 MSEK).

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 assets and financial liabilities to be settled, broken down according to the time remaining, at balance sheet date, to maturity. Issued securities are presented below as expected undiscounted cashflows, not compatible with the contractual settlement dates. See note 20 for more information regarding issued securities. All other amounts stated in the table are the contractual, undiscounted cash flows.

MATURITY DISTRIBUTION

31 December 2017	Less than 3 months	Between 3- 12 months	Between 1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to credit institutions	1,808	-	-	-	**1,808**
Lending to the general public	904	38	1,567	10,979	**13,488**
Bonds and other fixed-income securities	476	200	508	-	**1,184**
Derivatives	7	-	-	-	**7**
Total	**3,195**	**238**	**2,075**	**10,979**	**16,487**

31 December 2016	Less than 3 months	Between 3- 12 months	Between 1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to credit institutions	1,672	-	-	-	**1,672**
Lending to the general public	791	35	1,603	10,365	**12,794**
Bonds and other fixed-income securities	655	304	-	-	**959**
Derivatives	1	-	-	-	**1**
Total	**3,117**	**335**	**1,595**	**10,365**	**15,412**

31 December 2017	Less than 3 months	Between 3- 12 months	Between 1 to 5 years	More than 5 years	TOTAL
Financial liabilites					
Liabilities to credit institutions	11	33	1,346	2,393	**3,783**
Deposits from the general public	5,869	1,362	280	-	**7,511**
Issued securities	118	958	2,584	-	**3,660**
Subordinated liabilities	4	11	57	310	**382**
Trade payables and other liabilities	3	52	-	-	**55**
Total	**6,005**	**2,415**	**4,267**	**2,703**	**15,390**

31 December 2016	Less than 3 months	Between 3- 12 months	Between 1 to 5 years	More than 5 years	TOTAL
Financial liabilites					
Liabilities to credit institutions	12	37	1,372	2,609	**4,030**
Deposits from the general public	6,846	0	295	-	**7,141**
Issued securities	147	1,282	1,531	-	**2,960**
Subordinated liabilities	4	12	62	314	**392**
Trade payables and other liabilities	1	45	-	-	**46**
Total	**7,010**	**1,376**	**3,260**	**2,923**	**14,569**

Capital adequacy analysis

Capital adequacy information in this document refers to information whose disclosure 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 which refers to information in the General recommendations on capital adequacy and risk management (FFFS 2014:12) of the Swedish Financial Supervisory Authority. Other information required under FFFS 2014:12 is provided on the Company's website, www.nordaxgroup.com.

Information on the consolidated situation

The consolidated accounts are consistent with the group-based accounting for the consolidated situation. The following companies are a part of the group: Nordax Group AB (publ), Nordax Bank AB (publ), 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).

CAPITAL ADEQUACY

All amounts in MSEK	Consolidated situation 31 December 2017	31 December 2016
OWN FUNDS		
Common Equity Tier 1 capital	2,135	1,942
Deduction from own funds	-306	-302
Total Common Equity Tier 1 capital	**1,829**	**1,640**
Tier 2 Capital4 [4]	247	234
Net own funds	**2,076**	**1,874**
Risk exposure amount for credit risk	10,828	10,208
Risk exposure amount for market risk	787	752
Risk exposure amount for operational risk	800	754
Total risk exposure amount (risk weighted assets)	**12,415**	**11,714**
Common Equity Tier 1 capital ratio	14.72%	14.01%
Tier 1 capital ratio	14.72%	14.01%
Total capital ratio	16.72%	16.01%
Total Common Equity Tier 1 capital requirement including buffer requirement	8.41%	8.13%
- of which, capital conservation buffer requirement	2.50%	2.50%
- of which, countercyclical capital buffers	1.41%	1.13%
Common Equity Tier 1 capital available for use as buffer [1]	8.72%	9.51%
Specification own funds		
Common Equity Tier 1 capital:		
Capital instruments and the related share premium accounts	847	843
-of wich share capital	111	111
- of wich other contributed capital	736	736
-Retained earnings	1,100	831
-Independently reviewed interim profits	409	446
Calculated dividend [2]	-221	-178
Common Equity Tier 1 capital before regulatory adjustments	**2,135**	**1,942**
Regulatory adjustments:		
-Intangible assets	-294	-297
- Own shares	-11	-4
-Prudent valuation	-1	-
Total regulatory adjustments to Common Equity Tier 1	**-306**	**-302**
Common Equity Tier 1	**1,829**	**1,640**
Tier 2 capital:		
-Tier 2 capital instrument	247	234
Tier 2 capital	**247**	**234**
Total capital	**2,076**	**1,874**
Specification of risk exposure amount [3]		
Institutional exposures	364	336
Covered bonds	51	20
Household exposures	9,372	8,966
Past due items	993	840
Other items	48	46
Total risk exposure amount for credit risk, Standardised Approach	**10,828**	**10,208**
Exchange rate risk	787	752
Total risk exposure amount for market risk	**787**	**752**
Operative risk according to alternative Standardized Method	800	754
Total risk exposure amount for operational risks	**800**	**754**
LEVERAGE RATIO		
Exposure measure for calculating leverage ratio	16,278	15,479
Leverage ratio	**11.23%**	**10.81%**

[1] Common Equity Tier 1 capital available for use as a buffer refers to Common Equity Tier 1 after deduction for own funds used to meet the capital adequacy requirement according to Pillar 1. Expressed as a percentage of total risk exposure amount.

[2] Calculated dividend consists of estimated dividend 221 MSEK 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] Nordax Group AB has a total of 247 MSEK in Tier 2 capital. In the capital adequacy calculation, only the level of supplementary capital is taken up, which can be used for reporting internally assessed capital requirements according to FFFS 2014: 13.

Internal capital requirement
As of 31 December 2017 the internal capital assessment for Nordax consolidated situation amounted to 160 MSEK (97 as of 31 December 2016). The total capital requirement for the period amounts to 1, 638 MSEK and are solely covered by CET 1. The internal capital requirement is assessed using Nordax internal models for economic capital. The increase of the internal capital requirements is related to a new method for calculation of concentration risk.

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.

Cashflows 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 Nordax had a liquidity coverage ratio of 616 % (553) (in accordance with the definition in the delegated act EU 2015/61). As of the same date the net stable funding ratio (NSFR) was 113 % (127), calculated in accordance with the Basel Committee's definition. Nordax had a liquidity reserve at 31 December 2017 of 2,610 MSEK (2 189). Of these investments, 55 % (56) was in Nordic banks, 19 % (9) in Swedish covered bonds and 26 % (35) 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 22 MSEK in exposure to Avanza Bank AB). The average maturity was 256 days (43). All bank holdings are accessible and all securities are repo-able with central banks.

At 31 December 2017 Nordax's sources of funding comprised 3,074 MSEK (2,427) in funding through asset-backed securities market (securitized), 500 MSEK (500) in senior unsecured bonds, 3,130 MSEK (3,218) in warehouse funding facilities provided by international banks in addition to 7,506 MSEK (7,135) in Deposits from the general public. The figures refer to the nominal amounts.

