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26 May 2015

Nordax Group announces its intention to launch an initial public offering and listing on Nasdaq Stockholm

Nordax Group AB (publ) (“Nordax Group” or “the Company”) today announces its intention to launch an initial public offering (“the IPO” or “the Offering”) and list its shares on Nasdaq Stockholm. Nordax Bank AB (publ) (“Nordax”), the operating subsidiary of Nordax Group, is a leading niche bank in the Nordic region which provides consumer loans and deposit accounts to around 95,000 customers in Sweden, Norway, Finland, Denmark and Germany.

The Company’s shareholders and the Board of Directors believe that now is an appropriate time to broaden the Company’s shareholder base and to apply for the listing of the shares on Nasdaq Stockholm. The IPO is expected to provide a diversified base of Nordic and international shareholders and to increase Nordax Group’s profile.

The listing committee of Nasdaq Stockholm has approved the Company’s shares for listing, subject to customary conditions. Depending on market conditions, the IPO is expected to be completed in June 2015.

Morten Falch, CEO of Nordax Group, said:

“Nordax has built a solid track record since being founded in 2003, and has demonstrated its ability to generate resilient earnings throughout the business cycle. We see significant untapped potential to reach more customers both in our Nordic markets and in Germany and to further develop our product offering following the recent grant of our banking license. This is an exciting period in Nordax’s journey and we look forward to welcoming new shareholders.”

Richard Pym, Chairman of Nordax Group, said:

“We are proud of Nordax and the business that has been built over the past decade. Nordax’s ability to find the right customers, its strong underwriting capabilities and its experienced management, make us confident that Nordax is well positioned to deliver continued growth and attractive returns. Following the successful implementation of several important strategic initiatives we believe this is the right time to broaden the Company’s shareholder base.”

Nordax highlights

A high-quality, specialist Nordic bank

- Nordax is a leading niche bank in the Nordic region which provides consumer loans and deposit accounts to around 95,000 customers in Sweden, Norway, Finland, Denmark and Germany.
- Nordax's target markets exhibit attractive characteristics with respect to macroeconomic fundamentals, the availability of personal data and the legal collections environments.
- As of March 31, 2015, Nordax's loan portfolio amounted to SEK 10.3 billion with approximately 70,000 loans and retail deposits amounted to SEK 6.5 billion held in approximately 25,000 deposit accounts.

Strong track record of profitable growth spanning more than ten years

- Nordax has grown organically over the last ten years, with the loan portfolio growing at a CAGR of 31% 2004-2014.
- Between 2012-2014, the scalability of Nordax's model was illustrated by the loan portfolio growing at a CAGR of 16% and adjusted operating profit growing at a CAGR of 40%. Nordax has also generated attractive returns on equity and in 2014 return on tangible equity amounted to 26%.
- The Nordax model has proven resilient in challenging market conditions, as demonstrated by Nordax's continued profitability through the financial crisis in 2008-2010.

Clear product utility for financially stable customers

- Nordax focuses on personal loans of sufficiently large size, long duration and low monthly payments to create lifecycle utility for its customers, who typically seek personal loans for debt consolidation and consumption.
- Nordax offers personal loans up to SEK 400,000 with a maturity of up to 15 years. The weighted average loan size is SEK 140,000 with typical duration of nine years at time of origination.
- Nordax targets middle-aged prime customers with stable finances. The average age of Nordax's customers at the time of application is 47 years and the majority are in the age range of 40 to 60.
- Loans are typically distributed directly via cost efficient direct mail marketing, as well as via intermediaries, online and through repeat customer business.

Focus on risk management

- Nordax was built by risk managers and has developed a robust governance and control framework that it believes is suitable for an organization of a larger size operating in the public market.
- Nordax's data-driven customer targeting and underwriting model has been developed based on many years of collective experience going back to the early 1990s.
- Nordax has made approximately 960,000 credit decisions and approved approximately 280,000 loan applications since its inception and has developed tailored credit policies and scorecards for each market in which it operates based on the unique characteristics and available data in that market.
- The risk management framework is supported by oversight from an independent Board with significant skills and experience of both Nordax and the financial sector more broadly.

Diversified funding profile and strong balance sheet

- Nordax's diversified funding base consists of asset-backed securities (20% of total liabilities and equity), warehouse funding facilities from international banks (17%), retail deposits (45%), senior unsecured bonds (3%) and equity and subordinated debt (14%) as at March 31, 2015.
- Nordax has a solid capital position with a CET 1 capital ratio of 12.6% as at March 31, 2015, 3.9 percentage points above the estimated required level. Nordax's total capital ratio was 14.6% as at March 31, 2015, 2.1 percentage points above the estimated required level.

