



# Nordax consolidated situation

Periodical information September 2015 according to FFFS 2014:12

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.nordaxgroup.com](http://www.nordaxgroup.com)

#### Information on the consolidated situation

The top company in the consolidated situation is Nordax Group AB (publ). The following companies are included in the consolidated financial statements for the group 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 Sverige 4 AB (publ), Nordax Nordic 2 AB and Nordax Nordic 3 AB (publ).

All amounts in MSEK	Consolidated situation	
	30 September 2015	31 December 2014
<b>OWN FUNDS</b>		
Common Equity Tier 1 capital	1,644	1,538
Deduction from own funds	-312	-304
<b>Total Common Equity Tier 1 capital</b>	<b>1,332</b>	<b>1,234</b>
Tier 2 capital	209	159
<b>Net own funds</b>	<b>1,541</b>	<b>1,393</b>
Risk exposure amount for credit risk	8,588	8,234
Risk exposure amount for market risk	591	541
Risk exposure amount for operational risks	1,272	1,271
<b>Total risk exposure amount (risk weighted assets)</b>	<b>10,451</b>	<b>10,046</b>
Common Equity Tier 1 capital ratio	12.74%	12.28%
Tier 1 capital ratio	12.74%	12.28%
Total capital ratio	14.74%	13.87%
Capital adequacy ratio (own funds / capital requirement)	1.84	1.73
Total Common Equity Tier 1 capital requirement including buffer requirement	7.72%	7.00%
- of which, capital conservation buffer requirement	2.50%	2.50%
- of which, countercyclical capital buffers	0.72%	-
Common Equity Tier 1 capital available for use as buffer <sup>1</sup>	8.24%	7.78%
<b>Specification own funds</b>		
Common Equity Tier 1 capital:		
- Capital instruments and the related share premium accounts	847	847
-of which share capital	111	1
-of which other contributed capital	736	846
- Retained earnings	691	437
- Independently reviewed interim profits net of any foreseeable charge or dividend <sup>2</sup>	106	254
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>1,644</b>	<b>1,538</b>
Regulatory adjustments:		
- Intangible assets	-312	-304

<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>-312</b>	<b>-304</b>
<b>Common Equity Tier 1</b>	<b>1,332</b>	<b>1,234</b>
Tier 2 capital:		
- Tier 2 capital instrument	209	159
<b>Tier 2 capital</b>	<b>209</b>	<b>159</b>
<b>Total capital</b>	<b>1,541</b>	<b>1,393</b>
<b>Specification of risk exposure amount<sup>3</sup></b>		
Institutional exposures	388	444
Covered bonds	41	60
Household exposures	7,472	7,085
Household exposures	643	597
Other items	44	48
<b>Total risk exposure amount for credit risk, Standardised Approach</b>	<b>8,588</b>	<b>8,234</b>
Exchange rate risk	591	541
<b>Total risk exposure amount for market risk</b>	<b>591</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	13,856	13,893
<b>Leverage ratio</b>	<b>9.61%</b>	<b>8.88%</b>

<sup>1</sup>Common Equity Tier 1 capital ratio 12.74% less the statutory minimum requirement of 4.5% excluding the buffer requirement. A total capital requirement of a further 3.22% of which capital conservation buffer of 2.5% and 0.72% for the countercyclical capital buffers is also applicable.

<sup>2</sup>Of which 132 MSEK (254) net profit and -26 MSEK (-) reduction for predictable dividend. The Swedish Financial Supervisory Authority has approved Nordax's application to use the net profit in measuring own funds on condition that the responsible auditors have reviewed the surplus, that the surplus is calculated in accordance with applicable accounting frameworks, that predictable costs and dividends have been deducted in accordance with EU regulation No 575/2013 and that the calculation was made in accordance with EU regulation No 241/2014.

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

### Internal capital requirement

As of 30 September 2015 the internal capital assessment for Nordax consolidated situation amounted to 83 MSEK (67 at year-end) in addition to regular capital requirements. The internal capital requirement is assessed using Nordax internal models for economic capital and is not fully comparable to the estimated capital requirement published by the Swedish Financial Supervisory Authority due to differences in assumptions and methodologies.

### Information on liquidity risk pursuant to FFFS 2014:12

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

The goal is to use funding sources which:

- Provide a high degree of matching, of currencies and interest period as well as maturities, between assets and liabilities.
- Offer diversification in terms of markets, investors, instruments, maturities, currencies, counterparties and geography.
- Carry a low liquidity risk and offer a high possibility of refinancing at maturity, as

evidenced by price stability, regularity of issuance and a broad investor base.

- Provide access to relatively large volumes, to meet the funding requirements for a growing balance sheet.

The Group has an independent function for liquidity risk control. The function reports directly to the Board and CEO. Liquidity is measured on a daily basis and reported to the Company's management. Liquidity risk is reported to the Board of Directors at each board meetings. Cash flows expected to result from the liquidation of all assets, liabilities and off-balance sheet items are calculated. Key ratios from the balance sheet (such as the cash ratio, loan-to-deposit ratio, liquidity coverage ratio, net stable funding ratio and deposit usage) are calculated and monitored over time to illustrate the financial structure and the Group's liquidity risk. Liquidity risk is measured monthly for different scenarios and events (such as less favourable advance rates and changed cash flows) and illustrated separately and in combination.

The contingency plan specifies a clear division of responsibilities and contains instructions for how the Group should respond in a liquidity crisis situation. The plan specifies appropriate actions for managing the consequences of different crisis

situations and contains definitions of events which trigger and escalate the contingency plan. The contingency plan has been tested and updated. At 30 September 2015, Nordax had a liquidity coverage ratio (EBA definition) of 7.04 (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 30 September 2015 of MSEK 2.607 (3.246). Of these investments, 52 (51) per cent was in Nordic banks, 16 (19) per cent in Swedish covered bonds and 33 (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 (except 25 MSEK in exposure to Avanza Bank AB). The average maturity was 55 (68) days. All bank holdings are accessible and all securities are repo-able with central banks.

At 30 September 2015 Nordax's sources of funding comprised MSEK 2.436 (3.110) in funding through the asset-backed securities market (securitised), MSEK 482 (500) in senior unsecured bonds, MSEK 2.933 (2.274) in warehouse funding facilities provided by international banks in addition to MSEK 6.261 (6.460) in Deposits from the general public. The figures refer to the nominal amounts.