

# Nordax Bank

## Nordax Group AB (publ)

*(A public limited liability company incorporated under the laws of Sweden)*

### OFFERING OF UP TO 48,682,250 OFFER SHARES

This offering memorandum (the “**Offering Memorandum**”) relates to the initial public offering (the “**Offering**”) of up to 48,682,250 existing ordinary shares (the “**Firm Shares**”) in Nordax Group AB (publ), a public limited liability company incorporated under the laws of Sweden (the “**Company**”). Vision Capital Partners VII A LP (Guernsey LP) and Vision Capital Partners VII LP (Guernsey LP) (together, the “**Principal Shareholders**”) and Minority Shareholders (as defined herein) (together, the “**Selling Shareholders**”) are offering the Offer Shares (as defined below) and, therefore, the Company will not receive any of the proceeds from the sale of the Offer Shares.

The Offering consists of a public offering and an offering to institutional investors in Sweden pursuant to a separate Swedish language prospectus (the “**Swedish Prospectus**”) and an offering to institutional investors elsewhere, including a private placement in the United States to qualified institutional buyers (“**QIBs**”), as defined in, and in reliance on Rule 144A (“**Rule 144A**”) under the United States Securities Act of 1933, as amended (the “**Securities Act**”). All offers and sales outside the United States will be made in compliance with Regulation S (“**Regulation S**”) under the Securities Act. This Offering Memorandum relates to the offering of Offer Shares to QIBs in the United States and institutional investors outside Sweden.

The total number of Firm Shares may be increased at the discretion of the Principal Shareholders. However, in no event will more than 57,689,122 Firm Shares, representing 52.0 percent of all existing ordinary shares in the Company (the “**Shares**”), be sold pursuant to the Offering, excluding any Shares sold pursuant to the Over-allotment Option (as defined below).

The Principal Shareholders have granted an option to the Managers (as defined herein), exercisable in whole or in part by Morgan Stanley & Co. International plc, as stabilizing manager (the “**Stabilizing Manager**”), for 30 days following the first day of trading in the Shares on Nasdaq Stockholm, to purchase up to 5,768,912 additional Shares (the “**Additional Shares**,” and together with the Firm Shares, the “**Offer Shares**”) from the Principal Shareholders at the Offer Price (as defined below) (less agreed commissions) to cover potential over-allotments or other short positions, if any, and to facilitate stabilization transactions in connection with the Offering (the “**Over-allotment Option**”). Assuming the Over-allotment Option is exercised in full, and the total number of Firm Shares is increased in full, the Offering will amount to up to 63,458,034 Offer Shares. Unless otherwise stated, all information in this Offering Memorandum assumes that the Managers have not exercised the Over-allotment Option and no Additional Shares have been offered.

Swedbank Robur Fonder (the “**Cornerstone Investor**”) has committed to acquire at the Offer Price (and at any such price throughout the Offer Price Range set forth below) a number of Offer Shares equivalent to 9.5 percent of the Shares following completion of the Offering. The Cornerstone Investor’s commitment is subject to certain conditions as described in “*Plan of Distribution—Subscription Undertaking and Expressed Interests in Purchasing Offer Shares in the Offering.*” The Cornerstone Investor will not be subject to a lock-up in respect of its allocation.

The offer period will commence on June 5, 2015 and will close no later than June 16, 2015.

The Managers expect to deliver the Offer Shares in book entry form to investors’ securities accounts with Euroclear Sweden AB (“**Euroclear Sweden**”), the Swedish central securities depository, against payment for the Offer Shares in immediately available funds. The Shares will be eligible for clearing through the facilities of Euroclear Sweden.

Prior to the Offering, there has been no public market for the Shares. The Shares have been approved for listing on Nasdaq Stockholm under the symbol “**NDX**,” subject to satisfaction and notice of a sufficient number of shareholders. It is expected that trading in the Shares will commence on or about June 17, 2015.

**Investing in the Offer Shares involves risks. See “Risk Factors” for a discussion of certain risks that prospective investors should consider before investing in the Offer Shares.**

#### PRICE RANGE: SEK 38 TO SEK 45 PER OFFER SHARE

The price at which the Offer Shares will be sold (the “**Offer Price**”) is expected to be between SEK 38 and SEK 45 per Offer Share (the “**Offer Price Range**”) and will be determined through a book-building process. The Offer Price and the exact number of Firm Shares to be sold is expected to be announced on or about June 17, 2015.

**This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or the solicitation of an offer to buy such securities by any person under any circumstances in which such offer or solicitation is unlawful.**

The Offer Shares have not been and will not be registered under the Securities Act and are being (i) offered and sold in the United States only to QIBs in reliance on Rule 144A or other applicable exemptions from the registration requirements under the Securities Act and (ii) offered and sold outside the United States in offshore transactions in compliance with Regulation S. Prospective investors are hereby notified that any seller of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Offer Shares are subject to certain restrictions on transfer as described under “*Plan of Distribution—Selling Restrictions*” and in “*Transfer Restrictions.*” The distribution of this Offering Memorandum and the offer and sale of the Offer Shares may be restricted by law in certain jurisdictions. Persons in possession of this Offering Memorandum are required by the Company, the Selling Shareholders and the Managers to inform themselves about and to observe any such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Offer Shares and the distribution of this Offering Memorandum and other offering material relating to the Offer Shares is set out under “*Plan of Distribution—Selling Restrictions*” and in “*Transfer Restrictions.*”

*Joint Global Coordinators and Joint Bookrunners*

**Morgan Stanley**

**Carnegie Investment Bank**

*Joint Bookrunner*

**Citigroup Global Markets**

*Co-lead Manager*

**ABG Sundal Collier**

*Financial Advisor to the Company and the Selling Shareholders*

**Lazard & Co.**

The date of this Offering Memorandum is June 4, 2015.

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## IMPORTANT INFORMATION

**This Offering Memorandum is not a “prospectus” for the purposes of the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument) (the “Financial Instruments Trading Act”). The Swedish Prospectus has been approved by and registered with the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) (the “SFSA”). The Swedish Prospectus has been prepared in accordance with the provisions of chapter 2, sections 25 and 26 of the Financial Instruments Trading Act and Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended, (Annexes I, III and XXII) implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses, as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the “Prospectus Regulation”). Approval and registration by the SFSA does not imply that the SFSA assumes any responsibility for the correctness of the information contained herein. The registered and approved Swedish Prospectus is available at the registered offices of the Company and through the Company’s website. The offering to QIBs in the United States and institutional investors in the rest of the world is only made by way of this Offering Memorandum.**

In this Offering Memorandum, “**Company**” refers to Nordax Group AB (publ) and “**Nordax**” refers to the Company together with its subsidiaries, unless the context requires otherwise.

Prospective investors should only rely on the information in this Offering Memorandum. No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum in connection with the Offering and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Company, any of the Selling Shareholders, or any of Morgan Stanley & Co. International plc (“**Morgan Stanley**”), Carnegie Investment Bank AB (publ) (“**Carnegie**,” and together with Morgan Stanley, the “**Joint Global Coordinators**”), Citigroup Global Markets Ltd (“**Citigroup**”) or ABG Sundal Collier AB (“**ABG Sundal Collier**,” and together with Morgan Stanley, Carnegie and Citigroup, the “**Managers**”). Investors who invest in the Offer Shares in the Offering will be deemed to have acknowledged that (i) they have not relied on the Managers or any person of their affiliated parties in connection with any investigation in respect of the accuracy of any information contained in this Offering Memorandum or their investment decision; and (ii) they have relied only on the information contained in this Offering Memorandum, and that no person has been authorized to give any information or to make any representation concerning the Company or the Offer Shares (other than as contained in this Offering Memorandum).

This Offering Memorandum should not be considered as a recommendation by the Company, the Selling Shareholders or the Managers or any of their respective affiliates or representatives that any recipient of this Offering Memorandum should purchase the Offer Shares. The contents of this Offering Memorandum are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial, tax or other adviser for legal, financial, tax or other advice in relation to any purchase or proposed purchase of Offer Shares. Prior to making any decision as to whether to invest in the Offer Shares, each prospective investor should read this entire Offering Memorandum and not just rely on key information or information summarized within it. In making an investment decision, each prospective investor must rely upon their own examination of the Company and the terms of the Offering, including the risks involved. None of the Company, the Selling Shareholders or the Managers, nor any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment by such offeree or purchaser under the laws applicable to such offeree or purchaser.

The information in this Offering Memorandum is as of the date printed on the front of the cover, unless expressly stated otherwise. Neither the delivery of this Offering Memorandum nor any sale of Offer Shares pursuant to the Offering shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Offering Memorandum or that the information contained herein is correct as of any time subsequent to its date.

No representation or warranty, express or implied, is made by any of the Managers or any selling agent as to the accuracy or completeness of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise or representation by any of the Managers or any selling agent as to the past, present or future. The Managers do not assume responsibility for the accuracy or completeness of this Offering Memorandum and, accordingly, disclaim to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this Offering Memorandum or any

such statement. Information given or representations made in connection with the Offering that are inconsistent with those contained in this Offering Memorandum are invalid.

The Managers are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Offering Memorandum) as their respective client in relation to the Offering. The Managers will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective clients, nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

In connection with the Offering, each of the Managers and any of their respective affiliates, acting as an investor for its own account, may invest in the Offer Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its own account in such Offer Shares and other securities of the Company or related investments in connection with the Offering or otherwise. Accordingly, references in this Offering Memorandum to the Offer Shares being offered, acquired, placed or otherwise dealt in should be read as including any offer to, or acquisition, dealing in or placing by, the Managers and any of their affiliates acting as an investor for its own account. None of the Managers intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligations to do so.

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates, or an offer to sell or a solicitation of an offer to buy such securities by any person under any circumstances in which such offer of solicitation is unlawful. The distribution of this Offering Memorandum and the offer or sale of the Offer Shares in certain jurisdictions is restricted by law. No action has been or will be taken by the Company, the Selling Shareholders or the Managers to permit a public offering in any jurisdiction other than Sweden. Persons into whose possession this Offering Memorandum comes are required by the Company, the Selling Shareholders and the Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Offer Shares and the distribution of this Offering Memorandum and other offering material relating to the Offer Shares is set out under “*Plan of Distribution—Selling Restrictions*” and in “*Transfer Restrictions*.”

Any disputes arising in connection with this Offering Memorandum or the Swedish Prospectus will be settled exclusively by a court of competent jurisdiction in Sweden.

All sections of this Offering Memorandum should be read in context with the information included in “*Presentation of Financial and Certain Other Information*.”

#### **NOTICE TO INVESTORS IN THE UNITED STATES**

The Offer Shares have not been recommended by the U.S. Securities and Exchange Commission or any other U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence in the United States.

The Offer Shares have not been and will not be registered under the Securities Act and are being (a) offered and sold in the United States only to persons who are QIBs as defined in, and in reliance on, Rule 144A or another available exemption from the registration requirements under the Securities Act, and (b) offered and sold outside the United States in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A. The Shares may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. For certain restrictions on transfer of the Offer Shares, see “*Plan of Distribution—Selling Restrictions*” and “*Transfer Restrictions*.”

In the United States, this Offering Memorandum is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Offering Memorandum has been provided by the Company and other sources identified herein. Distribution of this Offering Memorandum to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the Company’s prior written consent, is prohibited. Any reproduction or distribution of this Offering

Memorandum in or into the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to acquire Offer Shares.

#### NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (“**RSA 421-B**”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

#### NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each a “**Relevant Member State**”), no Offer Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity that is a “qualified investor” as defined under the Prospectus Directive;
- (b) to fewer than 100, or if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons in a Relevant Member State (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators; or
- (c) in any other circumstances that do not require the publication by the Company of a prospectus pursuant to Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression “**Prospectus Directive**” means Directive 2003/71/EC (with amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State. The expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

#### NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy the Offer Shares by any person in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Offering Memorandum and the offer or sale of the Offer Shares in certain jurisdictions is restricted by law. This Offering Memorandum may not be used for, or in connection with, and does not constitute, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstance in which such offer or solicitation is not authorized or is unlawful. In particular, this Offering

Memorandum does not constitute an offer of Offer Shares to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the Offer Shares. Consequently, this document is being distributed only to, and is directed at (a) persons who are outside the United Kingdom, (b) persons who have professional experience in matters relating to investments falling within Article 19(5) of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (c) high net worth entities falling within Article 49(2) of the Order, and other persons to whom it may be lawfully communicated (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents. Persons into whose possession this Offering Memorandum may come are required by the Company, the Selling Shareholders and the Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers, sales and deliveries of the Offer Shares and the distribution of this Offering Memorandum and other offering material relating to the Offer Shares is set out under “*Plan of Distribution—Selling Restrictions*” and in “*Transfer Restrictions*.”

#### **STABILIZATION**

IN CONNECTION WITH THE OFFERING, MORGAN STANLEY, AS THE STABILIZING MANAGER, OR ANY OF ITS AGENTS, MAY (BUT WILL BE UNDER NO OBLIGATION TO), TO THE EXTENT PERMITTED BY APPLICABLE LAW, OVER ALLOT SHARES OR EFFECT OTHER TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SHARES AT A HIGHER LEVEL THAN THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE STABILIZING MANAGER IS NOT REQUIRED TO ENTER INTO SUCH TRANSACTIONS AND SUCH TRANSACTIONS MAY BE EFFECTED ON ANY SECURITIES MARKET, OVER THE COUNTER MARKET, STOCK EXCHANGE OR OTHERWISE AND MAY BE UNDERTAKEN AT ANY TIME DURING THE PERIOD COMMENCING ON THE FIRST DAY OF TRADING IN THE SHARES ON NASDAQ STOCKHOLM AND ENDING NO LATER THAN 30 CALENDAR DAYS THEREAFTER. HOWEVER, THERE WILL BE NO OBLIGATION ON THE STABILIZING MANAGER OR ANY OF ITS AGENTS TO EFFECT STABILIZING TRANSACTIONS AND THERE IS NO ASSURANCE THAT STABILIZING TRANSACTIONS WILL BE UNDERTAKEN. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. IN NO EVENT WILL MEASURES BE TAKEN TO STABILIZE THE MARKET PRICE OF THE SHARES ABOVE THE OFFER PRICE. EXCEPT AS REQUIRED BY LAW OR REGULATION, NEITHER THE STABILIZING MANAGER NOR ANY OF ITS AGENTS INTENDS TO DISCLOSE THE EXTENT OF ANY OVER ALLOTMENTS MADE AND/OR STABILIZATION TRANSACTIONS CONDUCTED IN RELATION TO THE OFFERING.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Offering Memorandum contains statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including terms such as “aim,” “anticipate,” “assume,” “believe,” “continue,” “can,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “projected,” “should,” “will” or “would” or, in each case, their negative, or other variations or comparable terminology, or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts or that may not otherwise be provable by reference to past events. They appear in a number of places throughout this Offering Memorandum and are based on assumptions regarding Nordax’s present and future business strategies and the environment in which it operates and will operate in the future. Forward-looking statement appear in a number of places throughout this Offering Memorandum and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, Nordax’s financial condition, results of operations, liquidity, cash flows, prospects, growth, strategies and dividend and distribution policy, as well as the development of the industry, economic environment and regulatory environment in which Nordax operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although the Company believes the expectations implied by these forward-looking statements are reasonable, the Company, the Selling Shareholders and the Managers caution prospective investors that forward-looking statements are not guarantees of future performance and are based on numerous assumptions, and that Nordax’s financial condition, results of operations, liquidity, cash flows, prospects, growth, strategies and dividend and

distribution policy, as well as the development of industry, economic environment and regulatory environment in which Nordax operates, could differ materially from (and be more negative than) those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if Nordax's financial condition, results of operations, liquidity, cash flows, prospects, growth, strategies and dividend and distribution policy, as well as the development of the industry, economic environment and regulatory environment in which Nordax operates, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

Many factors may cause Nordax's financial condition, results of operations, liquidity, cash flows, prospects, growth, strategies and dividend and distribution policy, as well as the development of the industry, economic environment and regulatory environment in which Nordax operates to differ materially from those expressed or implied by the forward-looking statements contained in this Offering Memorandum and thereby adversely affect the achievement of Nordax's financial targets, including targets relating to its return on average net loans, dividend payout ratio, CET 1 capital ratio and total capital ratio. The risks described in "*Risk Factors*" are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect Nordax's financial condition, results of operations, liquidity, cash flows, prospects, growth, strategies and dividend and distribution policy, as well as the development of the industry, economic environment and regulatory environment in which Nordax operates. The Company urges prospective investors to read the sections of this Offering Memorandum entitled "*Risk Factors*," "*Industry Overview*," "*Business*," "*Operating and Financial Review*" and "*Supervision and Regulation*" for a more complete discussion of the factors that could affect Nordax's financial condition, results of operations, liquidity, cash flows, prospects, growth, strategies and dividend and distribution policy, as well as the development of the industry, economic environment and regulatory environment in which Nordax operates. New risks may emerge from time to time, and it is not possible for the Company to predict all such risks, nor can it assess the impact of all such risks on Nordax's business or the extent to which any risks, or combination of risks and other factors, could cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not rely on forward-looking statements as a prediction of actual performance or results.

The forward-looking statements contained in this Offering Memorandum speak only as of the date of this Offering Memorandum. The Company, the Selling Shareholders and the Managers expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions or circumstances on which such statements are based unless required to do so by applicable law or Nasdaq Stockholm's Rule Book for Issuers. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth in "*Risk Factors*." Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Offering Memorandum.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

### Historical Financial Information

Unless otherwise indicated, Nordax's historical financial information presented in this Offering Memorandum has been derived from the unaudited combined interim report of the Company as at and for the three months ended March 31, 2015, including unaudited comparative interim financial information as at and for the three months ended March 31, 2014 (the "**Unaudited Interim Combined Financial Statements**") and the audited combined financial statements of the Company as at and for the years ended December 31, 2014, 2013 and 2012 (the "**Audited Combined Financial Statements**," and together with the Unaudited Interim Combined Financial Statements, the "**Combined Financial Statements**"). The Unaudited Interim Combined Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (the "**EU**") ("**IFRS-EU**"), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) (Sw. *lagen (1995:1559) om årsredovisning i kreditinstitut och värdepappersbolag*) and the Swedish Financial Accounting Standards Council's (Sw. *Rådet för finansiella rapportering*) recommendation RFR 1, *Supplementary Accounting Regulations for Groups*. The Audited Combined Financial Statements have been prepared in accordance with IFRS-EU, the Swedish Financial Accounting Standards Council's (Sw. *Rådet för finansiella rapportering*) recommendation RFR 1, *Supplementary Accounting Regulations for Groups* and the SFSA's regulations and guidelines FFFS 2008:25. The Combined Financial Statements, including the auditor's

reports of Öhrlings PricewaterhouseCoopers AB, are included in the F-pages to this Offering Memorandum.

All entities included in the Combined Financial Statements are under common control as they are all ultimately wholly-owned and controlled by the Company. The Nordax group, as presented in the Combined Financial Statements, consists of the entities listed in Note 28 to the Audited Combined Financial Statements. It has not constituted a separate legal group for the periods presented in the Combined Financial Statements. Accordingly, the Combined Financial Statements represent an aggregation of the historical financial information of the entities in the Nordax group. The Combined Financial Statements, which have been prepared specifically for the purpose of this Offering Memorandum, have, therefore, been prepared on a basis that combines the results and assets and liabilities of each of the entities constituting the Nordax group by applying the principles underlying the consolidation procedures of *IFRS 10 – Consolidated Financial Statements* as at and for the three months ended March 31, 2015 and 2014 and as at and for the years ended December 31, 2014, 2013 and 2012.

The Combined Financial Statements have been prepared in accordance with the requirements of the Prospectus Regulation, the Nasdaq Stockholm's Rule Book for Issuers as described in this basis of preparation.

The Combined Financial Statements are presented in millions of Swedish kronor, unless otherwise indicated. The following summarizes the accounting and other principles applied in preparing the Combined Financial Statements:

- The Combined Financial Statements have been prepared for the same reporting periods using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses have been eliminated.
- In 2015, the Nordax group completed a reorganization pursuant to which the Company was established as the new parent company of the Nordax group (the intention is to put the prior parent company, Nelson Luxco S.à r.l, into liquidation). The historical financial information of the former Nordax group, which has been reported internally on a consolidated basis in accordance with IFRS-EU, has been used in preparing the Combined Financial Statements. No adjustments have been made to the values of assets and liabilities in relation to the Combined Financial Statements as compared to the historically reported values. As the Company is a newly established company that has not conducted any independent business operations during the periods covered by the Combined Financial Statements, the future consolidated financial statements of the Company will be prepared as a continuation of the current Nordax group.

Any historical financial information for periods prior to the year ended December 31, 2012 presented in this Offering Memorandum has been derived from the historical consolidated financial statements of Nordax Holding AB. The historical consolidated financial statements of Nordax Holding AB as at and for the year ended December 31, 2006 and for prior periods have not been prepared in accordance with IFRS-EU. There are no other material differences in the basis of preparation of the Combined Financial Statements and the historical consolidated financial statements of Nordax Holding AB. This offering Memorandum presents the compound annual growth rates (“CAGR”) of Nordax's loan portfolio between December 31, 2004, which was derived from the consolidated financial statements of Nordax Holding AB as at and for the year ended December 31, 2004 prepared in accordance with Swedish GAAP, and March 31, 2015. There are no material differences in the basis of preparation affecting the comparability of Nordax's loan portfolio as at December 31, 2004 to Nordax's loan portfolio in the Combined Financial Statements.

The Audited Combined Financial Statements have been audited by Öhrlings PricewaterhouseCoopers AB, independent auditors, as stated in their report included in the F-pages to this Offering Memorandum. With respect to the Unaudited Interim Combined Financial Statements, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included in the F-pages to this Offering Memorandum states that they did not audit and they do not express an opinion on that interim financial information. Except as explicitly indicated, no financial information contained in this Offering Memorandum has been audited or reviewed by the independent auditors. Financial information relating to the Company contained in this Offering Memorandum that is not part of the information that has been audited or reviewed by the independent auditors as stated herein has been derived from Nordax's regularly maintained accounting systems and customer management systems.

## **Non-IFRS-EU Financial Measures**

This Offering Memorandum presents unaudited non-IFRS-EU financial measures, including adjusted operating expenses, adjusted operating income, adjusted operating profit, adjusted profit for the period and tangible equity, that are not required by, or presented in accordance with, IFRS-EU. Non-IFRS-EU financial measures are presented because it is believed that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS-EU financial measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Nordax's operating results as reported under IFRS-EU. Non-IFRS-EU financial measures and ratios are not measurements of performance or liquidity under IFRS-EU and should not be considered as alternatives to operating profit or net profit or any other performance measures derived in accordance with IFRS-EU or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. For definitions of certain financial ratios and other financial terms, including non-IFRS-EU financial measures, included in this Offering Memorandum, see "*Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.*" For a reconciliation of non-IFRS-EU financial measures to the nearest IFRS-EU financial measure, see "*Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures.*"

## **Rounding**

Certain numerical figures set out in this Offering Memorandum have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information.

## **Annualized Ratios**

Where indicated in this Offering Memorandum, certain ratios for the three months ended March 31, 2015 and 2014 are presented on an annualized basis. Such annualized ratios have been calculated by calculating the ratio for the three-month period indicated and multiplying the result by four.

## **MARKET AND INDUSTRY DATA AND FORECASTS**

Information in this Offering Memorandum on the personal loan market is from independent market research carried out by Euromonitor International Limited ("**Euromonitor**") but should not be relied upon in making, or refraining from making, any investment decision. The data presented in this Offering Memorandum regarding the outstanding balance of personal lending and its various subcategories, GDP and disposable income that is attributed to Euromonitor assumes constant 2014 prices and fixed 2014 exchange rates. All market data obtained from Euromonitor that is presented in this Offering Memorandum has been converted from U.S. dollars to euro using the U.S. dollar to euro rate of 0.8264121 (source: Factset U.S. dollar to euro spot-exchange rate as at December 31, 2014).

This Offering Memorandum also includes industry and market data that was obtained by the Company from national statistical resources and other third-party sources, such as Eurostat and SCB. The aforementioned third-party sources generally state that the information they contain has been obtained from sources believed to be reliable. However, these third-party sources also state that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, statistical information and economic indicators contained in these third-party sources, the Company is unable to verify such information and cannot guarantee its accuracy or completeness. The Company also does not have access to the facts and assumptions underlying the projections made in these third-party sources and various economic and other factors may cause actual results to differ from these projections.

In addition, certain information in this Offering Memorandum is not based on published data obtained from independent third parties, or extrapolations thereof, but are information and statements reflecting the Company's best estimates based on data obtained from trade and business organizations and associations, consultants and other contacts within the industry in which Nordax operates, as well as information published by Nordax's competitors. Such information is based on, among other things, Nordax's management's business experience and experience in the industry and the local markets in which Nordax operates and Nordax's internal analysis of its own audited and unaudited financial and other

information. The Company cannot assure prospective investors that the assumptions made in compiling this data are accurate or correct.

None of the Company, any of the Selling Shareholders or any of the Managers represents that any of the historical or forecasted economic and industry data attributed to third-party sources is accurate or complete. Similarly, such third-party market research, while believed to be reliable, has not been independently verified by the Company, any of the Selling Shareholders or any of the Managers. As far as the Company is aware and is able to verify on the basis of other information published by such third parties, the information derived from third parties included in this Offering Memorandum has been correctly represented and no information has been omitted that could serve to render the information misleading or incorrect. Market statistics and forecasts are inherently predictive, subject to uncertainty, may be subject to subjective interpretations and are not necessarily reflective of actual or future market conditions. Such statistics and forecasts are based on market research and views of industry participants, which are based on sampling and subjective interpretations and judgments by both the researchers (some of whom may be industry participants themselves) and the respondents, including judgments about what types of products and transactions should be included in the relevant market. As a result, prospective investors should be aware that the economic and industry data and forecasts and estimates of market data included in this Offering Memorandum may not be reliable indicators of Nordax’s future results of operations.

#### **NO INCORPORATION OF WEBSITE INFORMATION**

The contents of Nordax’s website do not form part of, and are not incorporated by reference into, this Offering Memorandum.

#### **DEFINITIONS**

Certain terms used in this Offering Memorandum, including all capitalized terms, key financial ratios, other financial terms and certain other terms, are defined and explained in “*Definitions and Glossary*” and “*Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.*”

#### **CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION**

In this Offering Memorandum, all references to “Swedish krona,” “Swedish kronor” or “SEK” are to the lawful currency of the Kingdom of Sweden, references to “Norwegian krone,” “Norwegian kroner” or “NOK” are to the lawful currency of the Kingdom of Norway, references to “euro” or “EUR” are to the single currency of the participating Member States of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, references to “Danish krone,” “Danish kroner” or “DKK” are to the lawful currency of the Kingdom of Denmark and references to “U.S. dollar,” “U.S. dollars” or “USD” are to the lawful currency of the United States of America.

The following table sets forth, for the periods and dates indicated, the period end, period average, high and low reference rates for the Swedish krona, expressed in Swedish kronor per USD 1.00, rounded to two decimal places, based on information published by the central bank of Sweden (Sw. *Sveriges Riksbank*):

	SEK per USD 1.00			
	High	Low	Average <sup>(1)</sup>	Period end <sup>(2)</sup>
2012 .....	7.29	6.50	6.78	6.52
2013 .....	6.84	6.29	6.51	6.51
2014 .....	7.81	6.34	6.86	7.81
2015 (through June 1, 2015) .....	8.84	7.82	8.40	8.57

(1) The average is calculated based on published observations for the daily fixing rates during the period.

(2) Represents the exchange rate on the last business day of the applicable period.

The following table sets forth, for the periods and dates indicated, the period end, period average, high and low reference rates for the Swedish krona, expressed in Swedish kronor per EUR 1.00, rounded to two decimal places, based on information published by the central bank of Sweden:

	SEK per EUR 1.00			
	High	Low	Average <sup>(1)</sup>	Period end <sup>(2)</sup>
2012 .....	9.16	8.21	8.71	8.62
2013 .....	9.10	8.29	8.65	8.94
2014 .....	9.53	8.77	9.10	9.52
2015 (through June 1, 2015) .....	9.63	9.07	9.35	9.36

(1) The average is calculated based on published observations for the daily fixing rates during the period.

(2) Represents the exchange rate on the last business day of the applicable period.

The following table sets forth, for the periods indicated, the period end, period average, high and low Bloomberg Composite Rates expressed in U.S. dollars per EUR 1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The Bloomberg Composite Rate of the euro on June 1, 2015 was USD 1.09 per EUR 1.00.

	USD per EUR 1.00			
	High	Low	Average <sup>(1)</sup>	Period end <sup>(2)</sup>
2012 .....	1.35	1.21	1.29	1.32
2013 .....	1.38	1.28	1.33	1.37
2014 .....	1.39	1.21	1.33	1.21
2015 (through June 1, 2015) .....	1.21	1.05	1.12	1.09

(1) The average rate means the daily average of the Bloomberg Composite Rates during the relevant period.

(2) Represents the exchange rate on the last business day of the applicable period.

The above rates differ from the actual rates used in the preparation of the Combined Financial Statements and other financial information appearing in this Offering Memorandum. The Company’s inclusion of the exchange rates is not meant to suggest that the Swedish krona or euro amounts actually represent U.S. dollar or euro amounts or that these amounts could have been converted into U.S. dollars or euro at any particular rate, or at all.

### Exchange Control Regulations

There are currently no foreign exchange control restrictions in Sweden, other than in certain national crisis situations, that would restrict the payment of dividends to a shareholder outside Sweden, and there are currently no restrictions that would affect the right of shareholders who are not residents of Sweden to dispose of their Shares and receive the proceeds from a disposal of Shares outside of Sweden. There is no maximum transferable amount either to or from Sweden, although transferring banks are required to report to the Swedish tax authorities any transfers to or from Sweden exceeding SEK 150,000. Such information may also be forwarded to authorities in the countries in which the holders of the Shares are resident.

### ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

The Company is organized under the laws of Sweden. All of the members of the Company’s board of directors (the “**Board of Directors**”) and of the management of the Company are non-residents of the United States. All or a substantial portion of the assets of such non-resident persons and of the Company are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company or to enforce against them in U.S. courts judgments obtained in such courts. The Company has been advised that there is doubt as to the enforceability in Sweden, in original actions instituted in U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States. Therefore, final judgments for the payment of money rendered by a U.S. court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be automatically enforceable in Sweden.

### ADDITIONAL INFORMATION

The Company has agreed that it will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from such reporting requirements pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any holder or beneficial owner of the Offer Shares, or any prospective investor designated by any such holder or beneficial owner, information satisfying the requirements of subsection (d)(4) of Rule 144A under the Securities Act to permit compliance with Rule 144A in connection with resales of the Offer Shares for so long as any of the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act. The Company is not currently subject to the periodic reporting and other information requirements of the Exchange Act.

## SUMMARY

*The following summary information does not purport to be complete and is merely an introduction to the more detailed information appearing elsewhere in this Offering Memorandum. Prospective investors should read this entire Offering Memorandum carefully before investing, including “Risk Factors,” “Business,” “Operating and Financial Review” and the Combined Financial Statements included herein. For the definitions of certain terms used herein, see “Definitions and Glossary” and “Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.”*

### Overview

Nordax is a leading niche bank in the Nordic region offering large personal loans targeted at individuals that, based on historical credit losses, it assesses to be low risk and “prime” as they are generally middle-aged, employed individuals with average incomes above national household averages, near or higher than national average rates of home ownership and no negative payment remarks on their credit records. Nordax also offers retail deposit products to individuals in Sweden, Norway and Finland (together, the “**Core Markets**”). Nordax has been developing its presence in Germany since 2012. As at March 31, 2015, Nordax’s loan portfolio amounted to SEK 10,312 million with 69,931 loans and its retail deposits amounted to SEK 6,524 million held in 25,453 deposit accounts. The weighted average term of Nordax’s loans at origination based on its loan portfolio as at March 31, 2015 was 9.2 years and the maximum term available to qualifying customers is 15 years.

Nordax’s business model is focused on efficient data management, statistical analysis, test and learn approach and quantitative decision making. This approach is used throughout Nordax’s operations, including marketing, credit risk management, legal collection and funding. Nordax has developed strong analytical capabilities in its decision science and quantitative modeling, which promotes marketing efficiency and credit quality.

The risk assessment process at Nordax begins from the design of loan product characteristics and marketing campaigns as this has a significant impact on the ultimate credit risk level in the loan portfolio. Targeted marketing represents a core competence for Nordax and is comprised of Nordax’s most important marketing channels, including direct mail, unaddressed mail and marketing through cooperation partners. By using sophisticated statistical models, Nordax is able to target attractive segments by excluding from its marketing segments of individuals who are not likely to apply or be approved for a loan, which promotes marketing efficiency and approval rates. Targeted marketing accounted for 57.4 percent of Nordax’s new loan volumes in 2014 (62.1 percent in 2013 and 67.1 percent in 2012). Nordax’s marketing channels also include repeat sales to existing customers and untargeted marketing channels, including credit intermediaries and mass communication.

Before approving a loan, Nordax carries out a thorough credit assessment for each loan application in accordance with its credit policies and applicable laws and regulations. The credit assessment process includes a combination of policy rules, referral rules, internal credit scoring models and an affordability calculation, and a credit limit matrix. For additional information on Nordax’s underwriting process, see “*Business—Loan Underwriting Process and Credit Risk Management.*” For additional information on Nordax’s risk management, see “*Risk Management.*”

Nordax operates from a centralized platform in Stockholm, Sweden, where all of its employees and functions are located. The centralized platform has allowed Nordax to cost-efficiently scale its lending operations from the start in Sweden in 2004 to Norway, Denmark, Finland and Germany, and to expand into offering retail deposit products beginning in 2008. The centralized platform also supports continuous information sharing across Nordax’s functions and markets. As a regulated entity, having centralized corporate governance, risk management and control functions allows Nordax to closely and efficiently monitor internal governance and control.

Nordax’s diversified funding base consists of asset-backed securities (“**ABSs**”), warehouse funding facilities from two international banks, retail deposits, senior unsecured bonds and equity and subordinated debt, which represented 20.2 percent, 17.2 percent, 45.1 percent, 3.3 percent and 14.1 percent, respectively, of Nordax’s funding (based on carrying value) as at March 31, 2015. Nordax’s ABS issuances are facilitated by the credit performance of Nordax’s loan portfolio and the availability of extensive credit performance data. Having a diversified funding base reduces Nordax’s liquidity risk and provides opportunities for Nordax to grow and optimize its funding mix over time.

## **Key Competitive Strengths**

Nordax believes that its business is characterized by the following key strengths:

- Focused business model providing products with clear customer utility: personal loans to prime customers originated using a data-driven targeting model.
- Nordax's Core Markets and Germany are attractive and have suitable characteristics for Nordax's business model.
- Track record of growth and expansion at low incremental cost with further growth potential.
- Expanding into the large, attractive German market with growth potential.
- Focus on risk management: robust operating and governance model and tested credit underwriting model.
- Diversified funding base, strong liquidity position and strong balance sheet.
- Attractive margin and return characteristics with solid capital generation capacity.
- Highly experienced management team with a clear vision and strategy.

## **Strategy**

Nordax sees significant opportunities to build its position as a personal loan provider of choice in its Core Markets and Germany as well as to further develop its retail deposit business. Nordax intends to leverage its centralized operating platform and explore increasing the automation of its processes in order to improve its cost position. Nordax's strategy is built on its solid and diversified funding base.

Nordax's core strategy is underpinned by the following pillars:

- Further strengthen market position and expand sales in the Core Markets by optimizing distribution and marketing to target customer group and developing its loan product offering while controlling risk.
- Maintain customer centric approach with focus on improving customer utility.
- Continue data-driven market testing and cautious expansion in Germany.
- Explore complimentary products that leverage and build on core competencies.
- Maintain solid capital position and diversified funding base that allows the business to grow and simultaneously generate return on capital invested.
- Maintain cost efficient operations.
- Maintain a proactive approach to managing regulatory risk.

## Summary of the Offering

Company .....	Nordax Group AB (publ), a public limited liability company incorporated under the laws of Sweden.
Selling Shareholders .....	Vision Capital Partners VII A LP (Guernsey LP), Vision Capital Partners VII LP (Guernsey LP) ( <i>i.e.</i> , the Principal Shareholders) and members of the Board of Directors and the individuals named in “ <i>Board of Directors, Management and Auditors—Senior Management Team</i> ” (the “ <b>Senior Management Team</b> ”) as well as certain other current and former senior employees of Nordax (together with the Senior Management Team, the “ <b>Minority Shareholders</b> ”).
Managers .....	<i>Joint Global Coordinators and Joint Bookrunners:</i> Morgan Stanley and Carnegie <i>Joint Bookrunner:</i> Citigroup <i>Co-lead Manager:</i> ABG Sundal Collier
The Offering .....	<p>The Selling Shareholders are offering up to 48,682,250 Firm Shares in the Offering. The total number of Firm Shares may be increased at the discretion of the Principal Shareholders. However, in no event will more than 57,689,122 Firm Shares, representing 52.0 percent of all Shares, be sold pursuant to the Offering, excluding any Shares sold pursuant to the Over-allotment Option.</p> <p>The Offering consists of a public offering and an offering to institutional investors in Sweden pursuant to a separate Swedish Prospectus and an offering to institutional investors elsewhere, including a private placement in the United States to QIBs in reliance on Rule 144A. All offers and sales outside the United States will be made in compliance with Regulation S. This Offering Memorandum relates to the offering of Offer Shares to QIBs in the United States and institutional investors outside Sweden.</p>
Offer Price Range .....	The Offer Price is expected to be between SEK 38 and SEK 45 per Offer Share and will be determined through a book-building process. The Offer Price and the exact number of Firm Shares to be sold is expected to be announced on or about June 17, 2015.
Shares Outstanding After the Offering .....	<p>110,945,598 Shares, of which (assuming an Offer Price at the midpoint of the Offer Price Range) 44.4 percent will be held by the Principal Shareholders assuming that the size of the Offering is not increased and the Over-allotment Option is not exercised, 36.3 percent assuming that the size of the Offering is increased in full and the Over-allotment Option is not exercised and 31.1 percent assuming that the size of the Offering is increased in full and the Over-allotment Option is exercised in full.</p> <p>The Cornerstone Investor has committed to acquire at the Offer Price (and at any such price throughout the Offer Price Range) a number of Offer Shares equivalent to 9.5 percent of the Shares following completion of the Offering. The Cornerstone Investor’s commitment is subject to certain conditions as described in “<i>Plan of Distribution—Subscription Undertaking and Expressed Interests in Purchasing Offer Shares in the Offering.</i>” The Cornerstone Investor will not be subject to a lock-up in respect of its allocation.</p>

Certain members of the Board of Directors who do not currently own Shares have expressed an interest in purchasing Offer Shares in the Offering. However, these individuals have not made a commitment to place such orders and there can be no assurance that such orders will be placed and, if placed, that such individuals will be allocated Offer Shares.

Over-allotment Option . . . . . The Principal Shareholders have granted an Over-allotment Option to the Managers, acting severally and not jointly, to purchase up to an additional 5,768,912 Shares, corresponding to 10 percent of the maximum total number of Firm Shares sold in the Offering. The Over-allotment Option may be exercised, in whole or in part, by the Stabilizing Manager, starting from the first day of trading in the Shares on Nasdaq Stockholm and expires 30 days thereafter. The Over-allotment Option may be exercised for the purpose of covering over-allotments, if any, and to facilitate stabilization transactions.

Use of Proceeds . . . . . The Selling Shareholders will receive the proceeds from the sale of the Offer Shares after deduction of commissions, fees and expenses payable by the Selling Shareholders. Nordax will not receive any of the proceeds from the sale of the Offer Shares. See “*Background and Reasons for the Offering.*”

Lock-up . . . . . The Company will agree with the Managers that it will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly (or agree to take, or publicly announce, such action), any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement (or agree to take, or publicly announce, such action) that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise for a period of 180 days after the first date of trading and official listing of the Shares, without the prior written consent of the Joint Global Coordinators. The foregoing sentence will not apply to: (i) the sale of the Offer Shares and (ii) the issue of Shares or other securities pursuant to employee incentive plans that have been or will be approved by the Board of Directors and/or the Company’s general meeting of shareholders (“**General Meeting**”), as described under “*Corporate Governance—Management Incentive Plan.*”

The Principal Shareholders will each agree with the Managers that they will not, except as set forth below, for a period of 180 days after the first day of trading and official listing of the Shares, without the prior written consent of the Joint Global Coordinators offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly (or agree to take, or publicly announce, such action), any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement (or agree to take, or publicly announce, such action) that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such

other securities, in cash or otherwise for a period of 180 days after the first date of trading and official listing of the Shares. The foregoing sentence will not apply to (i) the sale of the Offer Shares in the Offering and (ii) the lending of Shares pursuant to the underwriting agreement in respect of the Offering (the “**Underwriting Agreement**”), which is expected to be entered into on or about June 16, 2015.

In addition, the Minority Shareholders will each agree with the Managers that they will not, except as set forth below, without the prior written consent of the Joint Global Coordinators, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly (or agree to take, or publicly announce, such action), any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement (or agree to take, or publicly announce, such action) that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise after the first date of trading and official listing of the Shares as set forth below:

- in relation to Per Bodlund, Mats Lagerqvist and Olle Nordlöf, for a period of 24 months, provided that such shareholders may sell up to one-third of their Shares held after 12 months from the first date of trading and official listing of the Shares and up to an additional one-third of their remaining Shares held after 18 months from the first date of trading and official listing of the Shares;
- in relation to Johan Franzén, for a period of 12 months;
- in relation to Morten Falch, for a period of 24 months; and
- in relation to the other Minority Shareholders, for a period of 12 months.

The foregoing sentence will not apply to: (i) the sale of the Offer Shares in the Offering, (ii) the sale or transfer of the Shares in connection with the corporate reorganization taking place prior to or in connection with the Offering, (iii) the sale or issuance of Shares in connection with any share investment made by employees using incentive payments received in connection with the Offering and (iv) issues of Shares pursuant to employee incentive plans.

The Cornerstone Investor will not be subject to a lock-up in respect of its allocation.

See “*Plan of Distribution—Lock-up Arrangements.*”

Voting Rights . . . . . Each Share entitles the holder thereof to one vote at the General Meetings, and each shareholder is entitled to cast votes equal in number to the number of Shares held by such shareholder.

Dividends . . . . . All Shares carry equal rights to dividends and the Company’s assets and any surpluses in the event of liquidation. The Offer Shares entitle the holders thereof to participate in the distribution of dividends for the first time on the record date that occurs immediately following the listing of the Shares.

The Board of Directors has adopted a dividend policy according to which Nordax aims to maintain a payout ratio of approximately 40 percent of profit 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.

The payment of dividends, if any, by the Company and the amounts and timing thereof will depend on a number of factors, including Nordax's future income, profits, financial conditions, general economic and business conditions, and future prospects; the ability of the Company's subsidiaries to pay dividends or otherwise transfer funds to the Company; and such other factors as the Board of Directors may deem relevant. In addition, the terms and conditions relating to certain of Nordax's funding arrangements, including the outstanding ABSs, the warehouse funding facility agreements and the outstanding senior unsecured bonds, impose certain limitations on the ability to declare and pay dividends, see "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding—ABSs*," "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding—Warehouse Funding Facilities*" and "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding—Senior Unsecured Bonds*." There can be no assurance that in any given year a dividend will be proposed or declared or any other distribution made. For additional information about the Company's dividend policy, see "*Dividends and Dividend Policy—Dividend Policy*."

Any dividend paid by the Company in respect of 2015 would be paid in respect of Nordax's profit for the second half of 2015.

Expenses Relating to the Offering . . . The Company estimates that the total expenses relating to the Offering and the listing of the Shares on Nasdaq Stockholm payable by the Company (including advisors' fees and other customary expenses) will be approximately SEK 75 million.

Withdrawal of the Offering . . . . . The Underwriting Agreement provides that the Offering may be terminated at any time upon the occurrence of certain events, such as a force majeure event, the effect of which makes it inadvisable or impracticable to market the Offer Shares or enforce contracts for sale of the Offer Shares, a material adverse change in the condition, results of operations, assets or prospects of Nordax, a material breach by the Company or the Selling Shareholders of the Underwriting Agreement, any of the representations and warranties given by each of the Company and the Selling Shareholders becoming inaccurate or misleading, any statement contained in certain documents related to the Offering being untrue, incorrect or misleading, or the occurrence of certain other events, prior to the listing of the Shares.

Listing and Start of Trading . . . . . Prior to the Offering, there has been no public market for the Shares. The Shares have been approved for listing on Nasdaq Stockholm under the symbol "NDX," subject to satisfaction and notice of a sufficient number of shareholders. It is expected that trading in the Shares will commence on or about June 17, 2015.

Settlement and Clearing . . . . . The Managers expect to deliver the Offer Shares in book entry form to investors' securities accounts with Euroclear Sweden against payment for the Offer Shares in immediately available

funds. The Shares will be eligible for clearing through the facilities of Euroclear Sweden.

ISIN .....	SE0006965216	
Trading Symbol.....	NDX	
Transfer Restrictions .....	The Shares will be subject to certain restrictions on transfer as described in “ <i>Transfer Restrictions.</i> ”	
Indicative Timetable .....	Application period for retail investors in Sweden .....	June 5, 2015 – June 15, 2015
	Application period for institutional investors .....	June 5, 2015 – June 16, 2015
Financial Calendar .....	Listing of the Shares on Nasdaq Stockholm .....	June 17, 2015
	Settlement date .....	June 22, 2015
Financial Calendar .....	Interim report for the six months ended June 30, 2015 .....	July 15, 2015
	Interim report for the nine months ended September 30, 2015 .....	October 22, 2015

## Summary of the Risk Factors

Before deciding whether to invest in the Shares, prospective investors should carefully consider certain risks, including:

### *Risks Relating to Nordax's Business and Industry*

- Nordax offers only one type of loan product, personal loans, in a limited geographical area and, therefore, is more susceptible to risks relating to personal lending than its competitors with a more diversified product offering.
- The demand for Nordax's loan products is dependent on general macroeconomic conditions in Nordax's Core Markets and Germany.
- The size and growth of Nordax's loan portfolio is dependent on the effectiveness of Nordax's marketing activities, which, in turn, depends on the amount and relevance of data for customer targeting and conducting credit assessments.
- Nordax may not be successful in implementing its growth strategy, which could adversely affect its business, financial condition and results of operations.
- Competition in the financial services industry is intense and increasing competition could adversely affect the demand for and profitability of Nordax's loan products.
- Nordax is exposed to risks due to its relationships with credit intermediaries and other cooperation partners, and the deterioration of such relationships could adversely affect Nordax's ability to maintain and grow its loan portfolio.
- Nordax may not be able to accurately assess the credit risk of loan applicants, which could lead to increased credit losses.
- The credit quality of Nordax's customers could decline, which could lead to increased credit losses.
- Nordax's actual credit losses could exceed its provisions for credit losses and write-downs.
- Nordax may not be able to obtain sufficient funding, which could adversely affect its ability to maintain or grow its loan portfolio as well as its cost of funding.
- A deterioration in the quality of Nordax's loan portfolio that secures its ABSs, along with other factors, could negatively impact Nordax's liquidity and access to funding.
- Nordax could be adversely affected by counterparty risk, including due to actual or perceived deterioration of financial services institutions or the financial services industry, or other factors.
- The internal governing documents, procedures, processes and evaluation methods used by Nordax to assess and manage risk may be insufficient to cover unidentified, unanticipated, or incorrectly quantified risks and fraud.
- Nordax is exposed to reputational risks related to its operations, third parties and the financial services industry as a whole.
- Nordax's reliance on certain service and business process outsourcing and other partners could have a material adverse effect on its business, financial condition and results of operations.
- If Nordax is unable to process a large number of transactions efficiently and accurately, it could have a material adverse effect on its business, financial condition and results of operations.
- If Nordax is unable to attract, retain and motivate qualified board members, key members of management and employees, it could have a material adverse effect on its business, financial condition and results of operations.
- Security breaches in Nordax's information systems or in the information systems of third parties could have a material adverse effect on Nordax's reputation and could subject it to significant costs and regulatory penalties.
- Nordax could incur losses not covered by insurance.
- Nordax's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits.

- Changes in foreign exchange rates can have a material adverse effect on Nordax's results of operations.
- Incorrect estimates by Nordax's management when preparing its financial statements could have a material adverse effect on Nordax's business, financial condition and results of operations.
- Nordax's actual results of operations may differ materially from the financial targets included in this Offering Memorandum and investors should not place undue reliance on the financial targets.

***Risks Relating to Regulation***

- Nordax's operations are contingent upon the banking license issued to Nordax Bank AB (publ) ("**Nordax Bank**") by the SFSA.
- Nordax operates in an industry that is highly regulated and may be adversely affected by legal or regulatory risks and reputational implications from the legal and regulatory environment.
- Nordax is subject to substantial and changing prudential regulation.
- Nordax could be adversely affected by changes in laws regarding debt collection, debt restructuring and personal bankruptcy.
- Changes in accounting rules could adversely affect Nordax.
- Changes to the deposit insurance scheme of the Swedish National Debt Office (Sw. *Riksgälden*) (the "**Swedish Deposit Insurance Scheme**"), or a decision that Nordax's retail deposits will no longer be covered by the Swedish Deposit Insurance Scheme, could have an adverse effect on Nordax's business, financial position and results of operations.
- Nordax is subject to consumer protection and marketing laws, and violations of or changes in such laws could adversely affect Nordax.
- Changes in data protection laws or other legislation affecting the amount of data available to Nordax for customer targeting and conducting credit assessments or the use of such data could adversely affect Nordax's marketing activities and underwriting process.
- Nordax could be adversely affected by changes in laws and regulations regarding interest tax deduction and mortgage amortization.
- Nordax could be adversely affected by changes in tax laws and regulations and the interpretation thereof.
- Nordax is subject to risks related to insurance mediation.
- Failure to comply with anti-money laundering, anti-terrorist financing and sanctions regulations could have a material adverse effect on Nordax's business, financial condition and results of operations.
- Increased regulation regarding funding subsidiaries could adversely affect Nordax.
- Nordax's collateralized funding structures may be challenged by tax authorities.

***Risks Relating to the Offering and the Shares***

- Prior to the Offering, there has been no prior public market for the Shares, and an active, liquid and orderly trading market for the Shares may not develop, the price of the Shares may be volatile, and investors could lose a portion, or all, of their investment.
- The Principal Shareholders will continue to have substantial influence over the Company after the Offering and could delay or prevent a change in corporate control.
- Shareholders in the United States or other countries outside of Sweden may not be able to participate in any potential future rights offers.
- The subscription undertaking by the Cornerstone Investor is subject to certain conditions and the Cornerstone Investor is not subject to any formal lock-up arrangement.
- Future sales or issues of Shares or instruments giving entitlement to Shares could have a negative effect on the market price of the Shares and dilute the holdings of other shareholders.
- The Company's ability to pay dividends in the future may be constrained and depends on several factors.
- Investors with a reference currency other than the Swedish krona will become subject to certain foreign exchange risks when investing in the Offer Shares.

## Summary Historical Combined Financial Information

The summary historical combined financial information presented below has been derived from the Combined Financial Statements included in the F-pages to this Offering Memorandum. Prospective investors should read the summary historical financial information together with “*Risk Factors*,” “*Capitalization and Indebtedness*,” “*Operating and Financial Review*” and the Combined Financial Statements, including the notes thereto.

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited)		(audited)		
	(SEK in millions)				
<b>COMBINED INCOME STATEMENT INFORMATION</b>					
<b>Operating income</b>					
Interest income . . . . .	307	274	1,196	1,053	1,011
Interest expenses . . . . .	(94)	(98)	(415)	(424)	(507)
Total net interest income . . . . .	213	176	781	629	504
Commission income . . . . .	5	3	15	15	15
Net profit/loss from financial transactions . . . . .	0	1	7	5	45
Other operating income . . . . .	0	0	0	4	15
Total operating income . . . . .	218	180	803	653	579
<b>Operating expenses</b>					
General administrative expenses . . . . .	(60)	(54)	(224)	(193)	(173)
Depreciation and amortization of tangible and intangible fixed assets . . . . .	(5)	(4)	(18)	(16)	(14)
Other operating expenses . . . . .	(34)	(30)	(122)	(78)	(80)
Total operating expenses . . . . .	(99)	(88)	(364)	(287)	(267)
Profit/loss before credit losses . . . . .	119	92	439	365	312
Net credit losses . . . . .	(45)	(32)	(114)	(114)	(127)
Operating profit/loss . . . . .	74	60	325	251	185
Tax on profit/loss for the period . . . . .	(16)	(14)	(71)	(49)	(49)
Profit/loss for the period/Comprehensive income . . . . .	58	46	254	203	136
Attributable to:					
The parent company’s shareholders . . . . .	58	40	254	152	102
Non-controlling interest . . . . .	0	6	0	51	34

	As at March 31, 2015	As at December 31,		
	(unaudited)	2014	2013	2012
		(audited)		
		(SEK in millions)		
<b>COMBINED BALANCE SHEET INFORMATION</b>				
<b>Assets</b>				
Lending to credit institutions . . . . .	2,330	2,212	1,608	2,546
Lending to the general public . . . . .	10,312	10,042	8,393	7,456
Bonds and other fixed-income securities . . . . .	1,580	1,585	550	1,991
Tangible assets . . . . .	12	7	6	9
Intangible assets . . . . .	314	316	330	342
Other assets . . . . .	8	18	6	7
Prepaid expenses and accrued income . . . . .	11	10	17	8
Total assets . . . . .	<u>14,567</u>	<u>14,190</u>	<u>10,910</u>	<u>12,359</u>
<b>Liabilities, provisions and equity</b>				
<b>Liabilities</b>				
Liabilities to credit institutions . . . . .	2,491	2,259	2,314	1,781
Deposits from the public . . . . .	6,524	6,479	4,753	7,165
Issued securities . . . . .	3,401	3,581	2,259	2,033
Current tax liability . . . . .	3	16	5	9
Deferred tax liability . . . . .	28	29	32	41
Other liabilities . . . . .	24	25	15	13
Accrued expenses and deferred income . . . . .	55	64	47	35
Subordinated liabilities . . . . .	445	199	198	197
Total liabilities . . . . .	<u>12,971</u>	<u>12,652</u>	<u>9,623</u>	<u>11,274</u>
<b>Equity</b>				
Share capital . . . . .	1	1	1	1
Retained earnings, including profit for the period . . . . .	1,595	1,537	964	811
Total equity excluding non-controlling interest . . . . .	1,596	1,538	965	812
Non-controlling interest . . . . .	-	-	322	273
Total equity . . . . .	<u>1,596</u>	<u>1,538</u>	<u>1,287</u>	<u>1,085</u>
Total liabilities, provisions and equity . . . . .	<u>14,567</u>	<u>14,190</u>	<u>10,910</u>	<u>12,359</u>

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited)		(audited)		
	(SEK in millions)				
<b>COMBINED CASH FLOW STATEMENT INFORMATION</b>					
<b>Operating activities</b>					
Operating profit . . . . .	74	60	325	251	185
Income tax paid . . . . .	(30)	(18)	(63)	(61)	(33)
Depreciation, amortization and impairment of tangible and intangible assets . . . . .	5	4	15	16	14
<b>Change in operating assets and liabilities</b>					
Decrease/increase in lending to the public . . . . .	(270)	(446)	(1,649)	(936)	(724)
Decrease/increase in other assets . . . . .	9	7	(5)	(8)	20
Decrease/increase in deposits from the public . . . . .	45	743	1,726	(2,412)	2,064
Decrease/increase in other liabilities . . . . .	(10)	6	25	15	(6)
Cash flow from operating activities . . . . .	(177)	356	374	(3,135)	1,520
<b>Investing activities</b>					
Purchase of equipment . . . . .	(8)	(1)	0	(2)	(8)
Investment in bonds and other fixed-income securities . . . . .	(500)	(1,058)	(3,797)	(2,696)	(4,696)
Maturity of bonds and other fixed-income securities . . . . .	505	0	2,762	4,137	3,852
Cash flow from investing activities . . . . .	(3)	(1,059)	(1,035)	1,439	(852)
<b>Financing activities</b>					
Decrease/increase in liabilities to credit institutions . . . . .	232	581	(55)	533	254
Decrease/increase in issued securities . . . . .	(180)	(111)	1,322	226	11
Decrease/increase in subordinated liabilities . . . . .	246	0	1	1	1
Change in non-controlling interests . . . . .	–	–	(3)	(2)	–
Cash flow from financing activities . . . . .	298	470	1,265	758	266
Cash flow for the period . . . . .	118	(233)	604	(938)	934
Cash and cash equivalents <sup>(1)</sup> at the beginning of period . . . . .	2,212	1,608	1,608	2,546	1,612
Cash and cash equivalents <sup>(1)</sup> at the end of period . . . . .	2,330	1,375	2,212	1,608	2,546

(1) Cash and cash equivalents is defined as treasury bills eligible for refinancing and lending to credit institutions.

	As at and for the three months ended March 31,		As at and for the year ended December 31,		
	2015	2014	2014	2013	2012
	(percent, unless otherwise indicated)				
<b>KEY PERFORMANCE INDICATORS (KPIs)</b>					
Adjusted operating profit <sup>(1)</sup> . . . . .	79	64	358	275	183
New loan volumes (SEK in millions) . . . . .	921	893	3,843	3,180	2,482
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
Net stable funding ratio (NSFR) . . . . .	130	143	146	134	166
Loan to deposit ratio . . . . .	158	161	155	177	104

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(annualized) <sup>(2)</sup>				
	(percent, unless otherwise indicated)				
Net interest margin . . . . .	8.4	8.2	8.5	7.9	7.1
Cost of risk . . . . .	1.8	1.5	1.2	1.4	1.8

	For the twelve months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(percent, unless otherwise indicated)				
Adjusted cost to income ratio . . . . .	28.8	31.3	29.4	31.0	32.2
Return on tangible equity . . . . .	25.7	24.3	25.6	26.1	20.7 <sup>(3)</sup>
Return on average net loans . . . . .	3.9	3.4	3.9	3.5	2.6

Note: For definitions of certain financial ratios and other financial terms, see “Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.”

- (1) Adjusted operating profit is a non-IFRS-EU financial measure. For a definition of adjusted operating profit, see “Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms” and for a reconciliation of adjusted operating profit to the nearest IFRS-EU financial measure, see “Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures.”
- (2) Annualized ratios are calculated by calculating the ratio for the period indicated and multiplying the result by four.
- (3) Calculated using the equity of Nordax Holding AB as at December 31, 2011.

## RISK FACTORS

*An investment in the Offer Shares involves a number of risks, many of which are inherent in Nordax's business and could be significant. Prospective investors should carefully consider the following risk factors, together with other information provided in this Offering Memorandum, before deciding whether to invest in the Offer Shares. The following description of risk factors is based on information known and assessed on the date of this Offering Memorandum and, therefore, is not necessarily exhaustive. Prospective investors should note that the order in which the risk factors are presented does not reflect the probability of their realization or order of importance. The occurrence of any of the following risk factors could have a material adverse effect on Nordax's business, financial condition and results of operations. Nordax also faces many of the risks inherent in the financial services industry and additional risks not currently known or not currently deemed material that could also have a material adverse effect on Nordax's business, financial condition and results of operations. In any of such cases, the market price of the Offer Shares could decline, and investors could lose all or part of their investment.*

*This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. Nordax's actual results could differ significantly from the results anticipated in the forward-looking statements as a result of certain factors, including, but not limited to, the risks described below.*

### **Risks Relating to Nordax's Business and Industry**

***Nordax offers only one type of loan product, personal loans, in a limited geographical area and, therefore, is more susceptible to risks relating to personal lending than its competitors with a more diversified product offering.***

Nordax derives its revenue almost entirely from unsecured personal loans offered to customers in its Core Markets (94.6 percent of Nordax's loan portfolio as at March 31, 2015) and Germany (3.2 percent of Nordax's loan portfolio as at March 31, 2015), as well as Denmark (2.2 percent of Nordax's loan portfolio as at March 31, 2015). Therefore, changes affecting Nordax's ability to offer personal loans in any of its Core Markets or Germany could require Nordax to reduce or restrict its primary operations and amend its current business model. Examples of such changes include, but are not limited to:

- changes in laws and regulations, for example, reducing the statute of limitations for debt collection, limiting the interest rates on personal loans or otherwise affecting the terms of personal loans or the activities of personal loan providers (for additional information, see “—Risks Relating to Regulation” below);
- decreases in demand for personal loans due to, among other factors, macroeconomic conditions;
- increases in default rates for personal loans due to, among other factors, macroeconomic conditions; and
- decreases in demand for Nordax's personal loans due to competition, damage to Nordax's reputation or other factors.

Furthermore, compared to competitors that have a more diversified product portfolio, Nordax may be more exposed to adverse changes in macroeconomic conditions or other factors affecting the personal loan market.

Nordax's business model is focused on efficient data management, statistical analysis, test and learn approach and quantitative decision making. As a result, Nordax's business model is best suited to countries where highly-relevant data is available for customer targeting and conducting credit assessments and with effective legal debt collection systems and a culture that promotes repayment. Therefore, Nordax's ability to expand its business beyond its Core Markets and Germany would be limited, should the environment in any of its current markets change to no longer support its business model.

If Nordax were to no longer be able to offer personal loans as it currently does, or at all, Nordax may be required to change its business model or may be required to restrict or cease its operations. Any of the above could, accordingly, have a material adverse effect on Nordax's business, financial condition or results of operations.

***The demand for Nordax's loan products is dependent on general macroeconomic conditions in Nordax's Core Markets and Germany.***

As personal loans are generally used for debt consolidation and general consumption, the demand for Nordax's loan products could be adversely affected by changes in consumer trends, levels of consumption,

demographic patterns, customer preference and financial conditions, all of which are affected by general macroeconomic conditions in the markets in which Nordax operates. For example, growth in GDP has generally resulted in increased demand for personal loans. A decrease in GDP or in GDP growth could, therefore, adversely affect demand for Nordax's loan products. In addition, deterioration in economic conditions in any of the markets in which Nordax operates, including, but not limited to business and consumer confidence, unemployment, household disposable income, household indebtedness, the state of the housing market, housing prices, foreign exchange markets, counterparty risk, inflation, the availability and cost of credit, the liquidity of financial markets or market interest rates could reduce the level of demand for Nordax's loan products. Due to the high levels of consumer indebtedness in the Nordic region driven primarily by large mortgages, Nordax may be particularly susceptible to fluctuations in the housing markets in its Core Markets.

High levels of unemployment in the markets in which Nordax operates would reduce the number of customers who qualify for Nordax's loan products, which, in turn, could adversely affect Nordax's ability to maintain or grow its loan portfolio. Similarly, reduced consumer confidence and spending or general deterioration of the macroeconomic environment in Nordax's Core Markets or Germany could decrease demand for Nordax's loan products. For example, Standard & Poor's downgraded Finland's credit rating from AAA to AA+ in October 2014, reflecting the deteriorating macroeconomic environment in Finland, including declining consumer confidence and increasing unemployment. Further slowdown or deterioration of macroeconomic conditions in Finland or any of the other countries in which Nordax operates could adversely affect demand for Nordax's products and, therefore, have a material adverse effect on Nordax's business, financial condition and results of operations.

Furthermore, changes in macroeconomic conditions could force Nordax to scale down or suspend new lending operations. In 2008 and 2009, Nordax suspended its lending operations in all of its markets (at the time, Sweden, Norway, Finland and Denmark) and focused on collections in response to the global economic downturn and tightening of available funding from financial institutions and the capital markets. Nordax resumed new lending operations in Norway and Sweden in 2010 and Finland in 2011 as macroeconomic conditions improved, but has not resumed new lending operations in Denmark due to the continued weakness of the Danish economy, declining house prices as well as Denmark's less effective legal debt collection system. If Nordax were to suspend lending operations for a prolonged period of time in the future in response to macroeconomic conditions or other factors, it would adversely affect Nordax's ability to maintain and grow its loan portfolio.

***The size and growth of Nordax's loan portfolio is dependent on the effectiveness of Nordax's marketing activities, which, in turn, depends on the amount and relevance of data for customer targeting and conducting credit assessments.***

Nordax's primary source of revenue is interest income from unsecured personal loans. In order to maintain and grow the size of its loan portfolio, Nordax must attract new applicants that meet its credit quality standards or increase sales to existing customers and it is dependent on the effectiveness of its marketing activities to do so. Nordax's new loan volumes were SEK 921 million, SEK 893 million, SEK 3,843 million, SEK 3,180 million and SEK 2,482 million for the three months ended March 31, 2015 and 2014 and the years ended December 31, 2014, 2013 and 2012, respectively.

Nordax relies on targeted marketing channels, including direct mail, unaddressed mail and marketing through cooperation partners, in order to target attractive segments by excluding from its marketing segments of individuals who are not likely to apply or be approved for a loan. To a lesser extent, Nordax markets its loan products through untargeted marketing channels, including credit intermediaries and mass communication. In addition to its marketing activities aimed at potential borrowers, Nordax has a repeat sales strategy for marketing loan products and services to existing customers.

The success of Nordax's targeted marketing depends on the amount and relevance of data on potential borrowers available to Nordax for customer targeting and conducting credit assessments. In Sweden and Norway, for example, Nordax has access to highly-relevant data for modeling, allowing it to perform a more thorough analysis than, for example, in Finland. In Norway and Germany, many individuals have opted out of receiving direct mail. Therefore, Nordax relies more on unaddressed mail in Norway and Germany, which is not as targeted as direct mail and is associated with lower response rates and lower average credit quality of applicants. Based on Nordax's experience, response rates to targeted and untargeted marketing campaigns typically decline significantly over time. In order to maintain response rates, Nordax must constantly refresh its mailing lists as its potential customer base changes (for example,

due to changes in age or income levels). If the amount or relevance of data on potential borrowers available to Nordax decreases or Nordax's ability to market its products using direct mail is otherwise restricted, for example, due to changes in data protection laws or regulations, or due to individuals opting out of direct mail, Nordax could be required to focus on other, less effective or more costly marketing channels and its new loan volumes could decline. As the cost and effectiveness of marketing channels differs, any significant changes in Nordax's marketing channel mix could also adversely affect Nordax's results of operations.

Furthermore, Nordax's untargeted marketing channels (*i.e.*, credit intermediaries and mass communication) generally experience lower loan approval rates than targeted marketing as the untargeted nature results in a greater number of unqualified applicants. Nordax has attempted to increase its approval rates for its untargeted marketing channels by, for example implementing minimum requirements for the applicants referred by credit intermediaries in order to increase the credit quality of the applicants. However, any such measures that Nordax takes may not result in improved approval rates.

If Nordax is unable to effectively market its loan products, it would have a material adverse effect on its ability to maintain and grow its loan portfolio and, accordingly, on its business, financial condition and results of operations.

***Nordax may not be successful in implementing its growth strategy, which could adversely affect its business, financial condition and results of operations.***

In order to continue to grow its loan portfolio, Nordax must take various initiatives, including entering new markets, expanding its marketing activities to new marketing channels, engaging new credit intermediaries and cooperation partners, and introducing new products and product features. For example, Nordax may consider offering new products such as revolving credit (credit cards), overdrafts, larger loans, secured loans and new savings products. All of these activities may require significant time and involve significant costs. Nordax may not be successful in executing its growth strategy due to lack of market acceptance, higher than forecasted development costs or a variety of other factors, many of which are outside of its control, and Nordax may not receive a return on its investments.

Expansion into Germany is a key part of Nordax's growth strategy. Nordax began lending operations in Germany in May 2012 (loan portfolio of SEK 335 million, or 3.2 percent of its total loan portfolio, as at March 31, 2015, as compared to SEK 294 million, or 2.9 percent of its total loan portfolio as at December 31, 2014). As is necessary when entering new markets, Nordax has incurred significant market evaluation, marketing and other costs related to establishing its lending operations in Germany, while it has received limited interest income due to the limited size of the loan portfolio. If Nordax is unable to grow its loan portfolio in Germany and thereby increase its interest income, Nordax may not receive any return on its investment.

Furthermore, Nordax's ability to accurately assess the creditworthiness of loan applicants is dependent on the availability of historical credit performance data for modeling and tailoring the scorecards used in its underwriting process. Credit performance can vary by market, marketing channel, product and product feature. Therefore, the introduction of new markets, marketing channels, products and product features may entail a higher risk of credit losses until sufficient credit performance data is available to tailor the scorecards. See "*—Nordax may not be able to accurately assess the credit risk of loan applicants, which could lead to increased credit losses*" below.

If Nordax is unable to maintain the growth of its loan portfolio at historical rates; if Nordax's investments in developing new marketing channels, new markets, new products or new product features are not profitable; or if the credit quality of Nordax's loan portfolio decreases and Nordax experiences higher credit losses due to the introduction of new markets, marketing channels, products or product features, it could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Competition in the financial services industry is intense and increasing competition could adversely affect the demand for and profitability of Nordax's loan products.***

The markets in which Nordax operates are characterized by a high degree of competition and fragmentation, and the strong growth in demand for personal loans in these markets has led to increased competition among lenders. Nordax's competitors can be broadly categorized into two groups: full-service banks and niche personal loan providers. Competition in Nordax's markets is primarily based on the

amount of the monthly payment; the other terms of the loan offered, including interest rate, size, term and other features; and the quality of service in terms of speed, simplicity and availability.

Nordax faces the risk that full-service banks operating in its markets, which offer a broad range of products and services through widespread retail office networks and online, may increase their focus on personal loans. Nordax's main full-service bank competitors include Nordea, SEB, Swedbank and Handelsbanken in Sweden; DNB, Nordea and SEB in Norway; Nordea, OP (Pohjola) and Danske Bank in Finland; and Deutsche Bank, Postbank and Commerzbank in Germany. The full-service banks operating in Nordax's markets typically enjoy well-established market positions, extensive branch networks and high customer awareness. Almost all of Nordax's customers have a relationship with at least one of the full-service banks through wage accounts or other banking products. Therefore, the full-service banks operating in Nordax's markets could have significant competitive advantages over niche personal loan providers, such as Nordax. Furthermore, larger financial institutions may have significantly more available funds to lend or a lower cost of funding than Nordax, which could enable them to, among other things, offer loans with lower interest rates or longer terms than Nordax offers.

Niche personal loan providers are typically focused players with a narrow offering in comparison to full-service banks. Nordax considers niche personal loan providers to be its main competitors as they target similar groups and provide similar sized loans and interest rates as Nordax. Nordax's main niche personal loan provider competitors include Ikano Bank, Santander Consumer Bank, ICA Banken, SevenDay, Bank Norwegian, Nordnet, Skandia, Marginalen Bank, Wasa Kredit and Resurs Bank in Sweden; Gjensidige, Santander Consumer Bank, Bank Norwegian, Ya Bank and Komplet Bank in Norway; Santander Consumer Bank, S-Pankki, Svea Direkt and Bigbank in Finland; and Santander Consumer Bank, Credit EuropeBank, Targo Bank and ING DiBa in Germany. New niche personal loan providers may enter the market due to the recent trend of strong demand for personal loans in Nordax's markets. This increased competition could result in decreased demand for Nordax's loan products, which may require Nordax to reduce the interest rates that it charges on such loans in order to compete.

Increased competition among credit intermediaries could also adversely affect Nordax. For example, increased advertising by credit intermediaries could lead more potential borrowers to use credit intermediaries when seeking out a personal loan. This, in turn, would decrease the effectiveness of Nordax's marketing strategy, which primarily relies on targeted marketing channels. Increased mass communication advertising by credit intermediaries could also reduce the effectiveness of Nordax's mass communication advertising. In addition, increased reliance on credit intermediaries by potential borrowers could increase competition among lenders as credit intermediaries benchmark loan products against each other. In addition, if the credit intermediaries with which Nordax cooperates are unable to successfully compete with other credit intermediaries, it would have an adverse effect on the number of potential borrowers referred to Nordax by credit intermediaries.

As a niche personal loan provider that only provides personal loans, Nordax is dependent on its personal loan products unlike its competitors that have a more diversified product offering. If Nordax is unable to successfully compete with other lenders, demand for Nordax's loan products could decrease, or Nordax could be required to reduce the interest rates that it charges on its loan products in order to maintain demand. This, in turn, could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax is exposed to risks due to its relationships with credit intermediaries and other cooperation partners, and the deterioration of such relationships could adversely affect Nordax's ability to maintain and grow its loan portfolio.***

Credit intermediaries are a significant marketing channel for Nordax in its Core Markets. Nordax has relationships with a network of credit intermediaries, which accounted for SEK 143 million, or 15.5 percent, of Nordax's new loan volumes for the three months ended March 31, 2015 and SEK 491 million, or 12.8 percent, of Nordax's new loan volumes for the year ended December 31, 2014. In addition, Nordax has one cooperation partner, Klarna AB ("**Klarna**"), a leading Swedish payment solutions provider, which accounted for SEK 243 million, or 6.3 percent, of Nordax's new loan volumes for the year ended December 31, 2014. Klarna sends Nordax's direct mail advertising to selected customers that meet certain criteria provided by Nordax.

Nordax is exposed to various risks inherent in dealing with credit intermediaries and cooperation partners. There is a risk that Nordax's methods and procedures for overseeing how its credit intermediaries' and other cooperation partners' interact with prospective customers are inadequate. Consequently, Nordax faces certain risks related to the conduct of the credit intermediaries and cooperation partners with which

it does business. If Nordax's credit intermediaries or cooperation partners are found to have violated applicable conduct regulations or standards in the intermediation of Nordax's loan products, Nordax's reputation could be harmed.

Nordax's credit intermediary partners are typically price comparison websites that enable potential borrowers to benchmark all loan providers affiliated with the credit intermediary against each other and then refer the loan applicant to the loan provider. The incentives of credit intermediaries may not always align with those of Nordax, which could adversely affect the volume and quality of loan applicants that credit intermediaries refer to Nordax. For example, credit intermediaries could promote the loan products of Nordax's competitors to the detriment of Nordax's loan products. Furthermore, a key value proposition of Nordax's loan products is a low monthly payment. If credit intermediaries were to focus on other features, such as interest rates, when benchmarking loans for potential borrowers, it could adversely affect the volume and quality of applicants that credit intermediaries refer to Nordax.

Nordax's agreements with its credit intermediaries and cooperation partners do not require such intermediaries and partners to refer loan applicants to Nordax, and such agreements can be terminated on short notice. Further, Nordax's credit intermediaries in Sweden must comply with applicable SFSA regulations, including obtaining and maintaining an authorization to mediate consumer credits. If one or more of Nordax's credit intermediaries or cooperation partners were to reduce or suspend its relationship with Nordax, or if Nordax were obligated to suspend its relationship with one or more credit intermediaries in Sweden as a result of such credit intermediaries not being granted, or unable to maintain, authorization by the SFSA to mediate consumer credits, it could adversely affect Nordax's ability to maintain or grow its loan portfolio. There could also be consolidation in the credit intermediary or cooperation partner market, which could change the behavior of the remaining credit intermediaries or cooperation partners in ways that could adversely affect the volume and quality of applicants referred to Nordax. In addition, Nordax's ability to cooperate with credit intermediaries may be adversely affected by changes in the regulatory framework relating to credit intermediation, including the Swedish Certain Consumer Credit-related Operations Act (Sw. lag (2014:275) om viss verksamhet med konsumentkrediter) (the "**Certain Consumer Credit-related Operations Act**"), which sets forth the requirements for being authorized by the SFSA to operate as a credit intermediary in Sweden.

Nordax pays credit intermediaries and cooperation partners a monthly commission based on the amount of loans paid to customers they refer. If a customer referred by a credit intermediary or cooperation partner prepays their loan, Nordax could incur a loss if the interest income received from the loan is less than the fee paid to the credit intermediary or cooperation partner. In addition, Nordax has experienced higher credit losses on loans to customers referred by credit intermediaries.

Any of the factors above could have a material adverse effect on Nordax's business, financial condition and results of operations.

*Nordax may not be able to accurately assess the credit risk of loan applicants, which could lead to increased credit losses.*

Nordax is exposed to risks relating to its customers not making interest, fee, or principal payments due in a timely manner, in part or in whole. As Nordax's loan products are unsecured, Nordax does not have collateral to enforce if its customers do not repay their loans. If Nordax is unable to accurately assess the creditworthiness of loan applicants, it could experience increased credit losses. As at December 31, 2014, Nordax's past due loans amounted to SEK 1,947 million, and Nordax had net credit losses of SEK 114 million for the year ended December 31, 2014.

Nordax's underwriting involves country-specific models for calculating the probability that a borrower will be able to make timely principal and interest payments ("credit scoring"). Nordax's credit scoring models are based partly on the analysis of historical credit performance data across all of its operations; however, the credit scoring models must be tailored to the specific target group and market. Despite Nordax's ongoing monitoring and adjusting of its credit policies and scoring models, they may prove insufficient to protect against credit losses due to, among other reasons, an internal failure of Nordax's risk management procedures or a significant difference in the characteristics of new loan applicants as compared to the characteristics of customers on which Nordax's credit scoring models are based.

When entering new market segments or products, Nordax's risk of credit losses is generally higher than for its established products as it lacks sufficient credit performance data to tailor its credit scoring model. Accordingly, Nordax could experience higher credit losses until it obtains sufficient credit performance

data and underwriting process. For example, Nordax used a generic credit scoring model purchased from a third party in its credit approval process in Germany until May 2015, and Nordax has experienced, and could continue to experience, higher credit losses in relation to loans approved based on this credit scoring model due to its untailored nature. Furthermore, Nordax's proprietary credit scoring model for Germany may also result in higher credit losses due to, among other reasons, the limited amount of credit performance data available to Nordax. Nordax's credit losses in Germany will also depend on other factors, such as the effectiveness of the legal debt collection system in Germany.

The amount of credit and income information available to Nordax from credit bureaus and other third-party sources varies from country to country. In most of the countries in which it operates, Nordax must rely on information, including financial information, and documentation furnished by the loan applicant when making a credit assessment. In Sweden, both positive and negative income and credit information is available. In Norway, income information and negative (but no positive) credit information is available (with positive income information available only from UC AB, a Swedish business and credit reference agency ("UC")). In Finland, only negative credit information (but no positive credit information or income information) is available. In Germany, positive and negative credit information (but no income information) is available. In addition, the availability of other types of relevant information, such as information on marital status and home ownership, varies between the countries. Where complete credit and income information is not available from credit bureaus, verification documents, such as tax returns and salary statements must be submitted by the loan applicant, which results in a more manual underwriting process. If any of this information and/or documentation is inaccurate (whether intentionally or otherwise) and such inaccuracy is not detected prior to Nordax advancing funds, the value of the loan could be significantly lower than expected. Such inaccuracies may be difficult to detect and avoid, and Nordax's controls and processes may not be effective. In addition, if the amount or quality of information available to Nordax were to decrease due to changes in laws or regulations or any other reason, it could adversely affect Nordax's ability to assess the creditworthiness of its applicants and lead to increased credit losses.

If Nordax's credit policies and scoring models prove ineffective at predicting future losses or are otherwise inadequate, or if any information or documentation that applicants provide to Nordax is inaccurate for any reason, Nordax could incur significant credit losses, which could have a material adverse effect on Nordax's business, financial condition and results of operations.

***The credit quality of Nordax's customers could decline, which could lead to increased credit losses.***

Nordax's credit policies and credit scoring models may not be sufficient to prevent Nordax from incurring higher credit losses due to external changes beyond its control, including declines in general macroeconomic conditions. Even though an applicant is deemed to be creditworthy at the time of application, the applicant's creditworthiness may deteriorate due to changes in his or her personal circumstances or other factors. For example, during periods of economic slowdown or recession, Nordax could experience increases in defaults and a higher frequency and severity of credit losses on its existing loan portfolio as its borrowers' ability to repay could be adversely affected. Future downturns in macroeconomic conditions or other changes that adversely affect the creditworthiness of Nordax's customers could lead to increased credit losses for Nordax and therefore, have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax's actual credit losses could exceed its provisions for credit losses and write-downs.***

Nordax uses various estimates when determining its provision for credit losses and write-downs. For loans between one and 180 days past due, Nordax records a provision based on a dynamic country-specific model based on its historical experience. The model is based on the probability that a past due loan will become more than 180 days past due based on the performance of Nordax's past due loans during the previous six months. The expected credit loss if the loan were to become more than 180 days past due is also considered. When a loan falls more than 180 days past due, Nordax writes down the carrying amount of the loan to the recoverable amount, which is defined as the estimated future cash flow discounted by the effective interest rate of the loan at the time of impairment. Every quarter, Nordax calculates the recoverable amount percentages based on its historical credit performance data as well as its management's best estimates of future recovery rates where historical credit performance data is not available. Recoveries are expected to be generated up to 13 years from the date of write-down (*i.e.*, when more than 180 days past due). Nordax's estimates used to calculate provisions and write-downs are based on analysis and modeling of Nordax's historical credit performance data; however, Nordax's analysis and

model may not accurately predict the actual recoverable amount of Nordax's past due loans. The recoverable amount is affected by various factors, including macroeconomic conditions and the vintage of the loan portfolio. For example, as the portfolio matures, the recoverable amount decreases. If Nordax does not accurately estimate the recoverable value of its written-down loans, its credit losses could increase.

Nordax's loan portfolio has grown to SEK 10,312 million as at March 31, 2015 from SEK 7,456 million as at December 31, 2012 due to loans originated by Nordax during the period. It is difficult to assess the future performance of these recently originated loans because Nordax's relatively limited experience with this group of loans does not provide it with sufficient credit performance data from which to estimate future performance. The credit performance of Nordax's newly originated loans may not be similar to the credit performance of Nordax's historical loan portfolio and, therefore, the estimates on which Nordax's provisions and write-downs are based may not reflect Nordax's actual credit losses. Accordingly, if Nordax's newly originated loans experience higher delinquency or write-down levels than its historical loan portfolio, Nordax's provisions and write-downs may not be sufficient.

As at March 31, 2015, Nordax's provision for credit losses was SEK 1,087 million. Since the provision necessary to cover credit losses can only be estimated, there is a risk that actual credit losses will be materially greater than the provision accounted for to cover such losses. For example, changes in economic conditions affecting borrowers and other factors, both within and outside of Nordax's control, could require Nordax to increase its provisions for credit losses. See also "*—Risks Relating to Regulation—Changes in accounting rules could adversely affect Nordax*" below.

If Nordax's provision for credit losses is not sufficient for any reason, it could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax may not be able to obtain sufficient funding, which could adversely affect its ability to maintain or grow its loan portfolio as well as its cost of funding.***

Nordax is subject to liquidity risk. Liquidity risk is the risk that Nordax will not be able to meet its payment obligations at maturity without significant cost increases. Nordax's funding policy is to maintain a diverse funding base for its lending operations. As at March 31, 2015, Nordax's funding (based on carrying value) consisted of (i) SEK 2,919 million of ABSs, (ii) SEK 2,491 million of warehouse funding facilities from two international banks, (iii) SEK 6,524 million of retail deposits, (iv) SEK 482 million of senior unsecured bonds and (v) SEK 2,041 million of equity and subordinated debt. If access to funding were constrained for a prolonged period of time, competition for retail deposits and the cost of accessing the capital markets could similarly increase. This would increase Nordax's cost of funding and, therefore, have a material adverse effect on Nordax's access to funding and net interest margin.

Funding risks can be exacerbated by enterprise-specific factors, such as over-reliance on a particular source of funding or changes in credit ratings, or by market-wide phenomena, such as market dislocation or a major disaster. There is also a risk that the funding structure employed by Nordax may prove to be inefficient if its funding levels significantly exceed its funding needs, giving rise to increased funding costs that may not be sustainable in the long term. Nordax's ability to access funding sources on satisfactory economic terms is subject to a variety of factors, including a number of factors that are outside of its control.

Retail deposits are a significant source of funding for Nordax. The ongoing availability of retail deposits is dependent on a variety of factors that are outside of Nordax's control, such as general macroeconomic conditions, particularly interest rate levels; market volatility; the confidence of depositors in the economy, the financial services industry in general and Nordax in particular; the availability and extent of national deposit insurance schemes (see "*—Risks Relating to Regulation—Changes to the Swedish Deposit Insurance Scheme, or a decision that Nordax's retail deposits will no longer be covered by the Swedish Deposit Insurance Scheme, could have an adverse effect on Nordax's business, financial position and result of operations*" below); and competition for retail deposits, which, in turn, depends on the interest rates offered. Any deterioration in these or other factors could lead to a reduction in Nordax's ability to access retail deposit funding on acceptable terms, or at all, in the future. A serious loss of confidence by deposit customers could result in significant withdrawals of deposits over a sustained period. Should Nordax experience an unusually high and/or unforeseen level of withdrawals, it could require increased funding from other sources in the future, which may not be available on acceptable terms or at all. See also "*—Nordax could be adversely affected by counterparty risk, including due to actual or perceived deterioration of financial services institutions or the financial services industry, or other factors*" below.

Nordax sources part of its funding in the wholesale markets through issuing bonds on the ABS markets as well as through warehouse funding facilities with two international banks secured primarily by certain personal loan portfolios. The availability of ABS and warehouse funding depends on a variety of factors, including the credit quality of Nordax's assets securing the ABSs or warehouse funding facilities, market conditions, the general availability of credit, Nordax's ability to raise funding through other sources, the volume of trading activities, the overall availability of credit to the financial services industry, and rating agencies' assessment of Nordax's ABSs. These and other factors may limit Nordax's ability to obtain funding through ABSs and warehouse funding facilities, which could, in turn, adversely affect Nordax's ability to maintain or grow its loan portfolio as well as its net interest margin. For additional information on the risks related to Nordax's ABS funding, see "*A deterioration in the quality of Nordax's loan portfolio that secures its ABSs, along with other factors, could negatively impact Nordax's liquidity and access to funding*" below.

