# Annual report 2021

NORDAX Holding AB (publ)

Nordax Bank

# Contents

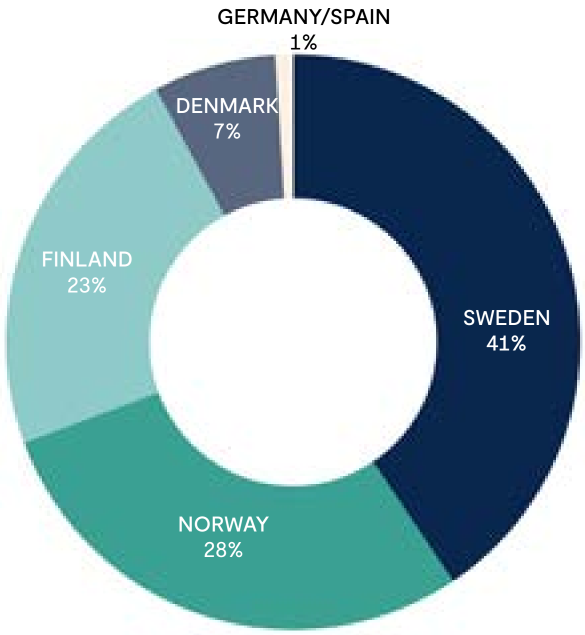
# Nordax in Brief

Nordax is a leading specialist bank owned by Nordic Capital and Sampo. In November 2021, the acquisition of Bank Norwegian was formally completed making Nordax the owner of 100 percent of shares and voting rights in the Bank. In addition to its existing products and markets, Nordax thus now offers credit cards and new lending in Denmark, Germany, and Spain. The plan is to challenge the established banks and continue to grow as northern Europe's leading specialist bank. For the consolidated accounts 2021, this means that Bank Norwegian's results for November-December are included in 2021 but are missing in the corresponding comparative figures.

Thanks to its responsible lending approach and high levels of accessibility, Nordax is helping customers to make considered choices for a life they can afford and thereby serving as a flexible complement to the major banks.

Nordax has sought to specialize in a small range of products, and together with Bank Norwegian, Nordax and its approximately 470 full-time employees offer consumer and personal loans, home loans, credit cards and savings accounts.

## LOAN PORTFOLIO PER MARKET




Nordax currently serves almost 2 million retail banking customers in the Nordic countries, Germany, and Spain.

As at December 31, 2021 retail lending amounted to SEK 71.4 billion, while deposits stood at SEK 67.4 billion.

Nordax is regulated by the Swedish Financial Supervisory Authority (https://www.fi.se/en/) and is a member of the government's deposit guarantee scheme in the same way as all Swedish banks and credit institutions. Furthermore, Nordax's subsidiary Bank Norwegian is regulated by the Financial Supervisory Authority of Norway (https://www.finanstilsynet.no/en/) and is a member of the corresponding Norwegian deposit guarantee scheme.

Read more at www.nordaxgroup.com

# Highlights of 2021

**OPERATING PROFIT & LOSS IMPACTED BY THE ACQUISITION OF BANK NORWEGIAN AND CONTINUED GOOD VOLUME GROWTH**

- The operating loss is due to technical accounting reasons and increased costs. Both are connected to the acquisition of Bank Norwegian
- Continued stable costs excluding acquisition costs
- Continued strong volume growth in loans to retail banking customers is driven by the consolidation of Bank Norwegian in addition to good underlying growth in Nordax Bank.
- Continued positive trends in relation to Nordax's secured loans, where lending amounted to SEK 12.7 billion (9.8 billion in 2020).
- The addition of credit volumes in the amount of SEK 10 billion via consolidation with Bank Norwegian
- Strong inflow of deposits driven by the consolidation of Bank Norwegian
- Continued strong capital situation with common equity Tier 1 capital ratio of 16.2% (16.2% in 2020)
- No deterioration in customers' payment patterns as a consequence of the coronavirus pandemic

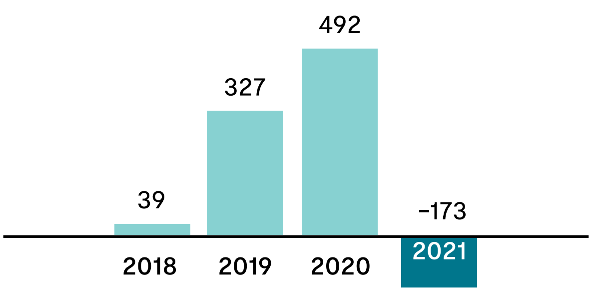
## FINANCIAL SUMMARY

SEK MILLION

| | 2021 | 2020 | % |
|---|---|---|---|
| Net interest income | 2,418 | 1,637 | 48 |
| Operating profit | -173 | 492 | -135 |
| Net profit | -137 | 381 | -136 |
| Lending to the general public | 71,391 | 28,458 | 151 |
| Deposits from the general public | 67,424 | 24,180 | 179 |
| Equity | 23,299 | 7,458 | 212 |
| Common Equity Tier 1 Capital Ratio, % | 16.2 | 16.2 | |
| Return on equity, % | -0.9 | 5.2 | |

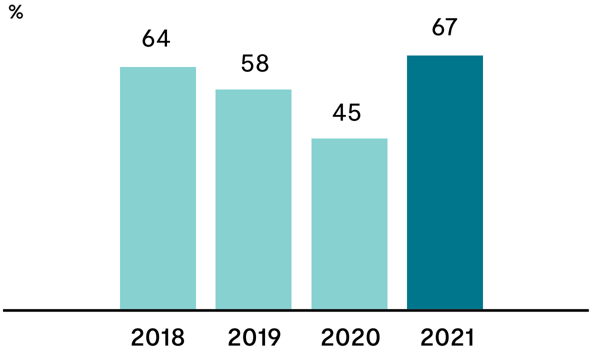
## OPERATING PROFIT

SEK MILLION




## C/I RATIO

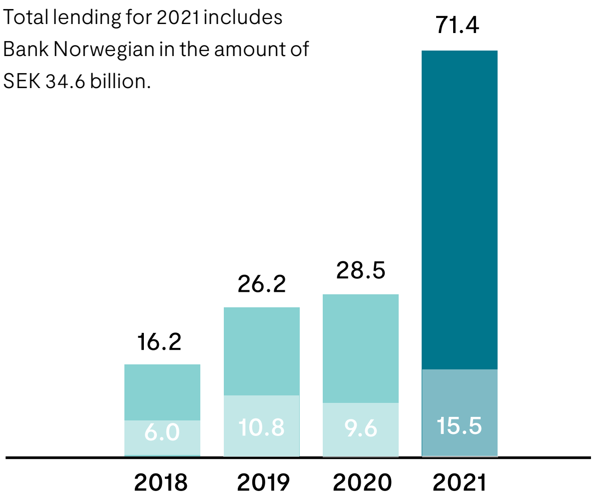
%




## TOTAL LENDING AND NEW LENDING

SEK BILLION

Total lending for 2021 includes Bank Norwegian in the amount of SEK 34.6 billion.



# CEO's Statement

If 2020 went down in history as the year of transition then 2021 was a year of magnificent medical progress. Nonetheless, it is difficult to rejoice boundlessly at this progress when, at times of writing, a war rages replete with the most terrible sights. Russia's invasion of Ukraine is a humanitarian disaster and has left no one unmoved.

Despite the tragedies of and great challenges presented by the world around us, 2021 is most easily summarized as a year of success for Nordax despite the impact of the pandemic on day-to-day operations. The efforts to ensure that our customers are in a position to cope with the challenges arising from this difficult situation continued and our own activities largely continued on a remote basis. Virtual meetings have become even more commonplace and our new way of working, referred to internally as "Hello Future", has served us very well. I am also proud that in the midst of this transition we have achieved good lending growth.

However, for Nordax the biggest defining feature of the year was the acquisition of Bank Norwegian. In November, the agreement for Nordax to buy Bank Norwegian was sealed, which also saw the company delisted from the Oslo Stock Exchange. This transaction, worth approximately SEK 20 billion, will afford Nordax with significant opportunities to further develop the business operations. The merger brings together two innovative banks with complementary strengths and has created the leading specialist bank in the Nordic countries. It is also most decidedly our ambition to strengthen our presence in other parts of Europe.

Together, Nordax and Bank Norwegian will represent a highly competitive offering of products in which Nordax's excellent expertise in the lending field will be combined with Bank Norwegian's digital prowess and wide-reaching customer relationships. Additionally, Nordax's strong position in the broker market will be supplemented by Bank Norwegian's well-established online presence. We have much to learn from each other. In short, this merger means that we now offer not only consumer and personal loans and residential mortgages, but also credit cards and savings products. This is something we offer throughout the Nordics, and following Bank Norwegian's launch during Q4 2021 we also offer these products in Germany and Spain. Together, we have a truly exciting future to look forward to.

Our business is all about financial inclusion and this is the very purpose that underlies all that we do. Together with Bank Norwegian, we will now have even greater opportunities to challenge the major banks and contribute to enhanced levels of financial inclusion. This will be done by continuing to challenge and offer alternatives to the standardization and narrow channels of contact that the traditional banking world largely stands for. This applies both to the home loan product offered to the professional without a salaried employment and to the possibility for the retirees with a paid-off home mortgage to supplement their increasingly small pension. All this is done responsibly.

Nordax's mortgage lending to groups who fall outside the focus of the major banks has continued to see good development during 2021. In my CEO's Statement last year I mentioned that we projected that in early 2021 we would pass the milestone of SEK 10 billion in secured lending via our mortgage products. Thanks to continued good growth during the year, we reached a volume of SEK 12.7 billion at the end of 2021. This is great news not only for our customers but also for our business and Nordax's risk profile.

A number of the highlights in 2021 reflect the visibility that Nordax has enjoyed in the market. This applies both to our creative and modern campaigns, and to our equality report which received widespread attention. Our efforts to overhaul our banking system also continued, with several milestones being achieved during the year. This is a further contribution to the flexible platform that we need as a modern agile and nimble bank.

Furthermore, I would also like to mention the credit rating that Nordax obtained in 2021 from Nordic Credit Rating. This BBB rating with a positive outlook boosts Nordax's possibilities for obtaining additional financing on attractive terms. It is important that Nordax continues to be well-capitalized, which remains the case with our common equity Tier 1 capital ratio unchanged at 16.2% and good underlying financial results. However, for the full year in 2021 we experienced an operating loss of SEK -173 million, partly as a result of technical accounting reasons relating to credit losses associated with the acquisition of Bank Norwegian, and partly due to acquisition-related costs. We look forward to a continued and profitable journey together with Bank Norwegian.

And in closing for now, a heartfelt expression of appreciation to each and every employee in the Nordax Group! Everyone at Nordax has worked tirelessly and diligently throughout the year to meet our customers' expectations in what remains a challenging environment. Beyond this, we have also worked together to complete the acquisition of Bank Norwegian. A real milestone in Nordax's history. As I said, I am very much looking forward to the many opportunities and possibilities that this acquisition will afford us, and how we can learn from each other as we build a stronger platform for increased growth and customer value.

Jacob Lundblad - CEO

Stockholm in April 2022

# Operations

**The Market and our Competitors**
One major factor driving developments in the retail lending market is the macroeconomic environment. Economic growth such as rising GDP, rising housing prices, higher disposable incomes, and low levels of unemployment usually drive household optimism, private consumption and thus demand among retail banking customers for loans. The retail lending market is also characterized by a relatively high degree of competition and fragmentation.

Nordax's competitors can be primarily split into two groups: full-service banks and niche banks. In recent years, the niche banks have taken market share from the full-service banks. The niche banks offer similar ranges of products to that offered by the specialist bank Nordax. The variables tend to be which customer segments are targeted, which channels are used to reach potential customers, and how lending is financed.

There are several barriers to entry that make it difficult for start-ups of limited size or experience operating in a regulated environment to get established in the personal loan market. One obstacle is the economies of scale that largely characterize the retail lending market. In view of the strict and complex rules and regulations that apply to banks and credit institutions, operators have to establish robust functions and systems for legal issues, compliance, and financial management, which in turn requires substantial investment and expertise. Once such functions are in place, operators can normally handle large loan volumes, which creates economies of scale and operating leverage. Start-ups also have to comply with the increasingly complex requirements and provisions relating to capital adequacy and liquidity. Compliance requires capital, a strong management focus and resources to invest in compliance and risk control. The ability to conduct credit assessments calls for tried-and-tested models, which in turn are dependent on access to extensive historical information on loan performance. Developing such models takes time and requires experience with lending, which is thus a barrier to entry for start-ups.

In the mortgage market, increased competition and tougher regulation has resulted in a strong trend towards automation and standardization among the major banks. This has led to an increasingly large group of non-standard customers, such as those persons in a non-standard form of employment (the dependent self-employed and gig workers, e.g those employed for a project, temporarily, freelancers) and/or those with a limited credit history who are no longer being served by the major banks. Nordax has established a strong position in the non-standard market focusing on customers with good creditworthiness, but who are not served by the major banks due to the aforementioned reasons. Nordax's competitors in the mortgage market largely comprise other niche banks who also focus on various segments of the non-standard market.

Via its subsidiary SHP, Nordax is also active in the equity release mortgage market. Equity release mortgages enable people over the age of 60 to free up the equity in their homes without having to sell them.

The market for equity release mortgages in Sweden is strongly associated with SHP, which holds a leading position in the field. Historically, banks, as well as certain insurance companies, have offered fixed term-mortgage loan products to senior citizens. However, these parties have all exited the market within the last few years leaving SHP as the clear market leader. The equity release mortgage market has a good rate of growth since the market still has low rates of penetration, while also being supported by underlying trends and the product in question offering excellent customer value. There are no ongoing interest or amortization requirements associated with equity release mortgages, which become due for payment upon the death of the customer or when they move out of the home. This allows senior citizens to release value from their own homes without having to sell up or move.

**Proven business model**
Nordax is a leading niche bank that conducts lending to individual consumers in the Nordic countries, Germany and Spain. Although Nordax previously had limited operations in Germany, it was only in 2021 that it embarked upon new lending in markets outside of the Nordics via its subsidiary Bank Norwegian. Since November 2021, Nordax has also offered credit cards in the Nordic countries, Germany, and Spain via Bank Norwegian. Nordax also offers savings accounts to individual consumers in Sweden, Norway, Finland, Germany, Spain and the Netherlands. Nordax currently serves some 2 million retail banking customers.

**Lending and savings**
Nordax's main business consists of conducting lending to individual consumers. Its lending consists of unsecured loans capped at an amount corresponding to SEK 600,000, NOK 600,000, DKK 400,000, or EUR 60,000. Since 2018, loans secured against a residential home in Sweden have also been offered, and loans secured against a residential home in Norway were introduced in 2019. Nordax also offers equity release mortgages to the over-60s via its wholly-owned subsidiary Svensk Hypotekspension, which was acquired in January 2019. Since November 2021, Nordax's subsidiary Bank Norwegian has also offered credit cards.

Personal customers are typically middle aged professionals with relatively high incomes, with the majority owning their own home.

For home loans, the primary target group is customers with some form of non-standard employment, such as the dependent self-employed and gig workers, e.g. those employed for a project, part-time, or temporarily. Credit assessments and personalized contact with customers have made more loan approvals possible in this customer group, members of which are often denied credit by the major banks despite their stable finances.

SHP offers secured loans against residential property to Swedes who are 60 or older via its Hypotekspension product, an equity release mortgage. Hypotekspension gives senior citizens an opportunity to free up equity in their home without having to sell their home.

Nordax accepts deposits from the public in Sweden, Norway, Finland, Germany, Spain and the Netherlands. Deposits provide the Group with a positive net interest income by lending at higher rates of interest than is offered on deposits, while it also minimizes the need for the Group's traditional borrowing from other financial institutions plus when the need does arise it facilitates the possibility of such borrowing.

**Centralized platform**

By means of a centralized business model and organization primarily based in Stockholm, Nordax conducts cross-border banking operations in Sweden, Norway, Denmark, Finland, and Germany in accordance with Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. Via the Nordax subsidiary Bank Norwegian ASA based in Oslo, which is regulated by the Financial Supervisory Authority of Norway, banking operations are conducted both domestically in Norway and on a cross-border basis in Sweden, Finland, Denmark, Germany, and Spain in accordance with the above Directive.

Centralized corporate governance and risk management, as well as centralized control functions, enable Nordax to closely and effectively oversee internal governance and controls. This also simplifies allocation of resources.

**Marketing**

Nordax strives to achieve controlled growth of its loan portfolio while keeping a focus on the creditworthiness of its loan customers. Nordax's risk assessment process begins with the marketing of Nordax's products. Targeted marketing is one of Nordax's core competencies and includes its most important marketing channels, such as addressed direct mail, unaddressed direct mail and marketing via partners. Nordax excludes from its marketing segments that would be unlikely to apply, or be approved, for a loan. This results in more efficient marketing and a higher proportion of loan approvals. Nordax's marketing channels also include lending to existing customers as well as marketing channels that are not targeted, including credit brokers and online channels. Nordax has also further strengthened its expertise in online channels via its subsidiary Bank Norwegian.

**Data-driven and responsible lending**

Nordax has extensive experience granting personal loans, and before a loan is approved it carries out a comprehensive credit assessment on every application, in accordance with the Bank's credit policies and applicable laws and regulations. The credit assessment process consists of a combination of policies, assessment regulations, internal credit assessment models and an estimate of the applicant's ability to pay. The maximum loan amount offered to a customer is calculated using a credit limit matrix based on the customer's creditworthiness. In terms of mortgages and equity release mortgages, an assessment with more manual components in the credit assessment is made based on the customer's individual situation, credit history, and the security to be provided.

**Diversified financing**

Nordax's diversified financing comprises securitizations (otherwise known as asset-backed securities), financing backed by security from international banks, retail deposits from the public, senior unsecured bonds, shareholder equity and subordinated liabilities. Nordax's securitizations require accessible and detailed information about loans in the portfolio and confirmation that they are performing well. The diversified financing reduces Nordax's liquidity risk and enables it to create a larger, more optimal financing mix over time.

# Lending Volumes

**Consumer and personal loans, and credit cards**
Nordax continued to show stable growth in consumer loans, with increased growth during the fourth quarter. Over the year as a whole, underlying volumes increased by SEK 3.7 billion, compared with 2020. In addition to organic growth, the acquisition of Bank Norwegian added SEK 24.6 billion to the personal lending volume, as well as SEK 10 billion in terms of credit card volume.

**Mortgage lending for housing**
In 2018, Nordax launched its home loan product to the Swedish market. The main target group is customers with some form of non-standard employment, such as the dependent self-employed and gig workers, e.g. those employed for a project, part-time, or temporarily. Credit assessments and personalized contact with customers have made more loan approvals possible in this customer group, members of which are often denied credit by the major banks despite their stable finances. Interest in the product has been substantial and new lending continues to develop positively.

At the end of Q1 2019, Nordax also launched its home loan product also in Norway. As in Sweden, the target group in Norway is the non-standard employment sector, i.e. customers falling outside the tight restrictions imposed by the major banks.

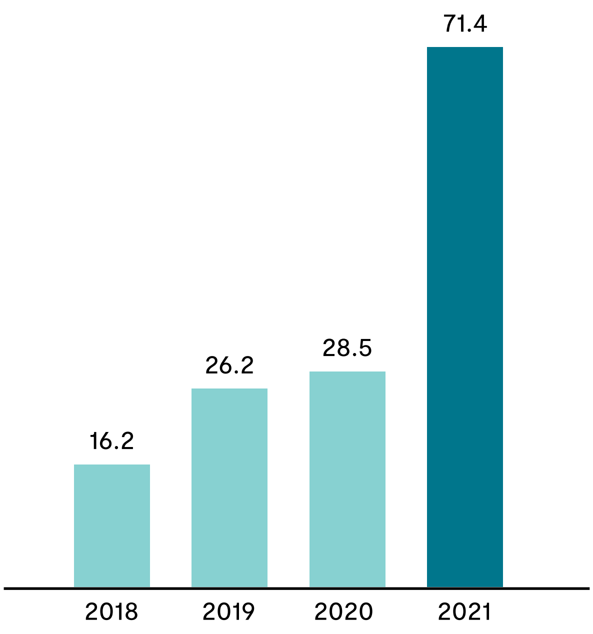
New lending has continued to see a positive trend in both Sweden and Norway, with the total mortgage portfolio amounting to SEK 5.1 billion as at December 31, 2021 (3.2 billion as at December 31, 2020).

**Equity Release Mortgages**
Nordax offers equity release mortgages via its wholly-owned subsidiary Svensk Hypotekspension, which was acquired in January 2019. The portfolio has continued to develop well during 2021 thanks to stable new lending. The market for equity release mortgages has good potential for development and Svensk Hypotekspension (SHP) has a strong brand profile within the customer base while there remains continued and strong customer interest. The total volume of equity release mortgages amounted to SEK 7.6 billion as at December 31, 2021 (6.6 billion as at December 31,2020).

**Portfolio Development**
Total deposits amounted to SEK 71.4 billion as at December 31, 2021 (28.5 billion as at December 31, 2020). In addition to the consolidation of subsidiary Bank Norwegian, this increase in lending is primarily due to good development in both personal loans and secured lending.