Note 5 Classification of financial assets and liabilities

GROUP

31 December 2017	Financial instruments measured at fair value through profit and loss		Loans and receivables	Other financial liabilites	TOTAL
	Held for trading	Designated at initial recognition			
ASSETS					
Lending to credit institutions	-	-	1,808	-	**1,808**
Lending to the general public	-	-	13,488	-	**13,488**
Bonds and other fixed income securities	-	1,184	-	-	**1,184**
Derivatives	7	-	-	-	**7**
Total assets	**7**	**1,184**	**15,296**	-	**16,487**
Liabilities					
Liabilities to credit institutions	-	-	-	3,054	**3,054**
Deposits from the general public	-	-	-	7,511	**7,511**
Issued securities	-	-	-	3,547	**3,547**
Subordinated liabilities	-	-	-	247	**247**
Total liabilities	**-**	-	-	**14,359**	**14,359**

31 December 2016	Financial instruments measured at fair value through profit and loss		Loans and receivables	Other financial liabilites	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 securities	-	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**

Trade receivables, trade payables and prepaid/accrued interest are not included in the classification above, but have been reported as Loans and receivables or Other financial liabilities, as these are not material. Ingen kvittning av finansiella tillgångar och finansiella skulder har skett.

Note 6 Fair values of financial assets and liabilities

GROUP

31 December 2017	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
ASSETS			
Lending to credit institutions [1]	1,808	1,808	-
Lending to the general public [2,4]	13,488	16,052	2,564
Bonds and other fixed income	1,184	1,184	-
Derivatives	7	7	-
Total assets	**16,487**	**19,051**	**2,564**
Liabilities			
Liabilitites to credit institutions [1]	3,054	3,054	-
Deposits from the general public	7,511	7,511	-
Issued securities [3]	3,547	3,554	7
Subordinated liabilities [3]	247	261	14
Total liabilites	**14,359**	**14,380**	**22**

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			
Liabilitites 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 liabilites	**13,503**	**13,510**	**7**

[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.
[3] Fair value data for issued securities and debenture loans are based directly or indirectly on quoted prices.
[4] Fair value data for lending to the general public is calculated after tax.

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)

During the 4th quarter of 2017 commercial bonds have transferred from level 1 to level 2. Quoted prices in active markets have been poor during 2017 and Nordax has chosen to adjust the levels.

GROUP

31 December 2017	Level 1	Level 2	Level 3	Total
ASSETS				
Bonds and other fixed income securities	509	676	-	1,184
Derivatives	-	7	-	7
Total assets	**509**	**682**	**-**	**1,191**

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**

Note 7 Net interest income

GROUP

All amounts are in MSEK	JAN–DEC 2017	JAN–DEC 2016
Interest income from the general public [1]	1,300	1,351
Interest income from credit institutions	155	3
Total interest income [2]	1,455	1,354
Interest expenses to the general public	-110	-91
Interest expenses to credit institutions	-135	-147
Interest expenses debenture loans	-16	-16
Total income expenses [2]	-261	-254
Net interest income	**1,194**	**1,100**

[1] Interest income on financial assets impaired totals SEK 77 million (64).
[2] Interest income from financial instruments not measured at fair value through profit and loss amounts to SEK 1,455 million (1,354). Interest expenses from financial instruments not measued at fair value through profit and loss amounts to SEK 261 million (254).

Note 8 Commission income

GROUP

All amounts are in MSEK	JAN–DEC 2017	JAN–DEC 2016
Insurance commission [1]	19	16
Total	**19**	**16**

[1] Commission income from financial instruments are not measured at fair value.

Note 9 Net profit from financial transactions

GROUP

All amounts are in MSEK	JAN-DEC 2017	JAN-DEC 2016
Changes in exchange rates	-18	64
Profit from investments in bonds and other fixed-income securities	-6	-4
Group contributions	-	-
Net profit/loss from financial transactions	**-24**	**60**

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 2017	31 December 2016
Employee benefit expenses		
Salaries and fees	-106	-110
Pension expenses	-10	-11
Social security contributions	-36	-37
Other employee benefit expenses	-10	-7
Total employee benefit expenses	**-162**	**-165**
Other administrative expenses		
IT expenses	-46	-29
External services	-43	-34
Costs of premises	-10	-10
Telephone and postage	-24	-25
Other	-13	-28
Total other administrative expenses	**-137**	**-126**
Total general administrative expenses	**-299**	**-291**

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Fees to auditors		
Pwc		
- Audit engagement	0	-1
- Audit work in addition to the Audit assignment	-1	-1
- Tax advisory services	0	0
Other services	0	0
Total	**-1**	**-2**
Deloitte		
- Audit engagement	-3	-
- Audit work in addition to the Audit assignment	0	-
- Tax advisory services	-	-
Other services	0	-
Total	**-3**	**-**
Total expense for audit fees	**-4**	**-2**

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Specification of salaries and fees [1]		
Directors, Chief Executive Officer and other senior executives	-19	-21
Other employees	-100	-94
Total	**-119**	**-115**
Breakdown of social security contributions		
Directors, Chief Executive Officer and other senior executives	-7	-5
Other employees	-33	-32
Total	**-40**	**-37**
Breakdown of pension expenses		
Directors, Chief Executive Officer and other senior executives	-3	-3
Other employees	-8	-8
Total	**-11**	**-11**
Breakdown of average number of employees (converted to full-time equivalents)		
Women	120	123
Men	74	69
Total	**194**	**192**

[1] Of the total breakdown of salaries and fees, fees invoiced for members of the Board of Directors and the Chief Executive Officer are not included.

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

GROUP

Number	31 December 2017	31 December 2016
Breakdown between women and men on the Board of Directors		
Women	4	3
Men	4	5
Total	**8**	**8**
Breakdown between women and men in the senior management		
Women	5	4
Men	6	4
Total	**11**	**8**

Group All amounts are in TSEK	Basic salary/ Board fee	Variable renumeration	Pension cost	**Total**
Remuneration and other benefits 2017				
Chairman A. Bernroth	-1,280	-	-	**-1,280**
CEO M. Falch (Jan-Aug 2017)	-1,896	-875	-310	**-3,081**
CEO J. Lundblad (Sept 2017 -)	-806	-	-56	**-862**
Director C. Beck	-450	-	-	**-450**
Director K. Bonde	-683	-	-	**-683**
Director H. Larsson	-137	-	-	**-137**
Director S. Hannestad	-460	-	-	**-460**
Director J. Rosberg	-762	-	-	**-762**
Director A. Rich	-307	-	-	**-307**
Director S. Trygg	-670	-	-	**-670**
Other senior management (12 persons)	-11,359	-3,814	-2,178	**-17,351**

All amounts are in TSEK	Basic salary/ Board fee	Variable renumeration	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**

The remuneration in 2017 is reported excluding VAT in the parent company Nordax Group AB, as the company holds deduction for VAT. The remuneration of 2016 is reporterd including VAT and were not reported in the parent company which holds deduction of VAT. Social security contributions are included in the remuneration where applicable.

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.