Even though most tranches of Nordax's ABSs are rated, Nordax does not currently hold a credit rating, which, particularly in a period where liquidity may be scarce, could exacerbate its difficulty in obtaining funding from the wholesale or capital markets. During such a period, whether caused by macroeconomic conditions or otherwise, lending activity in the wholesale markets could contract, especially to borrowers perceived as comparatively higher risk. Under such circumstances, Nordax's lack of a credit rating could be seen by some counterparties as evidencing an uncertainty regarding Nordax's creditworthiness, thereby potentially limiting the number of parties willing to lend to it, or otherwise be exposed to its credit, particularly on an unsecured basis.

Failure to manage these or any other risks relating to the cost and availability of funding could adversely affect Nordax's ability to maintain or grow its loan portfolio and have a material adverse effect on Nordax's business, financial condition and results of operations.

***A deterioration in the quality of Nordax's loan portfolio that secures its ABSs, along with other factors, could negatively impact Nordax's liquidity and access to funding.***

Nordax regularly sells its personal loans to warehousing special purpose vehicles ("SPVs") within Nordax, which finance the loans on the basis of warehouse funding facilities provided by two international banks secured primarily by certain personal loan portfolios and a pledge over the shares in the SPV. After build-up period intended to obtain sufficient size and credit performance data on the loan portfolios, the warehousing SPVs sell certain of the loans to other SPVs in Nordax, which, in turn, issue bonds on the ABS market.

In order to promote the quality of the securitized loan portfolio, the financing structure sets forth certain eligibility criteria that a loan must meet in order to qualify as collateral, and Nordax may not be able to change such criteria without incurring unacceptable costs. As Nordax continues to develop and offer new loan products, it faces the risk that the features of such new products may not meet the criteria of its existing ABSs and, therefore, will not qualify as collateral as part of the original portfolio or during the revolving period. Furthermore, Nordax could be required to repurchase loans if such loans did not meet the specified criteria at the time of securitization. Nordax's ability to securitize its loans in the future will also depend in part upon the conditions in the securities markets in general and the personal loan ABS market in particular, conformity of its loans and its securitization program to rating agency requirements, the costs of securitizing its loans and the legal, regulatory, accounting and tax requirements governing securitization transactions.

The terms of Nordax's ABSs set forth certain trigger events related to the performance of the securitized loan portfolio. The occurrence of any of these trigger events would cause the revolving period of the ABS to end and the amortization period to begin, which would decrease the amount of funding available to Nordax. There are also trigger events relating to the appointment of, for example, an account bank with sufficient rating, the servicer, the cash manager and other third parties. The occurrence of such trigger events would not cause the revolving period to end or the amortization period to begin, but would trigger an obligation of either the party currently holding such role or the issuer to appoint a new party to take on the role of the party causing the trigger event to occur. Moreover, the terms and conditions of the ABSs also contain customary events of defaults (subject in some cases to grace periods and other qualifications) the occurrence of which may allow the noteholders to declare the outstanding amounts on all notes immediately due and payable and to enforce the transaction security. The occurrence of an event of default or certain trigger events would decrease the amount of funding available to Nordax and, therefore, adversely affect its ability to maintain and grow its loan portfolio. The securitized loan portfolio, other assets of the SPV and the shares in the SPV all are pledged as security for the fulfillment of the SPV's obligations under the ABS.

Most tranches of Nordax's ABSs are rated. Credit ratings are not recommendations to purchase, hold or sell any security, including Nordax's ABSs, and may be revised or withdrawn at any time by the organization issuing the rating. Any future lowering or withdrawal of ratings for Nordax's ABSs could make it more difficult and more expensive for Nordax to obtain financing through the ABS markets. Other rating agencies may seek to rate the ABSs without having been requested to do so by Nordax, and if such unsolicited ratings are lower than the comparable rating or ratings assigned to the ABSs issued by Nordax, such unsolicited ratings could have an adverse effect on the value of Nordax's ABSs. Rating agencies may also affect Nordax's ability to execute ABS issuances, or increase the costs Nordax expects to incur from executing ABS issuances, not only by deciding not to issue ratings for Nordax's ABS issuances, but also by altering the criteria and process they follow in issuing ratings. Rating agencies could alter their ratings processes or criteria after Nordax has accumulated loans for securitization in a manner that effectively reduces the value of those loans by increasing Nordax's financing costs or otherwise requiring that Nordax incurs additional costs to comply with those processes and criteria. Nordax has no ability to control or predict what actions the rating agencies may take.

Deterioration in the quality of Nordax's loan portfolio that secures its ABSs or changes in product features that prevent loans from being securitized could adversely affect Nordax's ability to maintain or grow its loan portfolio as well as its cost of funding and, consequently, could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax could be adversely affected by counterparty risk, including due to actual or perceived deterioration of financial services institutions or the financial services industry, or other factors.***

Nordax has entered into, and may in the future enter into, transactions with various counterparties in the financial services industry. Such transactions include placing cash deposits with Nordic banks, investing in securities and entering into derivative financial transactions with banks. The amounts of the retail deposits that Nordax places with banks are not covered by any national deposit insurance scheme, which exposes Nordax to the risk that one or more of such institutions would not be able to meet its obligations under these deposits, for example in the event of a bank run or banking crisis. Nordax also invests surplus liquidity in bonds and money market instruments (in accordance with the limitations set forth in its Financial Risk Policy), resulting in counterparty risk on the issuers of such bonds and instruments. For example, Nordax is subject to the risk that changes in credit spreads (*i.e.*, the premium required by the market for a given credit quality), for example due to changes in the credit outlook of a specific issuer, will affect the value of these bonds or instruments.

Given the high level of interdependence between financial institutions, Nordax is subject to the risk of deterioration, or perceived deterioration, of the commercial and financial soundness of other financial services institutions. Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems and losses or defaults by other institutions because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty could lead to market-wide liquidity problems, increased cost of funding and losses or defaults by Nordax or by other institutions. This risk is sometimes referred to as "systemic risk" and it could adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom Nordax interacts.

Any of the above could have a material adverse effect on Nordax's business, financial condition and results of operations.

***The internal governing documents, procedures, processes and evaluation methods used by Nordax to assess and manage risk may be insufficient to cover unidentified, unanticipated, or incorrectly quantified risks and fraud.***

The internal governing documents, procedures, processes and evaluation methods used by Nordax to assess and manage risk may not be fully effective in managing all types of risks, including risks that Nordax fails to identify or anticipate. Such risks could include misconduct caused by remuneration policies that encourage risk taking or a lack of adequate internal governance or control with regards to loan products or retail deposit products. Furthermore, Nordax faces the risk that its operations may not be in compliance with internal governing documents or that it may not correctly quantify identified risks. If Nordax is unable to successfully implement and adhere to effective internal governing documents, procedures, processes and

evaluation methods to assess and manage risk, it could have a material adverse effect on Nordax's business, financial condition and results of operations.

Effective internal governance and control is necessary for Nordax to provide reliable financial reports and to ensure compliance with internal and external rules as well as to prevent fraud. Nordax may be exposed to increased risk of errors in reporting due to the complex reporting requirements of its ABS funding, which covers several loan portfolios, countries and currencies. While Nordax has implemented policies and controls regarding its financial reporting, such policies and controls may be inadequate. In addition, Nordax's controls at the operational level may be inadequate, leading to non-compliance with Nordax's internal governing documents and as a result, may cause Nordax to incur compliance costs and cause reputational damage. Inadequate internal governance and control could also cause investors and other third parties to lose confidence in Nordax's reported financial information. If Nordax does not implement reliable financial reports or maintain an effective internal governance and control framework, it could have a material adverse effect on Nordax's reputation, business, financial condition and results of operations.

***Nordax is exposed to reputational risks related to its operations, third parties and the financial services industry as a whole.***

Nordax's reputation is critical to maintaining and developing relationships with its existing and potential customers, owners, employees, authorities and other third parties with whom it does business. Nordax's employees or service and business process outsourcing partners could engage in misconduct that adversely affects Nordax's business. Even allegations of misconduct by Nordax's employees, or actual or alleged misconduct by other financial services companies, could adversely affect Nordax's reputation. Employee or third-party misconduct could prompt regulators to allege or to determine based upon such misconduct that Nordax has not established adequate supervisory systems and procedures to inform employees of applicable rules or to detect and deter violations of such rules, including monetary fines and other sanctions. The precautions that Nordax takes to detect and prevent misconduct may be inadequate.

Furthermore, threatened or actual legal proceedings, regulatory sanctions, actual or alleged misconduct, operational failures, negative publicity and press speculation, whether or not valid, could harm Nordax's reputation and create disproportionate negative media coverage of it or some or all of its employees, directors or independent agents. In addition, its reputation could be adversely affected by the conduct of third parties over whom it has no control, including customers and credit intermediaries. Negative publicity could also result from failure in Nordax's or third-party partners' information technology ("IT") systems; loss or theft of customer data or confidential information; failure in its risk management or internal control procedures; legal proceedings; failure or alleged failure in Nordax's obligations; or fraud or misconduct committed by customers or one or more of its employees, directors or independent agents.

Damage to Nordax's reputation could impair its ability to attract new customers, retain existing customers, maintain relationships with third parties and obtain funding and, therefore, could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax's reliance on certain service and business process outsourcing and other partners could have a material adverse effect on its business, financial condition and results of operations.***

Nordax's business relies on certain service and business process outsourcing and other partners. For example, Nordea Bank AB (publ) acts as Nordax's clearing bank and payment services provider. Nordax has outsourced activities, such as mailing, printing, scanning and forwarding applications as well as certain IT related services. Nordax has also outsourced its internal audit function. While alternative business outsourcing and other partners are available, it could be difficult for Nordax to replace these relationships on commercially reasonable terms, or at all, and seeking alternate relationships could be time consuming and result in interruptions to Nordax's business. Nordax's use of business outsourcing partners also exposes Nordax to reputational risks as discussed under "*—Nordax is exposed to reputational risks related to its operations, third parties and the financial services industry as a whole*" above.

Nordax also relies on third-party debt collectors in each of the countries in which it operates. Any failure by Nordax's third-party debt collectors to adequately perform collection services on Nordax's behalf could materially reduce Nordax's cash flow, income and profitability and affect Nordax's reputation in the countries in which it operates. The failure of Nordax's third-party debt collectors to perform their services to Nordax's standards and any deterioration in or loss of any key relationships could have a material adverse effect on Nordax's business, financial condition and results of operations.

Furthermore, Nordax's business outsourcing partners and other third parties could commit fraud with respect to the services that Nordax outsources to them, fail to comply with applicable laws and regulations, such as data protection requirements, or fail to otherwise provide their agreed services to Nordax. To the extent these third parties violate laws, other regulatory requirements or their contractual obligations to Nordax, or otherwise act inappropriately in the conduct of their business, Nordax's business and reputation could be negatively affected or penalties could be directly imposed on Nordax. Furthermore, there is a risk that Nordax's methods and procedures for overseeing how outsourcing partners and other third parties operate their businesses may be inadequate, and Nordax may not become aware of the occurrence of any violations for a substantial period of time, which could exacerbate the effect of such violations.

Any of the above could have a material adverse effect on Nordax's business, financial condition and results of operations.

***If Nordax is unable to process a large number of transactions efficiently and accurately, it could have a material adverse effect on its business, financial condition and results of operations.***

Nordax's business involves processing a large number of transactions, including loan and deposit account applications, as well as tracking and analyzing the performance history of its loans. Therefore, Nordax's ability to monitor and develop its credit scoring models, monitor and manage collections, maintain financial and operating controls, monitor and manage its risk exposure, keep accurate records, provide high-quality customer service and develop and sell profitable products in the future depends on the success of its business continuity planning, the uninterrupted and efficient operation of its IT and communications systems, and the successful development and implementation of new systems.

Interruptions in Nordax's IT or communications systems or inaccuracies in Nordax's data and/or customer information could result from inadequate or failed internal control processes and protection systems; human error or fraud committed by its employees, service and business process outsourcing providers, suppliers or other parties; or external events that interrupt normal business operations. This could result in a loss of data and an inability to provide high-quality customer service. Business continuity plans adopted by Nordax to guard against service disruptions, such plans may not prove effective in preventing service disruptions. Technology failure or underperformance could also increase Nordax's litigation and regulatory exposure or require it to incur higher administrative costs, including remediation costs. Further, an irrevocable loss of any customer database would be expensive and time-consuming to attempt to retrieve or recreate.

Nordax's operating platform is centralized at a single site in Stockholm, Sweden. Although Nordax has a disaster recovery plan in place, the occurrence of any events that prohibit Nordax from accessing its offices or its IT systems, including but not limited to fire, explosion, flooding, release of substances harmful to the environment or health, strikes, transportation disruptions or other acts of God, could require Nordax to restrict or suspend its operations.

Any of the above could have a material adverse effect on Nordax's business, financial condition and results of operations.

***If Nordax is unable to attract, retain and motivate qualified board members, key members of management and employees, it could have a material adverse effect on its business, financial condition and results of operations.***

Nordax is dependent on its ability to attract, motivate and retain qualified board members, management and employees. Nordax relies on certain members of its management in order to sustain, develop and grow its business, and there is a risk that these persons will not remain with Nordax. Furthermore, a number of Nordax's functions are staffed by employees, who have significant experience and could be difficult and costly to replace. The loss of key members of management or of a substantial number of key employees or the inability to attract, retain and motivate the caliber of employees required for the continuation of, and the expansion of, Nordax's business, could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Security breaches in Nordax's information systems or in the information systems of third parties could have a material adverse effect on Nordax's reputation and could subject it to significant costs and regulatory penalties.***

Nordax's operations rely heavily on the secure processing, storage and transmission of customer information and other confidential information in its computer systems and networks. Nordax's computer

systems, software and networks could be vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious code that could result in disruption to its business or the loss or theft of confidential information, including customer information subject to bank secrecy laws. Any failure, interruption or breach in Nordax's cyber security, including any failure of its back-up systems or failure to maintain adequate security surrounding customer information, could result in reputational harm, disruption in the management of Nordax's customer relationships or the inability to originate, process and service loans. Further, any of these cyber security and operational risks could result in a loss of customer business, subject Nordax to additional regulatory scrutiny or expose it to lawsuits by customers for identity theft or other damages resulting from the misuse of their personal information and possible financial liability, any of which could have a material adverse effect on Nordax's business, financial condition and results of operations. Regulators may also impose penalties or require remedial action if they identify weaknesses in Nordax's security systems, and Nordax could be required to incur significant costs to increase its cyber security to address any vulnerabilities that may be discovered or to remediate the harm caused by any security breaches.

As part of its business, and pursuant to applicable law, Nordax may share confidential customer information and proprietary information with customers, vendors, service providers and business partners. The information systems of these third parties may be vulnerable to security breaches, and there is a risk that Nordax's methods and procedures for overseeing how outsourcing partners and other third parties operate their businesses may be inadequate or that Nordax may not be able to ensure that these third parties have appropriate security controls in place to protect the information that Nordax shares with them. Furthermore, such third parties may misuse data provided by Nordax. If Nordax's proprietary or confidential customer information is intercepted, stolen, misused or mishandled while in possession of a third party, it could result in reputational harm to Nordax, loss of customer business and additional regulatory scrutiny, and it could expose Nordax to civil litigation and possible financial liability, any of which could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax could incur losses not covered by insurance.***

Nordax's insurance coverage is designed to protect it from material losses associated with, for example, data processing system failures and errors and customer or employee fraud, including losses resulting from any associated business interruption. Nordax considers its insurance coverage to conform to market practice. However, the actual losses suffered by Nordax could exceed Nordax's insurance coverage and could be material. The realization of one or more damaging events for which Nordax has no or insufficient insurance coverage could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits.***

Nordax is subject to interest rate fluctuations. Changes in interest rate levels, yield curves and spreads could affect Nordax's lending and deposit spreads. Nordax is exposed to changes in the spread between the interest rates payable by it on deposits or its funding costs, and the interest rates that it charges on loans to its customers as well as interest rates that are applicable to its other assets. While the interest rates payable by Nordax on deposits and other funding and the interest rates that it charges on loans to customers as well as substantially all interest rates applicable to its other assets are variable, there is a risk that Nordax will not be able to re-price its variable rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short or medium term. Such delays in re-pricing loans given to its customer may, *inter alia*, occur due to Nordax having an obligation to notify customers in advance of increases in interest rates. For example, the notice period in Norway is six weeks in connection with interest rate increases on loans. Furthermore, Nordax has made a general policy decision to only adjust interest rates on its Swedish and Norwegian loan portfolio when its cost of funding increases or decreases by at least 50 basis points. Moreover, in Finland, Denmark and Germany, Nordax is not permitted to pass its cost of funding to customers and, therefore, the interest rates that Nordax charges on loans to customers are directly linked to reference rates (*i.e.*, Euribor and CIBOR). If Nordax's cost of funding in these countries were to change for reasons other than changes in the relevant reference rate, it would affect Nordax's net interest margin. Changes in the competitive environment could also affect spreads on Nordax's lending and deposits. If Nordax's funding costs were to increase due to material increases in market interest rates or other reasons and Nordax were unable to sufficiently increase the interest rates on its loan products in a timely manner, or at all, Nordax's

net interest margin could be adversely effected, which could have a material adverse effect on Nordax's net earnings.

Interest rates are sensitive to several factors that are out of Nordax's control, including fiscal and monetary policies of governments and central banks, as well as domestic and international political conditions. The interest rate levels in Nordax's Core Markets and Germany have been at historically low levels in recent years. A higher interest rate environment could reduce demand for Nordax's loan products, as individuals may be less likely or less able to borrow when interest rates are higher. Higher interest rates could also lead to higher interest costs for existing borrowers, which could affect their ability to repay their borrowings and lead to an increased rate of defaults. Accordingly, significant changes or volatility in the interest rates could have a material adverse impact on Nordax's business, financial condition or results of operations. In addition, volatility or perceptions that interest rates will increase could also lead customers to prefer fixed-rate loans, which Nordax does not offer, and, therefore, could reduce demand for Nordax's loan products.

Any of the above could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Changes in foreign exchange rates can have a material adverse effect on Nordax's results of operations.***

Changes in foreign exchange rates between Swedish kronor (Nordax's reporting currency and the currency in which its capital base is denominated) and Norwegian kroner, euro and Danish kroner affect Nordax's results of operations. Nordax's loan portfolio is denominated in Swedish kronor, Norwegian kroner, euro and Danish kroner, while its retail deposits are denominated in Swedish kronor, Norwegian kroner and euro. In addition, Nordax has issued bonds on the ABS market in Swedish kronor and Norwegian kroner and has borrowings under warehouse funding denominated in Swedish kronor, Norwegian kroner and euro. The most significant effect of changes in foreign exchange rates arises in the translation of assets and liabilities denominated in a foreign currency into Swedish kronor (Nordax's reporting currency). Nordax's policy is to limit the effect of changes in foreign exchange rates by matching assets and liabilities in the same currency. Nordax also uses derivative instruments to limit the effect. However, Nordax may not be able to match assets and liabilities in the same currency. In addition, the derivative instruments that Nordax uses may not be implemented correctly or may otherwise not have the intended effect. Nordax does not use derivative instruments to limit the effect of changes in foreign exchange rates in its future income or costs, which, in turn, could have a material adverse effect on its results of operations.

In order to protect a total capital ratio of 11.5 percent against changes in foreign exchange rates, Nordax maintains an open foreign exchange risk position. Due to this open position, the impact of changes in foreign exchange rates on the value of Nordax's regulatory capital in Nordax's statement of financial position is offset by the corresponding impact on Nordax's income statement (reported under net income from financial transactions). However, the measures that Nordax takes to minimize its exchange rate risk may not be effective and, therefore Nordax's total capital ratio could decline.

Changes in foreign currency exchange rates could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Incorrect estimates by Nordax's management when preparing its financial statements could have a material adverse effect on Nordax's business, financial condition and results of operations.***

Nordax's management makes various estimates, assumptions and forecasts regarding the future when preparing Nordax's financial statements. These estimates, assumptions and forecasts may be inaccurate and are inherently subject to uncertainties. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. Furthermore, Nordax's management is required to use its judgment in the application of the accounting principles in the preparation of the financial statements. Any errors in accounting and/or management decisions could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax's actual results of operations may differ materially from the financial targets included in this Offering Memorandum and investors should not place undue reliance on the financial targets.***

The financial targets adopted by the Board of Directors and set forth in this Offering Memorandum are Nordax's targets for the financial year 2015 and beyond, including return on average net loans, dividend

payout ratio, CET 1 capital ratio and total capital ratio. The financial targets constitute forward-looking statements and there is a risk that Nordax's actual results of operations or financial condition could differ materially from those expressed or implied by these forward-looking statements as a result of many factors. These financial targets are based upon a number of assumptions (including the success of Nordax's business strategies), which are inherently subject to significant business, operational, economic and other risks, many of which are outside of Nordax's control. While Nordax has detailed the key assumptions management has made when setting its targets, these assumptions may not continue to reflect the commercial, regulatory and economic environment in which Nordax operates. Accordingly, the assumptions may change or may not materialize at all. In addition, unanticipated events may adversely affect Nordax's actual results of operations and financial condition in future periods whether or not Nordax's assumptions relating to the financial year 2015 or future periods otherwise prove to be correct. As a result, Nordax's actual results of operations or financial condition may vary materially from these targets and investors should not place undue reliance on them.

### **Risks Relating to Regulation**

*Nordax's operations are contingent upon the banking license issued to Nordax Bank by the SFSA.*

The Swedish Banking and Financing Business Act (Sw. lag (2004:297) om bank- och finansieringsrörelse) (the "BFBA") requires all banking companies to operate under a license granted by the SFSA. On December 5, 2014, Nordax Bank was granted a banking license by the SFSA. Nordax Bank's banking license has an indefinite duration, but is subject to withdrawal rights by the SFSA. Pursuant to the BFBA, the SFSA must intervene in case Nordax Bank violates its obligations under the BFBA, other applicable regulations, its articles of association or internal governing documents that are based on laws and regulations governing Nordax Bank's operations as a bank. The SFSA may then issue an order to limit or reduce the risks of the operations in some respect, restrict or prohibit payment of dividends or interest or take other measures to rectify the situation, issue injunctions or remarks (Sw. *anmärkning*). In case of material violations, the SFSA may, as an ultimate measure, revoke Nordax Bank's banking license, following which the SFSA may determine the manner in which the business will be wound up. A decision regarding revocation of license may be combined with an injunction against continuing the operations. If deemed sufficient, taking into consideration, among other things, the nature, gravity, duration and potential effects on the financial system of the violation, the SFSA may instead of revoking Nordax Bank's banking license, issue a warning. Remarks and warnings may be combined with monetary fines (up to 10 percent of the annual turnover or two times the cost avoided or profit realized from the violation, where such amount can be ascertained).

If Nordax Bank were subject to material sanctions, remarks or warnings and/or fines imposed by the SFSA, it would cause significant, and potentially irreparable, damage to Nordax's reputation and, as a result, Nordax's business, financial position and results of operations could be materially adversely affected. Nordax's operations are contingent upon the banking license issued to Nordax Bank by the SFSA. The loss or suspension of the license would require Nordax to cease its banking operations.

*Nordax operates in an industry that is highly regulated and may be adversely affected by legal or regulatory risks and reputational implications from the legal and regulatory environment.*

Nordax's operations are subject to legislation, regulations, codes of conduct and government policies and general recommendations in the jurisdictions in which it operates and in relation to the products it markets and sells. As a Swedish bank, Nordax is subject to supervision by the SFSA with regard to, among other things, solvency and capital adequacy, including solvency ratios and liquidity rules as well as rules on internal governance and control. In addition, the Swedish Consumer Agency (Sw. *Konsumentverket*) safeguards the interests of consumers in Sweden and monitors consumer interests within the EU. As a result of conducting operations on a cross-border basis in the other Nordic countries and in Germany, consumer agencies and councils in these countries have jurisdiction over many aspects of Nordax's business, including marketing and selling practices, advertising, general terms of business and legal debt collection operations. Nordax is also subject to EU regulations with direct applicability and EU directives that are implemented through Swedish legislation. Failure to comply with applicable laws and regulations could subject Nordax to monetary fines and other penalties, which could have a material adverse effect on Nordax's reputation, business, financial condition and results of operations. Ultimately, Nordax Bank's banking license could be revoked and Nordax could be required to discontinue its business operations.

Many initiatives for regulatory changes have been taken in the past and the impact of such initiatives is, to some extent, difficult to predict in full. Therefore, for example, financial services laws; capital, liquidity and solvency laws; marketing laws; consumer protection laws; data protection laws; personal bankruptcy laws; laws related to deposits (including the Swedish Deposit Insurance Scheme) and the laws on enforcement; laws and regulations related to or affecting loan amortization; laws and regulations related to or affecting interest; laws and regulations on internal governance and control; laws and regulations of remuneration; codes of conduct; government policies and general recommendations; and their respective interpretations currently affecting Nordax may change, and Nordax is unable to predict what regulatory changes may be imposed in the future as a result of regulatory initiatives in the EU, by the SFSA or by other authorities and agencies. Such changes could have a material adverse effect on, among other things, Nordax's product range and activities; the sales and pricing of Nordax's products; and Nordax's profitability, solvency and capital requirements, and may give rise to increased costs of compliance. If Nordax is required to make additional provisions or increase its reserves as a result of potential regulatory changes, this could have a material adverse effect on Nordax's results of operations. While Nordax has processes in place to monitor the enactment of new laws and regulations, and to ensure compliance, the measures that Nordax takes may not be adequate. In addition, Nordax could misunderstand or misapply new or amended laws, especially due to the increasing quantity and complexity of legislation, which could lead to adverse consequences for Nordax. Furthermore, since Nordax is a niche personal loan provider, adverse changes in the regulatory environment may have a greater negative impact on Nordax's business, financial condition and results of operations as compared to, for example, full-service banks, which have a more diversified product offering. Nordax incurs, and expects to continue to incur, significant costs and expenditures, to comply with the increasingly complex regulatory environment.

In addition, as a foreign financial institution (as defined in FATCA (as defined herein)) resident in Sweden, Nordax must provide certain information on U.S. account holders to the Swedish tax authorities. Information on U.S. account holders will be automatically shared with the U.S. Internal Revenue Service (the "IRS"). Non-compliant foreign financial institutions will be subject to 30 percent withholding tax on certain U.S.-source payments made to them.

The failure of Nordax to effectively manage these legal and regulatory risks could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax is subject to substantial and changing prudential regulation.***

Nordax faces risks associated with an uncertain and rapidly evolving and increasing prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. Nordax's borrowing costs and capital requirements could be affected by these prudential regulatory developments, including (i) the legislative package (consisting of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV**") and Regulation (EU) No 575/2013 of the European Parliament and the Council of June 2013 on prudential requirements for credit and investment firms and amending Regulation EU No 648/2012 (the "**CRR**," and together with CRD IV, "**CRR/CRD IV**")) implementing the proposals of the Basel Committee (known as Basel III) in the EU, amending Directive 2002/87/EC and repealing the existing Capital Requirements Directives (Directives 2006/48/EC and 2006/49/EC) and other regulatory developments impacting capital, leverage and liquidity positions and (ii) the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, commonly known as the Recovery and Resolution Directive (Directive 2014/59/EU) (the "**RRD**"). For example, the RRD will introduce a bail-in mechanism pursuant to which shareholders may be diluted and certain creditors' claims may be written-down (see "*—Recovery and Resolution Directive*" below), which may, in turn, affect Nordax's funding costs. Nordax may also incur costs as a result of monitoring and complying with these new requirements. These regulations or any future unfavorable regulatory developments could have a material adverse effect on Nordax's business, financial condition and results of operations.

***CRR/CRD IV***

CRR/CRD IV introduced significant changes in the prudential regulatory regime applicable to banks, including increased minimum levels of capital and additional minimum capital buffers; enhanced quality standards for qualifying capital; increased risk weighting of assets, particularly in relation to market risk and counterparty credit risk; and the introduction of a minimum leverage ratio.

CRR/CRD IV requirements adopted in Sweden may change, whether as a result of further changes to CRR/CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the European Banking Authority (the “EBA”), changes to the way in which the SFSA interprets and applies these requirements to Swedish banks or otherwise. Such changes, either individually or in aggregate, could lead to further unexpected enhanced requirements in relation to Nordax’s capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

CRR/CRD IV also introduces certain capital requirements that are intended to vary over time and depend on, among other things, the existence of cyclical and structural systemic risks. One of these new capital requirements is the so-called countercyclical capital buffer, which will be applicable in respect of Swedish exposures beginning in September 2015. According to the requirements as at the date of this Offering Memorandum, the required countercyclical buffer for exposure in Sweden (*i.e.*, the additional capital requirement) will initially be 1.0 percent, but may be subject to change over time, which could affect Nordax’s capital requirements. Moreover, Nordax may be required to hold more capital if deemed necessary by the SFSA within the framework of the SFSA’s supervisory review process (Pillar 2).

A market perception or actual shortage of capital issued by Nordax could result in actions by regulatory authorities, including requiring Nordax to raise additional regulatory capital, Nordax being required to retain earnings or suspend dividends or the imposition of sanctions. This could affect Nordax’s ability to continue its business operations, generate a return on capital, pay future dividends or pursue strategic opportunities. If, in response to any such shortage, Nordax raises additional capital through the issuance of share capital or capital instruments, existing shareholders could experience a dilution of their holdings. Furthermore, any market perception or concern regarding compliance with future capital adequacy requirements could increase Nordax’s borrowing costs and limit its access to capital markets.

Certain provisions of CRD IV apply to prospective shareholders in the Company. If a shareholder acquires Shares bringing the shareholder’s direct or indirect holding in excess of certain thresholds (10 percent, 20 percent, 30 percent or 50 percent of the capital or votes of the Company) or the shareholder otherwise obtains a substantial influence over the management of the Company without the prior approval of the SFSA, the SFSA may, as from May 1, 2015, impose administrative pecuniary penalties on the shareholder.

#### *Recovery and Resolution Directive*

Nordax also faces risks from anticipated legislation that will create additional bail-in or resolution powers. On May 15, 2014, the final version of the RRD was published. The RRD is intended to complement CRR/CRD IV. The powers provided to resolution authorities (the Swedish National Debt Office in Sweden) in the RRD include write-down powers to ensure relevant capital instruments absorb losses upon, among other events, the occurrence of the non-viability of the relevant institution or its parent company, as well as a bail-in tool comprising a more general power for resolution authorities to write down the claims of unsecured creditors of a failing institution and to convert unsecured debt claims to equity. Each Member State had until January 1, 2015 to transpose the RRD into national law, other than the bail-in provisions (as contained in Section 5 of Chapter IV of Title IV) for which the implementation deadline is January 1, 2016. If Nordax becomes subject to such bail-in or resolution powers, existing shareholders could experience a dilution or cancellation of their holdings without any compensation therefor. There is uncertainty as to how these powers described in the RRD will affect Nordax and how the RRD will be implemented in Sweden. Accordingly, it is not possible to fully assess the impact of the RRD on Nordax.

#### ***Nordax could be adversely affected by changes in laws regarding debt collection, debt restructuring and personal bankruptcy.***

Nordax’s recoveries on written-down loans depend primarily on the effectiveness of the legal debt collection systems, including laws regarding debt collection, debt restructuring and personal bankruptcy, in the countries in which it operates. Recoveries are also to some extent dependent on the commitment by and the efficiency of Nordax’s third-party debt collection partners. One of the main tools available to Nordax in its Core Markets and Germany to collect on loans that are more than 100 days past due is wage garnishment, and changes to the wage garnishment system in Nordax’s Core Markets or Germany could adversely affect Nordax’s ability to collect on its past due loans. Nordax’s ability to collect on its past due loans could also be adversely affected by changes in debt restructuring or personal bankruptcy laws if, for example, other creditors are granted priority over personal loan providers in restructurings or bankruptcies.

Nordax's business could also be adversely affected by changes in laws regarding statutes of limitations on debt collection. In Sweden, Norway and Denmark the statute of limitations for debt collection is ten years and it can be renewed through acknowledgement of the debt by the customer (usually through payment), the creditor making a claim in writing or otherwise notifying the debtor in writing, or through legal action. In Finland, the absolute statute of limitations for debt collection is 15 years from the first collection effort. In Germany, the ordinary statute of limitations for debt collection is three years calculated from the end of the year in which the claim arises. The statute of limitations for the enforcement of a judgment or an order issued by a court is 30 years in Germany, and may be prolonged by legal action by the creditor. There is a risk that the statute of limitations on debt collection could be shortened, or the ability to extend the statute of limitations could be restricted or abolished, in the countries in which Nordax operates, which could adversely affect Nordax's ability to collect from defaulting customers. For example, a report published by the Swedish Government in November 2013 suggested that claims that have been established by a Swedish court or the enforcement authority (Sw. *Kronofogdemyndigheten*) should be barred after 15 years.

Any changes in laws and regulations affecting Nordax's ability to collect from defaulting customers could have a material adverse effect on its business, financial condition and results of operations.

***Changes in accounting rules could adversely affect Nordax.***

From time to time, the International Accounting Standards Board (the "IASB") and/or the EU amend IFRS-EU, which governs the preparation of Nordax's financial statements. These changes can be difficult to predict and could materially affect how Nordax records and reports its financial condition and results of operations. In some cases, Nordax could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements. For example, on July 24, 2014, the IASB issued the final version of its new standard on financial instruments accounting, *IFRS 9 – Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement on financial assets and financial liabilities, impairment of credit losses and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 (if not voluntarily applied earlier). However, the EU has not endorsed IFRS 9 as at the date of this Offering Memorandum. The implementation of IFRS 9 is expected to have a material effect on Nordax's financial statements and could result in increased and more volatile provisions for credit losses. Due to the uncertainties, Nordax has, however, not yet quantified the effects of IFRS 9. Currently, Nordax expects the implementation of IFRS 9 to lead to a substantial one-off increase in provisions for its loan portfolio as it will be required to record a provision for all loans, including those that are newly originated or acquired, instead of only for past due loans. The initial amount of expected provision is equal to 12 months' expected credit losses. The implementation of IFRS 9 could lead to a negative impact on the capital position, including CET 1 capital, of affected institutions, including Nordax.

The IASB may make other changes to the financial accounting and reporting standards that govern the preparation of Nordax's financial statements, which Nordax may adopt prior to the date on which such changes become mandatory if determined to be appropriate, or which Nordax may be required to adopt. Any such change in Nordax's accounting policies or accounting standards could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Changes to the Swedish Deposit Insurance Scheme, or a decision that Nordax's retail deposits will no longer be covered by the Swedish Deposit Insurance Scheme, could have an adverse effect on Nordax's business, financial position and results of operations.***

All of Nordax's deposit products are guaranteed by the Swedish Deposit Insurance Scheme in accordance with the Swedish Deposit Insurance Act (Sw. *lag (1995:1571) om insättningsgaranti*) (the "**Swedish Deposit Insurance Act**"). The maximum insured amount under the Swedish Deposit Insurance Scheme is currently the amount in Swedish kronor corresponding to EUR 100,000. The maximum deposit amount of the deposit product offered on Avanza Bank AB's ("**Avanza**") internet platform under a cooperation agreement with Avanza exceeds the maximum amount of the Swedish Deposit Insurance Scheme. For all other accounts, Nordax limits new deposits so that any customer's total deposits with Nordax do not exceed the maximum amount covered by the Swedish Deposit Insurance Scheme. However, a customer's total deposits with Nordax in such accounts could exceed the maximum amount covered by the Swedish Deposit Insurance Scheme due to changes in foreign exchange rates (for customers with deposits in Swedish kronor or Norwegian kroner) or interest accrued on the account, and the amount exceeding the limit would not be insured. If the maximum insured amount under the Swedish Deposit Insurance Scheme were to be reduced, if the Swedish Deposit Insurance Scheme were cancelled in its entirety or if the terms attaching to

the Swedish Deposit Insurance Scheme were otherwise adversely amended, it could substantially affect the inflow of new retail deposits to Nordax and result in a significant increase in the amount of retail deposit withdrawals. As a result, Nordax's business, financial position and results of operations could be materially adversely affected. See also "*—Risks Relating to Nordax's Business and Industry—Nordax may not be able to obtain sufficient funding, which could adversely affect its ability to maintain or grow its loan portfolio as well as its cost of funding*" above.

In addition, any failure by Nordax to comply with applicable requirements to maintain internal processes to handle operational risk related to its retail deposits, including managing and securing the IT systems utilized to host the deposits, could result in intervention by regulators or the imposition of sanctions, including a decision that Nordax's deposits will no longer be covered by the Swedish Deposit Insurance Scheme. The loss of coverage by the Swedish Deposit Insurance Scheme could mean that Nordax would have to discontinue offering retail deposit products, or pay higher interest rates to attract new deposit inflows, which could adversely affect Nordax's liquidity position and impair its ability to fund its business as well as its ability to continue its business as currently conducted.

***Nordax is subject to consumer protection and marketing laws, and violations of or changes in such laws could adversely affect Nordax.***

Nordax is subject to a number of consumer protection and marketing laws and regulations in Sweden as well as in the other countries in which it operates (on a cross-border basis). Consumer protection and marketing laws and regulations include, for example, requirements to provide specific information, requirements regarding marketing materials, specific rights for consumers, such as rights of withdrawal, and various restrictions on how consumer lending activities may be conducted. Violations of consumer protection laws could lead to fines or other sanctions by regulatory agencies as well as damage Nordax's reputation.

In recent years, the SFSA as well as the Swedish Consumer Agency and equivalent consumer agencies and councils in the other countries in which Nordax operates on a cross-border basis, have shown increased focus on the monitoring and enforcement of consumer laws and regulation for the benefit of consumers. Failure to comply with consumer protection legislation could harm Nordax's reputation and result in fees and other sanctions and fines against Nordax. Furthermore, changes in such laws and regulations could require Nordax to change its business practices. Any violations of applicable consumer protection or marketing laws or changes in such laws could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Changes in data protection laws or other legislation affecting the amount of data available to Nordax for customer targeting and conducting credit assessments or the use of such data could adversely affect Nordax's marketing activities and underwriting process.***

Nordax's ability to obtain, retain, share and otherwise process customer data is governed by data protection laws, privacy requirements and other regulatory restrictions, including, for example, that personal data may only be collected for specified, explicit and legitimate purposes, and may only be processed in a manner consistent with these purposes. Further, the collected personal data must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed, and it must not be kept in a form that permits identification of debtors for a longer period of time than necessary for the purposes of the collection. Nordax's security controls over personal debtor data and other data protection practices may not prevent the improper disclosure or processing of such sensitive information in breach of applicable laws and contracts. Nordax's compliance with applicable data protection law and regulations is also subject to supervision by the Swedish Data Inspection Board. The Swedish Data Inspection Board may, from time to time, review or audit Nordax's data protection practices and require Nordax to change its prevailing practices, which may result in additional costs and administration for Nordax. Any material failure to process customer data in compliance with applicable laws could result in the revocation of Nordax's licenses, monetary fines, criminal charges and breach of contractual arrangements, which, in turn, could have a material adverse effect on Nordax's business, financial condition and results of operations.

Nordax relies on targeted marketing channels, including direct mail, unaddressed mail and marketing through cooperation partners, in order to target attractive segments by excluding from its marketing segments of individuals who are not likely to apply or be approved for a loan. The success of Nordax's targeted marketing depends on the amount and relevance of data on potential borrowers available to

Nordax for customer targeting and conducting credit assessments. If the amount or relevance of data on potential borrowers available to Nordax decreases, for example due to changes in laws or regulations, Nordax's ability to successfully target customers could be adversely affected and, as a result, Nordax could be subject to increased credit risk. In addition, if Nordax's ability to market its products using direct mail is restricted, for example due to individuals opting out of direct mail or changes in data protection laws, Nordax could be required to focus on other, less effective or more costly marketing channels and its new loan volumes could decline. See "*—Risks Relating to Nordax's Business and Industry—The size and growth of Nordax's loan portfolio is dependent on the effectiveness of Nordax's marketing activities, which, in turn, depends on the amount and relevance of data for customer targeting and conducting credit assessments*" above.

On January 25, 2012, the European Commission published a draft EU Data Protection Regulation. The draft proposes substantial changes to the EU data protection regime, involving the replacement of the current national data protection laws by an EU regulation. If implemented, the regulation would strengthen individuals' rights and impose stricter requirements on companies processing personal data. On March 12, 2014, the European Parliament formally passed a revised proposal of the regulation strengthening individuals' rights under the regulation even further and, for example, proposed stricter sanctions with fines of up to the greater of EUR 100 million and 5 percent of the annual global turnover on a group basis. The proposed regulation is continuing its progression through the legislative process. It is not currently possible to assess the full impact of the proposed regulation on Nordax's business. There is still uncertainty as to when and to what extent the proposed regulation will come into force. Changes in data protection legislation in any of the markets in which Nordax operates could result in restrictions on use of personal data, which could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax could be adversely affected by changes in laws and regulations regarding interest tax deduction and mortgage amortization.***

In Sweden and Norway, individuals are entitled to deduct a portion of their net capital expenses, such as interest paid on personal loans, from their income taxes. Although no legislative measures have been initiated, interest deductions are currently under public scrutiny in Sweden as part of the debate regarding household over-indebtedness. If such interest deductions were to be reduced or eliminated, it would increase the costs for Nordax's customers. As a result, Nordax's credit losses could increase, customer prepayments could increase or demand for Nordax's loan products could decrease, any of which could have a material adverse effect on Nordax's business, financial condition and results of operations.

As part of a focus on decreasing the indebtedness of households in Sweden, in March 2015, the SFSA proposed stricter amortization requirements on mortgages. As made public by the SFSA on April 23, 2015, the proposal has, however, been revoked and the SFSA has announced that it intends to wait for clarification on its legal status to decide on an amortization requirement before proceeding with the amortization requirement. There is a risk that new requirements, or requirements similar to those initially proposed by the SFSA, may be implemented, which could increase households' expenditures and, as a result, may strain consumers' ability to make timely payments on other debts and may adversely affect consumers' willingness to take up further debt, including personal loans. As a result, demand for Nordax's loan products could decrease in the future, which could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax could be adversely affected by changes in tax laws and regulations and the interpretation thereof.***

Nordax could be adversely affected by changes in tax laws and tax authorities' and courts' application of such laws and, therefore, may be subject to additional and/or increased taxes. For example, Nordax maintains a VAT group comprised of certain Nordax group companies. There have been recent political discussions regarding amendments to regulation related to VAT groups, including abolishing VAT groups entirely. The Swedish government did not, however, propose to abolish VAT groups in its budget released in April 2015. Potential future changes to regulation related to VAT groups could increase the cost of intra-group services among companies within Nordax's VAT group.

There have also been discussions regarding the favorable tax treatment of the financial sector as a result of the VAT exemption on financial services in the EU and the need to increase the overall taxation of the sector. Currently, financial services are exempted from VAT and, consequently, no VAT is charged on the interest payments made by Nordax's customers. A withdrawal of the VAT exemption on financial services in the future would increase the costs for Nordax's customers. As a result, Nordax's credit losses could

increase, customer prepayments could increase or demand for Nordax's loan products could decrease. Moreover, there have been discussions regarding the introduction of a potential new tax on banks and credit institutions in Sweden. It is not currently known if and to what extent any such new law may be adopted and the level of any such potential tax remains uncertain.

A withdrawal of the VAT exemption on financial services or the introduction of any new tax on banks and credit institutions to increase the overall taxation of the financial sector or any other changes in tax laws or regulations applicable to Nordax, or the interpretations thereof, could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax is subject to risks related to insurance mediation.***

Nordax currently offers payment protection insurance (“PPI”) policies to its eligible customers in its Core Markets, and previously offered PPI policies to customers in Denmark before it suspended new lending operations there in 2008. As a tied insurance intermediary (Sw. *anknuten försäkringsförmedlare*) to Financial Insurance Company Limited, UK, and Financial Assurance Company Limited, UK (together, “Genworth Financial”), Nordax operates under the Swedish Insurance Mediation Act (Sw. *lag (2005:405) om försäkringsförmedling*) (the “IMA”) and is supervised by the SFSA. The SFSA may impose sanctions on Nordax for breaches of the IMA. The registration as a tied insurance intermediary is indefinite in duration, but is subject to withdrawal rights by the SFSA. In addition, the Swedish Consumer Agency monitors, among other things, the contents of marketing materials for PPI policies.

In addition to the regulatory risk, the business of insurance mediation poses both reputational and conduct risks, should the insurance mediation not be conducted in compliance with applicable legislation, regulations and Nordax's internal governing documents. If any of these risks were to materialize, such risks could have a material adverse effect on Nordax's reputation, business, financial condition and results of operations. Moreover, Nordax receives commission from Genworth Financial based on the premiums of the mediated insurance policies and has entered into a profit/loss sharing arrangement with Genworth Financial. Accordingly, significant PPI claims could adversely affect Nordax's business and results of operations.

On June 17, 2014, the Swedish Ministry of Finance proposed a number of changes to the IMA, including a prohibition on insurance intermediaries' collection of commissions or other similar compensation (including up-front commissions and other types of compensation) from any other party than the customer if such commission or compensation could negatively affect the customer's interests due to conflicting interests. While a final proposal to amend the IMA has not yet been put forward to the legislator, any restriction or prohibition relating to insurance intermediaries' collection of commissions could adversely affect Nordax's business and results of operations.

***Failure to comply with anti-money laundering, anti-terrorist financing and sanctions regulations could have a material adverse effect on Nordax's business, financial condition and results of operations.***

Nordax is subject to laws and regulations regarding money laundering, the financing of terrorism and sanctions. Monitoring compliance with such laws and regulations can put a significant financial burden on banks and other financial institutions and compliance requires significant technical capabilities. In recent years, enforcement of these laws and regulations against financial institutions has become more aggressive. In addition, Nordax cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Although Nordax believes that its current policies and procedures are sufficient to comply with applicable laws and regulations relating to anti-money laundering, anti-terrorist financing and sanctions, there is a risk that such policies will not be effective in preventing money laundering, terrorist financing or violations of sanctions, including actions by Nordax's employees for which Nordax could be held responsible. Any such events could have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on Nordax's business, financial condition and results of operations.

Further, Nordax Bank's subsidiaries are registered as Swedish Financial Institutions (Sw. *finansiella institut*) in accordance with the Swedish Certain Financial Operations (reporting duty) Act (Sw. *lag (1996:1006) om anmälningsplikt avseende viss finansiell verksamhet*) (the “CFOA”). As Swedish financial institutions, Nordax Bank's subsidiaries must comply with the CFOA and the Swedish rules pertaining to anti-money laundering and anti-terrorist financing. The SFSA may order Nordax Bank's subsidiaries to cease operations if they do not comply with the CFOA, which could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Increased regulation regarding funding subsidiaries could adversely affect Nordax.***

Nordax uses funding subsidiaries to finance its operations, both through warehouse financing as well as by issuing bonds in the ABS market. In 2014, the Certain Consumer Credit-related Operations Act was introduced applicable to companies offering consumer credit according to which a license is required for such companies' operations. While the law contains no explicit exception for funding subsidiaries, it is stated in the preparatory works that it is the originator and not the funding subsidiary that is providing consumer credit and funding subsidiaries are, therefore, not subject to a licensing requirement. Should Sweden change its interpretation of existing rules or increase license or supervision requirements for funding subsidiaries, it could, for example, increase Nordax's cost of funding, which could have a material adverse effect on Nordax's business, financial condition and results of operations.

***Nordax's collateralized funding structures may be challenged by tax authorities.***

Nordax regularly sells personal loans in its loan portfolio to SPVs within the Nordax group, and such loans are used as security for Nordax's collateralized funding in the form of ABSs and warehouse financing. In planning and structuring such funding, Nordax relies on certain interpretations of applicable tax laws with regard to, among others, the valuation of the personal loans transferred to the SPVs and the timing and classification of payments within the Nordax group. Changes in tax laws or challenges to Nordax's interpretation of applicable tax laws may require Nordax to change its funding structures and could expose Nordax to additional tax liabilities, including accrued interest and penalties, which could have a material adverse effect on Nordax's business, financial condition and results of operations.

**Risks Relating to the Offering and the Shares**

***Prior to the Offering, there has been no prior public market for the Shares, and an active, liquid and orderly trading market for the Shares may not develop, the price of the Shares may be volatile, and investors could lose a portion, or all, of their investment.***

There has been no public market for the Shares prior to the Offering, and an active and liquid market may not develop following the Offering. As the Offer Price will be determined by the Board of Directors and the Selling Shareholders in consultation with the Managers, it may not necessarily reflect the price at which investors in the market will be willing to buy and sell the Shares following the Offering. In addition, the trading price of the Shares following the Offering may be volatile and could be subject to fluctuations in response to various factors, some of which are beyond the Company's control.

The stock market in general has experienced price and volume fluctuations in the past. Broad market and industry factors could affect the market price of a company's shares regardless of its actual operating performance. These fluctuations could be even more pronounced in the trading market for the Shares shortly following the Offering. Accordingly, investors who purchase Offer Shares could lose a portion or all of their investment.

***The Principal Shareholders will continue to have substantial influence over the Company after the Offering and could delay or prevent a change in corporate control.***

After the Offering and assuming an Offer Price at the midpoint of the Offer Price Range, the Principal Shareholders will beneficially own in the aggregate 44.4 percent of the Shares assuming that the size of the Offering is not increased and the Over-allotment Option is not exercised, 36.3 percent of the Shares assuming that the size of the Offering is increased in full and the Over-allotment Option is not exercised and 31.1 percent assuming that the size of the Offering is increased in full and the Over-allotment Option is exercised in full. The Principal Shareholders are controlled by Vision Capital Management Limited ("**Vision Capital**"). As a result, Vision Capital, through the Principal Shareholders, will continue to have significant influence over the outcome of matters submitted to the Company's shareholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of the Company's assets. In addition, the Principal Shareholders will continue to have significant influence over the Company's management and affairs. The interests of the Principal Shareholders could differ from the interests of the Company's shareholders as a whole. Accordingly, the Principal Shareholders' ownership could have a material adverse effect on the market price of the Shares by, among others:

- delaying, deferring or preventing a change in control of the Company;
- impeding a merger, consolidation, takeover or other business combination involving the Company; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company.

***Shareholders in the United States or other countries outside of Sweden may not be able to participate in any potential future rights offers.***

Under Swedish law, prior to the issuance of any new shares for cash consideration, a company must offer such shares to current shareholders on the basis of their existing share ownership, unless otherwise resolved at a general meeting of shareholders. Shareholders in the United States, however, may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the Securities Act is effective in respect of such rights and shares or an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Sweden may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. The Company is under no obligation to file a registration statement under the Securities Act or seek similar approvals under the laws of any other jurisdiction outside Sweden in respect of any such rights and shares, and doing so in the future could be impractical and costly. To the extent that the Company's shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new Shares, their proportional interests in the Company would be reduced.

***The subscription undertaking by the Cornerstone Investor is subject to certain conditions and the Cornerstone Investor is not subject to any formal lock-up arrangement.***

The Cornerstone Investor has agreed to acquire at the Offer Price (and at any such price throughout the Offer Price Range) a number of Offer Shares equivalent to 9.5 percent of the Shares following completion of the Offering. The Cornerstone Investor's undertaking is conditional on, among other things: (i) the listing of the Shares occurring no later than June 30, 2015; and (ii) the Underwriting Agreement having been entered into and having become unconditional and not having been terminated. If such conditions are not satisfied, the Cornerstone Investor will not be required to acquire any Offer Shares. In addition, the Cornerstone Investor's undertaking has not been secured through a bank guarantee, blocked funds, pledge of collateral or similar arrangement. Accordingly, there is a risk that payment of the purchase price and settlement of the Offer Shares for the Cornerstone Investor may not occur in connection with the closing of the Offering as anticipated, which could have an adverse effect on the completion of the Offering.

In addition, the Cornerstone Investor's Shares will not be subject to any formal lock-up arrangement, implying that it is possible that the Cornerstone Investor may divest part or all of its shareholding at any time. Any sales of substantial amount of the Shares could cause the market price of the Shares to decline.

***Future sales or issues of Shares or instruments giving entitlement to Shares could have a negative effect on the market price of the Shares and dilute the holdings of other shareholders.***

The market price of the Shares could decline as a result of sales of a large number of Shares in the market after the Offering or the perception that such sales could occur. Such sales, or the possibility that such sales could occur, could also make it more difficult for the Company to sell equity securities in the future at a time and at a price that it deems appropriate. Although, subject to certain exceptions, the Company, the Principal Shareholders and the Minority Shareholders have entered into agreements with the Managers that restrict their ability to sell or transfer their Shares (for 180 days in relation to the Company; 180 days in relation to the Principal Shareholders; up to 24 months in relation to Per Bodlund, Mats Lagerqvist and Olle Nordlöf; 12 months in relation to Johan Franzén; 24 months in relation to Morten Falch; and 12 months in relation to the other Minority Shareholders) after the first date of trading and official listing of the Shares, the Managers may, in their sole discretion and at any time, waive the restrictions on sales or transfer in the agreement during this period. Following this period, all Shares owned by the Selling Shareholders will be eligible for sale or other transfer in the public market, subject to applicable securities laws restrictions.

Furthermore, the Company could in the future issue additional equity or instruments giving entitlement to Shares through directed offerings without preemptive rights for existing holders in connection with future acquisitions, any share incentive or share option plan or otherwise. Any such additional offering could reduce the proportionate ownership and voting interests of holders of Shares, as well as the earnings per Share and the net asset value per Share.

***The Company's ability to pay dividends in the future may be constrained and depends on several factors.***

The payment of dividends, if any, by the Company and the amounts and timing thereof will depend on a number of factors, including Nordax's future results of operations, financial condition, general economic and business conditions, and future prospects; applicable restrictions in certain of Nordax's funding arrangements, including ABSs, warehouse funding facility agreements and senior unsecured bonds; applicable legal and regulatory requirements; and such other factors as the Board of Directors may deem relevant. Furthermore, as a holding company, the Company's ability to pay dividends is dependent on the ability of its subsidiaries to pay dividends or otherwise transfer funds to the Company. Nordax's performance may not facilitate adherence to the dividend policy and, in particular, the Company's ability to pay dividends may be impaired if any of the risks described in this Offering Memorandum were to materialize. Accordingly, a dividend may not be proposed or declared or any other distribution made in any given year or at all.

***Investors with a reference currency other than the Swedish krona will become subject to certain foreign exchange risks when investing in the Offer Shares.***

The Company's equity capital is denominated in Swedish kronor, and all dividends and other equity distributions on the Shares will be paid in Swedish kronor. Investors whose reference currency is a currency other than the Swedish krona could be adversely affected by any reduction in the value of the Swedish krona relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting Swedish kronor into another currency.

## BACKGROUND AND REASONS FOR THE OFFERING

Nordax is a leading niche bank in the Nordic region offering large personal loans targeted at individuals that, based on historical credit losses, it assesses to be low risk and “prime” as they are generally middle-aged, employed individuals with average incomes above national household averages, near or higher than national average rates of home ownership and no negative payment remarks on their credit records. Nordax has been developing its presence in Germany since 2012. Nordax’s business model is focused on efficient data management, statistical analysis, test and learn approach and quantitative decision making. This approach is used throughout Nordax’s operations, including marketing, credit risk management, legal collection and funding. Nordax has developed strong analytical capabilities in its decision science and quantitative modeling, which promotes marketing efficiency and credit quality. Nordax also offers retail deposit products to individuals in its Core Markets. Nordax operates from a centralized, scalable platform. A key part of Nordax’s business strategy is its diversified funding across products, markets and currencies.

The Principal Shareholders acquired their interests in Nordax from its former owners, funds managed by Palamon Capital Partners, in July 2010 when Vision Capital Partners VII LP (Guernsey LP) acquired its interest. Vision Capital Partners VII A LP (Guernsey LP) acquired its interest from Vision Capital Partners VII LP (Guernsey LP) in January 2011. As at the date of this Offering Memorandum, the Principal Shareholders own in aggregate approximately 75.6 percent of the Shares. The remaining approximately 24.4 percent of the Shares are owned by the Minority Shareholders.

Under its current ownership, Nordax has implemented several important strategic initiatives to grow and improve its business. The Company’s shareholders and the Board of Directors believe that it is now an appropriate time to broaden the Company’s shareholder base and to apply for the listing of the Shares on Nasdaq Stockholm. The Offering and the listing of the Shares are expected to provide Nordax with improved access to the Swedish and international capital markets, which the Board of Directors believes will support Nordax’s continued growth and development. For these reasons, the Board of Directors has applied for a listing of the Shares on Nasdaq Stockholm. Although the Principal Shareholders, which are managed by Vision Capital, are selling Offer Shares in the Offering, the Principal Shareholders will remain shareholders in the Company following the Offering and will continue to contribute to Nordax’s development. The Selling Shareholders will receive the proceeds from the sale of the Offer Shares after deduction of commissions, fees and expenses payable by the Selling Shareholders. Nordax will not receive any of the proceeds from the sale of the Offer Shares.

## DIVIDENDS AND DIVIDEND POLICY

### Dividend Policy

The Board of Directors has adopted a dividend policy according to which Nordax aims to maintain a payout ratio of approximately 40 percent of profit 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.

The payment of dividends, if any, by the Company and the amounts and timing thereof will depend on a number of factors, including Nordax's future income, profits, financial conditions, general economic and business conditions, and future prospects; the ability of the Company's subsidiaries to pay dividends or otherwise transfer funds to the Company; and such other factors as the Board of Directors may deem relevant. In addition, the terms and conditions relating to certain of Nordax's funding arrangements, including the outstanding ABSs, the warehouse funding facility agreements and the outstanding senior unsecured bonds, impose certain limitations on the ability to declare and pay dividends, see "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding—ABSs*," "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding—Warehouse Funding Facilities*" and "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding—Senior Unsecured Bonds*." There can be no assurance that Nordax's performance will facilitate adherence to the dividend policy and, in particular, the Company's ability to pay dividends may be impaired if any of the risks described in this Offering Memorandum were to materialize. See "*Risk Factors—Risks Relating to the Offering and the Shares—The Company's ability to pay dividends in the future may be constrained and depends on several factors*." There can be no assurance that in any given year a dividend will be proposed or declared or any other distribution made.

Any dividend paid by the Company in respect of 2015 would be paid in respect of Nordax's profit for the second half of 2015.

The declaration of dividends or other capital contributions by Swedish companies is decided upon by the general meeting of shareholders. The amount available for distribution to the shareholders is determined based on the company's last adopted balance sheet on an unconsolidated basis. Dividends or other capital contributions may only be declared to the extent there is unrestricted equity (Sw. *fritt eget kapital*) available, meaning that there must be full coverage for the company's restricted equity (Sw. *bundet eget kapital*) after the distribution (*i.e.*, the book value of the company's assets must amount to at least the restricted equity together with any provisions and liabilities following the distribution). Restricted equity includes, among other things, a company's share capital and its statutory reserve.

Furthermore, in addition to the requirement regarding full coverage for the company's restricted equity, dividends or other capital distributions may only be declared to the extent that such declaration is prudent, taking into consideration: (i) the demands with respect to the size of the equity that are imposed by the nature, scope and risks associated with the operations of the company and, if applicable, the group; and (ii) the need to strengthen the balance sheet, liquidity and financial position of the company and, if applicable, the group.

As an alternative, or in addition, to paying dividends, the Board of Directors may distribute capital to shareholders in other forms, including via share buybacks. The decision by the Board of Directors to engage in alternative forms of capital distribution, if any, will be made in accordance with the factors applicable to dividend payments set forth above. For certain limitations on the participation in any such alternative forms of capital distribution, see "*Risk Factors—Risks Relating to the Offering and the Shares—Shareholders in the United States or other countries outside of Sweden may not be able to participate in any potential future rights offers*."

As at the date of this Offering Memorandum, the Company has not paid any dividends or made any other capital distributions.

### Legal and Regulatory Requirements

#### *Dividends*

The shareholders may, as a general rule, not declare dividends in an amount higher than the board of directors proposed or approved.

Under the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*) (the “**Swedish Companies Act**”), minority shareholders that together represent at least 10 percent of all outstanding shares in the company have the right to request a payment of dividend (to all shareholders) from the company’s profits. Following such a request, the annual general meeting is required to resolve to distribute 50 percent of the remaining profit for the relevant year as reported on the balance sheet adopted at the annual general meeting, after deductions made for: (i) losses carried forward that exceed unrestricted reserves (Sw. *fria fonder*); (ii) amounts that, by law or the company’s articles of association, must be transferred to restricted equity; and (iii) amounts that, pursuant to the articles of association, are to be used for any purpose other than distribution to the shareholders. However, the general meeting is not required to declare dividends in excess of 5 percent of the company’s shareholders’ equity. Moreover, the general meeting may not declare dividends to the extent that there will not be full coverage of the company’s restricted equity or in violation of the prudence rule described above.

Dividends will normally be paid to shareholders in cash on a per share basis through Euroclear Sweden, but may also be paid in kind. On the record date established by the general meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends.

If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim will remain against the Company subject to a statutory limitation of ten years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the Company. Neither the Swedish Companies Act nor the Company’s articles of association (the “**Articles of Association**”) contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. For a discussion of withholding taxes on the payment of dividends, see “*Taxation—Tax Considerations in Sweden.*”

For a description of regulatory capital adequacy and liquidity requirements to which Nordax is subject, see “*Supervision and Regulation—Capital Adequacy and Liquidity Requirements.*”

#### ***Share Buybacks or Other Capital Distributions***

In accordance with the Swedish Companies Act, share buybacks may only be carried out following a resolution, or an authorization granted to the board of directors, by the general meeting of shareholders. Any such authorization will only be valid until the next annual general meeting. A company may only repurchase up to 10 percent of the outstanding number of shares, or such lower number of shares as resolved by the general meeting.

## INDUSTRY OVERVIEW

*Certain information set forth in this section has been derived from external sources, including publicly available industry publications and reports. Industry publications and reports generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. Nordax believes that these industry publications, reports and forecasts are reliable, but the Company has not independently verified them and cannot guarantee their accuracy or completeness. As far as Nordax is aware and is able to ascertain from other information published by such relevant sources, no fact has been omitted that would render the reproduced information inaccurate or misleading. The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See “Cautionary Note Regarding Forward-looking Statements,” “Market and Industry Data and Forecasts” and “Risk Factors.”*

### **Introduction to the Personal Lending Industry**

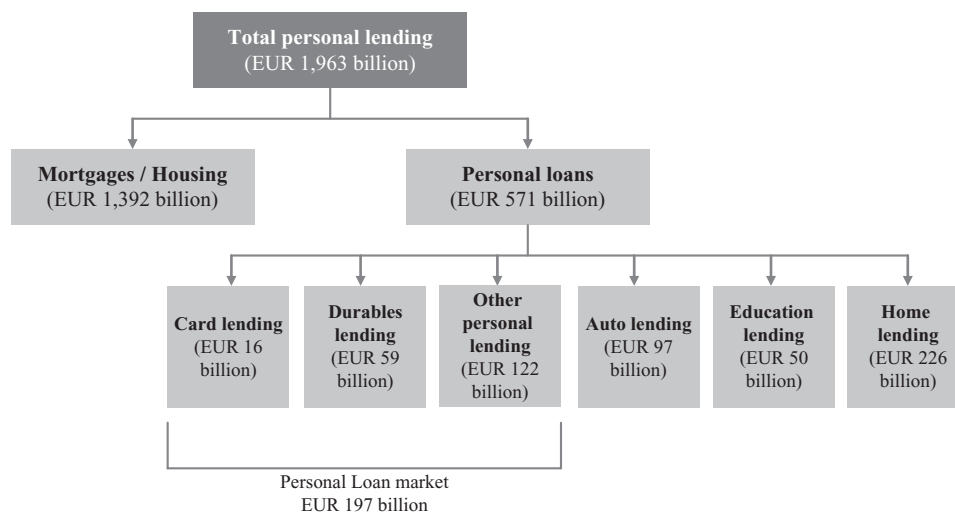
Personal lending can be divided into different categories based on the type of loan. The two main categories are mortgage loans, which are typically secured by the borrower’s property, and personal loans, which are, to a large extent, unsecured. Personal loans can, in turn, be divided into several sub-categories. Euromonitor divides the total personal loan market in the following segments:

- *Auto lending:* A secured loan used to purchase four-wheeled vehicles (automobile) and two-wheeled vehicles (e.g., motorcycles).
- *Card lending:* Revolving credit transactions (credit card and store card) along with loans against financial cards (e.g., convenience checks). Convenience checks are typically unsolicited checks mailed by the issuer and linked to a credit card account. The funds can be used for purchases and balance transfers.
- *Durables lending:* A loan used for manufactured products (e.g., household appliances) that are able to withstand wear and tear over an extended period of time without being exhausted. Durables lending may be executed via a POS lending format signifying that the loan is initiated at the merchant where the goods were sold. These loans allow durable goods to be purchased and paid for in installments. While a variety of merchant categories and merchant sizes may offer these types of loans, large retailers selling higher ticket items appear the most likely purveyor of these types of loans. Automobiles and two-wheel vehicles are excluded from this product category.
- *Education lending:* An advance of funds intended for a student to finance secondary, university, postgraduate (Masters, Ph.D.), vocational, part-time and continuing education. To qualify under Euromonitor’s definition of education lending, these loans – borrowed from either private or government sources – must be used toward an individual’s pursuit of higher education. A university borrowing funds for construction of a building on campus would not qualify under education lending.
- *Home lending:* Includes the following loan types: home equity loan, home equity line of credit and home improvement loans. A home equity loan refers to a loan secured by the equity in a borrower’s home. This type of debt instrument allows the homeowner to access the equity in their home. These loans are distributed as an upfront lump sum and are paid off by the borrower in installments. A home equity line of credit is a revolving line of credit allowing the borrower to access a credit line based on the amount of equity in the home. Borrowing may be done over a period of time and repeated similar to a credit card. A home improvement loan refers to a consumer loan taken out for such things as home repairs, remodeling projects, or room additions instead of tapping into the equity of a home.
- *Other personal lending:* The definition for other personal lending includes personal loans and personal lines of credit generally intended for debt consolidation, vacations, living expenses, weddings and medical bills. These typically short-term loans also consist of overdrafts and payday loans.

Based on Euromonitor’s market segmentation, the most relevant personal loan categories for Nordax are card lending, durables lending and other personal lending. In this Offering Memorandum, references to “**Personal Loans**” are to loans within card lending, durables lending and other personal lending.

Nordax offers personal loans up to SEK 400,000 in Sweden, NOK 400,000 in Norway and EUR 30,000 in Finland and Germany, primarily with long maturities. Loans of this type may be used by customers to consolidate other loans, and to gain access to additional liquidity. Personal Loans, however, include loans of a wide range of sizes, interest rates and durations, which are offered to various customer groups.

The following chart sets forth an illustration of the Personal Loan market in Sweden, Norway and Germany as part of the total personal lending market in 2014:



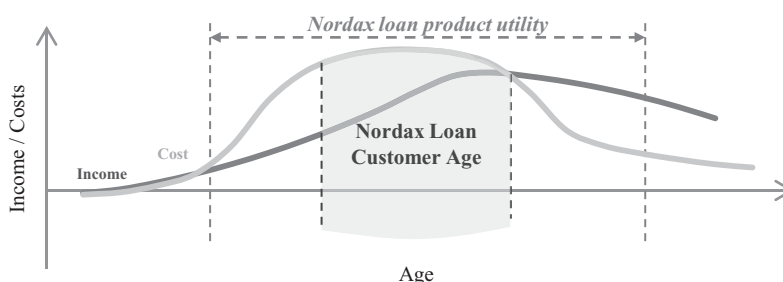
Source: Euromonitor estimates.

Nordax's personal loan markets are Sweden, Norway, Finland and Germany, which represented 37.7 percent, 40.1 percent, 16.7 percent and 3.2 percent, respectively, of Nordax's loan portfolio as at March 31, 2015. Nordax's Core Markets together comprised 94.6 percent of Nordax's loan portfolio as at March 31, 2015.

#### *Nordax's Customers and the Role of Personal Loans in Society*

Personal Loans serve to provide liquidity to bridge potential gaps between personal income and costs.

The following chart sets forth an illustrative distribution of income and costs over an individual's lifetime:



Nordax's target customer group consists of prime individuals with stable finances in the age range of 40 to 60 at the time of application. People within this age group typically have families, have moved to larger homes to accommodate children and are in a phase in their lives when costs often exceed income. Nordax's loan products enable customers to bridge the income and cost disparity over an extended period of time. Over time, the balance of income and costs generally improves as household incomes increase, children move out and household costs decrease. Household savings, and therefore capacity to repay loans, can also potentially increase further as a result of inheritance.

Individuals living in single households also go through phases where costs exceed income as individuals invest in accommodation and durables and pursue active lifestyles. As investment needs and activity levels tend to gradually decrease and incomes increase, loans may be prepaid.

#### **Key Characteristics of Nordax's Markets**

Nordax believes that it operates in markets characterized by the following key characteristics:

##### *Favorable Macroeconomic Outlook*

Nordax's Core Markets and Germany are largely supported by favorable macroeconomic environments. Sweden and Norway are expected to demonstrate growth in GDP and disposable income and low

unemployment rates, as compared to Western Europe. Finland and Germany are expected to show GDP growth and disposable income growth rates in line with Western Europe. These factors are expected to support continued stable growth in household consumption and, in turn, growth in the outstanding balance of Personal Loans. See “—Market Outlook, Drivers and Trends—Market Outlook” below.

### ***Solid Public Finances and Extensive Social Welfare Systems***

Nordax’s Core Markets and Germany are characterized by solid public finances with low levels of public debt. In 2014, Sweden, Norway and Finland had public gross debt to GDP ratios of 44 percent, 26 percent and 59 percent, respectively, as compared to the euro area (*i.e.*, Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia and Spain) level of 92 percent. (Source: Eurostat.) Nordax’s markets have high sovereign credit ratings, with Sweden, Norway and Germany having the highest possible AAA sovereign credit rating with “Stable” outlook from Standard & Poor’s and Finland having a credit rating of AA+ with “Stable” outlook as at the date of this Offering Memorandum. These factors are expected to enable governments to increase public spending to stimulate the economies if necessary. Additionally, Nordax’s Core Markets and Germany have extensive social welfare systems, with high unemployment allowances and social support from governments, which help borrowers to continue to service existing debt obligations despite potential adverse changes to their social and economic situation.

### ***Strong Embedded Cultural Inclination to Repay Debt***

Nordax believes that there is a strong embedded cultural inclination to repay debt among the public in its Core Markets and Germany. As individuals tend to initiate principal repayments shortly after a loan is extended, loans become less of a burden for individuals if their social situation changes and their ability to service the loan declines. The will to repay the debt, in combination with stable economies, has resulted in low levels of non-performing loans (“NPLs”). For example, Sweden and Norway had NPLs to total outstanding balance of total personal loans (as defined by Euromonitor) ratios of 3.5 percent and 3.6 percent, respectively, in 2014, as compared to ratios of the United Kingdom and the United States of 3.8 percent and 7.6 percent, respectively. (Source: Euromonitor.)

### ***Access to Personal Information and Data***

The markets in which Nordax operates are characterized by high availability of personal data, both in terms of amount and relevance of data for Nordax’s business. Although the level of detail of credit information varies in Nordax’s markets, Nordax’s Core Markets all have social security number systems, giving the entire population separate and publicly available personal identification numbers. The personal identification numbers are issued by the tax agencies and are commonly used by, for example, public authorities, schools, banks and insurance companies. These systems facilitate easy access to detailed public personal information about potential borrowers, including income, marital status, credit history and bad debt information. There are data providers offering highly-relevant data on individuals for marketing purposes in Sweden, Norway and Germany, and somewhat less relevant data in Finland. In Sweden and Finland, the data is available mostly on a personal level, meaning that the data is provided per individual, although the identity and address of the individual is not revealed. In Norway and Germany, the data is mostly on a cluster level, meaning that information provided is the average for all people within, for example, a certain postal code. As with personal-level data, cluster-level data does not reveal identities or addresses. This data allows banks that have the necessary competence to perform targeting and credit risk modelling in order to minimize credit losses. Further, access to credit bureau information simplifies the application process by removing several manual input and verification steps. In Sweden, both positive and negative income and credit information is available (with positive income information available only from UC). In Norway, income information and negative (but no positive) credit information is available. In Finland, only negative credit information (but no positive credit information or income information) is available. In Germany, positive and negative credit information (but no income information) is available. The extensive public databases of income and credit information simplifies matching and traceability, which creates a lender friendly operating environment.

### ***Effective Legal Debt Collection Systems***

Nordax’s Core Markets and Germany have effective legal debt collection systems, which simplify debt collection and promote recovery rates should debt become delinquent. The main legal debt collection measure is wage garnishment, which is managed by governmental bodies in Nordax’s Core Markets and

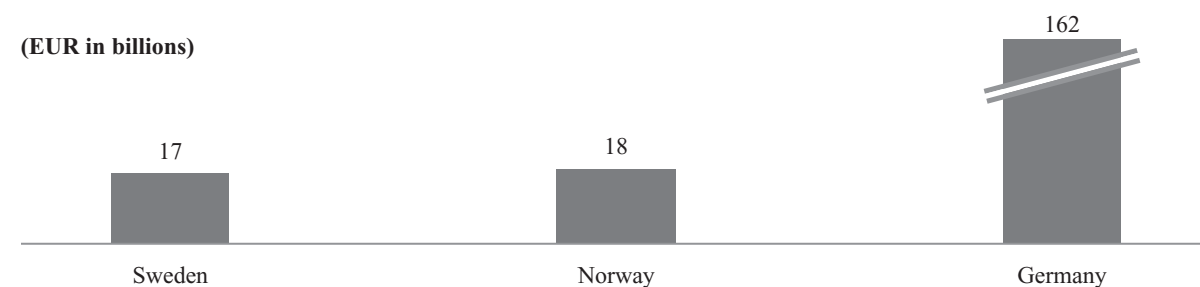
Germany. Seizure of property is also available in these countries and in Denmark, but in general, Nordax has not used it as a legal debt collection measure because of its inefficiency as a collection measure for unsecured consumer credit. Wage garnishment is not possible in Denmark. In Sweden, Norway and Denmark, the statute of limitations for debt collection is ten years and it can be renewed through acknowledgement of the debt by the customer (usually through payment), the creditor making a claim in writing or otherwise notifying the debtor in writing or through legal action. In Finland, the absolute statute of limitations for debt collection is 15 years from the first collection effort. In Germany, the ordinary statute of limitations for debt collection is three years calculated from the end of the year in which the claim arises. The statute of limitations for the enforcement of a judgment or an order issued by a court is 30 years in Germany, and may be prolonged by legal action by the creditor. Nordax's Core Markets have efficient bailiff systems that handle debt collection and distraint and are managed centrally (in Sweden) or by local government bodies (in Finland and Norway). In each of the countries in which Nordax operates, taxes, child support and similar debts have priority in debt collection. In Sweden and Finland, the debt collection is proportional between creditors. In Norway, Denmark and Germany, creditors collect based on the order in which they submitted their claims. Nordax benefits from effective voluntary repayment agreements and effective wage garnishment systems in its Core Markets and Germany.

Debtor repayment incentives also vary by country. Derogatory information is available in each of the countries in which Nordax operates. Derogatory remarks remain in the credit record for two years in Finland; three years in Sweden, Norway and Germany; and five years in Denmark. In Finland, individuals who are delinquent on their debt are also flagged by credit bureaus. In Nordax's Core Markets and Germany, derogatory information in an individual's credit record generally impairs the individual's ability to obtain, for example, new credit, phone subscriptions and rental housing. In Denmark, derogatory information in an individual's credit record only impairs the individual's ability to obtain new credit. The penalty fees also vary by country.

## Market Size and Historical Development

### Market Size

The following graph sets forth the outstanding balances of Personal Loans in Sweden, Norway and Germany in 2014:



Source: Euromonitor estimates.

According to Euromonitor, the combined outstanding balance of Personal Loans in Sweden, Norway and Germany was estimated to be EUR 197 billion in 2014. The largest market was Germany, which had EUR 162 billion in outstanding Personal Loans, followed by Norway and Sweden with EUR 18 billion and EUR 17 billion, respectively.

According to the Swedish Bankers' Association (Sw. *Svenska Bankföreningen*), the outstanding balance of total unsecured consumer loans (Sw. *blancolån*) in Sweden was EUR 22 billion in 2013.

## Historical Development

According to Euromonitor, the outstanding balances of Personal Loans in Nordax's two largest markets, Sweden and Norway, have grown steadily in recent years. The following table sets forth the outstanding balances of Personal Loans in Sweden, Norway and Germany in the years indicated:

	2010	2011	2012	2013	2014	CAGR 2010–2014 (percent)
	(EUR in billions)					
Sweden . . . . .	14	15	16	17	17	4.8
Norway . . . . .	16	17	16	17	18	2.4
Germany . . . . .	182	176	170	166	162	(2.9)

Source: Euromonitor (estimates for 2014).

The outstanding balances of Personal Loans in Sweden and Norway grew at CAGRs of 4.8 percent and 2.4 percent, respectively, between 2010 and 2014. During the same period, the outstanding balance of Personal Loans in Germany decreased at a CAGR of 2.9 percent.

According to the Swedish Bankers' Association, the outstanding balance of total unsecured consumer loans in Sweden grew at a CAGR of 4.6 percent between 2010 and 2013.

According to the Financial Supervisory Authority of Norway (No. *Finanstilsynet Norge*), the combined outstanding balances of total unsecured consumer loans (No. *forbrukslån*) of 22 selected banks and consumer finance companies grew at a CAGR of 11.5 percent between 2010 and 2013.

## Market Outlook, Drivers and Trends

### Market Outlook

According to Euromonitor, the outstanding balances of Personal Loans in Nordax's two largest markets, Sweden and Norway, have grown in recent years and are forecasted to continue to grow in the near term. The following table sets forth the forecasted outstanding balances of Personal Loans in Sweden, Norway and Germany in the years indicated:

	2014e	2015e	2016e	2017e	CAGR 2014e–2017e (percent)
	(EUR in billions)				
Sweden . . . . .	17	17	18	18	2.4
Norway . . . . .	18	19	20	22	6.1
Germany . . . . .	162	159	156	153	(1.9)

Source: Euromonitor.

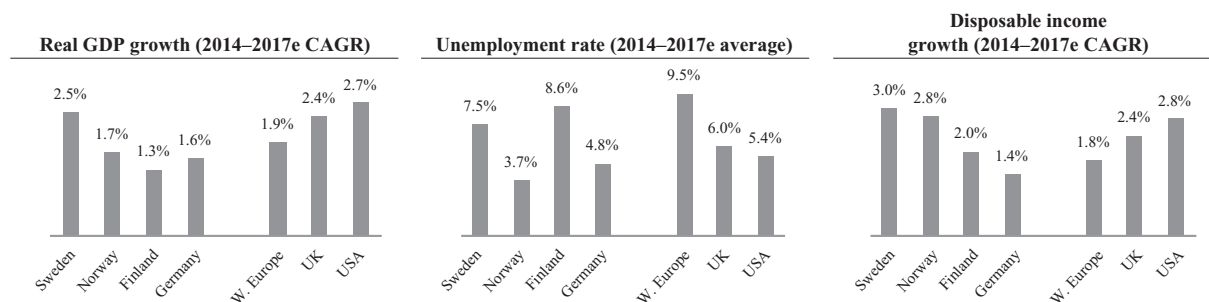
e = estimate.

The outstanding balances of Personal Loans in Sweden and Norway are forecasted to grow at CAGRs of 2.4 percent and 6.1 percent, respectively, between 2014 and 2017, while the outstanding balance of Personal Loans in Germany is expected to decline at a CAGR of 1.9 percent during the same period.

### Market Drivers

An important driver of the lending market is the state of the overall economy. Economic growth, including growing GDP, increasing house prices and disposable incomes, and low unemployment rates, typically drives consumer confidence and consumer spending and demand for Personal Loans.

The following graphs set forth Euromonitor's forecasted growth in GDP and disposable income and average unemployment rates for the periods indicated:



Source: Euromonitor.

e = estimate.

Note: Western Europe includes: Austria, Denmark, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Turkey and the United Kingdom.

Real GDP in Sweden, Norway and Finland, is forecasted to grow at CAGRs of 2.5 percent, 1.7 percent and 1.3 percent, respectively, between 2014 and 2017, as compared to the forecasted CAGR of 1.9 percent for Western Europe. The forecasted average unemployment rate for 2014 to 2017 is 7.5 percent in Sweden, 3.7 percent in Norway and 8.6 percent in Finland, as compared to 9.5 percent for Western Europe. Disposable income is forecasted to increase in Sweden, Norway and Finland at CAGRs of 3.0 percent, 2.8 percent and 2.0 percent, respectively, between 2014 and 2017, as compared to the forecasted CAGR of 1.8 percent for Western Europe.

### **Market Trends**

In addition to the macroeconomic environment, there are several other important trends in the market that are expected to affect industry participants, such as Nordax.

#### *Strong Growth in Non-traditional Banking*

In recent years, a wide variety of traditional banking products and services, including, for example, lending, savings, credit intermediation and stock trading, have begun to be offered by new market players. These players have developed and refined such traditional banking products and services, and made them available to a wider audience. Examples of such new players include niche personal loan providers such as Nordax, online stock brokers, online payment processing and credit providers, and credit intermediaries.

#### *Increasing Regulatory Pressure and Capital Requirements*

The banking industry is facing continued increases in regulation, both in terms of capital requirements and supervision. The global financial crisis of 2007 to 2010 led to the development of the Basel III regulatory framework, the latest global regulatory standard for banks. Increased capital requirements and increasing regulatory pressure from supervisory bodies mean a greater focus on risk management and compliance procedures for banks.

#### *Increasing Penetration of Credit Intermediaries*

Credit intermediaries are typically websites that allow customers to benchmark loan products from multiple credit providers against each other based on parameters, such as loan sizes, loan durations and interest rates. Credit intermediaries are becoming increasingly important marketing channels for lenders and have emerged as sizeable industry participants in Nordax's markets. The emergence of credit intermediaries has enhanced the transparency of the personal lending industry, allowing customers to find the product with the highest customer utility. The entry of credit intermediaries has increased the awareness and acceptance of personal loans, but at the same time made it difficult to compete through mass communication only.

## **Competitive Environment**

### ***Competitors***

The Personal Loan market is characterized by a high degree of competition and fragmentation. Nordax's competitors can broadly be categorized into two groups: full-service banks and niche Personal Loan providers (including Nordax). Nordax believes niche Personal Loan providers are gaining market share and are its closest direct competitors.

#### ***Full-service Banks***

Full-service banks offer a broad range of products and services, including mortgage lending, credit and debit cards, corporate lending and merchant banking, which are provided to clients through widespread retail branch networks and online. These banks are typically the incumbents and market leaders with regards to retail banking services, supported by their established market positions, extensive branch networks and high customer awareness. Full-service banks also compete by offering lower interest rates than niche Personal Loan providers.

Full-service banks offer a range of secured and unsecured Personal Loan products, where unsecured Personal Loans represent a fairly limited portion. Full-service banks have historically had a limited focus on the Personal Loan market, which has resulted in a low awareness of their Personal Loan offerings. The limited focus on personal loans has also allowed new players, such as niche Personal Loan providers, to establish market positions and build significant experience and competence in underwriting unsecured Personal Loans. Furthermore, customers often tend to separate their Personal Loans from their other traditional bank products, such as savings accounts, mortgage loans and bank cards.

Example of competitors within this segment include Nordea, SEB, Swedbank and Handelsbanken in Sweden; DNB, Nordea and SEB in Norway; Nordea, OP (Pohjola) and Danske Bank in Finland and Deutsche Bank, Postbank and Commerzbank in Germany.

#### ***Niche Personal Loan Providers***

Niche Personal Loan providers in the Personal Loan market are typically focused players with a narrower offering than full-service banks. Nordax considers niche Personal Loan providers to be its main competitors as they have similar product offerings and offer similar interest rates (which are generally higher than the interest rates offered by full-service banks).

Examples of competitors in the niche Personal Loan providers segment include Ikano Bank, Santander Consumer Bank, ICA Banken, SevenDay, Bank Norwegian, Nordnet, Skandia, Marginalen Bank, Wasa Kredit and Resurs Bank in Sweden; Gjensidige, Santander Consumer Bank, Bank Norwegian, Ya Bank and Komplet Bank in Norway; Santander Consumer Bank, S-Pankki, Svea Direkt and Bigbank in Finland; and Santander Consumer Bank, Credit EuropeBank, Targo Bank and ING DiBa in Germany. Except for Santander Consumer Bank, the majority of Nordax's competitors within this segment are local companies that focus on one or two geographic markets.

#### ***Barriers to Entry to the Personal Loan Market***

There are several barriers that make it difficult for new entrants with limited scale or experience operating in a regulated environment to enter the Personal Loan market. Some of the key barriers to entry are discussed below.

#### ***Economies of Scale***

The Personal Loan market is characterized by significant scale advantages. The strict and complex rules and regulations for banks and credit institutions require participants to establish robust legal, compliance and finance functions and systems, which require substantial investments and know-how. Once such functions are established, they can typically handle large loan volumes, which create significant scale advantages and operational leverage for large lenders.