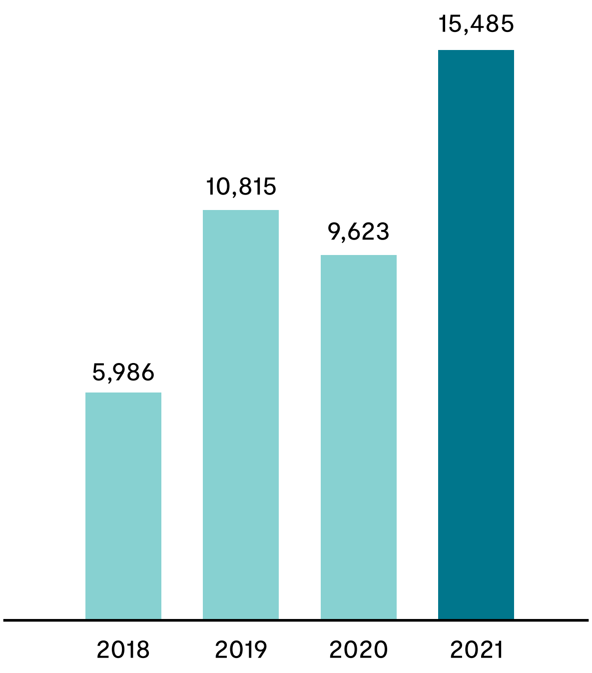
## GROWTH IN THE LOAN PORTFOLIO

SEK BILLION




## NEW LENDING

SEK MILLION



# Financing, Liquidity and Capital Situation

Maintaining a diversified financing structure remains a cornerstone of Nordax's business model. Nordax's financing mix comprises secured securities, senior unsecured bonds, secured bank financing from international banks and retail deposits from the public. Nordax offers deposit products offering competitive rates of interest in all its main markets in the currencies SEK, NOK, EUR and DKK.

In terms of the consolidated situation, the nominal sums for financing at the end of the period were: SEK 2,250 million (2,250 million) financing via the asset-backed securities market (securitized), SEK 8,605 million (1,080 million) in corporate bonds, SEK 6,608 million (1,605 million) financing against pledges with international banks, and SEK 67,424 million (24,180 million) of retail deposits from the public. The significant increase in retail deposits is due to the acquisition of Bank Norwegian, which contributed SEK 37,388 million. Nordax's short-term and long-term goal is to remain active in the capital market with the issuance of both senior unsecured bonds and subordinated bonds.

Nordax's liquidity reserves as at December 31, 2021 amounted to SEK 27,779 million (4,073 million). The large increase in the liquidity reserve is mainly due to the acquisition of Bank Norwegian, whose contribution amounted to SEK 22,732 million. Of these investments, 43 percent (30) were in covered bonds, 29 (25) percent in municipal bonds, 9 percent (25) were in Nordic banks, 7 percent (18) in the Swedish Central Bank, with the remainder invested in treasury bills and multilateral development banks.
These investments generally have a credit rating of between AAA and A. The liquidity reserve's average maturity was 457 days (467). The central banks of Sweden and Norway, in addition to the ECB via CENTROlink in Lithuania, all afford Nordax opportunities to use existing bonds for repo transactions. For additional information, see Note 4.

Lending to credit institutions as at December 31, 2021 amounted to SEK 3,258 million (1,144 million), of which SEK 721 million (74 million) consisted of pledged liquid balances attributable to the structured financing, while the remainder was available liquidity.

As at December 31, 2021 the Group's consolidated shareholder equity amounted to SEK 23,299 million (7,458 million) and its total assets amounted to SEK 112,969 million (37,451 million).

As at December 31, 2021, the total capital ratio was 20.83 percent (17.19 percent). The Common Equity Tier 1 Capital Ratio was 16.21 percent (16.24), as compared to the Common Equity Tier 1 Capital requirements which was calculated to be 13.79 percent (7.79) including the internally assessed Pillar 2 requirements. For additional information, see Note 4.

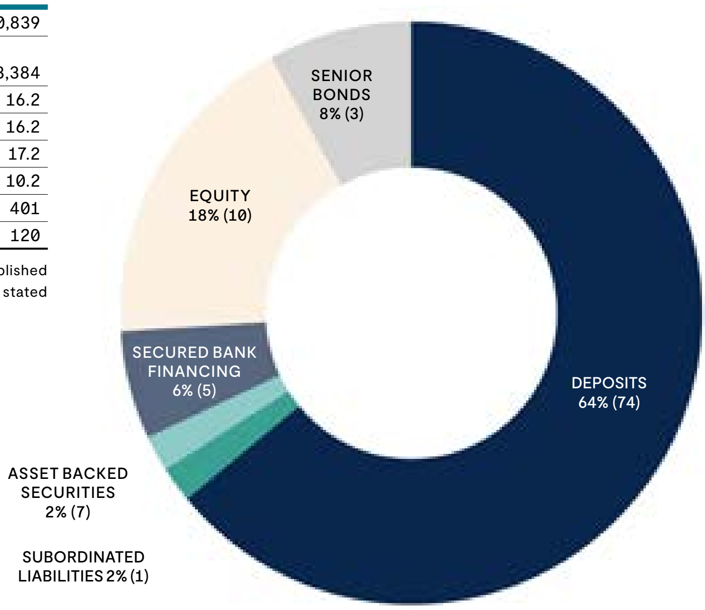
The risk exposure sum amounted to SEK 60,691 million (SEK 20,839 million), of which SEK 54,965 million (18,937 million) relates to credit risk, SEK 0 million (386 million) relates to market risk, SEK 5,526 million (1,517 million) relates to operational risk and SEK 200 million (0 million) relates to CVA.

## Capital and liquidity measures

| | 2021 | 2020 |
|---|---|---|
| Risk exposure amount, SEK million | 60,691 | 20,839 |
| Totalt Common Equity Tier 1 capital SEK million | 11,381 | 3,384 |
| Common Equity Tier 1 Capital Ratio, % | 16,2 | 16.2 |
| Tier 1 capital ratio, % | 18.8 | 16.2 |
| Total capital ratio, % | 20.8 | 17.2 |
| Leverage ratio, %[1] | 10.8 | 10.2 |
| Liquidity Coverage Ratio, % (LCR) | 124 | 401 |
| Funding ratio, % (NFSR) | 134.5 | 120 |

[1]The leverage ratio has been adjusted and differs from the previously published report, Q4 year-end report. In the year-end report, the leverage ratio was stated to 12.78% in respect of the consolidated situation.

## FINANCING AND EQUITY



# Geographic Markets

| SWEDEN | 2021 | 2020 |
|---|---|---|
| Net interest income, SEK million | 877 | 616 |
| Net interest margin, % | 5.4 | 6.2 |
| Net credit losses, SEK million | -470 | -139 |
| Credit losses level (cost of risk), % | 2.9 | 1.4 |
| Lending at end of period, SEK million | 21,731 | 10,992 |
| New lending, SEK million | 8,162 | 4,986 |
| | | |
| Growth in loan portfolio, SEK million | 10,739 | 2,209 |
| Growth, % | 97.7 | 25.2 |

The lending business launched operations in Sweden in 2004, and it began to accept deposits and to offer mortgage lending later on. The business operations grew further in 2021 due to the acquisition of Bank Norwegian's lending, deposit and credit card operations. This consolidation also impacts comparisons between 2021 and 2020.

In Sweden, we currently have approximately 108,000 retail banking loan customers, of which some 3,200 are home loan customers. The total number of deposit customers is approximately 166,000 and the number of credit card customers amounts to approximately 394,000.

During 2021, the Swedish loan portfolio doubled on the previous year to SEK 21,731 million (10,992) mainly driven by the acquisition of Bank Norwegian.

New lending increased from SEK 4,986 million to SEK 8,162 million. The net interest margin for the period fell to 5.4 percent (6.2). The decrease is partly due to increased competition and the acquisition of Bank Norwegian.

Credit loss levels increased to 2.9 percent (1.4) compared with 2020. The increase is partly due to the acquisition of Bank Norwegian.

| NORWAY | 2021 | 2020 |
|---|---|---|
| Net interest income, SEK million | 681 | 449 |
| Net interest margin, % | 5.2 | 7.2 |
| Net credit losses, SEK million | -50 | -132 |
| Credit losses level (cost of risk), % | 0.4 | 2.2 |
| Lending at end of period, SEK million | 20,335 | 5,859 |
| New lending, SEK million | 3,456 | 2,238 |
| | | |
| Growth in loan portfolio, SEK million | 14,476 | -544 |
| Growth, % | 247.1 | -8.5 |

Nordax established its lending business operations in Norway in 2005 and began to accept deposits in 2009. 2019 also saw the launch of the mortgage lending business. The business operations grew further in 2021 thanks to the acquisition of Bank Norwegian's lending, deposit and credit card operations. This consolidation also impacts upon comparisons between 2021 and 2020.

In Norway, our total number of retail banking loan is approximately 83,000, of which some 2,300 are home loan customers. The total number of deposit customers is approximately 133,000 and the number of credit card customers amounts to approximately 537,000.

The loan portfolio amounted to SEK 20,335 million (5,859). In 2021 new lending increased to SEK 3,456 million from SEK 2,238 million the previous year mainly driven by the acquisition of Bank Norwegian.

The net interest margin decreased compared to 2020, to 5.2 percent (7.3). Lower interest rates due to increased competition.

Credit loss levels in 2021 improved and stood at 0.4 percent (2.2) driven by lower requirement levels due to higher disposable income during the pandemic.

| FINLAND | 2021 | 2020 |
|---|---|---|
| Net interest income, SEK million | 524 | 348 |
| Net interest margin, % | 5.0 | 7.7 |
| Net credit losses, SEK million | -401 | -153 |
| Credit losses level (cost of risk), % | 3.8 | 3.4 |
| Lending at end of period, SEK million | 16,520 | 4,349 |
| New lending, SEK million | 2,306 | 1,069 |
| | | |
| Growth in loan portfolio, SEK million | 12,171 | -346 |
| Growth, % | 279.9 | -7.4 |

Nordax established its lending business in Finland in 2007 and began to accept deposits in 2011. The business operations grew further in 2021 thanks to the acquisition of Bank Norwegian's lending, deposit and credit card operations. This consolidation impacts comparisons between 2021 and 2020.

The total number of loan customers in Finland stands at approximately 107,000. The total number of deposit customers is approximately 62,000 and the number of credit card customers amounts to approximately 169,000.

The loan portfolio in Finland amounted to SEK 16,520 million (4,349 million).

New lending amounted to SEK 2,306 million compared with SEK 1,069 million in 2020.

The net interest margin was 5.0 percent (7.7). The decrease is partly due to the acquisition of Bank Norwegian.

Credit loss levels increased to 3.8 percent (3.4) compared with 2020 driven by among other things, the acquisition of Bank Norwegian

| GERMANY/SPAIN | 2021 | 2020 |
|---|---|---|
| Net interest income, SEK million | 46 | 59 |
| Net interest margin, % | 7.8 | 8.3 |
| Net credit losses, SEK million | -3 | -11 |
| Credit losses level (cost of risk), % | 0,6 | 1.5 |
| Lending at end of period, SEK million | 574 | 599 |
| New lending, SEK million | 94 | 6 |
| | | |
| Growth in loan portfolio, SEK million | -25 | -229 |
| Growth, % | -4.2 | -27.7 |

The German business operations were launched in 2012, and began accepting deposits in 2016. During the second quarter of 2019, the decision was made to cease new lending in Germany, due to that the desired levels of profitability had not been achieved. Nordax has continued to accept deposits in Germany. Via the addition of Bank Norwegian's lending, deposit and credit card operations in 2021, Nordax is now once again engaged in active new lending in Germany and Spain.

The total number of loan and credit card customers in Germany and Spain amounts to approximately 8,000. The number of deposit customers is approximately 36,000.

The loan portfolio amounted to SEK 574 million as at December 31, 2021 (599 million).

The net interest margin decreased to 7.8 percent (8.3) compared with 2020. Excluding Bank Norwegian, the net interest margin is the same as previous year.

Net credit loss levels decreased during the year to 0.6 percent (1.5) driven by lower requirement levels.

| DENMARK | 2021 | 2020 |
|---|---|---|
| Net interest income, SEK million | 86 | 0 |
| Net interest margin, % | 3.7 | -0.1 |
| Net credit losses, SEK million | -84 | 6 |
| Credit losses level (cost of risk), % | 3.6 | -33.1 |
| Lending at end of period, SEK million | 4,606 | 15 |
| New lending, SEK million | 214 | 0 |
| Growth in loan portfolio, SEK million | 4,591 | -6 |
| Growth, % | 30,606.7 | -27.6 |

The Danish business operations was launched in 2006. During the 2008 financial crisis, the decision was made to cease all new lending in Denmark, and the decision was subsequently made to keep the portfolio closed in light of strained credit loss levels. Via the addition of Bank Norwegian's lending, deposit and credit card operations in 2021, Nordax is now once again engaged in active new lending in Denmark.

The total number of loan customers in Denmark is in the region of 32,000, while the number of deposit customers is approximately 35,000 and the number of credit card customers stands at 94,000.

The loan portfolio amounted to SEK 4,606 million (15) as at December 31, 2021. The increase is due to the acquisition of Bank Norwegian.

The net interest margin amounted to 3.7 percent (6.7) and the credit loss level was 3.6 percent (-33.1). The changes are driven by the acquisition of Bank Norwegian.

| SHP | 2021 | 2020 |
|---|---|---|
| Net interest income, SEK million | 204 | 163 |
| Net interest margin, % | 2.9 | 2.7 |
| Net credit losses, SEK million | -1 | -1 |
| Lending at end of period, SEK million | 7,625 | 6,645 |
| New lending, SEK million | 1,252 | 1,324 |
| Growth in loan portfolio, SEK million | 980 | 1,137 |
| Growth, % | 14.7 | 20.6 |

Svensk Hypotekspension AB was founded in 2005, while the acquisition of the company completed in January 2019. SHP offers secured loans against residential property via its equity release mortgages. These are available to borrowers who are 60 or older. Hypotekspension gives senior citizens an opportunity to free up home equity without having to sell their home.

Our total number of customers in Sweden is approximately 8,400.

The lending portfolio grew by 15 percent and as at December 31, 2021 it stood at SEK 7,625 million (6,645 million) compared with 2020.

New lending amounted to SEK 1,252 million (1,324 million).

The net interest margin was 2.9 percent (2.7).

# Sustainability Report

WHAT DOES SUSTAINABILITY MEAN TO US?
For Nordax's total operations, sustainability relates to continuously contributing to the long-term positive development of society in order to benefit all the Company's stakeholders. Nordax's very business concept is to devote itself to responsible financial inclusion where the credit assessment process serves as the generator of opportunities and possibilities, thus is the central pillar to the value creation process. Sustainability is therefore also a prerequisite for all that Nordax does.

Based on the above perspective, the customer is Nordax's most important stakeholder and the party whose means we constantly seek to improve. In addition to them, Nordax, like other businesses, has other key stakeholders such as employees, suppliers, business partners, supervisory authorities, stakeholder organizations and investors. They influence and are influenced by Nordax's activities in various ways. As a consequence, Nordax holds a great responsibility to run a business that is sustainable in the long-term while also creating value for all stakeholders.

HOW DO WE DEFINE AND REPORT OUR SUSTAINABILITY EFFORTS?
In order to engage in business sustainably, Nordax has identified several key areas of focus. These consist of financial inclusion, responsible lending and a sustainable organization. Beyond our own purpose, these areas also encompass the Company's focus on our own impact on the environment, ensuring high standards of information security and combating financial crime.

In order to connect Nordax's focus on sustainability to an internationally recognized framework, Nordax has identified five of the UN's 17 Sustainable Development Goals where the Company is able to contribute actively via its business operations. These goals are: gender equality, affordable and clean energy, decent work and economic growth, climate action, and peace, justice and strong institutions.

Nordax's sustainability reporting aims to continuously monitor and cast light on those areas that are most significant to the Company's long-term value creation on behalf of our stakeholders. The bank's reporting also aims to illuminate risks that the Company is exposed to. The report is prepared in accordance with current regulatory requirements and follows, as far as possible, the special guidelines on sustainability reporting (GRI Standards) which have been developed by the Global Reporting Initiative.

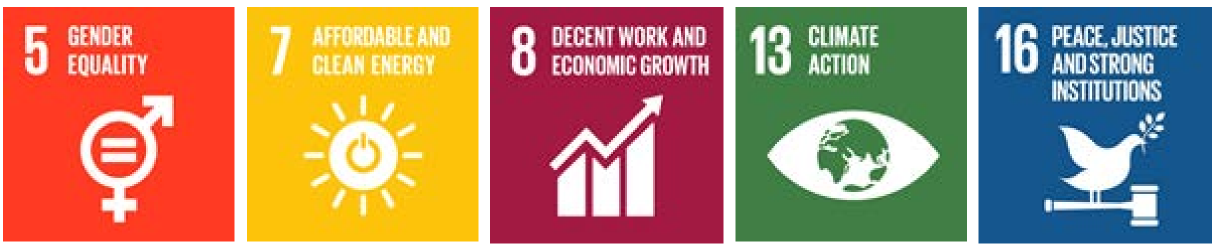
Much of Nordax's business now consists of its subsidiary Bank Norwegian.For a more detailed understanding of the sustainability efforts being undertaken in Nordax's subsidiary, please visit https://www.banknorwegian.se/omoss/investorrelations/.

SUSTAINABILITY IN A WIDER CONTEXT
Beyond its competitive offering, Nordax's efforts to facilitate financial inclusion via responsible lending are based on impact. This is partly done by reaching out to a larger number of customers, but also by seizing the opportunity to occupy part of the market and leave a positive impression on it. Nordax's highly ambitious approach to responsible lending and creating fair, healthy standards in the market is clear to see. Nordax has created even greater opportunities via its recent acquisition of Bank Norwegian to succeed in this respect.

Just like Nordax, Bank Norwegian has a clearly set out ambition to be part of a sustainable society where responsible lending is a central feature. We now have the opportunity to work together to deliver not only a broader, more diversified range of products, but also to make an even greater impression on the market. We are now a well-established consultation partner for governmental authorities and the news media to engage with on issues where we can provide input on how healthy lending should be facilitated. One example of this is in relation to the proposal of a national debt register in Sweden, with Nordax setting out a clear position in terms of advocating for such a solution.

In addition to our greater impact, we have also already begun to learn from each other, i.e. allowing us both to enhance our expertise in areas such as credit assessment and take efforts against fraud and other types of financial crime. This all serves to create a business that is as robust and sustainable as possible.

During 2022, we will also focus on further increasing



our ambitions in the area of sustainability within the framework of this new, wider-reaching context. The KPI structure will be clarified and largely harmonized, while resources will be directed even more clearly to those areas where we have the greatest opportunities to contribute to positive development pertaining to both our business and wider society. Visibility of these efforts will also be improved upon via further integration of sustainability reporting. We are now an organization of some 500 employees serving almost 2 million customers and offering lending in the region of SEK 70 billion. Together, we are making a difference.

### STRUCTURED SUSTAINABILITY WORK ACROSS TWO FOCUS AREAS - FINANCIAL INCLUSION AND RESPONSIBLE LENDING.

#### Financial inclusion

Nordax's business is fundamentally about contributing to financial inclusion and this is the basis of all products provided by the Group. As financial exclusion becomes ever more widespread prevalent in society, the importance of the financial sector developing products and delivering initiatives that can counteract this trend increases.

As we have previously emphasized, society has been moving towards increased digitalization, standardization and automation over a long period, which are important driving forces for ensuring a competitive society, over the course of many years. The same is true for Nordax. At the same time, we see how these factors remain a strong contributory factor to financial exclusion. Standardized digital forms with a very low degree of flexibility combined with clumsy self-service options in the wake of bank branch closures make it increasingly difficult for ordinary people to access banking services or contact the relevant department in their bank.

In addition to digital exclusion, there is also exclusion in terms of financial equality as well as language barriers around financial services. During 2021, Nordax has worked to raise awareness of this, including via its marketing campaigns and partnerships, as well as via the preparation of an equality report which focused on the different conditions that men and women face in the event of a separation.

#### Secured loans*

One of the foremost needs for the many people who are currently excluded from the banking sector is to have the opportunity to enter the housing market and buy their own home. In this respect, Nordax and our home loan product both have an important role to play. The customer profile among Nordax's Swedish mortgage borrowers shows that approximately one-fifth of Nordax mortgage customers are individuals in non-standard forms of employment or with non-traditional patterns of income. Meanwhile, approximately three-fifths are individuals with a more traditional financial profile but who do not fit within the framework of the major banks' standardized credit granting processes, and about one-fifth are individuals with some form of bad credit history. Nordax home loans thus fulfill an important role in building an inclusive society.

Likewise, many retirees face a challenging situation, namely one where their disposable income shrinks while at the same time they are largely excluded from obtaining financial products from the major banks. Despite the fact that many of these retirees are de facto high net worth individuals as they have significant equity locked in their homes, the bank's door is firmly closed to them.  At the same time, we are living longer and increasingly active lives, including in senior age categories. For all those retirees who want to release their equity in their home but do not want to sell their home and move, Nordax's equity release mortgages offer yet another example of how the banking world can develop products to serve a key segment in the community while contributing to shaping a more inclusive society.

As at December 31, 2021 Nordax's secured lending amounted to SEK 12.7 billion, which is an increase of approximately 30 percent compared with the preceding year. The growth in the customer base is the most important proof that Nordax's mortgage loan products fulfill an important role in helping to create a financially inclusive society – something which will only become more important in the years to come.

#### Consumer and personal loans, and credit cards

Nordax has offered personal lending since 2004, and these have long constituted the Bank's core business. This has become even more pronounced following the acquisition of Bank Norwegian and the inclusion of its lending portfolio of consumer loans. The merger has also brought a large portfolio of credit cards into Nordax. The basis of Nordax's personal lending business is to enable leveling of consumption over the course of the customer's lifetime.

* Secured loans includes both Nordax mortgage loans  and Nordax equity release mortgages.

Given the nature of the product, the frequency of early redemptions of loans is fairly high, which is also a marker of health. Redemptions are always available at no extra cost. Furthermore, Nordax's credit card business constitutes a straightforward means of payment that generates value.

A large proportion of Nordax's personal loans are used to refinance costly, small loans and lines of credit in order to reduce the customer's monthly expenses. Nordax's retail banking loan customers are to be found among all age groups and all walks of life. 99.5 percent of Nordax credit card customers pay their credit card bill in the month after their statement is generated.