	2017	2016
Number of restricted share units:	40,858	129,231
Share price on day immediately preceding the award decision:	50.90	52.50
Market value of units upon reward:	2,079,672	6,784,628

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 2018 for the 2017 plan (7 February 2017 for the 2016 plan). Within the framework of the long-term management incentive plan, Nordax does not intend to repurchase any shares for 2017 (130,000 shares were repurchased for the 2016 plan).

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 sharebased remuneration.

Note 11 Credit losses

GROUP

All amounts are in MSEK	JAN–DEC 2017	JAN–DEC 2016
Credit losses		
Write-offs for the period pertaining to actual credit losses	-109	-44
Gross value of new receivables during the year past due more than 180 days	-534	-476
Payments received during the year pertaining to loans past due more than 180 days	298	241
Adjustment to recoverable value pertaining to receivables past due more than 180 days	158	139
Total provision for loans with individually identified loss event [1]	-78	-96
Group provision for receivables valued as a group [2]	-22	-24
Periodens kreditförluster	**-209**	**-164**

[1] Individually identified loss events refer to loans which are more than 180 days past due, see also Note 4 about Credit Risk.
[2] Receivables valued as a group refers to loans between one and 180 days past due.

Note 12 Tax on profit for the year

GROUP

All amounts are in MSEK	JAN–DEC 2017	JAN–DEC 2016
Tax recognised in profit or loss		
Current tax on profit for the year	-122	-105
Deferred tax expense/income	2	-22
Tax on profit for the year	**-120**	**-127**
Reconciliation of effective tax		
Reported profit before tax	529	573
Tax at current tax rate	-117	-127
Tax effect of non-deductible expenses	-4	0
Tax effect of non-taxable income	1	0
Tax on profit for the year according to the income statement	**-120**	**-127**
Deferred tax recognised in the balance sheet	31	30
Opening balance deferred tax liability	30	9
Through profit or loss	-4	-5
Related to temporary differences	5	26
Closing balance deferred tax liability	**31**	**30**
Deferred tax liability is attributable to		
Deferred tax related to business combinations	54	54
Recognised in profit or loss	-48	-44
Deferred tax liability attributable to temporary differences in accrued costs of loans	25	20
Deferred tax liability according to balance sheet	**31**	**30**
Deferred tax to be regained in 12 months	-4	-4
Deferred tax to be regained after 12 months	35	34

The applicable tax rate is the tax rate for income tax in the Group. The tax rate is 23% (22%). The deferred tax liability pertains to temporary differences in accrued arrangement fees for loans and handling fees.

Note 13 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 2017	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Income statement						
Interest income [1]	462	593	6	300	94	**1,455**
Interest expenses	-63	-141	-1	-42	-14	**-261**
Total net interest income	**399**	**452**	**5**	**258**	**80**	**1,194**
Commission income	9	7	0	3	0	**19**
Net profit from financial transactions	0	-25	0	-1	2	**-24**
Total operating income	408	434	5	260	82	**1,189**
General administrative expenses	-100	-114	-3	-58	-24	**-299**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-13	-8	0	-2	-1	**-24**
Other operating expenses [2]	-32	-36	0	-31	-29	**-128**
Total operating expenses	**-145**	**-158**	**-3**	**-91**	**-54**	**-451**
Profit before credit losses	**263**	**276**	**2**	**169**	**28**	**738**
Net credit losses	-61	-106	0	-6	-36	**-209**
Operating profit	**202**	**170**	**2**	**163**	**-8**	**529**
Balance sheet						
Lending to the general public	**4,685**	**4,806**	**87**	**2,917**	**993**	**13,488**

GROUP

JAN–DEC 2016	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Income statement						
Interest income [1]	425	584	10	263	72	**1,354**
Interest expenses	-60	-146	-2	-35	-11	**-254**
Total net interest income	**365**	**438**	**8**	**228**	**61**	**1,100**
Commission income	7	8	-	1	-	**16**
Net profit from financial transactions	0	41	3	5	11	**60**
Total operating income	372	487	111	234	72	**1,176**
General administrative expenses	-101	-104	-3	-52	-18	**-278**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-11	-8	0	-4	-2	**-25**
Other operating expenses	-31	-47	-1	-26	-31	**-136**
Non-recurring costs [3]						**13**
Total operating expenses	**-143**	**-159**	**-4**	**-82**	**-51**	**-439**
Profit before credit losses	229	328	7	152	21	737
Net credit losses	-51	-81	0	-9	-23	**-164**
Operating profit	178	247	7	143	-2	573
Balance sheet						
Lending to the general public	**4,419**	**5,218**	**134**	**2,262**	**761**	**12,794**

[1] Interest income refers to revenues from external customers.
[2] Other operating expenses refers to marketing expenses
[3] Non-recurring items during the period related to the IPO in 2015 and other cost reductions related to the IPO.

Note 14 Lending to credit institutions

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Banks	1,808	1,672
Total	**1,808**	**1,672**

The Group's lending to credit institutions includes SEK 427 (480) million in pledged assets for liabilities to credit institutions and issued securities.

Note 15 Lending to the general public

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Households	13,488	12,794
Total	**13,488**	**12,794**

The Group item includes SEK 9,130 (9,479) 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 12,546 million (11,967) has a maturity of more than one year.

Note 16 Bonds and other fixed-income securities

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Holdings broken down by issuer		
Swedish municipalities	676	755
Swedish covered bonds	508	204
Bonds and other fixed-income securities	**1,184**	**959**

All holdings are listed, SEK 508 MSEK (0) has a maturity of more than one year and the remainder less than one year.

Note 17 Tangible assets

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Non-current assets		
Cost at start of year	23	21
- acquisitions during the year	4	2
- disposals during the year	-1	-
Cost at end of year	**26**	**23**
Accumulated and amortisation at start of year	-16	-13
- amortisation for the year	-3	-3
- disposals during the year	-1	-
Accumulated amortisation at end of year	**-20**	**-16**
Carrying amount	**6**	**7**

Note 18 Intangible assets

GROUP

31 December 2017	Goodwill	Contractual client relationships	Internally generated software development costs	Total
Opening carrying amount	**251**	**34**	**20**	**305**
- purchases	-	-	16	16
- amortisation	-	-12	-9	-21
Closing carrying amount	**251**	**22**	**27**	**300**
Cost	251	99	76	426
Accumulated amortisation and impairment losses	-	-77	-49	-126
Carrying amount	**251**	**22**	**27**	**300**

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**

Note 19 Liabilities to credit institutions

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Foreign banks	3,054	3,205
Total	**3,054**	**3,205**

For the above liabilities in the Group, collateral has been provided in an amount of SEK 5,214 (5,567) million for receivables attributable to Lending to the general public and SEK 156 (169) million to Lending to credit institutions. Granted credit totals SEK 3,130 (3,218) 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 20 Issued securities

GROUP

All amounts are in MSEK	Term	Early redemption date	31 December 2017	31 December 2016
Bonds issued by Nordax Nordic 4 AB, issued in NOK	Nov 2040	Okt 2020	2,026	-
Bonds issued by Nordax Sverige 4 AB, issued in SEK	Dec 2038	Nov 2018	1,023	1,087
Bonds issued by Nordax Nordic 3 AB, issued in NOK	Jan 2037	Jun 2017	-	1,326
Bonds issued by Nordax Bank AB, issued in SEK	Mar 2019	-	498	497
Total			**3,547**	**2,910**

The foreign-exchange positions for securities issued in SEK and NOK are fully matched against assets in the currencies concerned. Securities issued in Nordic 4 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 3,916 (3,912) million for receivables attributable to Lending to the general public and SEK 271 (311) million to Lending to credit institutions. The amounts above pertain to volumes issued to external investors.