#### ***Increasing Regulatory Pressure and Capital Requirements***

Participation in the Personal Loan market in Nordax's Core Markets and Germany requires approval from or notification to local financial regulators. Regulators' focus on maintaining financial stability has led to the implementation of more stringent lending practices and additional rules, requirements and regulations

over time. The Personal Loan market is subject to substantial legislation and regulation relating to capital adequacy and liquidity requirements, including the Basel III framework. In addition to increased common equity requirements, Basel III requires additional capital buffers, such as the capital conservation buffer and the countercyclical capital buffer. New entrants in the market must comply with the increasing and more complex requirements and regulations, including regulations regarding internal governance and control, as compliance requires large amounts of capital, strong management focus and sufficient income to support organizational investments in compliance and risk functions. For more information on the regulation of financial institutions in the Personal Loan market, see “*Supervision and Regulation.*”

#### *Access to Large Datasets and Sophisticated Scoring Models*

The ability to accurately assess the creditworthiness of loan applicants requires sophisticated and well-tested credit scoring models, which, in turn, is dependent on access to extensive historical credit performance data. Developing strong and predictive credit scoring models requires significant time and lending experience, which acts as a barrier to entry for potential new market entrants. The risk of making inaccurate credit decisions is higher when players enter a new market without any previous experience or historical performance.

#### *Access to Sufficient Long-term Funding*

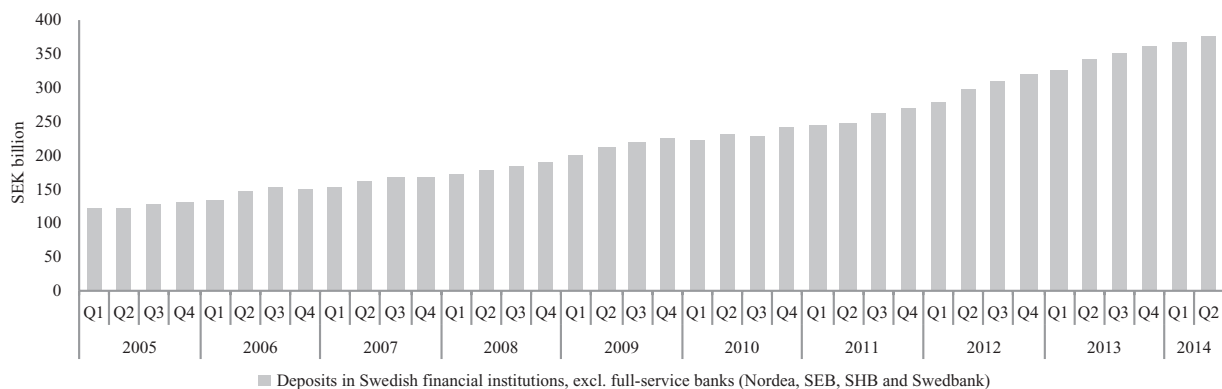
New entrants to the Personal Loan market must secure access to sufficient long-term funding to finance their business and loans before any loan applications can be approved. Access to funding is limited for new entrants due to their limited track records of underwriting capabilities, financial stability and compliance with regulatory capital requirements. Consequently, new entrants require substantial equity injections, which results in low returns on equity until debt financing can be obtained. In addition, access to the deposit market, particularly in Sweden, has become more difficult as the requirements for obtaining the necessary licenses have increased.

### **Nordax’s Deposit Markets**

Nordax funds its personal lending operations through a diversified funding base. Retail deposits are a significant source of funding for Nordax. All of Nordax’s deposit products are guaranteed by the Swedish Deposit Insurance Scheme up to the Swedish kronor equivalent of EUR 100,000.

All licensed and regulated financial institutions in Sweden are able to offer retail deposit products that are covered by the Swedish Deposit Insurance Scheme. Deposits can be demand deposits (*i.e.*, deposited funds that can be withdrawn at any time) or term deposits (*i.e.*, deposits held for a fixed term that can only be withdrawn without penalty after the term has elapsed).

In Sweden, the balance of retail deposits has grown significantly in recent years and has historically been stable and resilient to economic downturns. The following graph sets forth the balance of retail deposits held by small Swedish financial institutions (*i.e.*, excluding Nordea, Swedbank, Handelsbanken and SEB) as at the dates indicated:



Source: SCB.

In Sweden, the balance of retail deposits, including both demand deposits and term deposits, held by small financial institutions has been steadily increasing and has grown at a CAGR of 13 percent between March 31, 2005 and June 30, 2014. The balance of retail deposits has increased in all but three quarters

during this period. As at June 30, 2014, the balance of retail deposits in Swedish small financial institutions was SEK 377 billion. The balance of retail deposit has developed similarly in Norway, where the total balance of deposits, including retail deposits and deposits from corporates in all banks, not just small financial institutions, has grown at a CAGR of 8 percent between 2005 and 2013 to NOK 1,963 billion. (Source: Norge Finans.)

Financial institutions manage inflows and outflows of retail deposits by adjusting interest rates and by launching new deposit products. Small changes in interest rates can affect the competitiveness of deposit products as compared to the deposit products of other financial institutions. The growing underlying demand for retail deposits and retail deposits' attractive characteristics as a flexible and cost efficient source of funding have led to several small financial institutions introducing retail deposit and other retail savings products. Competitors in the Swedish retail deposit market include, among others, the full-service banks, and niche players such as Nordnet, Santander Consumer Bank, Collector and HoistSpar. In Norway, competitors include, among others, the full-service banks, and niche players such as Bank Norwegian, Santander Consumer Bank and Gjensidige.

## BUSINESS

### Overview

Nordax is a leading niche bank in the Nordic region offering large personal loans targeted at individuals that, based on historical credit losses, it assesses to be low risk and “prime” as they are generally middle-aged, employed individuals with average incomes above national household averages, near or higher than national average rates of home ownership and no negative payment remarks on their credit records. Nordax has been developing its presence in Germany since 2012. Nordax also offers retail deposit products to individuals in its Core Markets. As at March 31, 2015, Nordax’s loan portfolio amounted to SEK 10,312 million with 69,931 loans and its retail deposits amounted to SEK 6,524 million held in 25,453 deposit accounts. The weighted average term of Nordax’s loans at origination based on its loan portfolio as at March 31, 2015 was 9.2 years and the maximum term available to qualifying customers is 15 years.

Nordax’s business model is focused on efficient data management, statistical analysis, test and learn approach and quantitative decision making. This approach is used throughout Nordax’s operations, including marketing, credit risk management, legal collection and funding. Nordax has developed strong analytical capabilities in its decision science and quantitative modeling, which promotes marketing efficiency and credit quality.

The risk assessment process at Nordax begins from the design of loan product characteristics and marketing campaigns as this has a significant impact on the ultimate credit risk level in the loan portfolio. Targeted marketing represents a core competence for Nordax and is comprised of Nordax’s most important marketing channels, including direct mail, unaddressed mail and marketing through cooperation partners. By using sophisticated statistical models, Nordax is able to target attractive segments by excluding from its marketing segments of individuals who are not likely to apply or be approved for a loan, which promotes marketing efficiency and approval rates. Targeted marketing accounted for 57.4 percent of Nordax’s new loan volumes in 2014 (62.1 percent in 2013 and 67.1 percent in 2012). Nordax’s marketing channels also include repeat sales to existing customers and untargeted marketing channels, including credit intermediaries and mass communication.

Before approving a loan, Nordax carries out a thorough credit assessment for each loan application in accordance with its credit policies and applicable laws and regulations. The credit assessment process includes a combination of policy rules, referral rules, internal credit scoring models and an affordability calculation, and a credit limit matrix. For additional information on Nordax’s underwriting process, see “—*Loan Underwriting Process and Credit Risk Management*” below. For additional information on Nordax’s risk management, see “*Risk Management*.”

Nordax operates from a centralized platform in Stockholm, Sweden, where all of its employees and functions are located. The centralized platform has allowed Nordax to cost-efficiently scale its lending operations from the start in Sweden in 2004 to Norway, Denmark, Finland and Germany, and to expand into offering retail deposit products beginning in 2008. The centralized platform also supports continuous information sharing across Nordax’s functions and markets. As a regulated entity, having centralized corporate governance, risk management and control functions allows Nordax to closely and efficiently monitor internal governance and control.

Nordax’s diversified funding base consists of ABSs, warehouse funding facilities from two international banks, retail deposits, senior unsecured bonds and equity and subordinated debt, which represented 20.2 percent, 17.2 percent, 45.1 percent, 3.3 percent and 14.1 percent, respectively, of Nordax’s funding (based on carrying value) as at March 31, 2015. Nordax’s ABS issuances are facilitated by the credit performance of Nordax’s loan portfolio and the availability of extensive credit performance data. Having a diversified funding base reduces Nordax’s liquidity risk and provides opportunities for Nordax to grow and optimize its funding mix over time.

## Key Competitive Strengths

Nordax believes that its business is characterized by the following key strengths:

### ***Focused Business Model Providing Products with Clear Customer Utility: Personal Loans to Prime Customers Originated Using a Data-Driven Targeting Model***

#### *A Focused Business Model with Personal Loan Products that Offer Clear Customer Utility*

- Nordax is a leading niche bank in the Nordic region offering large personal loans targeted at individuals that it assesses to be low risk and “prime.” Since starting its operations in Sweden more than a decade ago, Nordax has built its reputation, brand and expertise as a personal lender of choice in its Core Markets. Nordax focuses on personal loans of sufficiently large size, long duration and small monthly payments to create lifecycle utility for its customers, who typically seek personal loans for debt consolidation and consumption. Nordax offers loans up to SEK 400,000 in Sweden, NOK 400,000 in Norway and EUR 30,000 in Finland and Germany, with a weighted average principal amount at origination of SEK 140 thousand and a weighted average monthly payment of SEK 2,338 as at March 31, 2015. Nordax believes that this level of average monthly payment is seen by its customers as attractive and affordable.
- Nordax provides clear product utility for its target customers during a phase in their lives when consumption and investments often exceeds income. Nordax’s loan products enable customers to take advantage of a loan at an affordable monthly cost that allows them to bridge the gap between their income and costs over an extended period of time. Nordax offers loans with terms of up to 15 years, with a weighted average term at origination of 9.2 years based on Nordax’s loan portfolio as at March 31, 2015. Due to their long duration, Nordax’s customers are able to repay their loans gradually as their cost or income levels change, for example as the family matures, children move out and activity levels decrease. Nordax’s eligible customers benefit from further flexibility in the form of repeat sales campaigns, including payment holidays, additional loans and duration extensions. Nordax accepts loan prepayment in full at any time without prepayment penalties, providing further flexibility to customers in planning their personal finances.

#### *Targeting “Prime” Customers with Stable Household Finances and no Credit Remarks*

- Nordax targets middle-aged prime customers with stable finances. The typical 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. In many cases, the application includes a co-applicant which further strengthens the credit quality of Nordax’s customer base. For additional information on Nordax’s target customer group, see “—Sales and Marketing of Personal Loans—Targeted Marketing—Target Customer Group” below.

#### *Diversified Marketing Channels*

- Nordax has a diversified distribution platform with an aggregate of 20 marketing channels across its markets, with the ten largest channels generating new loan volumes of SEK 3,331 million for the year ended December 31, 2014. For the year ended December 31, 2014, 57.4 percent of Nordax’s new loan volumes was originated through its targeted marketing channels and 23.0 percent of Nordax’s new loan volumes was repeat sales to existing customers, with the remaining 19.6 percent originated through untargeted marketing. See “—Sales and Marketing of Personal Loans” below. Nordax’s targeted marketing model allows it to approach potential borrowers, rather than potential borrowers approaching it. Nordax believes that, historically, the credit quality of individuals that become customers following Nordax’s targeted marketing initiatives has been better as compared to other customers.

#### *Data-Driven Customer Targeting Models Promoting Marketing Efficiency*

- Nordax has developed data-driven customer targeting models for each of the countries in which it operates in order to identify and access its target customer base in a cost-effective manner. The customer targeting models, which work as a first step in Nordax’s underwriting process, use up to 40 factors of data on a personal and cluster level to exclude segments of individuals who are not likely to apply or be approved for a loan from Nordax’s marketing. Through its customer targeting models, Nordax is able to exclude approximately three-quarters of addresses from its targeted marketing campaigns, thus promoting marketing efficiency and approval rates. By constantly monitoring and

refining the performance of its customer targeting models, Nordax is able to further improve its marketing efficiency. For additional information on Nordax's customer targeting models, see “—Sales and Marketing of Personal Loans—Targeted Marketing—Customer Targeting Models” below.

- Nordax has been able to steadily increase the cumulative number of applications from previously targeted individuals, thus demonstrating its ability to sell to its existing target customer groups over time. Nordax constantly monitors the segments of individuals excluded by its customer targeting models for changes that would make them attractive potential borrowers. In addition, Nordax's target group is constantly replenishing, which is demonstrated by the fact that the average age of Nordax's customers at the time of application has typically been 47 years since Nordax commenced operations.

#### ***Nordax's Core Markets and Germany are Attractive and Have Suitable Characteristics for Nordax's Business Model***

##### *Rich Data and Personal Data Environment*

- In its Core Markets and Germany, Nordax has access to marketing databases that contain highly-relevant data for customer targeting and conducting credit assessments. Nordax sources data for targeted marketing from third-party data providers, with highly-relevant data available in Sweden, Norway and Germany, and somewhat less relevant data available in Finland. In Sweden, such factors on a personal level include, for example, age, marital status, accommodation status, personal income, household income and postal code, and on a cluster level include, for example, education, income, family size, house type and credit history. In Sweden and Finland, Nordax has access to data mostly on a personal level, meaning that the data is provided per individual. In Norway and Germany, the data available to Nordax is mostly on a cluster level, meaning that information provided is the average for all people within, for example, a certain postal code. Due to the differences in the relevance of available data as well as data protection laws, Nordax has adapted its marketing strategy to each of the countries in which it operates. For additional information on Nordax's targeted marketing, see “—Sales and Marketing of Personal Loans—Targeted Marketing” below.
- Nordax also has access to credit bureau data in its Core Markets and Germany, which facilitates its underwriting process and allows it to perform sophisticated credit risk modeling. In Sweden, for example, both positive and negative income and credit information is available and, therefore, verification documents, such as salary statements or tax returns, are generally not required from loan applicants.

##### *Effective Legal Debt Collection Systems*

- Nordax has a solutions-orientated approach to collections, and it has developed a range of payment relief measures that are designed to help its customers early on should payment issues arise. Through this approach, Nordax aims to achieve an optimal outcome for both the customer and its business. Should these measures not work, Nordax is able to rely on the effective and objective legal debt collection systems in its Core Markets and Germany, which utilize tools such as wage garnishment, have long statutes of limitations for debt collection and are supported by a strong embedded culture of debt repayment, all of which contribute to Nordax's recovery rates. For additional information, see “Industry Overview—Key Characteristics of Nordax's Markets—Effective Legal Debt Collection Systems.”

##### *Attractive Growth and Macroeconomic Fundamentals*

- Nordax's Core Markets and Germany are largely supported by favorable macroeconomic environments. Nordax's markets have high sovereign credit ratings, with Sweden, Norway and Germany having the highest possible AAA sovereign credit rating with “Stable” outlook from Standard & Poor's and Finland having a credit rating of AA+ with “Stable” outlook as at the date of this Offering Memorandum.

#### ***Track Record of Growth and Expansion at Low Incremental Cost with Further Growth Potential***

##### *Track Record of Profitable Growth with Further Growth Potential*

- Nordax has a solid track record of loan portfolio growth. Nordax's loan portfolio has grown at a CAGR of 30.7 percent from December 31, 2004 until March 31, 2015. Except for the years 2009 to 2010, when Nordax made the decision to suspend new lending operations, Nordax's loan portfolio has grown each year. Nordax has increased its new loan volumes at a CAGR of 24.4 percent from

SEK 2,482 million for the year ended December 31, 2012 to SEK 3,843 million for the year ended December 31, 2014. Nordax believes that there is considerable further potential to grow its loan portfolio if maintains its new loan volumes at the 2014 level.

- Nordax sees untapped potential in its Core Markets and aims to continue to grow its new loan volumes and, therefore, its loan portfolio. Nordax's loan portfolio in Sweden and Norway as at December 31, 2014 amounted to approximately 2 percent of the outstanding balance of Personal Loans in the same markets in 2014 (source: Nordax estimates based on Euromonitor estimates of the outstanding balance of Personal Loans), representing a significant growth opportunity. This opportunity is underpinned by Nordax's low penetration in its identified target customer groups. Furthermore, Nordax's markets are characterized by relatively high churn rates due to the relatively short maturity of loans and high prepayment rates, which could enable Nordax to quickly capture market share. For example, the churn rate (defined as the value of new Personal Loans excluding credit cards originated in 2014 less the change in the outstanding balance of Personal Loans excluding credit cards between 2013 and 2014, as a percentage of the outstanding balance of Personal Loans excluding credit cards in 2013) was 25 percent in Sweden and 24 percent in Norway (source: Euromonitor). Furthermore, repeat sales provide Nordax with an attractive, low cost method of origination to existing customers. Nordax has increased its new loan volumes from repeat sales from SEK 413 million, or 16.6 percent of its total new loan volumes, for the year ended December 31, 2012 to SEK 883 million, or 23.0 percent of its total new loan volumes, for the year ended December 31, 2014.

#### *Scalable Centralized Operating Platform Facilitating Growth at Low Incremental Cost*

- Nordax has a scalable, cost efficient organization operating from a centralized platform located in Stockholm, Sweden, that has significant embedded operating leverage. Nordax's centrally managed governance and control framework facilitates risk management and transparency across its operations, and Nordax believes that this framework will deliver growing benefits as the regulation of the financial services industry becomes increasingly complex. The scalability of Nordax's centralized operating platform is enhanced by its highly scalable and flexible centralized IT platform. Due to the operating leverage provided by its centralized platform, Nordax's profit has grown faster than its loan portfolio, with operating profit increasing at a CAGR of 32.5 percent and profit before credit losses increasing at a CAGR of 18.6 percent between the year ended December 31, 2012 and the year ended December 31, 2014.

#### *Expanding into the Large, Attractive German Market with Growth Potential*

##### *The German Market has Attractive Characteristics and Growth Potential for Nordax*

- Nordax sees the German market as an attractive operating environment that shares many characteristics with its Core Markets. Germany has a population of approximately 81 million and has a sizeable personal finance market, with the outstanding balance of Personal Loans in Germany amounting to EUR 162 billion in 2014, which was approximately five times larger than outstanding balance of Personal Loans in Sweden and Norway combined (source: Euromonitor). In Germany, Nordax has access to highly relevant data, mainly on a cluster level, to model for its targeted marketing in addition to extensive credit bureau data for use in its underwriting process. Nordax had 3,212 outstanding loans in Germany as at March 31, 2015 and it has identified approximately 550,000 highly attractive target customers that share similar "prime" characteristics as its target customers in its Core Markets, representing substantial further growth potential.
- Personal loans in Germany tend to have fixed interest rates and much shorter durations and higher prepayment penalties as compared to Nordax's loan products. Nordax believes that its ability to offer loans with long durations, and, therefore, larger loans with similar monthly payments, will be a competitive advantage in Germany.

##### *Testing the German Market with a Cautious, Low-cost Strategy*

- Nordax has been testing the German market since 2012 with a cautious, low-cost and data-driven approach and considers its operations in Germany to be at an early stage. Nordax manages and operates its German business from its centralized operating platform in Stockholm, Sweden, with 11 dedicated full-time employees focusing on this market as at March 31, 2015. Nordax's priority in Germany is, among other things, to accumulate further credit data and build marketing and

underwriting expertise before further expanding into the market. Using its data-driven approach, Nordax aims to optimize its margin, its cost of customer acquisition and the credit quality of its applicants in preparation for further expansion.

### ***Focus on Risk Management: Robust Operating and Governance Model and Tested Credit Underwriting Model***

#### ***Robust Operating and Governance Model***

- 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 business model is focused on controlling risks in all aspects of its business and has been built to manage key risks in relation to credit, liquidity and regulatory compliance, which are the most important external risks in the industry in which it operates. The robustness of Nordax's focus on risk management has been tested and assessed numerous times as part of external and internal audit processes.
- Increasing regulation creates barriers to entry and a competitive challenge for existing market participants, which may need to make significant investments related to compliance development. Thus, Nordax believes that its governance and control framework provides it with a competitive advantage.

#### ***Strong Credit Underwriting Process***

- Nordax's underwriting model has been developed based on many years of collective experience going back to the early 1990s. Nordax believes that its founders were among the first to use regression-based scorecards in the Nordic region, and building on this experience and knowledge has enabled Nordax to collect directly relevant credit performance data since the commencement of Nordax's operations in 2004. 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.
- Nordax's underwriting model is stringent and disciplined. Nordax has a semi-automated process with an amount override rate of less than 3 percent (by value) and a score override rate of 0.1 percent (by number of loans) for the 12 months ended March 31, 2015. Between January 1, 2012 and March 31, 2015, Nordax's new loan volumes amounted to SEK 10,426 million and it had write-downs of SEK 942 million. For additional information on Nordax's underwriting process, see "*—Loan Underwriting Process and Credit Risk Management*" below.

### ***Diversified Funding Base, Strong Liquidity Position and Strong Balance Sheet***

#### ***Diversified and Well-matched Funding Base***

- Nordax has a diversified funding base consisting of on-balance-sheet ABSs (denominated in Swedish kronor and Norwegian kroner); warehouse funding facilities from two international banks (denominated in Swedish kronor, Norwegian kroner and euro); retail deposits in Sweden, Norway and Finland (denominated in Swedish kronor, Norwegian kroner and euro); senior unsecured bonds (denominated in Swedish kronor); and subordinated debt and equity (*i.e.*, regulatory capital, denominated in Swedish kronor). Nordax is not dependent on any one capital market, investor base or bank relationship and is able to match its assets and liabilities in terms of currency, duration and interest rates to a large extent. Nordax's funding model is scalable and provides resources for growth, for example through its flexible warehouse funding model.
- Nordax raises retail deposits in Sweden, Norway and Finland, which allows Nordax to match, to a certain degree, the currencies of its loans and deposits, creating a partial foreign exchange rate hedge. Nordax offers various retail deposit products including savings, capital and minimum balance accounts, with its retail deposits amounting to SEK 6,524 million as at March 31, 2015. Since November 2012, Nordax has been in cooperation with Avanza, which has allowed Nordax to attract deposit customers in Sweden through Avanza's internet platform. All of Nordax's deposit products are covered by the Swedish Deposit Insurance Scheme up to the Swedish kronor equivalent of EUR 100,000. Nordax is able to adjust retail deposit flows according to its funding needs and its policy is to maintain at least 25 percent of its retail deposits as a liquidity reserve.

- As the interest rates payable by Nordax on deposits and other funding and the interest rates that it charges on loans to customers as well as substantially all interest rates applicable to its other assets are variable, Nordax has a structural interest rate hedge. When reference rates change, the change is reflected in the interest rates of both assets and liabilities, which results in stable net interest margins. Nordax has made a general policy decision to only adjust interest rates on its Swedish and Norwegian loan portfolio when its cost of funding increases or decreases by at least 50 basis points. Accordingly, Nordax can maintain a stable net interest margin on its two largest loan portfolios, Norway and Sweden. In Finland, Denmark and Germany, Nordax is not permitted to pass its cost of funding to customers and, therefore, the interest rates that Nordax charges on loans to customers are directly linked to reference rates (*i.e.*, Euribor and CIBOR).

#### *Strong Liquidity Position*

- Nordax maintains a strong liquidity position, with a liquidity coverage ratio (LCR) (proposed Basel definition) of 618 percent and a net stable funding ratio (NSFR) of 130 percent as at March 31, 2015. These ratios exceed the CRD IV potential minimum liquidity coverage ratio (LCR) of 60 percent (which will become effective in October 2015, subject to a phase-in period) and potential minimum net stable funding ratio (NSFR) of 100 percent (which could become effective in 2018 or later).

#### *Strong Balance Sheet and Robust Capital Position*

- Nordax operates with a strong balance sheet and solid capital position. Nordax's balance sheet has a high level of asset utilization with 99.8 percent of assets (excluding goodwill and other transaction intangibles) interest-bearing as at March 31, 2015. Nordax has a solid capital position with a CET 1 capital ratio 3.9 percentage points above the required level as at March 31, 2015 (based on a minimum CET 1 capital ratio requirement of 8.7 percent consisting of (i) a minimum CET 1 capital ratio requirement of 4.5 percent, (ii) a capital conservation buffer of 2.5 percent, (iii) a countercyclical capital buffer of 1.0 percent (applicable beginning in September 2015 in respect of Swedish exposures) and (iv) an ICAAP buffer of 0.7 percent). Nordax's leverage ratio was at 9.1 percent as at March 31, 2015. Nordax's ability to achieve an average annual return on tangible equity of 24.1 percent for the years ended December 31, 2012 to 2014 while maintaining low liquidity risk is a testament to the strength of its operating model.

#### *Attractive Margin and Return Characteristics with Solid Capital Generation Capacity*

##### *Attractive and Stable Net Interest Margin*

- For the year ended December 31, 2014, Nordax's net interest margin was 8.5 percent, as compared to 7.9 percent and 7.1 percent for the years ended December 31, 2013 and 2012, respectively. Nordax's structural interest hedge (as discussed above) gives Nordax strong resilience to changes in interest rates and funding costs and helps it to remain profitable if the macroeconomic environment changes. By aiming to charge a fixed net margin against its funding costs, Nordax is also able to reduce volatility in its financial results due to interest rate fluctuations.
- Nordax's historical ability to generate strong net interest margins in all of its Core Markets is a testament to the customer utility provided by Nordax's loan products. Large loans with long maturities and affordable monthly payments provide an attractive solution for customers and are profitable products for Nordax. Nordax has carried out numerous market price sensitivity studies, the results of which have enabled it to set the net interest margins in each of its markets at a level that Nordax believes is beneficial for its customers as well as its earnings.

##### *Solid Capital Generation and Proven Resilience to Downturns*

- Nordax has generated steady annual returns on equity during the past three years. For the year ended December 31, 2014, Nordax's return on tangible equity was 25.6 percent and its CET 1 capital ratio was 12.3 percent as at December 31, 2014, as compared to a return on tangible equity of 20.7 percent for the year ended December 31, 2012 and at a CET 1 capital ratio of 10.2 percent as at December 31, 2012.
- Nordax's business model has historically been profitable and resilient to economic downturns. In the event of a downturn, Nordax is able to reduce or cease loan origination, which allows for a rapid but controlled reduction of its loan portfolio as existing loans are repaid, which is accompanied by a

reduction in regulatory capital requirements. This allows Nordax to efficiently enhance its capital buffer against potential higher credit losses. Nordax demonstrated its ability to stop loan origination due to changes in circumstances while maintaining profitability and capital generation during the financial crisis in 2008 to 2010. During the financial crisis, Nordax's cost of risk was highest for the year ended December 31, 2009 at 2.2 percent excluding Denmark and 3.6 percent including Denmark. Nordax's ability to continue to generate high returns on its loan portfolio during the financial crisis demonstrates its resilience and adaptability to changing market conditions.

#### ***Highly Experienced Management Team with a Clear Vision and Strategy***

##### *Highly Experienced Management Team of Risk Management Specialists*

- Nordax's highly experienced management team of risk management specialists has combined experience of over 200 years in the financial services industry. Nordax's core credit risk management team pioneered Nordic consumer credit underwriting at the beginning of the 1990s while working as a team at GE Financial Services. The team has deep core analytical capabilities within Nordax's core operations in credit risk management and decision science. Five of Nordax's six founders remain active in Nordax's business and are deeply involved in developing the next generations of risk management specialists within Nordax.

##### *Nordax's Management Team has a Track Record of Performance and a Clear Vision and Strategy*

- Nordax's management team has a track record of delivering on Nordax's strategic plans and strong financial performance, building the business and managing it profitably throughout the economic cycle. The management team has successfully expanded the business into its Core Markets and most recently Germany. In the challenging economic conditions during 2008 to 2010, the management team demonstrated their focus on protecting value by suspending new lending operations in 2008 and 2009 and focusing on collections. The actions taken by the management team enabled Nordax to remain profitable during these years and ready to resume new lending operations when macroeconomic conditions improved. Going forward, the management team continues to have a clear vision about Nordax's strategy and remains committed to delivering on their business plan.

#### **Strategy**

Nordax sees significant opportunities to build its position as a personal loan provider of choice in its Core Markets and Germany as well as to further develop its retail deposit business. Nordax intends to leverage its centralized operating platform and explore increasing the automation of its processes in order to improve its cost position. Nordax's strategy is built on its solid and diversified funding base.

Nordax's strategy is underpinned by the following pillars:

#### ***Further Strengthen Market Position and Expand Sales in the Core Markets by Optimizing Distribution and Marketing to Target Customer Group and Developing its Loan Product Offering While Controlling Risk***

- Nordax has accumulated vast experience and strong, time-tested capabilities in customer targeting and underwriting. Nordax remains committed to building on its experience and capabilities to strengthen its market position further and expand sales in its Core Markets. Nordax has historically been successful in capturing market share organically and Nordax expects this approach to continue. Nordax sees untapped potential in its Core Markets and aims to continue to grow its new loan volumes and, therefore, its loan portfolio. Nordax's loan portfolio in Sweden and Norway as at December 31, 2014 amounted to approximately 2 percent of the outstanding balance of Personal Loans in the same markets in 2014 (source: Nordax estimates based on Euromonitor estimates of the outstanding balance of Personal Loans), representing a significant growth opportunity. Nordax will seek to grow its market share while maintaining current high levels of risk control by increasing its penetration in the identified high response target customer group. This group comprises approximately 550,000 individuals in Sweden (out of a database of 3.8 million individuals), 310,000 individuals in Norway (out of a database of 1.4 million individuals) and 360,000 individuals in Finland (out of a database of 1.3 million individuals) as at December 31, 2014. Nordax had 26,987 outstanding loans in Sweden, 22,589 outstanding loans in Norway and 15,315 outstanding loans in Finland as at March 31, 2015, demonstrating the potential for Nordax to grow its loan portfolio in its Core Markets. In addition to its focus on organic growth, Nordax continuously assesses opportunities to grow through acquisitions, and Nordax may make acquisitions if attractive opportunities arise.

- Nordax intends to continue the development and optimization of its marketing channels in order to grow its loan portfolio in its Core Markets. Nordax aims to develop new cooperation partners and credit intermediary relationships as well as to continue to develop its online marketing activities.
- Since Nordax's founders started in the personal lending business in the 1990s, the personal loan product has evolved in terms of average and maximum size offered, as well as the term. Nordax believes that the size of the loan products it offers combined with the loan term enable it to offer loan products with affordable monthly payments, which increases the utility for the customers. Nordax aims to continue to develop the features of its personal loan products to meet the needs of its customers in a market characterized by strong demographics in terms of income stability and income level.

***Maintain Customer Centric Approach with Focus on Improving Customer Utility***

- Nordax has a customer-centric organization with clear corporate values. Nordax's focus since inception has been, and continues to be, on responsibility and prudence towards customers and how it conducts its operations. Nordax is committed to its focus on continuous improvement to customer convenience and experience as a means for maintaining and improving its competitiveness. Customer convenience is an important area of development for Nordax and a cornerstone to ensuring repeat business from existing customers. Nordax continues developing the customer experience through a variety of initiatives. For example, Nordax is in the process of introducing an e-signature option and new web page features to improve customer convenience in all markets. Nordax is also developing its customer service team through new hires and training, which Nordax believes is a strategically important catalyst for growing new loan volumes as well as repeat sales.

***Continue Data-driven Market Testing and Cautious Expansion in Germany***

- Since starting market testing in Germany in 2012, Nordax has an identified target group with considerable growth potential given the relatively large size of the German market and attractive characteristics similar to Nordax's Core Markets. Nordax had approximately 3,000 loan customers in Germany as at December 31, 2014, which represented 0.5 percent of the identified high response target group. This high response target group included 550,000 individuals as at December 31, 2014 out of a database of 13.9 million relevant individuals (as at February 11, 2015). Nordax believes that there is room for improvement in its customer targeting in Germany, with the potential to optimize its margin, its cost of customer acquisition and the credit quality of its applicants in preparation. Nordax is experiencing low but growing approval rates in Germany as it refines its customer targeting models. Nordax is committed to further develop its business model in Germany as it moves towards the next phases of market testing.

***Explore Complimentary Products that Leverage and Build on Core Competencies***

- Nordax is exploring opportunities to develop its product portfolio in order to offer maximum utility to its customers, while remaining true to its core risk management-led approach. Nordax expects to continue to leverage its core competency in credit risk assessment to develop a selected range of complimentary products alongside its current products. Nordax may consider offering new products, such as revolving credit (for example, credit cards), overdrafts, larger loans, secured loans, consolidation services and new savings products. For example, Nordax is exploring offering deposit products in the German market as well as offering loans up to EUR 40,000 in Finland and Germany (as compared to the current maximum amount of EUR 30,000).

***Maintain Solid Capital Position and Diversified Funding Base that Allows the Business to Grow and Simultaneously Generate Return on Capital Invested***

- Nordax believes that it has a competitive strength in its solid capital position and diversified funding base, which together with its operating model enables Nordax to grow its business at the same time as generating returns on capital invested. Nordax intends to continue to raise retail deposits in Sweden, Norway and Finland in local currencies, as well as to explore further funding sources. Nordax intends to continue to use funding sources that provide a high degree of matching of maturities, currencies and interest rate fixing periods, between assets and liabilities, such as ABSs, senior unsecured bonds and warehouse funding facilities. Nordax intends to continue to maintain its conservative approach to liquidity risk, which is reflected in its current retail deposit utilization rate target, the structure of its liquidity reserve and the amount undrawn under its warehouse funding facilities, among other factors.

As part of its risk management strategy, Nordax intends to continue to maintain a diversified funding base that is not reliant on any one market, institution or source of capital.

#### ***Maintain Cost Efficient Operations***

- Nordax intends to leverage the significant embedded operating leverage in its scalable, cost efficient organization operating from a centralized platform located in Stockholm, Sweden, to maintain cost efficient operations. Nordax believes that its centrally managed, solid governance and control framework will deliver growing benefits as the regulation of the financial services industry becomes increasingly complex.

#### ***Maintain a Proactive Approach to Managing Regulatory Risk***

- Nordax has established a process to manage risks associated with an uncertain and rapidly evolving and increasing prudential regulatory environment (see “*Risk Management—Principal Risks—Operational Risk—Management of Operational Risk*”). Nordax believes that managing regulatory risk is essential to its business and intends to maintain a proactive approach to managing such risk.

#### **Financial Targets and Outlook**

The Board of Directors has adopted the following financial targets:

- Maintaining a sustainable return on average net loans through the cycle, on a 12-month rolling basis, of above 3 percent.
- Dividend target of maintaining a payout ratio of approximately 40 percent of profit 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. There can be no assurance that any dividend will be payable in any given year; see “*Dividends and Dividend Policy*.”
- Capital target of maintaining a CET 1 capital ratio above 12 percent and a total capital ratio above 14 percent 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.

In addition to the financial targets set out above, Nordax expects the following outlook with regard to growth, efficiency and asset quality:

- *Growth*: Nordax expects to have similar new loan volumes 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. However, Nordax expects its new Management Incentive Plan (“*MIP*”) to result in annual expenses from 2015 onwards of approximately SEK 10.5 million in excess of bonus payments paid in 2014 to individuals who will participate in the MIP, as discussed further under “*Corporate Governance—Management Incentive Plan*.”
- *Asset Quality*: Maintain cost of risk, on an annual basis, of approximately 2 percent through the cycle.

In preparing the financial targets and outlook described above, Nordax has in general assumed that there will be no changes in existing political, legal, fiscal, market or economic conditions or in applicable legislation, regulations or rules (including, but not limited to, accounting policies (such as *IFRS 9 – Financial Instruments: Recognition and Measurement*) and accounting treatments) that, individually or in the aggregate, would be material to its results of operations, and that Nordax will not become party to any litigation or administrative proceeding that would have a material impact on it. In preparing the growth outlook above, Nordax has assumed that there will be no significant changes in the competitive outlook and no significant decreases in margins. Negative trends in either could adversely affect Nordax’s growth outlook as Nordax does not intend to trade new loan volumes for long-term profitability. The assumptions on which Nordax has based the financial targets and outlook also include the following:

- growth of Nordax’s loan portfolio in its Core Markets and Germany and the overall competitive environment remaining at a level similar to the current environment;
- continued funding through retail deposits and secured funding and that the competitiveness of Nordax’s retail deposit product offering relative to those offered by similar providers of retail deposit products as well as large banks will remain sufficient to attract deposit customers;

- new loan volumes and marketing costs not materially deviating from the level for the year ended December 31, 2014;
- net interest margin remaining at levels similar to the level for the year ended December 31, 2014; and
- recoveries on loans more than 180 days past due remaining at levels in line with Nordax's historic experience and current expectations. For information on Nordax's expected recoveries of principal on loans more than 180 days past due, see "*Operating and Financial Review—Factors Affecting Nordax's Results of Operations—Credit Losses.*"

The assumptions that may also be affected by external factors beyond Nordax's control include the following:

- the macroeconomic environment, for example, unemployment rates, not developing in a negative way to the extent that it has a material impact on Nordax's business;
- foreign exchange rates not changing in a significant way;
- no currently unannounced changes in the way capital requirements are defined or implemented being adopted and no regulation that materially affects Nordax's ability to maintain or grow its new loan volumes or retail deposits at relevant interest rates being adopted; and
- interest rates not materially deviating from the levels experienced in the three years prior to the date of this Offering Memorandum in the medium term.

*The statements set forth above constitute forward-looking statements and are not guarantees of future financial performance. Nordax's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors." Investors are urged not to place undue reliance on any of the statements set forth above. For definitions of certain financial ratios and other financial terms included in this section, see "Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms."*

## **History and Development**

Nordax Bank (previously Nordax Finans AB (publ)) was incorporated on July 15, 2003 and was registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on August 26, 2003, for the purpose of offering personal loans to individuals in the Nordic region. Nordax was founded by Morten Falch (the Company's Chief Executive Officer ("CEO")), Per Bodlund, Peter Brannerydh, Johan Franzén, Mats Lagerqvist and Olle Nordlöf. On January 27, 2004, Nordax Bank was granted a license by the SFSA to conduct financing operations as a credit market company (Sw. *kreditmarknadsbolag*) under the Swedish Financing Business Act (Sw. *lag (1992:1610) om finansieringsverksamhet*) (replaced by the BFBA on July 1, 2004), and commenced lending operations to Swedish customers in February 2004. Nordax commenced cross-border lending operations in Norway in October 2005, in Denmark in October 2006 (Nordax has not offered new loans in Denmark since 2008), in Finland in August 2007 and in Germany in May 2012 in accordance with Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. Nordax began offering retail deposit products in Sweden in December 2008, and cross-border retail deposit products in Norway in September 2009 and in Finland in February 2011. On December 5, 2014, Nordax Bank was granted a banking license by the SFSA. For additional information on the laws and regulations applicable to Nordax, see "*Supervision and Regulation.*"

As at the date of this Offering Memorandum, the Principal Shareholders own in aggregate approximately 75.6 percent of the Shares. The Principal Shareholders acquired their interests in Nordax from its former owners, funds managed by Palamon Capital Partners, in July 2010 when Vision Capital Partners VII LP (Guernsey LP) acquired its interest. Vision Capital Partners VII A LP (Guernsey LP) acquired its interest from Vision Capital Partners VII LP (Guernsey LP) in January 2011. Vision Capital forms part of the Vision Capital group, a private equity firm founded in 1997 operating from the United Kingdom, the United States and Guernsey. The remaining approximately 24.4 percent of the Shares are owned by the Minority Shareholders. For additional information on the Company's shareholders, see "*Ownership Structure.*" For information on Nordax's current group structure, see "*Legal Considerations and Supplementary Information—Group Legal Structure and Subsidiaries.*"

## Products

Nordax offers personal loans in its Core Markets and Germany as well as retail deposit products in its Core Markets. In the future, Nordax may consider offering new products such as revolving credit (credit cards), overdrafts, larger loans, secured loans and new savings products.

### Personal Loans

Nordax currently offers unsecured personal loans in its Core Markets and Germany. The loans that Nordax offers may be used for debt consolidation and general consumption.

The following table sets forth certain information on Nordax's main loan product offering as at the date of this Offering Memorandum (the terms of loans granted are subject to agreement with the customer):

	Brand	Amount	Term	Annual percentage rate <sup>(1)</sup>	Opening fee	Statement fee
Sweden . . . . .	Nordax Bank	SEK 10,000 – 400,000	1 – 15 years	4.9 – 17.9%	SEK 400	SEK 20
Norway . . . . .	Nordax Bank	NOK 10,000 – 400,000	1 – 15 years	7.9 – 17.9%	NOK 1,475	NOK 65
Finland . . . . .	Nordax Bank	EUR 3,000 – 30,000	1 – 12 years	7.9 – 17.9%	EUR 150	EUR 5
Germany . . . . .	Nordax Bank	EUR 3,000 – 30,000	1 – 12 years	4.9 – 13.9%	none	none

(1) All of Nordax's loans have variable interest rates.

The following table sets forth certain information on Nordax's loan portfolio by country as at March 31, 2015:

Loan portfolio	Share of total loan portfolio	Number of loans	Average principal amount at origination <sup>(1)(2)</sup>	Average term at origination <sup>(1)</sup>	Average monthly payment at origination <sup>(1)</sup>	
(SEK in millions)	(percent)		(SEK in thousands)	(months)	(SEK)	
Sweden . . . . .	3,889	37.7	26,987	126	111	2,045
Norway . . . . .	4,140	40.1	22,589	169	114	2,830
Finland . . . . .	1,725	16.7	15,315	105	101	1,930
Germany . . . . .	335	3.2	3,212	99	106	1,469
Denmark . . . . .	224	2.2	1,828	183	121	2,710
Total . . . . .	10,312	100.0	69,931	140	110	2,338

(1) Averages weighted on the balance of the loan portfolio as at March 31, 2015.

(2) Excluding written-off loans.

The weighted average annual percentage rate (APR) of Nordax's loan portfolio (excluding loans more than 180 days past due) was 12.9 percent as at March 31, 2015. All personal loans offered by Nordax are amortized until the final payment date and may be prepaid at any time without a prepayment penalty.

Nordax offers various PPI policies to its eligible loan customers in its Core Markets. Depending on the features, such PPI policies secure monthly payments in the event of the insured's involuntary unemployment, incapacity to work due to accident or illness or hospitalization (for individuals who are self-employed), and/or secure total repayment in the event of the insured's death. Nordax intends to also offer PPI to its eligible loan customers in Germany. Nordax also has outstanding PPI policies mediated to its Danish loan customers, but has not offered PPI in Denmark since it suspended new lending operations in 2008. The PPI policies offered by Nordax are voluntary group insurance policies, which Nordax offers as a tied insurance intermediary to Genworth Financial. For a description of Nordax's agreement with Genworth Financial, see "Legal Considerations and Supplementary Information—Certain Outsourcing and Cooperation Agreements—Genworth Financial Cooperation Agreements." For the year ended December 31, 2014, Nordax's commission revenue (consisting of PPI commissions and profit sharing) amounted to SEK 15 million, or 1.9 percent of its total operating income, and 18.3 percent of Nordax's loans as at December 31, 2014 were covered by PPI.

### Retail Deposit Products

Nordax commenced offering retail deposit products in Sweden in December 2008, and began offering retail deposit products on a cross-border basis in Norway in September 2009 and in Finland in February 2011. Nordax is also investigating offering deposit products in Germany. Nordax aims to retain a strong and loyal customer base while maintaining low marketing costs by offering competitive interest rates, security and flexibility.

The following table sets forth certain information on Nordax’s retail deposit product offering as at the date of this Offering Memorandum:

Country	Product	Deposit amount	Interest rate per annum	Withdrawals
Sweden . . . . .	Nordax Sparkonto Xtra	SEK 100,000 – 900,000	1.25% (0.25% for deposits less than SEK 100,000)	Unlimited free withdrawals.
	Nordax Kapitalkonto	SEK 0 – 900,000	1.10%	One free withdrawal per year. Further withdrawals cost 1% of the withdrawn amount.
	Nordax Sparkonto Sparkonto+ <sup>(1)</sup>	SEK 0 – 900,000 SEK 0 – 1,000,000	0.90% 0.35%	Unlimited free withdrawals.
Norway . . . . .	Nordax Kapitalkonto	NOK 0 – 750,000	2.50%	Six free withdrawals per year. Further withdrawals cost 1% of the withdrawn amount.
	Nordax Sparekonto	NOK 0 – 750,000	2.00%	Unlimited free withdrawals.
Finland . . . . .	Nordax-tuottotili	EUR 0 – 100,000	1.65%	Twelve free withdrawals per year. Further withdrawals cost 1% of the withdrawn amount.

(1) Offered in cooperation with Avanza.

Nordax’s retail deposit products have variable interest rates that vary between products and countries. Nordax adjusts the interest rates of its retail deposit products based on changes in market interest rates and its total funding needs.

All of Nordax’s deposit products are covered by the Swedish Deposit Insurance Scheme up to the Swedish kronor equivalent of EUR 100,000. However, the maximum deposit amount of the deposit product offered on Avanza’s internet platform under a cooperation agreement with Avanza exceeds the maximum amount of the Swedish Deposit Insurance Scheme. For all other accounts, Nordax limits new deposits so that any customer’s total deposits with Nordax do not exceed the maximum amount covered by the Swedish Deposit Insurance Scheme. However, a customer’s total deposits with Nordax in such accounts could exceed the maximum amount covered by the Swedish Deposit Insurance Scheme due to changes in foreign exchange rates (for customers with deposits in Swedish kronor or Norwegian kronor) or interest accrued on the account.

Since November 2012, Nordax has offered a deposit product denominated in Swedish kronor on Avanza’s internet platform under a cooperation agreement with Avanza. Pursuant to the cooperation agreement, Avanza, *inter alia*, markets Nordax’s deposit product, offers Nordax the opportunity to enter into deposit product agreements with Avanza’s customers and performs other preparatory work before deposit product agreements are entered into between Nordax and Avanza’s customers. In addition to the cooperation agreement, Nordax and Avanza have also entered into a services agreement pursuant to which Avanza assists Nordax in the administration of the deposit accounts generated as a result of the intermediation and the performance of deposit account agreements. For a description of Nordax’s agreements with Avanza, see “*Legal Considerations and Supplementary Information—Certain Outsourcing and Cooperation Agreements—Avanza Cooperation Agreements.*” As at March 31, 2015, 8.8 percent of Nordax’s retail deposits were held on Avanza’s platform.

Retail deposits provide a significant portion of Nordax’s funding. As at March 31, 2015, Nordax’s retail deposits amounted to SEK 6,524 million held in 25,453 deposit accounts, which corresponded to 50.3 percent of its total liabilities. Nordax aims to deploy 60 percent of its retail deposits for funding with the remaining retail deposits held as a liquidity reserve. Pursuant to Nordax’s policy, it may deploy up to 75 percent of its retail deposits for funding. For the three months ended March 31, 2015 and the year ended December 31, 2014, Nordax’s average retail deposit utilization rate was 50.5 percent and 53.4 percent, respectively. For more information on Nordax’s retail deposit funding, see “*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding—Retail Deposits.*”

The following table sets forth certain information on Nordax’s retail deposits by country as at March 31, 2015:

	<b>Retail deposits</b>	<b>Share of Nordax’s total retail deposits</b>	<b>Retail deposit accounts</b>
	(SEK in millions)	(percent)	
Sweden . . . . .	3,613	55.4	17,329
Norway . . . . .	2,293	35.1	6,236
Finland . . . . .	618	9.5	1,888
Total . . . . .	<u>6,524</u>	<u>100.0</u>	<u>25,453</u>

## Sales and Marketing of Personal Loans

### Overview

Nordax has developed a sophisticated and adaptable marketing model that has tailored each of the countries in which it offers personal loans, including the amount and relevance of data on the potential borrowers available to Nordax for customer targeting and conducting credit assessments as well as applicable data protection rules. Nordax markets its loan products through various channels, primarily targeted marketing (which includes direct mail, unaddressed mail and cooperation partners), repeat sales marketing to existing customers, credit intermediaries and mass communication, including online advertising. Nordax markets its products through:

- direct mail in its Core Markets and Germany;
- unaddressed mail in Norway, Finland and Germany;
- cooperation partners in its Core Markets;
- credit intermediaries in its Core Markets; and
- mass communication in its Core Markets.

Loan applications are collected online, by mail and by telephone. The diversification of Nordax’s marketing model reduces its exposure to changes in customer behavior and data protection laws and regulations.

For the year ended December 31, 2014, 43.5 percent of Nordax’s new loan volumes was from direct mail, 23.0 percent was repeat sales to existing customers, 7.7 percent was from unaddressed mail, 6.3 percent was from cooperation partners, 12.8 percent was from credit intermediaries and 6.8 percent was from mass communication. For additional information on Nordax’s new loan volumes by marketing channel, see “*Operating and Financial Review—Factors Affecting Nordax’s Results of Operations—Loan Portfolio Growth.*”

Nordax aims to continue to optimize its marketing channels, for example by diversifying its credit intermediaries, developing its brand marketing, enhancing its customer service and continuing to develop its online presence. Nordax also aims to increase its new loan volumes in Germany, primarily by expanding its direct and unaddressed mail programs, engaging new cooperation partners and credit intermediaries and increasing its mass communication marketing activities.

### Targeted Marketing

#### Overview

Targeted marketing represents a core competence for Nordax and is comprised of Nordax’s most important marketing channels, including direct mail, unaddressed mail and marketing through cooperation partners. Nordax targets attractive segments by excluding from its marketing segments of individuals who are not likely to apply or be approved for a loan, and Nordax has developed clearly defined criteria to ensure that it targets the relevant customer segments. The risk assessment process at Nordax begins from the design of loan product characteristics and marketing campaigns as this has a significant impact on the ultimate credit risk level in the loan portfolio. Nordax’s marketing team has extensive credit risk

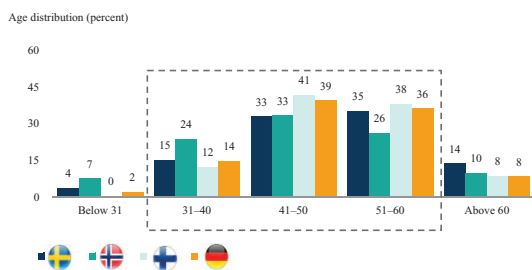
management backgrounds and collaborates closely with the credit risk and underwriting teams, and much of the statistical analysis that Nordax does in the marketing area is derived from its experience with credit risk analysis as it avoids sending materials to clusters of individuals who are not likely to apply or be approved for a loan while also promoting the efficiency of underwriting. Customer targeting enables Nordax to optimize both the response level and the quality of applications using sophisticated data analysis, and, therefore, enables Nordax to market its loan products at lower costs.

### Target Customer Group

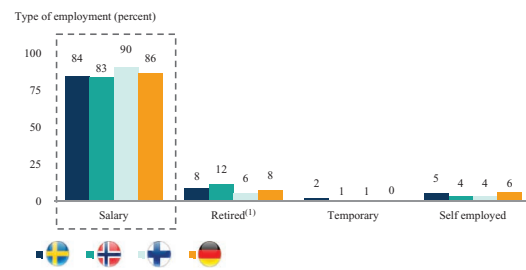
Nordax targets individuals that, based on historical credit losses, it assesses to be low-risk and “prime” as they are generally middle-aged, employed individuals with average incomes above national averages, near or higher than national average rates of home ownership and no negative payment remarks on their credit records. Typically Nordax targets individuals that are in the later stage of the credit lifecycle and the typical average age of an approved customer at the time of application is 47 years. At this stage, borrowers tend to desire a larger loan to consolidate other loans, or they desire additional liquidity.

The following charts set forth certain information on Nordax’s loan customers (at the time of application) with loans originated since Nordax recommenced new lending operations (March 2010 in Sweden and Norway, October 2011 in Finland and May 2012 in Germany) until January 15, 2015:

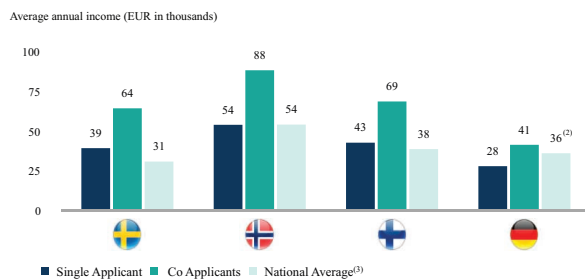
**Nordax targets individuals that, based on historical credit losses, it assesses to be low-risk and “prime”...**



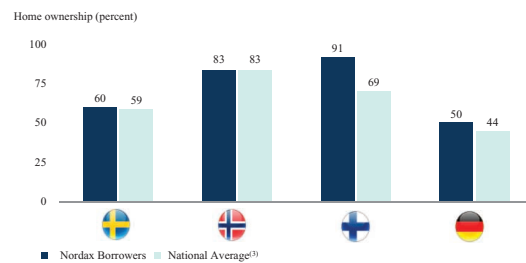
**...with stable cash flows...**



**...average incomes above national averages...**



**...and near or higher than national rates of home ownership.**



- (1) Includes co-applicants who are retired due to disability.
- (2) National average household income (should be compared to co-applicants column).
- (3) Source: Statistics Sweden (data for 2013), Statistics Norway (data for 2012), Statistics Finland (data for 2013) and Federal Statistical Office of Germany (data for 2010). National average income for Norway represents the national average household income. In addition, national average income for Norway includes only full-time employees.

The characteristic that can result in an individual moving in or out of Nordax’s target customer segments include, for example, age, address, change in income, change in deducted interest in tax declarations, a registered bank transaction, change in marital status, having children and receiving or removal of a negative remark on a credit report.

### Customer Targeting Models

Nordax has developed customer targeting models using data mining techniques to identify similarities among responders to previous marketing campaigns to predict which individuals are not likely to respond to a future campaign and, therefore, to exclude them. Since interest in obtaining credit and credit risk are often positively correlated, Nordax also models the likelihood that potential responder groups can be approved for a loan.

Nordax sources data on individuals for modeling from third-party data providers, with highly relevant data available in Sweden, Norway and Germany, and somewhat less relevant data available in Finland. The level of data available to Nordax for modeling varies from country to country as does data protection legislation. Therefore, Nordax adapts its marketing strategy to each country. In Sweden and Finland, Nordax has access to data for modeling mostly on a personal level, meaning that the data is provided per individual, although the identity of the individual is not revealed. In Norway and Germany, the data available to Nordax for modeling is mostly on a cluster level, meaning that information provided is the average for all people within, for example, a certain postal code. Nordax's use of cluster-level information is not currently subject to any restrictions pursuant to applicable data protection legislation. Nordax models up to 40 factors of data on a personal and cluster level for targeted marketing. In Sweden, such factors on a personal level include, for example, age, marital status, accommodation status, personal income, household income and postal code, and on a cluster level include, for example, education, income, family size, house type and credit history. In Finland, the modeling is partly performed by the third-party data provider.

Based on the available data, Nordax defines a target group for each of its Core Markets and Germany by removing the individuals outside its credit policy rules discussed under “—*Loan Underwriting Process and Credit Risk Management—Policy Rules*” below. Nordax then tests the data against its customer targeting models in order to identify potential customers based on characteristics such as age, personal income, credit history and other factors. Nordax regularly updates its models and scores them against its prospects file to identify new prospects for future campaigns. The customer targeting models typically allow Nordax to exclude approximately 75 percent of the total base available for modeling.

Nordax's customer targeting models categorize potential customers based on the likelihood that they will apply and be approved for a loan. The categories determine the amount of advertising that Nordax will send to potential borrowers, with the most attractive customers in terms of response and risk receiving the most mailings.

Nordax's target bases by country are not always proportional to the size of the population as the amount and quality of information on potential borrowers available from third-party data providers varies by country. Where more extensive personal data is available, Nordax can perform more specific targeting and, therefore, is able to reduce its mailing costs by excluding a larger proportion of individuals who are not likely to apply or be approved for a loan. Furthermore, individuals in all of the countries in which Nordax operates are able to opt out of direct mail advertising, which reduces Nordax's target base for direct mail.

Nordax's high frequency mail program will naturally lead to a declining response rate over time, but its response segments are not static as it regularly remodels its target base to trim saturated segments and add new segments of individuals with an attractive response/risk profile to its target base. Nordax also takes various steps to maintain and improve its response rates, including adapting its marketing materials to various subgroups within its target customer group and varying the design of its marketing materials.

Age is one of the most significant factors affecting the turnover of Nordax's target customer base. The average age of Nordax's loan customers at the time of application has typically been 47 years since Nordax commenced operations, which demonstrates that Nordax's target group is constantly replenishing.

#### *Direct Mail*

Nordax regularly sends direct mail to attractive potential borrowers in its Core Markets and Germany. Based on its customer targeting model, Nordax divides its target customer base into segments based on response/risk and mail frequency tolerance. Nordax often uses pilot marketing campaigns (up to 10,000 pieces) to test the response and approval rates of an attractive cluster of individuals before launching a full campaign.

In order to optimize customer response, Nordax tests price elasticity, and in order to further optimize marketing efficiency, and adapts messages to target segments with similar preferences. Nordax also changes design of its marketing materials in order to avoid fatigue and saturation.

Due to the seasonality of demand for personal loans throughout the year, the timing of marketing, in particular, through direct mail and unaddressed mail can be important. Nordax's strategy is to distribute mailings throughout the year because its customer targeting models have been developed to predict who is likely to apply or be approved for a loan rather than the timing of the response.

Due to frequent remodeling leading to a turnover and a constant evolution of the target base, and creative design variation in its marketing materials, Nordax has been able to maintain a stable marketing efficiency over time.

#### *Unaddressed Mail*

Nordax also targets attractive potential borrowers in Norway, Finland and Germany through unaddressed mail. For unaddressed mail, Nordax models the data available to it on a cluster level. By modeling such data, Nordax can, for example, determine that the individuals residing in a certain postal code are less likely to apply or be approved for a loan. While response rates to unaddressed mail are lower than for direct mail, the postage costs for unaddressed mail are significantly lower.

In all of the countries in which Nordax operates, individuals are able to opt out of direct mail marketing and the number of individuals who have opted out varies from country to country. For example, a significant portion of individuals have opted out of direct mail in Norway and Germany. To compensate for this, Nordax has used unaddressed mail in Germany to reach a larger group of potential borrowers at a lower cost as it tries to grow its loan portfolio. By using unaddressed mail, Nordax can reach groups of potential borrowers that still may see utility in Nordax's loan products, but who have opted out of direct mail marketing. Since Nordax does not have personal-level information for its unaddressed mail campaigns, there can be overlaps between its direct mail and unaddressed mail campaigns, with many potential borrowers receiving both types of marketing.

#### *Cooperation Partners*

Nordax also markets its loan products through Klarna, a leading Swedish payment solutions provider that offers online payment solutions in Europe. Klarna sends advertisements for Nordax's loan products to certain of its customers who meet criteria provided by Nordax. Nordax's partnership with Klarna began in 2011 and extends to Nordax's Core Markets. For a description of Nordax's agreement with Klarna, see "*Legal Considerations and Supplementary Information—Certain Outsourcing and Cooperation Agreements—Klarna Cooperation Agreement.*" Nordax has pursued new partners and tested other partners in its Core Markets and plans to continue this work.

#### *Repeat Sales*

Nordax has implemented a repeat sales strategy with the aim of improving customer retention by offering products and services to meet the personal loan needs of its customers and to provide additional liquidity to customers should the need arise. Nordax's repeat sales offerings include the following:

- *Payment holidays* allow customers to skip the payment for a specified month without penalty, and the interest is capitalized. Nordax allows customers in good standing up to two payment holidays per year to increase payment flexibility for customers.
- *Additional loans* allow customers to increase the size of their loan, provided that they qualify. Additional loans are available to customers who are able to borrow more than the outstanding amount of their loan due to, for example, through repayment or by initially borrowing less than the maximum amount. Nordax evaluates all applications for an additional loan using its normal underwriting process, as described under "*—Loan Underwriting Process and Credit Risk Management*" below.
- *Duration extensions* allow customers to extend the duration of their loan and, therefore, reduce their monthly payment. Duration extensions are typically offered as part of an additional loan, but are also offered as a standalone service.

After a customer has established a three-month track record of issue-free payments, they are included in Nordax's annual additional sales cycle and receive regular offers for repeat sales products with their account statements.

#### *Untargeted Marketing*

Nordax's untargeted marketing channels consist of credit intermediaries and mass communication, including online advertising.

### *Credit Intermediaries*

Nordax's strategy to target customer groups extends to sourcing potential borrowers in its Core Markets through credit intermediaries. Nordax cooperates with credit intermediaries in each of its Core Markets, having recently entered the Norwegian credit intermediary market in 2014. Nordax's credit intermediary partners are typically price comparison websites that enable potential borrowers to benchmark all loan providers affiliated with the credit intermediary against each other. As part of the intermediation process, Nordax's credit intermediary partners perform an initial review of loan applications to ensure that they meet certain minimum criteria set by Nordax. Nordax subsequently evaluates all loan applications received through credit intermediaries using its normal underwriting process, which is tailored to each marketing channel, as described under "*—Loan Underwriting Process and Credit Risk Management*" below. Nordax is responsible for the disbursement and administration of loans intermediated by its credit intermediaries. For a description of Nordax's agreements with credit intermediaries, see "*Legal Considerations and Supplementary Information—Certain Outsourcing and Cooperation Agreements—Agreements with Credit Intermediaries.*"

Credit intermediation in Sweden is subject to licensing requirements as set out in the Certain Consumer Credit-related Operations Act. Pursuant to provisions of the BFBA and SFSA regulations, as well as Nordax's Outsourcing Policy, Nordax may, as a general matter, outsource credit intermediation operations only to third-party undertakings maintaining such authorization.

### *Mass Communication*

Nordax has conducted mass communication marketing, such as online marketing, in Norway. Nordax has also used print media advertising in Norway. Nordax expects to test such marketing in its other markets in the future.

### *Payment Protection Insurance (PPI)*

Nordax offers PPI policies to its loan customers through mailings, on its website and through telemarketing subsequent to the loan disbursement. Telemarketing accounts for the majority of Nordax's PPI policy sales. Nordax and Genworth Financial have entered into agreements with independent insurance intermediaries under which such independent insurance intermediaries are retained to intermediate PPI policies to Nordax's loan customers through telemarketing. Nordax also conducts internal telemarketing.

### **Marketing of Retail Deposit Products**

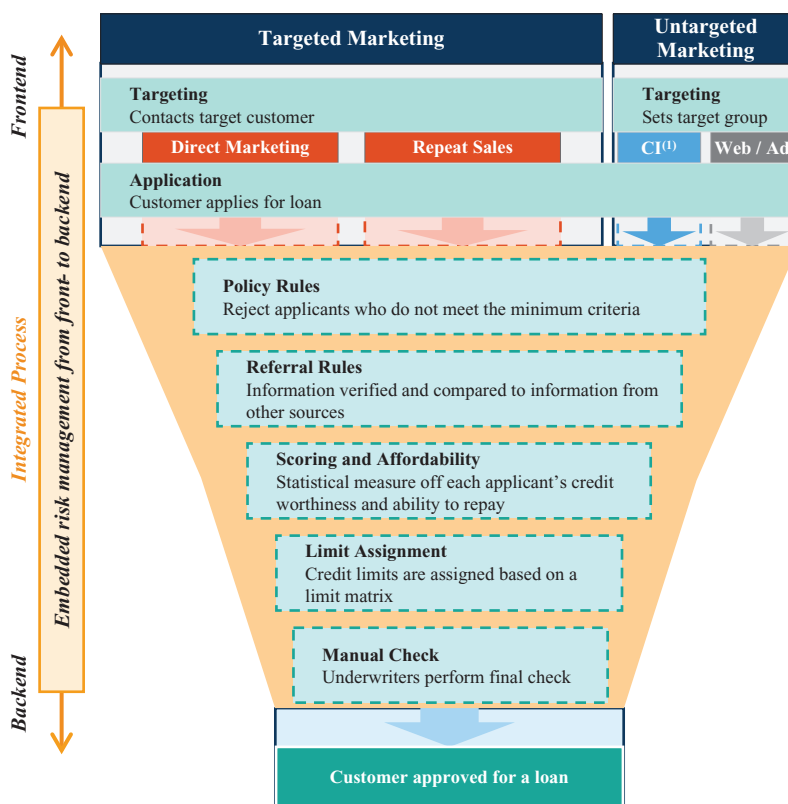
Nordax markets its retail deposit products primarily through price comparison websites as well as through its websites in each of the countries in which it offers retail deposit products. For the retail deposit product that Nordax offers on Avanza's platform, Avanza markets the deposit product through its communication channels and offers Nordax the opportunity to enter into agreements with its customers.

### **Loan Underwriting Process and Credit Risk Management**

#### *Overview*

Nordax's underwriting process is a data-driven integrated process, starting with targeting the right applicants and ending with the limit assignment and ultimately approval for loan. Focus on risk management is central throughout the underwriting process, and is enabled by Nordax's analytical competence and facilitated by the favorable data environments in Nordax's markets. The models and methods used in Nordax's underwriting process are anchored in statistical models, which are continuously tested and developed, and decisions are made based on quantitative analysis. Nordax's loan underwriting process is governed by country-specific credit policies and related credit instructions. The underwriting process is performed by Nordax's central platform.

The following diagram sets forth an overview of Nordax’s entire underwriting process and highlights the core underwriting activities, which are shown in orange:



(1) Credit intermediaries.

Nordax’s core underwriting activities consist of four steps following the receipt of a loan application: (i) a check against policy rules; (ii) a check against referral rules; (iii) scoring and affordability calculation; and (iv) limit assignment. Nordax’s core underwriting activities are semi-automated as the policy and score models as well as the limit assignment strategies are implemented in the decision management system. The automated decision management system generates its recommendation on the decision and the loan amount. All approvals are reviewed by an underwriter before a final credit decision is made. Underwriters may decline applications that are approved by the system. Underwriters are also authorized to override the system-generated decision in certain circumstances, including increasing the maximum amount of the loan within specified limits (“amount overrides”) and approving applications that do not meet the minimum scoring criteria within specified limits (“score overrides”). Pursuant to Nordax’s country-specific credit policies, the total value of amount overrides is limited to 4 percent of the total approved loan amount measured on a rolling 12-month basis and score overrides may not exceed 2 percent of the total number of approved applications over the same period. Only the CEO, the Credit Risk Manager and the Deputy Credit Risk Manager (if appointed) are permitted to authorize other overrides. The reason for the override must be specified in the loan documentation and all overrides are closely monitored by the Credit Risk Department and reported on a monthly basis to Nordax’s Credit Risk and MIS Forum. Nordax’s amount override rate was less than 3 percent (by value) and Nordax’s score override rate was 0.1 percent (by number of loans) for the 12 months ended March 31, 2015.

To ensure that all relevant information is provided and interpreted correctly, a large portion of the applicants are contacted by telephone. This personal contact gives Nordax and the applicant the opportunity to discuss any questions or issues and also functions as quality control.

To further optimize the core underwriting activities and to be able to handle an increased volume of applications in an effective manner without compromising the quality of decisions, Nordax is currently implementing a number of automated rules related to debt burden. Nordax expects that this will enable a higher degree of automated decisions and focus resources on the more complicated cases. Nordax also expects that this will decrease process time, reduce the number of manual rejections and further reduce the risk of approving applicants with a high debt burden.

From its inception until March 31, 2015, Nordax approved approximately 280,000 loan applications out of approximately 960,000 loan applications filed, resulting in an application approval rate of approximately 29 percent.

### ***Policy Rules***

After receiving the loan application, Nordax conducts fraud and anti-money laundering control and determines whether the applicant is an existing customer. Thereafter, Nordax conducts a control with regard to policy rules. Nordax has clearly defined policy rules aimed at ensuring the automatic rejection of applicants who do not meet the minimum criteria. The minimum criteria include, but are not limited to, a regular income equal to or above defined levels, minimum and maximum age, a permanent address, a telephone number and the absence of bad debt from a limited credit report. No deviations from these policy rules are accepted. In Sweden, for example, approximately 20 percent of the applications were rejected at this stage in 2014.

### ***Referral Rules***

Information from the applicant is verified and compared to information from other sources, such as credit information registers, salary slips and tax return forms provided by the applicant. Pursuant to Nordax's referral rules, certain applications are designated for further investigation, such as, for example, confirming data, investigating and reconciling discrepancies and inconsistencies or asking for a co-applicant, before a final credit decision can be made. In Sweden, for example, approximately 7 percent of the applications were rejected at this stage or in connection with the final manual credit check on all applications in 2014.

### ***Scoring and Affordability Calculation***

Credit scoring is a statistical measure of each applicant's creditworthiness. Nordax has strong analytical capability and extensive experience in scorecard development and has developed bespoke credit scoring models for each of the countries in which it operates. The credit scoring models have been developed internally by experienced analysts based on Nordax's historical loan portfolio performance data using logistic regression. In developing its credit scoring models, Nordax begins with approximately 100 to 200 factors. By using different statistical measures and variables reduction techniques, the final credit scoring models take into account approximately 5 to 10 factors. In Germany, Nordax used an expert scoring model based on a generic model provided by a third party until May 2015, when it introduced a bespoke scoring model. Each of Nordax's country-specific scorecards has a marketing channel variable that captures the risk inherent in Nordax's different marketing channels. Credit scoring consistently outperforms manual underwriting in empirical tests and facilitates the process of rejecting unqualified loan applicants.

In order to be approved for a loan, an applicant must achieve a predetermined minimum score within Nordax's maximum acceptable risk exposure. The score is calculated using information provided by credit bureaus as well as information provided by the applicant. In Sweden, both positive and negative income and credit information is available and, therefore, verification documents, such as salary statements or tax returns, are generally not required from loan applicants. In Norway, income information and negative (but no positive) credit information is available. In Finland, only negative credit information (but no positive credit information or income information) is available. In Germany, positive and negative credit information (but no income information) is available. Where complete income and credit information is not available from the credit bureau, Nordax requires the applicant to submit verification documents, such as tax returns and salary statements. Nordax's internal credit scoring models calculate a score that indicates the applicant's likelihood of becoming 60 days past due in payment within the first 24 months. By using this alignment and scaling across all regions, Nordax ensures consistency in the meaning of score and risk classes across its markets. The calculated score value provides the basis for Nordax's risk classification where each approved applicant is assigned a risk class at the time of approval. In Sweden, for example, approximately 30 percent of the applications were rejected at this stage in 2014.

Nordax continuously evaluates and refines its credit scoring models as its loan customer base expands (both in terms of customers and length of credit performance data). The scorecards are monitored on a monthly basis, including population stability regarding applications and approved applications; the scorecards' ability to rank the population after risk; expected outcome compared to actual outcome; characteristics analysis regarding distribution; average points stability; identifying characteristics driving shifts in the population stability; weight of evidence and information value; and vintage analysis, which is especially important during a scorecard's first year in production when there is limited credit performance

data. In January 2015, Nordax updated its scorecard monitoring system with trigger points that automatically identify deterioration in scorecard performance.

To ensure the applicant's financial ability to repay the loan, Nordax calculates affordability, debt to income ratio and maximum amount of unsecured debt for each applicant. The affordability calculation measures the applicant's ability to take on an additional loan given assumptions regarding income and expenses. The calculation varies slightly from country to country, but in general is based on net income and child benefits less cost of housing, cost of loans (such as unsecured debt, credit cards and mortgage), cost of living per adult in the household and cost of living per child in the household. Nordax requires applicants in Norway, Finland and Germany to provide estimates for such costs in the application. In Sweden, Nordax uses standard values for such costs. In addition, a debt to income ratio (total debt in relation to gross annual income) is calculated for each application to ensure a sound relationship between income and debt. The minimum debt to income ratio varies based on the risk class of the applicant. In addition to the debt to income ratio, there are rules for the absolute level of unsecured debt. In Sweden, for example, approximately 5 percent of applications were rejected at this stage during the three months ended March 31, 2015.

### ***Limit Assignment***

In the last stage of the core underwriting activities and underwriting process, Nordax assigns a credit limit to the applicant. The limit is derived using a limit matrix based on the applicant's risk score from Nordax's internal scoring model in combination with the applicant's income. If the amount that the applicant requested cannot be approved based on the limit matrix and the applicant is married, a co-applicant is requested and a new credit assessment is thereafter initiated. In certain cases, the applicants are offered the maximum amount for which they can be approved even though it is less than the requested amount. Nordax continuously monitors its credit limit assignment strategy on a regular basis and refines it when it deems appropriate to ensure high performance.

### **Debt Collection**

Nordax's policy is to address delinquencies at an early stage. Nordax's country-specific Collection and Provisioning Policies, Collection Policy and Legal Collection Instructions are adopted by the Board of Directors and the CEO and govern, *inter alia*, the collection process. Nordax's Debt Collection Department is divided into two specialized teams: the Payment Consulting Team (the "PCT") and the Legal Collection Team. The PCT handles loans at the earlier stages of delinquency through early dialogue with customers to remind them of their delinquency and to offer mild curing options, such as duration extensions, capitalization of past due amounts and waiving late fees. The Legal Collection Team handles loans at the later stages of delinquency through heavy curing activities, such as duration extension, interest rate reduction, capitalization of past due amounts and payment plans, as well as deceased estate accounts and fraud. The use of such curing measures is governed by Nordax's country-specific Collection and Provisioning Policies, Collection Policy and Legal Collection Instructions. Changes to such policies require the approval of, among others, the Board of Directors and the CEO. Curing measures can only be offered to a customer once during the duration of their loan and can only be offered where Nordax believes that it will motivate the customer to become current with their loan.

When a loan becomes approximately 100 days past due, it is turned over to one of Nordax's third-party debt collection partners to be collected on behalf of Nordax. Nordax's Legal Collection Team cooperates with at least two reputable and well-established authorized debt collection agencies in each of its markets. Nordax continuously evaluates its debt collection agencies. If an agency underperforms (on the basis of percentage of total outstanding debt collected), Nordax may replace it with a new debt collection agency or adjust the flow of customers to the respective agencies. For a description of Nordax's agreements with debt collection agencies, see "*Legal Considerations and Supplementary Information—Certain Outsourcing and Cooperation Agreements—Agreements with Debt Collection Agencies.*"

For information on legal debt collection systems in the countries in which Nordax operates, see "*Industry Overview—Key Characteristics of Nordax's Markets—Effective Legal Debt Collection Systems.*"

### **Customer Service**

All customer service is performed by Nordax's central Customer Services Department in Stockholm, Sweden. Nordax employs native speakers of the languages of each of the countries in which it operates. Representatives from the Customer Services Department handle all communication with the customers by

telephone, email and regular post. The services include, for example, preparation and administration of loan application processes, communication with customers, answering frequently asked questions, handling amendments to the terms and conditions of loan agreements and processing applications for loan increases. The centralized customer service platform promotes cross-border learning and ensures consistent quality of customer service.

Nordax has outsourced various processes related to customer service. For example, in order to reduce response times, Nordax has outsourced data collection and scanning of regular mail sent to Nordax in each of the countries in which it operates. Nordax has also outsourced, for example, the distribution of monthly notices to its Swedish, Norwegian, Finnish and Danish loan customers.

### Real Property

Nordax's business operations are conducted from its headquarters in Stockholm, Sweden. Nordax leases office space of approximately 2,700 square meters in Stockholm, Sweden. Nordax does not own any material real property. Nordax is not aware of any environmental issues or other constraints that would materially impact the intended use of its premises.

### Intellectual Property

Nordax holds various EU, Swedish, Norwegian, Finnish and Danish trademarks, including the EU trademark "Nordax." In addition, Nordax has registered approximately 350 internet domain names, including "nordax.se" and "nordaxbank.com." Nordax's operations are not dependent on any intellectual property and none of its trademarks are of material importance to Nordax's operations as currently conducted.

### Employees

For the three months ended March 31, 2015, Nordax had an average of 169 full-time equivalent ("FTE") employees, all of whom were located in Stockholm, Sweden.

The following table sets forth the average number of Nordax's FTE employees by function for the periods indicated:

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
Decision Science . . . . .	2	2	2	2	2
Finance . . . . .	14	14	16	12	13
Treasury . . . . .	6	7	7	5	7
Legal . . . . .	3	3	3	3	1
Compliance & Risk Control . . . . .	4	4	4	2	2
HR . . . . .	2	2	2	1	1
Investor Relations . . . . .	1	1	1	1	0
IT and Security . . . . .	11	10	10	9	9
Credit Risk . . . . .	9	8	8	8	6
Marketing . . . . .	7	9	9	7	7
CEO and Deputy CEO . . . . .	2	2	2	2	2
Operations . . . . .	110	101	101	88	86
Total . . . . .	169	159	163	138	132

Nordax's staff turnover rate (defined as resignations as a percentage of average number of employees) was 9.2 percent, 5.6 percent, 9.0 percent and 6.0 percent for the years ended December 31, 2014, 2013, 2012 and 2011, respectively.

Nordax has an annual bonus program covering all employees. The bonus program is designed to align with Nordax's career level structure and, therefore, the employees' respective levels of responsibility and impact on Nordax's risk profile.

## **Insurance**

Nordax holds insurance policies covering crime, general liability, property damage and business travel. In addition, Nordax holds an indemnity covering professional liability for financial institutions and an insurance policy covering liability for its directors, officers and other key members of management. With the exception of the business travel insurance policy held by Nordax Bank, the above policies have been taken out group-wide by Nordax Group Holding AB as policyholder and provide insurance coverage for the operating companies in the Nordax group. The insurance policies have certain coverage limits that vary depending on the type of damage involved and the policies are subject to customary limitations imposed by the relevant insurance companies. Nordax employs an insurance broker that reviews Nordax's group-wide insurance coverage annually. Nordax's insurance coverage is designed to protect it from material losses associated with, for example, data processing system failures and errors and customer or employee fraud, including losses resulting from any associated business interruption. Nordax considers its insurance coverage to conform to market practice. However, there can be no assurance that Nordax will not incur losses or suffer claims beyond the limits or outside of relevant coverage of its insurance policies (for more information, see "*Risk Factors—Risks Relating to Nordax's Business and Industry—Nordax could incur losses not covered by insurance*").

## **Information Technology**

Nordax's centralized IT platform consists of, among other things, one system platform for loan and deposit administration as well as loan application processing and one system platform for the telephone system. The centralized infrastructure platform is highly scalable and flexible, which makes it adaptable to new conditions, products and markets. The infrastructure is designed with common core functionality for all countries and smaller country-specific adaptations. In addition, Nordax uses a consistent data warehouse structure in all countries, which also enables a high degree of scalability.

Nordax has outsourced its IT systems for loan and deposit administration and loan application processing. Nordax's IT environment uses third-party products for, among other things, information security. Service contracts are in place for all Nordax's major infrastructure components and the agreed service level depends on component priority. Nordax's systems for customer contact, website, pre-collections, application pre-processing and document management are custom-built.

Nordax carries out daily data backups, which are stored on-site and in other locations to ensure resilience against physical disaster. A secondary operating site is also used. Nordax has a disaster recovery plan with restore prioritizations and restore time objectives, and the recovery of vital computer systems and data is tested on a regular basis.

Nordax's credit decision management system has been developed by UC, a Swedish business and credit reference agency, and the system is used in all countries in which Nordax operates. Nordax is in the process of replacing the credit template part of this system with a more modern and flexible product called StrategyOne, which is also provided by UC. The main advantage with the new system component is its flexibility in how the decision framework can be structured as well as reduced dependency on resources from UC. Nordax plans to implement the system for Sweden and Norway in 2015 and for Finland and Germany in 2016.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth Nordax's capitalization and net indebtedness as at March 31, 2015, reflecting the carrying amounts on Nordax's combined statement of financial position. Prospective investors should read the table below together with "Operating and Financial Review" and the Combined Financial Statements, including the related notes, appearing elsewhere in this Offering Memorandum. Other than as set out in "Operating and Financial Review," there has not been any material change in Nordax's capitalization or indebtedness since March 31, 2015.

	As at March 31, 2015 <u>(SEK in millions)</u>
<b>Capitalization<sup>(1)</sup></b>	
Current liabilities (including current portion of long-term interest-bearing liabilities) . . . . .	1,441
Guaranteed . . . . .	0
Secured <sup>(2)</sup> . . . . .	0
Unguaranteed/unsecured <sup>(3)</sup> . . . . .	1,441
Long-term interest-bearing liabilities . . . . .	11,530
Guaranteed . . . . .	0
Secured <sup>(2)</sup> . . . . .	5,413
Unguaranteed/unsecured <sup>(3)</sup> . . . . .	6,117
Total shareholders' equity . . . . .	1,596
Share capital . . . . .	1
Paid-in capital . . . . .	0
Reserves/retained earnings . . . . .	1,595
Total capitalization . . . . .	<u>14,567</u>
<b>Net indebtedness<sup>(1)</sup></b>	
[A] Cash . . . . .	–
[B] Cash equivalents <sup>(4)</sup> . . . . .	2,330
[C] Current financial investments . . . . .	1,580
[D] Liquidity [A]+[B]+[C] . . . . .	3,910
[E] Current financial receivable . . . . .	942
[F] Current bank debt . . . . .	0
[G] Current portion of non-current debt . . . . .	0
[H] Other current financial debt <sup>(3)</sup> . . . . .	1,441
[I] Current financial debt [F]+[G]+[H] . . . . .	1,441
[J] Net current financial indebtedness [I]-[E]-[D] . . . . .	(3,411)
[K] Non-current bank loans . . . . .	2,491
[L] Bonds issued . . . . .	3,646
[M] Other non-current loans <sup>(3)</sup> . . . . .	5,872
[N] Non-current financial indebtedness [K]+[L]+[M] . . . . .	12,009
[O] Net financial indebtedness [J]+[N] . . . . .	<u>8,598</u>

(1) "Current" is defined as up to one year and "non-current" is defined as more than one year. Derivatives have been excluded.

(2) The security consists of loans that have been transferred to SPVs as part of Nordax's funding structure (see "Operating and Financial Review—Funding, Liquidity and Capital Resources") as well as cash and cash equivalents in such SPVs.

(3) In accordance with the CRD IV proposed minimum net stable funding ratio (NSFR), 10 percent of retail deposits are defined as current and 90 percent of retail deposits are defined as non-current.

(4) Cash equivalents is defined as treasury bills eligible for refinancing and lending to credit institutions.

As at March 31, 2015, Nordax had no direct or indirect contingent liabilities.

## SELECTED HISTORICAL COMBINED FINANCIAL INFORMATION

The selected historical combined financial information presented below has been derived from the Combined Financial Statements, which have been prepared in accordance with IFRS-EU and are included in the F-pages to this Offering Memorandum. Prospective investors should read the selected historical financial information together with “*Risk Factors*,” “*Capitalization and Indebtedness*,” “*Operating and Financial Review*” and the Combined Financial Statements, including the notes thereto.