**Responsible lending**

As part of Nordax's efforts to promote financial inclusion, responsible lending is Nordax's most important process. Loans are offered only to financially stable individuals and customers should never be offered loans they cannot afford. Nordax should never contribute to over-indebtedness in terms of individuals or society as a whole. However, there is always a built-in risk that a customer for various reasons may run into difficulty repaying their loan due to circumstances that could not have been predicted at the time the loan was approved. This risk is built into all lending activities. It is Nordax's responsibility to do its utmost to reduce the proportion of customers who default on their payments, while also doing its best to assist those customers who regrettably end up in this situation. Each loan application undergoes a correct and satisfactory credit assessment via the use of a tried and tested lending process. The credit assessment is conducted in accordance with good lending practices and is always based on the customer's financial situation, while also being carried out in accordance with Nordax's credit policy, which is based on external regulatory requirements. All customers must have a financial buffer in their personal finances, which we verify by a number of means such as analysis of their level of indebtedness and via a funds-to-live-on (Kvar Att Leva På) calculation.

Thanks to our extensive experience in the industry, various geographical markets, and different economic cycles, Nordax has gained valuable knowledge and data that it uses to develop models for advanced data-driven credit assessments that have a high predictive ability. In recent years, the Company has invested significant resources in the further development of its lending operations by enhancing the constituent elements of the ecosystem. The acquisition of Bank Norwegian now affords even greater opportunities to further improve processes and tools relating to this core area of expertise.

**Money laundering and other financial crime**

A consequence of being engaged in banking activities is that the Company is exposed to the risk of financial crime such as fraud, money laundering, and terrorist financing. Addressing these issues properly and responsibly is essential for Nordax and also crucial to earning the trust of the Company's stakeholders.

In recent years, Nordax's Swedish operations have completed a wide-ranging effort to strengthen its rules and processes and make them more efficient, to avoid Nordax being exploited for the purposes of money laundering and other types of financial crime. This framework is an integral part of Nordax's risk management activities and the internal distribution of responsibilities is based on a model of three lines of defense. The Nordax Anti-Financial Crime ("AFC") unit is responsible for establishing, implementing and executing appropriate procedures, and checks to prevent, detect and when needed investigate financial crime. Furthermore, Nordax has appointed the Chief Compliance Officer as the Money Laundering Reporting Officer. This officer is tasked with reviewing this work independently of the AFC unit and report to the management team and Board of Directors. Additionally, the internal audit function is responsible for reviewing the work of both the AFC unit and the Money Laundering Reporting Officer, and reports directly to the Board of Directors.

In 2021, further steps were taken in this area. For example, Nordax founded FinDef, a forum designed to strengthen cooperation between specialist banks in matters around relevant money laundering issues.

**Taking responsibility during the pandemic**

In 2021, Nordax continued to monitor carefully trends relating to customer payment patterns, but did not identify any deterioration in this respect arising as a result of the pandemic. Thus there has been no need to activate special payment relief programs as was the case in the earlier stages of the pandemic in 2020. However, those additional resources that were assigned to our customer service organization in 2020 have remained in place during 2021 to ensure that we are able to work together with our customers to find solutions when requested. If a customer finds themselves facing difficulties in making payments, this is a problem for the Bank. However, the problem is always far more dramatic for the individual. Nordax has a significant corporate social responsibility to ensure that the best possible solution is secured for each individual customer in each given case, and this is especially true during such challenging times. Nordax's responsible approach continues to be evidenced by the fact that the repayments team at Nordax achieved a customer satisfaction rating of 93% in 2021.

Generally, an important aspect of responsible lending is ensuring the provision of good service to those customers who find themselves encountering payment difficulties for any reason at all. The lender has a far-reaching responsibility to work to find a suitable solution. However, the most common cause in these situations are unexpected personal events such as a divorce or being laid off from one's job.

### Ambitions, KPIs and relating to the UN's Sustainable Development Goals

Nordax is currently the leading player in the Nordic market in terms of credit assessment expertise. Nordax's goal is to ensure that credit losses do not exceed 2%. In 2021, credit loss levels were 2.1% (1.6%). The fact that this outcome was above the target was due to technical accounting reasons related to the acquisition of Bank Norwegian. Nordax's Swedish operations reported credit loss levels well below the target.

An important metric in determining Nordax's capacity to deal with its customers in a way that is responsible and focused on their needs is via the use of a "Customer Satisfaction Score" (CSAT), where the Company's Swedish operations has the continuous aim of ensuring that it is always among the top three firms in the industry.
In 2021, Nordax as a whole achieved an average CSAT of 91% (92%), which corresponded with 4th place in the industry. Nordax's Swedish operations also has the ambition for every employee in the Company to undergo training on Nordax's processes on an annual basis in order to prevent and counteract Nordax's business from being exploited for the purposes of money laundering and other forms of financial criminality. In 2021, 100% (99.4%) of the Company's staff took the training program offered by the AFC unit.

Nordax's efforts in the fields of financial inclusion and responsible lending are connected to the UN's Sustainable Development Goal no. 8 relating to decent working conditions and economic growth, and more specifically to target 8.10 "Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all."

Nordax's ambition in its efforts to combat financial crime is connected to the UN's Sustainable Development Goal no. 16 relating to peace, justice and strong institutions, and specifically to target 16.4 to "combat organized crime and illicit financial and arms flows."

## SUSTAINABLE ORGANIZATION

Developing a sustainable organization is an important area of focus for Nordax. This is essentially a case of future-proofing the Company by ensuring that it attracts and retains the right expertise, that engagement and leadership are both strong, that succession planning is in place for business-critical roles, and that Nordax is perceived to be a modern, equal and diverse organization. This also means that the organizational structure must be effective in terms of managing inherent risks and opportunities, as well as ensuring that business processes and the IT environment interact in a cycle of feedback and improvement

### Leadership and commitment

Committed employees are an absolutely vital success factor in Nordax's efforts to be a sustainable organization. Nordax's operations in 2021 continued to be affected by the coronavirus pandemic. While 2021 began as 2020 had ended, Nordax's Swedish operations returned to the office in September in line with its new flexible approach to work, known as "Hello Future," which was drafted in 2020. However, in December the business returned to conducting the vast majority of its business on a remote basis following the new, high levels of infection.

Despite the uncertainty and rapid change that 2021 entailed, we have managed to maintain high levels of commitment among our staff. All employees continue to retain access to "work from home kits" that contain everything from essential equipment to external coaching and ergonomic support, and there has been a high degree of focus on training in the areas of co-leadership and leadership. Finally, 2021 saw the establishment of a new, even stronger induction program for new-hires. During the course of the year, 6 editions of this program have been run and feedback has been good.

### Ambitions and KPIs

Given that employees' commitment is an established success factor for the Bank, Nordax's ambition in its Swedish operations is to have a leadership index rating in excess of 85% and levels of employee engagement exceeding 80%. The result from the Company's quarterly measurements in these indices in Q4 2021 were 88 and 85 respectively.

Nordax also monitors its Employee Net Promoter Score (eNPS) on a continuous basis. This score measures to what extent our employees would recommend Nordax as an employer. During the year, the eNPS for Nordax's Swedish business increased from 45 during Q4 2020 to 46 during Q4 2021, which remains a high score when compared with the rest of the industry.

During the year, a key focus for Nordax has been to minimize staff turnover. Nordax's Swedish operations have the ambition for its employee turnover to be less than 20%. The employee turnover rate in 2021 was 19.5% (21.3%).

#### Equality and inclusion

As part of its desire to be an attractive, modern company, Nordax's holds the ambition for its employees to feel that they receive competitive and fair remuneration, and that staff should have a fair opportunity to achieve a reasonable work-life balance. This is supported by the shortened working hours adopted by the business in Sweden. Diversity issues are important to Nordax in order for the Company to be able to utilize the benefits of diversity and inclusion, while also ensuring that we can respond to our customers across our range of markets.

Our efforts to broaden diversity is supported via measures such as our evidence-based recruitment platform which was successfully rolled out in 2019.

#### Ambitions and KPIs

It goes without saying that Nordax values equality and considers all people to hold equal value, and this is an important area for the Bank in terms of its ambitions. This year's salary survey for the Swedish business shows that women receive on average 99 percent (101) the salaries of men.

Furthermore, Nordax also holds the ambition of ensuring that the various layers in the organizational structure are equal and it therefore engages in continuous monitoring of the gender proportions in the Company. The proportion of women in the Swedish business operations amounts to 55%, while the proportion in leadership roles is 48%.

Nordax's ambition here is linked to Goal No. 5 of the ambitious and transformational vision of the UN's Sustainable Development Goals, and specifically to targets 5.1 "End all forms of discrimination against all females everywhere" and 5.5 "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life."

#### IT and information security

In many cases, Nordax's financial services constitute a vital cog in our customers' personal finances, and they also rely on the availability of these via a range of channels. They also entrust us with sensitive personal data about their financial situation. In order to administer the trust that our customers place in us, it is essential that we have appropriate IT systems in place, as well as ensuring that these are delivered reliably and securely.

In order to meet our customers' expectations and ensure that we remain a sustainable business in the long-term, Nordax's Swedish business operations is currently engaged in intensive modernization of its IT systems. The main core banking systems are being upgraded to new, modern versions and we are expanding the digital channels that our customers encounter. Internally, this efforts will result in lessened complexity which will ensure the more secure, quicker delivery of services. The change to the core banking system has continued throughout 2021 with a number of milestones achieved, but work will continue in 2022.

Information security is another area subject to our continuous focus as the threats posed to the banking sector are constantly in flux and developing. In 2021, Nordax has allocated further resources to this area to continue strengthening its work in this regard. This has enabled the implementation of several important initiatives, such as the launching of secure customer messaging, to increase security and also adhere to the increased requirements in this area as stipulated by the regulatory authorities.

In order to economize, Nordax applies a well-developed prioritization process in the case of both major projects and minor changes, involving the parties that have requested the change and other affected parties within the organization. Priority is given to regulatory requirements, while commercial initiatives are prioritized based on the extent of the forecast commercial benefit.

#### Ambitions and KPIs

Nordax's Swedish operations held the ambition in 2021 to have completed the migration of its loans personal banking customers to a new banking system. This goal was achieved and the ambition is now to complete the Bank's migration of its core banking system in the years to come. In the field of information security, Nordax must meet the requirements that are imposed on the Bank by new legislation and regulations, and we must meet our customers' expectations that we will process all data that they entrust to us securely. During the course of 2021, Nordax rolled out an updated information security program on behaviors relating to and the management of information security within the Bank.

### Processes

Nordax's Swedish operations applies a process-oriented approach to its work which is based on the financial products that we offer on the market. We consider this to be the most customer-oriented and efficient approach to our work in order to meet the demands and expectations that we encounter from the market, our customers and other stakeholders. A process-oriented approach to work allows us to view the entire workflow across organizational boundaries and identify how different parts affect each other. It also provides clarity on how specific employees' duties contribute to the bigger picture, and helps to create value for our colleagues and ultimately for our customers.

Nordax's Swedish business has also surveyed and documented the most significant processes within the Bank, which are primarily composed of the processes that create the majority of the products that we offer to the market – consumer and personal loans, mortgage loans, equity release mortgages and savings accounts. Each process has one process owner appointed to manage it, and this individual is tasked with exercising commercial responsibility for the process while also taking responsibility for ensuring that the process is sustainable. This responsibility is satisfied by ensuring that all processes have in place a plan to guarantee continuity and recovery in the event of disruption or interruptions. Additionally, the process owner is responsible on a continuous basis for identifying and assessing the risks of the process not functioning as intended, and for managing these risks, for instance via controls. This risk management process is an integral part of Nordax's comprehensive risk management framework.

### Ambitions and KPIs

Nordax must update and test its plans for continuity of and recovery in the event of disruption or interruptions to all significant processes, and this should be done on an annual basis. Furthermore, the Company must conduct an annual risk analysis for each significant process to identify and manage process-related risk. Everything stipulated above was completed according to plan in 2021.

### Healthy operations via governance and control

Nordax works continuously to comply with regulations and ethical standards, manage and minimize risks and to maintain a healthy corporate culture in relation to all ethical issues.

Nordax has developed a clear framework pertaining to ethical issues in general. This incorporates issues such as conflicts of interest, remuneration, corruption, incident management and customer complaints, whistleblowing, and conduct in the financial market and vis-à-vis the customers. The ethical framework has been communicated to all employees who also undergo training on a continuous basis. Nordax has also developed a code of conduct based on its ethical framework.

Furthermore, Nordax has developed more detailed rules, processes and training that apply to specific areas incorporated into the ethical framework.

Nordax advocates transparency and encourages its employees to report any observations regarding suspected irregularities or unethical or illegal behavior within Nordax. Nordax's employees should always feel that there is someone for them to turn to regardless of what such a report relates to, which is why the Bank has multiple reporting channels. Employees are also able to submit reports anonymously via Nordax's whistleblowing process.

All cases that are reported are investigated with immediate effect and appropriate measures are implemented.

We seek to avoid conflicts of interest within Nordax insofar as this is possible. If conflicts of interest do arise in spite of this, then there are clear procedures in place for identifying and managing these at different levels within the Bank.

Having a fully functioning approach to risk management is a fundamental prerequisite for any player in the financial market if they are to succeed. Nordax's Swedish operations has established an Enterprise Risk Management (ERM) framework. Instead of managing individual risks separately across different departments or risk areas, the ERM seeks to ensure that all financial, operational and strategic risks in the Company are managed uniformly, and that the common risk strategy permeates the entire organization. The ERM creates the conditions to enable every layer within Nordax to take responsibility for risk management, which allows for quicker, more efficient, and a more conscious decision-making. This uniform approach to risk management also ensures an comprehensive and holistic view of the risks that Nordax is exposed to. The ERM also provides assistance when making strategic decisions as the types and level of risk that the Bank is willing to accept are based on the overall strategic and financial goals of the Bank.

**Ambitions and KPIs**

Nordax's ambition is to maintain healthy operations by means of good governance and control. In 2021, the Company has continued to develop and integrate both its ethical framework and risk management framework into its business operations. Intensive efforts have also been made to strengthen governance and maturity in relation to the acquisition of Bank Norwegian and these efforts will continue unabated in 2022.

Nordax's framework for ethical issues is linked to the UN's Sustainable Develop Goal no. 16 and specifically its target 16.5 "Substantially reduce corruption and bribery in all their forms."

**Environmental impact**

Nordax's business has a relatively limited carbon footprint. The areas in which Nordax has an environmental impact are the consumption of paper via in the information on our products provided to customers, as well as the consumption of energy in our offices. Nordax's Swedish operations has in recent years undertaken a number of initiatives in order to digitalize and automate aspects of its business. Lower paper consumtion results in reduced carbon dioxide emissions and a more environmentally friendly and sustainable result.

In addition to the "green lease agreement" and eco-friendly illumination, which were initiated in 2020, Nordax has also signed a new eco-friendly electricity contract which took effect at the beginning of 2021.

**Ambitions and KPIs**

Nordax's ambition is to continue to undertake carbon offsets for its paper consumption, while also maintaining both its green lease agreement and an eco-friendly electricity contract.

Nordax's ambitions are connected to the UN's Sustainable Development Goals nos. 7 "Ensure access to affordable, reliable, sustainable and modern energy for all" and 13 "Take urgent action to combat climate change and its impacts".

## HOW DO WE SUPPORT SUSTAINABILITY EFFORTS?

### Membership

Both Nordax and its Bank Norwegian subsidiary are members of the UN Global Compact and have therefore made a commitment to work on the basis of the ten principles of corporate sustainability. These principles relate to the areas of human rights, fair working conditions, the environment and the prevention of corruption. In addition to ongoing efforts around these principles, membership also entails the preparation of an annual update and status report

### Policies

The sustainability policy applicable to Nordax's Swedish operations describes the Company's overall corporate governance that is to take place in relation to sustainability and the Company's selected areas of focus. The policy emphasizes the importance of sustainability being integrated into strategic development and day-to-day business activities. This also sets out to identify and manage risk. Other policies relating to Nordax's sustainability efforts are listed below:

- Policy regarding ethical standards
- General Credit Policy
- Policy on diversity and assessment of suitability of directors and key function holders
- Policy regarding Work Environment and Safety
- Remuneration Policy
- Financial Crime Policy
- Complaints Management Policy
- Outsourcing Policy
- Privacy Policy
- Information Security Policy
- Code of Conduct/Uppförandekoden

The above-mentioned policies are well integrated in Nordax's core business and are linked to the overall focus areas regarding financial inclusion, responsible lending a sustainable organization. Through the clear connection to the daily work, these policies are implemented in a natural way and the follow-up thus takes place continuously in the day-to-day operation. In addition, each policy undergoes an annual update to keep it as current as possible. The outcome of this integrated model is illustraded, for example, by the key figure follow-up that take place during the year. An example is Nordax's low credit loss level, where the outcome is a result of clear guidance towards responsible lending and the good and increasing outcomes related to staff well-being, which in turn are result of our focus on a sustainable organization.

The following summary sets out an overview of key figures for Nordax's operations excluding Bank Norwegian. In 2022, work will be undertaken to strengthen and harmonize these key figures together with Bank Norwegian. However, we can already see that there are many common points of contact between the companies across practically all areas of mutual focus. Examples of this include our clear focus on responsible lending, data security, customer communications, working environment legislation, staff well-being and diversity and equality.

| KEY FIGURES | 2021 | 2020 |
|---|---|---|
| **Finacial inclusion and responsible lending** | | |
| Credit loss level, % (excl. initial effects of acquisition of Bank Norwegian) | 0.7 | 1.6 |
| General satisfaction, customer servic by telephone, Brights surveys (index 0-100) | 91 % | 92% |
| Sector ranking, customer service survey via Bright | 4 | topp 3 |
| Average salary for personal borrowers | 40 TSEK | 39 TSEK |
| Proportion of homeowners, personal loan borrowers | 68% | 66% |
| Average balance personal loans | 172 TSEK | 196 TSEK |
| Average age personal loans | 45 | 50 |
| Customer complaints | 112 | 133 |
| Complaints to the National Board for Consumer Disputes in Sweden, the Norwegian Financial services Complaints Board in Norway and the Consumer Disputes Board in Finland | 11 | 6 |
| Employees who have undertaken Work Environment Act training | 100% | 99% |
| **Sustainable organization** | | |
| Commitment index, employees (Scale 0-100) (Q4) | 85 | 84 |
| Leadership index, employees (Scale 0-100) (Q4) | 88 | 87 |
| eNPS (Scale -100 to + 100) (Q4) | 46 | 45 |
| Number of employees, total at year end | 393 | 351 |
| Result of salary survey | 99% | 101,0% |
| Employee turnover (12 monhs rolling bases) | 19,5% | 21,3% |
| Gender distribution, total (men/women), % | 45/55 | 40/60 |
| Gender distribution, executives (men/women), % | 52/48 | 54/46 |
| Gender distribution managers (men/women), % | 56/44 | 50/50 |
| Gender distribution Board of Directors (men/women), % | 86/14 | 86/14 |
| Sick leave, % | 5.60% | 3.37% |
| **Efficient use of resources** | | |
| Electricity to the office, kWh[1] | 167,969 | 158,941 |
| Paper consumption, printed matter, customer communication etc, tons | 130 | 158 |
| Paper consumptions, printed matter, customer communication etc, CO2e, tons | 39 | 47 |

[1] In 2021, electricity consumption increased compared with 2020, primarily due to Nordax's expansion of its office premises in April 2020 by an area of approximately 420 m².

# Director's report 2021

NORDAX Holding AB (publ)

# Operations

## ABOUT THE GROUP

Nordax Holding AB (publ) (corporate identification number 559097-5743) with its registered office in Stockholm at Box 23124, SE-104 35 Stockholm, Sweden, telephone number +46 8 508 808 00, www.nordaxgroup.com, hereinafter "Nordax", is approximately 19 percent owned by Sampo Oyj based in Finland, approximately 41 percent by Cidron Xingu Sarl based in Luxembourg and approximately 33 percent by Cidron Humber Sarl based in Luxembourg. The remaining shares are owned by a few minority owners through NDX Intressenter Invest II AB and NDX Intressenter Invest III AB, both based in Sweden. Nordic Capital Fund VIII, has an indirect ownership in Nordax Holding AB (publ) through its holding in Cidron Humber Sarl and Nordic Capital Fund IX has an indirect ownership in Nordax Holding AB (publ) through its holding in Cidron Xingu Sarl.

The Group's operating subsidiaries are Nordax Bank AB (publ), which since 2014 has been licensed to conduct banking operations, Bank Norwegian ASA, which has been licensed as a bank under Norwegian law since 2007, and Svensk Hypotekspension AB, which since 2018 has been licensed to conduct mortgage lending under the Mortgage Credit Act.

## ACQUISITION OF BANK NORWEGIAN

On July 14, 2021 Nordax made a recommended voluntary cash offer to acquire all outstanding shares of Bank Norwegian ASA ("Bank Norwegian" and the "offer") for a cash consideration per share of NOK 105, which amounted to a total consideration of approximately NOK 19.6 billion for all shares of Bank Norwegian. The offer acceptance period expired on October 15, 2021. On October 20, 2021 Nordax announced the final result of the offer was that Nordax had obtained acceptance, acquired or conditionally agreed to acquire a total of approximately 95.6% (178,665,254 shares) of the shares and voting rights in Bank Norwegian. The payment stipulated in the offer was paid on November 2, 2021. Following the close of trading on the Oslo Stock Exchange on November 3, 2021 all shares of Bank Norwegian not owned by Nordax were subject to compulsory redemption. Nordax thus became the owner of 100% of all shares and voting rights in Bank Norwegian on November 3, 2021. Nordax subsequently applied to delist Bank Norwegian's shares from the Oslo Stock Exchange and Bank Norwegian's shares were delisted on November 15, 2021 following the Oslo Stock Exchange's decision.

The acquisition has brought together two innovative businesses with a plethora of complementary strengths and products. In addition to its existing products and markets, Nordax thus now offers credit cards and new lending in Denmark, Germany, and Spain. The plan is to challenge the established bank and continue to grow as northern Europe's leading specialist bank.