Note 21 Other liabilities

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Trade payables	3	1
Other	21	15
Total	**24**	**16**

Note 22 Subordinated liabilities

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Subordinated loans	247	247
Total	**247**	**247**

SPECIFICATION

31 December 2017	Currency	Date of issue	Principal amount	Coupon rate	Maturity [1]
Subordinated bonds	SEK	2015-03-12	250	3-month stibor +5,75%	2025-03-18

31 December 2016	Currency	Date of issue	Principal amount	Coupon rate	Maturity [1]
Subordinated bonds	SEK	2015-03-12	250	3-month stibor +5,75%	2025-03-18

[1] First call date March 2020

Note 23 Pledged assets and contingent liabilities

GROUP

All amounts are in MSEK	31 December 2017	31 December 2016
Pledged assets for own liabilities		
Lending to the general public	9,130	9,479
Lending to credit institutions	427	480
Summa	**9,558**	**9,959**

All amounts are in MSEK	31 December 2017	31 December 2016
Other pledged assets		
	NONE	**NONE**

The Group does not have any contingent liabilities.

Note 24 Transactions with related parties

The Group has not had any transactions with related parties.

Note 25 Significant events after balance sheet date

MANDATORY CASH OFFER

On 8 February 2018, NDX Intressenter, which is controlled by Nordic Capital and Sampo, announced a a mandatory public cash offer to the shareholders of Nordax to sell all of their shares to NDX Intressenter. NDX Intressenter offers SEK 60 in cash per Nordax share. If, prior to to settlement of the public offer, Nordax pays a dividend or makes any other value transfer to its shareholders, the offer price per share will be reduced accordingly. The Board of Directors in Nordax has unanimously resolved to recommend all shareholders to accept the offer. More information about the offer, including NDX Intressenters press release concerning the offer and the Board of Directors' recommendation, is available on NDX Intressenter's website: www.ndxintressenter.com.

On 15 February 2018 Nordic Capital informed, through a pressrelease, that they owned 64.34 per cent of the shares and that they together with Sampo owned 71.98 per cent of the total number of shares in Nordax.

ANNUAL GENERAL MEETING 2018

As a consequence of the mandatory public cash offer announced by NDX Intressenter, a company controlled by Nordic Capital and Sampo, to the shareholders of Nordax on 8 February 2018, the Board of Directors has decided to postpone the Annual General Meeting, which was initially scheduled to be held on 20 April 2018. A new date for the 2018 Annual General Meeting will be announced later this spring.

NEW REPORTING STANDARD - IFRS 9

The introduction of the new reporting standard IFRS 9 in 2018 gives rise to a one-off effect that increases provisions for expected credit losses and reduces equity. See also page 21. In calculating capital adequacy there is an option to use transition rules to reduce the impact on capital adequacy due to IFRS 9. In January Nordax notified the Swedish Financial Supervisory Authority of its decision to apply the transition rules. For more information of the impact, see pages 43 and 77

Parent Company income statement

PARENT COMPANY

All amounts in MSEK	Note	JAN–DEC 2017	JAN–DEC 2016
Net income		**286**	**198**
Operating expenses			
Personnel expenses	1	-6	-5
Other external expenses		-9	7
Total operating expenses		**-15**	**2**
Operating profit		**271**	**200**
Profit/loss from financial investments			
Group contributions		-	0
Interest and similar expenses		-	-1
Profit/loss from financial investments		**-**	**-1**
Profit/loss after financial items		**271**	**199**
Tax on profit for the period		-7	-
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		**264**	**199**

Parent Company balance sheet

PARENT COMPANY

All amounts in MSEK	Not	31 December 2017	31 December 2016
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		288	189
Prepaid expenses and accrued income		1	1
Total current receivables		**289**	**190**
Cash and bank balances		**13**	**22**
Total current assets		**302**	**212**
TOTAL ASSETS		**5,272**	**5,182**
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		111	111
Other equity		-11	-4
Share premium reserve		4,859	4,859
Retained earnings, incl. net profit for the year		300	213
Total equity		**5,259**	**5,179**
Liabilities			
Current liabilities			
Current tax liability		7	-
Accrued expenses and deferred income		5	3
Other liabilities		1	0
Total current liabilities		**13**	**3**
Total liabilities		**13**	**3**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**5,272**	**5,182**

Parent Company statement of cash flows

PARENT COMPANY

All amounts are in MSEK	JAN-DEC 2017	JAN-DEC 2016
Operating activities		
Profit after financial items	264	199
Adjustment for non-cash items		
Anticipated dividends	-239	-121
Change in operating assets and liabilities		
Decrease/Increase in other assets	0	-1
Decrease/Increase in other assets to Group companies	140	73
Decrease/Increase in other liabilities	10	3
Decrease/Increase in liability to Group companies	0	-155
Cash flow from operating activities	**175**	**-2**
Investing activities		
Acquisition of financial assets	-	-
Cash flow from investing activities	**-**	**-**
Financing activities		
Paid dividend	-177	-55
Repurchase own shares	-7	-4
New issue	-	-
Result of the liquidation of Nelson LuxCo Sarl	-	-
Cash flow from financing activities	**-184**	**-59**
Cash flow for the period	**-9**	**-61**
Cash and cash equivalents at beginning of year	**22**	**83**
Cash and cash equivalents at end of year	**13**	**22**

Parent Company statement of changes in equity

PARENT COMPANY

All amounts are in MSEK	Restricted equity	Non-restricted equity			Total
	Share capital	Other capital	"Share premium reserve"	"Retained earnings"	
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**
OPENING BALANCE 1 January 2017	**111**	**-4**	**4,859**	**213**	**5,179**
Comprehensive income					
Net profit/loss for the year				264	**264**
Total comprehensive income				**264**	**264**
Transactions with shareholders					
Dividends paid				-177	-177
Repurchase of own shares		-7			**-7**
Transactions with shareholders		**-7**		**-177**	**-184**
CLOSING BALANCE, 31 December 2017	**111**	**-11**	**4,859**	**300**	**5,259**

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

Note 1 Employee benefit expenses

PARENT COMPANY

All amounts are in MSEK	31 December 2017	31 December 2016
Employee benefit expenses		
Salaries and fees	-4	-3
Pension expenses	-1	-1
Social security contributions	-1	-1
Total employee benefit expenses	**-6**	**-5**

Note 2 Parent Company shares in Group companies

PARENT COMPANY

31 December 2017	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	-
Totalt						**4,970,052**

PARENT COMPANY

All amounts are in MSEK	31 December 2017	31 December 2016
Opening balance, cost		
- acquisitions	4,970	4,970
- disposals	-	500
- reclassification between property, plant and equipment and intangible assets	-	-500
- 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	4,895,694,646
Net profit/loss for the year	263,960,000
Total	**5,159,654,646**