Positioned for future growth

- Target customer group penetration in core markets remains low.
- Given the German market's similarities to Nordax's core markets Nordax should be able to use its experience to explore this significant growth opportunity.
- Nordax was granted a banking license in December 2014, enabling a broader product offering.
- Nordax operates from a centralized platform in Stockholm, Sweden, where all of its employees and functions are located. The centralized platform allows Nordax to cost-efficiently scale its operations.

Details of the Offering

- The Offering will consist of a sale of existing shares, the majority of which will come from Vision Capital as the Company's largest shareholder.
- The shares will be offered to qualified institutional investors in Sweden and internationally, as well as to the general public in Sweden.
- Nordax's principal shareholders are funds in respect of which Vision Capital LLP acts as investment advisor ("Vision Capital"), who, at the time of the Offering, will have a combined shareholding of approximately 80% of the Company. The management, the Board of Directors and founders will, at the time of the Offering, collectively own approximately 20% of the shares.
- Full details of the Offering will be included in the Prospectus, expected to be published in due course.
- Morgan Stanley and Carnegie are acting as joint global coordinators, Citigroup is acting as bookrunner and ABG Sundal Collier is co-lead manager. Lazard is acting as financial advisor to the Company and Vision Capital.

Financial targets

- Maintaining a sustainable return on average net loans through the cycle on a 12-month rolling basis of above 3%.
- Dividend target of maintaining a pay-out ratio of approximately 40% of profit after tax for the year. The dividend target is based on current regulatory capital requirements, and any future changes regarding regulatory capital requirements could affect Nordax's dividend target. For 2015, the dividend will be paid in respect of the profit earned for the second half of 2015.
- Capital target of maintaining a CET 1 capital ratio above 12% and a total capital ratio above 14% under current capital requirements. Nordax targets maintaining a buffer of at least 1.5 percentage points above its CET 1 capital ratio and total capital ratio requirements.

Outlook

- Growth: Nordax expects to have a similar new loan volume in 2015 as in 2014 and will aim to grow its new loan volumes in the medium term.
- Efficiency: Utilize operating leverage to continue reducing Nordax's adjusted cost to income ratio in the medium term.
- Asset Quality: Maintain cost of risk, on an annual basis, of approximately 2% through the cycle.

The incumbent Chairman, Richard Pym, believes the Company would be better served by a locally-based chairman following the IPO, and has requested that the Board of Directors appoint a new Chairman after the Offering following consultation with the Nomination Committee. Richard is prepared to remain on the Board of Directors following the appointment of a new Chairman to support the new Chairman and Nordax's management. The Vice-Chairman, Arne Bernroth, has indicated his willingness to serve as Chairman if the Nomination Committee supports his appointment.

Financial summary

In preparation for the IPO, an internal reorganisation was effected resulting in the Company being the parent company of the Nordax group. Combined financial statements have been prepared for the Nordax group and all entities included in the combined financial statements are under common control as they are all ultimately wholly-owned and controlled by Nordax Group. Accordingly, the combined financial statements represent an aggregation of the historical financial information of the entities in the Nordax group (www.nordaxgroup.com/en/investors/financial-reports).

(Percent, unless otherwise indicated)	Q1 2015	Q1 2014	FY 2014	FY 2013	FY 2012
Operating profit (SEK in millions)	74	60	325	251	185
Adjusted operating profit (SEK in millions)	79	64	358	275	183
Profit after tax for the period (SEK in millions).....	58	46	254	203	136
Adjusted profit after tax for the period (SEK in millions)	63	49	280	222	134
New loan volume (SEK in millions)	921	893	3,843	3,180	2,482
Loan portfolio (SEK in millions)	10,312	8,839	10,042	8,393	7,456
Average loan portfolio (SEK in millions)	10,177	8,616	9,218	7,925	7,094
Adjusted cost to income ratio (last 12 months).....	28.8	31.3	29.4	31.0	32.2
Cost of risk (annualized).....	1.8	1.5	1.2	1.4	1.8
Return on tangible equity (last 12 months)	25.7	24.3	25.6	26.1	20.7
Return on average net loans (last 12 months)	3.9	3.4	3.9	3.5	2.6
Net interest margin (annualized).....	8.4	8.2	8.5	7.9	7.1
CET 1 capital ratio.....	12.6	10.7	12.3	12.0	10.2
Total capital ratio	14.6	12.6	13.9	14.5	12.9
Leverage ratio	9.1	7.7	8.9	9.0	6.2