## THE FOCUS OF OUR BUSINESS

On January 27, 2004 Nordax Bank AB received a license to operate as a credit institution engaged in financing activities. On December 5, 2014, Nordax was granted permission by the Swedish Financial Supervisory Authority to engage in the banking business in accordance with the Swedish Banking and Financing Business Act and changed its name to Nordax Bank AB (publ).

Via a centralized business model and organization based in Stockholm, Nordax conducts cross-border banking operations in Sweden, Norway, Denmark, Finland, and Germany in accordance with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

Via the Nordax subsidiary Bank Norwegian ASA, which is regulated by the Financial Supervisory Authority of Norway, banking operations are conducted both domestically in Norway and on a cross-border basis in Sweden, Finland, Denmark, Germany, and Spain in accordance with the above Directive.

Nordax's main business consists of conducting lending to individual consumers in the Nordic countries, Germany, and Spain. Although Nordax previously had limited operations in Germany, it was only in 2021 that it embarked upon new lending in these markets outside of the Nordics via its subsidiary Bank Norwegian. Its lending consists of unsecured loans capped at an amount corresponding to SEK 600,000, NOK 600,000, DKK 400,000, or EUR 60,000. Secured home lending products, i.e. loans with a mortgage on a residential home have also been offered in Sweden since 2018, and such loans were were introduced in Norway in 2019. Nordax also offers equity release mortgages to the over-60s via its wholly-owned subsidiary Svensk Hypotekspension, which was acquired in January 2019. Since November 2021, Nordax's subsidiary Bank Norwegian has also offered credit cards in the Nordic countries, Germany and Spain.

Nordax also offers savings accounts to individual consumers in Sweden, Norway, Finland, Germany, Spain and the Netherlands. Deposits via savings accounts constitute part of Nordax's diversified financing platform, which also comprises securitizations (otherwise known as asset-backed securities), financing backed by security from international banks, bonds, shareholder equity and subordinated liabilities.

## DEVELOPMENT OF BUSINESS VOLUMES DURING THE YEAR

### Consumer and personal loans, and credit cards

Nordax continued to show stable growth in consumer loans, with increased growth during the fourth quarter. Over the year as a whole, underlying volumes increased by SEK 3.7 billion, compared with 2020. In addition to organic growth, the acquisition of Bank Norwegian added SEK 24.6 billion to the personal lending volume.

Nordax also added credit card volume in the amount of SEK 10 billion during the quarter.

The total volume of lending and credit cards to retail customers amounted to SEK 58.7 billion as at December 31, 2021 (18.7 billion as at December 31, 2020).

### Mortgage lending for housing

In 2018, Nordax launched its home loan product to the Swedish market. The main target group is customers with some form of non-standard employment, such as the dependent self-employed and gig workers, e.g. those employed for a project, part-time, or temporarily. By means of credit assessments and personalized contact with customers have made more loan approvals possible in this customer group, members of which are often denied credit by the major banks despite their stable finances. Interest in the product has been substantial and new lending continues to develop positively.

At the end of Q1 2019, Nordax also launched its home loan product also in Norway. As in Sweden, the target group in Norway is customers falling outside the tight restrictions imposed by the major banks.

New lending has continued to see a positive trend in both Sweden and Norway, with the total mortgage portfolio amounting to SEK 5.1 billion as at December 31, 2021 (3.2 billion as at December 31, 2020).

### Equity Release Mortgages

The portfolio has continued to develop well during 2021 thanks to stable new lending. The market for equity release mortgages has good potential for development and Svensk Hypotekspension (SHP) has a strong brand profile within the customer base and with a continued great customer interest. The total volume of equity release mortgages amounted to SEK 7.6 billion as at December 31, 2021 (6.6 billion as at December 31, 2020).

### Portfolio development

Total deposits amounted to SEK 71.4 billion as at December 31, 2021 (28.5 billion as at December 31, 2020). In addition to the consolidation of the subsidiary Bank Norwegian, the increase in lending is mainly explained by the good development in consumer loans.

In October and November, Nordax launched its operations in Spain and Germany via its subsidiary Bank Norwegian. Its offering is a portfolio of the same products that are available in the Bank's other markets: personal loans, savings accounts and credit cards. As is the case with its other operations, the business operations are run on a cross-border basis from its head office in Norway.

## PROFIT & LOSS AND PROFITABILITY

### The Group

The operating profit/loss for 2021 (January–December) amounted to SEK -173 million (492 million). This decrease is partly due to technical accounting reasons relating to credit losses connected to the acquisition of Bank Norwegian, and partly due to increased costs related to the acquisition.

The net interest income for 2021 (January–December) amounted to SEK 2,418 million (1,637 million). Net interest income increased primarily as a result of the acquisition and consolidation of Bank Norwegian, but also thanks to growth in lending. However, net interest income was affected negatively by increased costs related to the financing of the merger.

Credit losses for 2021 (January–December) amounted to SEK -1,010 million (-430 million), equivalent to 3.1 percent (1.4) of average lending. The primary reason for the large increase in credit losses was previously reported credit loss reserves in Stage 1 and Stage 2 in Bank Norwegian, which upon acquisition represented the majority of an initial impact of SEK 537 million in technical accounting adjustments.

Operating costs for 2021 (January-December) amounted to SEK -1,699 million (-740 million). Though this increase is primarily due to the acquisition and consolidation of Bank Norwegian, increased investments in the business operations, and a comparative period that was affected by specific cost savings relating to lower levels of activity in connection with the coronavirus pandemic, also contributed to the increase. The Bank Norwegian acquisition process had a negative impact on costs during the period in the amount sum of approximately SEK 570 million.

**Parent company**

The operating profit for 2021 (January-December) was SEK -13 million (-12 million), a decrease that was due to increasing general administrative costs.

**DEPOSITS AND SAVINGS**

In May, Nordax also began to accept retail deposits in the Netherlands. These deposits are accepted in partnership with Raisin GmbH, with whom Nordax already cooperates with in relation to German deposits. Akin to the other countries in which Nordax operates, these business operations are taking place on a cross-border basis from Nordax's office in Stockholm.

Deposit inflows have remained strong during the period and as at December 31, 2021 total deposits stood at SEK 67 billion (24.2 billion). This large increase is a result of the Bank Norwegian acquisition.

**BORROWING**

In April, Nordax further strengthened the Group's position in terms of liquidity and finance when Nordax's subsidiary Svensk Hypotekspension raised new bilateral warehouse financing worth SEK 3 billion via its subsidiary company Svensk Hypotekspension 5 AB (publ).

In July, Nordax subsidiary Nordax Sverige 5 AB (publ) also raised new bilateral secured warehouse financing in the amount of SEK 3 billion via an international bank.

On October 29, 2021 Nordax Holding AB (publ) issued SEK 1,400 million floating rate additional Tier 1 instruments (unlisted) and SEK 650 million in floating rate callable Tier 2 bonds (unlisted) 2021/2031, which were subscribed to by external bondholders and were issued for the purposes of funding the acquisition of Bank Norwegian . Subsequently, Nordax Group AB issued both the Tier 1 instrument and Tier 2 bond in corresponding volumes and on equivalent terms which were subscribed to by Nordax Holding AB, while Nordax Bank AB did likewise with Nordax Group AB as subscriber.

**CONTRIBUTION FROM SHAREHOLDER**

See change in equity for the contribution received from shareholders in connection with the acquisition of Bank Norwegian.

**CREDIT RATING**

In June, Nordax received an investment grade rating from Nordic Credit Rating (BBB, stable outlook). This credit rating was then also confirmed during October in connection with the Bank Norwegian acquisition.

On December 7, S&P Global Ratings slightly lowered its long- and short-term credit ratings for Bank Norwegian ASA to BBB-/A-3 (positive outlook) from the previous ratings of BBB/A-2.

**CAPITAL AND LIQUIDITY**

Nordax's consolidated situation comprises a very good position in terms of both capital and liquidity. See note 4, Section information on the Group structure.

As at December 31, 2021 Common Equity Tier 1 Capital Ratio amounted to 16.21% (16.24%), the Tier 1 capital ratio amounted to 18.75% (16.24%) and the total capital ratio was 20.83% (17.19%).

The leverage ratio was 10.78% (10.20%). Due to the acquisition of Bank Norwegian, the consolidated situation's capital base has been strengthened via the issue of minority Tier 1 capital and minority Tier 2 capital, as well as shareholder contributions. See note 4 section Capital adequacy analysis.

As at December 31, 2021 the consolidated situation's liquidity reserves amounted to SEK 27.8 billion (4.1 billion). The large increase is mainly due to the acquisition of Bank Norwegian, whose contribution amounted to SEK 22.7 billion. The liquidity reserve consisted primarily of covered bonds and investments in Nordic banks. The liquidity coverage ratio (LCR) was 124% (472%). This decrease is primarily due to Nordax not including the excess liquidity of its subsidiary Bank Norwegian in the consolidated LCR. For further details about the LCR measure and its calculation, see Note 4 Capital adequacy analysis and the information on liquidity risk section.

The net stable funding ratio (NSFR) for the consolidated situation amounted to 135% (120%).

For further details about capital and liquidity, see Note 4 Capital adequacy analysis.

## OTHER EVENTS

It remains the case that Nordax has not noted any deterioration in its customers' payment patterns as a result of the coronavirus pandemic, and the Company's operating profit/loss has not been materially affected by the situation. However, there remains uncertainty due to the ongoing spread of infection and associated real economic impacts.

## SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

In February 2022, the tense situation in Ukraine escalated into a full-scale war with the Russian invasion. In addition to the dire situation of the Ukrainian people and the destruction and refugee flows that this entails, this action means that there is great uncertainty in both the financial and the real economic markets, through, among other things, rapidly rising energy and fuel prices. It is still difficult to assess how this will affect Nordax's operations and no concrete effects have yet materialized in terms of lending volumes or repayment patterns, but there is a risk that this is something that may affect the continuation of 2022 and subsequent years. This development is something Nordax follows through scenario analyzes and risk assessments.

After the end of the period, Svensk Hypotekspension AB has through the subsidiary Svensk Hypotekspension 5 AB (publ) raised new bilateral secured financing of SEK 1.75 billion with an internationalbank. The new financing further strengthens the Group's liquidity and financing position.

The sub-subsidiary Bank Norwegian has decided on a dividend of NOK 719.6 million, which will be paid before the end of April to Nordax Bank AB (publ).

# Risk and Risk Management

## RISK MANAGEMENT FRAMEWORK

Nordax has established a risk framework for the Bank and the Group that ensures the healthy and efficient management of risks and control of operations.

### Value creation risk management

Nordax strives to maintain a risk management framework for the Bank and Group that creates value in its business. In addition to the risk management framework, a healthy risk culture is necessary in order for Nordax and the Group to be able to implement their business plans and strategies. Nordax's risk culture encompasses respect between colleagues and vis-à-vis customers, investors and other external stakeholders. An important aspect of Nordax's risk culture is a high level of risk awareness, as well as upholding a responsibility for value creation. Nordax and the Group take clear ownership of risks and likewise take clear responsibility in terms of managing those risks.

Nordax and the Group have established a risk management process consisting of:

- identification and assessment;
- management and mitigation;
- monitoring and control
- reporting

Nordax and the Group use a three lines of defense model. This model creates a clear distribution of responsibilities and distinguishes between functions that:

- own risks (first line of defense);
- monitor, control and support (second line of defense);
- conduct independent reviews (third line of defense)

The model with three lines of defense is also an effective way to manage regulatory requirements, ensure that internal rules are observed and that any breaches are quickly identified and efficiently mitigated.

### Risk appetite and risk limits

Nordax's and the Group's risk appetites are defined in a framework consisting of qualitative risk appetite formulations that are specified via quantitative risk limits at both the Board of Directors and senior management levels. The risk appetite framework also incorporates roles, responsibilities, escalation procedures and reporting procedures in the event that these limits are exceeded.

The responsibility for continuously monitoring levels of exposure in relation to the risk limits lies with the risk owner. Nordax's independent risk control function monitors levels of exposure on a monthly basis in relation to all risk limits and reports their findings to the CEO and management team. Nordax's Board of Directors also receive corresponding reports in relation to Board limits for Nordax and the Group as a whole on at least a quarterly basis.In event that these limits are exceeded, such violations are escalated on an immediate basis to Risk Control, the CEO, and - in the event of Board limits - to the Board of Directors.

### Development of risk management

In 2021, Nordax prepared and completed the acquisition of Bank Norwegian, which represented the biggest project ever undertaken by Nordax in its history. Nordax has adapted and updated its governance model and its risk management framework and risk appetite. This has included the addition to and amendment of governing documents, the updating of risk taxonomies and risk appetites to suit both the existing business activities and the risks assumed by the new Group. The rapid increase in size and complexity of the business operations has been matched with changes in risk assessments, model risk management and new processes and tools for risk control and compliance purposes.

Nordax's updated risk taxonomy now includes:

- Aggregate risk
- Credi trisk
- Market risk
- Liquidity risk
- Operational risk
- Financial crime
- Compliance risk
- Business risk

Nordax manages risks related to the environment, social responsibility and corporate governance based on the risks listed above.

### Credit risk

Nordax and the Group's credit risk consists of the fact that customers, counterparties and issuers are sometimes unable to pay in accordance with payment schedules. Nordax and the Group's primary exposure to credit risk arises from consumer lending, credit cards, domestic mortgages, equity release mortgages, investments and derivative agreements that have been entered into.

Nordax and the Group's issued credit is diversified across markets and segments to balance risk against expected returns, which provides for long-term sustainable risk-adjusted returns. Unsecured lending is supported by robust and precise credit processes, which is why Nordax is able to operate in a segment typified by higher risks while assuming lower risks itself. Nordax and the Group continuously monitor credit risks and credit risk trends in their portfolios via statistical analysis, as well as by regular validation of its credit risk models. Furthermore, analyses and segmentations pertinent to the credit risk and its development are carried out on an ongoing basis. The results of these analyses then form the basis of the continuous credit risk assessment, as well as the foundations of developments in and changes to credit risk models.

Nordax residential mortgages are medium risk based on the fact that they are offered to customers regardless of employment form and are customized to the needs of customers. Risk relating to residential mortgages is also managed via the deployment of robust and precise credit processes and individual assessments, as well as Nordax's policy of only accepting high quality collateral. Nordax and the Group have a low risk appetite in relation to investments of their liquidity. Funds should preferably be invested with institutions benefitting from high credit ratings and in secured assets such as sovereign debt and covered bonds. Investments are diversified to also contribute to a reduction in overall risk.

### Market risk

Nordax's exposure to market risk arises as a natural result of the nature of the business and consists primarily of interest rate risk, price risk and currency risk. Nordax and the Group manage their market risk by selecting currencies, interest rates and maturities pertaining to their assets and liabilities. Derivatives are used to reduce risk exposures. Nordax and the Group can accept market positions that arise from strategic investments. In principle, management of market risk should be characterized by low levels of risk and efficient use of capital.

### Liquidity risk

Nordax and the Group have a low risk appetite in terms of liquidity risk. Nordax manages Liquidity risk via the well-balanced selection of a combination of assets and liabilities distributed across a mix of desired terms and currencies. In light of the fact that Nordax and the Group invest in low risk assets, it is expected that these can be sold at reasonable prices even in a distressed situation. Nordax and the Group monitor and forecast their measures of LCR (liquidity coverage ratio) and NSFR (net stable funding ratio) to ensure that these are achieved both in the short- and long-term.

### Operatonal risk

Nordax and the Group have a low risk appetite in terms of operational risks. However, all areas of Nordax's and the Group's business are exposed to operational risks. These risks are related to human error, processes, information security, legal risks and external factors. To manage and minimize these operating risks, various tools and processes are used, such as self-assessments, incident management, continuity and crisis management, control testing, monitoring of risk indicators and the approval process for new products, services and processes

### Financial crime

Nordax and the Group have a low risk appetite in relation to financial crime as this not only causes harm to Nordax and the Group but to the entire financial system. Financial crime includes money laundering, terrorist financing, violations of international sanctions, fraud, bribery, and corruption. Nordax works to identify and manage these types of risks via analysis of its business for inherent risks and subsequent management of these. This can include monitoring transactions, identifying lending patterns, and maintaining comprehensive processes for the analysis and approval of customers prior to embarking upon a business relationship.

### Compliance risk

Nordax has low risk appetite in terms of compliance risks. Compliance risk constitutes the risk that the Company does not comply with applicable internal and external regulations and the risk that internal governance procedures are inadequate. Nordax and the Group manage compliance risk by following regulatory developments via a process to identify, evaluate and implement the requirements that are mandated by new and amended regulations. Nordax has also developed its own processes and procedures to regularly check compliance with internal and external regulations in day-to-day operations.

### Business risk

Nordax and the Group ensure that the business model is sustainable in the long-term via the creation of competitive products and services. Given the good adaptability of Nordax and the Group to technological, customer and market change, Nordax and the Group are able to have a higher appetite for risk relating to business risks. Business risk is the selection of strategies for the business, the implementation of projects, and reputational and brand risk. Nordax is in an expansive stage and has a stated strategy to grow the business, establish new products, and win market share. This expansion is taking place at a time when the financial market is undergoing change in terms of technological solutions, regulatory requirements and customer behavior and expectations. Nordax has tried and tested processes in place for the management of business risk, both in terms of strategies for effectively reaching the credit markets and in the implementation of projects. Brand risk is the risk of events that could negatively affect the confidence and trust customers, employees and other stakeholders have in the Company. Nordax and the Group counteract this risk via engaging in business in a manner that ensures that the brand is not harmed insofar as it is exposed. This is achieved via a clear focus on responsible lending which permeates the entire Nordax business.

# Five-Year Summary

GROUP

| KEY FIGURES | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Common Equity Tier 1 Capital Ratio, % | 16.2 | 16.2 | 14.0 | 17.0 |
| Return on equity, % | -0.9 | 5.3 | 3.5 | 1 |
| Return on assets, % | -0.1 | 1.0 | 0.8 | 0.2 |
| Cost/Income ratio, % | 67 | 44.5 | 58.3 | 63.6 |
| K/I ratio excludes acqusition costs | 43 | - | - | - |
| Credit loss level, % | 2.0 | 1.6 | 1.4 | 3.6 |
| Credit loss level in % excluding initial effect upon acquisition | 1.0 | - | - | - |
| Net interest margin | 4.8 | 6.0 | 6.5 | 11.4 |
| New lending | 15,485 | 9,623 | 10,815 | 5,986 |
| Number of employees | 476 | 331 | 305 | 221 |
| **Summary income statements** | | | | |
| Net interest income | 2,418 | 1,637 | 1,388 | 921 |
| Commission income | 166 | 71 | 74 | 15 |
| Net profit from financial transactions | -48 | -46 | 4 | -22 |
| Total income | 2,536 | 1,662 | 1,466 | 913 |
| Total operation expenses | -1,699 | -740 | -855 | -581 |
| Credit losses | -473 | -430 | -284 | -294 |
| Credit losses including initial effect at acqusition | -537 | - | - | - |
| Operating profit | -173 | 492 | 327 | 39 |
| Tax | 36 | -111 | -82 | -12 |
| Profit of the year | -137 | 381 | 245 | 27 |
| **Summary balance sheets** | | | | |
| Lending to central banks | 1,924 | 728 | 100 | - |
| Lending to creditinstitutions | 3,258 | 1,144 | 1,213 | 2,760 |
| Lending to the general pubiic | 71,391 | 28,458 | 26,238 | 16,208 |
| Bonds and other fixed-income securities | 23,318 | 2,329 | 3,120 | 1,187 |
| Other assets | 13,078 | 4,792 | 4,936 | 4,159 |
| **Total assets** | **112,969** | **37,451** | **35,607** | **24,314** |
| Liabilities to credit institutions | 6,609 | 1,605 | 3,068 | 2,831 |
| Deposits from the general public | 67,424 | 24,203 | 19,222 | 11,278 |
| Securities issued | 10,866 | 3,330 | 5,105 | 2,581 |
| Other liabilities | 4,771 | 855 | 1,166 | 819 |
| Equity | 23,299 | 7,458 | 7,046 | 6,805 |
| **Total liablities and equity** | **112,969** | **37,451** | **35,607** | **24,314** |

# Proposed Dividend

THE FOLLOWING PROFITS ARE AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING:

All amounts in SEK

| | |
|---|---|
| Retained earnings | -11,623,000 |
| Net profit/loss for the year | 136,247,00 |
| **Total** | **124,624,000** |

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

All amounts in SEK

| | |
|---|---|
| Carried forward to new acount | 124,624,000 |
| **Total** | **124,624,000** |

Group contributions have been received from Nordax Bank AB (publ) in the amount of SEK 4,727,286 (8,116,753).

# 2021

## FINANCIAL STATEMENTS AND NOTES

Nordax Holding AB (publ)

# Consolidated income statement in group

| All amounts in MSEK | Note | JAN–DEC 2021 | JAN–DEC 2020 |
|---|---|---|---|
| **Operating income** | | | |
| Interest income | 7,13 | 2,896 | 2,061 |
| Interest expense | 7,13 | -478 | -424 |
| **Total net interest income** | | **2,418** | **1,637** |
| | | | |
| Commission income | 8,13 | 166 | 71 |
| Net profit from financial transactions | 9,13 | -48 | -46 |
| Other operating income | | 0 | - |
| **Total operating income** | | **2,536** | **1,662** |
| | | | |
| **Operating expenses** | | | |
| General administrative expenses | 10,13 | -1,335 | -518 |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets | 13,20,21 | -95 | -59 |
| Other operating expenses | 13 | -269 | -163 |
| **Total operating expenses** | | **-1,699** | **-740** |
| | | | |
| **Profit before credit losses** | | **837** | **922** |
| | | | |
| Net credit losses[1] | 11,13 | -473 | -430 |
| Credit losses, initial effect of acquisitions[2] | 11,13 | -537 | - |
| **Operating profit** | | **-173** | **492** |
| | | | |
| Tax on profit for the period | 12 | 36 | -111 |
| NET PROFIT FOR THE PERIOD | | -137 | 381 |

# Consolidated statement of comprehensive income in group

| All amounts in MSEK | Note | JAN-DEC 2021 | JAN-DEC 2020 |
|---|---|---|---|
| **Items to be reclassified in the income statement** | | | |
| Gains and losses on revaluation during the year | | 3 | - |
| Tax on gains and losses on revaluation during the year | | 0 | - |
| **Total cash flow hedges** | | **3** | **-** |
| | | | |
| Translation of foreign subsidiaries | | 402 | - |
| Hedge accounting of net investment before tax | | -369 | - |
| Tax | | 76 | - |
| **Total translation differences** | | **109** | **-** |
| | | | |
| **Items not to be reclassified in the income statement** | | | |
| Changes in value in other shares | | - | 35 |
| **Total** | | **-** | **35** |
| | | | |
| **Total other comprehensive income** | | **112** | **35** |
| COMPREHENSIVE INCOME | | -25 | 416 |
| | | | |
| **Attributable to:** | | | |
| The Parent Company's shareholders | | -42 | 416 |
| Holders of Tier 1 capital | | 17 | - |

[1] Relates to expected credit losses excluding initial effect upon acquisition.