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

All amounts are in SEK	
Dividend to shareholders of SEK 2.00 per share, total	221,431, 196
carried forward to new account	4,938,223,450
Total	**5,159,654,646**

The Board of Directors proposes that the 2018 Annual General Meeting that 221 431 196 kr be distributed to the shareholders at 1,60 SEK per share and a special divident of 0.40 SEK 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 preparedin 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 15 March 2018

Arne Bernroth Chairman	**Christian A. Beck** Director	**Katarina Bonde** Director
Morten Falch Director	**Susanne Hannestad** Director	**Andrew Rich** Director
Jenny Rosberg Director	**Synnöve Trygg** Director	**Jacob Lundblad** CEO

Our audit report was issued 15 March 2018

Deloitte AB

Malin Lüning
Authorised Public Accountant

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 financial year 2017-01-01 - 2017-12-31 except for the corporate governance statement on pages 49-66. The annual accounts and consolidated accounts of the company are included on pages 34-104 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 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 for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 49-66. 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.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Other matters
The audit of the annual accounts for 2016 was performed by another auditor who submitted an auditor´s report dated March, 22 2017, with unmodified opinions in the Report on the annual accounts.

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.

Judgments and estimates with respect to valuation of loan receivables
Recognition and measurement of financial instruments as regulated in IAS 39 is a complex and significant area with large impact on Nordax business and financial reporting. Management exercises significant judgment when determining both when and how much to record as loan loss provisions. Example of various assumptions and judgments includes expected future cash flow, and used discount rates. Furthermore, the associated disclosures are complex and dependent on high quality data.

At December 31, 2017, gross loans to the public amounted to SEK 15 128 million, with loan loss provisions of SEK 1 640 million. Given the significance of loans to the public (representing 80% of total assets) as well as the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, we consider this to be a key audit matter for our audit.

Refer to critical judgments and estimates in note 3 in the financial statement and related disclosures of credit risk in note 4.

Our audit procedures included, but were not limited to:

• We assessed key controls over the approval, recording and monitoring of loans and receivables, and evaluating the method**olo**gies, inputs and assumptions used in determining and calculating the loan loss provisions.
• We examined the sufficiency of the provisioning model, including assumptions and data used to measure loan loss provisions and ensured it was properly followed up by Management.
• We have on a sample bases verified input data in the provisioning model and ensured correct classification in each credit class.
• We have reviewed and analysed the development of the loan loss provisions, and assessed the reasonableness of the provisions calculated together with current segment conditions.
• Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

Nordax is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of Nordax's internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

The following risks were identified that may impact on financial reporting:
• Inappropriate/unauthorised modifications to the IT-environment
• Inappropriate operation and monitoring of the IT-environment
• Inadequate and inappropriate configuration of Information security
Our audit procedures included, but were not limited to:
• We assessed management monitoring of modifications in the IT-environment.
• We evaluated the process for monitoring IT-System.
• We evaluated the process for identity and access management, including access granting, change and removal.
• We evaluated the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures.

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 2-33 and 109-119. 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 for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. 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 intend to liquidate the company, to cease operations, or have 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 responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms 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 financial year 2017-01-01 - 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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 fulfill 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 for Credit Institutions and Securities 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 responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms 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 49-66 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.

Deloitte AB, was appointed auditor of Nordax Group AB by the general meeting of the shareholders on the April 27, 2017 and has been the company's auditor since April 27, 2017.

Stockholm March 15, 2018
Deloitte AB

Malin Lüning
Authorised public accountant

Auditor´s report on the statutory sustainability report

Auditor´s report on the statutory sustainability report

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

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 18-28 and that it has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion
A statutory sustainability report has been prepared.

Stockholm, March 15, 2018

Deloitte AB

Malin Lüning
Authorized Public Accountant

Bridge statutory to adjusted accounts

BRIDGE STATUTORY TO ADJUSTED ACCOUNTS

All amounts in MSEK	JAN–DEC 2017	JAN –DEC 2016
Total operating income statutory accounts	**1,189**	**1,176**
Foreign exchange gain/loss	18	-63
Adjusted total operating income	**1,207**	**1,113**
Total operating expenses statutory accounts	**451**	**439**
Non-recurring items	0	13
Amortization of acquired intangible assets	-12	-13
Adjusted total operating expenses	**439**	**439**
Marketing expenses	-127	-135
Adjusted total operating expenses excluding marketing costs	312	304
Net credit losses (as reported)	**-209**	**-164**
Operating profit statutory accounts	**529**	**573**
Non-recurring items	0	-13
Foreign exchange gain/loss	18	-63
AmorterAmortization of acquired intangible assets	12	13
Adjusted operating profit	**559**	**510**
Tangible equity	**2,047**	**1,815**
Shareholders' equity	2,347	2,120
Intangible assets	-300	-305
Adjusted return on tangible equity	**22.5%**	**24.6%**

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[1]
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 expenses[1]
Total operating expenses excluding amortization of acquired intangible assets and non-recurring items.

Adjusted operating profit[1]
Operating profit excluding amortization of acquired intangible assets, foreign exchange gains/losses and non-recurring items.

Adjusted profit[1]
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 loans[1]
Adjusted operating profit as a percentage of average loan portfolio. Return on average net loans is presented on a 12-month rolling basis.

Adjusted return on tangible equity[1]
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.

C/I ratio
Total operating expenses as a percentage of total operating income.

Common Equity Tier 1 capital[2]
Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments defined in Regulation (EU) No 575/2013 (CRR).

Common Equity Tier 1 capital ratio[2]
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 ratio[2]
Tier 1 capital as a percentage of total assets including off balance sheet items with conversion factors defined in regulation (EU) nr 575/2013 (CRR).

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.

Net interest margin
Total net interest income as a percentage of average loan portfolio.

Own funds[2]
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[2]
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.

Tangible equity
Shareholders' equity less intangible assets.

Tier 1 capital ratio[2]
Tier 1 capital as a percentage of risk exposure amount.

Tier 1 capital[2]
Common Equity Tier 1 capital plus qualifying forms of subordinated loans.

Tier 2 capital[2]
Mainly subordinated loans not qualifying as Tier 1 capital contribution.

Total capital ratio[2]
Total own funds as a percentage of risk exposure amount.

[1] The adjusted numbers are presented in order to show the underlying performance of the business. A bridge between statutory and adjusted accounts can be found on page 108. The key figures are defined as alternative key figures and reported at page 39 .
[2] These are reported with respect SFSA´s regulations and general recommendations see note 4, capital adequacy analysis

GRI-index and sustainability reporting

About the sustainability reporting: Nordax reported its sustainability work in accordance with the Global Reporting Initiatives (GRI) standard for the first time in 2016. The sustainability reporting essentially conforms to version 4.0, level Core. The report will be published once a year.

NORDAX SUSTAINABILITY REPORTING – SCOPE AND LIMITS

In our efforts to be a responsible business, we joined the UN Global Compact in 2016 and prepared our first sustainability report according to the international guidelines for sustainability reporting, GRI version G4 level Core, issued by the Global Reporting Initiative.