Definitions of key financial ratios and other financial terms

Adjusted cost to income ratio	Adjusted operating expenses excluding marketing costs as a percentage of adjusted operating income. Adjusted cost to income ratio is shown for the last twelve months.
Adjusted operating expenses.....	Total operating expenses excluding amortization of acquired intangible assets (<i>i.e.</i> , the premium paid by the Principal Shareholders for Nordax's customer relationships) and non-recurring items. Adjusted operating expenses is a non-IFRS-EU financial measure.
Adjusted operating income	Total operating income excluding foreign exchange gains/losses. Adjusted operating income is a non-IFRS-EU financial measure.
Adjusted operating profit	Operating profit excluding amortization of acquired intangible assets (<i>i.e.</i> , the premium paid by the Principal Shareholders for Nordax's customer relationships), foreign exchange gains/losses and non-recurring items. Adjusted operating profit is a non-IFRS-EU financial measure.
Adjusted profit after tax for the period ..	Profit for the period excluding amortization of acquired intangible assets (<i>i.e.</i> , the premium paid by the Principal Shareholders for Nordax's customer relationships), foreign exchange gains/losses and non-recurring items as well as the tax effect thereof. Adjusted profit after tax for the period is a non-IFRS-EU financial measure.
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.
Average tangible equity	The average of tangible equity at the beginning of the period and tangible equity at the end of the period.
CET 1 capital ratio.....	CET 1 capital as a percentage of total risk exposure amount.
Common Equity Tier 1 capital (CET 1 capital)	Common shares issued, share premium, retained earnings, other comprehensive income, other disclosed reserves after deduction primarily of deferred tax assets, intangible assets and goodwill.
Cost of risk.....	Net credit losses as a percentage of average loan portfolio. Cost of risk is annualized for the three months ended 31 March 2014 and 2015, respectively.
Loan portfolio	The line item lending to the general public in the Combined Financial Statements.
Net interest margin.....	Interest income less interest expenses as a percentage of average loan portfolio. Net interest margin is annualized for the three months ended 31 March 2014 and 2015, respectively.
Net own funds.....	Total common equity tier 1 capital and tier 2 capital
New loan volumes	The value of Nordax's loan portfolio originated during the period indicated.
Return on average net loans.....	Adjusted operating profit as a percentage of average loan portfolio. Return on average net loans is shown for the last twelve months.

Return on tangible equity	Adjusted profit for the period as a percentage of average tangible equity. Return on average tangible equity is shown for the last twelve months.
Risk exposure amount.....	Total assets and off balance sheet items, weighted in accordance with capital adequacy regulation for credit and market risks. The operational risks are measured and added as risk exposure amount. Risk exposure amounts are only defined for the consolidated situation.
Tangible equity	Total equity less intangible assets. Tangible equity is a non-IFRS-EU financial measure.
Tier 2 capital	Subordinated liabilities qualifying as tier 2 capital according to the CRR
Total capital ratio	Net own funds as a percentage of total risk exposure amount.

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About Nordax Bank

Nordax is a leading niche bank in the Nordic region providing unsecured consumer loans and deposit accounts to about 95,000 customers in Sweden, Norway, Finland, Denmark and Germany. Nordax employs about 200 people, all working in our office in Stockholm. Nordax was founded by six entrepreneurs with extensive risk management experience. The underwriting process is Nordax's core competency; it's thorough, sound and data driven. Nordax's customers are financially stable people in the prime of life. As of March 31, 2015 lending to the general public amounted to 10.3bn SEK and deposits amounted to 6.5bn SEK. Nordax has been supervised by the Swedish Financial Supervisory Authority since 2004 and deposits are covered by the Swedish deposit guarantee scheme. Read more on www.nordaxgroup.com

About Vision Capital

Vision Capital is an international investment firm. It pioneered bespoke multi-asset transactions and private equity fund recapitalisations and targets mid-market investments in Western Europe and North America. Since 2011, Vision Capital has invested €660 million in 16 companies and has €1.7 billion assets under management with offices in London and New York.

Nordax Group AB (publ) announces this information in accordance with the Securities Market Act and/or the Act on Trading in Financial Instruments and/or the Nasdaq Stockholm Rule Book. This information was submitted for announcement on May 26, 2015 at 07.30am CET.

IMPORTANT INFORMATION

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