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited)		(audited)		
	(SEK in millions)				
<b>COMBINED INCOME STATEMENT INFORMATION</b>					
<b>Operating income</b>					
Interest income . . . . .	307	274	1,196	1,053	1,011
Interest expenses . . . . .	(94)	(98)	(415)	(424)	(507)
Total net interest income . . . . .	213	176	781	629	504
Commission income . . . . .	5	3	15	15	15
Net profit/loss from financial transactions . . . . .	0	1	7	5	45
Other operating income . . . . .	0	0	0	4	15
Total operating income . . . . .	218	180	803	653	579
<b>Operating expenses</b>					
General administrative expenses . . . . .	(60)	(54)	(224)	(193)	(173)
Depreciation and amortization of tangible and intangible fixed assets . . . . .	(5)	(4)	(18)	(16)	(14)
Other operating expenses . . . . .	(34)	(30)	(122)	(78)	(80)
Total operating expenses . . . . .	(99)	(88)	(364)	(287)	(267)
Profit/loss before credit losses . . . . .	119	92	439	365	312
Net credit losses . . . . .	(45)	(32)	(114)	(114)	(127)
Operating profit/loss . . . . .	74	60	325	251	185
Tax on profit/loss for the period . . . . .	(16)	(14)	(71)	(49)	(49)
Profit/loss for the period/Comprehensive income . . . . .	58	46	254	203	136
Attributable to:					
The parent company’s shareholders . . . . .	58	40	254	152	102
Non-controlling interest . . . . .	0	6	0	51	34

	As at March 31, 2015	As at December 31,		
	(unaudited)	2014	2013	2012
		(audited)		
		(SEK in millions)		
<b>COMBINED BALANCE SHEET INFORMATION</b>				
<b>Assets</b>				
Lending to credit institutions . . . . .	2,330	2,212	1,608	2,546
Lending to the general public . . . . .	10,312	10,042	8,393	7,456
Bonds and other fixed-income securities . . . . .	1,580	1,585	550	1,991
Tangible assets . . . . .	12	7	6	9
Intangible assets . . . . .	314	316	330	342
Other assets . . . . .	8	18	6	7
Prepaid expenses and accrued income . . . . .	11	10	17	8
Total assets . . . . .	<u>14,567</u>	<u>14,190</u>	<u>10,910</u>	<u>12,359</u>
<b>Liabilities, provisions and equity</b>				
<b>Liabilities</b>				
Liabilities to credit institutions . . . . .	2,491	2,259	2,314	1,781
Deposits from the public . . . . .	6,524	6,479	4,753	7,165
Issued securities . . . . .	3,401	3,581	2,259	2,033
Current tax liability . . . . .	3	16	5	9
Deferred tax liability . . . . .	28	29	32	41
Other liabilities . . . . .	24	25	15	13
Accrued expenses and deferred income . . . . .	55	64	47	35
Subordinated liabilities . . . . .	445	199	198	197
Total liabilities . . . . .	<u>12,971</u>	<u>12,652</u>	<u>9,623</u>	<u>11,274</u>
<b>Equity</b>				
Share capital . . . . .	1	1	1	1
Retained earnings, including profit for the period . . . . .	1,595	1,537	964	811
Total equity excluding non-controlling interest . . . . .	1,596	1,538	965	812
Non-controlling interest . . . . .	–	–	322	273
Total equity . . . . .	<u>1,596</u>	<u>1,538</u>	<u>1,287</u>	<u>1,085</u>
Total liabilities, provisions and equity . . . . .	<u>14,567</u>	<u>14,190</u>	<u>10,910</u>	<u>12,359</u>

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited)		(audited)		
	(SEK in millions)				
<b>COMBINED CASH FLOW STATEMENT INFORMATION</b>					
<b>Operating activities</b>					
Operating profit . . . . .	74	60	325	251	185
Income tax paid . . . . .	(30)	(18)	(63)	(61)	(33)
Depreciation, amortization and impairment of tangible and intangible assets . . . . .	5	4	15	16	14
<b>Change in operating assets and liabilities</b>					
Decrease/increase in lending to the public . . . . .	(270)	(446)	(1,649)	(936)	(724)
Decrease/increase in other assets . . . . .	9	7	(5)	(8)	20
Decrease/increase in deposits from the public . . . . .	45	743	1,726	(2,412)	2,064
Decrease/increase in other liabilities . . . . .	(10)	6	25	15	(6)
Cash flow from operating activities . . . . .	(177)	356	374	(3,135)	1,520
<b>Investing activities</b>					
Purchase of equipment . . . . .	(8)	(1)	0	(2)	(8)
Investment in bonds and other fixed-income securities . . . . .	(500)	(1,058)	(3,797)	(2,696)	(4,696)
Maturity of bonds and other fixed-income securities . . . . .	505	0	2,762	4,137	3,852
Cash flow from investing activities . . . . .	(3)	(1,059)	(1,035)	1,439	(852)
<b>Financing activities</b>					
Decrease/increase in liabilities to credit institutions . . . . .	232	581	(55)	533	254
Decrease/increase in issued securities . . . . .	(180)	(111)	1,322	226	11
Decrease/increase in subordinated liabilities . . . . .	246	0	1	1	1
Change in non-controlling interests . . . . .	–	–	(3)	(2)	–
Cash flow from financing activities . . . . .	298	470	1,265	758	266
Cash flow for the period . . . . .	118	(233)	604	(938)	934
Cash and cash equivalents <sup>(1)</sup> at the beginning of period . . . . .	2,212	1,608	1,608	2,546	1,612
Cash and cash equivalents <sup>(1)</sup> at the end of period . . . . .	2,330	1,375	2,212	1,608	2,546

(1) Cash and cash equivalents is defined as treasury bills eligible for refinancing and lending to credit institutions.

	As at and for the three months ended March 31,		As at and for the year ended December 31,		
	2015	2014	2014	2013	2012
	(percent, unless otherwise indicated)				
<b>KEY PERFORMANCE INDICATORS (KPIs)</b>					
Adjusted operating profit <sup>(1)</sup> . . . . .	79	64	358	275	183
New loan volumes (SEK in millions) . . . . .	921	893	3,843	3,180	2,482
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
Net stable funding ratio (NSFR) . . . . .	130	143	146	134	166
Loan to deposit ratio . . . . .	158	161	155	177	104

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(annualized) <sup>(2)</sup>				
	(percent, unless otherwise indicated)				
Net interest margin . . . . .	8.4	8.2	8.5	7.9	7.1
Cost of risk . . . . .	1.8	1.5	1.2	1.4	1.8

	For the twelve months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(percent, unless otherwise indicated)				
Adjusted cost to income ratio . . . . .	28.8	31.3	29.4	31.0	32.2
Return on tangible equity . . . . .	25.7	24.3	25.6	26.1	20.7 <sup>(3)</sup>
Return on average net loans . . . . .	3.9	3.4	3.9	3.5	2.6

Note: For definitions of certain financial ratios and other financial terms, see “—Definitions of Key Financial Ratios and Other Financial Terms” below.

- (1) Adjusted operating profit is a non-IFRS-EU financial measure. For a definition of adjusted operating profit, see “—Definitions of Key Financial Ratios and Other Financial Terms” below and for a reconciliation of adjusted operating profit to the nearest IFRS-EU financial measure, see “—Non-IFRS-EU Financial Measures” below.
- (2) Annualized ratios are calculated by calculating the ratio for the period indicated and multiplying the result by four.
- (3) Calculated using the equity of Nordax Holding AB as at December 31, 2011.

## Definitions of Key Financial Ratios and Other Financial Terms

The following definitions apply throughout this Offering Memorandum unless the context requires otherwise:

Adjusted cost to income ratio . . . . .	Adjusted operating expenses excluding marketing costs as a percentage of adjusted operating income.
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. For a reconciliation of adjusted operating expenses to the nearest IFRS-EU financial measure, see “— <i>Non-IFRS-EU Financial Measures</i> ” below.
Adjusted operating income . . . . .	Total operating income excluding foreign exchange gains/losses. Adjusted operating income is a non-IFRS-EU financial measure. For a reconciliation of adjusted operating income to the nearest IFRS-EU financial measure, see “— <i>Non-IFRS-EU Financial Measures</i> ” below.
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. For a reconciliation of adjusted operating profit to the nearest IFRS-EU financial measure, see “— <i>Non-IFRS-EU Financial Measures</i> ” below.
Adjusted profit 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 for the period is a non-IFRS-EU financial measure. For a reconciliation of adjusted profit for the period to the nearest IFRS-EU financial measure, see “— <i>Non-IFRS-EU Financial Measures</i> ” below.
Adjusted tangible assets exposure . . .	Exposure measure according to “Basel III leverage ratio framework and disclosure requirements,” January 2014.
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 retail deposit utilization rate .	The daily average of deposits from the public less total liquidity reserve as a percentage of deposits from the public.
Average tangible equity . . . . .	The average of tangible equity at the beginning of the period and tangible equity at the end of the period.
Capital adequacy ratio . . . . .	Net own funds divided by total capital requirement.
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.
Leverage ratio . . . . .	Tier 1 capital as a percentage of adjusted tangible assets exposure.

Liquidity coverage ratio (LCR) (proposed Basel definition) . . . . .	Liquidity measurement defined by the Capital Requirements Regulation (575/2013/EU) that measures a financial institution's ability to deal with a stressed net outflow of liquidity for 30 days. A liquidity coverage ratio (LCR) of 100 percent means that a financial institution's liquidity reserve is adequate to enable the institution to manage an unexpected liquidity outflow for 30 days.
Liquidity coverage ratio (LCR) (SFSA definition) . . . . .	Liquidity measurement in accordance with the SFSA's Regulation regarding requirements for a liquidity coverage ratio and reporting of liquid assets and cash flows (FFFS 2012:6) (Sw. <i>Föreskrifter om krav på likviditetstäckningsgrad och rapportering av likvida tillgångar och kassaflöden</i> ).
Loan portfolio . . . . .	The line item lending to the general public in the Combined Financial Statements.
Loan to deposit ratio . . . . .	Lending to the general public as a percentage of deposits from the public.
Marketing costs . . . . .	The line item marketing costs in note 8 to the Unaudited Interim Combined Financial Statements and note 17 to the Audited Combined Financial Statements. Marketing costs consist of the portion of other operating expenses related to marketing.
Marketing efficiency . . . . .	Marketing costs as a percentage of new loan volumes.
Net interest margin . . . . .	Net interest income as a percentage of average loan portfolio.
Net stable funding ratio (NSFR) . . . . .	Available stable funding as a percentage of required stable funding (both as defined in CRD IV).
New loan volumes . . . . .	The value of Nordax's loan portfolio originated during the period indicated.
Retail deposits . . . . .	The line item deposits from the public in the Combined Financial Statements.
Return on average net loans . . . . .	Adjusted operating profit as a percentage of average loan portfolio.
Return on tangible equity . . . . .	Adjusted profit for the period as a percentage of average tangible equity.
Tangible equity . . . . .	Total equity less intangible assets. Tangible equity is a non-IFRS-EU financial measure. For a reconciliation of tangible equity to the nearest IFRS-EU financial measure, see " <i>—Non-IFRS-EU Measures</i> " below.
Tier 1 capital . . . . .	Capital of the character of, or close to the character of, paid-up, capital-eligible reserves and a limited portion of subordinated capital loan instruments. Profits may only be included after deducting proposed dividends. Goodwill, deferred tax assets, intangible assets and investments in credit institutions are deducted from Tier 1 capital.
Tier 1 capital ratio . . . . .	Tier 1 capital as a percentage of total risk exposure amount.
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.

## Non-IFRS-EU Financial Measures

The following table contains certain financial measures that are not recognized measures of financial performance or financial position under IFRS-EU and have been derived from Nordax's regularly maintained accounting systems. These measures, which are unaudited, are presented as they are used by management to monitor the underlying performance of Nordax's business and operations. Not all companies calculate non-IFRS-EU financial measures in the same manner or on a consistent basis. As a result, these measures and ratios may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS-EU financial measures presented below and they should not be considered as a substitute for total operating expenses, total operating income, operating profit, profit for the period, equity or other financial measures computed in accordance with IFRS-EU. For definitions of these non-IFRS financial measures as well as certain financial ratios and other financial terms, see “—Definitions of Key Financial Ratios and Other Financial Terms” above.

The following tables set forth a reconciliation of Nordax's adjusted operating expenses, adjusted operating income, adjusted operating profit, adjusted profit for the period and tangible equity (which are non-IFRS-EU financial measures) to the nearest IFRS-EU measure as at the dates and for the periods indicated:

	For the twelve months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
(SEK in millions)					
<b>Reconciliation of adjusted operating expenses to IFRS-EU operating expenses</b>					
Total operating expenses . . . . .	375	305	364	287	267
Non-recurring items . . . . .	(20) <sup>(1)</sup>	3 <sup>(2)</sup>	(18) <sup>(3)</sup>	3 <sup>(4)</sup>	0 <sup>(5)</sup>
Amortization of acquired intangible assets <sup>(6)</sup> . . . . .	(13)	(12)	(13)	(12)	(9)
Adjusted operating expenses . . . . .	342	296	333	278	258
Marketing costs . . . . .	(99)	(79)	(96)	(71)	(75)
Adjusted operating expenses excluding marketing costs . . . . .	243	217	237	207	183
<b>Reconciliation of adjusted operating income to IFRS-EU operating income</b>					
Total operating income . . . . .	841	694	803	653	579
Foreign exchange (gains)/losses . . . . .	2	0	2	15	(11)
Adjusted operating income . . . . .	843	694	805	668	568
<b>Reconciliation of adjusted operating profit to IFRS-EU operating profit</b>					
Operating profit . . . . .	339	268	325	251	185
Non-recurring items . . . . .	20 <sup>(1)</sup>	(3) <sup>(2)</sup>	18 <sup>(3)</sup>	(3) <sup>(4)</sup>	0 <sup>(5)</sup>
Foreign exchange (gains)/losses . . . . .	2	0	2	15	(11)
Amortization of acquired intangible assets <sup>(6)</sup> . . . . .	13	12	13	12	9
Adjusted operating profit . . . . .	374	277	358	275	183
<b>Reconciliation of adjusted profit for the period to IFRS-EU profit for the period</b>					
Profit for the period . . . . .	266	211	254	203	136
Non-recurring items . . . . .	20 <sup>(1)</sup>	(3) <sup>(2)</sup>	18 <sup>(3)</sup>	(3) <sup>(4)</sup>	0 <sup>(5)</sup>
Foreign exchange (gains)/losses . . . . .	2	0	2	15	(11)
Amortization of acquired intangible assets <sup>(6)</sup> . . . . .	13	12	13	12	9
Reversal of tax effects of non-recurring items, foreign exchange gains/losses and amortization of acquired intangible assets . . . . .	(7)	(2)	(7)	(5)	0
Adjusted profit for the period . . . . .	294	218	280	222	134

Note: For definitions of certain financial ratios and other financial terms, see “—Definitions of Key Financial Ratios and Other Financial Terms” above.

(1) Non-recurring items for the twelve months ended March 31, 2015 consisted of expenses of SEK 11 million related to a potential acquisition (which was not completed), SEK 7 million of advisory fees paid by Nordax in connection with an

internal reorganization due to changes in regulations regarding regulatory capital and SEK 2 million of expenses related to preparations for the Offering.

- (2) Non-recurring items for the twelve months ended March 31, 2014 consisted of a VAT refund.  
(3) Non-recurring items for the year ended December 31, 2014 consisted of expenses of SEK 11 million related to a potential acquisition (which was not completed) and SEK 7 million of advisory fees paid by Nordax in connection with an internal reorganization due to changes in regulations regarding regulatory capital.  
(4) Non-recurring items for the year ended December 31, 2013 consisted of a VAT refund.  
(5) Non-recurring items for the year ended December 31, 2012 consisted of income of SEK 15 million related to a VAT refund and an adjustment of negative SEK 15 million related to Nordax's Norwegian loans that were more than 180 days past due.  
(6) Acquired intangible assets consist of the premium paid by the Principal Shareholders for Nordax's customer relationships.

	<b>For the three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>(SEK in millions)</b>		
<b>Reconciliation of adjusted operating expenses to IFRS-EU operating expenses</b>		
Total operating expenses . . . . .	99	88
Non-recurring items . . . . .	(2) <sup>(1)</sup>	–
Amortization of acquired intangible assets <sup>(2)</sup> . . . . .	(3)	(3)
Adjusted operating expenses . . . . .	94	85
Marketing costs . . . . .	(31)	(28)
Adjusted operating expenses excluding marketing costs . . . . .	63	57
<b>Reconciliation of adjusted operating profit to IFRS-EU operating profit</b>		
Operating profit . . . . .	74	60
Non-recurring items . . . . .	2 <sup>(1)</sup>	–
Foreign exchange (gains)/losses . . . . .	1	1
Amortization of acquired intangible assets <sup>(2)</sup> . . . . .	3	3
Adjusted operating profit . . . . .	80	64
<b>Reconciliation of adjusted profit for the period to IFRS-EU profit for the period</b>		
Profit for the period . . . . .	58	46
Non-recurring items . . . . .	2 <sup>(1)</sup>	–
Foreign exchange (gains)/losses . . . . .	1	1
Amortization of acquired intangible assets <sup>(2)</sup> . . . . .	3	3
Reversal of tax effects of non-recurring items, foreign exchange gains/losses and amortization of acquired intangible assets . . . . .	(1)	(1)
Adjusted profit for the period . . . . .	63	49

Note: For definitions of certain financial ratios and other financial terms, see “—Definitions of Key Financial Ratios and Other Financial Terms” above.

- (1) Non-recurring items for the three months ended March 31, 2015 consisted of expenses related to preparations for the Offering.  
(2) Acquired intangible assets consist of the premium paid by the Principal Shareholders for Nordax's customer relationships.

	<b>As at March 31,</b>			<b>As at December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>(SEK in millions)</b>						
<b>Reconciliation of tangible equity to IFRS-EU equity</b>						
Equity . . . . .	1,596	1,333	1,123	1,538	1,287	1,085
Intangible assets . . . . .	(314)	(326)	(333)	(316)	(330)	(342)
Tangible equity . . . . .	1,282	1,007	790	1,222	957	743

Note: For definitions of certain financial ratios and other financial terms, see “—Definitions of Key Financial Ratios and Other Financial Terms” above.

## SELECTED BANK AND STATISTICAL DATA

The following bank and statistical data as at the dates and for the periods indicated has been derived from the Combined Financial Statements and Nordax's regularly maintained accounting systems and customer management systems. The information in this section should be read together with "Operating and Financial Review" and the Combined Financial Statements included elsewhere in this Offering Memorandum.

### Average Balances

#### Average Balance Sheet Analysis

The following table sets forth the Company's average balances and interest rates on a consolidated basis for the periods indicated:

	For the three months ended March 31, 2015			For the year ended December 31,								
	Average balance	Average interest rate	Interest amount	2014			2013			2012		
				Average balance	Average interest rate	Interest amount	Average balance	Average interest rate	Interest amount	Average balance	Average interest rate	Interest amount
(SEK in millions)	(percent)	(SEK in millions)	(SEK in millions)	(percent)	(SEK in millions)	(SEK in millions)	(percent)	(SEK in millions)	(SEK in millions)	(percent)	(SEK in millions)	
<b>Assets</b>												
Interest-bearing assets:												
Lending to credit institutions . . . . .	2,271	0.7	4	1,910	1.1	20	2,077	1.2	24	2,079	1.7	35
Lending to the general public . . . . .	10,177	11.9	303	9,218	12.8	1,176	7,925	13.0	1,029	7,094	13.8	976
Bonds and other fixed-income securities <sup>(1)</sup>	1,583	0.4	1	1,068	0.8	9	1,271	1.6	20	1,569	2.2	34
Total interest-bearing assets . . . . .	14,031	8.8	308	12,195	9.9	1,205	11,272	9.5	1,073	10,697	9.7	1,045
Goodwill . . . . .	251			251			251			251		
Other intangible assets . . . . .	64			72			85			94		
Tangible assets . . . . .	10			7			8			9		
Other assets . . . . .	13			12			7			27		
Prepaid expenses and accrued income . . . . .	11			14			13			7		
Total assets . . . . .	14,379			12,550			11,635			11,129		
<b>Liabilities and equity</b>												
<b>Liabilities</b>												
Interest-bearing liabilities:												
Deposits from the public:												
On demand deposits . . . . .	6,502	(2.5)	(40)	5,616	(3.1)	(174)	5,959	(3.0)	(176)	6,133	(3.7)	(227)
Total deposits from the public . . . . .	6,502	(2.5)	(40)	5,616	(3.1)	(174)	5,959	(3.0)	(176)	6,133	(3.7)	(227)
Liabilities to credit institutions . . . . .	2,375			2,287			2,048			1,654		
Issued securities . . . . .	3,491			2,920			2,146			2,028		
Total liabilities to credit institutions and issued securities . . . . .	5,866	(3.2)	(47)	5,207	(4.2)	(217)	4,194	(5.3)	(223)	3,681	(6.9)	(253)
Total interest-bearing liabilities . . . . .	12,368	(2.8)	(87)	10,823	(3.6)	(391)	10,153	(3.9)	(399)	9,814	(4.9)	(480)

	For the three months ended March 31, 2015			For the year ended December 31,								
				2014			2013			2012		
	Average balance	Average interest rate	Interest amount	Average balance	Average interest rate	Interest amount	Average balance	Average interest rate	Interest amount	Average balance	Average interest rate	Interest amount
(SEK in millions)	(percent)	(SEK in millions)	(SEK in millions)	(percent)	(SEK in millions)	(SEK in millions)	(percent)	(SEK in millions)	(SEK in millions)	(percent)	(SEK in millions)	
Current tax liability . . . . .	14			11			7			5		
Deferred tax liability . . . . .	29			31			37			48		
Other liabilities . . . . .	25			21			14			16		
Accrued expenses and deferred income . . . .	59			55			41			34		
Subordinated liabilities . . . . .	322	(7.8)	(6)	199	(12.1)	(24)	198	(12.7)	(25)	197	(13.7)	(27)
Total liabilities . . . . .	<u>12,812</u>			<u>11,138</u>			<u>10,449</u>			<u>10,112</u>		
<b>Equity</b>												
Share capital . . . . .	1			1			1			1		
Profit/loss brought forward . . . . .	1,566			997			685			624		
Profit for the period . . . . .	0			254			203			136		
Total equity excluding non-controlling interest . . . . .	1,567			1,252			889			761		
Non-controlling interest . . . . .	0			161			298			256		
Total equity . . . . .	<u>1,567</u>			<u>1,413</u>			<u>1,186</u>			<u>1,017</u>		
Total liabilities and equity . . . . .	<u>14,379</u>			<u>12,550</u>			<u>11,635</u>			<u>11,129</u>		
Net interest income . . . . .			<u>213</u>			<u>781</u>			<u>629</u>			<u>504</u>
Net interest margin . . . . .		<u>8.4<sup>(2)</sup></u>			<u>8.5</u>			<u>7.9</u>		<u>7.1</u>		

Note: For the purposes of this table, the average balances represent the average of the opening and closing balances for the period. Were these average balances to be calculated on a “weighted average,” “daily” or other basis, differences may result and such differences could be material. For definitions of certain financial ratios and other financial terms, see “Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.”

- (1) Interest related to bonds is reported under “net profit/loss from financial transactions” in the combined income statement of the Company.  
(2) Annualized by calculating net interest margin for the three months ended March 31, 2015 and multiplying the result by four.

### Analysis of Changes in Interest Income and Expense – Volume and Rate Analysis

The following table sets forth an analysis of changes in Nordax's interest income and interest expense based on changes in volume and changes in rate for the periods indicated. The information in the following table was derived from Nordax's regularly maintained accounting systems and customer management systems, unless otherwise indicated:

	For the three months ended March 31,			For the year ended December 31,					
	2015 as compared to 2014			2014 as compared to 2013			2013 as compared to 2012		
	Volume	Rate	Total	Volume	Rate	Total	Volume	Rate	Total
(SEK in millions)									
<b>Assets</b>									
Lending to credit institutions	2	(3)	0	(2)	(2)	(4)	0	(11)	(11)
Lending to the general public	49	(15)	33	168	(21)	147	114	(61)	53
Bonds and other fixed-income securities <sup>(1)</sup> . . . . .	1	(2)	(1)	(3)	(8)	(11)	(6)	(8)	(14)
Total interest-bearing assets . . . . .	52	(20)	32	163	(31)	132	108	(80)	28
<b>Liabilities</b>									
Liabilities to credit institutions and issued securities . . . . .									
Deposits from the public . . . . .	(13)	25	12	(54)	60	6	(35)	65	30
Subordinated debt . . . . .	(34)	28	(7)	10	(8)	2	6	45	51
Total interest-bearing liabilities . . . . .	(4)	3	(1)	0	1	1	0	2	2
Net interest income . . . . .	(51)	55	4	(44)	53	9	(29)	112	83
	0	37	37 <sup>(2)</sup>	122	30	152 <sup>(2)</sup>	85	40	125 <sup>(2)</sup>

- (1) Interest related to bonds is reported under net profit/loss from financial transactions in the combined income statement of the Company.  
(2) Derived from the Combined Financial Statements.

### Investment Portfolio

The following table sets forth Nordax's bonds and other fixed-income securities by issuer type as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
(SEK in millions)				
Swedish municipalities . . . . .	1,160	980	–	1,221
Swedish covered bonds . . . . .	420	605	550	770
Total . . . . .	1,580	1,585	550	1,991

The following table sets forth the scheduled maturities of Nordax's bonds and other fixed-income securities by issuer type as at December 31, 2014. The information in the following table was derived from Nordax's regularly maintained accounting systems and customer management systems, unless otherwise indicated:

	As at December 31, 2014	Due in			
		1 year or less	1–5 years	5–10 years	After 10 years
(SEK in millions)					
Swedish municipalities . . . . .	980	980	0	0	0
Swedish covered bonds . . . . .	605	293	312	0	0
Total . . . . .	1,585 <sup>(1)</sup>	1,273	312	0	0

- (1) Derived from the Combined Financial Statements.

## Financing Receivables Portfolio

Nordax has one class of financing receivables, lending to the general public.

The following table sets forth Nordax's lending to the general public by country as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
		(SEK in millions)		
Sweden . . . . .	3,889	3,880	3,540	3,097
Norway . . . . .	4,140	3,934	3,307	3,345
Finland . . . . .	1,725	1,688	1,179	656
Germany . . . . .	335	294	70	1
Denmark . . . . .	224	246	297	357
Total . . . . .	10,312	10,042	8,393	7,456

## Maturities Analysis

The following table sets forth the scheduled maturities of Nordax's lending to the general public as at March 31, 2015:

	As at March 31, 2015	Due in			
		1 year or less	1–5 years	5–10 years	After 10 years
		(SEK in millions)			
Lending to the general public . . . . .	10,312	942 <sup>(1)</sup>	4,198 <sup>(1)</sup>	4,178 <sup>(1)</sup>	994 <sup>(1)</sup>

(1) Derived from Nordax's regularly maintained accounting systems and customer management systems.

## Past Due Analysis and Provisions

The following table sets forth Nordax's accounting treatment of past due loans:

		Current	One to 180 Days Past Due	More than 180 Days Past Due		
Impact on Balance Sheet	Treatment when Due	- Full value, no provision - Loan balance is (partially) amortised and amount on balance sheet is consequently reduced	Provision on principal amount and accrued interest and fees – coverage depending on dynamic model	Loan is classified as "written-down", and only the NPV of the expected future payments is recognised in balance sheet. A written-down loan will never be current again		
	Treatment when Payment Received		- If all fully contractual payments received, the loan is classified as current again and no provision needed - If partly contractual payments received, the loan ends up in applicable arrear with related provision	Amount shown on balance sheet of written-down loans (NPV) is reduced proportionately with the recovered amount		
	Provision Level as at March 31, 2015 (percent)	0	8	22	36	51
Impact on Income Statement	Illustrative Example of Loan Accounting	Gross Loans: 100, Generic Provisions: 0, Net Loans: 100	Gross Loans: 100, Generic Provisions: 36, Net Loans: 64	Write-Downs: 100, Specific Provisions: 63, NPV of Write-Downs: 37		
	Treatment when Due	No impact. Interest is booked on an accounting basis	Interest and fees are reduced in the same proportion as the provisions coverage over principal amount	Difference between the net present value of expected recovery amount and the net book value of the loan is recognised as provision		
	Treatment when Payment Received		Reversed interest and fees are recognised when the loan is current or reach lower arrear level	Adjustment of net present value		

For loans between one and 180 days past due, Nordax records a provision based on a dynamic country-specific model based on its historical experience. The model is based on the probability that a past due loan will become more than 180 days past due based on the performance of Nordax's past due loans during the previous six months. The expected credit loss if the loan were to become more than 180 days past due is also considered.

When a loan falls more than 180 days past due, Nordax writes down the carrying amount of the loan to the recoverable amount, which is defined as the estimated future cash flow discounted by the effective interest rate of the loan at the time of impairment. Every quarter, Nordax calculates the recoverable amount percentages based on its historical credit performance data as well as its management's best estimates of future recovery rates where historical credit performance data is not available. Recoveries are expected to be generated up to 13 years from the date of write-down (*i.e.*, when more than 180 days past due). Nordax's write-down model has been reviewed by its auditors as well as by external consultants.

The following tables set forth certain information on Nordax's lending to the general public by country as at the dates indicated:

	As at March 31, 2015						Allocation of provision for past due loans	
	Sweden	Norway	Denmark	Finland	Germany	Total	(SEK in millions)	(percent)
	(SEK in millions)							
Not yet payable . . . . .	3,584	3,786	189	1,486	329	9,374		
Past due:								
Less than 30 days past due . . . . .	44	92	7	79	4	226	(19)	8
30–60 days past due . . . . .	23	35	4	30	2	95	(21)	22
61–90 days past due . . . . .	19	22	5	10	1	56	(20)	36
91–180 days past due . . . . .	31	22	2	14	2	70	(35)	51
More than 180 days past due . . . . .	512	523	292	247	3	1,577	(991)	63
Total past due . . . . .	629	694	310	380	12	2,025	(1,087)	54
Total . . . . .	4,212	4,480	499	1,866	341	11,399		
Provision . . . . .	(323)	(340)	(276)	(142)	(7)	(1,087)		
Total lending to the general public . . . . .	3,889	4,140	224	1,725	335	10,312		

	As at December 31, 2014						Allocation of provision for past due loans	
	Sweden	Norway	Denmark	Finland	Germany	Total	(SEK in millions)	(percent)
	(SEK in millions)							
Not yet payable . . . . .	3,586	3,598	209	1,458	289	9,139		
Past due:								
Less than 30 days past due . . . . .	45	86	8	77	3	220	(18)	8
30–60 days past due . . . . .	23	32	4	27	2	89	(19)	21
61–90 days past due . . . . .	13	21	6	10	1	51	(17)	33
91–180 days past due . . . . .	26	20	3	14	2	65	(33)	51
More than 180 days past due . . . . .	489	495	298	238	2	1,522	(957)	63
Total past due . . . . .	596	654	319	366	10	1,947	(1,044)	54
Total . . . . .	4,182	4,252	528	1,824	299	11,086		
Provision . . . . .	(302)	(318)	(282)	(136)	(5)	(1,044)		
Total lending to the general public . . . . .	3,880	3,934	246	1,688	294	10,042		

	As at December 31, 2013						Allocation of provision for past due loans	
	Sweden	Norway	Denmark	Finland	Germany	Total	(SEK in millions)	(percent)
	(SEK in millions)							
Not yet payable . . . . .	3,286	2,986	257	1,023	70	7,621		
Past due:								
Less than 30 days past due . . . . .	45	91	9	39	0	185	(16)	9
30–60 days past due . . . . .	17	26	3	13	0	60	(13)	22
61–90 days past due . . . . .	15	20	7	7	0	49	(16)	33
91–180 days past due . . . . .	23	19	3	10	–	55	(27)	49
More than 180 days past due . . . . .	409	437	269	185	–	1,300	(805)	62
Total past due . . . . .	509	593	291	254	0	1,649	(877)	53
Total . . . . .	3,795	3,579	548	1,277	70	9,270		
Provision . . . . .	(255)	(272)	(251)	(98)	0	(877)		
Total lending to the general public . . . . .	3,540	3,307	297	1,179	70	8,393		

	As at December 31, 2012						Allocation of provision for past due loans	
	Sweden	Norway	Denmark	Finland	Germany	Total	(SEK in millions)	(percent)
	(SEK in millions)							
Not yet payable . . . . .	2,886	3,022	308	520	1	6,736		
Past due:								
Less than 30 days past due . . . . .	45	85	13	24	0	168	(16)	10
30–60 days past due . . . . .	17	29	5	9	0	61	(14)	23
61–90 days past due . . . . .	13	17	9	5	0	44	(12)	27
91–180 days past due . . . . .	19	19	4	4	–	46	(24)	52
More than 180 days past due . . . . .	324	421	241	164	–	1,150	(683)	59
Total past due . . . . .	418	571	272	206	0	1,469	(749)	51
Total . . . . .	3,304	3,593	580	726	1	8,205		
Provision . . . . .	(207)	(248)	(223)	(70)	0	(749)		
Total lending to the general public . . . . .	3,097	3,345	357	656	1	7,456		

The following table sets forth certain information on Nordax's provisions for loans as at the dates and for the periods indicated:

	As at and for the three months ended March 31,		As at and for the year ended December 31,		
	2015	2014	2014	2013	2012
	(SEK in millions)				
Provision for loans with individually identified loss events <sup>(1)</sup>					
Opening reserve at the beginning of the period . . . . .	957	805	805	683	547
allocated during the period . . . . .	31	20	86	90	103
exchange rate effects <sup>(2)</sup> . . . . .	3	13	66	32	33
Provision for loans with individually identified loss events <sup>(1)</sup> at the end of the period . . . . .	991	838	957	805	683
Group provision for receivables valued as a group <sup>(3)</sup>					
Opening reserve at the beginning of the period . . . . .	87	72	72	66	52
allocated during the period . . . . .	9	5	13	9	14
exchange rate effects <sup>(2)</sup> . . . . .	(1)	1	2	(3)	0
Group provision for receivables valued as a group <sup>(3)</sup> at the end of the period . . . . .	95	78	87	72	66
Total provision for credit losses . . . . .	1,087	916	1,044	877	749

(1) Loans with individually identified loss events refers to loans that are more than 180 days past due.

(2) Exchange rate effects are recognized in net profit/loss from financial transactions.

(3) Receivables valued as a group refers to loans that are between one and 180 days past due.

For additional information on Nordax's loan write-downs and provisions during the periods covered by the Combined Financial Statements, see "Operating and Financial Review—Factors Affecting Nordax's Results of Operations—Credit Losses."

## Borrowings

The following table sets forth the maturity profile of Nordax's financial liabilities (presented as contractual non-discounted cash flows) as at March 31, 2015 assuming that all callable debt would be called on the first possible call date and that liabilities to credit institutions would be repaid on the revolving period end date:

	As at March 31, 2015	Due in			After 5 years
		1 year or less	1–2 years	2–5 years	
	(SEK in millions)				
Liabilities to credit institutions <sup>(1)</sup> . . . . .	2,553	1,565	988	–	–
Deposits from the public . . . . .	6,524	6,524	–	–	–
Issued securities <sup>(1)</sup> . . . . .	3,610	1,077	703	1,831	–
Subordinated liabilities <sup>(1)</sup> . . . . .	527	220	14	293	–
Trade payables and other liabilities . . . . .	76	76	–	–	–

(1) Includes expected interest payments in addition to the principal amount.

## OPERATING AND FINANCIAL REVIEW

*The following discussion of Nordax's financial condition and results of operations should be read together with the Combined Financial Statements and the information relating to Nordax's business included elsewhere in this Offering Memorandum. For information on the basis of preparation of the Combined Financial Statements, see "Presentation of Financial and Certain Other Information." The following discussion includes forward-looking statements that reflect the current view of Nordax's management and involve inherent risks and uncertainties. Nordax's actual results of operations or financial condition could differ materially from those contained in such forward-looking statements as a result of factors discussed below and elsewhere in this Offering Memorandum, particularly in "Risk Factors." See "Cautionary Note Regarding Forward-looking Statements."*

### Overview

Nordax is a leading niche bank in the Nordic region offering large personal loans targeted at individuals that, based on historical credit losses, it assesses to be low risk and "prime" as they are generally middle-aged, employed individuals with average incomes above national household averages, near or higher than national average rates of home ownership and no negative payment remarks on their credit records. Nordax has been developing its presence in Germany since 2012. Nordax's business model is focused on efficient data management, statistical analysis, test and learn approach and quantitative decision making. This approach is used throughout Nordax's operations, including marketing, credit risk management, legal collection and funding. Nordax has developed strong analytical capabilities in its decision science and quantitative modeling, which promotes marketing efficiency and credit quality. Nordax operates from a centralized, scalable platform. Nordax also offers retail deposit products to individuals in its Core Markets. A key part of its business strategy is its diversified funding across products, markets and currencies. As at March 31, 2015, Nordax's loan portfolio amounted to SEK 10,312 million with 69,931 loans and its retail deposits amounted to SEK 6,524 million held in 25,453 deposit accounts. The weighted average term of Nordax's loans at origination based on its loan portfolio as at March 31, 2015 was 9.2 years and the maximum term available to qualifying customers is 15 years.

### Factors Affecting Nordax's Results of Operations

The following factors have affected during the periods under review, and may continue to affect, Nordax's results of operations:

#### *Macroeconomic Environment in the Nordic Region and Germany*

Nordax provides unsecured personal loans in its Core Markets in the Nordic region and Germany and offers deposit products to customers in its Core Markets. Nordax's Core Markets together accounted for SEK 9,754 million, or 94.6 percent, of Nordax's loan portfolio and SEK 6,524 million, or 100 percent, of Nordax's retail deposits as at March 31, 2015, while Denmark and Germany together accounted for SEK 559 million, or 5.4 percent, of Nordax's loan portfolio as at March 31, 2015. Accordingly, the macroeconomic environment in these markets affects Nordax's results of operations, in particular with respect to demand for personal loan products, interest rates and availability and cost of funding.

Nordax monitors various macroeconomic indicators in the markets in which it operates, including interest rates, unemployment, housing prices, consumer confidence, consumer spending and consumer debt levels in an attempt to predict demand for its loan products or the performance of its loan portfolio. For example, Nordax monitors consumer confidence, which may affect demand for personal loans and default rates. In addition, high levels of unemployment may reduce the number of customers who qualify for Nordax's loan products, which, in turn, could adversely affect Nordax's ability to maintain or grow its loan portfolio. Increasing levels of unemployment and declining consumer confidence led to a downgrade in Finland's credit rating by Standard & Poor's from AAA to AA+ in October 2014.

Although Nordax monitors various macroeconomic indicators, it has not identified one or a group of macroeconomic indicators that are directly correlated to its results of operations or the credit performance of its loan portfolio, although there may be a partial correlation in the trends. For historical information on certain of the macroeconomic indicators in Nordax's markets, see "*Industry Overview—Market Size and Historical Development—Historical Development.*"

As part of its risk management, Nordax uses scenario planning to plan for potential changes in macroeconomic conditions. Nordax aims to follow its approach of (i) not reducing margins to promote

growth, (ii) not taking on additional credit risk to promote growth and (iii) maintaining a conservative funding and liquidity profile, regardless of changes in macroeconomic conditions.

In the past, Nordax has adapted its operations to respond to changes in the macroeconomic environment. For example, Nordax suspended new lending operations in all of its markets (at the time, Sweden, Norway, Finland and Denmark) and focused on collections in 2008 and 2009 in response to the global economic downturn and tightening of available funding from financial institutions and the capital markets. Nordax resumed new lending operations in Norway and Sweden in 2010 and Finland in 2011 as macroeconomic conditions improved, but has not resumed new lending operations in Denmark due to the continued weakness of the Danish economy, declining house prices as well as Denmark's less effective legal debt collection system. In addition, Nordax's experience in Denmark showed that Nordax's business model is better suited to countries with effective legal debt collection systems as well as a culture that promotes repayment.

### *Loan Portfolio Growth*

Nordax's ability to increase the volume of loans it extends to borrowers has been the most significant factor contributing to growth in total income during the periods covered by the Combined Financial Statements. Over this period, Nordax's loan portfolio has increased from SEK 7,456 million as at December 31, 2012 to SEK 10,312 million as at March 31, 2015, amounting to a CAGR of 15.5 percent. Between December 31, 2010 and December 31, 2014, Nordax's loan portfolio grew at a CAGR of 18.0 percent. Nordax aims to have controlled growth of its loan portfolio, maintaining a focus on the credit quality of its loan customers. Nordax's ability to grow its loan portfolio is also dependent on the availability of funding.

The following table sets forth a breakdown of Nordax's loan portfolio by country as at the dates indicated:

	As at March 31, 2015	As at December 31,			CAGR <sup>(1)</sup> (percent)
		2014	2013	2012	
		(SEK in millions)			
Sweden .....	3,889	3,880	3,540	3,097	10.7
Norway .....	4,140	3,934	3,307	3,345	9.9
Finland .....	1,725	1,688	1,179	656	53.7
Germany .....	335	294	70	1	n.a.
Denmark .....	224	246	297	357	(18.7)
Total .....	10,312	10,042	8,393	7,456	15.5

(1) CAGR December 31, 2012 to March 31, 2015.

The following table sets forth certain information on Nordax's loan portfolio by country as at the dates and for the periods indicated:

	As at and for the three months ended March 31,			As at and for the year ended December 31,				
	2015	Change <sup>(1)</sup>	2014	2014	Change <sup>(2)</sup>	2013	Change <sup>(3)</sup>	2012
	(SEK in millions)	(percent)	(SEK in millions)	(SEK in millions)	(percent)	(SEK in millions)	(percent)	(SEK in millions)
<b>Sweden</b>								
Lending to the general public at the beginning of the period . . . . .	3,880		3,540	3,540		3,097		2,693
New loan volumes . . . . .	286	(7.7)	310	1,316	(0.3)	1,320	15.6	1,142
Amortization, including prepayments . . . . .	(259)		(220)	(945)		(839)		(696)
Net credit losses . . . . .	(18)		(13)	(31)		(38)		(42)
Foreign exchange gains/(losses) . . . . .	—		—	—		—		—
Lending to the general public at the end of the period . . . . .	<u>3,889</u>		<u>3,618</u>	<u>3,880</u>	9.6	<u>3,540</u>	14.3	<u>3,097</u>
<b>Norway</b>								
Lending to the general public at the beginning of the period . . . . .	3,934		3,307	3,307		3,345		3,082
New loan volumes . . . . .	416	8.9	382	1,606	40.1	1,146	7.6	1,066
Amortization, including prepayments . . . . .	(266)		(205)	(865)		(781)		(805)
Net credit losses . . . . .	(16)		(14)	(49)		(45)		(62)
Foreign exchange gains/(losses) . . . . .	72		72	(65)		(359)		64
Lending to the general public at the end of the period . . . . .	<u>4,140</u>		<u>3,541</u>	<u>3,934</u>	19.0	<u>3,307</u>	(1.1)	<u>3,345</u>
<b>Finland</b>								
Lending to the general public at the beginning of the period . . . . .	1,688		1,179	1,179		656		513
New loan volumes . . . . .	154	2.7	150	677	5.3	643	136.4	272
Amortization, including prepayments . . . . .	(68)		(46)	(244)		(153)		(105)
Net credit losses . . . . .	(7)		(3)	(17)		(11)		(3)
Foreign exchange gains/(losses) . . . . .	(42)		2	93		44		(22)
Lending to the general public at the end of the period . . . . .	<u>1,725</u>		<u>1,283</u>	<u>1,688</u>	43.2	<u>1,179</u>	79.7	<u>656</u>
<b>Germany</b>								
Lending to the general public at the beginning of the period . . . . .	294		70	70		1		—
New loan volumes . . . . .	65	30.0	50	244	248.6	70		1
Amortization, including prepayments . . . . .	(15)		(3)	(30)		(2)		(1)
Net credit losses . . . . .	(2)		(1)	(4)		0		—
Foreign exchange gains/(losses) . . . . .	(7)		0	14		1		(1)
Lending to the general public at the end of the period . . . . .	<u>335</u>		<u>117</u>	<u>294</u>	320.0	<u>70</u>		<u>1</u>

- (1) Represents the change, expressed as a percentage, between the three months ended March 31, 2015 and the three months ended March 31, 2014.
- (2) Represents the change, expressed as a percentage, between the year ended December 31, 2014 and the year ended December 31, 2013.
- (3) Represents the change, expressed as a percentage, between the year ended December 31, 2013 and the year ended December 31, 2012.

Growth in Nordax's loan portfolio is largely dependent on Nordax's ability to identify, and to increase its lending volumes to, customers who meet its credit quality criteria. Nordax relies on targeted marketing channels, including direct mail, unaddressed mail and marketing through cooperation partners, in order to target attractive segments by excluding from its marketing segments of individuals who are not likely to apply or be approved for a loan. To a lesser extent, Nordax also markets its loan products and services to existing customers through its repeat sales marketing channel as well as its loan products to potential borrowers through untargeted marketing channels, including credit intermediaries and mass communication.

The following table sets forth Nordax's new loan volumes by marketing channel for the three months ended March 31, 2015:

	<b>For the three months ended March 31, 2015</b>			
	<b>Sweden</b>	<b>Norway</b>	<b>Finland</b>	<b>Germany</b>
	<b>(SEK in millions)</b>			
Targeted marketing:				
Direct mail . . . . .	120	156	57	31
Unaddressed mail . . . . .	–	39	17	21
Cooperation partners . . . . .	16	14	18	–
Total targeted marketing . . . . .	137	209	93	51
Repeat sales . . . . .	75	117	27	14
Credit intermediaries . . . . .	69	40	35	–
Mass communication . . . . .	5	51	–	–
Total new loan volumes . . . . .	286	416	154	65

The following table sets forth Nordax's new loan volumes by marketing channel for the year ended December 31, 2014:

	<b>For the year ended December 31, 2014</b>			
	<b>Sweden</b>	<b>Norway</b>	<b>Finland</b>	<b>Germany</b>
	<b>(SEK in millions)</b>			
Targeted marketing:				
Direct mail . . . . .	577	651	254	189
Unaddressed mail . . . . .	–	182	81	32
Cooperation partners . . . . .	81	86	76	–
Total targeted marketing . . . . .	658	918	410	221
Repeat sales . . . . .	323	426	111	23
Credit intermediaries . . . . .	324	11	156	–
Mass communication . . . . .	11	250	–	–
Total new loan volumes . . . . .	1,316	1,606	677	244

The following table sets forth Nordax's new loan volumes by marketing channel for the periods indicated:

	<b>For the three months ended March 31,</b>		<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(SEK in millions)</b>				
Targeted marketing:					
Direct mail . . . . .	364	396	1,670	1,417	1,280
Unaddressed mail . . . . .	77	57	294	271	238
Cooperation partners . . . . .	48	56	243	288	147
Total targeted marketing . . . . .	489	510	2,207	1,976	1,665
Repeat sales . . . . .	233	221	883	632	413
Credit intermediaries . . . . .	143	91	491	393	293
Mass communication . . . . .	55	72	262	178	110
Total new loan volumes . . . . .	921	893	3,843	3,180	2,482

Nordax's targeted marketing is dependent on its ability to identify new target individuals for its marketing campaigns. Therefore, the success of Nordax's targeted marketing depends on the amount and relevance of data on potential borrowers available to Nordax for customer targeting and conducting credit assessments. Higher quality data allows Nordax to target its marketing at a more select group and, therefore, it promotes higher response rates and average credit quality of applicants. Unaddressed mail is not as targeted as direct mail and is associated with lower response rates and lower average credit quality of applicants; however, the mailing costs are lower than for direct mail. The level of data available to Nordax varies from country to country as does data protection legislation. Therefore, Nordax adapts its marketing strategy to each country. Nordax sources data on individuals for modeling from third-party data providers, with highly relevant data available in Sweden, Norway and Germany, and somewhat less

relevant data available in Finland. In Sweden and Finland, Nordax has access to data for modeling mostly on a personal level, meaning that the data is provided per individual, although the identity of the individual is not available. In Norway and Germany, the data available to Nordax for modeling is mostly on a cluster level, meaning that information provided is the average for all people within, for example, a certain postal code. In all of the countries in which Nordax operates, individuals are able to opt out of direct mail marketing. The number of persons with address blocked for direct mail varies between the countries. For example, a significant portion of individuals have opted out of direct mail in Norway and Germany. Nordax has also used unaddressed mail in Germany to reach a larger group of potential borrowers with lower costs as it tries to grow its loan portfolio. For additional information on Nordax's marketing of its personal loan products, see "*Business—Sales and Marketing of Personal Loans.*"

An important part of Nordax's strategy has been, and continues to be, its aim to grow its loan portfolio through development of its markets, target segments, marketing channels, capabilities and products. Expansion into Germany is a key part of Nordax's strategy. Nordax began lending operations in Germany in 2012 (loan portfolio of SEK 335 million, or 3.2 percent of its total loan portfolio, as at March 31, 2015). When entering new markets or introducing new products or product features, Nordax generally incurs significant market evaluation, marketing and other costs while earning limited revenues due to the limited size of the loan portfolio. For example, Nordax has incurred significant market evaluation, marketing and other costs related to establishing its cross-border lending operations to individuals in Germany, while it has, to date, received limited interest income due to the limited size of its German loan portfolio. However, Nordax expects its German operations to become profitable as its German loan portfolio grows. Nordax has also introduced new product features in recent years, including increasing the maximum principal amount and maturity of its personal loan products in Sweden (to SEK 400,000 and 15 years) in 2014 and Norway (to NOK 400,000 and 15 years) in 2013. Nordax began offering these loans due to demand, and Nordax only offers them to customers that it believes have the lowest credit risk. As part of its continued growth strategy, Nordax may consider offering new products such as revolving credit (credit cards), overdrafts, larger loans, secured loans and new savings products.

While Nordax had been focused on growing its loan portfolio in its Core Markets and Germany, its loan portfolio in Denmark, where it has not resumed new lending operations since suspending them in 2008, has been decreasing. Nordax's loan portfolio in Denmark decreased from SEK 931 million as at December 31, 2008 to SEK 224 million as at March 31, 2015.

### **Cost of Funding**

Nordax has a diversified funding base that consists of ABSs, warehouse funding facilities from two international banks, retail deposits, senior unsecured bonds and equity and subordinated debt, and the availability of funding affects Nordax's ability to increase its loan portfolio.

The following table sets forth certain information on Nordax's cost of funding for the periods indicated:

	<b>For the three months ended March 31,</b>		<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(SEK in millions, unless otherwise indicated)</b>				
Interest expenses including subordinated debt . . . . .	94	98	415	424	507
As a percentage of average interest-bearing liabilities including subordinated debt for the period (percent) . . . . .	3.0	3.9	3.8	4.1	5.1
Interest expenses excluding subordinated debt . . . . .	87	92	391	399	480
As a percentage of average interest-bearing liabilities excluding subordinated debt for the period (percent) . . . . .	2.8	3.7	3.6	3.9	4.9

The cost of Nordax's funding is subject to various factors that vary by funding source and, accordingly, Nordax's funding mix affects its cost of funding. Nordax aims to deploy 60 percent of its retail deposits for funding with the remaining retail deposits held as a liquidity reserve. Pursuant to Nordax's policy, it may deploy up to 75 percent of its retail deposits for funding. As Nordax pays interest on the entire amount of its retail deposits, the utilization of Nordax's retail deposits affects its cost of funding. For the three months ended March 31, 2015 and the year ended December 31, 2014, Nordax's average retail deposit utilization rate was 50.5 percent and 53.4 percent, respectively.

During the periods under review, Nordax has adjusted funding and liquidity to its new loan volumes and loan portfolio growth and actively broadened its funding base by, *inter alia*, placing senior unsecured bonds in Sweden in 2013 and by launching a new ABS transaction in 2014, which has resulted in decreased funding costs. In 2013, Nordax decreased the interest rates on its retail deposits to, among other things, reduce the amount of its retail deposits and, therefore, increase its retail deposit utilization rate.

In 2015, Nordax Bank issued SEK 250 million unsecured and subordinated callable notes (which qualify as tier 2 capital) at a floating interest rate of three-month STIBOR plus a margin of 5.75 percent per annum, which was lower than the cost of its previous tier 2 capital arrangements (principal amount of SEK 200 million), which were repaid on April 16, 2015. Nordax's aggregate interest payment on the previous tier 2 capital arrangements was SEK 24 million for the year ended December 31, 2014, implying an annual interest rate of approximately 12 percent. Accordingly, Nordax expects that its cost of funding related to subordinated debt will decrease. See also “—*Net Interest Margin Development*” below.

### ***Net Interest Margin Development***

Nordax generates its net interest income from personal loans. Nordax's ability to increase its net interest income and, thus, its total income and profit for a given period is influenced by the margins it can generate on its consumer lending. Nordax's margins are driven by the interest rates it charges on its personal loans relative to its cost of funding, which includes the cost of the liquidity reserve.

The interest rates payable by Nordax on deposits and other funding and the interest rates that it charges on loans to customers as well as substantially all interest rates applicable to its other assets are variable. Accordingly, market interest rates can affect Nordax's cost of funding as well as the interest rates that it is able to charge on its personal loans as well as the interest rates that it pays on its retail deposits. Market interest rates are driven by factors outside of Nordax's control, including governmental fiscal policies as well as European and global economic and political conditions. Nordax can, but does not currently, use derivative instruments to reduce its interest rate risk.

The interest rates that Nordax charges on loans to customers are variable. In Sweden and Norway, Nordax passes its cost of funding to loan customers through adjusting interest rates, as permitted by applicable regulations. However, Nordax has made a general policy decision to only adjust interest rates on its Swedish and Norwegian loan portfolio when its cost of funding increases or decreases by at least 50 basis points. In Finland, Denmark and Germany, Nordax is not permitted to pass its cost of funding to customers and, therefore, the interest rates that it charges on its personal loans are directly linked to reference rates (*i.e.*, Euribor and CIBOR). When reference rates change, the change is reflected in the interest rates of both assets and liabilities, which results in stable net interest margins. For new loans, Nordax sets the interest rates that it offers based on various factors in addition to its cost of funding and reference rates. Nordax's retail deposit products also have variable interest rates, which Nordax adjusts based on various factors, including its funding needs and market interest rates. Nordax's ability to adjust interest rates has enabled it to achieve low net interest margin volatility as compared to its peers.

While Nordax's ability to adjust interest rates on its existing loans promotes stable net interest margins, there is a risk that Nordax will not be able to re-price its variable rate assets and liabilities at the same time, giving rise to re-pricing gaps in the short or medium term. Such delays in re-pricing loans given to its customer may, *inter alia*, occur due to Nordax having an obligation to notify customers in advance of increases in interest rates. For example, the notice period in Norway is six weeks in connection with interest rate increases on loans. Furthermore, Nordax has made a general policy decision to only adjust interest rates on its Swedish and Norwegian loan portfolio when its cost of funding increases or decreases by at least 50 basis points. If Nordax's cost of funding in Finland, Denmark or Germany were to change for reasons other than changes in the relevant reference rate, it would affect Nordax's net interest margin.

Nordax's net interest margin is also affected by opening fees and commissions paid to credit intermediaries, which are reported under interest income. Opening fees received by Nordax at the loan origination are accrued and amortized over four years and acquisition costs are deferred and amortized over four years.

The following table sets forth Nordax's net interest margin for the periods indicated:

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(annualized) <sup>(1)</sup>		(percent)		
Net interest margin . . . . .	8.4	8.2	8.5	7.9	7.1

Note: For definitions of certain financial ratios and other financial terms, see "Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms."

(1) Annualized ratios are calculated by calculating the ratio for the period indicated and multiplying the result by four.

During the periods under review, Nordax's net interest margin has remained relatively stable. While Nordax has experienced an increase in its net interest margin due to lower funding costs, it offset part of this increase by passing the savings on to existing loan customers through lower interest rates. However, Nordax has not reduced the interest rates that it offers on its loan products, which has contributed positively to Nordax's net interest margin. Nordax's Finnish loan portfolio has contributed positively to Nordax's net interest margin during the periods under review due to the growth of the Finnish loan portfolio combined with the portfolio's higher net interest margins, which, in turn, was due to higher interest rates charged on new loans. Nordax expects that its issuance of unsecured and subordinated callable notes in 2015 and subsequent repayment of its previous tier 2 capital arrangements will contribute positively to its net interest margin (as discussed under "—Cost of Funding" above).

In 2015, Nordax Bank issued SEK 250 million unsecured and subordinated callable notes (which qualify as tier 2 capital) at a floating interest rate of three-month STIBOR plus a margin of 5.75 percent per annum, which was lower than the cost of its previous tier 2 capital arrangements, which were repaid on April 16, 2015. The cost of tier 2 capital is not included in cost of funding for the purpose of adjusting interest rates on Nordax's Swedish and Norwegian loan portfolio. However, the cost of tier 2 capital is included when calculating net interest margin. Accordingly, Nordax expects that the lower cost of funding for the new tier 2 notes without a corresponding decrease in its interest income in Sweden and Norway will positively affect its net interest margin.

#### Credit Losses

Changes in the level of credit losses affect Nordax's results of operations.

The following table sets forth a breakdown of Nordax's net credit losses for the periods indicated:

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(SEK in millions, unless otherwise indicated)				
Write-offs for the period relating to actual credit losses . . . . .	5	7	15	15	10
Provisions for loans with individually identified loss events: <sup>(1)</sup>					
Gross value of new receivables classified as more than 180 days past due during the period . . . . .	93	75	312	268	269
Payments received on loans more than 180 days past due during the period . . . . .	(42)	(35)	(163)	(136)	(118)
Adjustment to recoverable value on receivables more than 180 days past due . . . . .	(20)	(20)	(63)	(42)	(48)
Provision for loans with individually identified loss events <sup>(1)</sup> . . . . .	31	20	86	90	103
Group provision for receivables valued as a group <sup>(2)</sup> . . . . .	9	5	13	9	14
Net credit losses . . . . .	45	32	114	114	127
	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(annualized) <sup>(3)</sup>		(percent)		
Cost of risk . . . . .	1.8	1.5	1.2	1.4	1.8

Note: For definitions of certain financial ratios and other financial terms, see "Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms."

(1) Loans with individually identified loss events refers to loans that are more than 180 days past due.

(2) Receivables valued as a group refers to loans that are between one and 180 days past due.

(3) Annualized ratios are calculated by calculating the ratio for the period indicated and multiplying the result by four.

The level of Nordax’s credit losses are affected by macroeconomic conditions discussed in “—*Macroeconomic Environment in the Nordic Region and Germany*” above and changes in the macroeconomic environment could result in a higher frequency and severity of credit losses. The level of credit losses can also be affected by various other factors, including, but not limited to:

- the credit quality of Nordax’s loan portfolio, which, in turn, is affected by the effectiveness of Nordax’s credit risk management policies and procedures;
- the maturity of Nordax’s loan portfolio;
- various factors outside of Nordax’s control, including macroeconomic conditions;
- seasonality (Nordax experiences volatility between quarters in cost of risk, with the first quarter of the year tending to have a higher cost of risk);
- the effectiveness of debt collection; and
- accounting rules, including Nordax’s provisioning and write-down models.

To obtain a loan from Nordax, the customer and application documents must fulfill a number of policy rules. Decisions on loans are also based on creditworthiness, which is determined using a credit scoring model for calculating the probability that a borrower will be able to make timely principal and interest payments. To ensure the applicant’s financial ability to repay the loan an income expenditure calculation is performed for each application.

Nordax’s credit scoring model is based partly on the analysis of historical credit performance data across all of its operations, as well as on its historical credit performance data for the specific target group, product and market. Therefore, the effectiveness of Nordax’s credit scoring model at analyzing the creditworthiness of a customer depends on Nordax having sufficient credit performance data with which it can tailor the model. Nordax continuously measures its overall loan portfolio as well as sub-portfolios based on country, maturity and risk profile, to analyze the effectiveness of the applicable credit regulations and scoring models, and adjusts the credit regulations and scoring models as necessary. Therefore, Nordax is generally able to reduce its credit losses as it continues to gather and analyze credit data. However, the introduction of new markets, marketing channels, products and product features may entail a higher risk of credit losses until sufficient credit performance data is available to tailor the scorecards.

For loans between one and 180 days past due, Nordax records a provision based on a dynamic country-specific model based on its historical experience. When a loan falls more than 180 days past due, Nordax writes down the carrying amount of the loan to the recoverable amount, which is defined as the estimated future cash flow discounted by the effective interest rate of the loan at the time of impairment. For additional information on Nordax’s accounting treatment of past due loans, see “*Selected Bank and Statistical Data—Financing Receivables Portfolio—Past Due Analysis and Provisions.*”

Payments received on loans more than 180 days past due are included in the calculation of Nordax’s net credit losses and, therefore, affect Nordax’s results of operations. Nordax has benefitted from the effective collection systems in its Core Markets (for additional information, see “*Industry Overview—Key Characteristics of Nordax’s Markets—Effective Legal Debt Collection Systems*”). As a result, Nordax has received significant payments on loans more than 180 days past due, amounting to SEK 163 million, SEK 136 million and SEK 118 million for the years ended December 31, 2014, 2013 and 2012, respectively. When measured five years after the write-down, Nordax’s rate of recovery for the amount written down has been 49.7 percent in Sweden, 38.9 percent in Norway, 58.5 percent in Finland and 9.2 percent in Denmark (based on Nordax’s loans from inception to March 31, 2015).

The following table sets forth the principal amount, expected recovery of principal and carrying value of Nordax’s loans more than 180 days past due by country as at March 31, 2015:

	<u>Sweden</u>	<u>Norway</u>	<u>Finland</u>	<u>Denmark</u>	<u>Germany</u>	<u>Total</u>
	(SEK in millions, unless otherwise indicated)					
Principal amount <sup>(1)</sup> . . . . .	512	523	247	292	3	1,577
Expected recovery of principal <sup>(1)</sup> . . . . .	345	355	177	32	0	909
Carrying value . . . . .	226	215	124	21	0	586

(1) The principal amount does not include interest owed by the borrower. Therefore, Nordax’s total aggregate claim for loans more than 180 days past due is greater than the principal amount.

The maturity profile of Nordax’s loan portfolio also affects Nordax’s credit losses. In general, no loans are written down during the first six months after disbursement, after which the rate of write-downs tends to increase and reaches the maximum around months 18 to 36. Following this, the rate of write-downs generally begins to decline. During periods of high growth, when Nordax has a high proportion of recently originated loans in its portfolio, Nordax has tended to experience a lower cost of risk.

### *Managing Cost Base and Maximizing Operating Leverage*

Nordax operates from a centralized platform in Stockholm, Sweden, where all of its employees and functions are located. The centralized infrastructure platform is highly scalable and flexible, which makes it adaptable to new conditions, both products and markets. The infrastructure is designed with common core functionality for all countries and smaller country-specific adaptations. In addition, Nordax uses a consistent data warehouse structure in all countries, which also enables a high degree of scalability. The centralized platform has allowed Nordax to cost-efficiently scale its lending operations from the start in Sweden in 2004 to Norway, Denmark, Finland and Germany, and to offer retail deposit products beginning in 2008.

The following table sets forth a breakdown of Nordax’s operating expenses for the periods indicated:

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(SEK in millions)				
General administrative expenses . . . . .	60	54	224	193	173
Depreciation and amortization of tangible and intangible fixed assets . . . . .	5	4	18	16	14
Other operating expenses . . . . .	34	30	122	78	80
Total operating expenses . . . . .	99	88	364	287	267

The following table sets forth a breakdown of Nordax’s adjusted operating expenses for the periods indicated:

	For the three months ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(SEK in millions)				
Adjusted operating expenses <sup>(1)</sup> excluding marketing costs . . . . .	63	57	237	207	183
Marketing costs . . . . .	31	28	96	71	75
Adjusted operating expenses <sup>(1)</sup> . . . . .	94	85	333	278	258

(1) Adjusted operating expenses is a non-IFRS-EU financial measure. For a reconciliation of adjusted operating expenses to the nearest IFRS-EU financial measure, see “Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures.”

Nordax’s operating costs include the cost of complying with applicable laws and regulations. See also “Risk Factors—Risks Relating to Regulation—Nordax operates in an industry that is highly regulated and may be adversely affected by legal or regulatory risks and reputational implications from the legal and regulatory environment.” Furthermore, Nordax must maintain adequate capital resources and satisfy certain capital ratios. See “Risk Factors—Risks Relating to Regulation—Nordax is subject to substantial and changing prudential regulation” and “—Funding, Liquidity and Capital Resources—Capital Position” below.

Nordax believes that it can handle much larger loan and deposit volumes with its current operating platform. In the near term, Nordax believes that it will need to hire additional junior employees as its loan portfolio grows, but does not foresee the need to hire senior employees. Nordax believes that further automation would create additional scalability in its operating platform.

### *Changes in Foreign Exchange Rates*

Changes in foreign exchange rates between Swedish kronor (Nordax's reporting currency and the currency in which its capital base is denominated) and Norwegian kroner, euro and Danish kroner affect Nordax's results of operations. The foreign exchange rates impact the translation of receivables and liabilities into Nordax's reporting currency, the Swedish krona. Nordax's policy is to limit the effect of changes in foreign exchange rates by matching assets and liabilities in the same currency. Nordax also uses derivative instruments to limit the effect. Nordax does not use derivative instruments to limit the effect of changes in foreign exchange rates in its future income or costs.

In order to protect a total capital ratio of 11.5 percent against changes in foreign exchange rates, Nordax maintains an open foreign exchange risk position. Due to this open position, the impact of changes in foreign exchange rates on the value of Nordax's regulatory capital in Nordax's statement of financial position is offset by the corresponding impact on Nordax's income statement (reported under net profit/loss from financial transactions).

### *Seasonality*

Nordax's new loan volumes as well as inflows and outflows of retail deposits have historically fluctuated from one quarter to the next. For example, demand for personal loans tends to be higher at the beginning of the year. Credit losses and provisions tend to be highest during the winter and spring as delinquencies tend to be highest in September and October. Accordingly, Nordax's cost of risk tends to be highest during the first quarter of the year. In addition, Nordax's retail deposit inflows tend to be lower and retail deposit outflows tend to be higher around the Christmas season, and retail deposit outflows also tend to be higher when the customers' annual account statements are delivered at the beginning of the year.

### **Recent Developments**

**The information below is based on Nordax's internal management accounts and represents Nordax's preliminary expectations with respect to its results from March 31, 2015 to the date of this Offering Memorandum. These estimates have been prepared by and are the responsibility of Nordax's management and have not been reviewed or audited by an auditor, and investors should not place undue reliance on them. While Nordax believes these estimates to be reasonable, its actual results could differ from these estimates and the differences could be material, see "Cautionary Note Regarding Forward-looking Statements."**

New loan volumes in April 2015 were broadly in line with the monthly average new loan volumes in 2014, in accordance with Nordax's outlook (see "*Business—Financial Targets and Outlook*"). Cost of risk in the second quarter to date is broadly in line with the three months ended March 31, 2015, but Nordax believes that it is likely to decline in the last two quarters of 2015 based on current delinquency statuses and, for those quarters, be more in line with the levels recorded in the financial years ended on December 31, 2013 and 2014.

Nordax recorded a foreign exchange gain of SEK 14 million in April 2015 due to the weakening of the Swedish krona against the Norwegian krone. The foreign exchange gain related to the open foreign exchange position that Nordax maintains in order to protect a total capital ratio of 11.5 percent against changes in foreign exchange rates.

Nordax expects to record certain non-recurring items in the three months ended June 30, 2015, including:

- interest expenses of SEK 7 million related to the repayment of its previous tier 2 capital arrangements with a principal amount of SEK 200 million on April 16, 2015; and
- expenses relating to the Offering and the listing of the Shares on Nasdaq Stockholm payable by the Company (including advisors' fees and other customary expenses), which Nordax estimates will total approximately SEK 75 million, of which it expects to record approximately SEK 73 million during the three months ended June 30, 2015 as other operating expenses.

The Board of Directors has adopted a dividend policy according to which Nordax aims to maintain a payout ratio of approximately 40 percent of profit for the year. Any dividend paid by the Company in respect of 2015 would be paid in respect of Nordax's net profit for the second half of 2015. See "*Dividends and Dividend Policy*."

## **Explanations of Key Income Statement Items**

### ***Interest Income***

Nordax's interest income consists of interest charges on personal loans, monthly fees and late penalty fees, and interest income received from credit institutions. Opening fees and credit intermediary and cooperation partner cost, which are amortized over four years, are also included in interest income.

### ***Interest Expenses***

Nordax's interest expenses consist of the interest payments it makes on its outstanding interest-bearing liabilities, including retail deposits, liabilities to credit institutions, issued securities and subordinated liabilities.

### ***Commission Income***

Nordax's commission income consists of PPI policy related commissions and profit sharing.

### ***Net Profit/Loss from Financial Transactions***

Nordax's net profit/loss from financial transactions consists mainly of income and expenses related to foreign exchange gains and losses related to Nordax's open position used to protect a total capital ratio of 11.5 percent (see "*—Factors Affecting Nordax's Results of Operations—Changes in Foreign Exchange Rates*" above) and the result of investments in bonds and other interest-bearing securities, which mainly relate to Nordax's liquidity reserve.

### ***Other Operating Income***

Nordax's other operating income has not been significant during the periods under review and consists of income that is not categorized as interest income, commission income or net profit from financial transactions.

### ***General Administrative Expenses***

Nordax's general administrative expenses consist mainly of employee benefit expenses and other administrative expenses, including external services and IT expenses, among others.

### ***Depreciation and Amortization of Tangible and Intangible Fixed Assets***

Nordax's depreciation and amortization of tangible and intangible fixed assets consists of depreciation and write-downs of equipment, fixtures and fittings and amortization and write-downs of software development costs as well as amortization of the non-tangible asset related to the acquisition of the Nordax group by Nordax Group Holding AB in 2010.

### ***Other Operating Expenses***

Nordax's other operating expenses consist mainly of marketing expenses.

### ***Net Credit Losses***

Nordax's net credit losses consist of write-offs for the period relating to actual credit losses (on which no future cash flow is expected), provision for loans with individually identified loss events (loans more than 180 days past due) and group provision for receivables valued as a group (loans between one and 180 days past due). As at March 31, 2015, Nordax had not received any recoveries on loans classified as actual credit losses (on which no future cash flow is expected). Provision for loans with individually identified loss events (loans more than 180 days past due) is the sum of gross value of new receivables during the period classified as more than 180 days past due, received payments during the period on loans more than 180 days past due and adjustment to recoverable value on receivables more than 180 days past due. For a description of Nordax's accounting treatment of past due loans, see "*Selected Bank and Statistical Data—Financing Receivables Portfolio—Past Due Analysis and Provisions.*"

### *Tax on Profit/Loss for the Period*

Nordax's tax on profit/loss for the period consists of tax to be paid or received for the current period, adjustments concerning the previous periods' current taxes, deferred tax and the effects of paid or received group contributions.

### **Results of Operations**

#### *General*

The following table sets forth certain combined income statement information for Nordax for the periods indicated:

	<b>For the three months ended March 31,</b>		<b>For the year ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(unaudited)</b>		<b>(audited)</b>		
	<b>(SEK in millions)</b>				
<b>Operating income</b>					
Interest income . . . . .	307	274	1,196	1,053	1,011
Interest expenses . . . . .	(94)	(98)	(415)	(424)	(507)
Total net interest income . . . . .	213	176	781	629	504
Commission income . . . . .	5	3	15	15	15
Net profit/loss from financial transactions . . . . .	0	1	7	5	45
Other operating income . . . . .	0	0	0	4	15
Total operating income . . . . .	218	180	803	653	579
<b>Operating expenses</b>					
General administrative expenses . . . . .	(60)	(54)	(224)	(193)	(173)
Depreciation and amortization of tangible and intangible fixed assets . . . . .	(5)	(4)	(18)	(16)	(14)
Other operating expenses . . . . .	(34)	(30)	(122)	(78)	(80)
Total operating expenses . . . . .	(99)	(88)	(364)	(287)	(267)
Profit/loss before credit losses . . . . .	119	92	439	365	312
Net credit losses . . . . .	(45)	(32)	(114)	(114)	(127)
Operating profit/loss . . . . .	74	60	325	251	185
Tax on profit/loss for the period . . . . .	(16)	(14)	(71)	(49)	(49)
Profit/loss for the period/Comprehensive income . . . . .	<u>58</u>	<u>46</u>	<u>254</u>	<u>203</u>	<u>136</u>
Attributable to:					
The parent company's shareholders . . . . .	58	40	254	152	102
Non-controlling interest . . . . .	0	6	0	51	34

### ***The Three Months Ended March 31, 2015 as Compared to the Three Months Ended March 31, 2014***

#### *Interest Income*

Nordax's interest income for the three months ended March 31, 2015 was SEK 307 million, an increase of SEK 33 million, or 12.0 percent, as compared to SEK 274 million for the three months ended March 31, 2014. The increase was primarily due to the increase in Nordax's loan portfolio, which increased by 16.7 percent from SEK 8,839 million as at March 31, 2014 to SEK 10,312 million as at March 31, 2015. Nordax's loan portfolio grew in each of the countries in which it operates, except for Denmark, where lending ceased in 2008 and has not recommenced.

Nordax's interest income growth was not as high as its loan portfolio growth because the customer yield related to existing loans decreased due to a decrease in Nordax's cost of funding that was passed on to Nordax's existing customers by way of a reduction in interest rates on Nordax's Swedish and Norwegian loan portfolio of 2.0 percentage points and 1.0 percentage points, respectively. Nordax's Finnish loan portfolio had the highest yield and its growth rate during the three months ended March 31, 2015, as compared to the three months ended March 31, 2014, was highest at 35 percent, primarily due to increased new loan volumes and the relatively small size of Nordax's Finnish loan portfolio.

### *Interest Expenses*

Nordax's interest expenses for the three months ended March 31, 2015 were SEK 94 million, a decrease of SEK 4 million, or 4.1 percent, as compared to SEK 98 million for the three months ended March 31, 2014. The decrease was primarily due to overall lower reference rates and a transition to new, lower-cost funding sources, such as the new ABS securitizing personal loans originated from customers in Norway, and the renewal of existing warehouse funding facilities in Sweden, Norway and Finland.

### *Total Net Interest Income*

The following table sets forth Nordax's total net interest income by country for the periods indicated:

	For the three months ended March 31,	
	2015	2014
	(SEK in millions)	
Sweden . . . . .	72	68
Norway . . . . .	87	72
Finland . . . . .	46	31
Germany . . . . .	6	1
Denmark . . . . .	3	4
Total . . . . .	213	176

Nordax's total net interest income for the three months ended March 31, 2015 was SEK 213 million, an increase of SEK 37 million, or 21.0 percent, as compared to SEK 176 million for the three months ended March 31, 2014. The increase was primarily due to the increase in Nordax's loan portfolio and the decrease in Nordax's cost of funding. While Nordax decreased interest rates on its existing Swedish and Norwegian loan portfolios due to lower cost of funding, the resulting decrease in Nordax's interest income was offset by the lower cost of funding. The higher growth and net margin of Nordax's Finnish loan portfolio also contributed to the increase.

### *Commission Income*

Nordax's commission income for the three months ended March 31, 2015 was SEK 5 million, an increase of SEK 2 million, or 66.7 percent, as compared to SEK 3 million for the three months ended March 31, 2014. The increase was due to an increase in insurance reimbursements under the profit sharing arrangement with Genworth Financial.

### *Net Profit from Financial Transactions*

Nordax's net profit from financial transactions for the three months ended March 31, 2015 was SEK 0 million, a decrease of SEK 1 million as compared to SEK 1 million for the three months ended March 31, 2014. The decrease resulted from lower income from investment in bonds and other interest-bearing securities of SEK 1 million for the three months ended March 31, 2015, as compared to SEK 2 million for the three months ended March 31, 2014, which was primarily due to lower reference rates. Foreign exchange losses were SEK 0 million for the three months ended March 31, 2015, as compared to SEK 1 million for the three months ended March 31, 2014. The foreign exchange losses related to the open foreign exchange position that Nordax maintains in order to protect a total capital ratio of 11.5 percent against changes in foreign exchange rates.

### *General Administrative Expenses*

Nordax's general administrative expenses for the three months ended March 31, 2015 were SEK 60 million, an increase of SEK 6 million, or 11.1 percent, as compared to SEK 54 million for the three months ended March 31, 2014. The increase was primarily due to expenses incurred due to higher new loan volumes and loan portfolio growth. Additional expenses mainly related to IT expenses, which increased by SEK 2 million, as well as additional investments in IT systems and payments to consults to handle increased loan volumes.

### *Depreciation and Amortization of Tangible and Intangible Fixed Assets*

Nordax's depreciation and amortization of tangible and intangible fixed assets for the three months ended March 31, 2015 was SEK 5 million, an increase of SEK 1 million, or 25.0 percent, as compared to SEK 4 million for the three months ended March 31, 2014. The increase was primarily due to increase in depreciation of the non-tangible asset related to the acquisition of Nordax Holding AB by Nordax Group Holding AB in 2010. This non-tangible asset is depreciated over ten years according to the effective rate method.

### *Other Operating Expenses*

Nordax's other operating expenses for the three months ended March 31, 2015 were SEK 34 million, an increase of SEK 4 million, or 13.3 percent, as compared to SEK 30 million for the three months ended March 31, 2014. The increase was primarily due to increased marketing activities related to origination of new loans, in particular in Germany, mainly resulting from an increase in the volume of unaddressed mail. Nordax's marketing efficiency declined slightly from 3.1 percent for the three months ended March 31, 2014 to 3.4 percent for the three months ended March 31, 2015, mainly due to increased marketing in Germany, where marketing is more expensive than in Nordax's Core Markets.

### *Total Operating Expenses*

Nordax's total operating expenses for the three months ended March 31, 2015 were SEK 99 million, an increase of SEK 11 million, or 12.5 percent, as compared to SEK 88 million for the three months ended March 31, 2014. Nordax's total operating expenses excluding marketing costs amounted to 2.9 percent of its average loan portfolio for the 12 months ended March 31, 2015, as compared to 2.8 percent for the 12 months ended March 31, 2014. The slight improvement was due to greater relative loan portfolio growth than cost increase, resulting from slightly improved cost efficiency. Nordax's adjusted operating expenses for the three months ended March 31, 2015 were SEK 94 million, an increase of SEK 9 million, or 10.6 percent, as compared to SEK 85 million for the three months ended March 31, 2014. For a definition of adjusted operating expenses, see "Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms," and for a reconciliation of adjusted operating expenses to IFRS-EU total operating expenses, see "Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures."

### *Profit Before Credit Losses*

Nordax's profit before credit losses for the three months ended March 31, 2015 was SEK 119 million, an increase of SEK 27 million, or 29.3 percent, as compared to SEK 92 million for the three months ended March 31, 2014.

### *Net Credit Losses*

The following table sets forth Nordax's net credit losses by country for the periods indicated:

	For the three months ended March 31,	
	2015	2014
	(SEK in millions)	
Sweden . . . . .	18	13
Norway . . . . .	16	14
Finland . . . . .	7	3
Germany . . . . .	2	1
Denmark . . . . .	2	1
Total . . . . .	45	32

Nordax's net credit losses for the three months ended March 31, 2015 were SEK 45 million, an increase of SEK 13 million, or 40.6 percent, as compared to SEK 32 million for the three months ended March 31, 2014. Nordax's cost of risk was 1.8 percent on an annualized basis for the three months ended March 31, 2015, as compared to 1.5 percent on an annualized basis for the three months ended March 31, 2014. The increase in Nordax's cost of risk was primarily due to maturation of Nordax's loan portfolio. New loans generally experience very low losses during the first year after disbursement, and Nordax had a greater proportion of loans less than one year old for the three months ended March 31, 2014 as compared to the three months ended March 31, 2015. Nordax's net credit losses were slightly better or in line with its expectation in all countries.

### *Operating Profit*

Nordax's operating profit for the three months ended March 31, 2015 was SEK 74 million, an increase of SEK 14 million, or 23.3 percent, as compared to SEK 60 million for the three months ended March 31, 2014.

### *Tax on Profit for the Period*

Nordax's tax on profit for the three months ended March 31, 2015 was SEK 16 million, an increase of SEK 2 million, or 14.3 percent, as compared to SEK 14 million for the three months ended March 31, 2014. The increase was due to higher operating profit, resulting in higher taxes at the constant tax rate of 22 percent.

### *Profit for the Period*

Nordax's profit for the three months ended March 31, 2015 was SEK 58 million, an increase of SEK 12 million, or 26.1 percent, as compared to SEK 46 million for the three months ended March 31, 2014. Nordax's adjusted profit for the three months ended March 31, 2015 was SEK 63 million, an increase of SEK 14 million, or 28.6 percent, as compared to SEK 49 million for the three months ended March 31, 2014. For a definition of adjusted profit for the period, see "*Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms,*" and for a reconciliation of adjusted profit for the period to IFRS-EU profit for the period, see "*Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures.*"

### ***The Year Ended December 31, 2014 as Compared to the Year Ended December 31, 2013***

#### *Interest Income*

Nordax's interest income for the year ended December 31, 2014 was SEK 1,196 million, an increase of SEK 143 million, or 13.6 percent, as compared to SEK 1,053 million for the year ended December 31, 2013. The increase was primarily due to the increase in Nordax's loan portfolio, which increased by 19.7 percent from SEK 8,393 million as at December 31, 2013 to SEK 10,042 million as at December 31, 2014. Nordax's loan portfolio grew in each of the countries in which it operates, except for Denmark, where Nordax stopped new lending in 2008. Nordax's Finnish loan portfolio had the highest yield, and its growth rate between December 31, 2013 and December 31, 2014 was highest at 43.2 percent primarily due to the development of sales channels and growth from a relatively small portfolio.

Nordax's interest income growth was not as high as its loan portfolio growth because the customer yield related to existing loans decreased due to a decrease in Nordax's cost of funding that was passed on to Nordax's existing customers by way of a reduction in interest rates on its Swedish and Norwegian loan portfolio of 1.5 percent and 1.0 percent during 2014, respectively. Slightly lower reference rates contributed negatively to Nordax's interest income in 2014, as the interest rates on Nordax's Finnish and German loan portfolios decreased accordingly.

#### *Interest Expenses*

Nordax's interest expenses for the year ended December 31, 2014 were SEK 415 million, a decrease of SEK 9 million, or 2.1 percent, as compared to SEK 424 million for the year ended December 31, 2013. The decrease was primarily due to overall lower reference rates and a transition to new, lower-cost funding sources, such as the new ABS securitizing personal loans originated from loan customers in Norway and renewal of existing warehouse funding facilities for Swedish, Norwegian and Finnish loans at lower rates.

### *Total Net Interest Income*

The following table sets forth Nordax's total net interest income by country for the years indicated:

	For the year ended December 31,	
	2014	2013
	(SEK in millions)	
Sweden	289	258
Norway	320	265
Finland	149	86
Germany	12	2
Denmark	11	17
Total	781	629

Nordax's total net interest income for the year ended December 31, 2014 was SEK 781 million, an increase of SEK 152 million, or 24.2 percent, as compared to SEK 629 million for the year ended December 31, 2013. The increase was primarily due to the increase in Nordax's loan portfolio and the decrease in Nordax's cost of funding. Nordax adjusts interest rates on its Swedish and Norwegian loan portfolios based on its cost of funding and it applied higher margins for new loans, which positively affected its total net interest income. The higher growth and net margin of Nordax's Finnish loan portfolio also contributed to the increase.

### *Commission Income*

Nordax's commission income for the year ended December 31, 2014 was SEK 15 million, as compared to SEK 15 million for the year ended December 31, 2013. Nordax's commission income decreased in relation to its loan portfolio in 2014, as compared to 2013 due to lower penetration of PPI policies.

### *Net Profit from Financial Transactions*

Nordax's net profit from financial transactions for the year ended December 31, 2014 was SEK 7 million, an increase of SEK 2 million, or 40.0 percent, as compared to SEK 5 million for the year ended December 31, 2013. The increase was primarily due to a SEK 13 million decrease in foreign exchange losses from SEK 15 million for the year ended December 31, 2013 to SEK 2 million for the year ended December 31, 2014. Nordax's foreign exchange losses related to the open foreign exchange position that Nordax maintains in order to protect a total capital ratio of 11.5 percent against changes in foreign exchange rates. Nordax's profit from investments in bonds and other fixed-income securities for the year ended December 31, 2014 decreased to SEK 9 million from SEK 20 million for the year ended December 31, 2013, which was primarily due to lower interest rates.

### *General Administrative Expenses*

Nordax's general administrative expenses for the year ended December 31, 2014 were SEK 224 million, an increase of SEK 31 million, or 16.1 percent, as compared to SEK 193 million for the year ended December 31, 2013. The increase was primarily due to increased new loan volumes and growth in Nordax's loan portfolio as well as expenses related to the increase in the number of employees. Nordax's total employee benefit expenses (including social security) increased by SEK 21 million. Expenses related to Nordax's IT system increased by SEK 5 million due to the increase in Nordax's loan portfolio as well as increased investments in IT system upgrades.

For the year ended December 31, 2014 Nordax incurred non-recurring administrative expenses of SEK 18 million, which consisted of expenses of SEK 11 million related to a potential acquisition (which was not completed) and SEK 7 million of advisory fees paid by Nordax in connection with an internal reorganization due to changes in regulations regarding regulatory capital.

### *Depreciation and Amortization of Tangible and Intangible Fixed Assets*

Nordax's depreciation and amortization of tangible and intangible fixed assets for the year ended December 31, 2014 were SEK 18 million, an increase of SEK 2 million, or 12.5 percent, as compared to SEK 16 million for the year ended December 31, 2013. The increase was primarily due to increase in depreciation of the non-tangible asset related to Nordax Group Holding AB's acquisition of Nordax Holding AB in 2010.

### *Other Operating Expenses*

Nordax's other operating expenses for the year ended December 31, 2014 were SEK 122 million, an increase of SEK 44 million, or 56.4 percent, as compared to SEK 78 million for the year ended December 31, 2013. The increase was primarily due to increased sales and marketing of Nordax's loan products, particularly in Germany and Norway. Nordax's marketing efficiency declined slightly from 2.2 percent for the year ended December 31, 2013 to 2.5 percent for the year ended December 31, 2014.

### *Total Operating Expenses*

Nordax's total operating expenses for the year ended December 31, 2014 were SEK 364 million, an increase of SEK 77 million, or 26.8 percent, as compared to SEK 287 million for the year ended December 31, 2013. Nordax's total operating expenses excluding marketing costs amounted to 2.9 percent of its average loan portfolio for the year ended December 31, 2014, as compared to 2.7 percent for the year ended December 31, 2013. The increase was primarily due to the increase in Nordax's loan portfolio and retail deposits as well as increased investments in compliance, risk management and governance functions. Nordax's adjusted operating expenses for the year ended December 31, 2014 were SEK 333 million, an increase of SEK 55 million, or 19.8 percent, as compared to SEK 278 million for the year ended December 31, 2013. For a definition of adjusted operating expenses, see "Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms," and for a reconciliation of adjusted operating expenses to IFRS-EU total operating expenses, see "Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures."

### *Profit Before Credit Losses*

Nordax's profit before credit losses for the year ended December 31, 2014 was SEK 439 million, an increase of SEK 74 million, or 20.3 percent, as compared to SEK 365 million for the year ended December 31, 2013.

### *Net Credit Losses*

The following table sets forth Nordax's net credit losses by country for the years indicated:

	For the year ended December 31,	
	2014	2013
	(SEK in millions)	
Sweden . . . . .	31	38
Norway . . . . .	49	45
Finland . . . . .	17	11
Germany . . . . .	4	0
Denmark . . . . .	13	20
Total . . . . .	<u>114</u>	<u>114</u>

Nordax's net credit losses for the year ended December 31, 2014 were SEK 114 million, as compared to SEK 114 million for the year ended December 31, 2013. Nordax's cost of risk was 1.2 percent for the year ended December 31, 2014, as compared to 1.4 percent for the year ended December 31, 2013. The decrease in Nordax's cost of risk was primarily due to the 19.7 percent increase in Nordax's loan portfolio between December 31, 2013 and December 31, 2014, which resulted in an increase in Nordax's average loan portfolio as well as an increase in the proportion of loans less than one year old in Nordax's loan portfolio. New loans generally experience very low losses during the first year after disbursement and, therefore, tend to decrease Nordax's cost of risk. The decrease in Nordax's cost of risk was also supported by a decrease in net credit losses in Sweden, which was partly attributable to changes in Nordax's underwriting strategy with regard to credit intermediaries in Sweden. Nordax's net credit losses were slightly better or in line with its expectation in all countries.