This means that we report according to accepted guidelines, which makes our sustainability reporting comparable to those of other companies. *For information on GRI G4 indicators, see the index on pages 114-116.*

The report mainly covers operations that have a significant and direct impact from a sustainability perspective, i.e., the Group's own operations. The report comprises the entire Group with respect to social and economic aspects.

For more information on Nordax's sustainability work, please contact: Andreas Frid, andreas.frid@nordax.se

SUSTAINABLE BUSINESS, MATERIALITY ANALYSIS AND STAKEHOLDER DIALOGUE

To structure our work and identify the most important issues affecting our competitiveness and our stakeholders' confidence in us, we performed a materiality analysis in 2015 from an internal perspective. In 2016 Nordax's internal priorities were validated in dialogue with selected stakeholder groups to identify which areas they think we should focus on and their expectations. The results of the dialogues were then weighed against the areas that Nordax considered significant and strategically important to long-term value creation.

OUR MOST IMPORTANT ISSUES – INTERNAL PERSPECTIVE

In 2015 we identified our most important sustainability issues through a materiality analysis that comprised intelligence gathering, an industry benchmark survey and several workshops with a select group of key individuals within Nordax. This was done to identify the most important issues affecting our competitiveness and stakeholders' confidence in us. The most important areas we identified were (in no particular order):

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

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 dialogue with many of them on a daily basis. In 2016 we had a structured dialogue 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 dialogue was conducted through surveys of Swedish and Norwegian lending and savings customers and employees. We also conducted in-depth interviews with three major shareholders and a stakeholder organization in 2016.

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 received from our stakeholders follows:

FEEDBACK FROM OUR CUSTOMERS

The large percentage of customers feel that Nordax's sustainability work can greatly contribute to 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 work is being done in a genuine and committed way, but that it could benefit from being more strategic and integrated in daily operations, which we worked actively to achieve in 2017.

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.

SUSTAINABILITY MANAGEMENT

During the year we established a clear structure for our sustainability work. Each focus area is owned by key function holders on the Senior Management Team, who are part of a steering committee whose responsibility is to drive the sustainability work. As support, a sustainability coordinator has been hired.

We have a number of governing documents to support and guide employees on a daily basis. In 2018 we plan to further improve the process for implementing policies by training our employees and informing them of their rights, as well as how they should act in specific situations.

CODE OF CONDUCT

The code of conduct provides a framework that describes how to act when representing Nordax internally and externally. The purpose is to guide us to act ethically, appropriately and responsibly in order to build long-term relationships with customers, partners and other stakeholders. The code also serves as a guide on how to act internally to create a positive corporate culture and a productive workplace.

SUSTAINABILITY POLICY AND OTHER GOVERNING DOCUMENTS

The sustainability policy adopted in 2017 describes our work and sustainability management based on four focus areas: responsible lending, employee well-being, business ethics and resource efficiency. Our sustainability policy describes how we work in an integrated way with sustainability in our operations and live in accordance with our values. We try to simplify our processes and are transparent in our communication. The policy also explains that we identify and manage the risks associated with our business and their impact on the environment as well as social aspects.

The following governing documents are important in supporting our daily operations and business:

- Whistleblowing policy
- Policy regarding ethical standards
- Policy on diversity and assessment of suitability of directors and key function holders
- Policy regarding work environment
- Remuneration policy
- Travel and entertainment policy
- Financial crime policy
- Anti-bribery instruction
- Recruiting guidelines to broaden diversity
- Insider policy
- Conflicts of interest policy
- Complaints management policy
- Procurement, sourcing and outsourcing policy

DEVELOPMENT OF NORDAX WORK WITHIN SUSTAINABILITY

2015 - MATERIALITY ANALYSIS; Business intelligence, benchmarking and internal review
2016 - STRATEGY WITHIN SUSTAINABILITY; stakeholder dialouge, focus areas within sustainability, members of UN Global Compact

2017

INTEGRATED SUSTAINABILITY WORK

- Steering group within sustainability that reports to management and the board, due to newly launched Sustainability Policy
- Hired Sustainability Coordinator for increased sustainability focus
- Increased information and communication about sustainability

2017

PROGRESS IN FOCUS AREAS

- Increased customer satisfaction and stable credit loss level
- Launched Code of Conduct
- Launched communication platform and identified position of market
- Increased employee engagement
- Established guidelines for recruitment with focus on increasing diversity on Nordax
- Established a "green leasing contract" for our office and started to climate compensate for our printed marketing

2017

INITIATIVES AND EXTERNAL COLLABORATIONS

- Reported our first COP, Communication on Progress, due to our membership of UN Global Compact
- Members of Financial Coalition against Commercial Sexual Exploitation of Children
- Developed our offers to our customers with focus on accountability as well as started discussions with hope of establishing a promoted loan for environmental improvements

WHAT WE ARE DOING TO ACHIEVE OUR SUSTAINABILITY GOALS

In 2015 the United Nations Development Programme established 17 sustainability goals for social, economic and environmental development. We want to help achieve these global goals and have identified the following areas where we can contribute given our sustainability focus: responsible lending, employee well-being, solid business ethics and resource efficiency.

PARTNERSHIPS FOR THE GOALS

We want to do our part to increase confidence in the financial market and always try to build strong relationships with stakeholders to ensure sustainable development. In 2017 we focused on finding the right partners to add value to our customers living and to contribute to the sustainable development goals. For example, we now offer legal advice and digital contracts through a partner. We are also concerned about climate change and are always looking for opportunities to offer our customers climate-smart choices. One example is that we can now help them to switch electricity providers to one that offers 100% renewable power at a discounted price, which for us falls into goals 7 and 13.

AFFORDABLE AND CLEAN ENERGY AND CLIMATE ACTION

We use only renewable electricity in our office and server room and measure our consumption annually. We are also looking for a partner to offer discounted loans for environmental improvements such as installing solar panels.

In 2017 we measured the following sources of emissions, which we are working to reduce: Electricity used by office: 214,221 kWh in 2017 (2016: 226,245 kWh); paper consumption: 1,779 tons of CO2e in 2017 (not measured in 2016); electronics waste: 1,240kg (not measured in 2016). We intend to add more measures of resource consumption in 2018.

Our paper consumption during the year amounted to 1,779 tons of CO2e, which we will reduce in 2018 with the help of digital and process improvements. We bought carbon offsets for our marketing in 2017 to compensate for 1,692 tons of CO2e (included in the above).

GOOD HEALTH AND WELLBEING

Employee well-being, gender parity and diversity are important to us. We are working continuously to increase diversity in our organisation. Equal pay for equal work is a matter of course for us and we hope to inspire others in the industry. For more information on our work with employee well-being and diversity, see page 25-26.

PEACE, JUSTICE AND STRONG INSTITUTIONS

We work with a number of measures on a daily basis to avoid and prevent financial crime. Given the nature of our business, this includes money laundering, terrorist financing, bribes and corruptions. For more information on our work in this area, see page 27.