[2] Relates to expected credit losses in relation to the initial effect arising in connection with the acquisition of Bank Norwegian as the acquisition of Bank Norwegian entailed an increase in retail lending by the Nordax Group as a whole in the amount of SEK 36,398 million.

# Parent company income statement

| All amounts in MSEK | Note | JAN–DEC 2021 | JAN–DEC 2020 |
|---|---|---|---|
| Net sales | | 4 | 4 |
| **Total net sales** | | 4 | 4 |
| | | | |
| Operating expenses | | | |
| Employee expenses | 10 | -5 | -5 |
| Other exteranal expenses | 10 | -12 | -11 |
| **Total operating expenses** | | -17 | -16 |
| | | | |
| **Operating profit** | | -13 | -12 |
| | | | |
| Result from financial investments | | | |
| Profit from shares in group companies | | – | – |
| Interest expenses and similar expenses | 7 | -5 | 0 |
| *Received group contribution* | | *5* | *8* |
| *Dividend received* | | *150* | – |
| **Result from financial investments** | | **150** | 8 |
| | | | |
| **Result after financial items** | | 137 | -4 |
| | | | |
| Tax on profit for the period | | -1 | 0 |
| NET PROFIT FOR THE PERIOD | | 136 | -4 |

# Parent company statement of comprehensive income

Total profit corresponds to profit for the period.

# Statement of financial position in group

| All amounts are in MSEK | Note | 2021-12-31 | 2020-12-31 |
|---|---|---|---|
| ASSETS | | | |
| Lending to central banks | 4,5,6,14 | 1,924 | 728 |
| Lending to credit institutions | 4,5,6,14 | 3,258 | 1,144 |
| Lending to the general public | 4,5,6,15 | 71,391 | 28,458 |
| Bonds and other fixed-income securities | 5,6,16 | 23,318 | 2,329 |
| Derivatives[3] | 17 | 140 | 2 |
| Other shares[1] | 19 | 154 | 127 |
| Intangible assets | 21 | 12,549 | 4,542 |
| Tangible assets | 20 | 11 | 10 |
| Right-of-use assets[4] | 22 | 82 | 61 |
| Current tax assets | 12 | 2 | - |
| Other assets[3] | 23 | 76 | 1 |
| Prepaid expenses and accrued income | | 64 | 49 |
| TOTAL ASSETS | | 112,969 | 37,451 |
| | | | |
| LIABILITIES, PROVISIONS AND EQUITY | | | |
| Liabilities | | | |
| Liabilities to credit institutions | 5,6,26 | 6,609 | 1,605 |
| Deposits from the general public[2] | 5,6,27 | 67,424 | 24,180 |
| Issued securities | 5,6,28 | 10,866 | 3,330 |
| Derivatives[3] | 18 | 437 | 2 |
| Current tax liabilities | 13 | 479 | 3 |
| Deferred tax liability | 13 | 1,083 | 348 |
| Other liabilities[2,3] | 29 | 570 | 112 |
| Accrued expenses and deferred income | | 481 | 65 |
| Subordinated liabilities | 5,6,30 | 1,721 | 348 |
| Total liabilities | | 89,670 | 29,993 |
| | | | |
| Equity | | | |
| Share capital | | 2 | 1 |
| Other reserves | | 20,917 | 6,777 |
| Fair value reserve[1] | | 35 | 35 |
| Cash flow hedges | | 3 | - |
| Tier 1 capital instruments | | 1,757 | - |
| Translation of foreign operations, net | | 109 | - |
| Retained earnings, incl. profit for the year | | 476 | 645 |
| Total equity | | 23,299 | 7,458 |
| | | | |
| TOTAL LIABILITIES, PROVISIONS AND EQUITY | | 112,969 | 37,451 |

[1] The shareholding in Stabelo Group AB has been revalued at market value in connection with further acquisitions in 2020. Changes in the value of shares acquired in Bank Norwegian during September and October 2021 were recognised in the fair value reserve until the acquisition was closed and the shares were reclassified as shares in subsidiaries.
[2] Tax on deposits from the general public was moved from Deposits from the general public to Other liabilities. 31 December 2020 has been updated for comparability.
[3] Derivatives were previously included in Other assets and Other liabilities. 31 December 2020 has been updated for comparability.
[4] Right-of-use assets were previously included in Tangible assets. 31 December 2020 has been updated for comparability.

# Statement of financial position in parent company

| All amounts are in MSEK | Note | 31 DECEMBER 2021 | 31 DECEMBER 2020 |
|---|---|---|---|
| **Financial assets** | | | |
| Shares in group companies | | 22,014 | 6,737 |
| Total financial assets | | 22,014 | 6,737 |
| | | | |
| **Total fixed assets** | | 22,014 | 6,737 |
| | | | |
| **Short-term assets** | | | |
| Receivables group companies | | 821 | 9 |
| Other assets | | 0 | 0 |
| Prepaid expenses and accrued income | | 1 | 1 |
| **Total short-term assets** | | 822 | 10 |
| | | | |
| Cash and bank balances | | 157 | 32 |
| **Total current assets** | | 979 | 42 |
| | | | |
| **Total assets** | | 22,993 | 6,779 |
| | | | |
| LIABILITIES, PROVISIONS AND EQUITY | | | |
| **Equity** | | | |
| Share capital | | 2 | 1 |
| Other reservs | | 20,917 | 6,777 |
| Tier 1 capital instruments | | 1,320 | - |
| Retained earnings, incl. profit for the year | | 125 | -2 |
| **Total equity** | | 22,364 | 6,776 |
| | | | |
| **Liabilities** | | | |
| Current liabilities | | | |
| Current tax liabilities | | 1 | - |
| Accrued expenses and prepaid income | | 1 | 1 |
| Other liabilities | | 13 | 2 |
| Subordinated liabilities | | 614 | - |
| **Total current liabilities** | | 629 | 3 |
| | | | |
| **Total liabilities** | | 629 | 3 |
| | | | |
| **Total liabilities, provisions and equity** | | 22,993 | 6,779 |

# Statement of cash flows in group

| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
|---|---|---|
| Operating activities | | |
| Operating profit[1] | -173 | 492 |
| *Adjustment for non-cash items* | | |
| Exchange rate effects | 4 | 62 |
| Depreciation, amortization and impairment of property, plant & equipment | 94 | 59 |
| Amortization of financing costs | 8 | 12 |
| Unrealized changes in value of bonds and other fixed income securities | -2 | -1 |
| Credit losses | 1,580 | 840 |
| Net changes in hedged items in hedge accounting | -290 | - |
| Reclassification in connection with business combinations | -5 | - |
| Reversal of acquired surplus value in lending to the general public | 183 | 153 |
| Income tax paid | -209 | -172 |
| | | |
| Change in operating assets and liabilities | | |
| Decrease/Increase in lending to the general public | -6,641 | -4,036 |
| Decrease/Increase in other assets | 173 | 202 |
| Decrease/Increase in deposits from the general public | 4,254 | 5,642 |
| Decrease/Increase in other liabilities | 498 | -61 |
| Cash flow from operating activities | -526 | 3,192 |
| | | |
| Investing activities | | |
| Purchase of shares | 10 | -12 |
| Business combinations | -13,651 | - |
| Purchase of equipment & intangible assets | -10 | -13 |
| Investment in bonds and other interest bearing securities | -47,426 | -1,947 |
| Sale/disposal of bonds and other fixed income securities | 46,971 | 2,721 |
| Cash flow from investing activities | -14,106 | 749 |
| | | |
| Financing activities | | |
| Change to liability to credit institutions | 4,940 | -1,465 |
| Change issued securities | 1,369 | -1,617 |
| Change subordinated liabilities | 607 | -254 |
| Tier 1 capital instruments issued, net[2] | 1,310 | - |
| New share issue | 9,650 | - |
| Cashflow from financing activities | 17,876 | -3,336 |
| | | |
| Cash flow for the period | 3,244 | 605 |
| Cash and cash equivalents at beginning of year | 1,872 | 1,313 |
| Exchange rate differences and cash equivalents | 66 | -46 |
| Cash and cash equivalents at end of year | 5,182 | 1,872 |

[1] Whereof received interest MSEK 2,590 (1,760) and paid interest MSEK 464 (454) for the Group
[2] Tier 1 capital issued refers to the cash received less transaction costs and interest paid.

Cash and cash equivalents are defined as lending to credit institutions. Pledged cash and cash equivalents according to Note 29 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents because they are pledged for not more than 30 days and are therefore current.

# Reconciliation of net debt in group

| All amounts are in MSEK | CB 2020 | Cash flows | Other non-cash flow changes | Foreign exchange effects | CB 2021 |
|---|---|---|---|---|---|
| Liabilities to credit institutions | 1,605 | 4,940 | 64 | - | 6,609 |
| Issued securities | 3,330 | 1,369 | 6,026 | 141 | 10,866 |
| Total | 4,935 | 6,309 | 6,090 | 141 | 17,475 |

# Statement of cash flows in parent company

| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Operating activities** | | |
| Operating profit | 137 | -4 |
| Adjustment for non-cash items | -9 | - |
| Income tax paid | *-1* | *0* |
| | | |
| **Change in operating assets and liabilities** | | |
| Decrease/Increase in other assets | 0 | -3 |
| Decrease/Increase in other assets group | -812 | 5 |
| Decrease/Increase in other liabilities | 12 | 1 |
| **Cash flow from operating activities** | -673 | -1 |
| | | |
| **Investing activities** | | |
| Purchase of shares in subsidiaries | -10,786 | - |
| **Cash flow from investing activities** | -10,786 | |
| | | |
| **Financing activities** | | |
| Change subordinated liabilities | *614* | |
| Tier 1 capital instruments issued, net[2] | *1,320* | |
| New share issue | 9,650 | - |
| **Cashflow from financing activities** | 11,584 | - |
| | | |
| **Cash flow for the period** | 125 | -1 |
| **Cash and cash equivalents at beginning of year** | 32 | 33 |
| **Exchange rate differences and cash equivalents** | - | - |
| **Cash and cash equivalents at end of year** | 157 | 32 |

[2]Tier 1 capital issued refers to the cash received less transaction costs and interest paid.

# Statement of changes in equity in group

| All amounts are in MSEK | Share capital | Other reserves | Translation of foreign operations | Fair value reserv | Cash flow hedges | Retained earning | Sum | Tier 1 capital instruments | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| OPENING BALANCE 1 JANUARY 2020 | 1 | 6,777 | - | - | - | 268 | 7,046 | - | 7,046 |
| Comprehensive income | - | - | - | - | - | - | - | - | - |
| Net profit/loss for the year | - | - | - | - | - | 381 | 381 | - | 381 |
| Other comprehensive income[1] | - | - | - | 35 | - | - | 35 | - | 35 |
| Total comprehensive income | - | - | - | 35 | - | 381 | 416 | - | 416 |
| Transactions with shareholders | | | | | | | | | |
| Redemption of shares | - | - | - | - | - | -3 | -3 | - | -3 |
| *Other* | - | - | - | - | - | *-1* | *-1* | - | -1 |
| *Right issue* | - | - | - | - | - | - | - | - | - |
| Total transactions with shareholders | - | - | - | - | - | -4 | -4 | - | -4 |
| CLOSING BALANCE 31 DECEMBER 2020 | 1 | 6,777 | - | 35 | - | 645 | 7,458 | - | 7,458 |
| OPENING BALANCE 1 JANUARY 2021 | 1 | 6,777 | - | 35 | - | 645 | 7,458 | - | 7,458 |
| Comprehensive income | | | | | | | | | |
| Net profit/loss for the year | - | - | - | - | - | -154 | -154 | 17 | -137 |
| Other comprehensive income | - | - | 109 | - | 3 | - | 112 | - | 112 |
| Total comprehensive income | - | - | 109 | - | 3 | -154 | -42 | 17 | -25 |
| Reclassification | - | - | - | 0 | - | -5 | -5 | - | -5 |
| Tier 1 capital instruments acquired[2] | - | - | - | - | - | - | - | 428 | 428 |
| Tier 1 capital instruments issued[2] | - | - | - | - | - | - | - | 1,316 | 1,316 |
| Change in Tier 1 capital instruments[2] | - | - | - | - | - | -10 | -10 | -4 | -14 |
| Transactions with shareholders | | | | | | | | | |
| Non-cash issue[3] | 0 | 4,491 | - | - | - | - | 4,491 | - | 4,491 |
| Rights issue[4] | 1 | 9,649 | - | - | - | - | 9,650 | - | 9,650 |
| Total transactons with shareholders | 1 | 14,140 | - | - | - | | 14,141 | - | 14,141 |
| CLOSING BALANCE 31 DECEMBER 2021 | 2 | 20,917 | 109 | 35 | 3 | 476 | 21,542 | 1,757 | 23,299 |

[1] The shareholding in Stabelo Group AB has been revalued at market value in connection with further acquisitions during 2020.
[2] instruments issued are deemed to meet the conditions for an equity instrument, of which MSEK 437 relating to Tier 1 capital instruments in Bank Norwegian as at 31 December 2021, corresponding 428 MSEK at the time of acquisition.
[3] A non-cash issue has taken place in connection with the closing of the acquisition of 100% of the shares in Bank Norwegian.
[4] New share issue and shareholder contributions have been received as part of the financing of the acquisition of Bank Norwegian. The contingent shareholder contribution amounts to MSEK 8,449.

# Parent company statement of changes in equity

| All amounts are in MSEK | Restricted equity: Share Capital | Restricted equity: Other Reserves | Non restricted equtiy: Retained Earnings | Sum | Tier 1 capital instru-ments | TOTAL |
|---|---|---|---|---|---|---|
| OPENING BALANCE 1 JANUARY 2020 | 1 | 6,777 | 2 | 6,780 | - | 6,780 |
| Comprehensive income | | | | | | |
| Net profit/loss for the year | - | - | -4 | -4 | - | -4 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income | - | - | -4 | -4 | - | -4 |
| | | | | | | |
| Transactions with shareholders | | | | | | |
| Rights issue | - | - | - | - | - | - |
| Total transactions with shareholders | - | - | - | - | - | - |
| | | | | | | |
| CLOSING BALANCE 31 DECEMBER 2020 | 1 | 6,777 | -2 | 6,776 | - | 6,776 |
| | | | | | | |
| OPENING BALANCE 1 JANUARY 2021 | 1 | 6,777 | -2 | 6,776 | - | 6,776 |
| Comprehensive income | | | | | | |
| Net profit/loss for the year | - | - | 125 | 125 | 11 | 136 |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive income | - | - | 125 | 125 | 11 | 136 |
| | | | | | | |
| Tier 1 capital instruments issued[1] | - | - | - | - | 1,316 | 1,316 |
| Change in Tier 1 capital instruments1 | - | - | - | - | -7 | -7 |
| | | | | | | |
| Transactions with shareholders | | | | | | |
| Non-cash issue[2] | - | 4,491 | - | *4,491* | - | 4,491 |
| Right issue[3] | 1 | 9,649 | - | 9,650 | - | 9,650 |
| Other | - | - | 2 | 2 | - | 2 |
| Total transactions with shareholders | 1 | 14,140 | 2 | 14,143 | - | 14,143 |
| | | | | | | |
| CLOSING BALANCE 31 DECEMBER 2021 | 2 | 20,917 | 125 | 21,044 | 1,320 | 22,364 |

[1] instruments issued are deemed to meet the conditions for an equity instrument.
2 A non-cash issue has taken place in connection with the closing of the acquisition of 100% of the shares in Bank Norwegian.
3 New share issue and shareholder contributions have been received as part of the financing of the acquisition of Bank Norwegian. The contingent shareholder contribution amounts to MSEK 8,449.

# Notes

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

## Note 1 General information

Nordax Holding AB (publ) (Corporate Identity Number 559097-5743), with its registered office in Stockholm, is the parent company to Nordax Group AB (publ) (Corporate Identity Number 556993-2485), registered office in Stockholm.

Nordax Group includes Nordax Bank AB (publ) with subsidiaries which are includede in the group to conduct lending to the general publicin the form of personal loans, mortgage loans, equity release mortgages and credit cards in the Nordic countries, Germany and Spain. Some of the subsidiaries operations involve the acquisition of loan portfolios originating from Nordax Bank AB (publ) and Svensk Hypotekspension AB for the purpose of raising loan or bond financing. Some of these companies are dormant and currently do not conduct any operations.

## Note 2 Accounting and measurement policies

The most significant accounting policies applied in preparing these Consolidated Financial Statements are described below.

The Consolidated Financial Statements for the Nordax Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the Group applies the amendments stipulated by the Swedish Annual Accounts for Credit Institutions and Securities Companies Act (1995:1559), the Swedish Financial Reporting Board's Recommendation RFR 1 Supplementary Accounting Regulations for Groups, and the Swedish Financial Supervisory Authority's Regulations and General Guidelines regarding Annual Reports at Credit Institutions and Securities Companies (FFFS 2008:25).

**New and revised financial reporting standards applied by the Group**
The following financial reporting standards and changes have been applied by the Group for the first time for the financial year starting January 1, 2021:

**Changes in accounting policies applied as of 2021**
Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7. The Interest Rate Benchmark Reform (phase 2) came into effect on January 1, 2021. The amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 primarily relate to relief in the event of changes to contractual cash flows in financial assets and liabilities (including lease liabilities) that permit the amendment of the effective interest rate to the new benchmark rate and thus result in the recognized value being equivalent to that prior to the change. Furthermore, the rules relating to hedge recognition have been adapted to allow changes in hedging designations and hedging documentation due to the Interest Rate Benchmark Reform without any need to terminate the hedging relationship. Nordax is currently engaged in borrowing and lending that have interest rates linked to STIBOR, EURIBOR, CIBOR and NIBOR. Furthermore, there is exposure in the form of interest rate swaps linked to STIBOR and NIBOR. Regarding the IBOR interest rates to which Nordax is exposed, there is uncertainty about the timing and the specific nature of future changes. Nordax monitors developments and engages in efforts to continuously identify and control current exposures. This introduction has not affected the Group's financial position, financial results, cash flow nor disclosures.

**New applicable standards, amendments and interpretations of existing standards that have not yet become effective and have not been adopted early by the Group**
No IFRS or IFRIC interpretations that have not yet become effective are expected to have a material impact on the Group.

**Consolidated Financial Statements**
The Consolidated Financial Statements have been prepared based on the cost method, except for financial instruments measured at fair value via profit and loss.

**Consolidation of subsidiaries**
Subsidiaries are entities over which the Group has a controlling influence. The Group controls an entity when it is exposed to or has the right to variable returns from its holding in the entity and can affect this return via its influence in the entity. Subsidiaries are included in the Consolidated Financial Statements from the date when control passes to the Group. They are deconsolidated from the date on which control ceases.

Intra-Group transactions, balance sheet items and unrealized profits and losses on transactions between Group companies are eliminated. Intra-Group losses may be an indication of impairment which must be recognized in the Consolidated Financial Statements. The accounting policies for subsidiaries have, if applicable, been revised to guarantee the consistent application of the Group's policies.

**Business combinations**
The acquisition method is used for reporting the Group's business combinations, regardless of whether the acquisition consists of shareholder equity or other acquired assets. The purchase price of a subsidiary consists of the fair value of:
- transferred assets
- liabilities that the Group incurs to previous owners
- shares issued by the Group
- assets or liabilities that are a result of an agreement on

contingent consideration
- previous equity share in the acquired company

Identifiable acquired assets, assumed liabilities and assumed contingent liabilities in a business combination are initially measured, with few exceptions, at fair value on the acquisition date. For each acquisition, i.e. acquisition by acquisition, the Group determines whether any non-controlling interest in the acquired company should be recognized at fair value or at the holding's proportional share of the carrying amount of the acquired company's identifiable net assets.

Goodwill refers to the amount by which transferred consideration, any non-controlling holding in the acquired company, and the fair value on the acquisition date of a previous share of equity in the acquired company (if the business combination is implemented in stages) exceeds the fair value of identifiable acquired net assets. If the amount is less than the fair value of the acquired net assets, in the event of a bargain purchase, the difference is recognized directly via the Profit & Loss Statement.

**Translation of foreign currency**

*Translation of foreign subsidiaries in financial statements*
Assets and liabilities in subsidiaries are translated to Swedish kronor (SEK) using the currency exchange rate at the close of the reporting period. Income and costs are translated to the Group's reporting currency using an average exchange rate. Differences in currency conversion arising from the translation of subsidiaries' assets and liabilities are recognized in Other comprehensive income and accumulated in a translation reserve in shareholder equity. Goodwill arising from the acquisition of foreign subsidiaries, in addition to adjustments to the fair value of assets and liabilities made in connection with such acquisitions are recognized as assets and liabilities in the foreign Group company and translated to using the exchange rate at the close of the reporting period.

*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 economic 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.