### *Operating Profit*

Nordax's operating profit for the year ended December 31, 2014 was SEK 325 million, an increase of SEK 74 million, or 29.5 percent, as compared to SEK 251 million for the year ended December 31, 2013.

### *Tax on Profit for the Year*

Nordax's tax on profit for the year ended December 31, 2014 was SEK 71 million, an increase of SEK 22 million, or 44.9 percent, as compared to SEK 49 million for the year ended December 31, 2013. The increase was due to the increase in Nordax's operating profit. Nordax's effective tax rate for the year ended December 31, 2014 was 21.8 percent, as compared to 19.5 percent for the year ended December 31, 2013. The increase in Nordax's effective tax rate was primarily due to the positive impact of a reduction in the corporate tax rate in Sweden that took effect on January 1, 2013. There were no major tax adjustments in 2014.

### *Profit for the Year*

Nordax's profit for the year ended December 31, 2014 was SEK 254 million, an increase of SEK 51 million, or 25.1 percent, as compared to SEK 203 million for the year ended December 31, 2013. Nordax's adjusted profit for the year ended December 31, 2014 was SEK 280 million, an increase of SEK 58 million, or 26.1 percent, as compared to SEK 222 million for the year ended December 31, 2013. For a definition of adjusted profit for the period, see "Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms," and for a reconciliation of adjusted profit for the period to IFRS-EU profit for the period, see "Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures."

### *The Year Ended December 31, 2013 as Compared to the Year Ended December 31, 2012*

#### *Interest Income*

Nordax's interest income for the year ended December 31, 2013 was SEK 1,053 million, an increase of SEK 42 million, or 4.2 percent, as compared to SEK 1,011 million for the year ended December 31, 2012. The increase was primarily due to the increase in Nordax's loan portfolio, which increased by 12.6 percent from SEK 7,456 million as at December 31, 2012 to SEK 8,393 million as at December 31, 2013. The growth and higher interest rates charged on Nordax's Finnish loan portfolio also contributed to the increase. Lower reference rates contributed negatively to Nordax's interest income as the interest rates on Nordax's Finnish and German loan portfolios decreased accordingly.

Nordax's interest income growth was not as high as its loan portfolio growth because the customer yield related to existing loans decreased due to a decrease in Nordax's cost of funding that was passed on to Nordax's existing customers by way of a reduction in interest rates on its Swedish and Norwegian loan portfolio of 1.5 percent each during the year.

#### *Interest Expenses*

Nordax's interest expenses for the year ended December 31, 2013 were SEK 424 million, a decrease of SEK 83 million, or 16.4 percent, as compared to SEK 507 million for the year ended December 31, 2012. The decrease was primarily due the decrease in market interest rates as well as decrease in Nordax's retail deposits, which Nordax reduced by lowering interest rates in order to align its retail deposits to its funding requirements.

#### *Total Net Interest Income*

The following table sets forth Nordax's total net interest income by country for the years indicated:

	For the year ended December 31,	
	2013	2012
	(SEK in millions)	
Sweden . . . . .	258	181
Norway . . . . .	265	269
Finland . . . . .	86	32
Germany . . . . .	2	(1)
Denmark . . . . .	17	24
Total . . . . .	<u>629</u>	<u>504</u>

Nordax's total net interest income for the year ended December 31, 2013 was SEK 629 million, an increase of SEK 125 million, or 24.8 percent, as compared to SEK 504 million for the year ended December 31, 2012. The increase was primarily due to the increase in Nordax's loan portfolio, primarily in Sweden and Finland, and the decrease in Nordax's cost of funding. Also, the higher growth and net margin of Nordax's Finnish loan portfolio contributed to the increase.

#### *Commission Income*

Nordax's commission income for the year ended December 31, 2013 was SEK 15 million, as compared to SEK 15 million for the year ended December 31, 2012. Nordax's commission income decreased in relation to its loan portfolio due to lower PPI policy sales as Nordax reduced its PPI marketing activities.

#### *Net Profit from Financial Transactions*

Nordax's net profit from financial transactions for the year ended December 31, 2013 was SEK 5 million, a decrease of SEK 40 million, or 88.9 percent, as compared to SEK 45 million for the year ended December 31, 2012. The decrease was primarily due to a foreign exchange loss for the year ended December 31, 2013 of SEK 15 million, as compared to foreign exchange income of SEK 11 million for the year ended December 31, 2012. The change in foreign exchange income was related to the open foreign exchange position that Nordax maintains in order to protect a total capital ratio of 11.5 percent. Nordax's profit from investments in bonds and other fixed-income securities for the year ended December 31, 2013 decreased to SEK 20 million from SEK 34 million for the year ended December 31, 2012, which was primarily due to lower reference rates and decreased investments in bonds and other fixed-income securities due to a smaller liquidity reserve and a higher average retail deposit utilization rate.

#### *Other Operating Income*

Nordax's other operating income for the year ended December 31, 2013 was SEK 4 million, a decrease of SEK 11 million, or 73.3 percent, as compared to SEK 15 million for the year ended December 31, 2012. The decrease was primarily due to non-recurring income of SEK 15 million related to reclaimed VAT received in 2012 and classified as other operating income.

#### *General Administrative Expenses*

Nordax's general administrative expenses for the year ended December 31, 2013 were SEK 193 million, an increase of SEK 20 million, or 11.6 percent, as compared to SEK 173 million for the year ended December 31, 2012. The increase was primarily due to the increase in the average number of employees, increased new loan volumes and growth in Nordax's loan portfolio. Nordax's employee benefit expenses increased by SEK 15 million.

#### *Depreciation and Amortization of Tangible and Intangible Fixed Assets*

Nordax's depreciation and amortization of tangible and intangible fixed assets for the year ended December 31, 2013 were SEK 16 million, an increase of SEK 2 million, or 14.3 percent, as compared to SEK 14 million for the year ended December 31, 2012. The increase was primarily due to the increase in depreciation of the non-tangible asset related to Nordax Group Holding AB's acquisition of Nordax Holding AB in 2010.

#### *Other Operating Expenses*

Nordax's other operating expenses for the year ended December 31, 2013 were SEK 78 million, a decrease of SEK 2 million, or 2.5 percent, as compared to SEK 80 million for the year ended December 31, 2012. The decrease was primarily due to increased marketing efficiency. Nordax's marketing efficiency improved from 3.0 percent for the year ended December 31, 2012 to 2.2 percent for the year ended December 31, 2013.

#### *Total Operating Expenses*

Nordax's total operating expenses for the year ended December 31, 2013 were SEK 287 million, an increase of SEK 20 million, or 7.5 percent, as compared to SEK 267 million for the year ended December 31, 2012. Nordax's total operating expenses excluding marketing costs amounted to 2.7 percent of its average loan portfolio for the year ended December 31, 2013, as compared to 2.7 percent for the year

ended December 31, 2012. Nordax's adjusted operating expenses for the year ended December 31, 2013 were SEK 278 million, an increase of SEK 20 million, or 7.8 percent, as compared to SEK 258 million for the year ended December 31, 2012. For a definition of adjusted operating expenses, see "*Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms*," and for a reconciliation of adjusted operating expenses to IFRS-EU total operating expenses, see "*Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures*."

#### *Profit Before Credit Losses*

Nordax's profit before credit losses for the year ended December 31, 2013 was SEK 365 million, an increase of SEK 53 million, or 17.0 percent, as compared to SEK 312 million for the year ended December 31, 2012.

#### *Net Credit Losses*

The following table sets forth Nordax's net credit losses by country for the years indicated:

	<b>For the year ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(SEK in millions)</b>	
Sweden . . . . .	38	42
Norway . . . . .	45	62
Finland . . . . .	11	3
Germany . . . . .	0	0
Denmark . . . . .	20	20
Total . . . . .	<u>114</u>	<u>127</u>

Nordax's net credit losses for the year ended December 31, 2013 were SEK 114 million, a decrease of SEK 13 million, or 10.2 percent, as compared to SEK 127 million for the year ended December 31, 2012. The decrease was primarily due to an adjustment of negative SEK 15 million related to Nordax's Norwegian loans that were more than 180 days past due. Nordax's cost of risk was 1.4 percent for the year ended December 31, 2013, as compared to 1.8 percent for the year ended December 31, 2012. The decrease in Nordax's cost of risk was partly due to the non-recurring adjustment and partly due to the 12.6 percent increase in Nordax's loan portfolio between December 31, 2012 and December 31, 2013, which resulted in an increase in Nordax's average loan portfolio as well as an increase in the proportion of loans less than one year old in Nordax's loan portfolio. New loans generally experience very low losses during the first year after disbursement and, therefore, tend to decrease Nordax's cost of risk. Nordax's net credit losses were slightly better or in line with its expectation in all countries.

#### *Operating Profit*

Nordax's operating profit for the year ended December 31, 2013 was SEK 251 million, an increase of SEK 66 million, or 35.7 percent, as compared to SEK 185 million for the year ended December 31, 2012.

#### *Tax on Profit for the Year*

Nordax's tax on profit for the year ended December 31, 2013 was SEK 49 million, as compared to SEK 49 million for the year ended December 31, 2012. Nordax's effective tax rate for the year ended December 31, 2013 was 19.5 percent, as compared to 26.5 percent for the year ended December 31, 2012. The decrease in Nordax's effective tax rate was primarily due to the decrease in the Swedish corporate tax rate that became effective in January 2013.

#### *Profit for the Year*

Nordax's profit for the year ended December 31, 2013 was SEK 203 million, an increase of SEK 67 million, or 49.3 percent, as compared to SEK 136 million for the year ended December 31, 2012. Nordax's adjusted profit for the year ended December 31, 2013 was SEK 222 million, an increase of SEK 88 million, or 65.7 percent, as compared to SEK 134 million for the year ended December 31, 2012. For a definition of adjusted profit for the period, see "*Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms*," and for a reconciliation of adjusted profit for the period to IFRS-EU profit for the period, see "*Selected Historical Combined Financial Information—Non-IFRS-EU Financial Measures*."

## Funding, Liquidity and Capital Resources

### Funding

Nordax has a diversified funding base that consists of ABSs, warehouse funding facilities from two international financial institutions, retail deposits, senior unsecured bonds and equity and subordinated debt. The following table sets forth certain information on Nordax's funding (based on carrying value) as at the dates indicated:

	As at	As at December 31,		
	March 31, 2015	2014	2013	2012
(SEK in millions)				
ABSs . . . . .	2,919	3,081	1,759	2,033
Warehouse facilities . . . . .	2,491	2,259	2,314	1,781
Retail deposits . . . . .	6,524	6,479	4,753	7,165
Senior unsecured bonds . . . . .	482	500	500	0
Equity . . . . .	1,596	1,538	1,287	1,085
Subordinated debt . . . . .	445	199	198	197
Total . . . . .	14,457	14,056	10,811	12,261

Nordax's goal is to use funding sources that:

- provide a high degree of matching of maturities, currencies and interest rate fixing periods, between assets and liabilities;
- offer diversification in terms of markets, investors, instruments, maturities, currencies, counterparties and geography;
- carry low liquidity risk and offer a high probability of refinancing at maturity through price stability, regularity of issuance and a broad investor base; and
- provide access to relatively large volumes to meet the funding requirements for a growing balance sheet.

### ABSs

Nordax's funding strategy includes issuing ABSs under the Scandinavian Consumer Loans ("SCL") issuance program, which has been used by Nordax since 2006. To enable the ABS issuances, Nordax has established a funding structure with a number of on-balance-sheet funding subsidiaries. Nordax Bank regularly sells personal loans to these SPVs, which finance the acquisitions on the basis of ABS issuances or warehouse funding facilities secured primarily by certain personal loan portfolios (for additional information on Nordax's warehouse funding facilities, see "*Warehouse Funding Facilities*" below). The outstanding ABSs are listed on the Irish Stock Exchange.

As at the date of this Offering Memorandum, Nordax has completed four ABS transactions. Two of the transactions, which closed on July 6, 2006 ("SCL I") and December 8, 2011 ("SCL III"), securitized unsecured personal loans from customers resident in Sweden. SCL I was redeemed on the first possible call date in June 2011. Two of the transactions, which closed on July 5, 2011 ("SCL II") and June 5, 2014 ("SCL IV"), securitized unsecured personal loans from customers resident in Norway. SCL II was issued by Nordax Nordic AB (publ), SCL III was issued by Nordax Sverige 3 AB (publ) and SCL IV was issued by Nordax Nordic 3 AB (publ).

The following table sets forth certain information on Nordax's outstanding ABSs:

	Initial note amount issued	Note amount outstanding as at March 31, 2015 <sup>(1)</sup>	Initial interest rate <sup>(2)</sup>	Step-up interest rate <sup>(2)</sup>	Issue date	End of revolving period	Final maturity
SCL II . . .	NOK 1,168	NOK 131	One-month NIBOR + 3.0 – 5.0%	One-month NIBOR + 6.0 – 10.0% <sup>(3)</sup>	July 5, 2011	August 15, 2013	October 15, 2028
SCL III . . .	SEK 1,931	SEK 972	One-month STIBOR + 3.5 – 5.0%	One-month STIBOR + 7.0 – 10.0% <sup>(4)</sup>	December 8, 2011	December 15, 2014	January 15, 2033
SCL IV . . .	NOK 2,100	NOK 1,712	One-month NIBOR + 1.1 – 2.75%	One-month NIBOR + 2.2 – 5.5% <sup>(5)</sup>	June 5, 2014	June 15, 2016	January 15, 2037

(1) Excluding notes held by Nordax.

(2) Interest rate margin per annum varies for different classes of notes.

(3) Interest margin step-up date is August 15, 2016.

(4) Interest margin step-up date is December 15, 2015.

(5) Interest margin step-up date is June 15, 2017.

In order to attain specified credit ratings, the ABSs are tranching and divided into different classes of notes with higher ranking classes having priority over lower ranking classes. The transactions also include further credit enhancement through overcollateralization in the form of cash reserve accounts, excess spread and transferal of more receivables to the SPVs than the amount of senior notes issued by the SPVs.

Nordax's outstanding ABSs have a revolving period during which receivables can be added to the securitized loan portfolio. Such additional receivables must meet the same eligibility criteria as the original loan portfolio to qualify for securitization. After the end of the revolving period, the ABSs are amortized. The amortization is fully sequential so that the most senior notes are amortized in full before any principal payments for other classes of notes are made. From and including the interest margin step-up date (see table above) and on any interest payment date thereafter, the ABSs may be voluntarily redeemed by the issuer at an amount equal to the outstanding principal amount together with accrued and unpaid interest.

The following table sets forth the ratings of the notes from Fitch Ratings Limited ("Fitch") and Standard & Poor's Ratings Services, a division of Standard & Poor's Credit Market Services Europe Limited ("S&P"):

SCL II		SCL III		SCL IV	
Class	Rating (S&P)	Class	Rating (Fitch/S&P)	Class	Rating (Fitch/S&P)
A	AAA(sf)	A	AAAsf/AAA(sf)	A	AAAsf/AAA(sf)
B	AA(sf)	B	AAsf/AA(sf)	B	AAsf/AA(sf)
C	A(sf)	C	Asf/A(sf)	C	Asf/A(sf)
D	BBB(sf)	D	Not rated	D	A-sf/BBB(sf)
E	Not rated			E	Not rated

The terms of the ABSs set forth certain trigger events related to the performance of the portfolio, the occurrence of which would cause the revolving period to end and the amortization period to begin. The triggers relate to, for example, the proportion of defaulted loans (as defined in the terms of the relevant ABS), and the weighted-average remaining term, yield, and average balance of the assets in the loan portfolio. There are also trigger events relating to the appointment of, for example, an account bank with sufficient rating, the servicer, the cash manager and other third parties. Such trigger events do not cause the revolving period to end or the amortization period to begin, but trigger an obligation of either the party currently holding such role or the issuer to appoint a new party to take on the role of the party causing the trigger event to occur. Moreover, the terms and conditions of the ABSs also contain customary events of defaults (subject in some cases to grace periods and other qualifications) the occurrence of which may allow the noteholders to declare the outstanding amounts on all notes immediately due and payable and to enforce the security provided for the notes.

The financing structure sets forth certain eligibility criteria that the receivables must meet in order to be included in the portfolio and form part of the asset pool. Such criteria are also applied to loans added to the securitized loan portfolio during the revolving period. The eligibility criteria relate to, among other things, the terms of the loan, including minimum time to maturity, maximum term, maximum amount, interest rate and repayment terms; the origination channel of the loan; and the repayment status. For example, the eligibility criteria for SCL IV require, among other things, that at least 50 percent of the loans in the portfolio (by value) be originated through direct mail and at least 80 percent (by value) be originated through direct mail and unaddressed mail. The eligibility criteria for SCL II require, among other things, that all loans in the portfolio be originated through direct mail and the eligibility criteria for SCL III require, among other things, that at least 90 percent of the loans in the portfolio (by value) be originated through direct mail. The loan eligibility criteria exclude loans that are past due. Nordax Bank must repurchase any loans that do not meet the eligibility criteria at the time of sale to the SPV.

As security for the fulfillment of the issuer's obligations under the ABSs, security is granted over the relevant loan portfolio and other assets of the relevant issuer. Security is also granted over the shares in the issuer. There are also covenants prohibiting the relevant issuer from, without prior consent from the note trustee, among other things, granting security, disposing of assets, paying dividends and other distributions, issuing new shares and to incurring new indebtedness.

Pursuant to Article 405 of Regulation (EU) No 575/2013 (the Capital Requirements Regulation) and Article 51 of Regulation (EU) No 231/2013 (the AIFM Regulation), Nordax Bank must retain a material net economic interest of not less than 5 percent in each of its ABS issuances as long as any class of notes in the ABS remains outstanding. As at March 31, 2015 Nordax Bank held notes issued by SCL II with an

aggregate principal amount of NOK 406 million (75.6 percent of the aggregate principal amount of the outstanding notes), notes issued by SCL III with an aggregate principal amount of SEK 753 million (43.7 percent of the aggregate principal amount of the outstanding notes) and notes issued by SCL IV with an aggregate principal amount of NOK 389 million (18.5 percent of the aggregate principal amount of the outstanding notes).

Each SPV is consolidated in the Combined Financial Statements. Nordax recognizes interest and fee income on the securitized receivables and interest expense on the ABS notes issued. Each SPV also records a provision to cover probable credit losses on the securitized receivables. While these SPVs are included in the Combined Financial Statements, such SPVs are separate legal entities. The financing receivables and other assets sold to these SPVs are, therefore, legally owned by the SPVs, available to satisfy payments on the ABS notes related to the securitized receivables, and not directly available to the Company's creditors or its other subsidiaries.

#### *Warehouse Funding Facilities*

Two SPVs within the Nordax group, Nordax Sverige AB and Nordax Nordic 2 AB have entered into warehouse funding facilities to finance the acquisition of personal loans from Nordax Bank. Similar to the ABSs, the warehouse funding facilities are structured with an SPV and security consisting of the underlying portfolios of personal loans and additional security as further described below. The documentation relating to the warehouse funding facilities include main facilities agreements as well as supporting agreements regarding, among other things, servicing, cash management, bank accounts, security and storage agreements.

Nordax Sverige AB has entered into a warehouse funding facility with Citibank, N.A. or an affiliate company sponsored by Citibank, N.A. as facility provider, to finance the acquisition of a Swedish loan portfolio originated by Nordax Bank. The total commitment under the facility is SEK 1,200 million. As at March 31, 2015 SEK 985 million was utilized. The warehouse funding facility bears interest at a rate per annum equal to a margin plus one-month STIBOR if the funding is provided by Citibank, N.A. or, if the funding is provided by an affiliate company sponsored by Citibank, N.A. as facility provider, the funding cost of the relevant affiliate company. Interest is payable monthly in arrears. Following the end of the revolving period in June 2016, the facility is subject to a margin step-up, and Nordax Sverige AB will be required to apply the receipts of principal and interest from the underlying loan portfolio to repay the warehouse funding facility. The final maturity date will occur one year after the end of the revolving period. Mandatory amortization may be required earlier than at the end of the revolving period should certain trigger events relating primarily to the performance of the portfolio occur.

Nordax Nordic 2 AB has entered into two warehouse funding facilities with Deutsche Bank AG and its affiliate company RM Sussex Limited, of which one constitutes a facility in Norwegian kroner to finance the acquisition of a Norwegian loan portfolio originated by Nordax Bank and the other constitutes a facility in euro to finance the acquisition of a Finnish loan portfolio originated by Nordax Bank. The total commitment for the facilities is NOK 1,845 million. As at March 31, 2015, NOK 638 million of the facility in Norwegian kroner and EUR 90 million of the facility in euro had been utilized. The warehouse funding facilities bear interest at a rate per annum equal to a margin plus one-month NIBOR (for the facility in Norwegian kroner) and one-month EURIBOR (for the facility in euro) if the funding is provided by Deutsche Bank AG or, if the funding is provided by RM Sussex Limited, the funding cost of RM Sussex Limited. Interest is payable monthly in arrears. Following the end of the revolving period in November 2015, the facilities are subject to a margin step-up, and Nordax Nordic 2 AB will be required to apply the receipts of principal and interest from the underlying loan portfolios to repay the warehouse funding facilities. The final maturity date will occur one year after the end of the revolving period. The revolving period may also end earlier than November 2015 upon the occurrence of certain trigger events relating primarily to the performance of the portfolios. Further, the revolving period may also end earlier than November 2015 if a person or a group of persons acting in concert (other than with the Principal Shareholders or any other entities under common control with the Principal Shareholders) acquires, directly or indirectly, beneficially more of the issued voting share capital of the Company than is held, directly or indirectly, by the Principal Shareholders, or any other entities under common control with the Principal Shareholders, immediately following the listing of the Shares on Nasdaq Stockholm.

The warehouse funding facilities include covenants preventing Nordax Sverige AB and Nordax Nordic 2 AB from, among other things, granting security, disposing of assets, and incurring new indebtedness. Furthermore, as long as the Principal Shareholders hold Shares, directly or indirectly, Nordax Bank is not

permitted in certain circumstances to pay any dividends or make any other distributions to its shareholders unless such dividends or distributions are made from distributable reserves held by Nordax Bank in excess of the “Required Regulatory Amount” (as defined in the warehouse funding facility agreement with Deutsche Bank AG), corresponding to the regulatory capital required to be maintained by Nordax Bank for and on account of the transferred personal loans in accordance with SFSA regulations, multiplied by 1.05. The warehouse funding facility agreements also contain customary events of default (subject in some cases to grace periods and other qualifications) the occurrence of which may allow the lenders to declare the outstanding amounts immediately due and payable and take steps to enforce the transaction security. The relevant loan portfolio and other assets of the relevant borrower are pledged as security for the fulfillment of the borrower’s obligations under the warehouse funding facilities. Security is also granted over the shares in the borrower.

The transferred loans are serviced by Nordax Bank, which also performs the cash management associated with the loan portfolios. To ensure the survival of the SPVs and the loan portfolio in the event that Nordax Bank is placed into bankruptcy or otherwise fails to perform its obligations, Nordax maintains back-up arrangements with third-party servicers and cash managers. The warehouse funding arrangements also include agreements ensuring the SPVs access to accounts with banks of sufficient credit standings, as well as agreements regarding storage services. In addition, the SPVs have entered into specific loan transfer agreements setting out the conditions relating to Nordax Bank’s continued transfer of loans to the SPVs during the revolving period.

#### *Senior Unsecured Bonds*

On March 26, 2013, Nordax Bank issued SEK 300 million senior unsecured notes at a floating interest rate of three-month STIBOR plus 3.0 percent per annum payable quarterly in arrears. On April 23, 2013, Nordax Bank increased the total amount of the notes by issuing an additional SEK 75 million senior unsecured notes. On August 21, 2013, Nordax Bank again increased the total amount of the notes by issuing SEK 125 million senior unsecured notes. The notes are due March 21, 2016 and they are listed on the corporate bond list on Nasdaq Stockholm. The notes are guaranteed by Nordax Holding AB. On March 17, 2015, SEK 18 million of the issued senior unsecured notes were repurchased and cancelled. The remaining outstanding notes mature and must be called at their nominal amount together with accrued but unpaid interest on March 21, 2016, unless previously redeemed and cancelled.

The terms and conditions of the senior unsecured notes contain customary events of default (subject in certain cases to grace periods and other qualifications) the occurrence of which allows the noteholders to declare the outstanding amount on all notes immediately due and payable. The terms and conditions of the notes also include financial covenants requiring certain interest and capital cover ratios (as defined in the terms and conditions of the notes) and general covenants restricting Nordax Bank from, among other things, granting security and incurring certain new indebtedness. In addition, if and for as long as its capital cover ratio is less than 1.25:1 (adjusted on a pro forma basis to take into account any proposed distribution), Nordax Bank must procure that no more than 50 percent of Nordax’s consolidated profit and other distributable reserves will be applied towards (i) dividend payment or similar transactions, (ii) repayment or payment of interest under any shareholder debt or (iii) granting of loans or making other distributions or transfers of value, by Nordax Holding AB or any of its subsidiaries to any shareholder of Nordax Holding AB. Nordax Bank must also procure that Nordax will not engage in any of the transactions referred to in (i) to (iii) above unless Nordax has equity (defined as the sum of tier 1 capital and tier 2 capital) of at least SEK 200 million.

In certain circumstances when there is a change of control of Nordax, Nordax Bank may be required to offer to repurchase the notes prior to the maturity date at a price equal to 102 percent of the nominal amount together with accrued but unpaid interest. A change of control is defined to mean, in connection with and following a listing or admission to trading of all or part of the shares in Nordax Bank or its parent company on a regulated market, one person (or several persons who either (i) are, in respect of individuals, related; (ii) are, in respect of legal entities, members of the same group; or (iii) who act or have agreed to act in concert), other than persons approved as owner of Nordax Bank or its parent company (as applicable) in an ownership assessment conducted by the SFSA, acquiring 20 percent or more of the shares in Nordax Bank or its parent company or otherwise establishes control over 20 percent or more of the shares and/or votes in Nordax Bank or its parent company.

### *Retail Deposits*

Nordax raises funds from the general public through its deposit products. As at March 31, 2015, Nordax's retail deposits amounted to SEK 6,524 million held in 25,453 deposit accounts. The following table sets forth Nordax's retail deposits by country as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
		(SEK in millions)		
Sweden . . . . .	3,613	3,644	3,098	4,390
Norway . . . . .	2,293	2,248	1,171	2,239
Finland . . . . .	618	587	484	536
Total . . . . .	6,524	6,479	4,753	7,165

Nordax adjusts the interest rates of its retail deposit products based on changes in market interest rates and its total funding needs. Nordax aims to deploy 60 percent of its retail deposits for funding with the remaining retail deposits held as a liquidity reserve. Pursuant to Nordax's policy, it may deploy up to 75 percent of its retail deposits for funding.

All of Nordax's deposit products are covered by the Swedish Deposit Insurance Scheme up to the Swedish kronor equivalent of EUR 100,000. However, the maximum deposit amount of the deposit product offered on Avanza's internet platform under a cooperation agreement with Avanza exceeds the maximum amount of the Swedish Deposit Insurance Scheme. For all other accounts, Nordax limits new deposits so that any customer's total deposits with Nordax do not exceed the maximum amount covered by the Swedish Deposit Insurance Scheme. However, a customer's total deposits with Nordax in such accounts could exceed the maximum amount covered by the Swedish Deposit Insurance Scheme due to changes in foreign exchange rates (for customers with deposits in Swedish kronor or Norwegian kronor) or interest accrued on the account.

### *Subordinated Debt*

In March 2015, Nordax Bank issued SEK 250 million unsecured and subordinated callable notes at a floating interest rate of three-month STIBOR plus a margin of 5.75 percent per annum, payable quarterly in arrears. The total amount of the notes is SEK 250 million. The notes are listed on the corporate bond list on Nasdaq Stockholm. The notes will be redeemed at their nominal amount together with accrued but unpaid interest on March 18, 2025, unless previously redeemed, purchased or cancelled. The issuance enabled Nordax to repay previously entered tier 2 capital arrangements with a principal amount of SEK 200 million on April 16, 2015.

Subject to the approval of the SFSA, Nordax Bank may, at its option, redeem all of the outstanding notes on the first call date, March 18, 2020, and, thereafter, on any interest payment date falling after the first call date. In addition, subject to the approval of the SFSA, Nordax Bank may, at its option, redeem all of the outstanding notes upon the occurrence of (i) certain amendments to, clarifications of or changes in the laws, treaties or regulations of Sweden affecting taxation (or the interpretation thereof) or any governmental action resulting in a significant amount of additional taxes, duties or governmental liabilities for Nordax Bank, and (ii) certain changes in the regulatory classification of the notes that would be likely to result in the exclusion of the notes from the tier 2 capital of Nordax Bank or the reclassification of the notes as a lower quality form of regulatory capital.

### *Liquidity*

Nordax's long-term strategy is to match the maturity of lending assets with the maturities of liabilities. The strategy is aimed at achieving a diversified funding base that consists of ABSs, warehouse funding facilities, retail deposits, senior unsecured bonds and equity and subordinated debt. Nordax's policy is to maintain at least 25 percent of its retail deposits as a liquidity reserve. Nordax's liquidity reserve consists of investments in Nordic banks, Swedish covered bonds, Swedish municipal paper and similar instruments. All Nordax's investments as at March 31, 2015 had credit ratings of between AAA and A+ by Standard & Poor's and the average rating was AA. All bank deposits are immediately available and all securities are repo-able in central banks.

The following table sets forth certain information on Nordax's liquidity reserve as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
		(SEK in millions)		
Lending to credit institutions allocated to liquidity reserve . . . . .	1,692	1,661	1,259	2,156
Swedish covered bonds . . . . .	420	605	550	770
Swedish municipal paper . . . . .	1,160	980	0	1,221
Total liquidity reserve . . . . .	3,272	3,246	1,809	4,147

Pursuant to CRD IV, a minimum liquidity coverage ratio (LCR) of 60 percent will become effective in October 2015 (subject to a phase-in period). In addition, the CRD IV potential minimum net stable funding ratio (NSFR) of 100 percent could become effective in 2018 or later. Net stable funding ratio (NSFR) is a measure of stable funding relative to weighted long-term assets.

The following table sets forth Nordax's liquidity ratios as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
		(percent)		
Liquidity coverage ratio (LCR) (SFSA definition) <sup>(1)</sup> . . . . .	–	315	385	565
Liquidity coverage ratio (LCR) (proposed Basel definition) . . . . .	618	840	–	–
Net stable funding ratio (NSFR) . . . . .	130	146	134	166

Note: For definitions of certain financial ratios and other financial terms, see “Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.”

(1) Nordax has not reported liquidity coverage ratio (LCR) (SFSA definition) since September 30, 2014.

For certain maturity information on Nordax's funding, see “Selected Bank and Statistical Data—Financing Receivables Portfolio—Maturities Analysis.”

### Capital Position

As a licensed bank regulated and supervised by the SFSA, Nordax is subject to substantial regulation relating to capital adequacy requirements, including the Basel III Framework (implemented through the CRR, the Swedish Special Supervision of Credit Institutions and Investment Firms Act (Sw. lag (2014:968) om särskild tillsyn över kreditinstitut och värdepappersbolag) (the “**Special Supervision of Credit Institutions and Investment Firms Act**”), implementing parts of CRD IV and the Swedish Capital Buffers Act (Sw. lag (2014:966) om kapitalbuffertar) (the “**Capital Buffers Act**”), as well as the SFSA's Regulations regarding prudential requirements and capital buffers (FFFS 2014:12) (Sw. Finansinspektionens föreskrifter om tillsynskrav och kapitalbuffertar)). Pursuant to the Basel III Framework (as implemented in European and Swedish law), Nordax is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. This requirement means that Nordax must reserve enough capital against unexpected losses resulting from its investments. Capital requirements under Pillar I of the Basel III Framework (includes requirements on minimum regulatory capital to address credit risk, market risk and operational risk) are determined by standardized calculations provided by applicable regulations. Nordax also evaluates if these standardized calculations reflect the actual risks to which it is exposed. If this is not the case, additional capital is reserved under the so-called Pillar II risks of the Basel III Framework (includes requirements to identify risks not captured under Pillar I, which, in Nordax's case, includes strategic risk and concentration risk). In addition to the capital base requirements, Nordax must maintain capital buffers for which it only takes into account CET 1 capital. The capital buffers may vary depending on when, how and by whom they are to be applied. Nordax must have a capital conservation buffer, which is a permanent buffer that is required by all regulated credit institutions. Nordax will in the future also need to have a countercyclical buffer, which may vary from time to time, in order to meet cyclical systemic risks.

As part of Pillar II, Nordax continuously carries out the Internal Capital Adequacy Assessment Process (the “**ICAAP**”), which is formally documented at least annually. This process aims to evaluate Nordax's capital adequacy position in relation to the business plan, including the regulatory capital levels under various stressed scenarios for the upcoming three years. Nordax also maintains a capital planning buffer of 0.5 percent. For additional information regarding the ICAAP and how Nordax monitors its capital needs,

see “*Risk Management—Internal Capital Adequacy Assessment Process.*” See also “*Risk Factors—Risks Relating to Regulation—Nordax is subject to substantial and changing prudential regulation.*”

The following information sets forth certain information on Nordax’s net own funds as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
		(SEK in millions)		
Share capital . . . . .	1	1	1	1
Retained earnings, including net profit for the year . . . . .	1,595	1,536	963	810
Non-controlling interests . . . . .	–	–	322	273
Total . . . . .	1,596	1,537	1,286	1,084
Deduction from own funds:				
Intangible assets . . . . .	(302)	(304)	(330)	(342)
Total deduction from own funds . . . . .	(302)	(304)	(330)	(342)
Total CET 1 capital . . . . .	1,294	1,233	956	742
Tier 2 capital:				
Tier 2 capital instruments . . . . .	205	159	198	197
Total tier 2 capital . . . . .	205	159	198	197
Net own funds . . . . .	1,499	1,393	1,155	940

Note: For definitions of certain financial ratios and other financial terms, see “*Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.*”

According to applicable regulations, Nordax is required to meet the following capital requirements as at the date of this Offering Memorandum:

- minimum CET 1 capital ratio of 4.5 percent plus capital conservation buffer of 2.5 percent;
- minimum tier 1 capital ratio of 6.0 percent plus capital conservation buffer of 2.5 percent; and
- minimum total capital ratio of 8.0 percent plus capital conservation buffer of 2.5 percent.

According to the requirements as at the date of this Offering Memorandum, a countercyclical capital buffer of 1.0 percent for exposure in Sweden will be applicable to Nordax beginning in September 2015. The countercyclical capital buffer will be specific to the country in which the risk exposure amounts are located and will vary over time.

The following table sets forth Nordax’s capital adequacy and leverage ratios as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
		(percent, unless otherwise indicated)		
<b>Capital ratios</b>				
CET 1 capital ratio . . . . .	12.6	12.3	12.0	10.2
Tier 1 capital ratio . . . . .	12.6	12.3	12.0	10.2
Total capital ratio . . . . .	14.6	13.9	14.5	12.9
Capital adequacy ratio . . . . .	1.8	1.7	1.8	1.6
Total CET 1 capital ratio requirement including capital				
conservation buffer requirement . . . . .	7.0	7.0	–	–
of which capital conservation buffer requirement . . . . .	2.5	2.5	–	–
CET 1 capital available for use as buffer <sup>(1)</sup> . . . . .	8.1	7.8	–	–
<b>Leverage ratio</b>				
Exposure measure for calculating leverage ratio (SEK in millions) . . . . .	14,272	13,893	10,591	12,024
Leverage ratio . . . . .	9.1	8.9	9.0	6.2

Note: For definitions of certain financial ratios and other financial terms, see “*Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.*”

- (1) CET 1 capital ratio less the statutory minimum CET 1 capital ratio requirement of 4.5 percent (*i.e.*, excluding the capital conservation buffer). A minimum total capital ratio requirement of a further 3.5 percent (*i.e.*, 8 percent minimum total capital ratio requirement, excluding the capital conservation buffer) is also applicable.

For the purposes of measuring risk exposure and capital ratios, Nordax's assets are weighted according to their associated risk. The following table sets forth a breakdown of Nordax's risk exposure amount as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
		(SEK in millions)		
<b>Credit risk</b>				
Institutional exposures . . . . .	468	444	325	510
Covered bonds . . . . .	42	60	55	77
Household exposures . . . . .	7,268	7,085	5,902	5,225
Unregulated items <sup>(1)</sup> . . . . .	620	597	523	490
Other items . . . . .	42	48	21	27
Total risk exposure amount for credit risk, standardized approach	8,440	8,234	6,826	6,329
<b>Market risk</b>				
Exchange rate risk . . . . .	552	541	276	284
Total risk exposure amount for market risk . . . . .	552	541	276	284
<b>Operational risks</b>				
Basic Indicator Approach . . . . .	1,272	1,271	857	692
Total risk exposure amount for operational risks . . . . .	1,272	1,271	857	692
Total risk exposure amount . . . . .	10,264	10,046	7,959	7,305

Note: For definitions of certain financial ratios and other financial terms, see "Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms."

(1) Unregulated items consists of loans more than 90 days past due.

The following table sets forth a breakdown of Nordax's capital requirement for risks as at the dates indicated:

	As at March 31, 2015	As at December 31,		
		2014	2013	2012
		(SEK in millions)		
<b>Credit risk</b>				
Institutional exposures . . . . .	37	36	26	41
Covered bonds . . . . .	3	5	4	6
Household exposures . . . . .	581	567	472	418
Unregulated items <sup>(1)</sup> . . . . .	50	48	42	39
Other items . . . . .	3	4	2	2
Total capital requirement for credit risk, standardized approach . .	675	659	546	506
<b>Market risk</b>				
Exchange rate risk . . . . .	44	43	22	23
Total capital requirement for market risk . . . . .	44	43	22	23
<b>Operational risk</b>				
Basic Indicator Approach . . . . .	102	102	69	55
Total capital requirement for operational risks . . . . .	102	102	69	55
Total capital requirement for risks . . . . .	821	804	637	584

Note: For definitions of certain financial ratios and other financial terms, see "Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms."

(1) Unregulated items consists of loans more than 90 days past due.

## Cash Flows

The following table sets forth a summary of Nordax's cash flow data as at the dates and for the periods indicated:

	As at and for the three months ended March 31,		As at and for the year ended December 31,		
	2015	2014	2014	2013	2012
	(SEK in millions)				
Cash flow from operating activities . . . . .	(177)	356	374	(3,135)	1,520
Cash flow from investing activities . . . . .	(3)	(1,059)	(1,035)	1,439	(852)
Cash flow from financing activities . . . . .	298	470	1,265	758	266
Cash flow for the period . . . . .	118	(233)	604	(938)	934
Cash and cash equivalents <sup>(1)</sup> at the beginning of period . . . . .	2,212	1,608	1,608	2,546	1,612
Cash and cash equivalents <sup>(1)</sup> at the end of period . . . .	2,330	1,375	2,212	1,608	2,546

(1) Cash and cash equivalents is defined as treasury bills eligible for refinancing and lending to credit institutions.

### Cash Flow From/Used in Operating Activities

Nordax's cash flow used in operating activities for the three months ended March 31, 2015 was SEK 177 million, a change of SEK 533 million as compared to cash flow from operating activities of SEK 356 million for the three months ended March 31, 2014. The change was primarily due to a larger increase in retail deposits for the three months ended March 31, 2014 as compared to the three months ended March 31, 2015. Pursuant to its policy, Nordax adjusts retail deposit flows based on its funding needs.

Nordax's cash flow from operating activities for the year ended December 31, 2014 was SEK 374 million, a change of SEK 3,509 million as compared to cash flow used in operating activities of SEK 3,135 million for the year ended December 31, 2013. The change was primarily due to an increase of SEK 1,726 million in Nordax's retail deposits between December 31, 2013 and December 31, 2014.

Nordax's cash flow used in operating activities for the year ended December 31, 2013 was SEK 3,135 million, a change of SEK 4,655 million as compared to cash flow from operating activities of SEK 1,520 million for the year ended December 31, 2012. The change was primarily due to a decrease of SEK 2,412 million in Nordax's retail deposits between December 31, 2012 and December 31, 2013, as compared to an increase of SEK 2,064 million between December 31, 2011 and December 31, 2012.

### Cash Flow From/Used in Investing Activities

Nordax's cash flow used in investing activities for the three months ended March 31, 2015 was SEK 3 million, a decrease of SEK 1,056 million as compared to SEK 1,059 million for the three months ended March 31, 2014. The decrease was primarily due to liquidity portfolio investments in bonds and other fixed-income securities of SEK 1,058 million for the three months ended March 31, 2014. Investments in bonds and other fixed-income securities were similar in the three months ended March 31, 2015 and the three months ended March 31, 2014. Nordax's investing activities are related to the level of retail deposits and the deposit utilization rate. When deposits increase, cash flow used in investing activities increases, assuming a constant deposit utilization rate. When the deposit utilization rate increases, cash flow from investing activities goes up, assuming a constant level of retail deposits.

Nordax's cash flow used in investing activities for the year ended December 31, 2014 was SEK 1,035 million, a change of SEK 2,474 million as compared to cash flow from investing activities of SEK 1,439 million for the year ended December 31, 2013. The change was primarily due to lower maturities of bonds and other fixed-income securities and increased investments in bonds and other fixed-income securities in 2014 as compared to 2013.

Nordax's cash flow from investing activities for the year ended December 31, 2013 was SEK 1,439 million, a change of SEK 2,291 million as compared to cash flow used in investing activities of SEK 852 million for the year ended December 31, 2012. The change was primarily due to the maturity of bonds and other

fixed-income securities in 2013 as compared to a net investment in bonds and other fixed-income securities in 2012.

#### *Cash Flow From Financing Activities*

Nordax's cash flow from financing activities for the three months ended March 31, 2015 was SEK 298 million, a decrease of SEK 172 million, or 36.6 percent, as compared to SEK 470 million for the three months ended March 31, 2014. The decrease was primarily due to a slightly lower increase in liabilities to credit institutions in the three months ended March 31, 2015 as compared to the three months ended March 31, 2014. In the three months ended March 31, 2015, Nordax issued subordinated notes, classified as tier 2 capital, with an aggregate principal amount of SEK 250 million.

Nordax's cash flow from financing activities for the year ended December 31, 2014 was SEK 1,265 million, an increase of SEK 507 million, or 66.9 percent, as compared to SEK 758 million for the year ended December 31, 2013. The increase was primarily due to an increase in issued securities, including the issuance of the SCL IV ABS, which had an aggregate principal amount of SEK 1,858 million, in June 2014. In 2013, Nordax Bank issued senior unsecured notes with an aggregate principal amount of SEK 500 million.

Nordax's cash flow from financing activities for the year ended December 31, 2013 was SEK 758 million, an increase of SEK 492 million as compared to SEK 266 million for the year ended December 31, 2012. The increase was primarily due to the increase in liabilities to credit institutions and the increase in issued securities needed to support the growth of Nordax's loan portfolio. In 2013, Nordax Bank issued senior unsecured notes with an aggregate initial principal amount of SEK 500 million.

#### *Working Capital Statement*

Nordax believes that the working capital available to it is sufficient for at least the twelve months following the date of this Offering Memorandum.

#### **Off-balance-sheet Arrangements**

During the periods covered by the Combined Financial Statements, Nordax did not have any off-balance-sheet arrangements.

#### **Capital Expenditure**

Nordax's capital expenditure consists mainly of investments in IT systems. Nordax's capital expenditure for the three months ended March 31, 2015 and 2014 amounted to SEK 6 million and nil, respectively. Nordax's capital expenditure for the years ended December 31, 2014, 2013 and 2012 amounted to SEK 8 million, SEK 2 million and SEK 6 million, respectively.

#### **Significant Accounting Policies and Estimates**

For information on significant accounting policies, see notes 2 and 7 to the Audited Combined Financial Statements.

## RISK MANAGEMENT

### Overview

Nordax was founded by risk managers and this mentality is embedded in its business. Risk evaluation and risk management are important to Nordax, and Nordax has a low risk tolerance and takes a conservative approach to handling and managing of risks.

Appropriate risk management is achieved, among other things, by the Board of Directors and the CEO adopting internal governing documents regarding risk management. All internal governing documents adopted by the Board of Directors (referred to as policies) or the CEO (referred to as instructions) are reviewed and updated annually or more frequently, if necessary. The approximately 40 policies adopted by the Board of Directors include, among others, the Financial Risk Policy, the Credit Policy, the Operational Risk Policy, the ICAAP Policy and the Outsourcing Policy. Instructions adopted by the CEO include, among others, the Incident Management Instruction, the Legal Collection Instruction, the Complaints Management Instruction and the Delegation of Authority Instruction according to which the CEO can delegate his authority to adopt internal governing documents to specific function holders within Nordax. Nordax has adopted a General Risk and Capital Policy that details the risk framework as well as risk management roles and responsibilities within Nordax. The General Risk and Capital Policy is established in accordance with the SFSA's Regulations and General Guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1) (as amended by FFFS 2014:30) (Sw. *Finansinspektionens föreskrifter och allmänna råd om styrning, riskhantering och kontroll i kreditinstitut*).

### Risk Governance Structure

#### *Three Lines of Defense Model*

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

#### *The First Line of Defense – Risk Management by Operations*

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

#### *The Second Line of Defense – Independent Control Functions*

The second line of defense consists of Nordax's Risk Control Function and Compliance Function. These functions are separate from Nordax's business operations and from each other and are responsible, in accordance with their policies, for monitoring and controlling that Nordax's business units manage the relevant risks and for advising and supporting Nordax's employees, the CEO and the Board of Directors in carrying out their activities in accordance with internal and external rules. Nordax's Risk Control Function and Compliance Function report to the Board of Directors and to the CEO, and are direct subordinates of the CEO. The members of the functions are knowledgeable of risk management methods and procedures and/or law. Risks identified and recommendations issued by the Risk Control Function and the Compliance Function are reported at least quarterly to the Board of Directors. For additional information on the Risk Control Function, see “—*Independent Control Functions—The Risk Control Function*” below and for additional information on the Compliance Function, see “—*Independent Control Functions—The Compliance Function*” below.

#### *The Third Line of Defense – Independent Internal Audit*

The third line of defense consists of Nordax's Internal Audit Function, which is an independent review function directly subordinate to the Board of Directors through the Audit Committee. The Internal Audit Function is responsible for reviewing and evaluating Nordax's first and second lines of defense in accordance with its policy. The purpose of the Internal Audit Function is to improve Nordax's risk management, governance and internal control. Nordax has outsourced its Internal Audit Function. For

additional information on the Internal Audit Function, see “—*Independent Control Functions—The Internal Audit Function*” below.

### *Independent Control Functions*

#### The Risk Control Function

The Board of Directors has established a Risk Control Function whose work is based on a policy adopted by the Board of Directors. The Risk Control Function is a part of Nordax’s second line of defense, as described under “—*Three Lines of Defense Model*” above. The Risk Control Function is responsible for independently reviewing and analyzing Nordax’s risks and risk management. The responsibility of the Risk Control Function includes providing a well-rounded and objective impression of Nordax’s risks, monitoring limits for risks, and control and analyze of Nordax’s material risks, and identifying new risks that may arise as a result of changed circumstances. The Risk Control Function is also responsible for verifying that relevant internal rules, processes and procedures in the risk management framework are appropriate and complied with, and for proposing amendments thereto, if needed.

The Risk Control Function reports at least quarterly to the Board of Directors and the CEO and the Risk Control Manager regularly attends meetings of the Board of Directors. In addition, the Risk Control Function reports to the Audit Committee and the Risk Committee. On a regular basis, and whenever necessary, the head of the Risk Control Function, the Risk Control Manager, also has direct contact with the Chairman of the Board of Directors. Regular management and follow-up of risks identified by the Risk Control Function take place on a monthly basis in Nordax’s Risk and Compliance Forum at meetings with the Risk Control Function.

The Risk Control Manager formally independently reports directly to the Board of Directors and the CEO, and is a direct subordinate of the CEO. The review and questioning of decisions that affect Nordax’s risk exposure is carried out, in addition to at meetings of the Board of Directors, the Audit Committee and the Risk Committee, in a forum where the Risk Control Manager and other persons responsible for several functions are present.

#### The Compliance Function

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

The Chief Compliance Officer, who is the head of the Compliance Function, formally independently reports directly to the Board of Directors and the CEO, and is a direct subordinate of the CEO. The Compliance Function submits a compliance report to the Board of Directors and the CEO at least quarterly. The Chief Compliance Officer also regularly attends meetings of the Board of Directors. In addition, regular reporting is made to the Audit Committee and the Risk Committee. On a regular basis, and whenever necessary, the Compliance Function has direct contact with the Chairman of the Board of Directors. Regular management and follow-up of risks identified by the Compliance Function take place on a monthly basis in Nordax’s Risk and Compliance Forum.

#### The Internal Audit Function

Nordax has outsourced the performance of its internal audit to external consultants (Mazars Set Revisionsbyrå AB). The scope of the services outsourced is governed through a written agreement

pursuant to which Mazars Set Revisionsbyrå AB must perform the services in accordance with applicable legislation, ordinances, practices, written audit instructions adopted by the Board of Directors and the audit plan adopted by the Board of Directors. The Internal Audit Function is responsible for reviewing and evaluating Nordax's first and second lines of defense in accordance with its policy, as described under "*—Three Lines of Defense Model*" above. The internal audit also includes, among other things, an independent audit of the IT systems and information security. In addition, the function reviews and evaluates whether Nordax's internal rules are suitable and consistent with laws and regulations and, based on its observations, issues recommendations to the relevant departments or functions. The Internal Audit Function is directly subordinate to the Board of Directors through the Audit Committee.

#### *The First Line Risk and Compliance Function*

The First Line Risk and Compliance Function is a part of Nordax's first line of defense, as described under "*—Three Lines of Defense Model*" above. The First Line Risk and Compliance Function assists the first line of defense in its work with identifying, controlling and reporting operational and compliance risks. The function is responsible for risk controls (*i.e.*, developing and maintaining effective internal controls by executing risk and control procedures on a day-to-day basis), compliance reviews, anti-money laundering controls and education, and incident reporting. The First Line Risk and Compliance Function also provides support and guidance within its scope of responsibilities.

The First Line Risk and Compliance Function is a separate function from the Risk Control Function and Compliance Function of the second line of defense; however, the First Line Risk and Compliance Function and Risk Control and Compliance Functions collaborate closely in providing support and guidance to Nordax's operations.

#### ***Roles and Responsibilities***

##### *Board of Directors and CEO*

The Board of Directors has the ultimate responsibility for ensuring appropriate risk management for Nordax. The Board of Directors is responsible for adopting Nordax's risk strategy, risk appetite and risk tolerance. The Board of Directors evaluates the risk strategy and quantifies the risk appetite on a regular basis and where necessary. The Board of Directors and the CEO are also responsible for regularly evaluating whether Nordax's total risks are being monitored and handled efficiently and appropriately. For additional information on the Board of Directors' and the CEO's responsibilities, see "*Corporate Governance—The Board of Directors*" and "*Corporate Governance—The CEO and Senior Management Team*."

##### *Board Committees*

##### Audit Committee

The main duties of the Audit Committee include monitoring Nordax's financial reporting; monitoring the efficiency of Nordax's internal controls, internal audits, and risk management in respect of the financial reporting; keeping itself informed regarding audit of the annual report and group accounts; reviewing and monitoring the impartiality and independence of the external auditor; and assisting in the preparation of proposals to the annual General Meeting (the "**Annual General Meeting**") regarding the election of the auditor. As part of its duties, the Audit Committee must, among other things, support the Board of Directors in its work of ensuring that Nordax has an effective internal 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; support the Board of Directors in its work of ensuring the quality of Nordax's financial reporting; review and recommend for approval by the Board of Directors the annual plans for Nordax's Compliance Function and the Risk Control Function; review and approve a risk-based audit plan for Nordax's Internal Audit Function; oversee the appointment, compensation and dismissal of the internal and external auditors; review audit reports; check that Nordax's management takes necessary corrective actions in a timely manner to address control weaknesses and other problems identified by the auditors; monitor choice of accounting policies and principles; and perform other tasks delegated to the Audit Committee by the Board of Directors.

The Audit Committee must consist of no less than three members. All members of the Audit Committee must be members of the Board of Directors. The members of the Audit Committee may not be employees of Nordax. The majority of the members of the Audit Committee must be independent of Nordax and its

executive management. At least one of the Audit Committee members who are independent of Nordax and its executive management must also be independent of the Company's major shareholders. At least one member of the Audit Committee must be independent and have accounting or auditing proficiency. The Audit Committee consists of Arne Bernroth (Chairman), Hans Larsson, and Andrew Rich.

#### Risk Committee

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

#### *Cross-functional Forums*

Cross-functional forums are responsible for supporting the CEO and the various heads of the various functions in making risk decisions concerning the day-to-day operations based on decisional documentation produced by the head of each function as applicable. The purpose of the cross-functional forums is to coordinate and assess the effect of proposed strategies and decisions before implementation. The head of each function bears the formal responsibility. In general, the forums are held monthly and last for 30 to 60 minutes, except for the Management Team Forum, which generally lasts for half a day.

#### Risk Profile Forum

Nordax's Risk Profile Forum reviews Nordax's risk profile with regards to changes and ranking of risks. The Risk Profile Forum ensures that all material risks are monitored and mitigated. Nordax's Risk Control Manager is the chair of the Risk Profile Forum.

#### Anti-money Laundering Forum

Nordax's Anti-money Laundering Forum ensures that Nordax establishes processes and routines in order to ensure that its products and services are not being used for money laundering, terrorism financing or any other criminal activity and that Nordax is compliant with all such relevant legislation. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's Anti-money Laundering Reporting Officer is the chair of the Anti-money Laundering Forum.

#### Operations Forum

Nordax's Operations Forum coordinates development of the functions and evaluates the performance of Nordax's operations. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's Operations Director is the chair of the Operations Forum.

#### Credit Risk and MIS Forum

Nordax's Credit Risk and MIS Forum reviews Nordax's credit risk strategy and analyses and monitors the loan portfolio and marketing channel performance on an ongoing basis. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's Credit Risk Manager is the chair of the Credit Risk and MIS Forum.

#### Risk and Compliance Forum

Nordax's Risk and Compliance Forum discusses and receives management response on risk and compliance findings. Nordax's Risk Control Manager and the Chief Compliance Officer are the co-chairs of the Risk and Compliance Forum.

#### Deposit Forum

Nordax's Deposit Forum reviews and sets the strategy of and is responsible for the planning and development of Nordax's retail deposit business. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's Deposit Product Manager is the chair of the Deposit Forum.

## HR Forum

Nordax's HR Forum coordinates HR within the organization and ensures that its set up reflects current strategy. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's HR Manager is the chair of the HR Forum.

## Interest Margin Forum

Nordax's Interest Margin Forum reviews and controls interest margins and fee management, and manages interest margin against target margin. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's CFO is the chair of the Interest Margin Forum.

## IT/Security Forum

Nordax's IT/Security Forum coordinates and optimizes significant internal and external IT and security items regarding infrastructure, resources, services and projects. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Chief Information Officer/Chief Security Officer is the chair of the IT/Security Forum.

## Management Team Forum

Nordax's Management Team Forum discusses ongoing business progress, strategy and planning. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. The CEO is the chair of the Management Team Forum.

## Marketing Strategy Forum

Nordax's Marketing Strategy Forum coordinates and optimizes business lines. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's Marketing Manager is the chair of the Marketing Strategy Forum.

## Treasury Forum

Nordax's Treasury Forum manages the ongoing strategic planning with regard to funding of the business. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's Treasurer is the chair of the Treasury Forum.

## External Fraud Forum

Nordax's External Fraud Forum discusses external fraud cases, and reviews and discusses if any changes or amendments must be made to the existing processes or routines. It also makes proposals to the Board of Directors regarding matters within its scope of responsibilities when appropriate. Nordax's Legal Collection Manager is the chair of the External Fraud Forum.

## *Departments*

### Overview

All of Nordax's departments are responsible for monitoring and managing operational risks. In addition, Nordax's Credit Risk Department, Treasury Department and Finance Department are responsible for managing specific risks, as discussed below.

### The Credit Risk Department

The Credit Risk Department monitors and manages the credit risk to which Nordax is exposed in its lending operations. The Credit Risk Department is also responsible for ensuring that lending is carried out in accordance with adopted lending policies and instructions. The Credit Risk Department is further responsible for analyzing and reporting Nordax's credit risk in its lending operations to the Board of Directors, the CEO and other persons in need of such information.

## The Treasury Department

The Treasury Department is responsible for Nordax's financing as well as managing its financial risks, excluding credit risk in the lending operations (*i.e.*, among other risks, market risk, counterparty risk, investment risk and liquidity risk, jointly referred to as "financial risks" below). The work of the Treasury Department is based on policies and instructions adopted by the Board of Directors and the CEO. The Treasury Department is also responsible for Nordax's investments, excess liquidity, strategic initiatives on financing questions and overall coordination of retail deposits by Nordax. The Treasury Department is also responsible for producing internal reports regarding the financial risks managed by it and external monthly reports regarding ABSs and warehouse funding facilities, as well as for some of the reports that are sent regularly to the SFSA, such as the liquidity report. The Treasury Department has overall responsibility for the cooperation with Avanza.

Nordax's Treasurer is responsible for the day-to-day operations of the Treasury Department and is responsible for the reporting of, among other things, market risks, counterparty risks and investment risks. According to Nordax's Financial Risk Policy, the CEO is responsible for the reporting of Nordax's liquidity risk and liquidity developments to the Board of Directors.

## The Finance Department

Nordax's Finance Department is responsible for managing the risks related to financial reporting to the Board of Directors, executive management and external parties. The Finance Department is also responsible for preparation of the capital plan in coordination with risk management departments.

## **The Risk Management Process**

Nordax's risk appetite statement contains Nordax's limit framework for risk exposure and articulates the level and direction of Nordax's risks that are acceptable in order to achieve its strategic objectives. The purpose of the risk appetite statement is to ensure that Nordax has a common and sound view of risk taking based on an understanding of all risks to which it is or could be exposed and how such risks are managed. The Board of Directors is responsible for approving the risk appetite statement and for setting the limits comprising Nordax's risk appetite. The Board of Directors is furthermore responsible for ensuring that the risk appetite is in line with the annual business plan and it must regularly evaluate and update the risk appetite statement when required and at least on an annual basis.

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

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

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

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

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

The effectiveness of existing controls and routines implemented in the day-to-day business to manage risks is evaluated and controlled on an ongoing basis through reviews and controls by the Risk Control Function, the Compliance Function and the First Line Risk and Compliance Function. Depending on the results of the evaluations and controls, recommendations may be issued on proposed measures to limit and manage identified risks and deficiencies. Such recommendations are monitored monthly in the Risk and Compliance Forum and in monthly meetings between the Risk Control Function, the Compliance Function and the First Line Risk and Compliance Function.

## **Principal Risks**

### *Overview*

Nordax has identified the following main risk categories faced by its operations:

- credit risk (including loan portfolio credit risk, investment risk and counterparty risk);
- market risk (including interest rate risk and foreign exchange rate risk);
- liquidity risk;
- operational risk (including process risk, people risk, IT/system risk, external risk, legal risk and compliance risk, and risk in the remuneration system); and
- business risk (including strategic risk, conduct risk, macro environment risk, regulatory risk and reputational risk).

Nordax believes that regulatory risk, credit risk and liquidity risk are the most significant risks faced by its business.

### *Credit Risk*

#### *Definitions*

Nordax defines credit risk as the risk that a counterparty or an obligor fails to meet its contractual obligations towards Nordax, including customer loans, investments, derivatives and other assets.

Credit risk includes:

- loan portfolio credit risk, which means the risk of incurring a loss due to a borrower failing to perform its payment obligations to Nordax;
- investment risk, which means the risk of not recouping invested amounts due to the counterparty's inability to perform its payment obligations; and
- counterparty risk, which means the risk that a financial counterparty will be unable to perform its current or future payment obligations.

#### *Principal Risks*

Nordax's loan portfolio credit risk consists of the borrowers that for different reasons cannot meet their payment obligations to Nordax. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—Nordax may not be able to accurately assess the credit risk of loan applicants, which could lead to increased credit losses*" and "*Risk Factors—Risks Relating to Nordax's Business and Industry—The credit quality of Nordax's customers could decline, which could lead to increased credit losses.*"

Concentration risk constitutes a part of Nordax's credit risk and means major exposures or concentrations to certain geographic areas. Nordax believes it is not exposed to any material concentration risk, except that it offers one type of loan product. When calculating capital need for concentration risk in relation to the ICAAP, Nordax calculates its capital requirements for concentration risk using a method employed by the SFSA.

Investment risk arises at Nordax due to the need to invest the funds that constitute its liquidity reserve.

Counterparty risk arises for Nordax due to the need to enter into derivative transactions in order to manage market risk, primarily foreign exchange rate risk. The counterparty risk currently consists only of exposure through foreign exchange swaps with terms of up to one month where collateral agreements have been entered into with the counterparty. See also "*Risk Factors—Risks Relating to Nordax's Business and*

*Industry—Nordax could be adversely affected by counterparty risk, including due to actual or perceived deterioration of financial services institutions or the financial services industry, or other factors.”*

The following table sets forth Nordax’s maximum exposure to credit risk as at the dates indicated:

	As at December 31,		
	2014	2013	2012
	(SEK in millions)		
Lending to credit institutions . . . . .	2,212	1,608	2,546
Lending to the general public . . . . .	10,042	8,393	7,456
Bonds and other fixed-income securities . . . . .	1,585	550	1,991
Total maximum exposure to credit risk . . . . .	<u>13,839</u>	<u>10,551</u>	<u>11,993</u>

See also “*Risk Factors—Risks Relating to Nordax’s Business and Industry—Nordax’s reliance on certain service and business process outsourcing and other partners could have a material adverse effect on its business, financial condition and results of operations.*”

#### *Management of Credit Risk*

Nordax takes a conservative approach to handling and managing credit risk and does not aim to profit by increasing its risk exposure. With a conservative approach to credit risk and with the objective of maintaining profitability, Nordax has adopted a credit strategy. To realize the credit strategy, Nordax’s credit risk management encompasses, *inter alia*, the following:

- a clear and defined credit risk management organization;
- an identification of the credit risk;
- development and use of sophisticated monitoring and measurement tools;
- a thorough credit assessment using sophisticated underwriting tools (for additional information on Nordax’s underwriting process, see “*Business—Loan Underwriting Process and Credit Risk Management*”);
- development and use of sophisticated collection tools; and
- documented and budgeted expected risk levels and provisions for credit losses.

Nordax’s credit risk management is integrated throughout the loan lifecycle. Credit risk management starts with targeting marketing efforts at attractive potential borrowers both in terms of credit risk as well as likelihood of response. For additional information on Nordax’s marketing of its loan products, see “*Business—Sales and Marketing of Personal Loans.*” Nordax then performs a thorough credit assessment of loan applicants using sophisticated underwriting tools, as described under “*Business—Loan Underwriting Process and Credit Risk Management.*”

After loan origination, Nordax constantly monitors the credit performance of its loan portfolio. Nordax’s Credit Risk Department prepares monthly standard credit risk reports that include information on loan portfolio performance, vintages, demographics, roll rate forecasts, scorecard performance, sourcing channel performance, macroeconomic trends, collections, approval rates and potential fraud. In addition, Nordax prepares ad hoc reports on, among others, follow-up on limit setting strategies as well as various reports to the Marketing Department and the Operations Department.

The final step in Nordax’s credit risk management cycle is collections, which is described under “*Business—Debt Collection.*”

The Board of Directors has set forth in its General Credit Policy, among other things, the framework for the credit strategy, credit risk management, credit risk reporting, and the credit rules applicable in a credit assessment. In addition to this umbrella document, there are also country-specific credit policies that are applicable to loans that are to be transferred to Nordax’s funding subsidiaries and country-specific Collection and Provisioning Policies. The Board of Directors has also adopted a Collection Policy and the CEO has adopted a Legal Collection Instruction. As a supplement to this, the Credit Risk Manager and middle managers in the relevant departments have adopted a number of manuals regarding lending.

The Credit Risk Manager is primarily responsible for analysis and follow-up of Nordax’s credit risk. The Credit Risk Manager reports Nordax’s credit risk to the CEO and the Board of Directors on a monthly

basis. Follow-up of the credit risk also takes place in Nordax's Credit Risk and MIS Forum and for follow-up of claims administration. The relevant representatives of management, the Credit Risk Department, the Marketing Department, the Risk Control Function and the Operations Department participate in the forum.

To mitigate investment risk, Nordax's enters into investments and hedging transactions only with stable counterparties with satisfactory credit ratings. Pursuant to Nordax's Financial Risk Policy, Nordax may only invest in approved instruments with specified minimum credit ratings, or other instruments approved by the Board of Directors. Nordax's liquidity reserve consists of investments in Nordic banks, Swedish covered bonds, Swedish municipal paper and similar instruments. All Nordax's investments as at March 31, 2015 had credit ratings of between AAA and A+ by Standard & Poor's and the average rating was AA. All bank deposits are immediately available and all securities are repo-able in central banks.

Since Nordax matches its liabilities and assets both with regard to currency denomination and with regard to the fixed interest term, to a large extent, a relatively small counterparty risk exposure arises.

## **Market Risk**

### *Definitions*

Market risk includes:

- interest rate risk, which means the risk that changes in market interest rates may result in market value loss; and
- foreign exchange risk, which means the risk that changes in currency rates as compared to Nordax's reporting currency (Swedish kronor) may result in a negative earnings effect.

### *Principal Risks*

Interest rate risk arises for Nordax due to differences between the interest rate terms between, on the one hand, financing and, on the other hand, lending and invested liquidity. Interest rate risk is measured and reported through a calculation of a change in the present value if the yield requirements increase by two percentage points (*i.e.*, a parallel shift upwards in the curve). The present value is calculated for principal and interest; fees are not calculated since they are deemed to have little impact on the total risk. The next interest adjustment date is calculated as the due date for transactions with a variable interest rate. The absolute sums of interest risks in various currencies are added together. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—Nordax's business is sensitive to volatility in interest rates and to changes in the competitive environment affecting spreads on its lending and deposits.*"

Foreign exchange risk occurs at Nordax due to differences between the currency denomination of assets and liabilities. Nordax measures and reports foreign exchange risks at the group level. Exposures are calculated in nominal amounts without discounting future cash flows. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—Changes in foreign exchange rates can have a material adverse effect on Nordax's results of operations.*"

### *Management of Market Risk*

Nordax limits interest rate risk by matching interest rate fixing periods for assets and liabilities. The interest rates payable by Nordax on deposits and other funding and the interest rates that it charges on loans to customers as well as substantially all interest rates applicable to its other assets are variable. However, there is a risk that Nordax will not be able to adjust interest on its variable rate assets and liabilities at the same time, giving rise to interest adjustment gaps in the short or medium term. Such delays in interest adjustments on loans given to its customer may, *inter alia*, occur due to Nordax having an obligation to notify customers in advance of increases in interest rates. For example, the notice period in Norway is six weeks in connection with interest rate increases on loans. Furthermore, Nordax has made a general policy decision to only adjust interest rates on its Swedish and Norwegian loan portfolio when its cost of funding increases or decreases by at least 50 basis points. For additional information, see "*Operating and Financial Review—Factors Affecting Nordax's Results of Operations—Net Interest Margin Development.*"

Pursuant to the Financial Risk Policy adopted by the Board of Directors Nordax continually measures and reports its interest rate risk. The interest rate risk is measured by a sensitivity analysis of a parallel movement in the yield curve of 2.0 percentage points.

The following table sets forth the limits for net exposure set forth in Nordax's Financial Risk Policy and Nordax's actual net exposure to a parallel movement in the yield curve of 2.0 percentage points as at the dates indicated:

	As at December 31,		
	2014	2013	2012
	(SEK in millions)		
Limit . . . . .	20	20	10
Actual net exposure . . . . .	11	6	4

The following table sets forth the change in Nordax's actual net exposure that would have resulted from a parallel movement in the yield curve of 2.0 percentage points as at the dates indicated:

	As at December 31,		
	2014	2013	2012
	(SEK in millions)		
+/-2.0 percentage point parallel movement in the yield curve . . . . .	11/(11)	6/(6)	4/(4)

Nordax's policy is to limit the effect of changes in foreign exchange rates by matching assets and liabilities in the same currency. Nordax also uses derivative instruments to limit the effect. In order to protect a total capital ratio of 11.5 percent against changes in foreign exchange rates, Nordax maintains an open currency risk position. Due to this open position, the impact of changes in foreign exchange rates on the value of Nordax's regulatory capital in Nordax's statement of financial position is offset by the corresponding impact on Nordax's income statement (reported under net income from financial transactions). For additional information, see "*Operating and Financial Review—Factors Affecting Nordax's Results of Operations—Changes in Foreign Exchange Rates.*"

Pursuant to the Financial Risk Policy adopted by the Board of Directors, Nordax continually measures and reports its foreign exchange risk. The Financial Risk Policy contains adopted limits for maximum permitted net exposure to foreign currencies.

The following table sets forth the limits for net exposure to foreign currencies set forth in Nordax's Financial Risk Policy and Nordax's actual net exposure as at the dates indicated:

	As at December 31,		
	2014	2013	2012
	(in millions)		
Limit for net exposure (SEK) . . . . .	700	350	350
Actual net exposure:			
Norwegian krone (NOK) . . . . .	332	192	192
Danish krone (DKK) . . . . .	13	6	19
euro (EUR) . . . . .	18	7	5
Total actual net exposure (SEK) . . . . .	541	276	284

The following table sets forth the change in Nordax's profit for the year that would have resulted from a 5 percentage point change in the value of the Swedish krona against the currencies listed below for the years indicated:

	For the year ended December 31,		
	2014	2013	2012
	(in millions)		
+/-5 percentage point change in SEK/NOK exchange rate (NOK) . . . . .	(16)/16	(10)/10	(9)/9
+/-5 percentage point change in SEK/DKK exchange rate (DKK) . . . . .	(0.6)/0.6	(0.3)/0.3	(0.9)/0.9
+/-5 percentage point change in SEK/EUR exchange rate (EUR) . . . . .	(0.9)/0.9	(0.4)/0.4	(0.3)/0.3
Total change in profit for the year (SEK) . . . . .	(27)/27	(14)/14	(14)/14

### **Liquidity Risk**

#### *Definition*

Nordax defines liquidity risk as the risk that it will not be able to meet its payment obligation at maturity without significant cost increases.

### *Principal Risks*

Nordax faces the risk that its funding will cease to be available on acceptable terms, or at all. See “*Risk Factors—Risks Relating to Nordax’s Business and Industry—Nordax may not be able to obtain sufficient funding, which could adversely affect its ability to maintain or grow its loan portfolio as well as its cost of funding.*”

### *Management of Liquidity Risk*

Nordax’s liquidity risk strategy is to mitigate the liquidity risk by the following measures:

- a centralized liquidity management;
- a well-balanced composition of assets and liabilities and well-balanced allocation of maturities and currencies;
- limited transfers of liquidity between the countries;
- a conservative placed liquidity reserve with a relatively short and evenly distributed maturity profile;
- limited intraday liquidity risk exposure;
- daily monitoring of the liquidity risk and liquidity risk limits; and
- stress testing.

Nordax’s liquidity management is centralized within the Treasury Department, which is responsible for Nordax’s funding and managing the liquidity reserve. Nordax’s liquidity risk management focuses on managing financing deficits (*i.e.*, periods in the future where the contracted assets will exceed the contracted financing). Nordax’s assets consist mainly of personal loans. Personal loans are used, to a large extent, as collateral for parts of Nordax’s funding.

Nordax’s long-term financing strategy is to obtain a matching maturity between its lending assets and funding and the strategy is intended to achieve a low level of exposure to liquidity risks. Nordax has a diversified funding base that consists of several sources of funding: ABSs, warehouse funding facilities from two international banks, retail deposits, senior unsecured bonds and equity and subordinated debt. Nordax’s objective is to use funding sources that:

- provide a high level of matching in terms of maturity, currency and interest rate fixing periods, between assets and liabilities;
- offer diversification in terms of markets, investors, instruments, maturities, currencies, counterparties and geography;
- entails low liquidity risk and have a high probability of refinancing at maturity through price stability, regularity of issuance and breadth of investor participation; and
- gives access to relatively large volumes to satisfy the funding needs of a growing balance sheet.

Financing through the ABS market entails a high degree of matching. Financing through retail deposits where term matching is not possible is handled, in terms of liquidity risk, through a conservative rate of utilization. A liquidity reserve of at least 25 percent is maintained in respect of retail deposits without a contract term. Financing through warehouse funding facilities offers currency and term matching until the warehouse funding facility expires, which is normally within one to three years. Financing through senior unsecured bonds offers currency and term matching until the bond matures, which for the bonds currently outstanding is March 2016. Nordax’s need to transfer liquidity between various countries is limited to the personal loans that are not financed through currency matched retail deposits, ABSs or warehouse funding facilities.

Nordax’s liquidity reserves largely have a remaining term of less than three months. Longer term investments of liquid funds have a high degree of liquidity (turnover potential) and are approved as collateral for loans by central banks.

Liquidity risk is measured on a daily basis for the subsequent 30-day period and on a monthly basis for longer periods. Calculations are also made separately per currency and per country. The liquidity calculation is supplemented on a monthly basis with the following statistics:

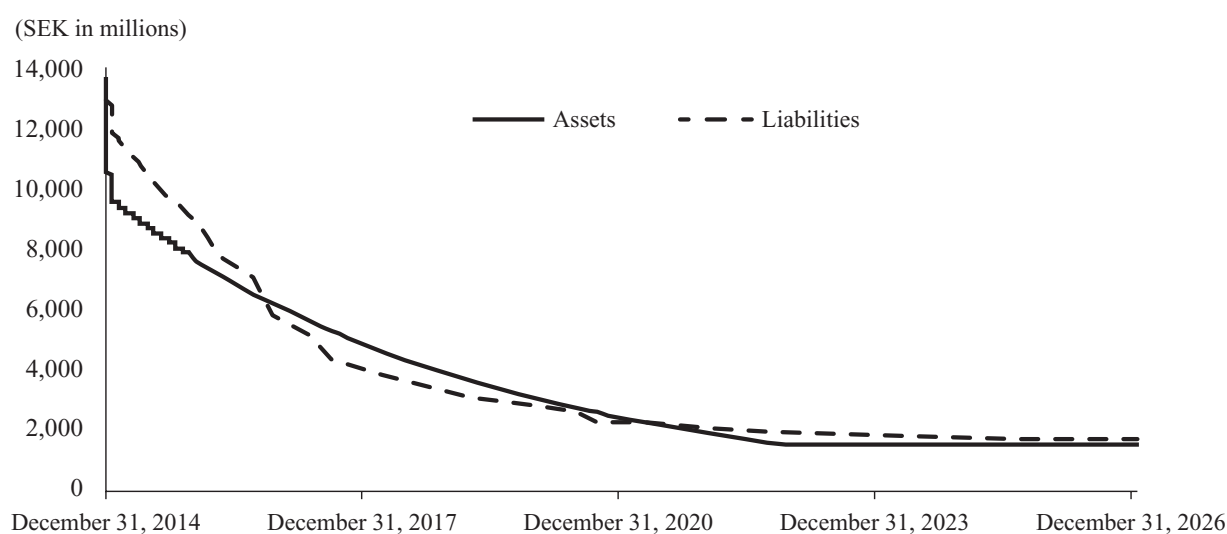
- cash ratio (*i.e.*, liquid funds/liabilities);

- loan to deposit ratio;
- liquidity coverage ratio (LCR), in accordance with the CRR; and
- net stable funding ratio (NSFR).

Limits are established by the Board of Directors. The financing needed must correspond to at least an equal amount of available financing for any given period in the future. A limit on the level of retail deposits that must be available in the liquidity reserve is also established. With access to the liquidity reserve, Nordax is able to fulfill its payment obligations without any new financing. According to a stress test conducted as at December 31, 2014 where no new borrowing or lending arises in the balance sheet, Nordax would be able to meet all of its payment obligations until at least November 2016.

Nordax measures what is commonly referred to as a runoff scenario, where no new lending is granted and no new financing can be obtained. Liquidity risk is measured by compiling all contracted financing, lending and investments in nominal amounts per currency and date. Interest payments are included through a simplified estimate. No inflows of borrowing are taken into consideration and the outflows are stressed against historical levels.

The following graph sets forth the funding gap analysis of the stress test that Nordax conducted as at December 31, 2014:



Note: Funding gap analysis assumes that (i) no new assets or liabilities are contracted or extended; (ii) weekly retail deposit outflows are doubled (year 1: outflow of approximately 40 percent); and (iii) no future earnings.

Nordax has a preparedness plan for liquidity problems. This plan specifies the responsibilities and allocation of roles in various crisis situations in which measures must be taken in connection with a number of predefined scenarios.

For additional information on Nordax’s liquidity position, see “*Operating and Financial Review—Funding, Liquidity and Capital Resources—Liquidity.*”

## **Operational Risk**

### *Definitions*

Operational risk means the risk of incurring a loss as a consequence of inappropriate or failed internal processes, human error, erroneous systems or external events.

Operational risk includes:

- process risk, which means risks arising from weaknesses in processes, such as settlement and payment, non-compliance with internal policies or external regulation, or failures in products or client dealings;
- people risk, which means risks arising from such issues as change management, project management, corporate culture and communication, failure of employees or Nordax, and conflict of interest or from other internal fraud;

- IT/system risk, which means the risk of a material impact on the functioning of the business as a consequence of deficiencies in the functioning of Nordax's IT systems;
- external risk, which means the risk arising from fraud or events caused by parties external to Nordax, disastrous weather or lack of physical security;
- legal risk, which refers to the risk of contracts being unenforceable (in whole or in part), lawsuits, adverse judgments or other legal proceedings disrupting or adversely affecting the operations or condition of a credit institution and compliance risk. Legal risk includes compliance risk, which is defined as current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards; and
- risks in the remuneration system.

### *Principal Risks*

Operational risk includes a significant group of non-homogeneous risks. Nordax's operations are supported by different processes, such as processes for human resource management and credit, market, liquidity and operational risk management. Complex or poorly designed processes can give rise to operational losses, either because they are unfit for the purpose, or because they malfunction. As a result, Nordax may experience risks such as, for example, data entry errors, collateral management failures, failures on product or customer dealings, non-compliance with laws, rules, regulations, ethical standards or incomplete legal documentation and vendor disputes. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—Nordax may not be able to accurately assess the credit risk of loan applicants, which could lead to increased credit losses,*" "*Risk Factors—Risks Relating to Nordax's Business and Industry—The internal governing documents, procedures, processes and evaluation methods used by Nordax to assess and manage risk may be insufficient to cover unidentified, unanticipated, or incorrectly quantified risks and fraud,*" "*Risk Factors—Risks Relating to Nordax's Business and Industry—If Nordax is unable to process a large number of transactions efficiently and accurately, it could have a material adverse effect on its business, financial condition and results of operations*" and "*Risk Factors—Risks Relating to Nordax's Business and Industry—Incorrect estimates by Nordax's management when preparing its financial statements could have a material adverse effect on Nordax's business, financial condition and results of operations.*"

The management of human resources can also become a major source of operational risk. Poorly trained or overworked employees may inadvertently expose Nordax to operational risk (for example, via processing errors). Ensuring that employees understand the mandate, have confidence in and respect for Nordax and adhere to Nordax's internal governing documents and strategies are of key importance for effective use of human resources.

Nordax's operations are supported by different IT and telecommunication systems. Complex or poorly designed systems can give rise to operational losses, either because they are unfit for the purpose, or because they malfunction. Third-party suppliers and outsourced systems not delivering according to agreed service level can also cause operational losses. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—Security breaches in Nordax's information systems or in the information systems of third parties could have a material adverse effect on Nordax's reputation and could subject it to significant costs and regulatory penalties*" and "*Risk Factors—Risks Relating to Nordax's Business and Industry—If Nordax is unable to process a large number of transactions efficiently and accurately, it could have a material adverse effect on its business, financial condition and results of operations.*" External factors such as fire, storms, terrorist actions, vandalism or power failures can also cause disruptive events and operational loss to Nordax.

Legal risk, including compliance risk, can arise due to a variety of issues, from broad legal or jurisdictional issues to a missing provision in an otherwise valid contract. Compliance risk especially can lead to fines, damages and/or the voiding of contracts and can diminish an institution's reputation. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—Nordax is exposed to reputational risks related to its operations, third parties and the financial services industry as a whole.*" Risks in the remuneration system primarily include the risk that the remuneration system will promote unsound risk-taking and/or be contrary to Nordax's long-term interests.

## *Management of Operational Risk*

Nordax has elected to address the group of operational risks with a number of measures including, *inter alia*, identification, evaluation, expertise, training, documentation and reporting. Nordax's focus is to reduce material risks as far as possible through the routines applied by it. Among other things, great emphasis has been placed on establishing an organization with routines and instructions designed to achieve both a high level of internal governance and control as well as backup routines in the event of damage. The breakdown of the organization into functions with clear areas of responsibility and reporting requirements is considered to be appropriate with respect to the ability to manage the operational risks.

In addition to Nordax's group-wide and regular analyses of various risks, Nordax uses a series of tools to identify, manage and report specific operational risks. Nordax maintains a central platform with, among other things, routines for producing new products and processes, reporting incidents, administering complaints, and carrying out self-assessments and stress tests.

Nordax regularly follows up any costs that arise due to operating errors. Since the beginning of 2010, an incident reporting system has also been in place designed to document and follow up any consequences of operational incidents, thereby ensuring that defects are remedied while the risk of similar defects in the future is minimized. In addition, costs may be calculated, for example, for internal time and lost customers, which do not directly give rise to costs reported in the income statement. Work is currently being conducted to ensure that the database for the incident reports is complete and reliable.

The incident reports are administered by the First Line Risk and Compliance Function, but it is the responsibility of the business operations to remedy any defects. The Risk Control Function and the Compliance Function in the second line of defense are responsible for further reporting any incidents to the Board of Directors and the CEO and other persons in need of the information.

Nordax also has a policy for handling internal fraud and whistleblowing. Nordax's employees are encouraged to raise any problems or serious incidents they discover. Such questions must be handled confidentially and investigated thoroughly. No employee who, with good intentions, reports or discovers such a problem may be harassed or subject to repercussions. Employees who wish to remain anonymous can avail themselves of Nordax's procedures for anonymous reporting. In addition, Nordax has a disaster recovery plan with restore prioritizations and restore time objectives, and the recovery of vital computer systems and data is tested on a regular basis.

To minimize its operational risks in financial transactions, Nordax avoids complicated derivative products.

Nordax has established a department and a manager for the management of IT risks. The management of identified IT risks primarily takes place in accordance with the IT and security policy adopted by the Board of Directors. In addition to established IT routines and processes, to minimize IT risk Nordax possesses established contingency plans which, among other things, entail that Nordax has agreements with a third party for reserve workstations and backup systems.

Legal risk is being managed and controlled in all three lines of defense. Nordax has an in-house legal department and an independent Compliance Function. In accordance with the Delegation of Authority Instruction, the Chief Legal Counsel has adopted a Legal Risk Instruction regarding the management of legal risk. Nordax's Legal Risk Instruction sets the principles of and internal processes to manage legal risk and sets out the internal processes:

- to ensure that Nordax's business operations are conducted in accordance with applicable laws, ordinances and other regulations;
- to ensure and pursue that signed agreements and other legal acts are correct and valid;
- in relation to the filing of agreements and other legal acts; and
- in relation to the management and the pursue of legal actions.

Nordax has also established a process to manage risks associated with an uncertain and rapidly evolving and increasing prudential regulatory environment. The Legal Function and the Compliance Function have the primary responsibility for identifying new or amended regulations applicable to Nordax and for assessing the impact on Nordax's business activities. The identification and assessment process is supported by law firms based in each of the countries in which Nordax operates that provide Nordax with local law regulatory updates and risk assessments on a quarterly basis.

Identified regulations applicable to Nordax are continuously monitored and discussed at monthly meetings between Legal Function and Compliance Function. Regulations that are deemed to have an impact on Nordax within 12 months are included in a regulatory radar presented to the Board of Directors on a quarterly basis.

Nordax regularly conducts a risk assessment on its remuneration system. In light of the risk assessment, the Board of Directors has adopted a remuneration policy that sets out the framework for Nordax's remuneration system. The remuneration policy is revised at least annually. The Board of Directors has also established a Remuneration Committee that is responsible for supporting the Board of Directors in these questions and preparing certain remuneration decisions.

## ***Business Risk***

### *Definitions*

Business risk includes:

- strategic risk, which means the current and prospective impact on earnings or capital arising from adverse business decisions, lack of responsiveness to industry changes and risks connected to acquisitions or major investments;
- conduct risk, which means the risk that Nordax's behavior will result in adverse outcomes for its customers;
- macro environment risk, which means current and prospective impact on earnings due to competitor actions, industry and/or demand changes or changes in the macro economy;
- regulatory risk, which means the risk of financial loss arising from changes in the current or new regulations and legislation that will negatively affect the business; and
- reputational risk, which means the risk of impaired earnings due to adverse impact on Nordax's reputation or the industry's reputation. Reputational risk should be regarded as a generic term embracing the risks, from any source.