UN GLOBAL COMPACT

We are participants in the UN Global Compact and use its ten principles of responsible business to guide us. In 2017 we reported our first Communication on Progress, COP, and added a column to our GRI Index to describe how we contribute to the ten principles in human rights, labour, the environment and anti-corruption.

GRI-index

GRI INDICATOR		PAGE/COMMENTS	COP
General Standard Disclosures			
Strategy & Analysis			
G4-1	CEO and Chairman of the board comments	CEO comments page 4-5 and Chairman´s comments page 48	
Organizational profile			
G4-3	Name of the organisation	Nordax in Brief, page 3	
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 countrieswhere either the organisation has significant operations	Nordax in Brief, page 3	
G4-7	Nature of ownership and legal form	Nordax Shares, page 32-33, Board of Directors' report page 36 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 39	
G4-10	Total number of employees by employment contract and gender	Staff Statistics, page 117	**1, 2**
G4-11	Percentage of total employees covered by collective bargaining agreements	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 rather spend what it costs to join an employer's association on investments in wellness, social activities and a sound working environment.	**3, 6**
G4-12	Describe the organisation's supply chain	Nordax's procurement organisation is centralised with respect to company-wide purchases and decentralised for function-specific purchases. By placing demands on our suppliers, we can contribute to sustainability inside Nordax and out. Read the Sustainability Report - Business ethics page 27 for more information.	**1-10**
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain	No significant changes	
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 Reporting, page 113	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	Members of the UN Global Compact, Swedish Bankers´Association and Financial Coalition against Commercial Sexual Exploitation of Children	
Identified Material Aspects and Boundaries			
G4-17	Entities included in the organisation's consolidated financial statement	The report mainly enlightens the operations that have a large and meaningful impact from a sustainability perspective, meaning the Nordax Groups own operations. The report comprises the entire group regarding social, environmental and economical aspects. The environmental aspect is delimited.	
G4-18	Process for defining report content and aspect boundaries	Sustainability Reporting, page 111-112	
G4-19	Material Aspects identified in the process for defining report content	Sustainability Reporting page 111-112	
G4-20	For each material Aspect, report the Aspect Boundary within the organisation	Concerns Nordax Group, for more information see the Sustainability Reporting page 111-112	
G4-21	For each material Aspect, report the Aspect Boundary outside the roganisation	Concerns Nordax Group, for more information see the Sustainability Reporting page 111-112	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	No restatements	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes	
Stakeholder Engagement			
G4-24	Stakeholder groups engaged by the organisation	Sustainability Report page 18 and Sustainability Reporting page 111-112	

G4-25	Basis for identification and selection of stakeholders with whom to engage	Sustainability Reporting page 111-112	
G4-26	Approaches to stakeholder engagement	Sustainability Report, page 18-28 and Sustainability Reporting 111-112	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Sustainability Report, page 18-28 and Sustainability Reporting 111-112	
Report Profile			
G4-28	Reporting period for information provided	1st of January – 31st of December 2017	
G4-29	Date of most recent previous report	2016 Annual Report, published in March 2017	
G4-30	Reporting cycle	Yearly	
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	Evaluates external review of the Sustainability Report during 2018	
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	Sustainability Report Core values page 18 and Business ethics page 27 and sustainability Reporting, Governing Documents page 112	**2, 6, 7**
Specific Standard Disclosures			**COP**
ENVIRONMENTAL			
Materials			
G4-DMA		Sustainability Report - Resource efficiency page 28	
G4-EN1	Materials used by weight or volume	Sustainability Reporting Page 113	**7, 8**
Energy			
G4-DMA		Sustainability Report - Efficient use of Resources, page 28	
G4-EN3	Energy consumption within the organisation	Sustainability Reporting Page 113	**7, 8**
SOCIAL			
Labor Practices and Decent Work			
Employment			
G4-DMA		Sustainability Report – Employee Wellbeing, page 25–26	
G4-LA1	Total number of employees and employee turnover by age group, gender and region	Staff statistics, page 117	**1, 2**
Occupational Health and Safety			
G4-DMA		Sustainability Report – Employee Wellbeing, page 25–26	
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	0 work-related illnesses and 3 injuries recorded during in 2017	**4, 6**
Education			
G4-DMA		Sustainability Report – Employee Wellbeing, page 25–26	
G4-LA9	Average hours of training per year per employee by gender, and by employee category	At Nordax, our view of development and learning is that the majority, about 80%, of all learning is done on the job. This can be achieved through new and exciting responsibilities, by participating in or leading projects, shadowing a more senior colleague, etc. In addition, we work with e-learning and to a lesser extent classroom-based training. On a company level the biggest investments during the year were in leadership training for all of Nordax's leaders (31 attended the programme in 2017: 19 women and 12 men) and sales training for Customer Operations representatives. The leadership programme has been underway for about six months and has comprised about 60 hours of classroom training, supplemented by practical exercises. With respect to the sales training, 60 employees have attended it and it has comprised a total of eight hours over four sessions. We also invited all our employees to inspirational lectures on three occasions in 2017. During the year we replaced the e-learning system and are now working with a tool called Nanolearning. It was launched at the end of the year and currently comprises nine training programmes that will be taken by all Nordax employees.	**6**

G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Nordax currently does not have a system to measure this. All permanent employees are evaluated based on performance measures to determine bonuses and meet with their supervisor to discuss this before and after the bonuses are announced. In addition, there is a tool for performance reviews. It is understood that this dialogue is offered to the majority of employees but may differ slightly by team.	**6**
Diversity and Equal Opportunity			
G4-DMA		Sustainability Report – Employee Wellbeing, page 25–26	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender and age group	Staff Statistics, page 117	**1, 2, 6**
Equal Remuneration for Women and Men			
G4-DMA		Sustainability Report – Employee Wellbeing, page 25–26	
G4-LA13	Ratio of basis salary and remuneration of women to men by employee category, by significant locations of operation	In 2017 female employees at Nordax earned 99% of what their male colleagues did for equal work. See also Sustainabilty Report - Employee wellbeing, page 25-26	**2, 6**
Human Rights			
Non- discrimination			
G4-DMA		Sustainability Report – Employee Wellbeing, page 25–26	
G4-HR3	Total number of incidents of discrimination and corrective actions taken	No cases of discrimination during 2017	**6**
Society			
Anti-corruption			
G4-DMA		Sustainability Report - Business ethics, page 27	
G4-SO3	Total number and percentage of operations assesses for risks related to corruption and the significant risks identified	Nordax evaluated its operations based on corruption-related risks and 2017. The overall conclusion was that the risk of corruption is low within Nordax. The results take into consideration both country-specific risks and the company's focus on the maintenance of ethical standards, but also Nordax's ethical framework and control environment for these issues. No significant risks of corruption were found in Nordax's operations in the risk assessment in 2017.	**10**
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.	**10**
Compliance			
G4-DMA		Sustainability Report - Business ethics, page 27	
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No significant fines paid during 2017	**10**
Product Responsibility			
Product and Service Labeling			
G4-DMA		Sustainability Report - Responsible lending, page 22-24	
G4-PR5	Result of surveys measuring customer satisfaction	Sustainability Report - Responsible lending, page 22-24	
Product Portfolio			
G4-DMA			
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Sustainability Report - Resource efficiency - ambition for 2018, page 21	**7, 8**