*Transactions and balance sheet items*
Transactions in foreign currencies are translated to the functional currency at the spot exchange rate applicable on the transaction date. Exchange rate gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the exchange rate prevailing at the close of the reporting period are recognized in the Profit & Loss Statement in the item Net gains from financial transactions.

**Tangible fixed assets**

Items of property, plant and equipment are recognized at cost and depreciated on a straight-line basis over their useful lifetime. The depreciation schedule for property, plant and equipment is between three and five years. Impairment testing takes place if there is an indication of a decline in value.

**Intangible assets**

*Internally developed software*
Costs for software maintenance are recognized as an expense when they arise. Development costs directly attributable to the development and testing of identifiable and unique software products controlled by the Group are recognized 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 prerequisites exist for using or selling the software,
- 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.

Development costs that do not meet the criteria for capitalization are expensed as incurred. Development costs which have previously been expensed are not recognized as an asset in the subsequent period. Development costs for software recognized as an asset are amortized over its estimated useful lifetime, which is not more than five years.

*Goodwill and customer relations*
The carrying amount of goodwill is attributable to the acquisition of SHP and Bank Norwegian. The recognized value of customer relationships is attributable to these acquisitions, and is an estimate of the value of acquired customer records which are depreciated over a period of 10 to 13 years. Goodwill is monitored and tested per acquired company.

*Impairment of non-financial assets*
With respect to impairment, goodwill and intangible assets with an indefinite useful life or intangible assets which are not ready for use are not written down and instead are tested annually or when there is an indication of diminished value. Impaired assets are assessed whenever events or changes in conditions indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. In assessing whether impairment is necessary, assets are grouped at the lowest levels where there are essentially independent cash flows (cash-generating units).

*Calculation of the value in use*
The recoverable amount was calculated at the end of the financial year based on value in use. The value in use has been calculated through the application of a Divided Discount Model (DDM), which means that the value of shareholder equity for each cash-generating unit is derived via the discounting of that unit's expected cash flow from dividends. The cash flow is valued in the present through the use of a discount rate that reflects the return on equity requirements in order to mirror the relative risk of the investment and the time value of money. Expected future cash flows have been estimated using a projection period of an average of seven years at the end of which the growth rate is expected to have stabilized.

**Financial assets**

The Group classifies its financial assets in the following categories:

- financial assets measured at fair value either through profit and loss or via other comprehensive income,

- financial assets measured at amortized cost.

The classification is based on Nordax's business model for managing financial assets and the contractual terms for the assets' cash flows. Reclassification only occurs in cases where the defined business model has changed.

**Measurement**
Financial assets are initially recognized at fair value plus transaction costs directly attributable to the acquisition, provided that the asset is not measured at fair value through profit or loss. Transaction costs attributable to financial assets measured at fair value through profit or loss are recognized directly through profit or loss.

**Initial recognition and derecognition**
Purchases and sales of financial assets are recognized on the trade date, i.e. the day Nordax is committed to either purchase or sell the asset. Financial assets are derecognized from the statement of financial position when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred all significant risks and benefits associated with ownership.

**Investments in debt instruments**
*Amortized cost*
Assets held for the purpose of collecting contractual cash flows, where the cash flows are solely payments of interest and principal (according to the SPPI test) and where Nordax's management team has not made an irreversible decision to measure these assets at fair value, are measured at amortized cost. Received origination fees are included in the loan assets' initial carrying amount. Interest income recognized for such assets is recognized in the item Net interest income via the application of the effective interest rate method. Foreign currency translation effects are recognized in the item Net gains from financial transactions. Gains and losses arising at a derecognition event are recognized in the item Net gains from financial transactions. This category includes Lending to credit institutions, Retail lending, Cash and bank balances with central banks, and Other assets in the Balance Sheet.

*Fair value through profit or loss*
Nordax measures bonds and other fixed-income securities at fair value through profit or loss, since these assets do not meet the requirements for recognition at amortized cost or fair value via other comprehensive income. The business model for these investments indicates that performance is monitored on a fair value basis and that Nordax's management team has the mandate to sell these assets.
Changes in fair value and any gain or loss on a debt instrument recognized at fair value through profit or loss are recognized in the item Net gains from financial transactions in the period the gain or loss arises.

**Investments in equity instruments**
Nordax has only equity instruments which are not held for trading. The Group has chosen to report changes in the fair value of equity instruments via other comprehensive income. This means that there are no subsequent reclassifications of fair value changes recognized when the instrument is removed from the Balance Sheet. Dividends from any such investments are recognized as income from other securities and long-term receivables once the Group's right to receive payment has been determined.

*Impairments*
The Group values expected future credit losses in relation to investments in debt instruments recognized at amortized cost based on future prognoses. The method for calculating loan loss reserves depends upon whether there has been a material increase in credit risk or not.

In the statement of financial position provisions for expected credit losses are recognized as a contra asset paired with the gross carrying amount for the asset. A write-off decreases the carrying amount of the financial asset. Credit losses and write-offs are recognized in the Profit & Loss Statement as credit losses. Write-offs are made when losses are considered to be finally determined and represent the amount prior to the claim of previously made provisions. Recoveries of write-offs and recoveries of provisions are recognized as income under Net credit losses.

*Modifications*
When a loan is modified without triggering derecognition, the Group continues to monitor significant increases in credit risk since initial recognition for impairment purposes. Modifications do not automatically imply a decrease in credit risk and all quantitative and qualitative indicators will continue to be monitored. Gains or losses arising from modifications are recognized in the Profit & Loss Statement as credit losses and relate to the difference between the gross carrying amount currently recognized in the statement of financial position and the present value of the modified cash flows discounted using the original effective interest rate. When a loan is modified and subsequently derecognized, the date of modification is regarded as initial recognition for the new loan in order to assess the impairment requirements, including the assessment of significant increases in credit risk. When a newly recognized loan is considered impaired at initial recognition, it is categorized as a purchased or originated credit-impaired asset and stays in stage 3 until it is repaid in full or written off.

*Purchased or originated credit-impaired assets*
Financial instruments that are considered impaired at initial recognition are categorized as purchased or originated credit-impaired assets. Expected credit losses for such assets are always measured at an amount corresponding to the expected credit losses for the remaining maturity of the asset. However, the expected credit losses at initial recognition are considered to be reflected in the gross carrying amount. Thus, the recognized credit loss reserve only represents the change to the expected credit losses for the asset's remaining maturity following initial recognition. Beneficial changes in lifetime expected credit losses are recognized as impairment gains, even if the beneficial change is greater than the earlier amount recognized in the Profit & Loss Statement as an impairment loss.

*Derivatives*
Derivatives are used to financially hedge the risks associated with exposure to changes in interest rates and currency exchange rates that the Group is subject to. Derivatives are recognized in the statement of financial position on the trade date and are measured at fair value, both initially and at subsequent measurement dates.

**Hedge accounting**
The Group has chosen to apply the rules in IAS 39 in relation to all hedging matters. The Group applies cash flow hedging and hedges its net investment in foreign operations. The Parent Company applies cash flow hedging and fair value hedging. When the transaction is initiated, the relationship between the hedging instrument and the hedged item is documented, as are the business's goals in relation to risk management and the risk management strategy pertaining to the hedge in question. Documentation is prepared, both at the inception when the hedge is entered into and on an ongoing basis, to assess whether the derivative instruments

used in hedging transactions have been and will remain effective in terms of offsetting changes in fair value or cash flows that are attributable to the hedged items. In the event that the required preconditions for hedge accounting are no longer in place, the use of hedge accounting will be terminated.

**Cash flow hedging**
Cash flow hedges aim to provide protection against variations in future cash flows from recognized liabilities as a result of changes in market factors. Interest rate swaps as hedging instruments in cash flow hedging are valued at fair value. To the extent that a change in value of a swap is effective and corresponds to the future cash flow attributable to the hedged item, the change in value is recognized in Other comprehensive income and the cash flow hedge reserve in shareholder equity. Inefficiencies are recognized in the Profit & Loss Statement as Net gains from financial items. Gains or losses that are recognized in the reserve for cash flow hedges in equity via Other comprehensive income are reclassified and recognized in the Profit & Loss Statement in the same period that the hedged item has an effect on the Profit & Loss Statement.

**Hedging of net investments**
Net investment hedges in foreign operations are used for the purpose of mitigating the Group's exposure to changes in value of its net investment in a foreign operation as a result of changes in foreign exchange rates and protecting it against foreign exchange losses. Currency derivatives are used as hedging instruments. To the extent that the hedging instrument is effective, the gain or loss attributable to the hedged risk is recognized in Other comprehensive income and credited or charged in shareholder equity as a translation relating to foreign operations. The ineffective portion is recognized directly in the Profit & Loss Statement as Net gains from financial items. Accumulated gains or losses in shareholder equity are recognized in the Profit & Loss Statement upon disposal of the foreign business.

**Fair value hedging**
Fair value hedging is applied to the currency risk in shares of subsidiary companies. In the case of fair value hedging, the hedging instrument (the derivative) is valued at fair value at the same time as the hedged asset or liability is valued with an add-on for changes in value relating to the hedged risk. These changes in value are recognized directly in the Profit & Loss Statement as Net gains from financial items.

**Fair value**
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 the use of information pertaining to recent transactions on an arm's length basis, reference to the fair value of another instrument which is essentially equivalent and analysis of discounted cash flows. In this respect, market information is used to as great an extent as possible, while company-specific information is used to as small an extent as possible.

**Cash and cash equivalents**
Cash and cash equivalents are defined as treasury bills eligible for refinancing and lending to credit institutions. Pledged cash and cash equivalents are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents.

**Financial liabilities**
The Group classifies its financial liabilities in the following categories: financial liabilities measured at fair value through profit or loss and other financial liabilities.

**Financial liabilities measured at fair value through profit or loss**
Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading in the event that hedge accounting is not applied. Change in fair value is recognized in the Profit & Loss Statement in the item Net gains from financial transactions. Liabilities in this category are recognized in the item Other liabilities.

**Other financial liabilities**
Other financial liabilities are recognized in the items Liabilities to credit institutions, Deposits from the public, Issued securities and Subordinated liabilities and are measured at amortized cost with application of the effective interest method. Where material covenants exist, this should be disclosed.

**Leasing**
The Group leases office space, parking spaces and motor vehicles. Leasing agreements are recognized as right-of-use assets and are included among tangible assets with a corresponding lease liability including in other liabilities from the date on which the leased asset became available for use by the Group. The exception is payments for short contracts and low-value leases, which are expensed on a straight-line basis in the Profit & Loss Statement. With respect to vehicles, Nordax applies the exemption in IFRS 16 and does not recognize non-lease components separately.

The lease liability is initially recognized at the present value of the Group's future lease payments. The lease payments are discounted by the lease's implicit interest rate if this interest rate can easily be determined. Otherwise Nordax uses its marginal loan rate, which is the interest rate that the Group would have to pay to finance a loan for a corresponding period, and with corresponding collateral, for the right to use an asset in a similar economic environment. Each lease payment is distributed between amortization of the liability and financial expense. The financial expense is divided over the lease term in accordance with the effective interest method.

Options to extend leases are included in a number of the Group's office leases. The opportunity to extend a lease can only be utilized by Nordax, not the lessor. When the lease term is determined, management takes into account all available information that provides a financial incentive to exercise the extension option, or not to exercise an option to terminate the contract. Opportunities to extend a contract are only included in the lease term if it is reasonably certain that the contract will be extended (or not terminated).

Right-of-use assets are initially measured at cost and include the amount which the lease liability was originally measured at, adjusted for lease fees which have been paid on or before the initial date and any initial direct charges. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's right of use and the lease term.

**Tier 1 capital instruments**
The Group's Tier 1 capital instruments entitle holders to dividend, but in light of the fact that payment of this interest and the repayment of the nominal amount are within the Group's

control, the instrument is classified as equity. Agreed payments to holders of Tier 1 capital instruments are recognized in shareholder equity. Costs associated with the issue of Tier 1 capital instruments are amortized over the anticipated maturity period directly against shareholder equity.

**Interest income and interest expenses**
Interest income and interest expenses are recognized as income using the effective interest method. Transaction costs such as initial set-up fees are included in the calculation of the effective interest rate.

**Commission income**
Commission income consists of insurance commissions and administrative fees. The Group recognizes commission income when the performance obligation is fulfilled, i.e. during the period when the brokerage service is performed and Nordax has the right to receive a commission from the insurance company. The revenue is measured at an amount corresponding to what has been received or will be received by the Group for services performed.

**Net gains from financial transactions**
Net gains from financial transactions include realized gains and losses due to changes in the exchange rates, changes in the fair value of derivatives, hedge accounted items and the result of investments in bonds and other fixed-income securities.

**General administrative expenses**
General administrative expenses refer to employee benefit expenses and other administrative expenses, such as IT expenses, external services (audit, other services), costs of premises, telephone and postage, and other expenses.

**Taxes**
Income taxes consist of current tax and deferred tax. Income taxes are recognized in the Profit & Loss Statement except when the underlying transaction is recognized in Other comprehensive income, whereby the associated tax effect is also recognized in Other comprehensive income, or when the underlying transaction is recognized directly against shareholder equity the associated tax effect is also recognized against shareholder equity. Current tax is the tax that is payable or determined in relation to the current year via the application of prevailing tax rates as established, or determined in practice, at the close of the reporting period. Any adjustments made to current tax attributable to previous periods are also included here.

Deferred tax is calculated using the balance sheet method based on temporary differences between the recognized and taxable values of assets and liabilities. The following temporary differences are not taken into consideration. The initial recognition of assets and liabilities that are not business combinations and at the time of the transaction do not affect either the recognized or taxable profit or loss. The valuation of deferred tax is based on how the recognized value of assets or liabilities is expected to be realized or regulated. Deferred tax is calculated via the application of the tax rates and regulations that are determined upon, or determined in practice upon, at the close of the reporting period. Deferred tax assets relating to deductible temporary differences and losses carried forward are only recognized to the extent that it is likely that these will be utilized. The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilized.

**Employee benefits**
*Pension expenses*
The Group's pension plans are funded via 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. There are no legal or constructive obligations for the Group to pay additional contributions in the event that this legal entity lacks sufficient assets to pay all employee benefits related to the employees' employment in the current or 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 recognized as the pension is vested. Prepaid contributions are recognized as an asset to the extent that cash repayment or decrease in future payments can accrue to the Group.

*Share-based payments*
Until the delisting in April 2018, Nordax had a long-term management incentive plan for persons in senior management combining the following components: 40% of the variable remuneration was paid out in cash in the same year that the decision to grant remuneration was made, and 60% of the variable remuneration has been deferred for up to 3 years or, for the CEO, 5 years (the qualifying period). When the incentive plan was terminated, the previous future right to allocations of restricted share units was converted to variable cash remuneration. The cash remuneration for each restricted share unit amounts to SEK 60, which corresponds to the price of the Nordax share in the cash mandatory bid presented in February 2018. Deferred variable remuneration was paid out for the last time in 2021.

*Transactions with related parties*
All related-party transactions are conducted according to the arms-length principle.

**Operating segments**
The segment information is presented based on the perspective of the chief operating decision-maker, and the segments are identified on the basis of internal reporting to the Chief Executive Officer, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, SHP, Norway, Finland, Germany and Spain, and Denmark, which reflects Nordax's lending portfolio. Income not directly attributable to segments is allocated with effect from 2014 with allocation keys in accordance with internal principles which the senior management considers providing a fair allocation to the segments. The chief operating decision-maker mainly follows the income concept of operating income.

**Corporate governance**
Nordax has developed a governance framework tied to IFRS 9 that comprises a committee meeting chaired by the CFO, where all relevant functions are represented. This framework includes decision-making for management overlays to the expected credit loss provision. Moreover, a key control matrix has been developed where controls for the material aspects of the IFRS 9 process are formalized. The purpose of these controls is to control and verify, for example, inputs and outputs, and to ensure that material prepared for committee meetings has been produced in line with the duality principle. The risk control function also has its own controls for two purposes: to control the controls in the first line, and to verify the outcomes. The risk control function also performs regular quarterly validations of the impairment model as defined in IFRS 9.

**Expert assessments**
The Group uses both models and expert assessments to estimate expected credit losses. The extent of the assessments needed to value expected credit losses depends on the outcomes of the models, materiality and access to underlying information. The outcome of the models constitutes guidance for how financial events may affect the impairment requirement of financial assets. Expert assessments may be carried out on model outcomes to incorporate into the estimated effect factors that are not captured by the model. These kinds of assessment-based adjustments to the model-based expected credit losses may be carried out in relation to significant counterparty exposures. These adjustments are determined by the IFRS 9 committee based on the modeled expected credit losses.

**Parent company**
The Parent Company's Annual Report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 "Accounting for legal entities"

*Shares in Group companies*
Shares in Group companies are recognized at cost in the Parent Company. Dividends received are recognized as revenue when the right to receive payment is virtually certain. Tests for impairment are performed quarterly and impairment losses are recognized when a permanent decline is established.

*Group contributions*
Group contributions received from subsidiaries are recognized as financial income in the Profit & Loss Statement. Group contributions paid to subsidiaries are recognized as an increase in participations in Group companies to the extent impairment is not required. The tax effect of Group contributions paid and received is recognized in the Profit & Loss Statement in cases where the Group contribution is recognized in the Profit & Loss Statement.

*Leasing*
In the Parent Company, all lease fees are recognized on a straight-line basis over the term of the lease. The Parent Company applies the exemption to apply IFRS 16 in a legal entity in accordance with RFR2. Other than the above, there are no material differences in the Parent Company's accounting policies compared to the Group's accounting policies

## Note 3 Significant accounting estimates

Nordax has made a number of significant estimates and assumptions affecting the measurement of assets and liabilities in the financial statements. These estimates and assumptions are continuously evaluated against previous experience and other factors, such as anticipated future events.

**Expected credit losses ("ECL")**
The loss allowance for financial assets measured at amortized cost is based on assumptions relating to the risk of loss events and expected loss levels. The Nordax Group makes its own assumptions and selects input data for the models used for ECL measurement purposes. These are based upon historical performance, known market conditions and forward-looking information at end of each reporting period.

The most significant assessments carried out in the application of the criteria for the determination of the credit reserve relate to:

- Definition of criteria for measuring whether there has been a significant increase in credit risk
- Grouping of financial assets
- Selection of forward-looking variables and their relative weighting in the ECL measurement process for each market

A more detailed description of the ECL models, input data, assumptions and sensitivities is provided in Note 4.

**Calculation of the recoverable value of goodwill**
Nordax tests whether there are any impairment requirements relating to goodwill on an annual basis.This requires that certain assumptions must be made. Since 2019, the recoverable value has been determined based on the value in use. The value in use has been calculated via the application of a DDM model (Dividend Discount Model), which means that the value of shareholder equity for each cash-generating unit is derived via the discounting of that unit's expected cash flow from dividends. The cash flow is valued in the present via the use of a discount rate that reflects the return on equity requirements in order to mirror the relative risk of the investment and the time value of money. Expected future cash flows have been estimated using an average projection period of seven years at the end of which the growth rate is expected to have stabilized.

Based on the impairment test carried out, there was no impairment requirement in relation to goodwill. A change to the discount rate, which is the most sensitive parameter, (+1 percentage point) would not precipitate any impairment. For further information on assumptions when calculating the value in use, see Note 22.

## Note 4 Financial risk management

**Financial risk factors**
Via its business 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 minimizing the potential adverse effects of the unpredictability in the financial markets.

Risk is managed primarily by a credit department and a central treasury department in accordance with policies established by the Board of Directors. The treasury department identifies, evaluates and manages financial risks in close cooperation with the Group's operational units. The Board of Directors 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.

**Credit risk in general**
Credit risk is defined as the risk of a counterparty or debtor not being able to fulfill its contractual obligations to Nordax and that the collateral received for mitigation of credit risk is not sufficient to cover losses in the event of default. Counterparty credit risk is often used instead of credit risk regarding exposures in financial instruments and represents the risk that counterparties fail to honor their obligations in a financial transaction. The Group is exposed to credit risk primarily in its lending portfolio, where borrowers might, for any of variety of reasons, fail to pay their contractual payment obligations when due. The Group is also exposed to credit concentration risk in relation to its lending to credit institutions. Credit concentration risk represents exposure to specific counterparties/customers, industries, and regions.

Lending takes place on the basis of the policies adopted by the Board of Directors.

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 fulfill a number of policy rules, such as minimum income, minimum age, maximum indebtedness and no record of bad credit history.

Furthermore, credit-granting decisions are made based on the creditworthiness, which is calculated according to a model that calculates the probability that a borrower will be able to honor the agreements entered into, referred to as "credit scoring." A customer's credit score determines, for instance, how much he or she will be able to borrow. The credit decision is additionally based on a calculation of affordability to ensure that the customer is able to repay the loan. The affordability calculation assesses the customer's income, housing expenses, other living expenses, and the payments on the loan. 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 salary specifications/ payslips and tax returns, to confirm their stated income and debts. This information is used to conduct an assessment of the customer's financial situation, for instance by calculating the customer's debt ratio and a "funds-to-live-on" amount.

For mortgages, a credit assessment is performed based on the customer's creditworthiness and the quality of the collateral. Typically, a physical appraisal is done so as to ensure that the valuation is correct. Information on income, debt and expenses is collected from the customer and from consumer credit report data, and on that basis a household budget is calculated, including a "funds-to-live-on" calculation and a stress test of the customer's interest rate sensitivity.

SHP has, for some time, developed a strong and robust credit assessment process for equity release mortgages and, since its launch in 2005, has not suffered any actual credit losses. The maximum loan amount is determined based on the customer's age, where a customer's potential loan-to-value ratio rises with age. In addition to age and maximal loan-to-value ratio, SHP uses a number of other criteria in its lending. Among other things, the property must be located in an approved municipality, SHP must have first priority and there may not be any other loans on the residence. SHP conducts a physical appraisal of most properties and ensures that there has always been a direct personal contact with the borrower.

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, and are described in further detail in the section on currency risk. Credit risk in relation to financial investments is described in the section on liquidity reserves.