### *Principal Risks*

Strategic risk may arise in various situations. For example, failed or discontinued investments in the operations, for example expansion projects or major IT projects, may cause loss of investment costs or incurring replacement costs. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—Nordax may not be successful in implementing its growth strategy, which could adversely affect its business, financial condition and results of operations.*"

Nordax is exposed to many forms of conduct risk, which may arise in a number of ways.

Nordax is exposed to the risk of adverse changes in general macroeconomic, political and market conditions. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—The demand for Nordax's loan products is dependent on general macroeconomic conditions in Nordax's Core Markets and Germany*" and "*Risk Factors—Risks Relating to Nordax's Business and Industry—Competition in the financial services industry is intense and increasing competition could adversely affect the demand for and profitability of Nordax's loan products.*"

Changes in applicable laws and regulations are outside of Nordax's control and affect Nordax's business. See also "*Risk Factors—Risks Relating to Regulation.*"

Nordax's reputation is critical to its business. Any kind of damage to Nordax's reputation would affect its business. See also "*Risk Factors—Risks Relating to Nordax's Business and Industry—Nordax is exposed to reputational risks related to its operations, third parties and the financial services industry as a whole*" and "*Risk Factors—Risks Relating to Regulation—Nordax is subject to risks related to insurance mediation.*"

### *Management of Business Risk*

Nordax aims to minimize its strategic risk. Nordax's policy is to limit major strategic decisions or investments until successfully tested. This creates stability in the operations and in the organization of the operation and it minimizes, for example, operational risk. All major strategic decisions or investments must be approved in their entirety by the Board of Directors and followed up thoroughly.

Nordax addresses conduct risk across its governing documents, and aims to ensure the following:

- customers can be confident that the fair treatment of customers is central to the corporate culture of Nordax;
- products and services marketed and sold are designed to meet the needs of identified customers, customer groups and are targeted accordingly;
- customers are provided with factual and correct information about the characteristics of Nordax's products;
- customers are kept informed about the development of their relationship with Nordax during and after the point of sale;
- the underwriting process is performed in accordance with good credit granting practice and with regards to the customer's individual financial situation; and
- customers do not face unreasonable post-sale barriers imposed by Nordax to change product, switch provider, make a claim or submit a complaint.

As part of its risk management, Nordax uses scenario planning to plan for potential changes in macroeconomic conditions. Nordax aims to follow its approach of (i) not reducing margins to promote growth, (ii) not taking on additional credit risk to promote growth and (iii) maintaining a conservative funding and liquidity profile, regardless of changes in macroeconomic conditions.

Reputational risk is primarily viewed as a possible consequential risk of other material risks, for example operational risk. This means that any damage to Nordax's reputation is viewed as a possible consequence of, for example, Nordax having breached its obligations towards existing customers, resulting in liability in damages or the loss of customers. In order to limit the reputational risk, the goal is that other risks must be handled properly. Nordax has also established routines for external communications in order to limit potential risk of damage to market confidence in Nordax.

#### **Internal Capital Adequacy Assessment Process**

Nordax's targets regarding risk management include, in addition to achieving sound internal management and controls and complying with statutory capital requirements, ensuring Nordax's ability to continue its business operations by fulfilling both short-term and long-term targets. Through the ICAAP, the level of capital that Nordax must maintain in order to fulfill these targets is established. For information on the statutory capital requirements applicable to Nordax as well as certain information regarding Nordax's capital position, see "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Capital Position.*"

The ICAAP is an internal process that allows Nordax to assess its internal capital adequacy and hold the internal capital that Nordax deems appropriate in order to cover all the risks to which it is or could be exposed in the future. The purpose of the ICAAP is also to justify to the Board of Directors and the SFSA the validity and soundness of Nordax's approach. The Board of Directors and Nordax's management are responsible for the approach and design of the ICAAP. Nordax's ICAAP Policy sets the roles and responsibilities and the fundamental requirements for the ICAAP. The Board of Directors is responsible for ensuring regular reviews of the ICAAP Policy and for adopting the ICAAP Policy at least on an annual basis.

The Board of Directors is responsible for reviewing and understanding, and ultimately approving the ICAAP report. The Risk Committee is responsible for reviewing the ICAAP report before its approval by the Board of Directors and the executive management is responsible for reviewing and approving the ICAAP report before it is submitted to the Risk Committee. The capital assessment should be reviewed by the Risk Committee as often as deemed necessary and at least quarterly. The Treasury Department is responsible for the preparation of the ICAAP report regarding financial risks, whereas the Credit Risk Department is responsible for the preparation of the ICAAP report regarding credit risk. The Finance Department is responsible for preparation of the ICAAP report regarding the budgets and the capital plan. The CEO and Nordax's management are responsible for preparation of the ICAAP report regarding all risks that are not covered by other functions, as well as for review, approval and understanding of the ICAAP report. The independent Risk Control Function is responsible for preparation of the ICAAP report, as well as coordinating the ICAAP and preparation of the ICAAP report regarding operational risk. The Internal Audit Function is responsible for an independent review of the ICAAP report.

The ICAAP report is prepared annually. The ICAAP report aims to formalize the ICAAP and facilitate its review by the Board of Directors and the SFSA. The ICAAP report should include the following areas:

- executive summary;
- background;
- current and projected financial and capital positions;
- risk management process;
- capital adequacy;
- capital planning;
- aggregation and diversification;
- quality control, review and approval of the ICAAP; and
- use of the ICAAP in the organization.

## SUPERVISION AND REGULATION

As Nordax Bank is a regulated entity, Nordax is subject to regulation and supervision by the SFSA. The operations and organization of Nordax are primarily regulated under the BFBA, the IMA, the CFOA and the Swedish Companies Act. Other notable laws regulating Nordax's business are the Special Supervision of Credit Institutions and Investment Firms Act and the Capital Buffers Act. Nordax is also subject to a substantial amount of binding regulations and general guidelines issued by the SFSA, such as FFFS 2014:1 (as amended by FFFS 2014:30) the Regulations and General Guidelines regarding the management of operational risks (FFFS 2014:4) (Sw. *Finansinspektionens föreskrifter och allmänna råd om hantering av operativa risker*) and the Regulations and General Guidelines regarding information security, IT operations and deposit systems (FFFS 2014:5). (Sw. *Finansinspektionens föreskrifter och allmänna råd om informationssäkerhet, it-verksamhet, och insättningsystem*). Further, Nordax Bank's subsidiaries conduct business under the CFOA, whereby the SFSA may order Nordax Bank's subsidiaries to cease operations if they do not comply with the CFOA.

The BFBA requires all banking companies to operate under a license granted by the SFSA. The IMA requires all tied insurance intermediaries to be registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) by the insurer to which it is tied and subsequently, such registered tied insurance intermediaries are supervised by the SFSA. Such licenses and registrations have indefinite durations, subject to withdrawal rights by the SFSA. The operating subsidiary of the Company is Nordax Bank, which is a Swedish public limited liability company that has a license from the SFSA to conduct banking business under the BFBA in Sweden, and granted a registration by Genworth Financial to conduct tied insurance intermediary business on its behalf under the IMA in Sweden. It also conducts cross-border operations in Norway, Denmark, Finland and Germany. Nordax is subject to substantial regulation, including without limitation, consumer protection, in all markets in which it operates.

### Management and Ownership Assessment

Special provisions in the BFBA notable to prospective shareholders in the Company, are the rules on ownership and ownership management assessment that involve, among other things, that approval from the SFSA must be obtained prior to a shareholder acquiring Shares that would bring the shareholder's direct or indirect holding to or in excess of certain thresholds (10 percent, 20 percent, 30 percent or 50 percent of the capital or votes of the Company or result in the Company becoming a subsidiary of the acquirer) or the shareholder otherwise obtaining a substantial influence over the management of the Company. Furthermore, the appointment of members and deputy members of the Board of Directors and the CEO and deputy CEO of the Company must be approved by the SFSA pursuant to the Swedish rules regarding management assessment.

### The Swedish Financial Supervisory Authority

The SFSA is the supervisory authority for Swedish credit institutions and tied insurance intermediaries. The SFSA's supervisory responsibility also encompasses other types of financial institutions. The supervisory responsibility of the SFSA extends to the foreign branches and cross-border operations of Swedish credit institutions and tied insurance intermediaries, as well as to domestic branches of foreign credit institutions. The supervision over Nordax is exercised by the SFSA, including Nordax's cross-border operations in Norway, Denmark, Finland and Germany.

The SFSA's supervision is conducted through analysis of reports regarding, among other things, capital adequacy, large exposures and financial statements, and through on-site inspections to ensure that each bank's operations comply with Swedish banking laws and regulations. In addition to its supervisory function, the SFSA issues both binding regulations and general guidelines for companies operating in Swedish financial markets. Should the SFSA conclude that the operations of an institution are not sound or that the institution otherwise is breaching laws or regulations, the SFSA may impose administrative sanctions on an institution, such as disciplinary reprimands, remarks, warnings, fines and revocation of the license and/or registration to operate.

Sweden is not a member of the single supervisory mechanism and has not opted to become a member. Accordingly, no supervisory powers have been transferred from the SFSA to the European Central Bank.

## **Capital Adequacy and Liquidity Requirements**

A number of initiatives aimed at tightening the regulatory standards applicable to financial institutions were introduced as a result of the global financial crisis in 2007–2010. One of the most important regulatory initiatives was Basel III, which is a comprehensive proposal for reforms to the regulatory capital and liquidity framework for banks. The Basel III Framework has been transposed into law in the EU by way of CRR/CRD IV, which consists of the CRR and CRD IV. The CRR applies in all EU member states without implementation, whereas CRD IV must be implemented in national law by each member state.

CRR/CRD IV includes several capital and liquidity requirements. These include minimum requirements and capital buffer requirements, stipulating that the minimum thresholds that banks should at all times exceed are a 4.5 percent minimum CET 1 capital ratio, a 6.0 percent tier 1 capital ratio and an 8.0 percent total capital ratio. For information on Nordax's capital and liquidity ratios, see "*Selected Historical Combined Financial Information—Key Performance Indicators (KPIs)*."

CRR/CRD IV also introduces new capital buffers: the capital conservation buffer, the counter-cyclical capital buffer, the systemic risk buffer and the buffers for systemically important institutions. The size of the buffers, other than the capital conservation buffer, is intended to be different depending on the existence of cyclical and structural systemic risks. The buffers may, thus, vary over time as well as between institutions. When in breach of a buffer requirement, the institutions could face restrictions on, among other things, payment of dividends.

In addition, two new liquidity requirements are introduced as part of CRR/CRD IV: the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). The liquidity coverage ratio (LCR) aims to ensure that a bank maintains an adequate level of unencumbered, high-quality assets that can be converted into cash to meet the bank's liquidity needs for a 30-day time horizon under an acute liquidity stress scenario. The net stable funding ratio (NSFR), on the other hand, establishes a minimum acceptable amount of stable funding, based on the liquidity characteristics of an institution's assets and activities over a medium- to long-term horizon.

CRR/CRD IV also includes a leverage ratio requirement, which will be introduced gradually and will initially not be a binding minimum requirement measure until a more thorough review and calibration has been carried out.

In addition to the capital and liquidity requirements, CRR/CRD IV also contains various other new rules governing, among other things, corporate governance, remuneration and sanctions.

Swedish legislation implementing CRD IV entered into force in August 2014, by way of the Special Supervision of Credit Institutions and Investment Firms Act and the Capital Buffers Act. Notably, all CRR/CRD IV buffers have been implemented in Swedish law, including the systemic risk buffer that is not required to be implemented. The buffers must consist of CET 1 capital.

Following the introduction of CRR/CRD IV, the SFSA has also made several amendments to its regulations in order to align these with, and to complement, the new rules.

## **Framework for Recovery and Resolution of Credit Institutions and Investment Firms**

The EU Council and the European Parliament have adopted the RRD, which confers upon supervisory authorities certain powers that can be generally categorized into preventive powers, early intervention powers and resolution powers. Ultimately, the authorities may take control of a failing bank and, for example, transfer the bank to a private purchaser or to a publicly controlled entity pending a private sector arrangement. All these actions can be taken without any requirement for shareholder approval.

One of the key principles in the directive is that the shareholders of a failing firm must bear the first losses in case of a failure. Prior to taking any resolution action that would result in losses for the creditors of the failing firm, the authorities must therefore impose losses on the shareholders by cancelling or severely dilute their shares. The authorities are also granted the power to write-down and/or convert outstanding debt into equity in the bank (commonly referred to as "bail-in"). Most of such failing bank's debt could be subject to bail-in, except for certain specific exceptions such as deposits and secured liabilities. Notably, these actions may be taken against the shareholders and creditors either together with other resolution actions or, in respect of shares and other tier 1 and tier 2 capital instruments, before, and independently of, resolutions actions (provided that the firm is deemed to be non-viable).

The overarching objective of the directive is to maintain financial stability. Accordingly, the provisions are primarily targeted at systemically important firms. However, it is important to note that all credit institutions are covered by the regime and may potentially be subject to resolution actions, including Nordax Bank. A prerequisite for initiating resolution actions is, however, that it is deemed necessary and proportionate in order to achieve the resolution objectives. The directive also provides that shares and other tier 1 and tier 2 capital instruments may be written-down/converted independently of resolution and, accordingly, these actions may be taken even if the criteria for initiating resolution action (such as systemic stability concerns) are not satisfied.

The majority of the measures set out in the RRD should have been implemented in national law with effect from January 1, 2015, with the bail-in power to apply from January 1, 2016, at the latest.

As at the date of this Offering Memorandum, no Swedish legislation has been adopted to implement the RRD into Swedish law. A legislative proposal for implementation was presented in June 2014, which was then subject to a consultation process among public authorities and market participants during the autumn of 2014. On the basis of the input received during that consultation process, the Swedish Ministry of Finance will announce a final legislative proposal to be voted on in the Swedish Parliament. The timing of this is still unclear.

### **Swedish Deposit Insurance Scheme**

The Swedish Deposit Insurance Scheme is a state-provided insurance of deposits in all types of accounts at banks, securities companies and some other institutions, regulated under the Swedish Deposit Insurance Act. Each institution covered by the scheme is required to pay annual fees in order to maintain the deposit insurance fund, out of which any potential payments under the scheme will be made. The maximum insured amount under the Swedish Deposit Insurance Scheme is currently an amount in Swedish kronor corresponding to EUR 100,000. The deposit insurance applies to depositors in all categories, except for banks, credit market companies and certain securities firms.

On an EU-level, a revised deposit guarantee directive was adopted in 2014. Among other things, the new directive, the main part of which is to be implemented into national law by July 2015, will increase the minimum level of state deposit insurance funds, broaden the scope of covered deposits and ensure faster pay outs. No Swedish legislation has yet been adopted to implement the directive.

### **Anti-money Laundering and Terrorist Financing**

Nordax must comply with applicable rules and regulations designed to prevent money laundering and terrorist financing, mainly the Swedish Act on Measures against Money Laundering and Financing of Terrorism (Sw. *lag (2009:62) om åtgärder mot penningtvätt och finansiering av terrorism*), including the requirement to conduct customer due diligence on customers engaging in business relationships, to keep records to help prevent money laundering and to report suspected violations to the Swedish National Police Board. Nordax has implemented a group-wide Anti-money Laundering and Financing of Terrorism Policy.

### **Data Protection**

The processing of personal data by companies established within the EU is governed by the EU Data Protection Directive (95/46/EC), which each member state has implemented into national law, in Sweden through the Personal Data Act (Sw. *Personuppgiftslag (1998:204)*) (the “PDA”). The PDA, for example, requires that personal data be collected only for specified, explicitly stated and legitimate purposes and may only be processed in a manner consistent with these purposes. Further, personal data must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed and it must not be kept for a longer period of time than necessary. As a general rule, Nordax must establish a legitimate basis to be allowed to process personal data and must inform the person concerned about its processing of personal data.

Nordax is subject to the supervision of the Swedish Data Inspection Board (Sw. *Datainspektionen*). Nordax has established data protection processes and appointed a data protection officer (Sw. *personuppgiftsombud*) in order to comply with relevant regulatory requirements, including SFSA regulations and guidelines from the EBA and the Swedish Data Inspection Board. Nordax’s data protection processes include established data protection instructions, IT and security policies, and outsourcing policies.

The protection of personal data is regulated on an EU level. On January 25, 2012, the European Commission published a draft EU Data Protection Regulation. The draft proposed substantial changes to the EU data protection regime, involving the replacement of the current national data protection laws by an EU regulation. If implemented, the regulation would strengthen individuals' rights and impose stricter requirements on companies processing personal data. On March 12, 2014, the European Parliament formally passed a revised proposal of the regulation strengthening individuals' rights under the regulation even further and, for example, proposed stricter sanctions with fines of up to the greater of EUR 100 million and 5 percent of the global turnover on a group basis. The proposed regulation is continuing its progression through the legislative process. As a next step, the proposal will be presented to the EU Council of Ministers for the purpose of establishing a common position. The proposal will also require negotiations between the European Commission, the European Parliament and the EU Councils of Ministers before it can come into force (if it will come into force at all). If adopted in its current form, the regulation will become directly applicable throughout the EU after two years. It is not currently possible to assess the full impact of the proposed regulation on Nordax's business. There is still uncertainty as to when and to what extent the proposed regulation will come into force.

## BOARD OF DIRECTORS, MANAGEMENT AND AUDITORS

### Board of Directors

The following table sets forth the members of the Board of Directors, as well as each member's respective position, year of birth, year of first election, independence under the Swedish Corporate Governance Code (Sw. *Svensk kod för bolagsstyrning*) (the "Code") and holdings of Shares as at the date of this Offering Memorandum:

	Position	Year of birth	Year of first election <sup>(1)</sup>	Independent in relation to the Company and its executive management	Independent in relation to major shareholders	Shareholding in the Company
Richard Pym . . . . .	Chairman	1949	2010	Yes	Yes	793,032
Christian A. Beck . . . . .	Director	1958	2004	Yes	Yes	1,718,793
Arne Bernroth . . . . .	Vice Chairman	1947	2010	Yes	Yes	277,224
Katarina Bonde . . . . .	Director	1958	2015	Yes	Yes	–
Daryl Cohen . . . . .	Director	1978	2010	Yes	No	–
Morten Falch . . . . .	Director	1967	2004	No	Yes	4,990,045
Hans Larsson . . . . .	Director	1961	2015	Yes	Yes	–
Andrew Rich . . . . .	Director	1974	2010	Yes	No	–
Synnöve Trygg . . . . .	Director	1959	2015	Yes	Yes	–

(1) Year of first election to the Board of Directors of Nordax Bank.

*Richard Pym* has served as the Chairman of the Board of Directors since 2010. He is currently the Chairman of the boards of directors of Allied Irish Banks plc, UK Asset Resolution Ltd (UKAR) and Fellow of the Institute of Chartered Accountants in England and Wales. During the past five years, Mr. Pym was, but is no longer, the Chairman of the boards of directors of BrightHouse Group plc and The Co-operative Bank plc, and a member of the boards of directors of Old Mutual plc and The British Land Company plc. Mr. Pym holds a BSc (Hons) in physics, University of Warwick, United Kingdom.

*Christian A. Beck* has served as a member of the Board of Directors since 2004. He is currently the Chairman of the boards of directors of Arcasa Arkitekter AS, Banqsoft AB, Cant Invest AS, Case Holding AS, Eneasweco Holding AB (including subsidiaries) and Design og Interior AS. Mr. Beck is also a member of the board of directors of Blår AS and a member of the Board of Advisors of Palamon Capital Partners. During the past five years, Mr. Beck was, but is no longer, the Chairman of the boards of directors of Eneas Broker AB, Energy Services Holding AS and Espresso House Sweden AB, and a member of the board of directors of Data Invest AS. Mr. Beck holds an LL.M. and advanced studies in political economics, Oslo University, Norway.

*Arne Bernroth* has served as a member of the Board of Directors since 2010 and Vice Chairman from 2015. He is currently a member of the boards of directors of Biolin Scientific Holding AB, elcecat AB, Emra gruppen AB (including subsidiaries), JB Education AB and Motala Verkstad Group AB. Mr. Bernroth is also a member of the Advisory Board of Axcel Investment Management. During the past five years, Mr. Bernroth was, but is no longer, a member of the boards of directors of Ad Mandatum i Vadstena AB, Astar AB, Culinar Utbildning i Stockholm AB, Aqiles Invest AB, Biolin Scientific AB, Friskola i Lödde AB, Galären utbildningar i Karlskrona AB, JB Grundskola AB, JB Gymnasiet Syd AB, JB Gymnasiet Mitt AB, JB Gymnasiet Norr AB, Kompetensutvecklingsinstitutet Sverige AB, Matpedagogerna AB, Nordea Investment Management AB, Nordea Nordic Baltic 1 AB, Ostell AB, Senior Work Sverige AB, Seventy Agency AB, Seventy Holding AB and Wihlberg Fastigheter AB. Mr. Bernroth holds a B.A. in economics, Lund University, Sweden.

*Katarina Bonde* has served as a member of the Board of Directors since 2015. She is currently the Chairman of the board of directors of Propellerhead Software AB, and a member of the boards of directors of Aptilo Holding AB, Avega Group AB, Birger Jarl Fondkommission AB, Image Systems AB, Micro Systemation AB, Mycronic AB, the Sixth AP Fund (Sw. *Sjätte AP-fonden*) and Ysäter AB. During the past five years, Ms. Bonde was, but is no longer, the Chairman of the boards of directors of Aptilo Networks AB, Dibs AB and Salesgen AB, and a member of the boards of directors of Ebuilder AB, LBI International AB, Kungliga Operan AB and Orc Software AB. Ms. Bonde holds a Master of Science in Physics and Mathematics, Royal Institute of Technology, Stockholm, Sweden.

*Daryl Cohen* has served as a member of the Board of Directors since 2010. He is currently a partner of Vision Capital LLP and a member of the boards of directors of Bormioli Rocco Holdings S.A. and Portman Group Holdings Limited (including subsidiaries). Mr. Cohen holds a B.A. and an M.A. (Cantab.) in natural sciences, University of Cambridge, United Kingdom.

*Morten Falch* has served as a member of the Board of Directors since 2004. He is a co-founder of Nordax, and is currently the CEO of the Company. Mr. Falch holds a BSc (Hons) in business administration, University of Bath, United Kingdom.

*Hans Larsson* has served as a member of the Board of Directors since 2015. He is currently member of the boards of directors of Linderyd Advisory AB and Lock TopCo AS (holding company of the Lindorff group) (including subsidiaries). He is also the CEO of Linderyd Advisory AB. During the past five years, Mr. Larsson was, but is no longer, a member of the Executive Management and Head of Group Strategy and Business Development at Skandinaviska Enskilda Banken AB (publ). Mr. Larsson has also been the Chairman of the Supervisory Board of SEB AG, and the Chairman of the boards of directors of SEB branch in USA, and SEB Corporate Bank Pjsc. Mr. Larsson holds a B.A. in economics and business administration, Uppsala University, Sweden.

*Andrew Rich* has served as a member of the Board of Directors since 2010. He is currently a partner of Vision Capital LLP and a member of the Institute of Chartered Accountants in England and Wales. He currently serves as a member of the boards of directors of JDR Enterprises Limited (including subsidiaries), Park Cakes Acquisitions Limited, Pork Farms Group Limited, First Quench Acquisitions Limited (including subsidiaries), Systemhaus AG (including subsidiaries) and a member of the Executive Committee of each of Trio Acquisitions LLP and Trio Acquisitions 2 LLP (the holding entities for the ABL, MG and SwissHaus businesses). During the past five years, Mr. Rich was, but is no longer, a member of the boards of directors of Bormioli Rocco Holdings S.A., and Fennel Acquisition Limited (including subsidiaries). Mr. Rich holds an M.A. Honors in History of Art and Chinese studies, University of Edinburgh, United Kingdom.

*Synnöve Trygg* has served as a member of the Board of Directors since 2015. She is currently a member of the boards of directors of Intrum Justitia AB, Landshypotek Bank AB and Volvofinans Bank AB. During the past five years, Ms. Trygg was, but is no longer, a member of the board of directors of Diners Club Nordic AB, Eurocard AB, Europay Sweden AB, MasterCard Europe and member of Diners Club International Global Advisory Board. Ms. Trygg holds a B.A. in business administration, Stockholm University, Sweden.

### Senior Management Team

The following table sets forth the members of the Senior Management Team, as well as their positions, year of birth and year of employment in Nordax as at the date of this Offering Memorandum:

	<u>Position</u>	<u>Year of birth</u>	<u>Year of employment</u>
Morten Falch . . . . .	CEO	1967	2003
Jacob Lundblad . . . . .	Deputy CEO and COO	1978	2004
Christine Ahlm . . . . .	Credit Risk Manager	1967	2004
Johanna Clason . . . . .	Treasurer	1965	2011
Åse Lindskog . . . . .	Head of Investor Relations	1962	2015
Kristina Nordlind . . . . .	Chief Legal Counsel	1972	2007
Camilla Wirth . . . . .	CFO	1970	2011

*Morten Falch* has served as the CEO since 2004. See “—Board of Directors” above.

*Jacob Lundblad* joined Nordax Bank in 2004 and has served as Deputy CEO since 2009. During the past five years, Mr. Lundblad was, but is no longer, a member of the board of directors of Nordax Bank (including two holding companies and subsidiaries). Mr. Lundblad holds a Master in economics and business administration and a Bachelor of business law, School of Economics and Management, Lund University, Sweden.

*Christine Ahlm* has served as Credit Risk Manager since 2004. Ms. Ahlm holds a B.A. in economics and business administration, Stockholm University, Sweden.

*Johanna Clason* has served as Treasurer since 2011. She is also a member of the board of directors of Captor Investment Management AB. During the past five years, Ms. Clason was, but is no longer, a

member of the boards of directors of AB Sveriges Säkerställda Obligationer (publ) and Nordax Bank (including two holding companies and subsidiaries). Ms. Clason has also been the CEO of AB Sveriges Säkerställda Obligationer (publ) and CFO of SBAB Bank AB. Ms. Clason holds a BSc in economics and business administration, Stockholm School of Economics, Sweden.

*Åse Lindskog* has served as Head of Investor Relations since 2015. She is also Investor Relations consultant for Lifco AB (publ) and a member of the boards of directors of Åse Lindskog Consulting AB. During the past five years, Ms. Lindskog was, but is no longer, the Head of Investor Relations at Telefonaktiebolaget L M Ericsson. Ms. Lindskog has studied at Stockholm School of Economics, Sweden.

*Kristina Nordlind* has served as Chief Legal Counsel since 2007. Ms. Nordlind holds an LL.M., University of Stockholm, Sweden and Diplôme d'Etudes Universitaires Générales (DEUG), Université du Havre, Le Havre, France.

*Camilla Wirth* has served as CFO since 2011. During the past five years, Ms. Wirth was, but is no longer, CFO and member of the management of API IIM AB. Ms. Wirth holds a Master's degree in business administration and economics, Stockholm University, Sweden.

### **Other Information Relating to the Board of Directors and Senior Management Team**

The business address of all of the members of the Board of Directors and the Senior Management Team is the same as the Company's registered address.

Arne Bernroth is the Chairman of the Board of Directors of JB Education AB, which was declared bankrupt by the Stockholm District Court on June 12, 2013. The bankruptcy is currently in progress. Arne Bernroth was also member of the Board of Directors of the following subsidiaries of JB Education AB, all of which were declared bankrupt in connection with the bankruptcy of JB Education AB (bankruptcies are currently in progress): Culinar Utbildning i Stockholm AB, Friskolan i Lödde AB, Galären utbildningar i Karlskrona AB, JB Grundskola AB, JB Gymnasiet Syd AB, JB Gymnasiet Mitt AB, JB Gymnasiet Norr AB and Kompetensutvecklingsinstitutet Sverige AB.

Andrew Rich is the Chairman of the board of directors of First Quench Acquisitions Limited, whose principal trading subsidiary, First Quench Retailing Limited, was placed into administration on October 29, 2009. The administration procedures were completed on October 28, 2014.

Except as described in the immediately preceding paragraphs, none of the members of the Board of Directors or the Senior Management Team has been involved during the last five years in any bankruptcies, receiverships or compulsory liquidations in a capacity as members of the administrative, management or supervisory bodies of a company, as a partner with unlimited liability in a partnership with a share capital, as a founder or as a senior manager.

None of the members of the Board of Directors or the Senior Management Team has been convicted of fraudulent conduct during the last five years. None of the members of the Board of Directors has been subject to official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and none of the members of the Board of Directors has been disqualified during the last five years by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

There are no family ties between members of the Board of Directors or the Senior Management Team. No member of the Board of Directors or the Senior Management Team has any private interest that could conflict with the Company's interests (however, certain members of the Board of Directors and Senior Management Team have certain financial interests in the Company as a consequence of their holdings of Shares).

The Chairman, Richard Pym, has indicated to the Board of Directors that following the Offering, the Company would be better served by a locally-based chairman, and has requested that the Board of Directors appoints a new Chairman after the Offering following consultation with the Nomination Committee. Mr. Pym has indicated that he 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. Following the appointment of a new Chairman after the Offering, the Nomination Committee will prepare and present its proposals to the 2016 Annual General Meeting, as described further in "*Corporate Governance—Nomination Committee.*"

**Auditors**

The Combined Financial Statements included in the F-pages to this Offering Memorandum have been audited by Öhrlings PricewaterhouseCoopers AB, with authorized public accountants Johan Månsson (2012) and Helena Kaiser de Carolis (2013 and 2014) as the auditor in charge.

Öhrlings PricewaterhouseCoopers AB, with Helena Kaiser de Carolis as the auditor in charge, was re-elected as the Company's auditors at the 2015 Annual General Meeting. The address of Öhrlings PricewaterhouseCoopers AB is Torsgatan 21, SE-113 97 Stockholm, Sweden. Helena Kaiser de Carolis is an authorized public accountant and a member of the Swedish Institute for Authorized Public Accountants, FAR.

## CORPORATE GOVERNANCE

### Introduction

Nordax's corporate governance is governed by Swedish legislation, mainly the Swedish Companies Act, the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*) and the BFBA, as well as internal governing documents. As Nordax Bank is a regulated entity, Nordax is also governed by the SFSA's regulations and general guidelines, as well as guidelines and recommendations issued by the EBA. See also "*Supervision and Regulation*" and "*Risk Management*."

Following the listing on Nasdaq Stockholm, the Company will comply with Nasdaq Stockholm's Rule Book for Issuers and statements by the Swedish Securities council (Sw. *Aktiemarknadsnämnden*) regarding good stock market practice on the Swedish securities market. Moreover, the Company will apply the Code. The Code is based on the principle of "comply or explain," meaning that a company may deviate from the provisions set forth therein, provided that each such deviation and the chosen alternative solution is properly explained, along with the reason for the deviation. According to the Code, it is to be fully applied from the date of the first Annual General Meeting held the year following the listing. The Company intends to apply the Code from the time of the listing of the Shares on Nasdaq Stockholm. Any deviation from the Code will be reported in the Company's corporate governance report, which it will prepare for the first time for the financial year 2015. However, in the first corporate governance report, the Company will not need to explain non-compliance with such provisions of the Code that were not relevant during the period covered by the corporate governance report. Currently, the Company does not expect to report any deviations from the Code.

### General Meetings of Shareholders

#### *General*

The General Meeting is the Company's supreme decision-making body. At the General Meetings, the shareholders exercise their voting rights in key corporate matters, such as, among other things, statutory accounts and reports, disposition of profit or loss and discharging the Board of Directors from liability. An Annual General Meeting must be held within six months of the end of each financial year. In addition to the Annual General Meeting, extraordinary General Meetings ("**Extraordinary General Meetings**") can be convened.

Pursuant to the Articles of Association, General Meetings must be held in Stockholm. According to the Articles of Association, a notice convening a General Meeting must be published in the Official Swedish Gazette (Sw. *Post- och Inrikes Tidningar*) and be made available on the Company's website. At the time of the notice convening a General Meeting, information regarding the notice will be announced in Dagens Nyheter. The notice convening an Annual General Meeting must be published no earlier than six weeks and no later than four weeks prior to the meeting. A notice convening an Extraordinary General Meeting must be made no earlier than six weeks and no later than four weeks prior to the date of the Extraordinary General Meeting if the Extraordinary General Meeting will decide on a proposed amendment of the Articles of Association. The notice convening any other Extraordinary General Meeting must be announced no earlier than six weeks and no later than three weeks prior to the date of the Extraordinary General Meeting.

The material released prior to and in connection with the General Meeting as well as the minutes from the General Meeting are made available on the Company's website.

#### *Right to Participate in General Meetings*

In order to have the right to attend and vote at a General Meeting, shareholders must be registered in the register of shareholders maintained by Euroclear Sweden five weekdays (Saturdays included) prior to the General Meeting, and notify the Company of their participation at the General Meeting in accordance with the instructions in the notice convening the General Meeting no later than the date stipulated in the notice.

In addition to notifying the Company, shareholders whose Shares are nominee registered through a bank or another nominee must request that their Shares be temporarily registered in their own names in the register of shareholders maintained by Euroclear Sweden in order to be entitled to participate in the General Meeting. Shareholders should inform their nominees well in advance of the record date.

Shareholders may attend a General Meeting in person or by proxy and may be accompanied by a maximum of two assistants. Typically, a shareholder may register for the General Meeting in several different ways as indicated in the notice of the General Meeting.

A shareholder may vote for all Shares owned or represented by the shareholder. See also “*The Swedish Securities Market—Securities Registration.*”

### ***Shareholder Initiatives***

Shareholders who wish to have a matter brought before the General Meeting must submit a written request to the Board of Directors. Such request must normally be received by the Board of Directors no later than seven weeks prior to the General Meeting.

### **Nomination Committee**

Pursuant to the Code, the Company must have a nomination committee. The purpose of the nomination committee is to make proposals in respect of the Chairman at General Meetings, Board member candidates, including the position of Chairman, fees and other remuneration for each member of the Board of Directors as well as remuneration for committee work, and election of and remuneration for the external auditor.

At the Extraordinary General Meeting held on April 14, 2015, it was resolved that the Nomination Committee, ahead of the 2016 Annual General Meeting, will be composed of representatives of the three largest directly registered owner-grouped shareholders (based on voting rights) according to Euroclear Sweden on August 31, 2015. The member representing the largest shareholder will be appointed Chairman of the Nomination Committee. If earlier than two months prior to the 2016 Annual General Meeting, one or more of the shareholders having appointed representatives to the Nomination Committee no longer are among the three largest shareholders, the representatives appointed by these shareholders must resign and the shareholders who then are among the three largest shareholders may appoint representatives. Should a member resign from the Nomination Committee before its work is completed and the Nomination Committee considers it necessary to replace him or her, such substitute member is to represent the same shareholder or, if the shareholder is no longer one of the three largest shareholders, the largest shareholder in turn. Changes to the composition of the Nomination Committee must be announced immediately.

The composition of the Nomination Committee will be announced not later than six months prior to the Annual General Meeting. No remuneration is payable to the members of the Nomination Committee. The Nomination Committee has the right to charge the Company for costs associated with, for example, recruitment consultants or other expenses necessary for the Nomination Committee to complete its assignment. The mandate period of the Nomination Committee will extend until such time as a new Nomination Committee is appointed.

### **The Board of Directors**

The Board of Directors is responsible for the organization of the Company and the management of the Company’s affairs. These responsibilities include, among other things, determining and reviewing overall targets and strategies that take into consideration the long-term financial interests of Nordax, the risks to which Nordax is exposed and applicable capital requirements; ensuring that Nordax performs appropriate internal capital evaluations; establishing internal rules regarding risk management, risk control and risk reporting, and regularly ensuring compliance with these rules; and continuously assessing the Company’s and Nordax’s financial position.

According to the Articles of Association, the Board of Directors must consist of no fewer than five ordinary members and no more than 12 ordinary members, each of whom is elected at the Annual General Meeting for a period until the end of the next Annual General Meeting. The Chairman of the Board of Directors will, pursuant to the Code, be appointed by the Annual General Meeting and has particular responsibility for the management of the work of the Board of Directors and ensuring that such work is well organized and conducted effectively.

The Board of Directors applies written rules of procedure that adhere to, *inter alia*, the Swedish Companies Act, the BFBA, FFFS 2014:1 (as amended by FFFS 2014:30) issued by the SFSA and the EBA’s Guidelines on Internal Governance (GL44). The rules of procedure govern, among other things, Nordax’s decision-making procedures and Board meetings procedures, as well as the allocation of work

between the Board of Directors, the Chairman of the Board and the Board committees. The rules of procedure also govern the allocation of work between the Board of Directors and the CEO. The rules of procedure are reviewed annually (or more frequently if necessary) and adopted at the inaugural meeting of the Board of Directors each year. The Board of Directors meets according to an annually set schedule. Additional meetings may be convened to deal with matters that cannot be remitted to one of the ordinary meetings.

The Board of Directors currently consists of nine ordinary members and no deputy members, elected by the 2015 Annual General Meeting for the period until the end of the 2016 Annual General Meeting. The members of the Board of Directors are presented in “*Board of Directors, Management and Auditors—Board of Directors.*”

Pursuant to the rules regarding management assessment, all members of the Board of Directors must be approved by the SFSA and the composition of the Board of Directors must meet the requirements imposed by the SFSA. For a description of the rules regarding management assessment, see “*Supervision and Regulation—Management and Ownership Assessment.*”

### **Board Committees**

An Audit Committee, a Risk Committee and a Remuneration Committee are appointed annually. The committees are appointed for a maximum of one year, and the members of such committees are appointed from among the members of the Board of Directors. The primary objective of the committees is to provide preparatory and administrative support to the Board of Directors. The committees’ respective duties and responsibilities are set out in the policy for the Audit Committee, the policy for the Risk Committee and the policy for the Remuneration Committee, adopted where necessary and at least annually by the Board of Directors.

For additional information on the Audit Committee and Risk Committee, see “*Risk Management—Risk Governance Structure—Roles and Responsibilities—Board Committees.*”

### ***Remuneration Committee***

The main duties of the Remuneration Committee include preparing the Board of Directors’ decisions on issues concerning principles for remuneration, remuneration and other terms of employment for the executive management, including the Board of Directors’ decisions on guidelines for remuneration that the Annual General Meeting is legally obliged to establish; monitoring and evaluating programs for variable remuneration, both ongoing and those that have ended during the year, for the executive management; and monitoring and evaluating the application of the guidelines for remuneration that the Annual General Meeting is legally obliged to establish, as well as the current remuneration structures and levels in Nordax. Furthermore, the Remuneration Committee supports the Board of Directors in its work of ensuring that the risks associated with Nordax’s remuneration systems are identified, managed and reported; assisting the Board of Directors when establishing standards and principles in order to ensure compliance with applicable labor law; assisting the Board of Directors with determining the remuneration for Nordax’s employees and in ensuring that Nordax’s remuneration systems comply with relevant labor law and other laws, regulations and guidelines applicable to Nordax; ensures that Nordax’s staff are remunerated fairly and responsibly with the long-term interests of Nordax in mind; proposing a remuneration policy for the approval of the Board of Directors that is aligned with Nordax’s risk strategy and applicable laws, regulations and guidelines; monitoring the remuneration system to ensure that it is applied consistently throughout Nordax at all employee levels in compliance with the remuneration policy; reviewing the information on remuneration to be disclosed in conjunction with the adoption of the annual report according to FFFS 2014:12, and performing other tasks delegated to the Remuneration Committee by the Board of Directors.

The Remuneration Committee must consist of no less than three members. All members of the Remuneration Committee must be members of the Board of Directors. The Chairman of the Board of Directors may chair the Remuneration Committee. The members of the Remuneration Committee must be independent of Nordax and its executive management and must have appropriate knowledge and experience of executive remuneration issues as well as skills and expertise to fully understand and monitor the risks associated with Nordax’s remuneration system. The Remuneration Committee consists of Andrew Rich (Chairman), Richard Pym and Synnöve Trygg.

## **The CEO and Senior Management Team**

The CEO reports to the Board of Directors and is responsible for the day-to-day management of the Company's affairs and the daily operations. The division of work between the Board of Directors and the CEO is set forth in the rules of procedure for the Board of Directors and the instructions for the CEO.

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

The Senior Management Team comprises the CEO and the senior executives appointed by the CEO. For information on the CEO and members of the Senior Management Team, see "*Board of Directors, Management and Auditors—Senior Management Team.*"

The employment agreement with the CEO is subject to a mutual notice period of six months. The agreement includes customary restrictive covenants for the CEO during 24 months after the termination of his employment, including a non-compete undertaking and a non-solicitation undertaking.

With the exception of one member of the Senior Management Team (who has a consultancy agreement with a mutual notice period of four months), the employment agreements with the members of the Senior Management Team are subject to mutual notice periods ranging from three to six months depending on the employee's age and time of employment.

The members of the Senior Management Team are not entitled to any severance pay upon termination of their employment. As compensation for the 24-month non-compete restriction after the termination of his employment, provided that he has not committed a material breach of his employment contract, the CEO is entitled to 75 percent of his most recent fixed monthly salary (subject to the non-compete restriction being applicable and observed).

## **Remuneration of the Board of Directors and Senior Management Team**

### ***Remuneration of the Board of Directors***

The following compensation amounts have been adopted for the current Board of Directors for the period until the end of the 2016 Annual General Meeting: SEK 1,100,000 to the Chairman of the Board of Directors and SEK 400,000 to each of the other members of the Board of Directors (except that Morten Falch (CEO), Daryl Cohen and Andrew Rich are not entitled to any remuneration for their work on the Board of Directors). In addition, it has been resolved that SEK 50,000 will be paid to Arne Bernroth for his assignment as vice Chairman and SEK 100,000 for his assignments as Chairman of the Audit Committee and member of the Risk Committee, SEK 100,000 to Hans Larsson for his assignments as Chairman of the Risk Committee and member of the Audit Committee, and SEK 50,000 to Synnöve Trygg for her assignment as member of the Remuneration Committee. For the year ended December 31, 2014, the aggregate remuneration paid to the members of the Board of Directors (excluding the CEO) amounted to SEK 1,781 thousand. Provided that it is cost neutral for Nordax, remuneration may be invoiced through a board member's wholly-owned company.

### ***Remuneration of the Senior Management Team***

Remuneration for members of the Senior Management Team consists of a fixed salary and a variable and performance-based remuneration. The variable remuneration is offered through Nordax's MIP, which is based on both cash and share-related compensation (see "*—Management Incentive Plan*" below).

The Board of Directors has adopted a remuneration policy that is based on the SFSA's Regulations regarding remuneration structures in credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (FFFS 2011:1) (Sw. *Föreskrifter om ersättningssystem i kreditinstitut, värdepappersbolag och fondbolag med tillstånd för diskretionär portföljförvaltning*). The policy is based on a risk analysis and comprises all employees of the Nordax group (including the CEO and the Senior Management Team). According to the policy, remuneration and benefit schemes must be competitive in order to promote Nordax's long-term interests while discouraging excessive risk-taking. Individual remuneration to, among others, the CEO and all other members of the Senior Management Team is decided by the Board of Directors.

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

Pursuant to the Remuneration Policy, the assessment of the result that forms the basis for calculating variable remuneration must primarily be based on risk-adjusted profit measures, taking into account both current and future risks. The actual cost of the capital and liquidity required for the operations must further be taken into account in the evaluation. Should Nordax use subjective assessments based on risk to adjust results, the considerations underlying the adjustments must be balanced and appropriately documented. The result assessment must aim to promote Nordax's long-term sustainable results and Nordax's underlying business cycle and business risk must be considered when the result-based remuneration is paid.

Remuneration of members of the Senior Management Team is subject to additional regulatory limitations and requirements pursuant to FFFS 2011:1. For example, at least 60 percent of the variable remuneration must be deferred for at least three to five years. See "*—Management Incentive Plan*" below.

#### **Overview of Remuneration of the Board of Directors and Senior Management Team in 2014**

The following table sets forth the remuneration paid to members of the Board of Directors, the CEO and other senior executives (in aggregate) for the year ended December 31, 2014:

	For the year ended December 31, 2014				Total
	Basic salary / Board fee	Variable remuneration	Other benefits	Pension <sup>(1)</sup>	
	(SEK in thousands)				
Richard Pym . . . . .	1,118	–	–	–	1,118
Christian A. Beck . . . . .	250	–	–	–	250
Arne Bernroth . . . . .	413	–	–	–	413
Katarina Bonde <sup>(2)</sup> . . . . .	–	–	–	–	–
Daryl Cohen . . . . .	–	–	–	–	–
Morten Falch (CEO) . . . . .	2,103	500	–	417	3,020
Hans Larsson <sup>(2)</sup> . . . . .	–	–	–	–	–
Jacob Lundblad (Deputy CEO) . . . . .	1,830	500	–	411	2,741
Andrew Rich . . . . .	–	–	–	–	–
Synnöve Trygg <sup>(2)</sup> . . . . .	–	–	–	–	–
Other senior executives (20 individuals) . .	21,885	10,872	–	4,305	37,493

- (1) Nordax only has defined contribution pension plans. A defined contribution plan is a pension plan under which Nordax pays fixed contributions into a separate legal entity. Nordax 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. Consequently, there are no amounts set aside or accrued in Nordax to provide pension or similar benefits to members of the Board of Directors or Senior Management Team.
- (2) Member of the Board of Directors since 2015.

#### **Management Incentive Plan**

In 2015, Nordax introduced a MIP offered to senior executives and key employees (including members of the Senior Management Team). In total, the MIP encompasses approximately 25 individuals. Individuals participating in the MIP will not be eligible to participate in Nordax's group-wide bonus program (all members of the Senior Management Team participate in the MIP). The aggregate maximum variable compensation under the MIP must not exceed 100 percent of the employee's annual base salary. According to the MIP, 20 percent of the variable compensation will be paid in cash and another 20 percent of the variable compensation will be paid in Shares (subject to a one-year retention period). The remaining 60 percent of the variable compensation will be deferred in the form of share rights that entitle the employee to Shares after a minimum of three years, subject to the employee's continuous employment during the deferral period. For the CEO, the period will be five years. Each share right carries the right to receive one Share.

Payment of the cash compensation and allocation of Shares and share rights under the MIP are subject to an assessment by the Board of Directors of Nordax's overall financial situation, taking into consideration all risks related to Nordax's operations and must not impede Nordax's long-term interests. Cash payments and allocation of Shares and share rights are determined based on a number of financial and non-financial performance targets, relating to group, department and individual performance. The performance targets are determined by the Board of Directors and relate to Nordax's profitability, capital requirements, ethics, sustainability and customer satisfaction. In addition, performance targets are conditional upon the employee acting in compliance with Nordax's internal rules and procedures.

Nordax estimates that the ongoing pre-tax costs relating to the MIP, including social security costs, will amount to approximately SEK 20.6 million annually assuming a payout of approximately 70 percent of the maximum possible amount under the MIP. For the year ended December 31, 2014, Nordax incurred costs of SEK 10.1 million in relation to bonus payments made to individuals who will participate in the MIP.

### **Communication and Insider Policy**

The Board of Directors has adopted a policy document for the purpose of informing employees and others concerned within the Company regarding the rules and regulations applicable to the dissemination of information by the Company and the special requirements imposed on persons who are active in a listed company with regard to, for example, price-sensitive information. In this context, the Company has established routines for handling the dissemination of information that has not been made public (commonly referred to as a logbook).

### **Internal Control and Risk Management**

For information on Nordax's internal control and risk management, see "*Risk Management*."

### **External Audit**

The Company's statutory auditor is appointed by the General Meeting. The auditor audits the Company's accounts and consolidated accounts, and applied accounting principles, as well as the management of the Board of Directors and the CEO. Pursuant to the Articles of Association, the Company must have not less than one and not more than two auditors, and not more than two deputy auditors.

Currently, the Company's statutory auditor is Öhrlings PricewaterhouseCoopers AB, with authorized public accountant Helena Kaiser de Carolis as the auditor in charge. For the year ended December 31, 2014, the total remuneration paid to Öhrlings PricewaterhouseCoopers AB amounted to SEK 1.6 million, of which audit fees represented SEK 1.2 million. See "*Board of Directors, Management and Auditors—Auditors*."

## OWNERSHIP STRUCTURE

As at the date of this Offering Memorandum, the Company has issued in total 110,945,598 Shares. Prior to the Offering, the Principal Shareholders (Vision Capital Partners VII LP (Guernsey LP) and Vision Capital Partners VII A LP (Guernsey LP)) were the Company's principal shareholders. As at the date of this Offering Memorandum, the Principal Shareholders own in aggregate approximately 75.6 percent of the Shares. The remaining approximately 24.4 percent of the Shares are owned by the Minority Shareholders. After the Offering and assuming an Offer Price at the midpoint of the Offer Price Range, the Principal Shareholders will beneficially own in aggregate 44.4 percent of the Shares assuming that the size of the Offering is not increased and the Over-allotment Option is not exercised, 36.3 percent assuming that the size of the Offering is increased in full and the Over-allotment Option is not exercised and 31.1 percent assuming that the size of the Offering is increased in full and the Over-allotment Option is exercised in full. Consequently, the Principal Shareholders will continue to have significant influence over the Company after the Offering. As a listed company, the Company will be subject to a comprehensive framework of laws and regulations aimed at, among other things, preventing abuse by a controlling shareholder. These laws and regulations include, but are not limited to, provisions protecting minority shareholders in the Swedish Companies Act, Nasdaq Stockholm's Rule Book for Issuers and the Code.

The following table sets forth certain information regarding the current ownership of the Company as at the date of this Offering Memorandum and adjusted for the Offering, the option to increase the size of the Offering and the Over-allotment Option, assuming an Offer Price at the midpoint of the Offer Price Range:

	Shares beneficially owned prior to the Offering <sup>(1)</sup>		Shares beneficially owned after the Offering if the size of the Offering is not increased and the Over-allotment Option is not exercised <sup>(2)</sup>		Shares beneficially owned after the Offering if the size of the Offering is increased in full and the Over-allotment Option is not exercised <sup>(2)(3)</sup>		Shares beneficially owned after the Offering if the size of the Offering is increased in full and the Over-allotment Option is exercised in full <sup>(2)(3)(4)</sup>	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>Shareholder</b>								
<i>Principal Shareholders</i>								
Vision Capital Partners VII LP (Guernsey LP) <sup>(5)</sup>	65,824,840	59.33	38,616,116	34.81	31,595,004	28.48	27,076,602	24.41
Vision Capital Partners VII A LP (Guernsey LP) <sup>(5)</sup>	18,085,823	16.30	10,608,527	9.56	8,679,704	7.82	7,438,419	6.70
<i>Minority Shareholders<sup>(6)</sup></i>								
Morten Falch	4,990,045	4.50	2,643,291	2.38	2,643,291	2.38	2,643,291	2.38
Per Bodlund	3,881,145	3.50	1,896,389	1.71	1,896,389	1.71	1,896,389	1.71
Mats Lagerqvist	3,881,145	3.50	1,896,389	1.71	1,896,389	1.71	1,896,389	1.71
Olle Nordlöf	3,881,145	3.50	1,896,389	1.71	1,896,389	1.71	1,896,389	1.71
Jacob Lundblad	2,217,798	2.00	1,051,312	0.95	1,051,312	0.95	1,051,312	0.95
Johan Franzén	1,996,017	1.80	375,730	0.34	375,730	0.34	375,730	0.34
Christian A. Beck (through Cant Invest AS)	1,718,793	1.55	1,015,298	0.92	1,015,298	0.92	1,015,298	0.92
Richard Pym	793,032	0.71	657,070	0.59	657,070	0.59	657,070	0.59
Christine Ahlm	554,450	0.50	262,828	0.24	262,828	0.24	262,828	0.24
Johanna Clason	554,450	0.50	262,828	0.24	262,828	0.24	262,828	0.24
Tom Rabben	554,450	0.50	204,648	0.18	204,648	0.18	204,648	0.18
Markus Stoor	554,450	0.50	262,828	0.24	262,828	0.24	262,828	0.24
Johan Karlén	446,293	0.40	211,558	0.19	211,558	0.19	211,558	0.19
Arne Bernroth	277,224	0.25	131,414	0.12	131,414	0.12	131,414	0.12
Sebastien Martin	221,891	0.20	76,701	0.07	76,701	0.07	76,701	0.07
Camilla Wirth	110,945	0.10	48,584	0.04	48,584	0.04	48,584	0.04
Kristina Nordlind	110,890	0.10	52,566	0.05	52,566	0.05	52,566	0.05
Helena Nesterud	110,890	0.10	52,566	0.05	52,566	0.05	52,566	0.05
Lotte Hassum Larsen	55,473	0.05	24,292	0.02	24,292	0.02	24,292	0.02
Olof Bengtsson	55,473	0.05	24,292	0.02	24,292	0.02	24,292	0.02
Sandra Narvinger	35,381	0.03	15,493	0.01	15,493	0.01	15,493	0.01
Jan Ilseth	33,555	0.03	11,554	0.01	11,554	0.01	11,554	0.01
<i>Others</i>								
Other members of the Board of Directors <sup>(7)</sup>								
	-	-	-	-	-	-	-	-
New shareholders <sup>(8)</sup>	-	-	48,646,935	43.85	57,596,870	51.91	63,356,557	57.11
<b>Total</b>	<b>110,945,598</b>	<b>100.00</b>	<b>110,945,598</b>	<b>100.00</b>	<b>110,945,598</b>	<b>100.00</b>	<b>110,945,598</b>	<b>100.00</b>

(1) These numbers do not take into consideration the transfer of Shares (for no consideration) by the Minority Shareholders (other than Richard Pym) to the Principal Shareholders and Richard Pym to be effected in connection with the Offering pursuant to a distribution agreement among the Minority Shareholders and the Principal Shareholders. The number of Shares to be transferred is based on the final Offer Price. Based on the assumptions that the Offer Price will be set at the midpoint of the Offer Price Range (SEK 41.50) and that the settlement of the Offering will occur on June 22, 2015, the number of shares to be transferred from the Minority Shareholders (other than Richard Pym) to the Principal Shareholders and Richard Pym would be 5,776,358 Shares, corresponding to 5.2 percent of the number of the total number of Shares and votes in the Company prior to the Offering.

- (2) Includes the transfer of 5,776,358 Shares as described in footnote (1).
- (3) At the midpoint of the Offer Price Range, the number of Firm Shares may be increased by up to 8,949,935 Firm Shares at the discretion of the Principal Shareholders.
- (4) At the midpoint of the Offer Price Range, up to 5,759,687 Additional Shares may be sold pursuant to the Over-allotment Option.
- (5) The business address of the Principal Shareholders is Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands.
- (6) The business address of the Minority Shareholders is Gävlegatan 22, SE-113 30 Stockholm, Sweden.
- (7) Certain members of the Board of Directors who do not currently own Shares have expressed an interest in purchasing Offer Shares in the Offering. Such Offer Shares are not reflected in this table. See “*Plan of Distribution—Subscription Undertaking and Expressed Interests in Purchasing Offer Shares in the Offering.*”
- (8) New Shareholders include the Cornerstone Investor. See “*Plan of Distribution—Subscription Undertaking and Expressed Interests in Purchasing Offer Shares in the Offering.*”

For additional information, see “*Description of the Shares and Share Capital.*”

### **Shareholders’ Agreements**

The Principal Shareholders have entered into a parallel investment agreement dated December 10, 2010 governing their co-investment and divestment of interests in Nordax. According to the agreement, the Principal Shareholders will divest their interests in Nordax on a pro-rata basis at the same time and on the same terms and conditions.

Except as described in the preceding paragraph, following the completion of the Offering, to the knowledge of the Board of Directors, none of the Company’s shareholders will be parties to any shareholders’ agreement relating to the Shares. In addition, the Board of Directors is not aware of any agreements or similar arrangements that may lead to a change of control of the Company.

### **Undertaking to Refrain from Selling Shares**

For information regarding lock-up undertakings, see “*Plan of Distribution—Lock-up Arrangements.*”

## DESCRIPTION OF THE SHARES AND SHARE CAPITAL

Set forth below is a summary of certain information concerning the Shares and certain provisions of the Articles of Association, as well as Swedish law in effect on the date of this Offering Memorandum. This summary contains substantially all material information regarding the Shares. However, the summary does not purport to be complete and is qualified in its entirety by reference to the Articles of Association and applicable Swedish laws.

### Shares and Share Capital

Pursuant to the Articles of Association, the Company's share capital may not be less than SEK 100,000,000 and not more than SEK 400,000,000, and the number of Shares may not be less than 100,000,000 and not more than 400,000,000. As at the date of this Offering Memorandum, the Company's share capital amounts to SEK 110,945,598 divided into a total of 110,945,598 Shares. The Shares are denominated in Swedish kronor, and each Share has a quota value of SEK 1.00. The Shares have been issued in accordance with Swedish law. All issued Shares are fully paid up and freely transferable. With the exception of the limitations specified in "Plan of Distribution," there are no restrictions on transferability or lock-ups affecting the Shares.

There has been no public market for the Shares prior to the Offering. The Shares have been approved for listing on Nasdaq Stockholm under the symbol "NDX," subject to satisfaction and notice of a sufficient number of shareholders. It is expected that trading in the Shares will commence on or about June 17, 2015. The Offer Shares are not subject to any mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the Shares during the current or preceding financial year.

### Certain Rights Associated with the Shares

The Company has only one class of shares. Consequently, the Offer Shares are of the same class. The rights associated with the Shares, including those pursuant to the Articles of Association, may only be altered in accordance with the procedures set forth in the Swedish Companies Act.

### Voting Rights

Each Share entitles the holder thereof to one vote at General Meetings, and each shareholder is entitled to cast votes equal in number to the number of Shares held by such shareholder.

### Right to Dividend and Other Distribution of Funds

All Shares carry equal rights to dividends and the Company's assets and any surpluses in the event of liquidation. The Offer Shares entitle the holders thereof to participate in the distribution of dividends for the first time on the record date that occurs immediately following the listing of the Shares.

Decisions regarding the distribution of profits are taken by General Meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the General Meeting are entitled to dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If a shareholder cannot be reached through Euroclear Sweden, the shareholder will have a claim to the money owed by the company for the dividend, subject to a ten-year period of limitations. Upon the expiry of the period of limitations, the dividend is forfeited to the company.

There are no restrictions on the right to dividends for shareholders domiciled outside of Sweden. Shareholders not residing in Sweden for tax purposes are generally required to pay Swedish withholding tax. For a discussion of the taxation of dividends, see "Taxation."

For information about the Company's dividend policy, see "Dividends and Dividend Policy—Dividend Policy."

### Preferential Rights to Subscribe for Shares

If the Company issues new shares, warrants or convertible securities in connection with a cash issue or an issue by way of set-off, the Company's shareholders will have a preference right to subscribe for such securities in proportion to the number of shares held by them prior to the issue. There are no provisions in the Articles of Association restricting the possibility to issue new shares, warrants or convertible securities with a deviation from existing shareholders' preference rights pursuant to the Swedish Companies Act.

### Central Securities Depository

The Shares are registered with, and the register of shareholders is kept by, the computerized book-entry share registration system administered by Euroclear Sweden (Box 191, SE-101 23 Stockholm, Sweden). No share certificates have been, or will be, issued in respect of the Shares. The ISIN number of the Shares is SE0006965216. See also “*The Swedish Securities Market—Securities Registration.*”

### Share Capital Development

The following table sets forth the changes in the Shares and the Company’s share capital since the Company’s incorporation and the changes that will take effect in connection with the Offering:

	<b>Transaction</b>	<b>Change in the number of Shares</b>	<b>Change in share capital (SEK)</b>	<b>Total number of Shares</b>	<b>Total share capital (SEK)</b>
<b>Date of registration with the Swedish Companies Registration Office</b>					
December 2, 2014 . . . . .	Incorporation	500,000	500,000	500,000	500,000
May 12, 2015 . . . . .	New share issue in kind	110,445,598	110,445,598	110,945,598	110,945,598

### Convertibles Notes, Warrants, etc.

The Company has no outstanding securities convertible into equity capital, warrants or other share-related financial instruments.

## RELATED PARTY TRANSACTIONS

In connection with the reorganization within the Nordax group in December 2014, certain shareholders received advanced consideration of SEK 3.1 million (nil for the years ended December 31, 2013 and 2012) for part of their transferred shares in Nordax Group Holding AB in form of loan notes issued by Nelson Luxco S.à r.l. The loan notes were issued on arm's length terms, accrued interest at an annual rate of 5.5 percent and were repaid together with accrued interest on April 17, 2015. In addition, in connection with the new Share issue in kind in May 2015, certain shareholders received advanced consideration of SEK 1.9 million for part of their transferred shares in Nelson Luxco S.à r.l. The loan notes were issued on arm's length terms, accrued interest at an annual rate of 5.5 percent and were repaid together with accrued interest on May 20, 2015.

During the year ended December 31, 2014, Nordax Group Holding AB paid a monitoring fee of SEK 1.2 million (SEK 1.2 million for the year ended December 31, 2013 and SEK 1.2 million for the year ended December 31, 2012) to Vision Capital LLP.

Except for the transactions described above, Nordax has not had any transactions with related parties during the periods covered by the Combined Financial Statements other than in relation to remuneration paid to the members of the Board of Directors and Senior Management Team and in relation to such individuals' shareholding in Nordax. For information regarding the remuneration of the members of the Board of Directors and Senior Management Team, see "*Corporate Governance—Remuneration of the Board of Directors and Senior Management Team.*"

## THE SWEDISH SECURITIES MARKET

The Company is a public limited liability company incorporated under the laws of Sweden and the Shares are contemplated to be listed on Nasdaq Stockholm. The following is an overview of the Swedish securities market, including a brief summary of certain provisions of the laws and securities regulations in Sweden in effect on the date of this Offering Memorandum. The summary is not intended to provide a comprehensive description of all laws and regulations affecting Nordax and should not be considered exhaustive. Moreover, the laws, rules, regulations and procedures summarized below may be amended or reinterpreted.

### Nasdaq Stockholm

Nasdaq Stockholm is the principal market on which shares, bonds, derivatives and other securities are traded in Sweden. Nasdaq Stockholm is a part of the NASDAQ OMX Group, Inc. (“NASDAQ OMX”). NASDAQ OMX offers trading across multiple asset classes and its technology supports the operations of over 70 exchanges in 50 countries. NASDAQ OMX also owns and maintains the exchanges in Helsinki, Copenhagen, Riga, Reykjavik, Tallinn and Vilnius. Each country has its own official list and country specific listing requirements. NASDAQ OMX’s Nordic List was launched in 2006 and it consists of shares listed on the exchanges in Stockholm, Helsinki and Copenhagen. Companies on the Nordic List are divided into three segments: Large Cap, Mid Cap and Small Cap. Companies with a market capitalization in excess of EUR 1 billion are included in the Large Cap segment. Companies with a market capitalization between EUR 150 million and 1 billion are included in the Mid Cap segment, while companies with a market capitalization below EUR 150 million are included in the Small Cap segment. The segments are normally revised at year-end and the segments are reset, effective on January 1 and July 1, based on weighted average prices for the previous November and May, respectively. Companies with a market capitalization of more than 50 percent of the minimum or maximum threshold of a segment will be transferred into a new segment with immediate effect. Companies with a market capitalization of less than 50 percent of the minimum or maximum segment threshold will have a transitional period until the next forthcoming review (or at least 12 months), and thus will be subject to one more review before transferring into a new segment. Within each market capitalization segment, companies are sorted by their industry sector according to the ICB Company Classification Standard. Companies belonging to the same industry sector are placed in the same industry sector segment in alphabetical order.

### Trading in Securities on Nasdaq Stockholm

Trading in securities on Nasdaq Stockholm takes place in Swedish kronor, with prices quoted in minimum increments of SEK 0.01. All price information is produced and published only in Swedish kronor.

Trading on Nasdaq Stockholm is conducted on behalf of customers by duly authorized Swedish and foreign banks and other securities brokers, as well as the Swedish Central Bank. While banks and brokers are permitted to act as principals in trading both on and off Nasdaq Stockholm, they generally engage in transactions as agents. Settlement of trades take place through an electronic account based security system administered by Euroclear Sweden. See “—*Securities Registration*” below.

Nasdaq Stockholm uses the trading platform INET. In INET, bids and offers are entered in the relevant order book and automatically matched to trades when price, volume and other order conditions are met. INET continuously broadcasts all trading information. The information is displayed in real time in the form of order books, market summaries, concluded trades, index information and different kinds of reports. A two-day settlement schedule applies to share trading.

Nasdaq Stockholm has three principal trading periods: pre-trading, trading and post-trading. For shares, pre-trading begins at 8:00 CET and ends at 8:45 CET, opening call begins at 8:45 CET and ends at 9:00 CET. Continuous trading begins after the end of the opening call at 9:00 CET when the first share is assigned its opening price. Continuous trading takes place from 9:00 CET to 17:25 CET when the closing call is initiated. The closing call ends at approximately 17:30 CET when the closing prices are determined. Post-trading, during which contract transactions for shares can be registered as dealings after trading hours mainly within the price limits based on the trading day, takes place from 17:30 CET to 18:00 CET.

In addition to official trading on Nasdaq Stockholm through automatic order matching in INET, shares may also be traded off Nasdaq Stockholm (*i.e.*, outside of INET, during, as well as after, official trading hours) through “manual trading.” All manual trades must normally be reported in INET within three minutes from the time of the trade, although trades outside the official trading hours must be reported

during the pre-trading session on the following exchange day and no later than 15 minutes prior to the opening of the trading hours.

The round lot for all shares traded on Nasdaq Stockholm is one share. Clearing and settlement of trades take place through an electronic-account-based securities system administered by Euroclear Sweden (for further information, see “—*Securities Registration*” below).

### **Securities Market Regulation**

The Nordic List is regulated under EU directives, primarily Directive 2004/39/EC on Markets in Financial Instruments (“**MiFID**”), which has been implemented in Sweden through the Swedish Securities Market Act (Sw. *lag (2007:528) om värdepappersmarknaden*). Nasdaq Stockholm is authorized pursuant to the Swedish Securities Market Act to operate a regulated market under the supervision of the SFSA. The SFSA is a governmental agency responsible for, among other things, supervising and monitoring the Swedish securities market and market participants. The SFSA also issues regulations that supplement Swedish securities market laws. Furthermore, pursuant to the Swedish Securities Market Act, Nasdaq Stockholm is required to have rules of its own, governing the trading on Nasdaq Stockholm. The Rule Book for Issuers of Nasdaq Stockholm, based on European standards and EU directives such as MiFID and Directive 2004/109/EC (the “**Transparency Directive**”), sets forth listing requirements and disclosure rules for companies listed on Nasdaq Stockholm.

The objective of the regulatory system governing trading on and off Nasdaq Stockholm is to achieve transparency and equality of treatment among market participants. Nasdaq Stockholm records information regarding the banks and brokers involved, the issuer, the number of shares, the price and the time of each transaction. Each bank or broker is required to maintain records indicating trades carried out as agent or as principal. All trading information reported in INET is publicly available. Nasdaq Stockholm also maintains a market supervision unit (“**Trading Surveillance**”) that monitors trading on a “real time” basis, as described below.

Trading Surveillance monitors trading data for indications of unusual market activity and trading behavior, and continuously examines information disseminated by listed companies, such as earnings reports, acquisition and other investment plans and changes in ownership structure on a daily basis. When Trading Surveillance becomes aware of non-public price sensitive information, it monitors trading in the shares concerned to identify unusual trading activity indicating that persons may be trading on that information.

The Swedish Market Abuse Penal Act (Sw. *lag (2005:377) om straff för marknadsmissbruk vid handel med finansiella instrument*) (the “**Market Abuse Act**”), implementing in part Directive (2003/6/EC), provides sanctions for insider trading and unlawful disclosure of inside information. The Market Abuse Act also contains provisions prohibiting market manipulation, making illegal any actions (in connection with trading on the securities market or otherwise) intended to unduly affect the market price or other conditions of trade in financial instruments, or otherwise mislead buyers or sellers of such instruments (such as through spreading false or misleading information). Market manipulation may also constitute fraud under Swedish law. The SFSA and Trading Surveillance enforce compliance with the Market Abuse Act and other insider trading rules. Criminal offenses charges are brought and tried in court by the Swedish National Economic Crimes Bureau (Sw. *Ekobrottsmyndigheten*).

### **Securities Registration**

The Swedish book-entry securities system is centralized at Euroclear Sweden, a central securities depository and clearing organization authorized under the Swedish Financial Instruments Accounts Act (Sw. *lag (1998:1479) om kontoföring av finansiella instrument*) and the Swedish Securities Market Act. Among other things, Euroclear Sweden maintains the register of shareholders in Swedish companies listed on Nasdaq Stockholm. Shares administered by Euroclear Sweden are registered in book-entry form on securities accounts (VP accounts) and no share certificates are issued. Title to shares is ensured exclusively through registration with Euroclear Sweden. All transactions and other changes to accounts are entered in the system of Euroclear Sweden through banks or other securities institutions that have been approved as account operators by Euroclear Sweden. The register maintained by Euroclear Sweden also contains information on other interests in respect of shares, such as those of a pledgee.

Shares can be registered on VP accounts, and consequently entered in the register of shareholders, either in the name of the beneficial owner (owner registered shares) or in the name of a nominee authorized by Euroclear Sweden (nominee registered shares), in which case a note thereof is made in the securities

system. The relationship between the nominee and the beneficial owner is governed by agreement. In order to exercise certain rights, such as participation at a general meeting, shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names. Nominees are also required to report the holdings of underlying beneficial owners to Euroclear Sweden on a regular basis.

The rights attaching to shares that are eligible for dividends, rights issues or bonus issues accrue to those holders whose names are recorded in the register of shareholders as of a particular record date, and the dividends are normally distributed to bank accounts as specified by the holders registered with Euroclear Sweden. The relevant record date must be specified in the resolution declaring a dividend or capital increase, or any similar matter in which shareholders have preferential rights.

Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and other financial rights attaching to the shares, such as subscription rights in connection with rights offerings, as well as new shares subscribed for through the exercise of subscription rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is applied for subscription rights and newly issued shares.

### **Ownership Disclosure Requirements**

Under the Financial Instruments Trading Act, which implements the Transparency Directive in part, a shareholder is required to notify both the company in which it holds shares and the SFSA when its holding (including options to acquire already issued shares) reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50, 66 ( $\frac{2}{3}$ ) or 90 percent of the total number of votes and/or shares in a company. The notice must be made in writing or electronically on the SFSA's website on the trading day immediately following the day of the applicable transaction. The SFSA will announce the contents of the notification no later than 12:00 CET on the trading day following receipt of the notification. When calculating a shareholder's percentage of ownership, a company's treasury shares are to be included in the denominator, while warrants and convertibles are to be excluded. For the purposes of calculating a person's or entity's shareholding, not only the shares and financial instruments directly held by the shareholder are included, but also those held by related parties as well as shares and financial instruments where the shareholder controls the voting rights. The Financial Instruments Trading Act contains a list of related parties whose shareholding must be aggregated for the purposes of the disclosure requirements. Related parties include, but are not limited to, subsidiaries, spouses/cohabitants and, in certain circumstances, proxies and parties to shareholders' agreements.

Under Regulation (EU) 236/2012 on short selling and certain aspects of credit default swaps, a person who has a net short position in a share is required to notify the SFSA when the position either reaches or falls below the following thresholds: 0.2 percent of the issued share capital of the company concerned and each 0.1 percent above that. There is also a requirement of public disclosure when the position reaches or falls below the following thresholds: 0.5 percent of the issued share capital of the company concerned and each 0.1 percent above that. The public disclosure is made by the SFSA via announcement on its website. Further, an investor who wishes to take an uncovered, or "naked," short position in a particular share will be required either: (a) to have borrowed sufficient shares to settle the short trade; (b) to have entered into a binding agreement to borrow the shares; or (c) to have an arrangement with a third party under which that third party has confirmed that the shares have been located and has taken measures vis-à-vis third parties necessary to have a reasonable expectation that settlement can be effected when it is due.

In addition, pursuant to the Swedish Act on Reporting Obligations for Certain Holdings of Financial Instruments (*Sw. lag (2000:1087) om anmälningskyldighet för vissa innehav av finansiella instrument*), among others, directors and certain officers of a publicly traded company as well as individuals who own, directly or indirectly, shares representing 10 percent or more of the share capital or the voting rights in a publicly traded company must report, in writing or electronically, such ownership and any changes therein to the SFSA, which keeps a public register based on the information contained in such reports.

### **Mandatory Bids**

Under the Swedish Act on Public Takeovers on the Securities Market (*Sw. lag (2006:451) om offentliga uppköpserbudanden på aktiemarknaden*) (the "Takeover Act"), any Swedish or foreign legal entity or natural person who holds less than 30 percent of the total voting rights in a company listed on a regulated market in Sweden must make a public offer for the acquisition of all the remaining shares issued by the target company (a mandatory bid) should such legal entity or natural person alone, or together with a

related party, obtain 30 percent or more of the total voting rights in the company. This applies where the increased holding is the result of a purchase, subscription, conversion or any other form of acquisition of shares in the target company (other than a public offer) or the result of the establishment of certain close relationships. In this context, a related party can be an entity within the same corporate group as the buyer, a spouse, cohabitant or minor child, as well as any person or entity that cooperates with the buyer to obtain control over the company or with whom an agreement has been reached regarding the coordinated exercise of voting rights with the object of achieving a long-term controlling influence on the company's management.

The public offer must be made within four weeks after the acquisition that triggered the mandatory bid requirement unless the acquirer (or the related party) reduces its level of voting share ownership within such time to below 30 percent. The offer is normally also made to holders of other securities issued by the target company if the price of such securities could be substantially affected as a result of a delisting of the target company's shares, such as, for example, warrants and convertibles. Under the Takeover Act, offerors have a duty to undertake to comply with the takeover rules adopted by Nasdaq Stockholm (the "**Takeover Rules**"). By making this undertaking, the offeror agrees to comply not only with the Takeover Rules, but also to comply with statements and rulings by the Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) on points of interpretation of the Takeover Rules, as well as to be subject to any sanctions that may be imposed by Nasdaq Stockholm. Exemptions from the mandatory bid requirement may under certain circumstances, for example in connection with rights offerings and underwriting guarantees, be granted by the Swedish Securities Council. The Swedish Securities Council may also grant exemptions from the provisions of the Takeover Rules.

Under the Swedish Companies Act, a shareholder with shares representing more than 90 percent of all shares in a company has the right to redeem remaining shares in such company. In respect of companies with shares traded on a regulated market, such as Nasdaq Stockholm, the redemption value will correspond to the market value, unless special reasons (such as following a takeover bid) require otherwise. In addition, any minority shareholder that possesses shares that may, pursuant to the Swedish Companies Act, be redeemed by a majority shareholder is entitled to require such majority shareholder to redeem its shares.

## TAXATION

### **Tax Considerations in Sweden**

Below is a summary of certain Swedish tax issues related to the Offer and the admission for trading of the Shares on Nasdaq Stockholm for private individuals and limited liability companies that are resident in Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide general information only regarding the Shares as from the admission for trading on Nasdaq Stockholm.

The summary does not cover:

- situations where securities are held in an investments savings account (Sw. *investeringssparkonto*) or endowment insurance (Sw. *kapitalförsäkring*);
- situations where securities are held as current assets in business operations;
- situations where securities are held by Swedish or foreign general or limited partnerships;
- situations where securities in the Company benefit from the Swedish participation exemption regime;
- the special rules on shares in closely held companies and shares that have been acquired by means of such shares;
- foreign companies conducting business through a permanent establishment in Sweden; or
- special tax rules applicable to certain Swedish or foreign investors (e.g., investment funds and special investment funds including UCITS funds, pension funds, insurance companies, investment companies, trusts, cooperatives and other similar associations).

The tax consequences for each individual shareholder will ultimately depend on the holder's particular circumstances. Prospective investors should consult their own tax advisors for information regarding the appropriate tax treatment considering their own particular tax situation taking not only Swedish legislation but also foreign income tax legislation (including regulations) and potential tax treaty relief into consideration.

Sweden does not levy any inheritance, gift or wealth tax and does not apply stamp duties or similar transaction taxes on disposals of shares.

### ***Swedish Resident Shareholders***

#### ***Private Individuals***

Dividend payments and capital gains are generally taxed in the category income from capital at a rate of 30 percent.

A sale or redemption of shares is treated as a disposal. Capital gains and capital losses are calculated as the difference between the sale proceeds/redemption price less expenses relating to the disposal and the acquisition cost of the shares. The acquisition cost is determined in accordance with the average method (Sw. *genomsnittsmetoden*) meaning that the actual acquisition cost for all shares of the same series and type will be calculated jointly. The acquisition cost for publicly traded shares may alternatively be determined using the standard method (Sw. *schablonmetoden*) under which the acquisition cost is calculated as 20 percent of the sale proceeds/redemption price less expenses relating to the disposal.

Capital losses on listed shares may be fully offset against taxable capital gains that arise in the same fiscal year on shares and other securities taxed as shares (except for units in investment funds containing Swedish debt instruments only, Sw. *räntefonder*). Capital losses not absorbed by these set-off rules are deductible at 70 percent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as property tax. This tax reduction is granted at 30 percent of the net loss that does not exceed SEK 100,000 and at 21 percent of any remaining net loss. An excess net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

### *Allotment of Shares to Employees*

Normally, the allotment of shares is not a taxable event. However, the allotment of shares to employees may in certain situations give rise to benefits taxation. Benefits taxation should, however, not occur if the employees (including members of the board of directors and existing shareholders in the company and employees and existing shareholders in group companies), on the same terms and conditions as others, acquire not more than 20 percent of the total number of shares offered and the employee does not acquire shares for more than SEK 30,000.

### *Limited Liability Companies*

Swedish limited liability companies are taxed on capital gains and dividend payments at the ordinary corporate income tax rate of 22 percent. Capital gains and capital losses are calculated in accordance with the rules applicable to private individuals (see “—*Private Individuals*” above).

Deductible capital losses on shares may only be offset against taxable capital gains on shares and other securities taxed as shares. Where capital losses cannot be utilized by the disposing company the losses may in certain cases be utilized against capital gains in other group companies. A capital loss that cannot be utilized during a certain year may be carried forward and utilized against future capital gains on shares and other securities taxed as shares, without any limitation in time.

### *Non-resident Shareholders*

Dividend payments to non-resident shareholders are subject to Swedish dividend withholding tax at a rate of 30 percent. Withholding tax may also be levied on other payments, such as distributions in connection with redemption of a Swedish limited liability company’s share capital or a repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The withholding tax is normally deducted by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Exemption or reduction of Swedish withholding tax on dividends may apply under Swedish law or an applicable double taxation treaty, depending on the tax status and residency of the recipient. The effective withholding tax may, therefore, be lower than 30 percent. For example, under the tax treaty between Sweden and the United States, dividend withholding tax is generally reduced to 15 percent. The majority of Sweden’s tax treaties enable a reduction of the Swedish tax to the tax rate stipulated in the treaty directly at the payment of dividends, provided the requisite information is present concerning the tax residency of the person entitled to such dividend.

If a 30 percent withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or in the case that too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency (Sw. *Skatteverket*) prior to the expiry of the fifth calendar year following the dividend distribution.

A disposal of shares is not taxable in Sweden for nonresident corporate and institutional shareholders unless the shares are allocated to a Swedish permanent establishment (in which case a non-resident shareholder should be treated in the same manner as its Swedish equivalent).

Non-resident private individuals may be subject to Swedish capital gains taxation upon disposals of shares, if they have been domiciled in Sweden or have had a habitual abode in Sweden at any time during the calendar year in which the shares are disposed of or the 10 preceding calendar years. The applicability of this rule is, however, often limited by an applicable tax treaty for the avoidance of double taxation.

Non-resident shareholders may also be subject to taxation in their state of residence.

### **United States Federal Income Taxation**

The following is a description of the principal U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the Offer Shares. Other than the description under “—*FATCA*” below, this description addresses only the U.S. federal income tax considerations of U.S. holders (as defined below) that are initial purchasers of the Offer Shares pursuant to the Offering and that will hold such Offer Shares as capital assets for U.S. federal income tax purposes. This description does not address all of the tax considerations that may be applicable to holders subject to special tax rules, including:

- (a) banks, certain other financial institutions or insurance companies;

- (b) real estate investment trusts, regulated investment companies or grantor trusts;
- (c) dealers or certain traders in securities;
- (d) tax-exempt entities;
- (e) persons that received the Offer Shares as compensation for the performance of services;
- (f) persons that will hold the Offer Shares as part of a “hedging,” “conversion” or constructive sale transaction or as a position in a “straddle” for United States federal income tax purposes;
- (g) certain former citizens or residents of the United States;
- (h) persons that have a “functional currency” for U.S. federal income tax purposes other than the U.S. dollar; or
- (i) persons that own or are deemed to own 10 percent or more, by voting power or value, of the Offer Shares.

Moreover, this description does not address the U.S. federal estate and gift or alternative minimum tax consequences of the acquisition, ownership and disposition of the Offer Shares.

This description is based on the Internal Revenue Code of 1986, as amended (the “**Internal Revenue Code**”), final and proposed United States Treasury Regulations, judicial and administrative interpretations thereof and the income tax treaty between the United States and Sweden (the “**Treaty**”), in each case as at the date of this Offering Memorandum.

All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For purposes of this description, a “U.S. holder” is a beneficial owner of the Offer Shares that for U.S. federal income tax purposes is:

- (a) an individual citizen or resident of the United States;
- (b) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- (c) an estate, the income of which is subject to U.S. federal income taxation, regardless of its source; or
- (d) a trust if (i)(a) a court within the United States is able to exercise primary supervision over its administration and (b) one or more U.S. persons have the authority to control all of the substantial decisions of such trust or (ii) such trust had a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Offer Shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax advisor as to the U.S. federal income tax consequences of acquiring, holding, retiring or otherwise disposing of the Offer Shares.

Investors should consult their own tax advisors with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of the Offer Shares.

### ***Distributions***

Subject to the discussion under “—*Passive Foreign Investment Company Considerations*” below, the gross amount of any distribution of cash or property (other than certain distributions, if any, of the Shares distributed pro rata to all of the Company’s shareholders), with respect to the Offer Shares, before reduction for any Swedish taxes withheld therefrom, will be included in a U.S. holder’s income as dividend income to the extent such distributions are paid out of the Company’s current or accumulated earnings and profits as determined under U.S. federal income tax principles. Provided that the Company is eligible for benefits under the Treaty, non-corporate U.S. holders generally will be taxed on such dividends at the lower rates applicable to long-term capital gains; however, non-corporate U.S. holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as “investment income” pursuant to section 163(d)(4) of the Internal Revenue Code will not be eligible for the reduced rates of taxation. In addition, the rate reduction will not

apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. Further, the reduced rate will not apply if the Company is a passive foreign investment company (“PFIC”) for the taxable year in which the dividend was paid or the preceding tax year. See “—*Passive Foreign Investment Company Considerations*” below. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders. To the extent, if any, that the amount of any distribution by the Company exceeds the Company’s current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of a U.S. holder’s adjusted tax basis in the U.S. holder’s Offer Shares and thereafter as capital gain. The Company does not maintain calculations of earnings and profits under U.S. federal income tax principles. Accordingly, U.S. holders should assume that any distribution made by the Company will be treated as a dividend for U.S. federal income tax purposes.

The amount of any cash dividend paid in Swedish kronor to a U.S. holder will be included in the U.S. holder’s gross income in an amount equal to the U.S. dollar value of the Swedish kronor received, calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by the U.S. holder, regardless of whether the payment in Swedish kronor is in fact converted into U.S. dollars at that time. If the Swedish kronor received as a dividend is converted into U.S. dollars on the date of receipt, a U.S. holder generally should not recognize foreign currency gain or loss with respect to such dividend. If the Swedish kronor received as a dividend is not converted into U.S. dollars on the date of receipt, a U.S. holder will have a tax basis in the Swedish kronor equal to the U.S. dollar value on the date of receipt. Any foreign currency gain or loss realized on a subsequent conversion or other disposition of the Swedish kronor will be treated as U.S. source ordinary income or loss.

A U.S. holder may be entitled, subject to a number of complex limitations and conditions (including a minimum holding period requirement), to claim U.S. foreign tax credit in respect of any Swedish income taxes withheld on dividends received on the Offer Shares at a rate not exceeding any applicable Treaty rate. Swedish income taxes withheld in excess of the applicable Treaty rate will not be eligible for credit against a U.S. holder’s federal income tax liability. For a discussion of Swedish withholding taxes and how a U.S. holder may obtain a refund, see “—*Tax Considerations in Sweden—Non-resident Shareholders*” above. U.S. holders that do not elect to claim a credit for any foreign income taxes paid during the taxable year may instead claim a deduction in respect of such Swedish income taxes, provided that the U.S. holder elects to deduct (rather than credit) all foreign taxes paid or accrued for the taxable year. Dividends received with respect to the Offer Shares generally will be treated as foreign source income for foreign tax credit purposes. For purposes of the U.S. foreign tax credit limitation, dividends received with respect to the Offer Shares should generally constitute “passive category income.” The rules governing foreign tax credits are complex and investors are urged to consult their independent tax advisors regarding the availability of foreign tax credits under their particular circumstances.

#### ***Sale or Exchange of Offer Shares***

Subject to the discussion under “—*Passive Foreign Investment Company Considerations*” below, a U.S. holder generally will recognize gain or loss on the sale or exchange of the Offer Shares equal to the difference between the amount realized on such sale or exchange and the U.S. holder’s adjusted tax basis in such Offer Shares. Such gain or loss will generally be capital gain or loss. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder’s holding period for the Offer Shares exceeds one year. Non-corporate U.S. holders are generally eligible for a reduced rate of taxation on long-term capital gain. The deductibility of capital losses is subject to significant limitations.