Staff statistics

GROUP

	2017			2016		
	Men	Women	**Total**	Men	Women	**Total**
Total number of Employees	**105**	**150**	**255**	**96**	**164**	**260**
	Full-time	Part-time		Full-time	Part-time	
Permanent Employees	**203**	**0**	**0**	**206**	**0**	**0**
Temporary Employees, paid by hour		**0**	**52**		**0**	**54**

	2017			2016		
	Men	Women	Total	Men	Women	Total
Permanent Employees	**81**	**122**	**203**	**69**	**137**	**206**
Managers	13	20	33	15	20	35
Senior Management	6	5	11	4	4	8
Board of Directors	4	4	8	5	3	8

STAFF TURNOVER, Total	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
<30 old	2	6	8	6	4	10
30–50 old	6	11	17	11	13	24
>50 old	1	4	5	2	0	2
Total	9	21	30	19	17	36
Total Staff Turnover, %			**14,1%**			**17,1%**

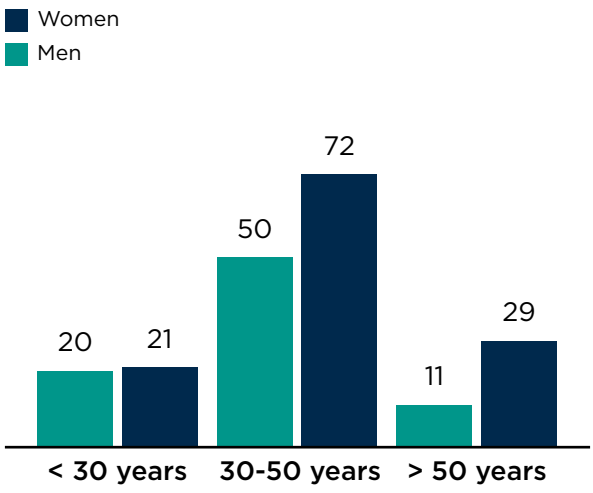
Accidents and illness	**Number**	**Number**
Workrelated accidents	0	0
Workrelated illness	3	4
Total	**3**	**4**

Sick-leave		
Sick-leave, %	4,72%	4,40%
Long-term healthy, %	88%	68%

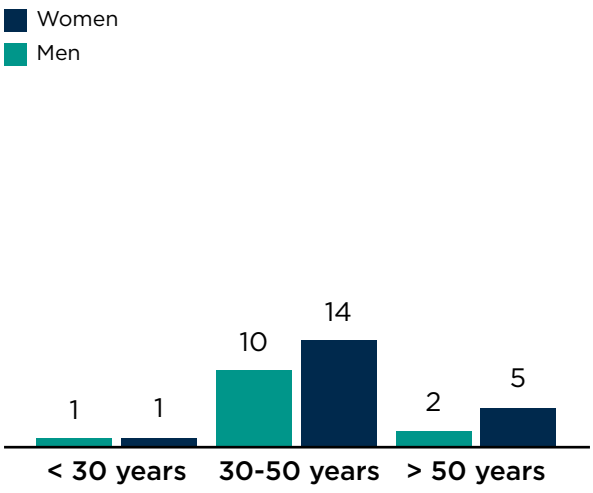
Number of permanent employees that had appraisa-les	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
	81	122	203	69	137	206

GENDER	**Men**	**Women**
All employees	41%	59%
Senior Management Team	6	5
Board of Directors	4	4
Managers	13	20

AGE DISTRIBUTION EMPLOYEES



AGE DISTRIBUTION MANAGERS



Key concepts

Interest margin hedging
Nordax lends at floating rates. In addition, by law and under standard contract terms for lending in Sweden and Norway, Nordax is obliged to adjust the loan customer's interest rate if Nordax's funding cost changes. This means that when its total funding cost changes, Nordax adjusts the rate charged to loan customers. At present, this adjustment is made in increments of 50 basis points. This principle enables Nordax to keep its margin constant even if funding costs change. In Finland and Germany, the possibility of adjusting lending rates is limited to a change in the benchmark rate.

Hedging of capital adequacy ratio
Nordax protects its capital adequacy ratio against fluctuations in exchange rates. If, for example, the Norwegian krone strengthens, all else being equal, it will lead to an increased capital requirement for the Norwegian portfolio. Nordax therefore has an open position in each currency corresponding to its capital requirement, because of which the impact on earnings neutralises the change in the 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. Its own direct marketing corresponds to approximately 70% of new lending, and the marketing cost for this lending is recognised directly through profit or loss. In the case of brokered loans, the marketing cost is allocated over four years, which means that the cost is spread over time and is charged to profit or loss 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 Nordax allocates the amount it 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 the 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 to the average interest rate on the loans in each segment portfolio at the time when they became more than 180 days past due.

Unsecured personal loans versus secured loans
Nordax's loans are not secured by property, which means that if a customer fails to pay 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 wage garnishment and attachment of property.

Maturity cycle for unsecured personal loans
A portfolio of personal loans typically generates limited credit losses before the loans are 18-20 months old. At that 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 toward a lower credit loss level during periods when Nordax has high growth and therefore a large proportion of recently granted loans.

Significant events since foundation 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 starts offering loans to individuals in Sweden under the supervision of the Swedish Financial Supervisory Authority.

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 its ownership to funds advised by Vision Capital Partners.

2011 Nordax starts offering savings accounts for private customers in Finland.

2012 Nordax decides to start 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 volume.

2015 Nordax listed on Nasdaq Stockholm.

2016 Nordax launches retail deposit products in Germany and joins the UN Global Compact.

2017 Nordic Capital becomes the largest shareholder in Nordax with 22.4% of the shares. Nordax issues its first sustainability report.

Annual General Meeting

Annual General Meeting
Due to the mandatory public cash offer to the shareholders, the Board of Directors has decided to postpone Nordax Group AB's (publ) Annual General Meeting. The AGM was previously scheduled on 20 April 2018. A new date will be announced in the spring of 2018. For more information on the mandatory public cash offer, see page 47 or www.ndxintressenter.com.

Nomination Committee
Nordax's interim report for the period January-September 2017 contained information on the Nomination Committee. The information is also published on www.nordaxgroup.com.

Dividend
The Board of Directors and the CEO propose a dividend for 2017 of 2.00 SEK per share in total, divided into an ordinary dividend of 1.60 SEK per share and a special dividend of 0.40 SEK per share. In total, the proposed dividend amounts to 221.5 MSEK. If Nordax pays the proposed dividend prior to the settlement of proceeds in the mandatory public cash offer described on page 47, the offer price per share will be reduced accordingly.

Financial calendar

2018

April 19, 7.30 am	Interim report January-March
July 13, 7.30 am	DInterim report January-June
October 18, 7.30 am	Interim report January-September

Due to the mandatory public cash offer to the shareholders of Nordax announced on 8 February 2018, the Board of Directors has decided to postpone the AGM. A new date will be announced in the spring. For more information, see page 47.

2019

February	Year-end report

Contacts

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