*Measurement of credit risk*
The estimation of the credit risk exposure for risk management purposes is complex and builds upon statistical modeling techniques. The Nordax Group measures credit risk using Probability of Impairment ("PD"), Exposure at Impairment ("EAD"), and Loss Given Impairment ("LGD"). This method is also used for ECL measurement purposes under IFRS 9.

After the initial credit assessment, the debtors' payment behavior is continuously monitored in order to produce a behavioral credit risk score. All other information impacting the debtor's ability to pay installments, such as historical payment pattern, is also incorporated in the production of behavioral credit risk scores. These scores are used for the estimation of PD.

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

**Principles for ECL provisions**
*Consumer and personal loans Nordax Bank*
Nordax's model for impairment of consumer and personal loans according to IFRS 9 consists of two main parts: a quantitative cash flow based model that calculates ECL and a qualitative model that adjusts the quantitative model output based on a projected macroeconomic scenario.

The qualitative model makes the assumption that there are two forward-looking macro scenarios for the depreciation model, one base scenario based on macroeconomic conditions in the instance that Nordax's relevant geographic markets have not deteriorated into a financial crisis, and a negative crisis scenario in each respective country.

The ECL in the quantitative model builds upon the base scenario and is then adjusted monthly based on the estimated probability and effect of an economic downturn.

Via analysis of historical data, Nordax has identified and incorporated macroeconomic variables that affect credit risk and credit losses for the different portfolios. These factors are based on country, debtor, and product type. Nordax continuously monitors the macroeconomic development for each country. This includes defining forward-looking macroeconomic scenarios for different markets and products and translating them into useful macroeconomic projections.

The most significant macroeconomic variables that are estimated to affect ECL are set out below:

· GDP (PPP) development
· Price trend on the market for Credit Default Swaps (CDS)

These factors are applicable to all of Nordax's geographic market areas.

The quantitative model is a three-stage model for the three different types of claims: claims where there has not occurred a SICR since initial recognition (stage 1), claims where a SICR has significantly increased since the initial recognition (Stage 2), or claims that are credit-impaired (Stage 3). During the year, the following changes were made to the estimation techniques and calculation bases which had an impact on the calculation of provisions for expected credit losses.

- During 2021, Nordax amended the macroeconomic scenario weighting, which reduced the provisions related to the macroeconomic scenarios from SEK 61 million in the preceding year to SEK 36 million as at December 31, 2021. This change had an impact in all countries.

- In 2021, Nordax implemented a new definition of default in accordance with EBA/GL/2016/07. The implementation means that a changed methodology for assessing the number of days a borrower is delayed and that additional qualitative criteria ("Unlikely to pay") have been introduced. This implementation led to an increased volume of changes in stage 3 and an increased ECL level.

*Calculation of ECL*
For loans in stage 1, ECL is calculated for the following 12 months counted from each reporting date. For loans where there has been a SICR since initial recognition (Stage 2), or loans that have become credit-impaired (Stage 3), ECL is calculated based on the contractual lifetime of the loan. ECL is the discounted product of PD, EAD and LGD that are defined below. The effective interest rate is applied as discount rate.

PD for 12 months and lifetime PD correspond to the probability of impairment within the respective time horizon. A loan's probability for becoming credit-impaired within the coming 12 months is used to approximate the probability of impairment for the entire remaining maturity of the financial asset. At origination an initial risk assessment is performed, and PD is calculated by deriving a behavioral credit score from historical data.

EAD represents the estimated credit exposure at future dates for impairment where expected changes in the exposure at the reporting date are taken into consideration. The Group's approach for EAD estimation reflects current contractual terms, maturity date and future payments of principal and interest. For loans in stage 2, expected effective settlement rates are also incorporated in the estimation of EAD.

LGD corresponds to the calculated losses that are expected to arise at impairment, which builds upon the expected value of future recoveries. LGD is estimated based on the factors affecting repayment rates for loans that have become impaired. LGD for loans that are not secured by collateral is typically based on a product level due to the limited differentiation in recovery rates for these types of contracts. LGD values are primarily affected by expected future recovery rates. Recovery rates are derived from cumulative recovery curves for each of the geographic market areas that stretch beyond 20 years (15 years for Finland due to statutory time limits for collection activities).

*Remaining contractual lifetime*
For contracts in Stage 2 and Stage 3, Nordax Bank calculates ECL based on the PD for the remaining contractual lifetime of the loans. In general, the contractual lifetime is limited to the time up until the maximal contractual maturity date during which the Group is exposed to credit risk, even if a longer time period is used in business practice. All contractual terms are considered when defining the expected maturity, including repayment, extension and overpayment options that are binding on the bank.

*Collective measurement of ECL*
The calculation of ECL builds upon a collective measurement approach. Grouping is performed based on the following parameters.

Grouping has taken place on the basis of:
· Country
· Credit risk rating
· Product

*Definition of impairment*
Nordax's definition of an impairment (loss event, i.e. the loan is "credit-impaired") is that one or more of the criteria below exist.

Quantitative criteria:
- The borrower is more than 90 days late with payment

Qualitative criteria:
- The borrower is assessed to be "unlikely to pay" in accordance with the criteria in EBA/GL/2016/07
These criteria have been applied to all financial instruments held by Nordax. The definition has been consistently applied to estimate PD, EAD and LGD and thus the calculation of ECL. Only the quantitative criteria above are used for the internal credit risk management and for the definition of default.

*Cure*
A loan is allowed to cure when it no longer meets the Group's definition of impairment as specified above.

*Significant increase in credit risk (SICR) since the initial credit assessment.*
To determine whether a loan has experienced a SICR since the initial credit assessment, a method is used in which the loan's 12 month PD is compared to a certain threshold that is a function of the original risk class and the time since the loan was granted.

A SICR is assumed to have arisen if:
· the 12-month PD exceeds the threshold in relation to significant changes in risk.
· or when the loan is more than 30 days past due (backstop in the regulatory framework).

*Consumer and personal loans Bank Norwegian*
Bank Norwegian's credit risk provisions for consumer and personal loans share many principles and definitions in common with those of Nordax. Both banks use a qualitative model for expected credit losses that is adjusted using a qualitative model for forecast macro scenarios. Bank Norwegian uses 3 scenarios (base, positive and negative) and uses a range of macroeconomic variables for each respective country and product. The most important variables are:
· GDP
· Unemployment levels
· Income
· Personal consumption expenditures (PCE)
· Money supply
· Oil prices

Bank Norwegian assess whether a significant increase in credit risk has occurred using a number of criteria such as loss events on other products, previous loss events, modification of terms and conditions, and 30 days late after due date. However, the most common criterion is a comparison of PD for the remaining lifetime at time of reporting and the original PD for the lifetime of the loan set against product-specific limit values (trigger coefficients).

The recovery curves that Bank Norwegian uses in its LGD calculations are based on historical data per product and country (going back a maximum of 15 years), while LGD is calculated on an individual basis per exposure.

*Credit Cards Bank Norwegian*
The credit risk provisions for credit cards are made using a separate model but are based on the same methodology as consumer and personal loans. However, EAD also takes into account unused credit limits and the credit conversion factor. The remaining lifetime of credit cards is connected to the expiration date on the plastic card which can be no more than 36 months.

*Mortgage lending*
Mortgage loans are calculated in a separate model based on the same methodology as personal loans and on market data and some historical data from the unsecured loan product. With mortgages, however, collateral received is also taken into consideration when determining LGD. See also the section on collateral below.

*Equity release mortgages*
Nordax's subsidiary, Svensk Hypotekspension, offers equity release mortgages to individuals over the age of 60 who own the home they live in, a vacation property, or some other form of owner-occupied residential real estate. The interest rate on the loan accumulates over the term of the loan, and repayment, including cumulative interest, is made in its entirety when the loan matures, which occurs in connection with the borrower's sale of the property that has been pledged as security for the loan. The Group cannot demand repayment in an amount that exceeds what the sale of the property brings in. Consequently, the loan is regarded as being a non-recourse loan.

The reserve for ECL on equity release mortgages is calculated with the help of a model in which risk is quantified for a depreciation in the value of the properties pledged as security for loans in relation to the expected outstanding loan amount upon expected redemption. The reserve is calcula-

ted individually for each loan.
The significant assumptions in the model are:
- The term of the loan
- Estimated outstanding loan amount at any given time.

- Underlying value of the mortgaged property.
- Price trend in the real estate market.
- Applied discount rate.

*Definition of impairment*
Nordax's definition of impairment for equity release mortgages (the loan is credit-impaired) is that the loan is sent for debt collection, or if there is objective evidence that the Group has been defrauded.

*Significant increase in credit risk ("SICR")*
The determination of whether there has been a significant increase in credit risk is done individually for each loan. Factors that are taken into consideration in this determination are:

· How long it has been since the loan matured, i.e. how much time has passed since the borrower sold their property, moved into a senior-living arrangement or deceased.

· High expected LTV (loan-to-value) for the loan at the expected redemption time.

*Climate-related risks*
At present, no specific assessment is carried out within the Nordax Group in relation to credit risks associated with climate change since Group companies only offer products with short lifetimes to individual consumers.

## LTV

| All amounts are in MSEK | 2021-12-31 |
|---|---|
| <=50% | 7,692 |
| 50-65% | 850 |
| 65-75% | 784 |
| 75-85% | 3,419 |
| >85% | - |
| Total | 12,746 |

## MAXIMUM EXPOSURE FOR CREDIT RISK

| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Credit risk exposures relate to the balance sheet as follows:** | | |
| Lending to central banks | 1,924 | 728 |
| Lending to credit institutions | 3,258 | 1,144 |
| Lending to the general public | 71,391 | 28,458 |
| Bonds and other fixed-income securities | 23,318 | 2,329 |
| Total | 99,891 | 32,659 |

The assets above are recognised at carrying amount in accordance with the balance sheet. The counterparties to which the Group is exposed in the items Lending to central banks, Lending to credit institutions and Bonds and other fixed income securities are Swedish only. The geographic risk concentrations regarding Lending to the general public are outlined in the below tables.

## LENDING TO THE GENERAL PUBLIC

### GROUP

| 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | TOTAL | Allocation of provision |
|---|---|---|---|---|---|
| Lending to the general public | | | | | |
| Sweden | 19,273 | 1,278 | 3,031 | 23,582 | -1,851 |
| SHP | 7,612 | 18 | 3 | 7,633 | -8 |
| Norway | 16,615 | 1,103 | 4,604 | 22,322 | -1,987 |
| Finland | 12,853 | 1,266 | 4,638 | 18,757 | -2,237 |
| Germany & Spain | 508 | 30 | 242 | 780 | -206 |
| Denmark | 4,466 | 134 | 452 | 5,032 | -446 |
| Total | 61,327 | 3,829 | 12,970 | 78,126 | -6,735 |
| Provision for expected credit losses | -686 | -444 | -5,605 | -6,735 | |
| Carrying amount of lending to the general public | 60,641 | 3,385 | 7,365 | 71,391 | |
| Allocation of provision in % | 1% | 12% | 43% | 9% | |

### GROUP

| 31 December 2020 | Stage 1 | Stage 2 | Stage 3 | TOTAL | Allocation of provision |
|---|---|---|---|---|---|
| Lending to the general public | | | | | |
| Sweden | 9,946 | 459 | 1,405 | 11,810 | -818 |
| Norway | 4,650 | 482 | 1,693 | 6,825 | -966 |
| Denmark | 0 | 0 | 295 | 295 | -280 |
| Finland | 3,474 | 358 | 1,120 | 4,951 | -602 |
| Germany | 529 | 36 | 239 | 804 | -205 |
| SHP | 6,630 | 17 | 3 | 6,650 | -6 |
| Total | 25,228 | 1,352 | 4,755 | 31,335 | -2,877 |
| Provision for expected credit losses | -321 | -264 | -2,292 | -2,877 | |
| Carrying amount of lending to the general public | 24,907 | 1,088 | 2,463 | 28,458 | |
| Allocation of provision in % | 1% | 20% | 48% | 9% | |

The acquisition of Bank Norwegian included Stage 3 lending of SEK 7,903 million gross and SEK 4,912 million net. The lending acquired has reduced, but as a result of a strengthening in NOK since the acquisition, the Stage 3 lending acquired amounts to SEK 8,018 million gross and SEK 4,966 million net as at 31 December 2021. These have been reported gross in the table above.

The assets above are recognised at carrying amount in accordance with the balance sheet. The counterparties to which the Group is exposed in the items Lending to central banks, Lending to credit institutions and Bonds and other fixed income securities are Swedish only. The geographic risk concentrations regarding Lending to the general public are outlined in the below tables. The risk concentrations per product are presented below.

### PARENT COMPANY

No lending to the general public in the parent company

## LENDING TO THE GENERAL PER PRODUCT

### GROUP

| 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | TOTAL | Allocation of provision |
|---|---|---|---|---|---|
| **Lending to the general public** | | | | | |
| Personal loans | 39,882 | 2,974 | 12,060 | 54,916 | -6,291 |
| Credit cards | 8,986 | 641 | 843 | 10,470 | -427 |
| Mortgage loans | 4,847 | 196 | 64 | 5,107 | -9 |
| SHP | 7,612 | 18 | 3 | 7,633 | -8 |
| **Total** | **61,327** | **3,829** | **12,970** | **78,126** | **-6,735** |
| Provision for expected credit losses | -686 | -444 | -5,605 | -6,735 | |
| **Carrying amount of lending to the general public** | **60,641** | **3,385** | **7,365** | **71,391** | |
| Allocation of provision in % | 1% | 12% | 43% | 9% | |

### GROUP

| 31 december 2020 | Stage 1 | Stage 2 | Stage 3 | TOTAL | Allocation of provision |
|---|---|---|---|---|---|
| **Lending to the general public** | | | | | |
| Personal loans | 15,538 | 1,243 | 4,716 | 21,484 | -2,867 |
| Mortgage loans | 3,059 | 92 | 36 | 3,201 | -4 |
| SHP | 6,630 | 17 | 3 | 6,650 | -6 |
| **Total** | **25,228** | **1,352** | **4,755** | **31,335** | **-2,877** |
| Provision for expected credit losses | -321 | -264 | -2,293 | -2,877 | |
| **Carrying amount of lending to the general public** | **24,908** | **1,088** | **2,462** | **28,458** | |
| Allocation of provision in % | 1% | 20% | 48% | 9% | |

### PARENT COMPANY

No lending to the general public in the parent company

**Collateral received**

Part of Nordax's loan portfolio includes mortgages and equity release mortgages (via the subsidiary SHP), and this lending is secured by mortgages on real property or rights in co-op apartments. The valuation of collateral is part of Nordax's credit origination process and collateral values are continuously monitored through updated valuations.

Nordax's policies for received collateral have not significantly changed during the period and there has been no significant change in the quality of collateral. As at December 31 2021, Nordax had 43 mortgages with a total volume of SEK 64 million and 2 equity release mortgages with a total volume of SEK 3 million that were classified as being in Stage 3.

**Sensitivity analysis**

As a general rule, deteriorating macroeconomic development in society leads to higher customer losses. Similarly, improvements in the developments result is lower customer losses.

In calculating the future need for customer loss reserves, an assessment is made of the probability of various future scenarios occurring. This probability-weighted outcome is the amount recognized as the customer loss reserve. The table below shows how the loan loss reserves would be affected if it was based respectively on a negative and a positive scenario.

| | Loans loss reserves | | | Difference compared with probability-weighted in % | |
|---|---|---|---|---|---|
| Amounts are in MSEK | Probability-weighted | Negative scenario | Positive scenario | Negative scenario | Positive scenario |
| Group | 6,794 | 187 | -142 | 2.8% | -2.1% |

**Reconciliation of the ECL provision**

The ECL provision was affected by a variety of factors in 2021:

· Stage transfers impacting horizon over which ECL is recognized
· New provision amounts recognized for newly issued loans including lending that was part of the Bank Norwegian acquisition and the release of reserves for derecognized assets
· Changes in model components in input data which changes the calculation of credit risk and estimation of future recoveries
· Changes in approach, methodologies and assumptions for calculation of ECL
· Movements due to FX effects

Below is an analysis that explains in further detail how these factors have contributed to the change in the reserve for expected credit losses arising from retail lending during the year.

## GROUP

| 31 December 2021 | Stage 1 12m ECL | Stage 2 Life-time ECL | Stage 3 Life-time ECL | TOTAL |
|---|---|---|---|---|
| Closing provision for credit losses calculated 31 December 2020 | 321 | 264 | 2,292 | 2,877 |
| Stage transfers | | | | |
| Transfer to/from Stage 1 | -31 | - | - | -31 |
| Transfer to/from Stage 2 | - | 126 | - | 126 |
| Transfer to/from Stage 3 | - | - | 104 | 104 |
| Origination of new loans | 389 | 236 | 2,976 | 3,601 |
| Derecognition | -9 | -9 | -236 | -254 |
| Changes in risk components | -21 | -201 | 450 | 229 |
| Changes in model methodologies and assumptions | 22 | 16 | 32 | 70 |
| FX effects | 15 | 12 | -13 | 13 |
| Others | 0 | 0 | 0 | 0 |
| Closing provision for expected credit losses 31 December 2021 | 686 | 444 | 5,605 | 6,735 |

| 31 December 2020 | Stage 1 12m ECL | Stage 2 Life-time ECL | Stage 3 Life-time ECL | TOTAL |
|---|---|---|---|---|
| Closing provision for credit losses calculated 31 December 2019 | 271 | 161 | 2,060 | 2,492 |
| Stage transfers | | | | |
| Transfer to/from Stage 1 | -37 | - | - | -37 |
| Transfer to/from Stage 2 | - | 125 | - | 125 |
| Transfer to/from Stage 3 | - | - | 113 | 113 |
| Origination of new loans | 58 | - | - | 58 |
| Derecognition | -5 | -1 | -49 | -55 |
| Changes in risk components | 69 | -90 | 101 | 80 |
| Changes in model methodologies and assumptions | -24 | 76 | -8 | 44 |
| FX effects | -11 | -7 | 75 | 57 |
| Others | 0 | 0 | 0 | 0 |
| Closing provision for expected credit losses 31 December 2020 | 321 | 264 | 2,292 | 2,877 |

*The acquisition of Bank Norwegian included stage 3 lending: the gross amount stood at SEK 7,903 million, while the net amount was SEK 4,912 million. The acquired loan portfolio has decreased, but as a result of the rising Norwegian krone since the acquisition, acquired stage 3 lending as at December 31, 2021 amounted to SEK 8,018 million gross, while the net figure was SEK 4,966 million. The table above includes Bank Norwegian's loan loss reserves for stage 3 loans upon acquisition.

## PARENT COMPANY

No lending to the general public in the parent company

### Credit quality

The below table provides an analysis of the credit quality distribution in different credit risk classes for the gross and net carrying amount of lending to the general public. Loan contracts are assigned a risk class based on a PD score that is derived through logistic regression analysis where the risk classes represent defined PD score buckets.

GROUP

| 31 December 2021 | Stage 1 | Stage 2 | Stage 3 | TOTAL |
|---|---|---|---|---|
| **Credit quality for lending to the general public[1]** | | | | |
| A–B | 26,416 | 48 | 0 | 26,464 |
| C–D | 14,271 | 322 | – | 14,593 |
| E–F | 4,217 | 850 | – | 5,067 |
| G–H | 1,188 | 1,071 | – | 2,259 |
| I–J | 96 | 1,127 | – | 1,223 |
| No rating[2] | 2,680 | 197 | -4 | 2,873 |
| SHP (not classified A–J) | 7,612 | 18 | 3 | 7,633 |
| Mortgage (not classificed A–J) | 4,847 | 196 | 64 | 5,107 |
| Non performing loans | – | – | 12,907 | 12,907 |
| **Total exposure** | 61,327 | 3,829 | 12,970 | 78,126 |
| Provision for expected credit losses | -686 | -444 | -5,605 | -6,735 |
| **Carrying amount of lending to the general public[1]** | 60,641 | 3,385 | 7,365 | 71,391 |

1 Credit quality is based on a rating from A to J, where A is the lowest risk and J the highest. Creditworthiness is determined using a model for calculating the probability that a borrower will be able to honor the agreements entered into, referred to as "credit scoring."

2 Surplus relating to lending to the general public as a result of acquisitions amounts to SEK 2,515 million.

### Market risk
In financial operations, market risks consist mainly of interest rate risks, currency risks, counterparty risks and exchange rate risks for equities and bonds. The Group does not retain trading stocks, while exchange rate risks are present in the liquidity portfolio and the risk of loss in relation to these investments is limited as the investments are almost exclusively in fixed-income instruments with low levels of counterparty risk. The Board of Directors has established a policy in order to limit these risks, partly by means of limits applied to risk levels.

### Counterparty risk in derivatives
The Treasury function is responsible for ensuring that exposure to market risks remains within the set limits. To this end, currency and interest derivative contracts that give rise to counterparty risk are entered into. The counterparty risk is reduced by means of ISDA agreements and CSA agreements for the exchange of collateral provided. ISDA agreements entail the exposure to a counterparty being managed on a net basis in relation to all derivative contracts between the counterparties in the event of a serious credit event. The CSA agreements reduce the exposure by pledging/obtaining cash collateral and bonds equivalent to the net exposure. All of Nordax's CSA agreements pertain to the daily exchange of collateral. See note 30 for further information.

### Exchange rate risk
Exchange rate risk refers to the risk that the value of assets and liabilities may vary due to unfavorable changes in exchange rates. The Group operates in the Nordic countries, Germany, Spain, and the Netherlands, and is exposed to currency risks arising from currency exposures related to NOK, DKK and EUR. The most significant currency risk arises from the translation of receivables and liabilities in foreign currency into SEK. The Board of Directors has decided on a policy whereby the Group continuously measures and reports its foreign exchange risk. In the first instance, the bank's policy is to limit the effects of fluctuations in exchange rates by matching assets and liabilities in the same currency. Residual currency risk is primarily managed by means of currency derivatives.