For U.S. holders, the initial tax basis of the Offer Shares will be the U.S. dollar value of the Swedish kronor denominated purchase price determined on the date of purchase. With respect to the sale or exchange of Offer Shares, the amount realized generally will be the U.S. dollar value of the payment received determined on the date of disposition. If the Offer Shares are treated as traded on an established securities market, a cash basis taxpayer, or, if it elects, an accrual basis taxpayer, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

#### ***Passive Foreign Investment Company Considerations***

In general, a non-U.S. corporation is a PFIC for any taxable year if: (i) 75 percent or more of its gross income consists of passive income; or (ii) 50 percent or more of the average quarterly value of its assets is

attributable to assets that produce, or are held for the production of, passive income. For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties and gains from the disposition of investment assets, subject to various exceptions. If the Company owns at least 25 percent (by value) of the stock of another corporation, the Company will be treated, for purposes of the PFIC tests, as owning its proportionate share of the other corporation's assets and receiving its proportionate share of the other corporation's income.

The asset test described in (ii) above is applied using the fair market value of such foreign corporation's assets. For purposes of the PFIC asset test, the aggregate fair market value of the assets of a publicly traded foreign corporation is generally treated as being equal to the sum of the aggregate value of the outstanding stock and the total amount of the liabilities of such corporation (the "Market Capitalization"). In general, the excess of the Market Capitalization of a foreign corporation over the book value of all of its assets ("Goodwill") may be treated as a non-passive asset to the extent attributable to the non-passive activities of such corporation.

The application of the PFIC rules to banks is not entirely clear under U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The IRS issued a notice in 1989 (the "Notice") and has proposed regulations (the "Proposed Regulations") that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank (the "active bank exception"). The Notice and Proposed Regulations have different requirements for qualifying as an active foreign bank, and for determining the banking income that may be excluded from passive income under the active bank exception. Moreover, the Proposed Regulations have been outstanding since 1994 and will not be effective unless finalized.

While the Company conducts, and intends to conduct, an active banking business, there can be no assurance that the Company will satisfy the specific requirements for the active bank exception under either the Notice or the Proposed Regulations for any taxable year. However, based upon the current and anticipated composition of the Company's gross income and gross assets and the nature of the Company's business, the Company does not expect to be a PFIC for its 2015 taxable year or in the foreseeable future and, based on the Company's gross income and gross assets for its 2014 taxable year, the Company does not believe that it was a PFIC for its 2014 taxable year.

If the Company is or becomes a PFIC for any taxable year during which a U.S. holder holds Offer Shares, then, unless such U.S. holder makes a "mark-to-market" election (as discussed below), such U.S. holder generally will be subject to special and adverse tax rules with respect to any "excess distribution" that is received from the Company and any gain that is recognized from a sale or other disposition, including certain pledges, of the Offer Shares. For this purpose, the portion of any distributions on the Offer Shares that a U.S. holder receives in a taxable year that is in excess of 125 percent of the average annual distributions received by such U.S. holder during the shorter of the three preceding taxable years or such U.S. holder's holding period for the Offer Shares will be treated as an excess distribution. Under these rules: (i) the excess distribution or recognized gain will be allocated ratably over the U.S. Holder's holding period for the Offer Shares; (ii) the amount of the excess distribution or recognized gain allocated to the current taxable year, and to any taxable years in the U.S. holder's holding period prior to the first day on which the Company is a PFIC will be treated as ordinary income; and (iii) the amount of the excess distribution or recognized gain allocated to each prior taxable year in which the Company was a PFIC will be subject to the highest tax rate in effect for individuals or corporations, as applicable, for each such year and the resulting tax will be subject to the interest charge generally applicable to underpayments of tax.

If the Company is a PFIC for any taxable year during which a U.S. holder holds the Offer Shares and any of the Company's non-U.S. subsidiaries is also a PFIC, such U.S. holder would be treated as owning a proportionate amount (by value) of the underlying shares of each such non-U.S. subsidiary that is a PFIC (each such subsidiary, a "lower tier PFIC") for purposes of the application of these rules. U.S. holders are urged to consult their tax advisers regarding the application of the PFIC rules to any of the Company's subsidiaries.

If the Company is a PFIC for any taxable year during which a U.S. holder holds the Offer Shares, then in lieu of being subject to the tax and interest charge rules discussed above, a U.S. holder may make an election to include gain on the Offer Shares as ordinary income under a mark-to-market method, provided that the Offer Shares are "regularly traded" on a "qualified exchange." In general, the Offer Shares will be treated such as "regularly traded" for a given calendar year if more than a de minimis quantity of the Shares is traded on a qualified exchange on at least 15 days during each calendar quarter of such calendar

year. The Offer Shares are expected to be listed on Nasdaq Stockholm. However, no assurance can be given that the Offer Shares will be regularly traded on a “qualified exchange” for purposes of the mark-to-market election. In addition, because a mark-to-market election cannot be made for any lower-tier PFICs that the Company may own, a U.S. holder may continue to be subject to the PFIC rules with respect to such holder’s indirect interest in any such lower-tier PFIC.

If a U.S. holder makes an effective mark-to-market election, such U.S. holder will include in each taxable year that the Company is a PFIC as ordinary income the excess, if any, of the fair market value of the Offer Shares at the end of the taxable year over such U.S. holder’s adjusted tax basis in the Offer Shares. Such U.S. holder will be entitled to deduct as an ordinary loss in each such taxable year the excess, if any, of such U.S. holder’s adjusted tax basis in the Offer Shares over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If a U.S. holder makes an effective mark-to-market election, in each taxable year that the Company is a PFIC, any gain such U.S. holder recognizes upon the sale or other disposition of such U.S. holder’s Offer Shares will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

A U.S. holder’s adjusted tax basis in the Offer Shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Offer Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. holders are urged to consult their tax advisers about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

In certain circumstances, a U.S. holder of shares in a PFIC may avoid the adverse tax and interest-charge regime described above by making a “qualified electing fund” election to include in income its share of the corporation’s income on a current basis. However, a U.S. holder may make a qualified electing fund election with respect to the Offer Shares only if the Company agrees to furnish U.S. holders annually with a PFIC annual information statement as specified in the applicable Treasury Regulations. The Company currently does not intend to prepare or provide the information that would enable a U.S. holder to make a qualified electing fund election.

If a U.S. holder owns Offer Shares during any taxable year in which the Company is a PFIC, the U.S. holder generally must file an IRS Form 8621 with respect to the Company, generally with the U.S. holder’s federal income tax return for that year.

U.S. Holders should consult their tax advisers regarding whether the Company is a PFIC and the potential application of the PFIC rules.

#### ***Backup Withholding Tax and Information Reporting Requirements***

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain holders of shares. Information reporting generally will apply to payments of dividends on, and proceeds from the sale or other disposition of, Offer Shares made within the United States, or by a U.S. payor or U.S. middleman, to a U.S. holder of Offer Shares, other than an exempt recipient. A payor will be required to backup withhold from any payments of dividends on, or proceeds from the sale or redemption of, Offer Shares within the United States, or by a U.S. payor or U.S. middleman, to a U.S. holder, other than an exempt recipient, if such U.S. holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding requirements. The backup withholding rate is 28 percent.

Backup withholding is not an additional tax. An investor generally will be entitled to credit any amounts withheld under the backup withholding rules against the investor’s U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

#### ***Foreign Asset Reporting***

Certain U.S. holders who are individuals (and certain specified entities) are required to report information with respect to their investments in Offer Shares not held through an account with a domestic financial institution. U.S. holders that fail to report required information could become subject to substantial

penalties. U.S. holders are encouraged to consult with their own independent tax advisors about these and any other reporting obligations arising from their investment in the Offer Shares.

***Medicare Tax On “Net Investment Income”***

Certain U.S. holders who are individuals, estates or trusts are subject to an additional 3.8 percent tax on, among other things, dividends and capital gains from the sale or other disposition of the Offer Shares. U.S. holders who are individuals, estates or trusts should consult their tax advisors regarding the applicability of the Medicare tax on net investment income to their investment in the Offer Shares.

***FATCA***

Provisions under the Internal Revenue Code and Treasury Regulations thereunder, commonly referred to as “**FATCA**,” may impose a 30 percent withholding tax on certain “withholdable payments” and “foreign passthru payments” (as defined in the Internal Revenue Code) made by a “foreign financial institution” (as defined in the Internal Revenue Code) that has entered into an agreement with the IRS to perform certain diligence and reporting obligations with respect to the foreign financial institution’s U.S.-owned accounts (each such foreign financial institution, a “Participating Foreign Financial Institution”). Such withholding may be imposed on payments on the Offer Shares to any foreign financial institution (including an intermediary through which a holder holds the Offer Shares) that is not a Participating Foreign Financial Institution or any other investor who does not provide information sufficient to establish that the investor is not subject to withholding under FATCA, unless such foreign financial institution or investor is otherwise exempt from FATCA, but only to the extent such payments are considered foreign passthru payments.

Under current guidance, the term “foreign passthru payment” is not defined and it is therefore not clear whether or to what extent payments on the Offer Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before January 1, 2017. The United States has entered into intergovernmental agreements (“**IGAs**”) with certain non-U.S. jurisdictions, including Sweden and other jurisdictions in which the Company currently carries on business, that modify the FATCA withholding regime described above. The Company intends to comply with FATCA and the U.S.-Swedish IGA, as well as any Swedish laws implementing FATCA. It is not yet clear how the IGAs will address foreign passthru payments or whether the IGAs will relieve foreign financial institutions of any obligation to withhold on foreign passthru payments. Prospective investors should consult their tax advisers regarding the potential impact of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, on their investment in the Offer Shares.

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Managers will severally agree, subject to certain conditions, to procure purchasers for, or failing which, to purchase, and the Selling Shareholders will agree to sell to the Managers the aggregate number of Offer Shares sold in the Offering, taking account of the underwriting commitments of each Manager as set forth in the table below, at an Offer Price per Share to be set forth in the Underwriting Agreement and announced by the Company on or about June 17, 2015.

	<u>Percentage of Offer Shares</u>
Morgan Stanley & Co. International plc . . . . .	45.0
Carnegie Investment Bank AB (publ) . . . . .	22.5
Citigroup Global Markets Ltd . . . . .	22.5
ABG Sundal Collier AB . . . . .	10.0
Total . . . . .	<u>100.0</u>

The Managers' several obligations to purchase the Offer Shares are subject to the fulfillment of certain conditions, including among other things, delivery of legal opinions by legal counsel to the Company and the Selling Shareholders.

The Company will reimburse the Managers for certain of their expenses in connection with the Offering. The Company estimates that the total expenses relating to the Offering and the listing of the Shares on Nasdaq Stockholm payable by the Company (including advisors' fees and other customary expenses) will be approximately SEK 75 million.

The Offering consists of: (i) a public offering to retail and institutional investors in Sweden pursuant to the Swedish Prospectus; and (ii) private placements to international institutional investors in various jurisdictions, including a private placement in the United States only to persons reasonably believed to be QIBs in reliance on Rule 144A or another available exemption from the registration requirements under the Securities Act. All offers and sales of Offer Shares outside the United States will be made in compliance with Regulation S.

The Offer Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. The Offer Shares may only be resold outside the United States in offshore transactions in compliance with Regulation S under the Securities Act and in accordance with applicable law. Any offer and sale in the United States will be made by affiliates of the Managers who are broker-dealers registered under the Exchange Act.

Immediately prior to this Offering, there has been no public market for the Shares. The Offer Price will be determined by negotiations among the Company, the Selling Shareholders and the Managers by way of a book-building process. The factors that will be considered in such determination include, among others, the orders, in terms of price and quantity, received from institutional and retail investors; prevailing market conditions; the Company's historical performance; estimates of the Company's business potential and earnings prospects; and the market valuation of publicly traded common stock of comparable companies.

The Offer Price is expected to be announced through a press release on or about June 17, 2015. The Offer Price Range set forth on the cover page of this Offering Memorandum is subject to change as a result of market conditions and other factors, in which case a supplement to this Offering Memorandum would be published. There can be no assurance that an active trading market will develop for the Shares or that the Shares will trade in the public market after the Offering at or above the Offer Price.

The Underwriting Agreement provides that the Offering may be terminated at any time upon the occurrence of certain events, such as a force majeure event, the effect of which makes it inadvisable or impracticable to market the Offer Shares or enforce contracts for sale of the Offer Shares, a material adverse change in the condition, results of operations, assets or prospects of Nordax, a material breach by the Company or the Selling Shareholders of the Underwriting Agreement, any of the representations and warranties given by each of the Company and the Selling Shareholders becoming inaccurate or misleading, any statement contained in certain documents related to the Offering being untrue, incorrect or misleading, or the occurrence of certain other events, prior to the listing of the Shares.

In the Underwriting Agreement, the Company and the Selling Shareholders make certain customary representations and warranties, including with respect to the Company's business, the Shares, the contents of this Offering Memorandum and the Swedish Prospectus, the use of proceeds from the Offering and, in the case of the Selling Shareholders, in relation to their title to the Offer Shares they are selling in the Offering. The Company and the Selling Shareholders also agree in the Underwriting Agreement to indemnify the Managers against certain losses and liabilities arising out of or in connection with the Offering, including liabilities arising under the Securities Act and other applicable securities laws, any actual or alleged breach by the Company or the Selling Shareholders of their respective obligations, representations, warranties and undertakings set out therein, or to contribute to payments the Managers may be required to make in respect thereof.

In connection with the Offering, each of the Managers and any of their affiliates acting as investors for their own account may take up the Offer Shares and in that capacity may retain, purchase or sell, for their own account such securities and any securities of the Company or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Offering, in each case in accordance with applicable law. Accordingly, references in this Offering Memorandum to the Offer Shares being offered or placed should be read as including any offering or placement of securities to any of the Managers and any affiliate acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Selling Shareholders will pay commissions to the Managers based on the total gross proceeds of the Offering. In no event will the total commissions (including any incentive fee) paid to the Managers exceed 3.5 percent of the gross proceeds of the Offering (including the proceeds of any exercise of the Over-allotment Option).

#### **Lock-up Arrangements**

Company will agree with the Managers that it will not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly (or agree to take, or publicly announce, such action), any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement (or agree to take, or publicly announce, such action) that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise for a period of 180 days after the first date of trading and official listing of the Shares, without the prior written consent of the Joint Global Coordinators. The foregoing sentence will not apply to: (i) the sale of the Offer Shares and (ii) the issue of Shares or other securities pursuant to employee incentive plans that have been or will be approved by the Board of Directors and/or the General Meeting, as described under "*Corporate Governance—Management Incentive Plan.*"

The Principal Shareholders will each agree with the Managers that they will not, except as set forth below, for a period of 180 days after the first day of trading and official listing of the Shares, without the prior written consent of the Joint Global Coordinators offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly (or agree to take, or publicly announce, such action), any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement (or agree to take, or publicly announce, such action) that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise for a period of 180 days after the first date of trading and official listing of the Shares. The foregoing sentence will not apply to (i) the sale of the Offer Shares in the Offering and (ii) the lending of Shares pursuant to the Underwriting Agreement.

In addition, the Minority Shareholders will each agree with the Managers that they will not, except as set forth below, without the prior written consent of the Joint Global Coordinators, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly (or agree to take, or publicly announce, such action), any Shares or any securities convertible into or exercisable or exchangeable for Shares or enter into any swap or other arrangement (or agree to take, or publicly announce, such action) that transfers to another, in whole or in part, any of the economic consequences of

ownership of the Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise after the first date of trading and official listing of the Shares as set forth below:

- in relation to Per Bodlund, Mats Lagerqvist and Olle Nordlöf, for a period of 24 months, provided that such shareholders may sell up to one-third of their Shares held after 12 months from the first date of trading and official listing of the Shares and up to an additional one-third of their remaining Shares held after 18 months from the first date of trading and official listing of the Shares;
- in relation to Johan Franzén, for a period of 12 months;
- in relation to Morten Falch, for a period of 24 months; and
- in relation to the other Minority Shareholders, for a period of 12 months.

The foregoing sentence will not apply to: (i) the sale of the Offer Shares in the Offering, (ii) the sale or transfer of the Shares in connection with the corporate reorganization taking place prior to or in connection with the Offering, (iii) the sale or issuance of Shares in connection with any share investment made by employees using incentive payments received in connection with the Offering and (iv) issues of Shares pursuant to employee incentive plans.

The Cornerstone Investor will not be subject to a lock-up in respect of its allocation.

### **Over-allotment Option**

The Principal Shareholders have granted an Over-allotment Option to the Managers, acting severally and not jointly, to purchase up to an additional 5,768,912 Shares, corresponding to 10 percent of the maximum total number of Firm Shares sold in the Offering. The Over-allotment Option may be exercised starting from the first day of trading in the Shares on Nasdaq Stockholm and expires 30 days thereafter. The Over-allotment Option may be exercised, in whole or in part, for the purpose of covering over-allotments, if any, and to facilitate stabilization transactions.

### **Stabilization**

In connection with the Offering, the Stabilizing Manager, or its agents, on behalf of the Managers may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares for up to 30 days from the first day of trading in the Shares on Nasdaq Stockholm. Specifically, the Managers, the Company and the Selling Shareholders have agreed that the Managers may over-allot Offer Shares by accepting offers to purchase a greater number of Offer Shares than for which they are obligated to procure purchasers under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is no greater than the number of Offer Shares available for purchase by the Managers under the Over-allotment Option. The Managers can close out a covered short sale by exercising the Over-allotment Option or purchasing Shares in the open market. In determining the source of Shares to close out a covered short sale, the Managers will consider, among other things, the open market price of Shares compared to the price available under the Over-allotment Option. The Managers may also sell Shares in excess of the Over-allotment Option, creating a naked short position. The Managers must close out any naked short position by purchasing Shares in the open market. A naked short position is more likely to be created if the Stabilizing Manager is concerned that there may be downward pressure on the price of the Shares in the open market after pricing that could adversely affect investors who purchase Offer Shares. As an additional means of facilitating the Offering, the Stabilizing Manager or its agents may effect transactions to stabilize or maintain the price of the Shares or any options, warrants or rights with respect to, or interests in, the Shares. These activities may support the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Such transactions may be effected on Nasdaq Stockholm, in the over-the-counter markets or otherwise. The Stabilizing Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the Stabilizing Manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above. Save as required by law or regulation, none of the Stabilizing Manager, any of its agents or the Managers intends to disclose the extent of any stabilization and/or over-allotment transactions in connection with the Offering.

## **Other**

The Managers and their respective affiliates have engaged in transactions with and performed various commercial banking, investment banking, financial advisory and other services for the Company, the Selling Shareholders and their respective affiliates, and they and their respective affiliates are currently providing and may in the future provide such services for the Company, the Selling Shareholders and their respective affiliates. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with potential investors' and the Company's interests.

In addition, Nordax Sverige AB, an SPV within the Nordax group, has entered into a warehouse funding facility with Citibank, N.A., an affiliate of Citigroup, or an affiliate company sponsored by Citibank, N.A., as facility provider, to finance the acquisition of a Swedish loan portfolio originated by Nordax Bank.

## **Subscription Undertaking and Expressed Interests in Purchasing Offer Shares in the Offering**

The Cornerstone Investor has agreed to acquire at the Offer Price (and at any such price throughout the Offer Price Range) 9.5 percent of the Shares following completion of the Offering subject to, among other things: (i) the listing of the Shares occurring no later than June 30, 2015; and (ii) the Underwriting Agreement having been entered into and having become unconditional and not having been terminated. If such conditions are not satisfied, the Cornerstone Investor will not be required to acquire any Offer Shares. The Cornerstone Investor will not receive any compensation for its undertaking and the Cornerstone Investor's investment will be made at the Offer Price. The undertaking is, however, not secured through a bank guarantee, blocked funds, pledge of collateral or similar arrangement.

Certain members of the Board of Directors who do not currently own Shares have expressed an interest in purchasing Offer Shares in the Offering. However, these individuals have not made a commitment to place such orders and there can be no assurance that such orders will be placed and, if placed, that such individuals will be allocated Offer Shares.

## **Selling Restrictions**

### ***United States***

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

The Offer Shares may only be resold: (i) in the United States only to QIBs in reliance on Rule 144A under the Securities Act; and (ii) outside the United States in offshore transactions in compliance with Regulation S under the Securities Act and in accordance with applicable law. Any offer or sale of Offer Shares in the United States will be made by broker-dealers who are registered as such under the Exchange Act. The terms used above have the meanings given to them by Regulation S and Rule 144A under the Securities Act.

### ***European Economic Area***

In relation to each Relevant Member State (with the exception of Sweden), no offer of the Offer Shares may be made to the public in that Relevant Member State, except that offers of the Offer Shares may be made under the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100, or if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholders or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “offered to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase any Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

#### ***United Kingdom***

Any offer or sale of the Offer Shares may only be made to persons in the United Kingdom who are “qualified investors” or otherwise in circumstances that do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000.

Any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with persons who: (i) are outside the United Kingdom; (ii) are investment professionals falling within Article 19(5); or (iii) fall within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”), of the Order or other persons to whom such investment or investment activity may lawfully be made available (together, “relevant persons”). Persons who are not relevant persons should not take any action on the basis of this Offering Memorandum and should not act or rely on it.

#### ***General***

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the Offer Shares, or the possession or distribution of this Offering Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Memorandum comes are required by the Company, the Selling Shareholders and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense. None of the Company, the Selling Shareholders or the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer Shares, of any such restrictions.

## TRANSFER RESTRICTIONS

### General

No action has been or will be taken in any country or jurisdiction other than Sweden by it that would, or is intended to, permit a public offering of the Offer Shares, or the possession or distribution of this Offering Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Memorandum comes are required by the Company, the Selling Shareholders and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense.

The Offer Shares have not been and will not be registered under the Securities Act and the Offer Shares may not be offered or sold, directly or indirectly, within or into the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act.

Each purchaser of the Offer Shares within the United States purchasing pursuant to Rule 144A or another exemption from the registration requirements of the Securities Act will be deemed to have represented and agreed that it has received a copy of this Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

- (a) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- (b) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States, are subject to significant restrictions on transfer and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- (c) the purchaser (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and (iii) is acquiring such Offer Shares for its own account or for the account of a qualified institutional buyer;
- (d) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- (e) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, such Offer Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, or (iii) in an offshore transaction in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction;
- (f) the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any Offer Shares;
- (g) the purchaser will not deposit or cause to be deposited any Offer Shares into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3); and
- (h) the Company and Selling Shareholders will not recognize any offer, sale pledge or other transfer of the Offer Shares made other than in compliance with the above stated restrictions;
- (i) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

- (j) the purchaser acknowledges that the Company and the Selling Shareholders, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of this Offering Memorandum and such other information as it deems necessary to make an informed investment decision and that:

- (a) the purchaser acknowledges that the Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, are subject to significant restrictions on transfer and, subject to certain exceptions, may not be offered or sold within the United States;
- (b) the purchaser, and the person, if any, for whose account or benefit the purchaser acquired the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated;
- (c) the purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Offering Memorandum;
- (d) the Offer Shares have not been offered to it by means of any “directed selling efforts” as defined under Regulation S and the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any “directed selling efforts” as defined under Regulation S in the United States with respect to the Offer Shares;
- (e) if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, such Offer Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, or (iii) in an offshore transaction in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction; and
- (f) the Company will not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above stated restrictions.

## LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

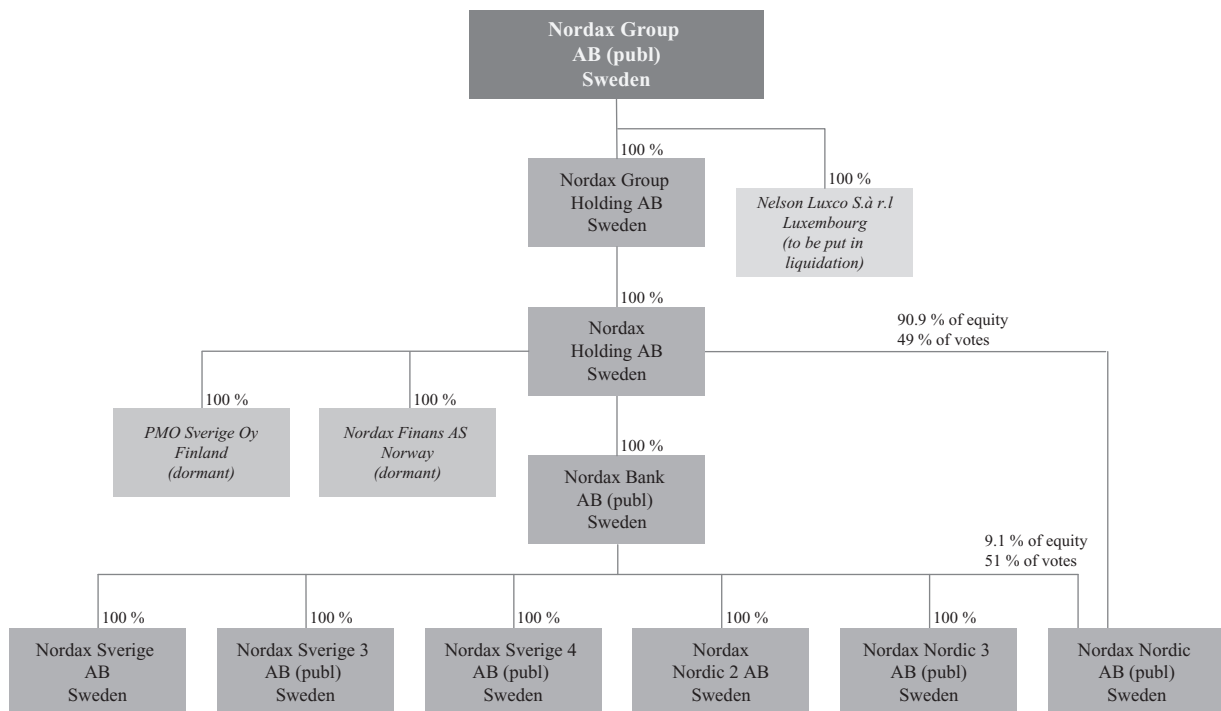
### General Corporate Information

The Company is a Swedish public limited liability company (Sw. *publikt aktiebolag*) incorporated on November 1, 2014 and registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on December 2, 2014. The Company's current name (and trading name), Nordax Group AB (publ), was registered on March 2, 2015. The registered office is situated in the municipality of Stockholm and the Company's corporate identity number is 556993-2485. Pursuant to the Articles of Association, the object of the Company's business shall be to own and manage securities and to conduct other business activities compatible therewith. The business is conducted in accordance with the Swedish Companies Act. See also "*Supervision and Regulation.*"

### Group Legal Structure and Subsidiaries

The Company is the parent company of the Nordax group.

The following chart sets forth the Nordax group's legal structure as at the date of this Offering Memorandum:



The operating subsidiary of the Company is Nordax Bank AB (publ), which has a license from the SFSA to conduct banking business under the BFBA in Sweden. Nordax Nordic AB (publ), Nordax Nordic 2 AB, Nordax Nordic 3 AB (publ), Nordax Sverige AB, Nordax Sverige 3 AB (publ) and Nordax Sverige 4 AB (publ) are a part of the financial corporate group, are registered as financial institutions with the SFSA and are used exclusively for the acquisition and financing of personal loans in the financing structure described in more detail under "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding.*"

### Certain Outsourcing and Cooperation Agreements

In its day-to-day operations Nordax outsources certain parts of its operations to external parties in accordance with the Outsourcing Policy and applicable rules and regulations (including the BFBA, FFFS 2014:1 (as amended by FFFS 2014:30) and the EBA's Guidelines on Internal Governance (GL44)). Nordax has outsourced activities such as its internal audit function, mailings, printing, scanning and forwarding applications, as well as certain IT related services. In its day-to-day operations, Nordax enters into outsourcing agreements regarding credit mediation and debt collection as well as certain other cooperation agreements, as further described below.

Pursuant to SFSA regulations and Nordax's Outsourcing Policy, Nordax may only outsource operations to service providers that have the skills, capacity and authorizations required by law to reliably and professionally perform the outsourced operations. If Nordax engages a third party to perform the services referred to in Chapter 7, Section 1 of the BFBA, Nordax must notify the SFSA thereof and submit the outsourcing agreement. Furthermore, if Nordax engages another party in work and functions of material significance to the operations, beyond the provisions of Chapter 7, Section 1 of the BFBA, Nordax must notify the SFSA thereof and submit the outsourcing agreement. All of Nordax's outsourcing agreements have been notified and submitted to the SFSA in accordance with applicable requirements.

Following changes made to Nordax's Outsourcing Policy in order to reflect new requirements regarding outsourcing agreements as set forth in FFFS 2014:1 (as amended by FFFS 2014:30), Nordax is currently in the process of amending certain of its outsourcing agreement (e.g., agreements with third-party debt collection agencies with which Nordax cooperates) in order to bring such agreements in line with the new SFSA requirements.

#### *Agreements with Credit Intermediaries*

Nordax has cooperated with credit intermediaries in Sweden since 2011 (currently one credit intermediary), in Finland since 2012 (currently three credit intermediaries) and in Norway since 2014 (currently one credit intermediary). Nordax has notified all agreements entered into with credit intermediaries to the SFSA. In the agreements, the credit intermediaries undertake, among other things, to market Nordax's loan products to potential customers through their marketing and sales channels. The agreements do not, however, require the intermediaries to refer potential borrowers to Nordax.

Pursuant to the agreements, the credit intermediaries provide Nordax with applications only from potential borrowers that fulfill certain minimum requirements agreed with Nordax. Such minimum requirements relate, for example, to minimum age and minimum income. Nordax evaluates all loan applications received through credit intermediaries using its standard underwriting process. Disbursements and administration of loans intermediated by credit intermediaries are handled by Nordax. Nordax reserves the unilateral right to accept or decline an application up to and until Nordax has paid out the loan to the customer. Nordax has no responsibility to grant any minimum number of loans based on applications received through credit intermediaries.

Nordax pays a monthly commission to its credit intermediaries based on the loan amounts paid out by Nordax to intermediated customers during the preceding month.

The agreements are valid until further notice and are subject to a three-month termination period (subject to certain exceptions customary to this type of agreement).

#### *Klarna Cooperation Agreement*

Nordax Bank has entered into a cooperation agreement with Klarna regarding consumer loan cooperation in Nordax's Core Markets (the agreement was first entered into on November 7, 2011 to cover services in Sweden but was subsequently supplemented on January 31, 2012 and on November 15, 2012 to include services in Finland and Norway, respectively). According to the agreement (as amended), Klarna undertakes to market Nordax's loan products to potential borrowers among its customers through its various marketing and sales channels.

Pursuant to the agreement, Klarna selects, based on certain criteria agreed with Nordax relating, for example, to minimum and maximum age and minimum income, customers that are considered suitable to receive a loan offer from Nordax ("**Suitable Customers**"). Klarna then sends the Suitable Customers a letter containing the loan offer and directing the Suitable Customer to Nordax's website. If the Suitable Customer decides to apply for a loan, Nordax evaluates the application using its standard underwriting process and makes final decision on whether to approve or decline the application. Nordax reserves the unilateral right to accept or decline an application up to and until Nordax has finally accepted the promissory note and disbursed the loan to the Suitable Customer. Nordax has no responsibility to grant any minimum number of loans based on the number of applications received.

Nordax pays a monthly commission to Klarna based on the aggregate loan amounts paid out by Nordax on the basis of applications received from the Suitable Customers during one year (the first year starting with effective date of the agreement).

The agreement is valid until further notice and is subject to a three-month termination period (subject to certain exceptions customary to this type of agreement).

#### *Agreements with Debt Collection Agencies*

Nordax cooperates with a number of authorized, reputable and well established debt collection agencies. When a loan becomes approximately 100 days past due, it is turned over to one of Nordax's third-party debt collection partners for external debt collection measures. Nordax cooperates with at least two external debt collection agencies in each of the Nordic countries in which it operates (currently two in Sweden and Finland and three in Norway) and one debt collection agency in Germany. Nordax has notified all agreements entered into with debt collection agencies to the SFSA. To enhance the quality of debt collection and ensure compliance with laws and regulations, Nordax regularly reviews the performance of its debt collection agencies and makes adjustments in the agreements as necessary.

Pursuant to the agreements, Nordax generally agrees to pay a commission to the debt collection agency based on collected amounts and nature of the relevant debt.

The cooperation agreements are typically valid until further notice and are subject to a mutual termination period of three months (subject to certain exceptions customary for this type of agreement. Except for one agreement with a debt collection agency in Denmark, the agreements do not contain any volume commitments by Nordax.

Following changes made to Nordax's Outsourcing Policy in order to reflect new requirements regarding outsourcing agreements as set forth in FFFS 2014:1 (as amended by FFFS 2014:30), Nordax is currently in the process of amending certain of its outsourcing agreement (e.g., agreements with third-party debt collection agencies with which Nordax cooperates) in order to bring such agreements in line with the new SFSA requirements. With the exception of one agreement with a debt collection agency in Norway and one agreement with a debt collection agency in Germany, Nordax expects to replace all existing agreements during 2015 on terms materially corresponding to the commercial terms of the agreements currently in force.

#### *Avanza Cooperation Agreements*

Since 2012, Nordax offers a deposit product (Sparkonto+) denominated in Swedish krona on Avanza's internet platform. Pursuant to the cooperation agreement between Nordax Bank and Avanza dated July 4, 2012 (as amended on August 12, 2013) (the "**Avanza Agreement**"), Avanza offers Nordax an opportunity to enter into agreements with Avanza's customers regarding the deposit product. Avanza acts as a deposit intermediary and the account agreement with the customer is entered into with Nordax on the terms and conditions for deposits applied by Nordax from time to time. Subject to the terms and conditions of the Avanza Agreement, Avanza markets Nordax's deposit product through Avanza's communication channels and performs other preparatory work before the deposit agreements are entered into between Nordax and Avanza's customers.

In connection with entering into the Avanza Agreement, Avanza and Nordax Bank also entered into a transaction services agreement (as amended on August 12, 2013) (the "**Services Agreement**"), pursuant to which Avanza agrees to provide to Nordax certain services relating to the administration of Nordax's accounts related to the deposit product covered by the Avanza Agreement.

Pursuant to the Avanza Agreement and the Services Agreement, Nordax pays a monthly intermediary commission based on the total retail deposits intermediated from Avanza to Nordax under the Avanza Agreement as of the last banking day of each month. The Avanza Agreement and the Services Agreement are valid until further notice and are subject to a mutual termination period of 12 months (subject to certain exceptions customary for this type of agreement). If the Avanza Agreement or the Services Agreement is terminated by Nordax, Avanza is entitled to a termination fee (subject to certain exceptions).

#### *Genworth Financial Cooperation Agreements*

Nordax Bank has entered into cooperation agreements with Genworth Financial for purposes of intermediating PPI in Sweden, Norway and Finland, pursuant to which Nordax is subject to the IMA. The PPI policies offered by Nordax are voluntary group insurance policies, which Nordax offers as a tied insurance intermediary to Genworth Financial. As such, Genworth Financial, as the insurer, takes responsibility for the PPI towards the customer. Nordax is not party to the PPI insurance agreements. Pursuant to the IMA, Genworth Financial, as the insurer, is responsible for pure economic loss suffered

by, among others, a customer as a consequence of Nordax's intentional or negligent disregard of its obligations to observe good insurance mediation practice etc. as set out in the IMA.

Under the cooperation with Genworth Financial, Nordax is entitled to a mediation fee from Genworth Financial based on insurance premiums paid by insured customers. In addition, the cooperation agreements contain a profit sharing arrangement pursuant to which Nordax may receive part of the profit on the PPI policies mediated by Nordax. If Nordax ceases to mediate a certain class of insurance and the accumulated part of the profit is negative during the run-off period (*i.e.*, the period from when the insurance portfolio regarding the insurance in question is no longer mediated until the last insurance under the insurance portfolio in question) and, as a consequence, the remaining risk for Genworth Financial has expired, Nordax must pay this amount to Genworth Financial within 60 days from when Genworth Financial sends an invoice. In particular, Nordax may be liable to Genworth Financial or insured parties for any losses or costs arising from non-compliance with the cooperation agreements, applicable legislation and regulations, and insurance terms and conditions, where such costs or losses are the result of Nordax's negligent, intentional or willful misconduct. There is no maximum amount for Nordax's compensation liability. See "*Risk Factors—Risks Relating to Regulation—Nordax is subject to risks related to insurance mediation.*"

The current cooperation agreements for Sweden and Norway entered into force on February 1, 2015, and replaced old agreements from 2004 and 2005, respectively. The current cooperation agreement for Finland entered into force on May 7, 2014. The cooperation agreements remain valid for a period of three years and are automatically extended by a period of one year, unless terminated in writing by either party six months prior to the next extension date (subject to certain exceptions customary for this type of agreement). The cooperation agreement for Finland has an exit option for both parties after two years, subject to six months' prior written notice. Furthermore, Nordax has entered into product sub-agreements and group insurance sub-agreements in connection with the cooperation agreements for Sweden and Norway. The product sub-agreements and group insurance sub-agreements entered into force on February 1, 2015. These agreements remain valid for a period of three years, and are automatically extended by a period of one year, unless terminated in writing by either party six months prior to the next extension date (with certain exceptions relating to mediated customers).

### **Material Contracts**

Except as set forth below, there are no contracts (other than contracts entered into in the ordinary course of business) to which Nordax is a party that: (i) are, or may be, material to it and that have been entered into in the two financial years immediately preceding the date of this Offering Memorandum; or (ii) contain any obligations or entitlements that are, or may be, material to Nordax as of the date of this Offering Memorandum.

#### ***Warehouse Funding Facility Agreements***

For a description of Nordax's warehouse funding facility agreements, see "*Operating and Financial Review—Funding, Liquidity and Capital Resources—Funding—Warehouse Funding Facilities.*"

#### ***IT agreements with Tieto Sweden AB***

Nordax Bank has entered into a maintenance agreement with Tieto Sweden AB pursuant to which Tieto Sweden AB licensed Nordax its Card Suite i5OS (Entra Card) IT system and the related computer software NetPhantom. The Card Suite i5OS (Entra Card) system, which is customized for Nordax, constitutes Nordax's platform for administration of personal loans and deposit products. The agreement also concerns provisions of support and maintenance of the said system. Furthermore, Nordax has entered into an operations agreement relating to the operation of the Card Suite i5OS (Entra Card) system. The agreements were first entered into on December 4, 2003, and were most recently renewed on October 5, 2012 (effective from October 1, 2013) and on December 12, 2012 (effective from January 1, 2013), respectively, and are valid for a period of three (maintenance agreement) and two years (operations agreement). Thereafter, the agreements may be terminated by either party subject to a 12 months termination period.

Nordax expects to enter into supplementary agreements with regard to the maintenance agreement as well as to renew the operations agreement during 2015. The new agreements are not expected to have any material commercial impact.

### ***IT agreements with UC***

Nordax Bank has entered into a framework agreement with UC regarding the services UC Ansök and UC Outsourcing. These services, which are customized for Nordax, constitute Nordax's loan application system pursuant to which Nordax's loan applications are managed. The framework agreement includes product sub-agreements (regarding (i) UC Ansök, (ii) UC Outsourcing, (iii) UC Arkiv and (iv) price arrangements) pursuant to which the loan application system is licensed and operated. The product sub-agreements also concerns provisions on installation, support and further development of the relevant programs and systems. The agreements were entered into on January 15, 2004 and, in respect of the sub-agreements relating to UC Arkiv, February 13, 2004, and are automatically extended for a period of one year subject to a termination period of six months, and in respect of the sub-agreements relating to UC Outsourcing, three months.

Nordax expects to renew the abovementioned agreements with UC during 2015 on terms materially corresponding to the terms of the agreements currently in force.

### ***Underwriting Agreement***

For a description of the underwriting agreement among the Company, the Selling Shareholders and the Managers in respect of the Offering, see "*Plan of Distribution*."

### **Legal Proceedings**

The Company has no pending governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) which may have, or have had, in the past 12 months, a significant effect on the financial position or profitability of the Company or its subsidiaries as a whole.

### **Advisors**

Morgan Stanley and Carnegie are acting as Joint Global Coordinators and Joint Bookrunners in connection with the Offering and the listing of the Shares on Nasdaq Stockholm. Citigroup is acting as Joint Bookrunner and ABG Sundal Collier is acting as Co-lead Manager. See "*Plan of Distribution—Other*" for certain services the Managers have provided and in the future may provide, among others, the Company and the Selling Shareholder. Lazard & Co., Limited is acting as financial advisor to the Company and the Selling Shareholders.

White & Case LLP is the Company's and the Principal Shareholders' legal advisor in connection with the Offering and the listing of the Shares on Nasdaq Stockholm. David Polk & Wardwell London LLP and Advokatfirman Vinge KB are the Managers' legal advisors.

### **Costs Related to the Offering**

See "*Plan of Distribution*" for a description of costs relating to the Offering.

### **Documents on Display**

The following documents are available in electronic form at Nordax's website, [www.nordaxgroup.com](http://www.nordaxgroup.com). Copies of the documents are also available at Nordax's headquarters at Gävlegatan 22, Stockholm, Sweden, during the validity of the Swedish Prospectus (during ordinary weekdays and office hours):

- the Articles of Association; and
- the Combined Financial Statements.

### **Independent Auditors**

The Audited Combined Financial Statements have been audited by Öhrlings PricewaterhouseCoopers AB, independent auditors, as stated in their report included herein.

With respect to the Unaudited Interim Combined Financial Statements, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein states that they did not audit and they do not express an opinion on that interim financial information.

## DEFINITIONS AND GLOSSARY

The definitions below apply throughout this Offering Memorandum unless the context otherwise requires. For definitions of certain key financial ratios and other financial terms presented in this Offering Memorandum, see “*Selected Historical Combined Financial Information—Definitions of Key Financial Ratios and Other Financial Terms.*”

“ABG Sundal Collier”	ABG Sundal Collier AB.
“ABSs”	Asset-backed securities.
“Additional Shares”	The up to 5,768,912 additional Shares that the Managers may purchase pursuant to the Over-allotment Option.
“Annual General Meeting”	The annual General Meeting.
“Articles of Association”	The Company’s articles of association.
“Audited Combined Financial Statements”	The audited combined financial statements of the Company as at and for the years ended December 31, 2014, 2013 and 2012.
“Avanza”	Avanza Bank AB.
“Avanza Agreement”	The cooperation agreement between Nordax Bank and Avanza dated July 4, 2012 (as amended on August 12, 2013).
“BFBA”	The Swedish Banking and Financing Business Act (Sw. <i>lag (2004:297) om bank- och finansieringsrörelse</i> ).
“Board of Directors”	The Company’s board of directors.
“CAGR”	Compound annual growth rate.
“Capital Buffers Act”	The Swedish Capital Buffers Act (Sw. <i>lag (2014:966) om kapitalbuffertar</i> ).
“Carnegie”	Carnegie Investment Bank AB (publ).
“CEO”	The Chief Executive Officer.
“Certain Consumer Credit-related Operations Act”	The Swedish Certain Consumer Credit-related Operations Act (Sw. <i>lag (2014:275) om viss verksamhet med konsumentkrediter</i> ).
“CFOA”	The Swedish Certain Financial Operations (reporting duty) Act (Sw. <i>lag (1996:1006) om anmälningsplikt avseende viss finansiell verksamhet</i> ).
“Citigroup”	Citigroup Global Markets Ltd.
“Code”	The Swedish Corporate Governance Code (Sw. <i>Svensk kod för bolagsstyrning</i> ).
“Combined Financial Statements”	The Audited Combined Financial Statements and the Unaudited Interim Combined Financial Statements.
“Company”	Nordax Group AB (publ).
“Core Markets”	Sweden, Norway and Finland.
“Cornerstone Investor”	Swedbank Robur Fonder.
“CRR/CRD IV”	The CRR and CRD IV.
“CRD IV”	Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.
“CRR”	Regulation (EU) No 575/2013 of the European Parliament and the Council of June 2013 on prudential requirements for credit and investment firms and amending Regulation EU No 648/2012.

“EBA”	The European Banking Authority.
“EU”	The European Union.
“Euroclear Sweden”	Euroclear Sweden AB.
“Euromonitor”	Euromonitor International Limited.
“Exchange Act”	The U.S. Securities Exchange Act of 1934, as amended.
“Extraordinary General Meeting”	The extraordinary General Meeting.
“Financial Instruments Trading Act”	The Swedish Financial Instruments Trading Act (Sw. <i>lag (1991:980) om handel med finansiella instrument</i> ).
“Firm Shares”	The up to 48,682,250 existing ordinary shares in the Company to be offered by the Selling Shareholders in the Offering. The total number of Firm Shares may be increased at the discretion of the Principal Shareholders by up to 9,006,872 additional Firm Shares.
“Fitch”	Fitch Ratings Limited.
“FTE”	Full-time equivalent.
“General Meeting”	The Company’s general meeting of shareholders.
“Genworth Financial”	Financial Insurance Company Limited, UK and Financial Assurance Company Limited, UK.
“IASB”	The International Accounting Standards Board.
“ICAAP”	The Internal Capital Adequacy Assessment Process.
“IFRS-EU”	The International Financial Reporting Standards as adopted by the EU.
“IGAs”	Intergovernmental agreements.
“IMA”	The Swedish Insurance Mediation Act (Sw. <i>lag (2005:405) om försäkringsförmedling</i> ).
“Internal Revenue Code”	The U.S. Internal Revenue Code of 1986, as amended.
“IRS”	The U.S. Internal Revenue Service.
“IT”	Information technology.
“Joint Global Coordinators”	Morgan Stanley and Carnegie.
“Klarna”	Klarna AB.
“Managers”	Morgan Stanley, Carnegie, Citigroup and ABG Sundal Collier.
“Market Abuse Act”	The Swedish Market Abuse Penal Act (Sw. <i>Lag (2005:377) om straff för marknadsmissbruk vid handel med finansiella instrument</i> ).
“MiFID”	Directive 2004/39/EC on Markets in Financial Instruments.
“Minority Shareholders”	Members of the Board of Directors, the Senior Management Team and certain other current and former senior employees of Nordax.
“MIP”	Nordax’s Management Incentive Plan.
“Morgan Stanley”	Morgan Stanley & Co. International plc.
“NASDAQ OMX”	NASDAQ OMX Group, Inc.
“Nordax”	The Company together with its subsidiaries.
“Nordax Bank”	Nordax Bank AB (publ).
“Notice”	The notice issued by the IRS in 1989.
“NPLs”	Non-performing loans.

“Offer Price”	The price at which the Offer Shares will be sold.
“Offer Price Range”	SEK 38 to SEK 45 per Offer Share.
“Offer Shares”	The Firm Shares and the Additional Shares.
“Offering”	The initial public offering of the Offer Shares.
“Offering Memorandum”	This offering memorandum.
“Order”	The U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.
“Over-allotment Option”	The option granted to the Managers to purchase the Additional Shares to cover potential over-allotments or other short positions, if any, and to facilitate stabilization transactions in connection with the Offering.
“PCT”	Nordax’s Payment Consulting Team.
“PDA”	The Swedish Personal Data Act (Sw. <i>Personuppgiftslag (1998:204)</i> ).
“Personal Loans”	Loans within card lending, durables lending and other personal lending based on Euromonitor’s market segmentation.
“PFIC”	A passive foreign investment company under U.S. federal income tax laws.
“PPI”	Payment protection insurance.
“Principal Shareholders”	Vision Capital Partners VII A LP (Guernsey LP) and Vision Capital Partners VII LP (Guernsey LP).
“Proposed Regulations”	The regulations proposed by the IRS that exclude from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank.
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses, as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.
“Prospectus Regulation”	Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended, (Annexes I, III and XXII) implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses, as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.
“QIBs”	Qualified institutional buyers as defined in the Securities Act.
“Regulation S”	Regulation S under the Securities Act.
“Relevant Member State”	Each Member State of the European Economic Area that has implemented the Prospectus Directive.
“RRD”	The Recovery and Resolution Directive.
“RSA 421-B”	Chapter 421-B of the New Hampshire Revised Statutes.
“Rule 144A”	Rule 144A under the Securities Act.
“SCL”	The Scandinavian Consumer Loans.
“SCL I”	Nordax’s ABS transaction closed on July 6, 2006.
“SCL II”	Nordax’s ABS transaction closed on July 5, 2011.
“SCL III”	Nordax’s ABS transaction closed on December 8, 2011.
“SCL IV”	Nordax’s ABS transaction closed on June 5, 2014.
“Securities Act”	The United States Securities Act of 1933, as amended.

“Selling Shareholders” . . . . .	The Principal Shareholders and the Minority Shareholders.
“Senior Management Team” . . . . .	The individuals named in “ <i>Board of Directors, Management and Auditors—Senior Management Team.</i> ”
“Services Agreement” . . . . .	The transaction services agreement between Nordax Bank and Avanza (as amended on August 12, 2013).
“SFSA” . . . . .	The Swedish Financial Supervisory Authority (Sw. <i>Finansinspektionen</i> ).
“Shares” . . . . .	The existing ordinary shares in the Company.
“Special Supervision of Credit Institutions and Investment Firms Act” . . . . .	The Swedish Special Supervision of Credit Institutions and Investment Firms Act (Sw. <i>lag (2014:968) om särskild tillsyn över kreditinstitut och värdepappersbolag</i> ) implementing parts of CRD IV.
“SPVs” . . . . .	Special purpose vehicles.
“Stabilizing Manager” . . . . .	Morgan Stanley.
“Suitable Customers” . . . . .	Customers that are considered suitable to receive a loan offer from Nordax pursuant to Nordax’s cooperation agreement with Klarna.
“Swedish Companies Act” . . . . .	The Swedish Companies Act (Sw. <i>aktiebolagslagen (2005:551)</i> ).
“Swedish Deposit Insurance Act” . . . . .	The Swedish Deposit Insurance Act (Sw. <i>lag (1995:1571) om insättningsgaranti</i> ).
“Swedish Deposit Insurance Scheme” . . . . .	The deposit insurance scheme of the Swedish National Debt Office (Sw. <i>Riksgälden</i> ) in accordance with the Swedish Deposit Insurance Act.
“Swedish Prospectus” . . . . .	The separate Swedish language prospectus on the Offering.
“S&P” . . . . .	Standard & Poor’s Ratings Services, a division of Standard & Poor’s Credit Market Services Europe Limited.
“Takeover Act” . . . . .	The Swedish Act on Public Takeovers on the Securities Market (Sw. <i>lag (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden</i> ).
“Takeover Rules” . . . . .	The takeover rules adopted by Nasdaq Stockholm.
“Trading Surveillance” . . . . .	The market supervision unit maintained by Nasdaq Stockholm.
“Transparency Directive” . . . . .	Directive 2004/109/EC.
“UC” . . . . .	UC AB, a Swedish business and credit reference agency.
“Unaudited Interim Combined Financial Statements” . . . . .	The unaudited combined interim report of the Company as at and for the three months ended March 31, 2015, including unaudited comparative interim financial information as at and for the three months ended March 31, 2014.
“Underwriting Agreement” . . . . .	The underwriting agreement between the Company, the Selling Shareholders and the Managers in respect of the Offering, which is expected to be entered into on or about June 16, 2015.
“Vision Capital” . . . . .	Vision Capital Management Limited.
“2010 PD Amending Directive” . . . . .	Directive 2010/73/EU.

## FINANCIAL STATEMENTS

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# Nordax Bank

Nordax Group AB (publ)  
Interim report January-March 2015

## January-March 2015

(Numbers compared with January-March 2014)

- Operating income increased 21.1% to 218 MSEK (180)
- Profit before credit losses increased 29.4% to 119 MSEK (92)
- Net credit losses amounted to -45 MSEK (-32), credit loss level 1.8% (1.5%)
- Operating profit increased 23.3% to 74 MSEK (60)
- Net profit increased 26.1% to 58 MSEK (46)
- Return on average net loans 12m rolling amounted to 3.9% (3.4%).

## Volumes, capital and funding

(Numbers compared with December 31, 2014 unless otherwise indicated)

- New loan volumes increased 3.1% to 921 MSEK (893 Q1 2014)
- Lending to the general public increased 2.7% to 10,312 MSEK (10,042)
- Deposits increased 45 MSEK to 6,524 MSEK (6,479)
- Liquidity reserve of 3,272 MSEK (3,246), liquidity coverage ratio 6.18 (8.40).

## Other events

- Further strengthening of the capital structure by issuance of 250 MSEK in Tier 2 capital
- Katarina Bonde and Hans Larsson appointed Non-Executive Directors.

## KEY FIGURES

	Q1 2015	Q4 2014	Q1 2014	FY 2014
Operating income, MSEK . . . . .	218	205	180	803
Profit before credit losses, MSEK . . . . .	119	109	92	439
Operating profit, MSEK . . . . .	74	82	60	325
Net profit, MSEK . . . . .	58	65	46	254
Earnings per share, SEK . . . . .	116.70	128.22	80.13	508.11
Lending to the general public, MSEK . . . . .	10,312	10,042	8,839	10,042
Return on average net loans %, 12m rolling . . . . .	3.9	3.9	3.4	3.9
Deposits, MSEK . . . . .	6,524	6,479	5,496	6,479
Common Equity Tier 1 capital ratio % . . . . .	12.6	12.3	10.7	12.3
Total capital ratio % . . . . .	14.6	13.9	12.6	13.9
Return on equity % . . . . .	14.8	18.0	14.0	18.0
Net credit losses % . . . . .	1.8	1.1	1.5	1.2
Cost to income ratio % . . . . .	45.4	46.8	48.9	45.3
Adjusted cost to income ratio %, 12m rolling . . . . .	28.8	29.4	31.3	29.4

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## Comments from the CEO

I am pleased to report that Nordax continues to grow in a controlled and profitable way. Our operating income increased in the quarter by more than 21% to 218 MSEK reflecting our growing lending volumes and stable margins. Operating profit grew by more than 23% to 74 MSEK. We pay a high attention to efficiency and our adjusted cost to income ratio on a 12-month rolling basis amounted to 28.8% (31.3%). This should be seen in the light of our conscious decision last year to increase expenses in order to accommodate the growth in our loan business, and to invest even more in compliance, risk management and the governance of the business. Over the last five years, Nordax's operating profit has grown at an annual compound growth rate of 22%.

An essential part of our strategy is our diversified funding, based on multiple pillars; unsecured bonds, asset backed securities, warehouse funding facilities and retail deposits. We continue to take a conservative approach to liquidity risk and continuously keep about 40% of our deposits as liquidity reserves. In March, we successfully issued 250 MSEK of subordinated Tier 2 capital, replacing our existing 200 MSEK subordinated loan. We met strong investor demand and the new Tier 2 capital will help support our growth efforts. Our Common Equity Tier 1 ratio was 12.6% which is significantly in excess of the regulatory minimum of 8.0% and is also higher than our internal target of 12%.

The year has started with continued growth of new loans. Year-over-year we grew the volume of new loans by 3.1% to 921 MSEK. The return on average net loans on a 12-month rolling basis was 3.9% (3.4%), well above our internal target of 3%. Over the past five years, our lending balance has increased at an annual compound growth rate of 18% proving that we have earned our customers' trust through a competitive and sound offering. We continue to grow and we grow in a responsible manner. Any decision to advance a customer loan is made using our thorough, data driven underwriting process. We focus on large personal loans and target customers who we believe are financially stable and in the prime of their life.

In the quarter, we experienced good development especially in Norway where lending increased by 5.2%. We commenced product testing in Germany in 2012 and I am pleased to note that sales in Germany continued to develop favorably with a growth of close to 14% in the quarter. The German market is a large untapped potential with a sizeable consumer finance market five times as large as Sweden and Norway combined. We remain cautiously optimistic about the potential in Germany.

## The Group

### January-March 2015

Operating income increased by 21.1% to 218 MSEK (180), mainly driven by higher interest income due to larger lending volumes to the general public. The adjusted cost to income ratio decreased to 28.8% (31.3%) through increasing operating leverage. Operating expenses increased by 12.5% to 99 MSEK (88), reflecting Nordax's growing sales volumes and larger portfolio. As a consequence, profit before credit losses increased by 29.3% to 119 MSEK (92). The number of employees grew by 3.7% to a total of 169 full time employees at the end of the quarter. All new employees are based in Sweden as Nordax's strategy is to operate from one central platform.

Net credit losses increased compared to the same period 2014 and amounted to -45 MSEK (-32) equivalent to a credit loss level of 1.8% (1.5%). The credit loss level was better than plan, mainly reflecting the maturity of the portfolio compared to growth and size of the total loan book. The credit loss level in the quarter of 1.8% versus the full-year 2014 credit loss level of 1.2% is primarily due to seasonality effects.

Operating profit increased by 23.3% to 74 MSEK (60). Net profit in the quarter increased by 26.1% to 58 MSEK (46), implying a return on equity of 14.8% (18.0%).

## MARKET SEGMENT OVERVIEW

<u>MSEK</u>	<u>Sweden</u>	<u>Norway</u>	<u>Denmark</u>	<u>Finland</u>	<u>Germany</u>	<u>Total</u>
Total net interest income . . . . .	72	87	3	46	6	<b>213</b>
Net credit losses . . . . .	(18)	(16)	(2)	(7)	(2)	<b>(45)</b>
Operating profit/loss . . . . .	23	34	0	26	(9)	<b>74</b>
<b>Lending to the general public</b>						
March 31, 2015 . . . . .	3,889	4,140	224	1,725	335	<b>10,312</b>
December 31, 2014 . . . . .	<u>3,880</u>	<u>3,934</u>	<u>246</u>	<u>1,688</u>	<u>294</u>	<b>10,042</b>
Growth . . . . .	<u>9</u>	<u>206</u>	<u>(22)</u>	<u>37</u>	<u>41</u>	<b>270</b>
Of which FX effects . . . . .	-	70	(7)	(38)	(7)	<b>17</b>
Growth % incl. FX . . . . .	0.2	5.2	(8.9)	2.2	13.9	<b>2.7</b>

Sweden is Nordax' first market where new loan volumes have been developed over the years with careful attention to credit risk and market efficiency of proven as well as new sales channels. Over the last three years, credit losses have developed well as the portfolio has been growing and the ability to attract low risk customers remains strong. In the quarter, the operating profit decreased to 23 MSEK (27) compared to first quarter previous year due to slightly increased provisions. Lending at the end of the quarter was slightly higher than at year-end, which was according to expectations.

In Norway, new loan volumes continued to pick up in the quarter due to good contribution from repeat sales to existing customers and the larger loans product. Improvements in cost of risk can mainly be explained by the growth in the portfolio which increases the denominator in the equation since new loans generally experience very low losses during the first year after disbursement. The operating profit increased to 34 MSEK (23) since the portfolio is larger and new loans are originated at stable levels. In the quarter, the loan portfolio in Norway grew by 5.2%, positively impacted by currency exchange rate effects of 1.8%.

The Finnish operations were restarted in 2011 following the financial crisis and the portfolio has been carefully developed with respect to credit risk as well as the distribution channel mix. The margin development has been favorable as new origination has been kept at stable levels. The operating profit amounted to 26 MSEK (15) in the quarter. Finland has a legal debt collection environment which has helped in delivering low net credit losses. Sales increased in the quarter by 2.2% despite negative impact from currency exchange rate effects of 2.2%.

The German market provides untapped potential for Nordax and it is developing according to plan. Nordax started operations in 2012 in Germany and is still testing the market and building expertise. Credit losses are affected by conservative loss provisions and so far the underlying risk performance in Germany is close to the Norwegian performance. The operating loss amounted to -9 MSEK (-8) in the quarter. The loan portfolio increased by 13.9% in the quarter despite negative impact from currency exchange rate effects of 2.4%. We remain cautiously optimistic about the potential in Germany.

A strategic decision to halt new loan volumes in Denmark was taken in 2008 and as a consequence the Danish loan portfolio is decreasing.

### Lending volumes, capital and funding

Total assets of March 31, 2015 amounted to 14,567 MSEK (14,190). Lending to the general public increased in the quarter by 270 MSEK or 2.7% to 10,312 MSEK (10,042). Total currency exchange rate effects were insignificant. Lending to credit institutions increased in the quarter by 119 MSEK to 2,330 MSEK (2,212) of which 691 MSEK (699) was pledged cash holdings for the funding structure and the rest was cash liquidity.

Deposits from the general public increased in the quarter by 0.7% to 6,524 MSEK (6,479). At the end of the quarter, Nordax was funded with 2,943 MSEK (3,110) in asset backed securities, 482 MSEK (500) in senior unsecured bonds, 2,503 MSEK (2,274) in warehouse funding facilities provided by two international banks and 6,522 MSEK (6,460) in retail deposits (all in nominal amounts).

Nordax had a liquidity coverage ratio of 6.18 (according to Basel III) and net stable funding ratio of 1.3 at the end of the quarter. The liquidity reserve amounted to 3,272 MSEK (3,246). Of these holdings 52%

(51%) were Nordic banks, 13% (19%) Swedish covered bonds and 35% (30%) Swedish municipality bonds. All investments had a credit rating between AAA and A+, with an average of AA.

### RISK EXPOSURE AND CAPITAL RATIOS ACCORDING TO BASEL III

	March 31, 2015	Dec 31, 2014	March 31, 2014
Risk exposure amount, MSEK . . . . .	10,264	10,046	8,507
Common Equity Tier 1 capital ratio % . . . . .	12.6	12.3	12.6
Tier 1 capital ratio % . . . . .	12.6	12.3	10.7
Total capital ratio % . . . . .	14.6	13.9	12.6
Leverage ratio % . . . . .	9.1	8.9	7.5

At March 31, the Common Equity Tier 1 capital ratio of 12.6% (12.3%) was significantly in excess of the regulatory minimum of 8.0% (8.0%), which means Nordax' has a substantial buffer. Total Common Equity Tier 1 capital requirement including buffer requirements amounted to 7.0% (7.0%) of which 2.5% (2.5%) represented the capital conservation buffer requirement. The Common Equity Tier 1 capital available to Nordax to use as buffer, including the capital conservation buffer requirement amounted to 8.1% (7.8%).

On March 12, Nordax issued 250 MSEK in a 10 year subordinated Tier 2 loan at 3 months Stibor +5.75%. The transaction enabled Nordax to redeem early the previous Tier 2 capital arrangements, amounting to 200 MSEK. The transaction received strong investor demand. The loan, which is included in the capital base and strengthens the company's total capital adequacy, is classified as Subordinated Liabilities in the balance sheet.

#### Risks and uncertainties

The Group is exposed to both credit risk and to other financial risks such as market risks including foreign currency risk, interest rate risk in fair value measurement, interest rate risk in cash flow and price risk as well as liquidity risk. The Group is also exposed to IT and operational risks. The Group's overall risk and capital policy details the risk framework as well as risk management roles and responsibilities for the Group. The risk composition of the Group as well as related risk, liquidity and capital management, is described in the combined financial statement for 2012-2014 and Risk Management and Capital Adequacy Report. Planning in scenarios continues to be crucial in order to be able to swiftly adapt to changed market conditions in case they should occur.

#### Internal control

The Group has established independent functions for risk control and compliance in accordance with the Swedish Financial Supervisory Authority's regulations and guidelines FFFS 2014:1, FFFS 2010:7 as well as the European Banking Authority's guidelines on internal control (GL 44). These functions report directly to the Board of Directors and CEO. The evaluation of the organisation as regards, among other things, the internal control, is carried out with the assistance of the internal audit function, which is outsourced to Mazars SET. It has not been deemed cost effective to internally establish an internal auditing organisation, based on the size and the complexity of the Group. Furthermore, allowing an external auditing firm to conduct the internal audit provides the Group with the opportunity to benefit from that external auditing firm's expertise knowledge in various areas, and potential alternative solutions within areas important to the operations, gained from other audit assignments undertaken by the external auditing firm.

#### Basis of preparation

All entities included in the combined financial statement are under common control as they are all ultimately majority owned and controlled by Nordax Group AB. The Nordax Group AB (publ) Group, as presented in the financial statement, constitutes of the entities listed in note 1 in the financial statement, has not constituted a separate legal group for the periods presented in the financial statement. Accordingly the combined financial statements represent an aggregation of the historical financial information of the entities in the Group. The combined historical financial information, which has been prepared specifically for the purpose of this Prospectus, is therefore prepared on a basis that combines the results and assets and liabilities of each of the companies constituting the Group by applying the principles underlying the consolidation procedures of IFRS 10 Consolidated Financial Statements for each of the periods to 31 March 2015 and 31 March 2014. On such basis, the combined historical financial information sets out

the Group's financial position as of 31 March 2015 and 31 March 2014 and results of operations and cash flows for the periods then ended.

The combined financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation, the Listing Rules on Nasdaq Stockholm, and in accordance with this basis of preparation.

The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU.

The combined financial information is presented in millions of SEK except when otherwise indicated. The following summarises the accounting and other principles applied in preparing the combined historical financial information:

The combined financial information of the entities that constitute the Group has been prepared for the same reporting periods using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses have been eliminated.

As Nordax Group AB is a newly established off the shelf company which has not conducted any business the future consolidated financial statements of Nordax Group AB (publ) will be prepared as a continuation of the current Group, as the transaction where Nordax Group AB (publ) is established as a new parent company is merely a reorganization of the current group where Nelson Luxco Sarl is the parent company, accordingly the combined financial statements of Nordax Group AB (publ) have been prepared on that basis. The future consolidated financial statements of Nordax Group AB (publ) will in all essentials be consistent with the combined financial statement.

This means that the predecessor values of the Nelson Luxco Sarl Group which has been reported internally on a consolidated basis in accordance with IFRS as adopted by the EU has been used in preparing these combined financial statements with the inclusion of the assets and liabilities of Nordax Group AB (publ). No adjustments have been made to the values of assets and the liabilities in relation to the combined financial statements compared to the historically reported values.

The most important accounting policies applied in the preparation of these combined financial statements are indicated below.

### **Accounting principles**

This quarterly report has been prepared according to IAS 34, Interim Financial Reporting. The combined financial statement for the Nordax Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, together with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Regulations for Groups In all material aspects, the accounting policies, basis for calculations and presentations are unchanged in comparison with the combined financial statements for 2012-2014.

### **Other events**

On February 27, 2015 Nordax announced that one new non-executive director of the Board had been appointed at the Extraordinary General Meeting on February 26, 2015. Nordax has appointed Synnöve Trygg as non-executive director. Synnöve Trygg has an extensive background in the financial industry and is currently a non-executive director of various companies within the bank and debt collection industry. Synnöve Trygg has previous operational experience from SEB Kort where she was CEO for 20 years.

### **Events after closing of the reporting period**

On April 1, 2015 Nordax announced that two new non-executive directors of the Board had been appointed at the Extraordinary General Meeting held the same day. Nordax has appointed Katarina Bonde and Hans Larsson as non-executive directors in Nordax Group AB (publ), Nordax Bank AB (publ), Nordax Holding AB and Nordax Group Holding AB. Katarina Bonde is a senior board professional with a focus on technology companies, financial institutions and entrepreneurship. She has held various executive positions in the software industry. Hans Larsson has extensive experience in financial services and global banking, having held various operational, strategic and executive roles across numerous sectors

and product groups in SEB. Arne Bernroth, non-executive director was elected vice chairman of the board. The appointments are pending the Swedish Financial Supervisory Authority's assessment.

According to the Articles of Association, adopted at the Extraordinary General Meeting on February 26, 2015 the board shall consist of not less than 5 and not more than 12 permanent members. After the election of directors, at the Extraordinary General Meetings on February 26, 2015 and on April 1, 2015, the board consists of nine members; Richard Pym (chairman), Arne Bernroth (vice chairman), Christian Beck, Andrew Rich, Daryl Cohen, Synnöve Trygg, Hans Larsson, Katarina Bonde and Morten Falch. In accordance with the adjusted Articles of Association, the executive directors Johanna Clason and Jacob Lundblad were discharged from their positions as board members; and the deputy board members Camilla Wirth, Per Bodlund, Iva Anguelov and David Lamb were discharged from their positions as deputy board members.

**Independent Auditors' Report of Review of  
combined Interim Financial Information**

*To the board of Directors of Nordax Group AB (publ), Corporate Id No. 556993-2485*

**Introduction**

We have reviewed the accompanying combined condensed interim financial information (interim report) of Nordax Group AB (publ) as of March 31 2015 and the three-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the combined interim financial information in accordance with IAS 34 Interim Financial Reporting and Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this combined interim report based on our review.

**Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the combined interim report is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting and Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, May 26, 2015

Öhrlings PricewaterhouseCoopers

Helena Kaiser de Carolis

Authorized Public Accountant

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## **About Nordax**

*Nordax is one of the leading niche banks in the Nordic region providing unsecured consumer loans and deposits to about 100,000 customers in Sweden, Norway, Finland, Denmark and Germany. Nordax employs about 200 people, all working in one office in Stockholm. Nordax was founded by five entrepreneurs with extensive risk management experience and over the course of ten years the Group has developed a sound, thorough and data driven underwriting process. Nordax's customers are financially stable people in the prime of life. Through a centralized and highly scalable platform, Nordax is on a journey to become one of the leading niche banks in Northern Europe. As of December 31, 2014 lending to the general public amounted to 10.0bn SEK and deposits from customers amounted to 6.5bn SEK. Nordax takes a conservative approach to risk and is unique among niche banks in using multiple sources of funding and Nordax only uses a limited share of deposits to fund lending to the public. Nordax is supervised by the Swedish Financial Supervisory Authority since 2004 and deposits are covered by the Swedish deposit guarantee scheme. Read more on [www.nordax.se](http://www.nordax.se).*

## Income statement

<u>All amounts in MSEK</u>	<u>Note</u>	<u>Jan - Mar 2015</u>	<u>Oct - Dec 2014</u>	<u>Jan - Mar 2014</u>	<u>Jan - Dec 2014</u>
<b>Operating income</b>					
Interest income . . . . .	7	307	314	274	1,196
Interest expense . . . . .	7	(94)	(99)	(98)	(415)
<b>Total net interest income . . . . .</b>		<b>213</b>	<b>215</b>	<b>176</b>	<b>781</b>
Commission income . . . . .	7	5	4	3	15
Net profit from financial transactions . . . .	7	0	(14)	1	7
Other operating income . . . . .	7	0	0	0	0
<b>Total operating income . . . . .</b>		<b>218</b>	<b>205</b>	<b>180</b>	<b>803</b>
<b>Operating expenses</b>					
General administrative expenses . . . . .	7	(60)	(64)	(54)	(224)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets . . . . .	7	(5)	(5)	(4)	(18)
Other operating expenses . . . . .	7	(34)	(27)	(30)	(122)
<b>Total operating expenses . . . . .</b>		<b>(99)</b>	<b>(96)</b>	<b>(88)</b>	<b>(364)</b>
<b>Profit before credit losses . . . . .</b>		<b>119</b>	<b>109</b>	<b>92</b>	<b>439</b>
Net credit losses . . . . .	2, 7	(45)	(27)	(32)	(114)
<b>Operating profit . . . . .</b>		<b>74</b>	<b>82</b>	<b>60</b>	<b>325</b>
Tax on profit for the period . . . . .		(16)	(17)	(14)	(71)
<b>NET PROFIT FOR THE PERIOD/ COMPREHENSIVE INCOME . . . . .</b>		<b>58</b>	<b>65</b>	<b>46</b>	<b>254</b>
<b>Attributable to:</b>					
The Parent Company's shareholders . . . . .		58	65	40	254
Non-controlling interest . . . . .		0	0	6	0
Earnings per share, SEK . . . . .		116.70	128.22	80.13	508.11
Diluted earnings per share, SEK . . . . .		116.70	128.22	80.13	508.11
Average number of shares . . . . .		500,000	500,000	500,000	500,000

## Statement of financial position

<u>All amounts in MSEK</u>	<u>Note</u>	<u>31.03.2015</u>	<u>31.12.2014</u>
<b>ASSETS</b>			
Lending to credit institutions . . . . .	5, 6	2,330	2,212
Lending to the general public . . . . .	2, 3, 5, 6, 7	10,312	10,042
Bonds and other fixed income securities . . . . .	5, 6	1,580	1,585
Property, plant and equipment . . . . .		12	7
Intangible assets . . . . .		314	316
Other assets . . . . .		8	18
Prepaid expenses and accrued income . . . . .		11	10
<b>TOTAL ASSETS</b> . . . . .		<b>14,567</b>	<b>14,190</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions . . . . .	5, 6	2,491	2,259
Deposits from the public . . . . .	5, 6	6,524	6,479
Issued securities . . . . .	5, 6	3,401	3,581
Current tax liability . . . . .		3	16
Deferred tax liability . . . . .		28	29
Other liabilities . . . . .		24	25
Accrued expenses and deferred income . . . . .		55	64
Subordinated liabilities . . . . .		445	199
<b>Total liabilities</b> . . . . .		<b>12,971</b>	<b>12,652</b>
<b>Equity</b>			
Share capital . . . . .		1	1
Retained earnings, incl. net profit for the year . . . . .		1,595	1,537
<b>Total equity</b> . . . . .		<b>1,596</b>	<b>1,538</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b> . . . . .		<b>14,567</b>	<b>14,190</b>
<b>Memorandum items</b>			
Pledged assets for own liabilities . . . . .	8	9,416	9,180
Contingent liabilities . . . . .		None	None

## Statement of cash flows

<u>All amounts in MSEK</u>	<u>Jan - Mar 2015</u>	<u>Jan - Mar 2014</u>	<u>Jan - Dec 2014</u>
<b>Operating activities</b>			
Operating profit . . . . .	74	60	325
Adjustment for non-cash items:			
Tax paid . . . . .	(30)	(18)	(63)
Depreciation, amortisation and impairment of tangible and intangible assets . . . . .	5	4	15
<b>Change in operating assets and liabilities</b>			
Decrease/Increase in lending to the public . . . . .	(270)	(446)	(1,649)
Decrease/Increase in other assets . . . . .	9	7	(5)
Decrease/Increase in deposits from the public . . . . .	45	743	1,726
Decrease/Increase in other liabilities . . . . .	(10)	6	25
<b>Cash flow from operating activities</b> . . . . .	<b>(177)</b>	<b>356</b>	<b>374</b>
<b>Investing activities</b>			
Purchase of equipment . . . . .	(8)	(1)	0
Investment in bonds and other interest-bearing securities . . . . .	(500)	(1,058)	(3,797)
Maturity of bonds and other interest-bearing securities . . . . .	505	0	2,762
<b>Cash flow from investing activities</b> . . . . .	<b>(3)</b>	<b>(1,059)</b>	<b>(1,035)</b>
<b>Financing activities</b>			
Decrease/Increase in liability to credit institutions . . . . .	232	581	(55)
Decrease/Increase in issued securities . . . . .	(180)	(111)	1,322
Decrease/Increase in subordinated liabilities . . . . .	246	0	1
Change in non-controlling interests . . . . .	-	-	(3)
<b>Cash flow from financing activities</b> . . . . .	<b>298</b>	<b>470</b>	<b>1,265</b>
<b>Cash flow for the period</b> . . . . .	<b>118</b>	<b>(233)</b>	<b>604</b>
<b>Cash and cash equivalents at beginning of period</b> . . . . .	<b>2,212</b>	<b>1,608</b>	<b>1,608</b>
<b>Cash and cash equivalents at end of period</b> . . . . .	<b>2,330</b>	<b>1,375</b>	<b>2,212</b>

Cash and cash equivalents are defined as treasury bills eligible for use as collateral and lending to credit institutions. Pledged cash and cash equivalents according to note 8 are available for Nordax in relation to monthly settlements of financial agreements and are as a consequence hereof defined as cash and cash equivalents.

## Statement of changes in equity

	Restricted equity	Non-restricted equity		Total
	Share capital	Retained earnings	Non-controlling interest	
<b>All amounts are in SEK million.</b>				
<b>OPENING BALANCE, 1 JANUARY 2014</b> . . . . .	<b>1</b>	<b>964</b>	<b>322</b>	<b>1,287</b>
<b>Comprehensive income</b>				
Net profit for the period . . . . .		40	6	46
<b>Total comprehensive income</b> . . . . .		<b>40</b>	<b>6</b>	<b>46</b>
<b>Transactions with shareholders</b>				
Change in non-controlling interest . . . . .		219	(219)	0
<b>CLOSING BALANCE, 31 MARCH 2014</b> . . . . .	<b>1</b>	<b>1,223</b>	<b>109</b>	<b>1,333</b>
<b>OPENING BALANCE, 1 JANUARY 2014</b> . . . . .	<b>1</b>	<b>964</b>	<b>322</b>	<b>1,287</b>
<b>Comprehensive income</b>				
Profit for the year . . . . .		254	–	254
<b>Total comprehensive income</b> . . . . .		<b>254</b>	<b>–</b>	<b>254</b>
<b>Transactions with shareholders</b>				
Change in non-controlling interests . . . . .		319	(322)	(3)
<b>CLOSING BALANCE, 31 DECEMBER 2014</b> . . . . .	<b>1</b>	<b>1,537</b>	<b>0</b>	<b>1,538</b>
<b>OPENING BALANCE, 1 JANUARY 2015</b> . . . . .	<b>1</b>	<b>1,537</b>	<b>–</b>	<b>1,538</b>
<b>Comprehensive income</b>				
Net profit for the period . . . . .		58	–	58
<b>Total comprehensive income</b> . . . . .		<b>58</b>	<b>–</b>	<b>58</b>
<b>CLOSING BALANCE, 31 MARCH 2015</b> . . . . .	<b>1</b>	<b>1,595</b>	<b>–</b>	<b>1,596</b>

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### 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 Group Holding AB. In its turn, Nordax Group Holding AB owns companies whose business includes owning companies and managing shares in companies whose main operations consist of lending to private individuals in the Nordic region.

#### Information on the consolidated situation

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

### Note 2 Credit risk

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

#### (i) Credit risks in general

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

As consumer loans are provided without physical collateral, credit assessment is an important element. To obtain a loan, the customer and submitted application documents must fulfil a number of policy rules such as minimum income, minimum age, maximum debt burden ratio, no bad debt etc. 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. In addition, the credit decision is based on an affordability calculation to ensure the customer has the ability to repay the loan. The affordability calculation considers the customer's income, cost of housing, cost of loans 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 indebtedness 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.

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 2 Credit risk (Continued)

#### (ii) Measurement of credit risk

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

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

#### (iii) Risk management and risk control

The Group’s continued operations depend on its ability to manage and control credit risk. Great emphasis is placed on establishing procedures to deal with this. Among other things, reporting takes place at least monthly to the management team and the Board of Directors. Credit risk reporting is also a standing agenda item at each Board meeting. The risk control and compliance unit performs 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 the combined financial statements for 2012-2014, Note 2 and Note 7. 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 the effective interest rate of the loan receivable when fully performing. 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 event is understood to mean receivables 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.

<u>All amounts are in MSEK</u>	<u>Jan - Mar 2015</u>	<u>Oct - Dec 2014</u>	<u>Jan - Mar 2014</u>	<u>Jan - Dec 2014</u>
<b>Credit losses</b>				
Write-offs for the period pertaining to actual credit losses . . . . .	(5)	(6)	(7)	(15)
Gross value of new receivables during the period due more than 180 days . . . . .	(93)	(69)	(75)	(312)
Payments received during the period pertaining to loans due more than 180 days . . . . .	42	45	35	163
Adjustment to recoverable value pertaining to receivables due more than 180 days . . . . .	20	14	20	63
Total provision for loans with individually identified loss event <sup>(1)</sup> . . . . .	<u>(31)</u>	<u>(10)</u>	<u>(20)</u>	<u>(86)</u>
Group provision for receivables valued as a group <sup>(2)</sup> . . . . .	<u>(9)</u>	<u>(11)</u>	<u>(5)</u>	<u>(13)</u>
<b>Credit losses for the period . . . . .</b>	<b>(45)</b>	<b>(27)</b>	<b>(32)</b>	<b>(114)</b>

(1) Loans with individually identified loss event refers to loans that are more than 180 days past due.

(2) Receivables valued as a group refers to loans between one and 180 days past due.

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 3 Lending to the general public

March 31, 2015	Sweden	Norway	Denmark	Finland	Germany	Total	Allocation of provision past due receivables	
Not yet past due . . . . .	3,584	3,786	189	1,486	329	<b>9,374</b>		
Less than 30 days past due	44	92	7	79	4	<b>226</b>	(19)	8%
30-60 days past due . . . . .	23	35	4	30	2	<b>95</b>	(21)	22%
61-90 days past due . . . . .	19	22	5	10	1	<b>56</b>	(20)	36%
91-180 days past due . . . . .	31	22	2	14	2	<b>70</b>	(35)	51%
More than 180 days past due . . . . .	512	523	292	247	3	<b>1,577</b>	(991)	63%
<b>Total . . . . .</b>	<b>4,212</b>	<b>4,480</b>	<b>499</b>	<b>1,866</b>	<b>341</b>	<b>11,399</b>	<b>(1,087)</b>	<b>54%</b>
Provision <sup>(1)</sup> . . . . .	(323)	(340)	(276)	(142)	(7)	<b>(1,087)</b>		
<b>Total lending to the general public . . . . .</b>	<b>3,889</b>	<b>4,140</b>	<b>224</b>	<b>1,725</b>	<b>335</b>	<b>10,312</b>		

December 31, 2014	Sweden	Norway	Denmark	Finland	Germany	Total	Allocation of provision past due receivables	
Not yet past due . . . . .	3,586	3,598	209	1,458	289	<b>9,139</b>		
Less than 30 days past due	45	86	8	77	3	<b>220</b>	(18)	8%
30-60 days past due . . . . .	23	32	4	27	2	<b>89</b>	(19)	21%
61-90 days past due . . . . .	13	21	6	10	1	<b>51</b>	(17)	33%
91-180 days past due . . . . .	26	20	3	14	2	<b>65</b>	(33)	51%
More than 180 days past due . . . . .	489	495	298	238	2	<b>1,522</b>	(957)	63%
<b>Total . . . . .</b>	<b>4,182</b>	<b>4,252</b>	<b>528</b>	<b>1,824</b>	<b>299</b>	<b>11,086</b>	<b>(1,044)</b>	<b>54%</b>
Provision <sup>(1)</sup> . . . . .	(302)	(318)	(282)	(136)	(5)	<b>(1,044)</b>		
<b>Total lending to the general public . . . . .</b>	<b>3,880</b>	<b>3,934</b>	<b>246</b>	<b>1,688</b>	<b>294</b>	<b>10,042</b>		

(1) Provision for receivables which are more than 180 days past due are assessed individually and total MSEK -991 (-957). The group provision is MSEK -95 (-87). 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 more than 180 days past due 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 more than 180 days past due. 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.

### Note 4 Capital adequacy analyses

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. From the first quarter of 2014 a capital adequacy analysis for the consolidated situation is reported. Other information required under FFFS 2014:12 is provided on the Company's website, [www.nordax.se](http://www.nordax.se).

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 4 Capital adequacy analyses (Continued)

#### Information on the consolidated situation

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

<u>All amounts are in MSEK</u>	Consolidated situation	
	31.03.2015	31.12.2014
<b>OWN FUNDS</b>		
Common Equity Tier 1 capital . . . . .	1,596	1,537
Deduction from own funds . . . . .	(302)	(304)
<b>Total Common Equity Tier 1 capital . . . . .</b>	<b>1,294</b>	<b>1,233</b>
Tier 2 capital . . . . .	205	159
<b>Net own funds . . . . .</b>	<b>1,499</b>	<b>1,393</b>
Risk exposure amount for credit risk . . . . .	8,440	8,234
Risk exposure amount for market risk . . . . .	552	541
Risk exposure amount for operational risks . . . . .	1,272	1,271
<b>Total risk exposure amount . . . . .</b>	<b>10,264</b>	<b>10,046</b>
Common Equity Tier 1 capital ratio . . . . .	12.61%	12.28%
Tier 1 capital ratio . . . . .	12.61%	12.28%
Total capital ratio . . . . .	14.61%	13.87%
Capital adequacy ratio (own funds / capital requirement) . . . . .	1.83	1.73
Total Common Equity Tier 1 capital requirement including buffer requirement . . . . .	7,00%	7,00%
– of which, capital conservation buffer requirement . . . . .	2,50%	2,50%
Common Equity Tier 1 capital available for use as buffer <sup>(1)</sup> . . . . .	8,11%	7,78%
<b>Specification of risk exposure amount<sup>(2)</sup></b>		
Institutional exposures . . . . .	468	444
Covered bonds . . . . .	42	60
Household exposures . . . . .	7,268	7,085
Unregulated items . . . . .	620	597
Other items . . . . .	42	48
<b>Total risk exposure amount for credit risk, Standardised Approach . . . . .</b>	<b>8,440</b>	<b>8,234</b>
Exchange rate risk . . . . .	552	541
<b>Total risk exposure amount for market risk . . . . .</b>	<b>552</b>	<b>541</b>
Basic Indicator Approach . . . . .	1,272	1,271
<b>Total risk exposure amount for operational risks . . . . .</b>	<b>1,272</b>	<b>1,271</b>
<b>LEVERAGE RATIO</b>		
Exposure measure for calculating leverage ratio . . . . .	14,272	13,893
<b>Leverage ratio . . . . .</b>	<b>9.07%</b>	<b>8.88%</b>

(1) Common Equity Tier 1 capital ratio 12.61% less the statutory minimum requirement of 4.5% excluding the buffer requirement. A total capital requirement of a further 3.5% is also applicable.

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

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 4 Capital adequacy analyses (Continued)

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

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

The goal is to use funding sources which:

- Provide a high degree of matching, of currencies 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 on a monthly basis.

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

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

At 31 March 2015, Nordax had a liquidity coverage ratio (EBA definition) of 6.18 (8.40) and a net stable funding ratio of 1.30 (1.46) according to the definition of the Basel Committee, which has not yet been adopted.

Nordax had a liquidity reserve at 31 March 2015 of MSEK 3,272 (3,246). Of these investments, 52 (51) per cent was in Nordic banks, 13 (19) per cent in Swedish covered bonds and 35 (30) per cent in Swedish municipal papers. All investments had credit ratings ranging from AAA to A+ from Standard & Poor's, with an average rating of AA. The average maturity was 55 (68) days. All bank holdings are accessible and all securities are repo-able with central banks.

At 31 March 2015 Nordax's sources of funding comprised MSEK 2,943 (3,110) in funding through the asset-backed securities market (securitised), MSEK 482 (500) in corporate bonds, MSEK 2,503 (2,274) in secured funding from two global banks and MSEK 6,522 (6,460) in Deposits from the general public. The figures refer to the nominal amounts.

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 4 Capital adequacy analyses (Continued)

The table below presents an analysis of the Group's financial liabilities broken down according to the time remaining until first call date as at the balance-sheet date. The contractual maturity date for issued securities are more than five years, please review the combined financial statements for 2012-2014, note 23 for further details. The amounts stated in the table are the contractual, undiscounted cash flows.

<u>31 March 2015</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Liabilities to credit institutions . . . .	1,565	988	–	–	2,553
Deposits from the public . . . . .	6,524	–	–	–	6,524
Issued securities . . . . .	1,077	703	1,831	–	3,610
Subordinated liabilities . . . . .	220	14	293	–	527
Trade payables and other liabilities	76	–	–	–	76
<u>31 December 2014</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Liabilities to credit institutions . . . .	1,392	943	–	–	2,335
Deposits from the public . . . . .	6,479	–	–	–	6,479
Issued securities . . . . .	1,206	748	1,794	–	3,748
Subordinated liabilities . . . . .	212	–	–	–	212
Trade payables and other liabilities	89	–	–	–	89

### Note 5 Classification of financial assets and liabilities

	<b>Financial instruments carried at fair value through profit or loss</b>					<b>Total</b>
	<b>Held for trading</b>	<b>Designated at initial recognition</b>	<b>Investments held to maturity</b>	<b>Loans and receivables</b>	<b>Other financial liabilities</b>	
<b>March 31, 2015</b>						
<b>Assets</b>						
Lending to credit institutions .	–	–	–	2,330	–	2,330
Lending to the general public	–	–	–	10,312	–	10,312
Bonds and other fixed income securities . . . . .	–	1,580	–	–	–	1,580
Derivatives . . . . .	2	–	–	–	–	2
<b>Total assets . . . . .</b>	<b>2</b>	<b>1,580</b>	<b>–</b>	<b>12,642</b>	<b>–</b>	<b>14,224</b>
<b>Liabilities</b>						
Liabilities to credit institutions . . . . .	–	–	–	–	2,491	2,491
Deposits from the public . . . .	–	–	–	–	6,524	6,524
Issued securities . . . . .	–	–	–	–	3,401	3,401
Subordinated liabilities . . . . .	–	–	–	–	445	445
<b>Total liabilities . . . . .</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,861</b>	<b>12,861</b>

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 5 Classification of financial assets and liabilities (Continued)

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

Trade receivables, trade payables and prepaid/accrued 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.

### Note 6 Fair values of financial assets and liabilities

#### GROUP

March 31, 2015	Carrying amount	Fair value	Fair value gain (+)/ fair value loss (-)
<b>Assets</b>			
Lending to credit institutions <sup>(1)</sup> . . . . .	2,330	2,330	–
Lending to the general public <sup>(2)</sup> . . . . .	10,312	12,713	2,401
Bonds and other fixed income securities . . . . .	1,580	1,580	–
Derivatives . . . . .	2	2	–
<b>Total assets</b> . . . . .	<b>14,224</b>	<b>16,625</b>	<b>2,401</b>
<b>Liabilities</b>			
Liabilities to credit institutions <sup>(1)</sup> . . . . .	2,491	2,491	–
Deposits from the public <sup>(1)</sup> . . . . .	6,524	6,524	–
Issued securities <sup>(3)</sup> . . . . .	3,401	3,423	22
Subordinated liabilities <sup>(3)</sup> . . . . .	445	449	4
<b>Total liabilities</b> . . . . .	<b>12,861</b>	<b>12,887</b>	<b>26</b>

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 6 Fair values of financial assets and liabilities (Continued)

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

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

(2) The measurement includes significant non-observable inputs and belongs to Level 3. The present value of future discounted cash flows are expected to be larger than the amortised cost according to the accounts with regard to a current market rate.

(3) Fair value data for issued securities and debenture loans belong to Level 2, as the inputs for measurement are based directly or indirectly on quoted prices.

#### 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.

The fair values of financial instruments which are not traded in an active market are determined with the help of valuation techniques. 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 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)

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 6 Fair values of financial assets and liabilities (Continued)

In 2015, no transfers between levels were made.

<u>March 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Bonds and other fixed income securities . . . . .	1,580	–	–	<b>1,580</b>
Derivatives . . . . .	–	2	–	<b>2</b>
<b>Total assets</b> . . . . .	<b>1,580</b>	<b>2</b>	–	<b>1,582</b>
<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Bonds and other fixed income securities . . . . .	1,585	–	–	<b>1,585</b>
<b>Total assets</b> . . . . .	<b>1,585</b>	–	–	<b>1,585</b>
<b>Liabilities</b>				
Derivatives . . . . .	–	4	–	<b>4</b>
<b>Total liabilities</b> . . . . .	–	<b>4</b>	–	<b>4</b>

### Note 7 Operating segments

Segment information is presented based on the chief operating decision-maker's perspective, and the segments are identified based on the internal reporting to the CEO, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway, Finland, Denmark and Germany, which reflects Nordax' lending portfolio. Profit/loss that cannot be attributed to a segment is allocated using distribution keys according to internal principles that the Management believes provide a fair allocation to the segments. The chief operating decision-maker will primarily apply to the performance concept of operating profit/loss. Impairment test of goodwill is made on a yearly basis in conjunction with the annual report and management's assessment is that it will not be materially impacted when goodwill is reported per segment as of 2015.

An impairment test was performed when the segmentation changed. This test resulted in no impact on the carrying value.

<u>Jan - Mar 2015</u>	<u>Sweden</u>	<u>Norway</u>	<u>Denmark</u>	<u>Finland</u>	<u>Germany</u>	<u>Total</u>
<b>Income statement</b>						
Interest income <sup>(1)</sup> . . . . .	105	133	4	57	8	<b>307</b>
Interest expenses . . . . .	(33)	(46)	(1)	(11)	(2)	<b>(94)</b>
<b>Total net interest income</b> . . . . .	<b>72</b>	<b>87</b>	<b>3</b>	<b>46</b>	<b>6</b>	<b>213</b>
Commission income . . . . .	3	2	0	–	–	<b>5</b>
Depreciation and amortisation of tangible and intangible assets . . . . .	(3)	(2)	0	(1)	0	<b>(5)</b>
Operating expenses <sup>(2)</sup> . . . . .	(27)	(24)	(1)	(6)	(4)	<b>(63)</b>
Marketing costs <sup>(2)</sup> . . . . .	(5)	(12)	0	(6)	(8)	<b>(31)</b>
<b>Profit before credit losses</b> . . . . .	<b>41</b>	<b>50</b>	<b>2</b>	<b>33</b>	<b>(7)</b>	<b>119</b>
Net credit losses . . . . .	(18)	(16)	(2)	(7)	(2)	<b>(45)</b>
<b>Operating profit/loss</b> . . . . .	<b>23</b>	<b>34</b>	<b>0</b>	<b>26</b>	<b>(9)</b>	<b>74</b>
<b>Balance sheet</b>						
Lending to the general public . . . . .	3,889	4,140	224	1,725	335	<b>10,312</b>

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 7 Operating segments (Continued)

Jan - Dec 2014	Sweden	Norway	Denmark	Finland	Germany	Total
<b>Income statement</b>						
Interest income <sup>(1)</sup> . . . . .	453	517	19	189	18	<b>1,196</b>
Interest expenses . . . . .	(164)	(197)	(8)	(40)	(6)	<b>(415)</b>
<b>Total net interest income</b> . . . . .	<b>289</b>	<b>320</b>	<b>11</b>	<b>149</b>	<b>12</b>	<b>781</b>
Commission income . . . . .	9	6	0	0	-	<b>15</b>
Depreciation, amortisation and impairment of tangible and intangible assets . . . . .	(8)	(5)	(1)	(2)	(1)	<b>(18)</b>
Operating expenses <sup>(2)</sup> . . . . .	(103)	(90)	(6)	(28)	(15)	<b>(243)</b>
Marketing costs <sup>(2)</sup> . . . . .	(18)	(41)	-	(16)	(21)	<b>(96)</b>
<b>Profit before credit losses</b> . . . . .	<b>168</b>	<b>189</b>	<b>3</b>	<b>103</b>	<b>(25)</b>	<b>439</b>
Net credit losses . . . . .	(31)	(49)	(13)	(17)	(4)	<b>(114)</b>
<b>Operating profit</b> . . . . .	<b>137</b>	<b>140</b>	<b>(10)</b>	<b>86</b>	<b>(29)</b>	<b>325</b>
<b>Balance sheet</b>						
Lending to the general public . . . . .	3,880	3,934	246	1,688	294	<b>10,042</b>
<b>Jan - Mar 2014</b>						
<b>Income statement</b>						
Interest income <sup>(1)</sup> . . . . .	111	116	5	40	2	<b>274</b>
Interest expenses . . . . .	(43)	(44)	(1)	(9)	(1)	<b>(98)</b>
<b>Total net interest income</b> . . . . .	<b>68</b>	<b>72</b>	<b>4</b>	<b>31</b>	<b>1</b>	<b>176</b>
Commission income . . . . .	2	1	0	-	-	<b>3</b>
Depreciation and amortisation of tangible and intangible assets . . . . .	(1)	(1)	0	(1)	(1)	<b>(4)</b>
Operating expenses <sup>(2)</sup> . . . . .	(23)	(22)	(1)	(6)	(3)	<b>(55)</b>
Marketing costs <sup>(2)</sup> . . . . .	(6)	(13)	-	(5)	(4)	<b>(28)</b>
<b>Profit before credit losses</b> . . . . .	<b>40</b>	<b>37</b>	<b>3</b>	<b>18</b>	<b>(7)</b>	<b>92</b>
Net credit losses . . . . .	(13)	(14)	(1)	(3)	(1)	<b>(32)</b>
<b>Operating profit/loss</b> . . . . .	<b>27</b>	<b>23</b>	<b>2</b>	<b>15</b>	<b>(8)</b>	<b>60</b>
<b>Balance sheet</b>						
Lending to the general public . . . . .	3,618	3,541	281	1,283	117	<b>8,839</b>

(1) Interest income refers to income from external customers.

(2) Operating expenses consist of net profit/loss from financial transactions, other operating income, general administrative expenses and the portion of other operating expenses that does not relate to marketing (which are reported separately).

### Note 8 Pledged assets

All amounts are in SEK million	31.03.2015	31.12.2014
<b>Pledged assets for own liabilities</b>		
Lending to the general public . . . . .	8,725	8,481
Lending to credit institutions . . . . .	691	699
<b>Total</b> . . . . .	<b>9,416</b>	<b>9,180</b>

## Notes

Amounts stated in the notes are in MSEK unless otherwise indicated. (Continued)

### Note 9 Transactions with related parties

In connection with the reorganization within the Nordax group in December 2014, certain shareholders received advanced consideration of SEK 3.1 million (-) for their transferred shares in Nordax Group Holding AB in form of loan notes issued by Nelson Luxco SARL. The loan notes are issued on arm's length terms and bear interest at an annual rate of 5.5% and shall be repaid together with accrued interest at the latest on 20 May 2015. This was regulated in connection with a dividend April 17, 2015.

A monitoring fee of SEK 0.4 MSEK of which 0.3 fee and 0.1 costs (Q114 monitoring fee of 0.4 MSEK of which 0.3 fee and 0.1 costs) has been paid to related company Vision Capital LLP from Nordax Group Holding AB.

Otherwise, the Group has not had any transactions with related parties.

### Note 10 Events after closing of the reporting period

On April 1, 2015 Nordax announced that two new non-executive directors of the Board had been appointed at the Extraordinary General Meeting held the same day. Nordax has appointed Katarina Bonde and Hans Larsson as non-executive directors in Nordax Group AB (publ), Nordax Bank AB (publ), Nordax Holding AB and Nordax Group Holding AB. Katarina Bonde is a senior board professional with a focus on technology companies, financial institutions and entrepreneurships. She has held various executive positions in the software industry. Hans Larsson has extensive experience in financial services and global banking, having held various operational, strategic and executive roles across numerous sectors and product groups in SEB. Arne Bernroth, non-executive director was elected vice chairman of the board. The appointments are pending the Swedish Financial Supervisory Authority's assessment. According to the Articles of Association, adopted at the Extraordinary General Meeting on February 26, 2015 the board shall consist of not less than 5 and not more than 12 permanent members. After the election of directors, at the Extraordinary General Meetings on February 26, 2015 and on April 1, 2015, the board consists of nine members; Richard Pym (chairman), Arne Bernroth (vice chairman), Christian Beck, Andrew Rich, Daryl Cohen, Synnöve Trygg, Hans Larsson, Katarina Bonde and Morten Falch. In accordance with the adjusted Articles of Association, the executive directors Johanna Clason and Jacob Lundblad were discharged from their positions as board members; and the deputy board members Camilla Wirth, Per Bodlund, Iva Anguelov and David Lamb were discharged from their positions as deputy board members.

In connection with a share issue by May 10, 2015 Nordax Group AB (publ) acquired Nordax Group.

## Definitions

### **Adjusted operating income**

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

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

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

### **Adjusted operating expenses**

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

### **Adjusted operating profit**

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

### **Average loan portfolio**

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

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

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

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

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

### **Cost of risk**

Net credit losses as a percentage of average loan portfolio. Cost of risk for the three months ended March 31, 2015 and 2014 is presented on an annualized basis.

### **Credit loss level**

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

### **Earnings per share**

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

### **Leverage ratio**

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

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

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

### **Liquidity reserve**

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

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

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

**Own funds**

The sum of Tier 1 and Tier 2 capital.

**Return on average net loans**

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

**Return on equity**

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

**Risk exposure amount**

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

**Tier 1 capital ratio**

Tier 1 capital as a percentage of risk exposure amount.

**Tier 1 capital**

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

**Tier 2 capital**

Mainly subordinated loans not qualifying as Tier 1 capital contribution.

**Total capital ratio**

Total own funds as a percentage of risk exposure amount.

**Nordax Group AB (publ)**  
**Combined financial statements**  
**1 January–31 December 2012, 2013, 2014**

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## Income statement

All amounts are in SEK million.	Note	Jan - Dec 2014	Jan - Dec 2013	Jan - Dec 2012
<b>Operating income</b>				
Interest income . . . . .	8, 17	1,196	1,053	1,011
Interest expenses . . . . .	8, 17	(415)	(424)	(507)
<b>Total net interest income . . . . .</b>		<b>781</b>	<b>629</b>	<b>504</b>
Commission income . . . . .	9, 17	15	15	15
Net profit/loss from financial transactions . . . . .	10, 17	7	5	45
Other operating income . . . . .	17	0	4	15
<b>Total operating income . . . . .</b>		<b>803</b>	<b>653</b>	<b>579</b>
<b>Operating expenses</b>				
General administrative expenses . . . . .	11, 17	(224)	(193)	(173)
Depreciation and amortisation of tangible and intangible fixed assets . . . . .	17, 18, 19	(18)	(16)	(14)
Other operating expenses . . . . .	17	(122)	(78)	(80)
<b>Total operating expenses . . . . .</b>		<b>(364)</b>	<b>(287)</b>	<b>(267)</b>
<b>Profit/loss before credit losses . . . . .</b>		<b>439</b>	<b>365</b>	<b>312</b>
Net credit losses . . . . .	12, 17	(114)	(114)	(127)
<b>Operating profit/loss . . . . .</b>		<b>325</b>	<b>251</b>	<b>185</b>
Tax on profit/loss for the year . . . . .	13	(71)	(49)	(49)
<b>PROFIT/LOSS FOR THE PERIOD / COMPREHENSIVE INCOME . . . . .</b>		<b>254</b>	<b>203</b>	<b>136</b>
<b>Attributable to:</b>				
The Parent Company's shareholders . . . . .		254	152	102
Non-controlling interest . . . . .		0	51	34
Earnings per share, SEK . . . . .		508.11	303.09	203.03
Average number of shares . . . . .		500,000	500,000	500,000

## Statement of financial position

All amounts are in SEK million	Note	31.12.2014	31.12.2013	31.12.2012
<b>ASSETS</b>				
Lending to credit institutions . . . . .	5, 6, 14	2,212	1,608	2,546
Lending to the general public . . . . .	5, 6, 15, 17	10,042	8,393	7,456
Bonds and other fixed-income securities . . . . .	5, 6, 16	1,585	550	1,991
Tangible assets . . . . .	18	7	6	9
Intangible assets . . . . .	19	316	330	342
Other assets . . . . .	20	18	6	7
Prepaid expenses and accrued income . . . . .		10	17	8
<b>TOTAL ASSETS</b> . . . . .		<b>14,190</b>	<b>10,910</b>	<b>12,359</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>				
<b>Liabilities</b>				
Liabilities to credit institutions . . . . .	5, 6, 21	2,259	2,314	1,781
Deposits from the public . . . . .	5, 6, 22	6,479	4,753	7,165
Issued securities . . . . .	5, 23	3,581	2,259	2,033
Current tax liability . . . . .	24	16	5	9
Deferred tax liability . . . . .	13	29	32	41
Other liabilities . . . . .	25	25	15	13
Accrued expenses and deferred income . . . . .		64	47	35
Subordinated liabilities . . . . .	5, 6, 26	199	198	197
<b>Total liabilities</b> . . . . .		<b>12,652</b>	<b>9,623</b>	<b>11,274</b>
<b>Equity</b>				
Share capital . . . . .		1	1	1
Retained earnings, incl. profit for the year . . . . .		1,537	964	811
		<b>1,538</b>	<b>965</b>	<b>812</b>
Non-controlling interest . . . . .		–	322	273
<b>Total equity</b> . . . . .		<b>1,538</b>	<b>1,287</b>	<b>1,085</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b> . . . . .		<b>14,190</b>	<b>10,910</b>	<b>12,359</b>
<b>Memorandum items</b>				
Pledged assets for own liabilities . . . . .	27	9,180	7,498	7,709
Contingent liabilities . . . . .		None	None	None

## Cash flow statement

<u>All amounts are in SEK million</u>	<u>Jan - Dec 2014</u>	<u>Jan - Dec 2013</u>	<u>Jan - Dec 2012</u>
<b>Operating activities</b>			
Operating profit . . . . .	325	251	185
Adjustment for non-cash items			
Income tax paid . . . . .	(63)	(61)	(33)
Depreciation, amortisation and impairment of tangible and intangible assets . . . . .	15	16	14
<b>Change in operating assets and liabilities</b>			
Decrease/Increase in lending to the public . . . . .	(1,649)	(936)	(724)
Decrease/Increase in other assets . . . . .	(5)	(8)	20
Decrease/Increase in deposits from the public . . . . .	1,726	(2,412)	2,064
Decrease/Increase in other liabilities . . . . .	25	15	(6)
<b>Cash flow from operating activities</b> . . . . .	<b>374</b>	<b>(3,135)</b>	<b>1,520</b>
<b>Investing activities</b>			
Purchase of equipment . . . . .	0	(2)	(8)
Investment in bonds and other fixed-income securities . . . . .	(3,797)	(2,696)	(4,696)
Maturity of bonds and other fixed-income securities . . . . .	2,762	4,137	3,852
Sale of shares . . . . .	-	-	-
<b>Cash flow from investing activities</b> . . . . .	<b>(1,035)</b>	<b>1,439</b>	<b>(852)</b>
<b>Financing activities</b>			
Decrease/Increase in liability to credit institutions . . . . .	(55)	533	254
Decrease/Increase in issued securities . . . . .	1,322	226	11
Decrease/Increase in subordinated liabilities . . . . .	1	1	1
Change in non-controlling interests . . . . .	(3)	(2)	-
<b>Cash flow from financing activities</b> . . . . .	<b>1,265</b>	<b>758</b>	<b>266</b>
<b>Cash flow for the period</b> . . . . .	<b>604</b>	<b>(938)</b>	<b>934</b>
<b>Cash and cash equivalents at beginning of year</b> . . . . .	<b>1,608</b>	<b>2,546</b>	<b>1,612</b>
<b>Cash and cash equivalents at end of year</b> . . . . .	<b>2,212</b>	<b>1,608</b>	<b>2,546</b>

Cash and cash equivalents are defined as treasury bills eligible for refinancing and lending to credit institutions.

Operating profit includes interest income paid by the public totaling SEK 1,175,958 thousand (2013: 1,028,900, 2012: 975,432) and interest income paid by credit institutions totaling SEK 20,255 thousand (2013: 23,981, 2012: 35,305), as well as interest expenses paid to the public totaling SEK 173,532 thousand (2013: 175,768, 2012: 226,624) and interest expenses paid to credit institutions totaling SEK 242,076 thousand (2013: 248,391, 2012: 280,391).

## Statement of changes in equity

All amounts are in SEK million	Share capital	Retained earnings	Non-controlling interests	Total
<b>OPENING BALANCE, 1 JANUARY 2012 ..</b>	<b>1</b>	<b>709</b>	<b>239</b>	949
<b>Comprehensive income</b>				
Profit for the year .....		102	34	136
<b>Total comprehensive income .....</b>		<b>102</b>	<b>34</b>	136
<b>CLOSING BALANCE, 31 DECEMBER</b>				
<b>2012 .....</b>	<b>1</b>	<b>811</b>	<b>273</b>	<b>1,085</b>
<b>OPENING BALANCE, 1 JANUARY 2013 ..</b>	<b>1</b>	<b>811</b>	<b>273</b>	1,085
<b>Comprehensive income</b>				
Profit for the year .....		152	51	203
<b>Total comprehensive income .....</b>		<b>152</b>	<b>51</b>	203
<b>Transactions with shareholders</b>				
Change in non-controlling interests .....		1	(2)	(1)
<b>CLOSING BALANCE, 31 DECEMBER</b>				
<b>2013 .....</b>	<b>1</b>	<b>964</b>	<b>322</b>	1,287
<b>OPENING BALANCE, 1 JANUARY 2014 ..</b>	<b>1</b>	<b>964</b>	<b>322</b>	1,287
<b>Comprehensive income</b>				
Profit for the year .....		254	–	254
<b>Total comprehensive income .....</b>		<b>254</b>		254
<b>Transactions with shareholders</b>				
Change in non-controlling interests .....		319	(322)	(3)
<b>CLOSING BALANCE, 31 DECEMBER</b>				
<b>2014 .....</b>	<b>1</b>	<b>1,537</b>	<b>0</b>	1,538

The share capital consists of 500,000 ordinary shares of the same share class and with a quota value of SEK 1. All shares have equal voting rights.

## Notes

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

### Note 1 General information

Nordax Group AB (publ) (Corporate Identity Number 556993-2485), with its registered office in Stockholm, is the parent company of a group that includes the subsidiary Nordax Group Holding AB. In its turn, Nordax Group Holding AB owns companies whose business includes owning companies and managing shares in companies whose main operations consist of lending to private individuals in the Nordic region.

### Note 2 Accounting and measurement policies

#### Basis of preparation

All entities included in these combined financial statements are under common control as they are all ultimately majority owned and controlled by Nordax Group AB. The Nordax Group AB (publ) Group, as presented in these financial statements, constitutes of the entities listed in note 28 in these financial statements, has not constituted a separate legal group for the periods presented in these financial statements. Accordingly the combined financial statements represent an aggregation of the historical financial information of the entities in the Group. The combined historical financial information, which has been prepared specifically for the purpose of this Prospectus, is therefore prepared on a basis that combines the results and assets and liabilities of each of the companies constituting the Group by applying the principles underlying the consolidation procedures of IFRS 10 Consolidated Financial Statements for each of the three years to 31 December 2014, 2013 and 2012. On such basis, the combined historical financial information sets out the Group's financial position as of 31 December 2014, 2013 and 2012 and results of operations and cash flows for the three years then ended.

The combined financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation, the Listing Rules on Nasdaq Stockholm, and in accordance with this basis of preparation.

The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU.

The combined financial information is presented in millions of SEK except when otherwise indicated. The following summarises the accounting and other principles applied in preparing the combined historical financial information:

The combined financial information of the entities that constitute the Group has been prepared for the same reporting periods using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses have been eliminated.

As Nordax Group AB is a newly established off the shelf company which has not conducted any business the future consolidated financial statements of Nordax Group AB (publ) will be prepared as a continuation of the current Group, as the transaction where Nordax Group AB (publ) is established as a new parent company is merely a reorganization of the current group where Nelson Luxco Sarl is the parent company, accordingly the combined financial statements of Nordax Group AB (publ) have been prepared on that basis. The future consolidated financial statements of Nordax Group AB (publ) will in all essentials be consistent with these combined financial statements.

This means that the predecessor values of the Nelson Luxco Sarl Group which has been reported internally on a consolidated basis in accordance with IFRS as adopted by the EU has been used in preparing these combined financial statements with the inclusion of the assets and liabilities of Nordax Group AB (publ). No adjustments have been made to the values of assets and the liabilities in relation to the combined financial statements compared to the historically reported values.

The most important accounting policies applied in the preparation of these combined financial statements are indicated below.

The combined financial statements for the Nordax Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU with supplementary accounting

## Notes

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

### Note 2 Accounting and measurement policies (Continued)

rules for groups in RFR 1 as well as the Swedish Financial Supervisory Authority's regulations and guidelines FFFS 2008:25.

#### Combined financial statements

The combined financial statements have been prepared on the basis of the cost method, except as regards derivative 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 return from its holding in the entity and is able to affect this return through its influence in the entity. Subsidiaries are included in the combined financial statements as of the date when control passes to the Group. They are deconsolidated from the date on which the control ceases.

#### Translation of foreign currency

##### (i) Functional currency and reporting currency

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

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

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

#### Tangible assets

Tangible assets is recognised at cost and is depreciated on a straight-line basis according to plan over its useful life. The depreciation period for tangible assets is between 3 and 5 years. Impairment testing takes place if there is an indication of a decline in value.

#### Intangible assets

##### (i) Internally developed software

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

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

## Notes

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

### Note 2 Accounting and measurement policies (Continued)

Development costs are recognised as an expense when they arise. Development costs that have previously been recognised as expenses are not recognised as assets in the subsequent period. Development costs for software recognised as assets are amortised over their estimated useful life, which is not more than five years

#### (ii) Goodwill

The value recognised as goodwill is attributed to the acquisition of Nordax Holding AB. The recognised value of customer relationships, which is an estimate of the value of acquired registers of customers, is also attributed to this acquisition.

#### Value in use

Goodwill is related to the entire Nordax Holding AB Group. At the end of 2014, the recoverable amount was established based on the value in use. This means that the present value of expected future cash flows arising from the assets is calculated using a discounting factor. Future expected cash flows are based on the five-year plan prepared for the Group. The most important assumptions in the five-year plan are:

The Management's assessments regarding growth and net profit, including credit losses.

The cash flow calculations were based on the assumed cash flow for five years and an estimated terminal value at the end of the five-year period, which equals the book value of the assets. The Group considers that an unweighted Tier 1 capital ratio of 15% is reasonable. A discounting factor of 5.2% before tax was established based on an assumed required return on equity before tax of 20% and the market's required return on the funding of the assets.

Based on the calculations reported above, there was no impairment of goodwill at the end of the financial year. A change in the discount rate (of +1 percentage point) would not lead to impairment, either. Goodwill was previously measured at the total level, but as of 2014, goodwill is measured at the operating segment level, based on the relative values of the segments that existed at the time of acquisition.

#### Financial assets

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

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

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss, i.e. identified at fair value. A financial asset is classified in this category if it is classified as held for trading 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 are classified as current assets and are recognised under the items Other assets. Nordax choose to classify Bonds and other interest-bearing assets as financial assets at fair value through profit or loss (fair value option).

#### (ii) Loans receivable and trade receivables

Loans receivable and trade 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 receivable and trade 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.

## Notes

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

### Note 2 Accounting and measurement policies (Continued)

#### (iii) Recognition and measurement

Purchases and sales of financial assets are recognised on the settlement date. Financial instruments are initially recognised at fair value plus transaction expenses, which applies to all financial assets not recognised at fair value through the income statement. 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 removed from the balance sheet when the right to receive cash flows from the instrument has expired or has been transferred and the Group has transferred virtually 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 receivable and trade 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.

#### 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 at measured fair value through profit and loss

Financial liabilities measured at fair value through the income statement are financial liabilities held for trading and financial assets which, upon initial recognition have been designated at fair value through profit or loss. 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.

#### Lending

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

Credit losses consist of write-off for the year of observed credit losses, provisions for loans with an individually identified loss event (individually identified loss even is understood to mean receivables more than 180 days past due) and group provision for receivables measured as a group (1–180 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.

## Notes

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

### Note 2 Accounting and measurement policies (Continued)

#### Interest income

Rental income is recognised as income with application of the effective interest method.

#### Commission income

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

#### 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.

#### Employee benefits

##### (i) Pension expenses

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

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

#### Group contributions

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

#### Segment reporting

Segment information is presented based on the chief operating decision-maker's perspective, and the segments are identified based on the internal reporting to the CEO, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway, Finland, Denmark and Germany, which reflects Nordax' lending portfolio. As of 2014, profit/loss that cannot be attributed to a segment is allocated using distribution keys according to internal principles that the management believes provide a fair allocation to the segments. The chief operating decision-maker will primarily apply to the performance concept of operating profit/loss.

## Notes

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

### Note 2 Accounting and measurement policies (Continued)

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

The standards which have been adopted by the Group and the Parent Company for the first time for the financial year commencing on 1 January 2014 and which have a material impact on the consolidated financial statements are indicated below.

Revision of FFFS 2008:25 concerning disclosures on capital adequacy analysis.

None of the IFRS standards or IFRIC interpretations which are mandatory for the first time for the financial year commencing on 1 January 2014 have had a material impact on the Group's income statement or balance sheet. Additional disclosure requirements resulting to revisions in FFFS 2008:25 are presented in the note on Capital adequacy analysis.

#### New applicable standards, revisions and interpretations of existing standards which have not yet come into force and which have not been adopted prospectively by the Group

IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was published in July 2014. It replaces those parts of IAS 39 concerned with classification and measurement of financial instruments. IFRS 9 retains a mixed measurement approach but simplifies this approach in certain respects. There will be three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. How an instrument is to be classified depends on the company's business model and the characteristics of the instrument. Investments in equity instruments are to be recognised at fair value through profit and loss but there is also an option to elect to recognise the instrument at fair value through other comprehensive income at initial recognition. No reclassification to the income statement will then take place when divesting the instrument. IFRS 9 also introduces a new model for calculating the credit loss provision arising from expected credit losses. In the case of financial liabilities, classification and measurement are not changed, apart from where a liability is reported at fair value through the income statement. Value changes attributable to changes in own credit risk are then to be recognised in other comprehensive income. IFRS 9 changes the requirements for application of hedge accounting by replacing the 80-125 criterion with requirements for financial relationship between hedging instruments and secured object and by the hedging ratio having to be the same as that used in risk management. The hedging documentation is also little changed in comparison with that prepared under IAS 39. The standard is to be applied for financial years commencing on 1 January 2018. Earlier application is permitted.

The Group has not yet evaluated the effects.

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

### Note 3 Changes in accounting policies

In 2014, the accounting policies remained essentially the same as in 2013 and 2012.

### Note 4 Financial liabilities

#### 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.

## Notes

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

### Note 4 Financial liabilities (Continued)

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

#### (i) Credit risks in general

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

As consumer loans are provided without physical collateral, credit assessment is an important element. To obtain a loan, the customer and submitted application documents must fulfil a number of policy rules such as minimum income, minimum age, maximum debt burden ratio, no bad debt etc. 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. In addition, the credit decision is based on an affordability calculation to ensure the customer has the ability to repay the loan. The affordability calculation considers the customer's income, cost of housing, cost of loans 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 indebtedness 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 risk control

The Group's continued operations depend on its ability to manage and control credit risk. Great emphasis is placed on establishing procedures to deal with this. Among other things, reporting takes place at least monthly to the management team and the Board of Directors. Credit risk reporting is also a standing agenda item at each Board meeting. The risk control and compliance unit performs 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.

## Notes

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

### Note 4 Financial liabilities (Continued)

#### (iv) Principles for credit risk provisions

Principles for credit risk provisions are indicated in Note 2 and Note 7. 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 event is understood to mean receivables that are more than 180 days past due), and group provision for receivables measured as a group (1–180 days past due) 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 SEK million	Maximum exposure		
	31.12.2014	31.12.2013	31.12.2012
<b>Credit risk exposures relate to the balance sheet as follows:</b>			
Lending to credit institutions . . . . .	2,212	1,608	2,546
Lending to the general public . . . . .	10,042	8,393	7,456
Bonds and other fixed-income securities . . . . .	1,585	550	1,991
<b>Total . . . . .</b>	<b>13,839</b>	<b>10,551</b>	<b>11,993</b>

#### Lending to the general public

31 December 2014	Sweden	Norway	Denmark	Finland	Germany	Total	Allocation of provision for past due receivables	
Not yet past due . . . . .	3,586	3,598	209	1,458	289	<b>9,139</b>		
Less than 30 days past due	45	86	8	77	3	<b>220</b>	(18)	8%
30-60 days past due . . . . .	23	32	4	27	2	<b>89</b>	(19)	21%
61-90 days past due . . . . .	13	21	6	10	1	<b>51</b>	(17)	33%
91-180 days past due . . . . .	26	20	3	14	2	<b>65</b>	(33)	51%
More than 180 days past due . . . . .	489	495	298	238	2	<b>1,522</b>	(957)	63%
<b>Total past due . . . . .</b>	<b>596</b>	<b>654</b>	<b>319</b>	<b>366</b>	<b>10</b>	<b>1 947</b>	<b>(1,044)</b>	<b>54%</b>
<b>Total . . . . .</b>	<b>4,182</b>	<b>4,252</b>	<b>528</b>	<b>1,824</b>	<b>299</b>	<b>11,086</b>		
Reserve . . . . .	(302)	(318)	(282)	(136)	(5)	<b>(1,044)</b>		
<b>Total lending to the general public . . . . .</b>	<b>3,880</b>	<b>3,934</b>	<b>246</b>	<b>1,688</b>	<b>294</b>	<b>10,042</b>		

## Notes

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

### Note 4 Financial liabilities (Continued)

31 December 2013	Sweden	Norway	Denmark	Finland	Germany	Total	Allocation of provision for past due receivables	
Not yet past due . . . . .	3,286	2,986	257	1,023	70	7,621		
Less than 30 days past due	45	91	9	39	0	185	(16)	9%
30-60 days past due . . . . .	17	26	3	13	0	60	(13)	22%
61-90 days past due . . . . .	15	20	7	7	0	49	(16)	33%
91-180 days past due . . . . .	23	19	3	10	–	55	(27)	49%
More than 180 days past due . . . . .	409	437	269	185	–	1,300	(805)	62%
<b>Total past due . . . . .</b>	<b>509</b>	<b>593</b>	<b>291</b>	<b>254</b>	<b>0</b>	<b>1,649</b>	<b>(877)</b>	<b>53%</b>
<b>Total . . . . .</b>	<b>3,795</b>	<b>3,579</b>	<b>548</b>	<b>1,277</b>	<b>70</b>	<b>9,270</b>	<b>(877)</b>	<b>53%</b>
Reserve . . . . .	(255)	(272)	(251)	(98)	0	(877)		
<b>Total lending to the general public . . . . .</b>	<b>3,540</b>	<b>3,307</b>	<b>297</b>	<b>1,179</b>	<b>70</b>	<b>8,393</b>		

31 December 2012	Sweden	Norway	Denmark	Finland	Germany	Total	Allocation of provision for past due receivables	
Not yet past due . . . . .	2,886	3,022	308	520	1	6,736		
Less than 30 days past due	45	85	13	24	0	168	(16)	10%
30-60 days past due . . . . .	17	29	5	9	0	61	(14)	23%
61-90 days past due . . . . .	13	17	9	5	0	44	(12)	27%
91-180 days past due . . . . .	19	19	4	4	–	46	(24)	52%
More than 180 days past due . . . . .	324	421	241	164	–	1,150	(683)	59%
<b>Total past due . . . . .</b>	<b>418</b>	<b>571</b>	<b>272</b>	<b>206</b>	<b>0</b>	<b>1,469</b>	<b>(749)</b>	<b>51%</b>
<b>Total . . . . .</b>	<b>3,304</b>	<b>3,593</b>	<b>580</b>	<b>726</b>	<b>1</b>	<b>8,205</b>		
Reserve . . . . .	(207)	(248)	(223)	(70)	0	(749)		
<b>Total lending to the general public . . . . .</b>	<b>3,097</b>	<b>3,345</b>	<b>357</b>	<b>656</b>	<b>1</b>	<b>7,456</b>		

When a loan becomes more than 180 days past due 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 more than 180 days past due. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between

## Notes

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

### Note 4 Financial liabilities (Continued)

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.

All amounts are in SEK million	31.12.2014	31.12.2013	31.12.2012
<b>Provision for loans with individually identified loss events<sup>(1)</sup></b>			
Opening reserve at start of year . . . . .	(805)	(683)	(547)
–allocated during the year . . . . .	(86)	(90)	(103)
–exchange rate effects <sup>(2)</sup> . . . . .	(66)	(32)	(33)
<b>Provision for loans with individually identified loss events at end of year . . . . .</b>	<b>(957)</b>	<b>(805)</b>	<b>(683)</b>
<b>Group provision for receivables valued as a group<sup>(3)</sup></b>			
Opening reserve at start of year . . . . .	(72)	(66)	(52)
–allocated during the year . . . . .	(13)	(9)	(14)
–exchange rate effects <sup>(2)</sup> . . . . .	(2)	3	0
<b>Group provision for receivables valued as a group<sup>(3)</sup> at end of year . . . . .</b>	<b>(87)</b>	<b>(72)</b>	<b>(66)</b>
<b>Total provision for credit losses . . . . .</b>	<b>(1,044)</b>	<b>(877)</b>	<b>(749)</b>

(1) Loans with individually identified loss events refers to loans that are more than 180 days past due.

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

(3) Receivables valued as a group refers to loans between one and 180 days past due.

All amounts are in SEK million	Jan - Dec 2014	Jan - Dec 2013	Jan - Dec 2012
<b>Credit quality pertaining to fully functioning loan receivables<sup>(1)</sup></b>			
Rating A . . . . .	762	781	777
Rating B . . . . .	1,849	1,616	1,567
Rating C . . . . .	3,394	2,628	2,231
Rating D . . . . .	2,578	2,049	1,607
Rating E . . . . .	520	507	506
No rating . . . . .	36	40	48
<b>Total . . . . .</b>	<b>9,139</b>	<b>7,621</b>	<b>6,736</b>

(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”). Fully functioning loan receivables refers to loans not yet past due.

### 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 based on the domiciles of borrowers.

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

## Notes

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

### Note 4 Financial liabilities (Continued)

No credit limits were exceeded during the year.

31 December 2013	Sweden	Norway	Denmark	Finland	Germany	Total
Lending to credit institutions . . . . .	1,608					1,608
Lending to the general public . . . .	3,540	3,307	297	1,179	70	8,393
Bonds and other fixed-income securities . . . . .	550					550
<b>Total . . . . .</b>	<b>5,698</b>	<b>3,307</b>	<b>297</b>	<b>1,179</b>	<b>70</b>	<b>10,551</b>
31 December 2012	Sweden	Norway	Denmark	Finland	Germany	Total
Lending to credit institutions . . . . .	2,546					2,546
Lending to the general public . . . .	3,097	3,345	357	656	1	7,456
Bonds and other fixed-income securities . . . . .	1,991					1,991
<b>Total . . . . .</b>	<b>7,634</b>	<b>3,345</b>	<b>357</b>	<b>656</b>	<b>1</b>	<b>11,993</b>

### Market risk

#### *Foreign exchange risk*

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

The Board of Directors has adopted a policy stipulating that the Company continually measures and reports its exchange rate risk. This contains adopted limits for maximum permitted net exposure in foreign currencies. The current limit adopted by the Board is SEK 700 million (2013: 350, 2012: 350), and actual exposure totaled SEK 541 million (2013: 276, 2012: 284), broken down into NOK 332 million (2013: 192, 2012: 192), DKK 13 million (2013: 6, 2012: 19) and EUR 18 million (2013: 7, 2012: 5). A change of 5% in the value of SEK against the other currencies would cause a change in profit/loss of SEK 27 million (2013: 14, 2012: 14), broken down into NOK 16 million (2013: 10, 2012: 9), DKK 0.6 million (2013: 0.3, 2012: 0.9) and EUR 0.9 million (2013: 0.4, 2012: 0.3).

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

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

The Board of Directors has adopted a policy stipulating that the Company continually measures and reports its interest-rate risk. This is measured by a sensitivity analysis of a parallel movement in the interest-rate curve of 2.0%. The limit determined by the Board of Directors is a net exposure of

## Notes

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

### Note 4 Financial liabilities (Continued)

SEK 20 million (2013: 20, 2012: 10), and the actual exposure at year-end was SEK 11 million (2013: 6.0, 2012: 4.0).

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

#### Liquidity risk

The Group's strategy is to successively increase this proportion as the portfolios mature. Management also closely follows rolling forecasts for the Group's liquidity reserve on the basis of anticipated lending.

The table below presents an analysis of the Group's financial liabilities to be settled net, broken down according to the time remaining until first call date as at the balance-sheet date. The contractual maturity date for issued securities are more than five years, please review note 23 for further details. The amounts stated in the table are the contractual, undiscounted cash flows.

<u>31 December 2014</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Liabilities to credit institutions . . . .	1,392	943	–	–	2,335
Deposits from the public . . . . .	6,479	–	–	–	6,479
Issued securities . . . . .	1,206	748	1,794	–	3,748
Subordinated liabilities . . . . .	212	–	–	–	212
Trade payables and other liabilities	89	–	–	–	89
<b>31 December 2013</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Liabilities to credit institutions . . . .	509	1,454	–	–	1,963
Deposits from the public . . . . .	4,753	–	–	–	4,753
Issued securities . . . . .	116	1,270	1,406	–	2,792
Subordinated liabilities . . . . .	23	211	–	–	234
Trade payables and other liabilities	64	–	–	–	64
<b>31 December 2012</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Liabilities to credit institutions . . . .	115	1,479	1,349	–	2,943
Deposits from the public . . . . .	7,165	–	–	–	7,165
Issued securities . . . . .	101	101	2,157	–	2,359
Subordinated liabilities . . . . .	24	24	212	–	260
Trade payables and other liabilities	50	–	–	–	50

#### Capital adequacy analysis

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

## Notes

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

### Note 4 Financial liabilities (Continued)

#### Information on the consolidated situation

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

<u>All amounts are in SEK million</u>	Consolidated situation		
	31.12.2014	31.12.2013	31.12.2012
<b>OWN FUNDS</b>			
Common Equity Tier 1 capital . . . . .	1,537	1,286	1,084
Deduction from own funds . . . . .	(304)	(330)	(342)
<b>Total Common Equity Tier 1 capital . . . . .</b>	<b>1,233</b>	<b>956</b>	<b>742</b>
Tier 2 capital . . . . .	159	198	197
<b>Net own funds . . . . .</b>	<b>1,393</b>	<b>1,155</b>	<b>940</b>
Risk exposure amount for credit risk . . . . .	8,234	6,826	6,329
Risk exposure amount for market risk . . . . .	541	276	284
Risk exposure amount for operational risks . . . . .	1,271	857	692
<b>Total risk exposure amount . . . . .</b>	<b>10,046</b>	<b>7,959</b>	<b>7,305</b>
Capital requirement for credit risk . . . . .	659	546	506
Capital requirement for market risk . . . . .	43	22	23
Capital requirement for operational risks . . . . .	102	69	55
<b>Total capital requirement . . . . .</b>	<b>804</b>	<b>637</b>	<b>584</b>
Common Equity Tier 1 capital ratio . . . . .	12.28%	12.02%	10.16%
Tier 1 capital ratio . . . . .	12.28%	12.02%	10.16%
Total capital ratio . . . . .	13.87%	14.51%	12.86%
Capital adequacy ratio (own funds / capital requirement) . . . . .	1.73	1.81	1.61
Total Common Equity Tier 1 capital requirement including capital conservation buffer requirement . . . . .	7.00%		
–of which, capital conservation buffer requirement . . . . .	2.50%		
Common Equity Tier 1 capital available for use as buffer <sup>(1)</sup> . . . . .	7.78%		
<b>Specification of own funds</b>			
Common Equity Tier 1 capital			
–Share capital . . . . .	1	1	1
–Retained earnings, incl. net profit for the year . . . . .	1,536	963	810
–Non-controlling interests . . . . .	–	322	273
Deduction from own funds			
–Intangible assets . . . . .	(304)	(330)	(342)
<b>Total Common Equity Tier 1 capital . . . . .</b>	<b>1,233</b>	<b>956</b>	<b>742</b>
Tier 2 capital:			
–Tier 2 capital instruments . . . . .	159	198	197
<b>Net own funds . . . . .</b>	<b>1,393</b>	<b>1,155</b>	<b>940</b>

## Notes

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

### Note 4 Financial liabilities (Continued)

All amounts are in SEK million	Consolidated situation		
	31.12.2014	31.12.2013	31.12.2012
<b>Specification of risk exposure amount<sup>(2)</sup></b>			
Institutional exposures . . . . .	444	325	510
Covered bonds . . . . .	60	55	77
Household exposures . . . . .	7,085	5,902	5,225
Unregulated items . . . . .	597	523	490
Other items . . . . .	48	21	27
<b>Total risk exposure amount for credit risk, Standardised</b>			
<b>Approach . . . . .</b>	<b>8,234</b>	<b>6,826</b>	<b>6,329</b>
Exchange rate risk . . . . .	541	276	284
<b>Total risk exposure amount for market risk . . . . .</b>	<b>541</b>	<b>276</b>	<b>284</b>
Basic Indicator Approach . . . . .	1,271	857	692
<b>Total risk exposure amount for operational risks . . . . .</b>	<b>1,271</b>	<b>857</b>	<b>692</b>
<b>LEVERAGE RATIO</b>			
Exposure measure for calculating leverage ratio . . . . .	13,893	10,591	12,024
<b>Leverage ratio . . . . .</b>	<b>8.88%</b>	<b>9.04%</b>	<b>6.18%</b>
<b>Specification of capital requirements</b>			
Institutional exposures . . . . .	36	26	41
Covered bonds . . . . .	5	4	6
Household exposures . . . . .	567	472	418
Unregulated items . . . . .	48	42	39
Other items . . . . .	4	2	2
<b>Total capital requirement for credit risk, Standardised</b>			
<b>Approach . . . . .</b>	<b>659</b>	<b>546</b>	<b>506</b>
Exchange rate risk . . . . .	43	22	23
<b>Total capital requirement for market risk . . . . .</b>	<b>43</b>	<b>22</b>	<b>23</b>
Basic Indicator Approach . . . . .	102	69	55
<b>Total capital requirement for operational risks . . . . .</b>	<b>102</b>	<b>69</b>	<b>55</b>

(1) Common Equity Tier 1 capital ratio 12.28% less the statutory minimum requirement of 4.5% excluding the capital conservation buffer requirement. A total capital requirement of a further 3.5% is also applicable.

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

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

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

The goal is to use funding sources which:

- Provide a high degree of matching, of currencies as well as maturities, between assets and liabilities.
- Offer diversification in terms of markets, investors, instruments, maturities, currencies, counterparties and geography.

## Notes

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

### Note 4 Financial liabilities (Continued)

- 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 on a monthly basis.

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

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

At 31 December 2014, Nordax had a liquidity coverage ratio (EBA definition) of 8.40 (2013: 3.85, 2012: 5.65) and a net stable funding ratio of 1.46 (2013: 1.34, 2012: 1.66) according to the definition of the Basel Committee, which has not yet been adopted.

Nordax had a liquidity reserve at 31 December 2014 of SEK 3,246 million. Of these investments, 51% was in Nordic banks, 19% in Swedish covered bonds and 30% cent in Swedish municipal papers. All investments had credit ratings ranging from AAA to A+ from Standard & Poor's, with an average rating of AA. The average maturity was 68 days. All bank holdings are immediately accessible and all securities are repo-able with central banks.

At 31 December 2014 Nordax's sources of funding comprised SEK 3,110 million in funding through the asset-backed securities market (securitised), SEK 500 million in corporate bonds, SEK 2,274 million in secured funding from two global banks and SEK 6,460 million in Deposits from the public. The figures refer to the nominal amounts. See Note 23 for further information about the issued securities.

### Capital planning

The Group's goal regarding its capital structure, in addition to meeting the statutory capital requirements, is to secure its ability to continue its operations so that it can continue to generate returns for shareholders and benefits for other stakeholders. Despite capital adequacy at the end of the financial year being assessed as more than sufficient to meet requirements from authorities and from internal stress tests of operations, the group of financial companies does not intend to pay any dividend. The Group deems that after a period in which the global financial system has been exposed to stress, a greater capital buffer is required than the amount considered to be an optimal capital structure under normal circumstances. Capitalisation is expected to be strengthened by the fact that no dividend to shareholders is planned at the 2015 Annual General Meeting.

## Notes

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

### Note 4 Financial liabilities (Continued)

The Group's strategies and methods for valuing and maintaining the capital base requirement under Chapter 2 Sections 1-2 of the Capital Adequacy and Large Exposures Act (2006:1371) are based on risk management. Risk management is aimed at identifying and analysing the risks that the company encounters in its operations and setting appropriate limits for them and ensuring that a monitoring system is in place. Risks are monitored and inspections are conducted regularly to ensure that limits are not exceeded

There are functions in the group for independent risk control reporting directly to the Chief Executive Officer which are tasked with analysing the development of risks and proposing changes to governing documents and processes both for overall risk management and for specific areas.

To ascertain whether the internal capital is sufficient for current and future operations and to ensure that the capital base is of the appropriate size and composition, the company has an internal capital adequacy assessment process (ICAAP). ICAAP is a regulator requirement in which the company determines the amount of capital it considers necessary in addition to the requirements for capital adequacy. This process is a tool that ensures that the company can clearly and correctly identify, evaluate and manage all the risks to which the company is exposed and make an assessment of its internal capital requirement in relation to this. This also includes the company having adequate management and control functions and systems for managing risks. Internal capital adequacy assessment is carried out at least annually.

Based on possible scenarios, plans are established in order to limit harmful effects on the company and ensure an adequate capital buffer to absorb these losses without the need for capital injections to ensure statutory minimum requirements. Historical information is also utilised, for example the manner in which credit losses can develop through an economic cycle. The company then stress-tests the capital requirement to ensure a sufficient supply of capital through the worst periods observed. This ICAAP work has been documented.

### Note 5 Classification of financial assets and liabilities

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

## Notes

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

### Note 5 Classification of financial assets and liabilities (Continued)

	Financial instruments measured at fair value through profit and loss		Investments held to maturity	Loan receivables and trade receivables	Other financial liabilities	Total
	Held for trading	Identified on initial recognition				
<b>31 December 2013</b>						
<b>Assets</b>						
Lending to credit institutions . . . . .	–	–	–	1,608	–	1,608
Lending to the general public . . . . .	–	–	–	8,393	–	8,393
Bonds and other fixed-income securities . . . . .	–	550	–	–	–	550
Derivatives . . . . .	9	–	–	–	–	9
<b>Total assets . . . . .</b>	<b>9</b>	<b>550</b>	<b>–</b>	<b>10,001</b>	<b>–</b>	<b>10,560</b>
<b>Liabilities</b>						
Liabilities to credit institutions . . . . .	–	–	–	–	2,314	2,314
Deposits from the public . . . . .	–	–	–	–	4,753	4,753
Issued securities . . . . .	–	–	–	–	2,259	2,259
Subordinated liabilities . . . . .	–	–	–	–	198	198
<b>Total liabilities . . . . .</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,524</b>	<b>9,524</b>
	Financial instruments measured at fair value through profit and loss		Investments held to maturity	Loan receivables and trade receivables	Other financial liabilities	Total
	Held for trading	Identified on initial recognition				
<b>31 December 2012</b>						
<b>Assets</b>						
Lending to credit institutions . . . . .	–	–	–	2,546	–	2,546
Lending to the general public . . . . .	–	–	–	7,456	–	7,456
Bonds and other fixed-income securities . . . . .	–	1,991	–	–	–	1,991
Derivatives . . . . .	2	–	–	–	–	2
<b>Total assets . . . . .</b>	<b>2</b>	<b>1,991</b>	<b>–</b>	<b>10,002</b>	<b>–</b>	<b>11,995</b>
<b>Liabilities</b>						
Liabilities to credit institutions . . . . .	–	–	–	–	1,781	1,781
Deposits from the public . . . . .	–	–	–	–	7,165	7,165
Issued securities . . . . .	–	–	–	–	2,033	2,033
Subordinated liabilities . . . . .	–	–	–	–	197	197
<b>Total liabilities . . . . .</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,176</b>	<b>11,176</b>

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

## Notes

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

### Note 6 Fair values of financial assets and liabilities

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

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

(2) The measurement includes significant non-observable inputs and Lending to the general public therefore belongs to Level 3.

(3) Fair value data for issued securities and debenture loans belong to Level 2, as the inputs for measurement are based directly or indirectly on quoted prices.

#### 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.

The fair values of financial instruments which are not traded in an active market are determined using valuation techniques. 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 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)

## Notes

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

### Note 6 Fair values of financial assets and liabilities (Continued)

In 2014 the classification and the various levels were reviewed and the comparative figures for 2013 were amended. There were no movements due to change of measurement during the year.

<u>31 December 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Bonds and other fixed-income securities . . . . .	1,585	–	–	1,585
<b>Total assets</b> . . . . .	<b>1,585</b>	–	–	<b>1,585</b>
<b>Liabilities</b>				
Derivatives . . . . .	–	4	–	4
<b>Total liabilities</b> . . . . .	<b>–</b>	<b>4</b>	<b>–</b>	<b>4</b>
<u>31 December 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Bonds and other fixed-income securities . . . . .	550	–	–	550
Derivatives . . . . .	–	9	–	9
<b>Total assets</b> . . . . .	<b>550</b>	<b>9</b>	<b>–</b>	<b>559</b>
<u>31 December 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Bonds and other fixed-income securities . . . . .	1,991	–	–	1,991
Derivatives . . . . .	–	2	–	2
<b>Total assets</b> . . . . .	<b>1,991</b>	<b>2</b>	<b>–</b>	<b>1,993</b>

### Note 7 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.

#### Impairment of loan receivables

The Nordax Group regularly reviews its credit portfolios in order to identify impairment losses. In order to determine whether impairment should be recorded through the income statement, 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 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 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.

## Notes

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

### Note 8 Net interest income

<u>All amounts are in SEK million</u>	<u>Jan - Dec 2014</u>	<u>Jan - Dec 2013</u>	<u>Jan - Dec 2012</u>
Retail interest income <sup>(1)</sup> . . . . .	1,176	1,029	976
Interest income from credit institutions . . . . .	20	24	35
<b>Total interest income</b> . . . . .	<b>1,196</b>	<b>1,053</b>	<b>1,011</b>
Retail interest expenses . . . . .	(174)	(176)	(227)
Interest income to credit institutions . . . . .	(217)	(223)	(253)
Interest expenses debenture loans . . . . .	(24)	(25)	(27)
<b>Total income expenses</b> . . . . .	<b>(415)</b>	<b>(424)</b>	<b>(507)</b>
<b>Net interest income</b> . . . . .	<b>781</b>	<b>629</b>	<b>504</b>

(1) Interest income on financial assets impaired totals SEK 50 million (2013: SEK 42 million, 2012: SEK 41 million).

### Note 9 Commission income

<u>All amounts are in SEK million</u>	<u>Jan - Dec 2014</u>	<u>Jan - Dec 2013</u>	<u>Jan - Dec 2012</u>
Insurance commission . . . . .	15	15	15
<b>Total</b> . . . . .	<b>15</b>	<b>15</b>	<b>15</b>

### Note 10 Net profit from financial transactions

<u>All amounts are in SEK million</u>	<u>Jan - Dec 2014</u>	<u>Jan - Dec 2013</u>	<u>Jan - Dec 2012</u>
Changes in exchange rates . . . . .	(2)	(15)	11
Profit from investments in bonds and other fixed-income securities . . . . .	9	20	34
Group contributions . . . . .	-	-	-
<b>Net profit from financial transactions</b> . . . . .	<b>7</b>	<b>5</b>	<b>45</b>

The 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 interest-bearing securities.

## Notes

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

### Note 11 General administrative expenses

<u>All amounts are in SEK million</u>	<u>Jan - Dec 2014</u>	<u>Jan - Dec 2013</u>	<u>Jan - Dec 2012</u>
<b>Employee benefit expenses</b>			
Wages, salaries and fees . . . . .	(107)	(91)	(79)
Pension expenses . . . . .	(10)	(9)	(8)
Social security expenses . . . . .	(32)	(27)	(25)
Other employee benefit expenses . . . . .	(2)	(3)	(3)
<b>Total employee benefit expenses . . . . .</b>	<b>(151)</b>	<b>(130)</b>	<b>(115)</b>
<b>Other administrative expenses</b>			
IT expenses . . . . .	(18)	(13)	(12)
External services . . . . .	(21)	(20)	(19)
Costs of premises . . . . .	(6)	(6)	(5)
Telephone and postage . . . . .	(15)	(12)	(10)
Other . . . . .	(13)	(12)	(12)
<b>Total other administrative expenses . . . . .</b>	<b>(73)</b>	<b>(63)</b>	<b>(58)</b>
<b>Total general administrative expenses . . . . .</b>	<b>(224)</b>	<b>(193)</b>	<b>(173)</b>

The item External services includes fees paid to auditors in both the Group and the Parent Company of SEK 2.3 million (2013: 1.7, 2012: 1.3), of which SEK 1.2 million (2013: 1.6, 2012: 1.1) pertains to auditing (PWC) and SEK 1.1 million (2013: 0.1, 2012: 0.2) to other services, of which SEK 0.4 million (2013: 0, 2012: 0) from PWC, SEK 0.6 million (2013: 0.1, 2012: 0.1) from Mazars, SEK 0.1 million (2013: 0, 2012: 0) from EY and SEK 0 million (2013: 0, 2012: 0.1) from KPMG.

	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
<b>Specification of salaries and fees</b>			
Directors, Chief Executive Officer and other senior executives . . . . .	39	36	29
Other employees . . . . .	68	55	50
<b>Total . . . . .</b>	<b>107</b>	<b>91</b>	<b>79</b>
<b>Breakdown of pension expenses</b>			
Directors, Chief Executive Officer and other senior executives . . . . .	6	5	5
Other employees . . . . .	4	4	3
<b>Total . . . . .</b>	<b>10</b>	<b>9</b>	<b>8</b>
<b>Breakdown of average number of employees (converted to full-time equivalents)</b>			
Women in Sweden . . . . .	108	87	84
Men in Sweden . . . . .	55	51	48
<b>Total . . . . .</b>	<b>163</b>	<b>138</b>	<b>132</b>

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

## Notes

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

### Note 11 General administrative expenses (Continued)

#### Breakdown between women and men on the Board of Directors

	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Women . . . . .	1	1	1
Men . . . . .	7	7	7

#### Breakdown between women and men in the senior management

Women . . . . .	8	7	7
Men . . . . .	14	13	12

#### Remuneration and other benefits 2014 (SEK 000)

	<u>Basic salary/ Board fee</u>	<u>Variable remuneration</u>	<u>Pension expense</u>	<u>Total</u>
Chairman R. Pym . . . . .	1,118	–	–	1,118
CEO M. Falch . . . . .	2,103	500	417	3,020
Deputy CEO J. Lundblad . . . . .	1,830	500	411	2,741
Director A. Rich . . . . .	–	–	–	–
Director D. Cohen . . . . .	–	–	–	–
Director C.A. Beck . . . . .	250	–	–	250
Director A. Bernroth . . . . .	413	–	–	413
<b>Other senior management (20 persons) . . . . .</b>	<b>21,885</b>	<b>10,872</b>	<b>4,736</b>	<b>37,493</b>

#### Remuneration and other benefits 2013 (SEK 000)

	<u>Basic salary/ Board fee</u>	<u>Variable remuneration</u>	<u>Pension expense</u>	<u>Total</u>
Chairman R. Pym . . . . .	1,127	–	–	1,127
CEO M. Falch . . . . .	2,097	500	414	3,011
Deputy CEO J. Lundblad . . . . .	1,792	500	408	2,700
Director A. Rich . . . . .	–	–	–	–
Director D. Cohen . . . . .	–	–	–	–
Director C.A. Beck . . . . .	234	–	–	234
Director A. Bernroth . . . . .	379	–	–	379
Other senior management (18 persons) . . . . .	20,596	8,835	4,421	33,852

#### Remuneration and other benefits 2012 (SEK 000)

	<u>Basic salary/ Board fee</u>	<u>Variable remuneration</u>	<u>Pension expense</u>	<u>Total</u>
Chairman R. Pym . . . . .	1,093	–	–	1,093
CEO M. Falch . . . . .	2,125	135	399	2,659
Deputy CEO J. Lundblad . . . . .	1,699	120	389	2,208
Director A. Rich . . . . .	–	–	–	–
Director D. Cohen . . . . .	–	–	–	–
Director C.A. Beck . . . . .	188	–	–	188
Director A. Bernroth . . . . .	411	–	–	411
Other senior management (17 persons) . . . . .	19,413	4,660	4,365	28,438

The variable remuneration for other senior management, social charges is included in the reservation.

## Notes

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

### Note 11 General administrative expenses (Continued)

#### Information on remuneration scheme

There are no pension commitments to the CEO or senior executives. No severance package has been agreed with the CEO. Information on the remuneration scheme under the Swedish Financial Supervisory Authority regulations on supervisory requirements and capital buffers, FFFS 2014:12, is presented on the Nordax website, [www.nordax.se](http://www.nordax.se).

### Note 12 Credit losses

<u>All amounts are in SEK million</u>	<u>Jan - Dec 2014</u>	<u>Jan - Dec 2013</u>	<u>Jan - Dec 2012</u>
<b>Credit losses</b>			
Write-offs for the year pertaining to actual credit losses . . . . .	(15)	(15)	(10)
Gross value of new receivables during the year more than 180 days past due . . . . .	(312)	(268)	(269)
Payments received during the year pertaining to loans more than 180 days past due . . . . .	163	136	118
Adjustment to recoverable value pertaining to receivables more than 180 days past due . . . . .	63	42	48
Total provision for loans with individually identified loss event <sup>(1)</sup> . . . . .	<u>(86)</u>	<u>(90)</u>	<u>(103)</u>
Group provision for receivables valued as a group <sup>(2)</sup> . . . . .	<u>(13)</u>	<u>(9)</u>	<u>(14)</u>
<b>Credit losses for the year</b> . . . . .	<b><u>(114)</u></b>	<b><u>(114)</u></b>	<b><u>(127)</u></b>

(1) Loans with individually identified loss event refers to loans that are more than 180 days past due, see also Note 4 under the section on credit risk.

(2) Receivables valued as a group refers to loans between one and 180 days past due.

### Note 13 Tax on profit for the year

<u>All amounts are in SEK million</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
<b>Difference between recognised tax expense and tax expense based on applicable tax rate</b>			
Reported profit before tax . . . . .	325	251	185
Tax at current tax rate . . . . .	(72)	(55)	(49)
Tax effect of revaluation of tax liability . . . . .		7	
Tax effect of non-deductible expenses . . . . .	1	0	0
Tax effect of non-taxable income . . . . .	0	-	-
<b>Tax on profit for the year according to the income statement</b> .	<b><u>(71)</u></b>	<b><u>(48)</u></b>	<b><u>(49)</u></b>
<b>Deferred tax liability</b>			
Deferred tax related to business combinations . . . . .	54	54	65
Recognised in profit and loss . . . . .	(34)	(28)	(26)
Deferred tax liability attributable to temporary differences in accrued costs of loans . . . . .	9	6	2
<b>Deferred tax liability according to balance sheet</b> . . . . .	<b><u>29</u></b>	<b><u>32</u></b>	<b><u>41</u></b>

The applicable tax rate is the tax rate for income tax in the Group. The tax rate is 22% (2013: 22%, 2012: 26.3%). The deferred tax receivable pertains to temporary differences in accrued arrangement fees for loans and handling fees.

## Notes

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

### Note 14 Lending to credit institutions

<u>All amounts are in SEK million</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Swedish banks . . . . .	2,212	1,608	2,546
<b>Total</b> . . . . .	<b><u>2,212</u></b>	<b><u>1,608</u></b>	<b><u>2,546</u></b>

The Group's lending to credit institutions includes SEK 699 million (2013: 413, 2012: 466) in pledged assets for liabilities to credit institutions and issued securities.

### Note 15 Lending to the general public

<u>All amounts are in SEK million</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Households . . . . .	10,042	8,393	7,456
<b>Total</b> . . . . .	<b><u>10,042</u></b>	<b><u>8,393</u></b>	<b><u>7,456</u></b>

Lending to the general public includes SEK 8,481 million (2013: 7,085, 2012: 7,243) 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 9,454 million (2013: 7,506, 2012: 6,709) has a maturity of more than one year.

### Note 16 Bonds and other fixed-income securities

<u>All amounts are in SEK million</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
<b>Holdings broken down by issuer</b>			
Swedish municipalities . . . . .	980	–	1,221
Swedish covered bonds . . . . .	605	550	770
<b>Bonds and other fixed-income securities</b> . . . . .	<b><u>1,585</u></b>	<b><u>550</u></b>	<b><u>1,991</u></b>

All holdings are listed, SEK 312 million (2013: 0, 2012: 0) has a maturity of more than one year and the remainder less than one year.

### Note 17 Operating segments

Segment information is presented based on the chief operating decision-maker's perspective, and the segments are identified based on the internal reporting to the CEO, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway, Finland, Denmark and Germany, which reflects Nordax lending portfolio. Profit/loss that cannot be attributed to a segment is allocated using distribution keys according to internal principles that the management believes provide a

## Notes

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

### Note 17 Operating segments (Continued)

fair allocation to the segments. The chief operating decision-maker will primarily apply to the performance concept of operating profit/loss.

31 December 2014	Sweden	Norway	Denmark	Finland	Germany	Total
<b>Income statement</b>						
Interest income . . . . .	453	517	19	189	18	<b>1,196</b>
Interest expenses . . . . .	(164)	(197)	(8)	(40)	(6)	<b>(415)</b>
<b>Total net interest income . . . . .</b>	<b>289</b>	<b>320</b>	<b>11</b>	<b>149</b>	<b>12</b>	<b>781</b>
Commission income . . . . .	9	6	0	0	-	<b>15</b>
Depreciation, amortisation and impairment of tangible and intangible assets . . . . .	(8)	(5)	(1)	(2)	(1)	<b>(18)</b>
Operating expenses <sup>(1)</sup> . . . . .	(103)	(90)	(6)	(28)	(15)	<b>(243)</b>
Marketing costs <sup>(1)</sup> . . . . .	(18)	(41)	-	(16)	(21)	<b>(96)</b>
<b>Profit before credit losses . . . . .</b>	<b>168</b>	<b>189</b>	<b>3</b>	<b>103</b>	<b>(25)</b>	<b>439</b>
Net credit losses . . . . .	(31)	(49)	(13)	(17)	(4)	<b>(114)</b>
<b>Operating profit . . . . .</b>	<b>137</b>	<b>140</b>	<b>(10)</b>	<b>86</b>	<b>(29)</b>	<b>325</b>
<b>Balance sheet</b>						
Lending to the general public . . . . .	3,880	3,934	246	1,688	294	<b>10,042</b>
<b>31 December 2013</b>						
<b>Income statement</b>						
Interest income . . . . .	444	471	23	111	3	<b>1,053</b>
Interest expenses . . . . .	(186)	(206)	(6)	(25)	(1)	<b>(424)</b>
<b>Total net interest income . . . . .</b>	<b>258</b>	<b>265</b>	<b>17</b>	<b>86</b>	<b>2</b>	<b>629</b>
Commission income . . . . .	10	5	0	-	-	<b>15</b>
Depreciation, amortisation and impairment of tangible and intangible assets . . . . .	(8)	(5)	0	(2)	(1)	<b>(16)</b>
Operating expenses <sup>(1)</sup> . . . . .	(83)	(74)	(5)	(21)	(10)	<b>(192)</b>
Marketing costs <sup>(1)</sup> . . . . .	(15)	(34)	-	(13)	(9)	<b>(71)</b>
<b>Profit before credit losses . . . . .</b>	<b>163</b>	<b>158</b>	<b>12</b>	<b>51</b>	<b>(18)</b>	<b>365</b>
Net credit losses . . . . .	(38)	(45)	(20)	(11)	0	<b>(114)</b>
<b>Operating profit . . . . .</b>	<b>125</b>	<b>113</b>	<b>(8)</b>	<b>40</b>	<b>(18)</b>	<b>251</b>
<b>Balance sheet</b>						
Lending to the general public . . . . .	3,540	3,307	297	1,179	70	<b>8,393</b>

## Notes

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

### Note 17 Operating segments (Continued)

<u>31 December 2012</u>	<u>Sweden</u>	<u>Norway</u>	<u>Denmark</u>	<u>Finland</u>	<u>Germany</u>	<u>Total</u>
<b>Income statement</b>						
Interest income . . . . .	424	497	30	60	0	<b>1,011</b>
Interest expenses . . . . .	(243)	(228)	(7)	(28)	(1)	<b>(507)</b>
<b>Total net interest income . . . . .</b>	<b>181</b>	<b>269</b>	<b>24</b>	<b>32</b>	<b>(1)</b>	<b>504</b>
Commission income . . . . .	10	5	0	–	–	<b>15</b>
Depreciation, amortisation and impairment of tangible and intangible assets . . . . .	(7)	(5)	0	(2)	0	<b>(14)</b>
Operating expenses <sup>(1)</sup> . . . . .	(48)	(47)	(4)	(12)	(7)	<b>(118)</b>
Marketing costs <sup>(1)</sup> . . . . .	(21)	(39)	0	(11)	(4)	<b>(75)</b>
<b>Profit before credit losses . . . . .</b>	<b>115</b>	<b>183</b>	<b>19</b>	<b>7</b>	<b>(13)</b>	<b>312</b>
Net credit losses . . . . .	(42)	(62)	(20)	(3)	0	<b>(127)</b>
<b>Operating profit . . . . .</b>	<b>73</b>	<b>121</b>	<b>(1)</b>	<b>4</b>	<b>(13)</b>	<b>185</b>
<b>Balance sheet</b>						
Lending to the general public . . . . .	3,097	3,345	357	656	1	<b>7,456</b>

(1) Operating expenses consist of net profit/loss from financial transactions, other operating income, general administrative expenses and the portion of other operating expenses that does not relate to marketing (which are reported separately).

### Note 18 Tangible assets

<u>All amounts are in SEK million</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
<b>Non-current assets</b>			
Cost at start of year . . . . .	20	19	17
–acquisitions during the year . . . . .	4	1	3
–reclassification between tangible and intangible assets . . . . .	(4)		
–disposals during the year . . . . .	(2)	–	(1)
<b>Cost at end of year . . . . .</b>	<b>18</b>	<b>20</b>	<b>19</b>
Accumulated amortisation at start of year . . . . .	(14)	(11)	(8)
–amortisation for the year . . . . .	(3)	(3)	(3)
–reclassification between tangible and intangible assets . . . . .	4		
–disposals during the year . . . . .	2	0	1
<b>Accumulated amortisation at end of year . . . . .</b>	<b>(11)</b>	<b>(14)</b>	<b>(10)</b>
<b>Carrying amount . . . . .</b>	<b>7</b>	<b>6</b>	<b>9</b>

## Notes

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

### Note 19 Intangible assets

<u>31 December 2014</u>	Goodwill	Contractual customer relationships	Internally generated software development costs	Total
<b>Opening carrying amount</b> . . . . .	<b>251</b>	<b>73</b>	<b>6</b>	<b>330</b>
–purchases . . . . .	–	–	2	2
–reclassification between tangible and intangible assets . . . . .	–	–	4	4
–amortization . . . . .	–	(13)	(7)	(20)
<b>Closing carrying amount</b> . . . . .	<b>251</b>	<b>60</b>	<b>5</b>	<b>316</b>
Cost . . . . .	251	99	34	384
Accumulated depreciation, amortisation and impairment . . . . .	–	(39)	(29)	(68)
<b>Carrying amount</b> . . . . .	<b>251</b>	<b>60</b>	<b>5</b>	<b>316</b>
<u>31 December 2013</u>	Goodwill	Contractual customer relationships	Internally generated software development costs	Total
<b>Opening carrying amount</b> . . . . .	<b>251</b>	<b>85</b>	<b>6</b>	<b>342</b>
–purchases . . . . .	–	–	1	1
–amortization . . . . .	–	(12)	(1)	(13)
<b>Closing carrying amount</b> . . . . .	<b>251</b>	<b>73</b>	<b>6</b>	<b>330</b>
Cost . . . . .	251	99	28	378
Accumulated depreciation, amortisation and impairment . . . . .	–	(26)	(22)	(48)
<b>Carrying amount</b> . . . . .	<b>251</b>	<b>73</b>	<b>6</b>	<b>330</b>
<u>31 December 2012</u>	Goodwill	Contractual customer relationships	Internally generated software development costs	Total
<b>Opening carrying amount</b> . . . . .	<b>251</b>	<b>94</b>	<b>2</b>	<b>347</b>
–purchases . . . . .	–	–	5	5
–amortization . . . . .	–	(9)	(1)	(10)
<b>Closing carrying amount</b> . . . . .	<b>251</b>	<b>85</b>	<b>6</b>	<b>342</b>
Cost . . . . .	251	99	27	377
Accumulated depreciation, amortisation and impairment . . . . .	–	(14)	(21)	(35)
<b>Carrying amount</b> . . . . .	<b>251</b>	<b>85</b>	<b>6</b>	<b>342</b>

The value recognised as goodwill is attributed to the acquisition of Nordax Holding AB, which was made 2010. The recognised value of customer relationships, which is an estimate of the value of acquired registers of customers, is also attributed to this acquisition. The intangible asset related to customer relationships is depreciated over ten years.

## Notes

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

### Note 19 Intangible assets (Continued)

#### Value in use

Goodwill is related to the entire Nordax Holding AB Group. At the end of 2014, the recoverable amount was established based on the value in use. This means that the present value of expected future cash flows arising from the assets is calculated using a discounting factor. Future expected cash flows are based on the five-year plan prepared for the Group. The most important assumptions in the five-year plan are as follows:

The management's assessment regarding growth and net profit/loss, including credit losses, as adapted by the Board of Directors. The assumptions are based on both historic experience and market data.

The cash flow calculations were based on the assumed cash flow for five years and an estimated closing value at the end of the five-year period, which equals the book value of the assets. No growth rate will be assumed after the forecast period. The Group considers that an unweighted Tier 1 capital ratio of 15% is reasonable. A discount factor of 5.2% (2013: 6.6%, 2012: 7.2%) before tax was established based on a required return on equity before tax of 20% (2013: 22.3%, 2012: 20%) and the market's required rate of return for the funding of the assets.

Based on the calculations reported above, there was no impairment of goodwill at the end of the financial year. A change in the discount rate (of +1 percentage point) would not lead to impairment, either. Goodwill was previously measured at the total level, but as of 2014, goodwill is measured at the operating segment level, based on the relative values of the segments that existed at the time of acquisition. The carrying amount of goodwill is attributable by SEK 92 million to Sweden, by SEK 110 million to Norway and by SEK 49 million to Finland.

### Note 20 Other assets

<u>All amounts are in SEK million</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Receivables from Group companies . . . . .	–	–	–
Other . . . . .	18	6	7
<b>Total</b> . . . . .	<b>18</b>	<b>6</b>	<b>7</b>

### Note 21 Liabilities to credit institutions

<u>All amounts are in SEK million</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Foreign banks . . . . .	2,259	2,314	1,781
<b>Total</b> . . . . .	<b>2,259</b>	<b>2,314</b>	<b>1,781</b>

For the above liabilities in the Group, collateral has been provided in an amount of SEK 3,699 million (2013: 4,067, 2012: 3,659) for receivables attributable to Lending to the general public and SEK 229 million (2013: 119, 2012: 122) to Lending to credit institutions. Granted credit totals SEK 3,302 million (2013: 2,796, 2012: 3,379).

### Note 22 Deposits from the public

<u>All amounts are in SEK million</u>	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2012</u>
Deposit accounts . . . . .	6,479	4,753	7,165
<b>Total</b> . . . . .	<b>6,479</b>	<b>4,753</b>	<b>7,165</b>

## Notes

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

### Note 23 Issued securities

All amounts are in SEK million	Term	Call	31.12.2014	31.12.2013	31.12.2012
Bonds issued by Nordax Sverige 3 AB, issued in SEK . . . . .	January 2033	December 2015	1,104	1,165	1,156
Bonds issued by Nordax Nordic AB, issued in NOK . . . . .	October 2028	July 2016	204	600	877
Bonds issued by Nordax Nordic 3 AB, issued in NOK . . . . .	January 2037	June 2017	1,777	–	–
Bonds issued by Nordax Bank AB, issued in SEK . . . . .	March 2016		496	494	–
<b>Total</b> . . . . .			<b>3,581</b>	<b>2,259</b>	<b>2,033</b>

The foreign-exchange positions for securities issued in SEK and NOK are fully matched against assets in the currencies concerned. Securities issued in Sverige 3 AB, Nordic AB and Nordic 3 AB are quoted on the Irish stock market. Securities issued in Nordax Bank are quoted on Nasdaq Stockholm. For the above liabilities, collateral has been provided in an amount of SEK 4,782 million (2013: 3,018, 2012: 3,584) for receivables attributable to Lending to the general public and SEK 469 million (2013: 294, 2012: 343) to Lending to credit institutions.

### Note 24 Current tax liability

All amounts are in SEK million	31.12.2014	31.12.2013	31.12.2012
Current tax liability . . . . .	16	5	9
<b>Total</b> . . . . .	<b>16</b>	<b>5</b>	<b>9</b>

### Note 25 Other liabilities

All amounts are in SEK million	2014-12-31	2013-12-31	2012-12-31
Accounts payable . . . . .	3	1	6
Other . . . . .	22	14	7
<b>Total</b> . . . . .	<b>25</b>	<b>15</b>	<b>13</b>

### Note 26 Subordinated liabilities

All amounts are in SEK million	31.12.2014	31.12.2013	31.12.2012
Subordinated loans . . . . .	199	198	197
<b>Total</b> . . . . .	<b>199</b>	<b>198</b>	<b>197</b>

### Note 27 Pledged assets

All amounts are in SEK million	31.12.2014	31.12.2013	31.12.2012
<b>Pledged assets for own liabilities</b>			
Lending to the general public . . . . .	8,481	7,085	7,243
Lending to credit institutions . . . . .	699	413	466
<b>Total</b> . . . . .	<b>9,180</b>	<b>7,498</b>	<b>7,709</b>

## Notes

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

### Note 28 Companies included in these combined financial statements

December 31, 2014	Corporate Identification Number	Registered office	Share of equity	Share of votes	Number of shares
Nordax Group AB (publ) . . . . .	556993-2485	Stockholm	100%	100%	500,000
Nelson Luxco Sarl . . . . .	B152858	Luxembourg	100%	100%	110,445,598
Nordax Group Holding AB . . .	556792-7305	Stockholm	100%	100%	20,010,076
Nordax Holding AB . . . . .	556647-6726	Stockholm	100%	100%	1,296,875
Nordax Bank AB (publ) . . .	556647-7286	Stockholm	100%	100%	50,100,000
Nordax Sverige AB . . . . .	556794-0126	Stockholm	100%	100%	100,000
Nordax Nordic AB (publ) . . . . .	556787-1891	Stockholm	9.10%	50.10%	9,100
Nordax Nordic 2 AB . . .	556823-4255	Stockholm	100%	100%	50,000
Nordax Nordic 3 AB (publ) . . . . .	556961-5254	Stockholm	100%	100%	500,000
Nordax Sverige 3 AB (publ) . . . . .	556863-1104	Stockholm	100%	100%	500,000
Nordax Nordic AB (publ) .	556787-1891	Stockholm	90.90%	49.90%	90,900
Nordax Finans AS, Norway	986 568 158	Oslo	100%	100%	100,000
PMO Sverige OY, Finland .	1983408-0	Helsinki	100%	100%	1,000

The ownership of the Nordax group was restructured as of 17 December 2014 to ensure that all capital contributed by the shareholders is eligible for inclusion in the common equity tier 1 capital under the regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR). The restructuring means that there is no minority from the end of December 2014.

### Note 29 Transactions with related parties

In connection with the reorganization within the Nordax group in December 2014, certain shareholders received advanced consideration of SEK 3.1 million (2013: –, 2012: –) for their transferred shares in Nordax Group Holding AB in form of loan notes issued by Nelson Luxco SARL. The loan notes are issued on arm's length terms and bear interest at an annual rate of 5.5% and shall be repaid together with accrued interest at the latest on 20 May 2015.

A monitoring fee of SEK 1.6 million (of which 1.2 fee and 0.4 costs) (2013: 1.2 of which 1.2 fee and 0 costs, 2012: 1.3 of which 1.2 fee and 0.1 costs) has been paid to related company Vision Capital LLP from Nordax Group Holding AB.

Otherwise, the Group has not had any transactions with related parties other than those referred to in the proposed allocation of profits and remuneration of employees stated in Note 11.

### Note 30 Contingent liabilities

The Group has no contingent liabilities.

### Note 31 Significant events after balance sheet date

On February 27, 2015 Nordax announced that one new non-executive director of the Board had been appointed at the Extraordinary General Meeting on February 26, 2015. Nordax has appointed Synnöve Trygg as non-executive director in Nordax Bank AB (publ), Nordax Holding AB, Nordax Group Holding AB and Nordax Group AB (publ). Synnöve Trygg has an extensive background in the financial industry and is currently a non-executive director of various companies within the bank and debt collection industry. Synnöve Trygg has previous operational experience from SEB Kort where she was CEO for 20 years.

On April 1, 2015 Nordax announced that two new non-executive directors of the Board had been appointed at the Extraordinary General Meeting held the same day. Nordax has appointed Katarina

## Notes

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

### Note 31 Significant events after balance sheet date (Continued)

Bonde and Hans Larsson as non-executive directors in Nordax Bank AB (publ), Nordax Holding AB, Nordax Group Holding AB and Nordax Group AB (publ).

Katarina Bonde is a senior board professional with a focus on technology companies, financial institutions and entrepreneurship. She has held various executive positions in the software industry. Hans Larsson has extensive experience in financial services and global banking, having held various operational, strategic and executive roles across numerous sectors and product groups in SEB. Arne Bernroth, non-executive director was elected vice chairman of the board.

According to the Articles of Association, adopted at the Extraordinary General Meeting on February 26, 2015 the board shall consist of not less than 5 and not more than 12 permanent members. After the election of directors, at the Extraordinary General Meetings in February 26, 2015 and in April 1, 2015, the board consists of nine members; Richard Pym (chairman), Arne Bernroth, Christian Beck, Andrew Rich, Daryl Cohen, Synnöve Trygg, Hans Larsson, Katarina Bonde and Morten Falch. In accordance with the adjusted Articles of Association, the executive directors Johanna Clason and Jacob Lundblad were discharged from their positions as board members; and the deputy board members Camilla Wirth, Per Bodlund, Iva Anguelov and David Lamb were discharged from their positions as deputy board members.

On March 12, 2015 Nordax Bank AB (publ) issued 250 MSEK in Tier 2 capital at the price, 3 months Stibor +5.75%. The transaction enables Nordax Holding AB to recall the existing Tier 2 capital arrangements, amounting to 200 MSEK which will be repaid by April 16, 2015.



To the Board of Directors of Nordax Group AB (publ), Corporate Id No 556993-2485

**Independent Auditors' Report on the combined financial statements of historical Financial Information**

We have audited the attached combined financial statements for Nordax Group AB (publ), which comprise the statement of financial position as of 31 December 2014, 2013 and 2012 and the income statement and total comprehensive income, cash flow statement and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

*The Board of Directors' and the Chief Executive Officer's responsibility for the combined financial statements*

The Board of Directors and the Chief Executive Officer are responsible for the preparation and the fair presentation of the combined financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting combined financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

*The auditor's responsibility*

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 *Examination of Prospectuses*. This recommendation requires that we comply with ethical requirements and have planned and performed the audit to obtain reasonable assurance that the combined financial statements are free from material misstatements.

An audit in accordance with FAR's Recommendation RevR 5 *Examination of Prospectuses* involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the combined financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the combined financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Chief Executive Officer and evaluating the overall presentation of the combined financial statements.

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

*Opinion*

In our opinion the combined financial statements give a true and fair view of the combined financial position of Nordax Group AB (publ) as of 31 December 2014, 2013 and 2012 and its combined financial performance and cash flows for these year, in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies and additional applicable framework

Stockholm 4 June 2015

Öhrlings Pricewaterhouse Coopers AB

Helena Kaiser De Carolis

Authorized Public Accountant

**REGISTERED OFFICE OF THE COMPANY**

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