### CURRENCY EXPOSURE AND SENSITIVITY ANALYSIS
Shows the net position and a sensitivity analysis of comprehensive income in which SEK fluctuates +/-5% against exposure currencies.

| | Consolidated Situation | |
|---|---|---|
| | 2021-12-31 | 2020-12-31 |
| **Currency exposure according to capital adequacy rules, net (SEK millions)** | | |
| Currency | | |
| NOK | 38,5 | 180,2 |
| EUR | 168,2 | 201.3 |
| DKK | 16,5 | -6,8 |

| | Consolidated Situation | |
|---|---|---|
| Sensitivity analysisl | | |
| Exchange rate fluctuation +/-5% on operating profit/loss before tax | 2021-12-31 | 2020-12-31 |
| NOK | +/-1.9 | +/-9.0 |
| EUR | +/-8.4 | +/-10.1 |
| DKK | +/-0.8 | -/+0.3 |

### Interest rate risk in relation to cash flows and fair values
The Board of Directors has decided on a policy whereby the Group continuously measures and reports its interest rate risk based on an interest rate risk model. Interest rate risk is measured in 6 different standard scenarios prescribed by the European Banking Authority and the Swedish Financial Supervisory Authority. The calculation of interest rate risk is based on the EBA's and the Swedish Financial Supervisory Authority's assumptions relating to interest-sensitive contractual and behavioral cash flows in terms of fixed interest periods, maturities and commercial margins.

In the most negative scenario, the interest rate risk in Nordax Bank amounts to SEK 120.8 million (102.1 million), while in the Consolidated Situation the corresponding figure is SEK 103.9 million (14.3 million).

The Group's fixed interest rate on lending and borrowing is mainly concentrated on a 1-3-month basis. The lending rate is generally tied to the Group's own borrowing costs, which means that the interest rate risk is limited both in terms of fair value of assets and liabilities, as well as the net interest income. In order to limit interest rate risk, the Group also engages in interest rate swaps from time to time.

### Liquidity risk
Refer to section Information on liquidity risk under section Capital adequacy analysis.

## FINANCIAL ASSETS AND LIABILITIES

The following table analyzes the Group's financial assets and liabilities broken down by the time remaining at the close of the reporting period until the first contractual early redemption date. The contractual maturity date for issued securities is in excess of five years. See Note 29 for further details. All other amounts stated in the table are the contractual, undiscounted cash flows.

### FINANCIAL ASSETS

### GROUP

| 31 December 2021 | Less than 3 months | 3-12 months | 1-5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Lending to central banks | 1,924 | – | – | – | 1,924 |
| Lending to credit institutions | 3,258 | – | – | – | 3,258 |
| Lending to the general public | 13,266 | 3,488 | 4,103 | 49,824 | 70,681 |
| Bonds and other fixed-income securities | 2,843 | 8,899 | 11,576 | – | 23,318 |
| Other shares | – | – | – | 154 | 154 |
| Derivatives | 45 | 92 | – | 3 | 140 |
| Other assets | 2 | – | – | – | 2 |
| Total | 21,338 | 12,479 | 15,679 | 49,981 | 99,477 |

| 31 december 2020 | Less than 3 months | 3-12 months | 1-5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Lending to central banks | 728 | – | – | – | 728 |
| Lending to credit institutions | 1,144 | – | – | – | 1,144 |
| Lending to the general public | 2,026 | 37 | 1,829 | 23,764 | 27,656 |
| Bonds and other fixed-income securities | 311 | 101 | 1,917 | – | 2,329 |
| Other shares | – | – | – | 127 | 127 |
| Derivatives | 2 | – | – | – | 2 |
| Other assets | 2 | – | – | – | 2 |
| Total | 4,213 | 138 | 3,746 | 23,891 | 31,988 |

### FINANCIAL LIABILITIES

### GROUP

| 31 December 2021 | Less than 3 months | 3-12 months | 1-5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Liabilities to credit institutions | – | 614 | 5,995 | – | 6,609 |
| Deposits from the general public | 65,189 | 1,434 | 801 | – | 67,424 |
| Issued securities | 246 | 3,349 | 7,271 | – | 10,866 |
| Subordinated liabilities | – | 199 | 550 | 972 | 1,721 |
| Derivates | 218 | 219 | – | – | 437 |
| Trade payables and other liabilities | 128 | – | – | – | 128 |
| Total | 65,781 | 5,815 | 14,617 | 972 | 87,185 |

| 31 December 2020 | Less than 3 months | 3-12 months | 1-5 years | More than 5 years | TOTAL |
|---|---|---|---|---|---|
| **Financial liabilities** | | | | | |
| Liabilities to credit institutions | – | – | 1,605 | – | 1,605 |
| Deposits from the general public | 23,526 | 388 | 266 | – | 24,180 |
| Issued securities | – | – | 3,330 | – | 3,330 |
| Subordinated liabilities | – | – | – | 348 | 348 |
| Derivates | 2 | – | – | – | 2 |
| Trade payables and other liabilities | 19 | – | – | – | 19 |
| Total | 23,547 | 388 | 5,201 | 348 | 29,484 |

**Capital adequacy analysis**

The information in this section is prepared in accordance with the requirements stipulated in Swedish Financial Supervisory Authority´s Regulations and general guidelines (FFFS 2008:25) regarding annual reports at credit institutions and securities companies, part 8 in the Capital Requirements Regulation (Regulation (EU) 575/2013), the EBA's implementing technical standards (ITS) with regard to disclosure of own funds (EU Regulation No 1423/2013), the Swedish Financial Supervisory Authority´s regulations on prudential requirements and capital buffers (FFFS 2014:12) and the Swedish Financial Supervisory Authority´s regulations on liquidity risk management (FFFS 2010:7)."

Nordax has decided to use transitional rules regarding IFRS 9 that entail a gradual phasing-in of credit provisions that arose during the transition to IFRS 9 and credit provisions for stages 1 and 2 until December 31, 2019. In the calculation of the capital base in capital adequacy this means that the decrease in shareholder equity is amortized during the period 2018-2022 as follows:

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

Nordax also applies the transitional rules for credit provisions for stages 1 and 2 that arose after December 31, 2019. The calculation of the capital base in capital adequacy incorporates the below scale for reversal in the period 2020-2024:

-2020 100% reversal of the initial negative effect on equity
-2021 100% reversal of the initial negative effect on equity
-2022 70% reversal of the initial negative effect on equity
-2023 50% reversal of the initial negative effect on equity
-2024 25% reversal of the initial negative effect on equity

Other information required by EBA/GL/ 2018/01 is available on the website at www.nordaxgroup.com.

**Combined buffer requirement**

The combined buffer requirement for the Consolidated Situation consists of a capital conservation buffer and a countercyclical capital buffer. Since November 2021, a system risk buffer requirement has also been added following the acquisition of Bank Norwegian. The required capital conservation buffer amounts to 2.5 percent of the risk-weighted exposure sum. The countercyclical capital buffer is weighted on the basis of geographic requirements. For Denmark, Finland, Spain, Sweden and Germany, the requirement was 0% while the requirement was 1% for Norway. The system risk buffer amounts to 3% of Bank Norwegian's total risk-weighted exposure sum.

**Information on the consolidated situation**

The top company in the Consolidated Situation is Nordax Holding AB (publ). The following companies are included in the Consolidated Situation when calculating capital requirements: Nordax Holding AB, Nordax Group AB, Nordax Bank AB (publ), Nordax Sverige AB, Nordax Sverige 4 AB (publ), Nordax Sverige 5 AB (publ), Nordax Nordic 2 AB, Nordax Nordic 4 AB (publ), Svensk Hypotekspension AB and affiliated subsidiaries Svensk Hypotekspension Fond 2 AB, Svensk Hypotekspension Fond 3 AB (publ), Svensk Hypotekspension Fond 4 AB (publ) and Svensk Hypotekspension 5 AB (publ), in addition to Bank Norwegian ASA and its subsidiary Lilienthal Finance Ltd.

Changes to the Consolidated Situation occurred in November 2021 when Nordax Bank AB acquired Bank Norwegian ASA. This change means that Bank Norwegian ASA and its subsidiary Lilienthal Finance Ltd are included in the Consolidated Situation. This acquisition was financed via a new share issue by Nordax Holding AB (publ) worth SEK 9.7 billion. In addition to this, the Company also issued SEK 1.4 billion of minority Tier 1 capital and SEK 650 million of Tier 2 capital, both of which were subscribed to by external investors. Nordax Group AB subsequently issued the corresponding instruments and amounts which were subscribed to by Nordax Holding AB (publ). Nordax Bank AB then issued the corresponding amounts and instruments which were subscribed to by Nordax Group AB. Nordax Bank also financed the acquisition via an issue for non-cash consideration of Bank Norwegian shares worth upwards of SEK 4.4 billion, unconditional shareholder contributions in the amount of SEK 1 billion and conditional shareholder contributions amounting to SEK 8.6 billion.

In addition to the capital instruments issued above, the Consolidated Situation's capital base also includes Bank Norwegian's share of minority Tier 1 capital in the amount of SEK 213 million and Tier 2 capital worth SEK 472 million. The capital requirement applicable to Nordax Bank increased due to its shareholding in Bank Norwegian while in terms of the Consolidated Situation the capital requirement increased via the inclusion of Bank Norwegian's assets.

## CAPITAL ADEQUACY

| All amounts in MSEK | Consolidated situation 2021-12-31 | 2020-12-31 |
|---|---|---|
| **OWN FUNDS** | | |
| Common Equity Tier 1 capital | 22,409 | 7,759 |
| Deduction from own funds | -12,573 | -4,376 |
| **Total Common Equity Tier 1 capital** | **9,836** | **3,384** |
| Tier 1 Capital, minority[4] | 1,545 | - |
| **Sum Tier 1 Capital** | **11,381** | **3,384** |
| Tier 2 Capital[3] | 1,261 | 198 |
| **Net own funds** | **12,642** | **3,582** |
| | | |
| Risk exposure amount for credit risk | 54,965 | 18,937 |
| Risk exposure amount for market risk | 0 | 386 |
| Risk exposure amount for operational risks | 5,526 | 1,517 |
| CVA | 200 | 0 |
| **Total risk exposure amount (risk weighted assets)** | **60,691** | **20,839** |
| | | |
| Common Equity Tier 1 capital ratio | 16.21% | 16.24% |
| Tier 1 capital ratio | 18.75% | 16.24% |
| Total capital ratio | 20.83% | 17.19% |
| Total Common Equity Tier 1 capital requirement including buffer requirement | 9.22% | 7.22% |
| *- of which, capital conservation buffer requirement* | 2.50% | 2.50% |
| *- of which, countercyclical capital buffers* | 0.31% | 0.22% |
| *-of which systemic risk buffer* | 1.91% | - |
| Common Equity Tier 1 capital available for use as buffer[1] | 9.21% | 9.19% |
| | | |
| **Specification own funds** | | |
| Common Equity Tier 1 capital: | | |
| Capital instruments and the related share premium accounts | 20,920 | 6,778 |
| *-of which share capital* | 2 | 1 |
| *- of which other contributed capital* | 20,918 | 6,777 |
| *-of which other funds* | - | - |
| Retained earnings | 612 | 264 |
| Other comprehensive income | - | 35 |
| Deferred tax liabilities attributable to other intangible assets | 593 | - |
| Other transition adjustments of common equity Tier 1 capital | 275 | 302 |
| Minority interest | - | - |
| Independently audited interim results after deductions foreseeable dividends | 9 | 381 |
| **Common Equity Tier 1 capital before regulatory adj.** | **22,409** | **7,759** |
| | | |
| Regulatory adjustments: | | |
| (-)Intangible assets | -12,550 | -4,373 |
| (-)Common Equity Tier 1 instruments in the units in the financial sector where the institution does not have a significant holding | - | - |
| Prudent valuation | -23 | -2 |
| **Total regulatory adjustment to Common Equity Tier 1** | **-12,573** | **-4,376** |
| **Common Equity Tier 1** | **9,836** | **3,384** |
| Tier 1 capital | | |
| - Tier 1 capital, minority | 1,332 | - |
| - Tier 1 capital, minority | 213 | - |
| **Tier 1 capital, total** | **11,381** | **3,384** |
| | | |
| **Tier 2 capital instrument** | | |
| -tier 2 capital instrument | 634 | - |
| -tier 2 capital, minority | 627 | 198 |
| **Total capital** | **12,642** | **3,582** |
| **Total risk weighted assets** | **60,691** | **20,839** |
| | | |
| **Specification of risk exposure amount** | | |
| Exposures to national governments and central banks | 187 | - |
| Exposures to regional governments and local authorities | 1,159 | - |
| Institutional exposures | 972 | 231 |
| Covered bonds | 1,191 | 10,124 |
| Household exposures | 38,220 | 12,422 |
| Exposures secured by mortgages on immovable property | 4,464 | 3,569 |
| Equity exposures | 154 | 127 |
| Past due items | 8,310 | 2,344 |
| Corporate exposures | - | - |
| Other items | 507 | 120 |
| **Total risk exposure amount for credit risk, Standardized Approach** | **54,964** | **18,937** |

## CAPITAL ADEQUACY

| All amounts in MSEK | Consolidated situation 2021-12-31 | Consolidated situation 2020-12-31 |
|---|---|---|
| Exchange rate risk | 0 | 386 |
| **Total risk exposure amount for market risk** | 0 | 386 |
| | | |
| Operative risk according to alternative Standardized Method | 5,526 | 1,517 |
| **Total risk exposure amount for operational risks** | 5,526 | 1,517 |
| | | |
| Credit valuation adjustment risk (CVA) | 200 | 0 |
| **Total risk exposure amount for credit valuation adjustment risk** | 200 | 0 |
| **Total risk exposure amount** | 60,691 | 20,839 |
| | | |
| **Specification of capital requirement[2]** | | |
| **Creditrisk** | | |
| Exposures to national governments and central banks | 15 | - |
| Exposures to regional governments and local authorities | 93 | - |
| Institutional exposures | 78 | 18 |
| Covered bonds | 95 | 10 |
| Household exposures | 3,057 | 994 |
| Exposures secured by mortgages on immovable property | 357 | 286 |
| Equity exposures | 12 | 10 |
| Past due items | 665 | 188 |
| Corporate exposures | 0 | 0 |
| Other items | 41 | 10 |
| **Total capital requirement for credit risk** | 4,397 | 1,515 |
| | | |
| **Market risk** | | |
| Exchange rate risk | 0 | 31 |
| **Total capital requirement for market risk** | 0 | 31 |
| | | |
| **Operatonal risk** | | |
| Operational risk | 442 | 121 |
| **Total capital requirement for operational risks** | 442 | 121 |
| | | |
| **Credit valuation adjustment risk (CVA)** | | |
| Credit valuation adjustment risk (CVA) | 16 | 0 |
| **Total capital requirement for CVA risk** | 16 | 0 |
| **Totalt kapitalkrav** | 4,855 | 1,667 |
| | | |
| **Capital Requirement, in percent** | | |
| Pillar 1 | 8.00% | 8.00% |
| Pillar 2 | 4.76% | 0.86% |
| Capital conservation buffer | 2.50% | 2.50% |
| Institute-specific countercyclical buffer | 0.31% | 0.22% |
| Systemic risk buffer - Norway | 1.91% | - |
| **Total Capital Requirement** | 17.48% | 11.57% |
| | | |
| **Capital Requirement, MSEK** | | |
| Pillar 1 | 4,855 | 1,667 |
| Pillar 2 | 2,892 | 178 |
| Capital conservation buffer | 1,517 | 521 |
| Institute-specific countercyclical buffer | 185 | 45 |
| Systemic risk buffer - Norway | 1,159 | - |
| **Capital Requirement** | 10,608 | 2,412 |
| | | |
| **LEVERAGE RATIO** | | |
| Exposure measure for calculating leverage ratio | 105,585 | 33,176 |
| Tier 1 capital | 11,381 | 3,384 |
| **Leverage ratio[6]** | 10.78% | 10.20% |
| Requirements for leverage ratio, MSEK | 3,168 | - |
| Requirements for leverage ratio, percentage | 3% | - |

1 Common Equity Tier 1 capital available for use as a buffer refers to Common Equity Tier 1 capital after deducting own funds used to meet the capital adequacy requirement according to Pillar 1. Expressed as a percentage of total risk exposure amount.
2 The capital requirement is 8% of the risk exposure amount pursuant to Regulation (EU) No 575/2013.
3 Nordax Bank's and Bank Norwegian's subordinated loans can only be included in the Consolidated Situation's capital base proportionate to the amount required to cover each respective bank's capital requirements. As at December 31, 2021, eligible Tier 2 capital amounted to SEK 156 million in the case of Nordax and SEK 472 million in the case of Bank Norwegian. During October and November 2021, Nordax Bank AB, Nordax Group AB and Nordax Holding AB issued further Tier 2 capital worth SEK 650 million.
4 In November 2021, Nordax Bank AB, Nordax Group AB and Nordax Holding AB issued minority Tier 1 capital worth SEK 1,400 million. Bank Norwegian's minority Tier 1 capital may only be included in the amount of SEK 213 million
5 Nordax Bank AB and the Consolidated Situation have resolved to apply the transition rules according to article 473a in 575/2013/EU, paragraphs 2 and 4. Table according to "Final report on the guidelines on uniform disclosure of IFRS 9 transitional arrangements," EBA/GL/2018/01, published on the bank's website, www.nordaxGroup.com.
6 The leverage ratio has been adjusted and differs from the 2021 Q4 report. In the report, the leverage ratio was stated to 12.78% in respect of the Consolidated Situation.

## Template EU KM1 - Key metrics template

### Consolidated situation

All amounts are in MSEK

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| **Available own funds (amounts)** | | 20211231 | 20210930 | 20210630 | | |
| 1 | Common Equity Tier 1 (CET1) capital | 9,836 | 3,671 | 3,597 | | |
| 2 | Tier 1 capital | 11,381 | 3,671 | 3,597 | | |
| 3 | Total capital | 12,642 | 3,894 | 3,814 | | |
| **Risk-weighted exposure amounts** | | | | | | |
| 4 | Total risk exposure amounts | 60,691 | 23,535 | 22,414 | | |
| **Capital ratios (as a percentage of risk-weighted exposure amount)** | | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 16.21% | 15.60% | 16.05% | | |
| 6 | Tier 1 ratio (%) | 18.75% | 15.60% | 16.05% | | |
| 7 | Total capital ratio (%) | 20.83% | 16.55% | 17.02% | | |
| **Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)** | | | | | | |
| EU 7a | Additional own funds requirements to address risks other than the risk of excessive leverage (%) | 3.69% | - | - | | |
| EU 7b | of which: to be made up of CET1 capital (percentage points) | 3.69% | - | - | | |
| EU 7c | of which: to be made up of Tier 1 capital (percentage points) | - | - | - | | |
| EU 7d | Total SREP own funds requirements (%) | 11.69% | 8% | 8% | | |
| **Combined buffer and overall capital requirement (as a percentage of risk- weighted exposure amount)** | | | | | | |
| 8 | Capital conservation buffer (%) | 2.50% | 2.50% | 2.50% | | |
| EU 8a | Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%) | - | - | - | | |
| 9 | Institution specific countercyclical capital buffer (%) | 0.31% | 0.21% | 0.20% | | |
| EU 9a | Systemic risk buffer (%) | - | - | - | | |
| 10 | Global Systemically Important Institution buffer (%) | - | - | - | | |
| EU 10a | Other Systemically Important Institution buffer (%) | 1.91% | - | - | | |
| 11 | Combined buffer requirement (%) | 4.72% | 2.71% | 2.70% | | |
| EU 11a | Overall capital requirements (%) | 17.48% | 10.71% | 10.70% | | |
| 12 | CET1 available after meeting the total SREP own funds requirements (%) | 11.45% | 8.55% | 9.02% | | |
| **Leverage ratio** | | | | | | |
| 13 | Total exposure measure | 105,585 | 41,965 | 39,832 | | |
| 14 | Leverage ratio (%) | 10.78% | 8.75% | 9.03% | | |
| **Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)** | | | | | | |
| EU 14a | Additional own funds requirements to address the risk of excessive leverage (%) | - | - | - | | |
| EU 14b | of which: to be made up of CET1 capital (percentage points) | - | - | - | | |
| EU 14c | Total SREP leverage ratio requirements (%) | - | - | - | | |
| **Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)** | | | | | | |
| EU 14d | Leverage ratio buffer requirement (%) | 3.00% | 3.00% | 3.00% | | |
| EU 14e | Overall leverage ratio requirement (%) | 3.00% | 3.00% | 3.00% | | |
| **Liquidity Coverage Ratio[1]** | | | | | | |
| 15 | Total high-quality liquid assets (HQLA) (Weighted value -average) | 6,008 | 4,729 | 3,635 | | |
| EU 16a | Cash outflows - Total weighted value | 3,857 | 2,653 | 2,727 | | |
| EU 16b | Cash inflows - Total weighted value | 3,154 | 2,820 | 3,192 | | |
| 16 | Total net cash outflows (adjusted value) | 964 | 663 | 682 | | |
| 17 | Liquidity coverage ratio (%) | 623.03% | 713.04% | 533.10% | | |
| **Net Stable Funding Ratio** | | | | | | |
| 18 | Total available stable funding | 102,580 | 42,216 | 40,399 | | |
| 19 | Total required stable funding | 76,258 | 33,262 | 31,225 | | |
| 20 | NSFR ratio (%) | 134,52% | 127% | 129,38% | | |

[1] Expressed as simple averages of the observations at the end of the month during the twelve months before the end of each quarter.

### Internal capital requirement

As at December 31, 2021, the internal capital assessed capital requirement in Consolidated Situation amounted to SEK 2,892 million (178 million). The total capital requirement for the period amounts to SEK 10,608 million and 93% of this is covered by CET1, while the remainder is over by other Tier 1 capital. The fact that both the internally assessed capital requirement and the overall capital requirement have increased significantly is due to the acquisition by Nordax of Bank Norwegian during Q4 2021.

Nordax Bank's internal capital requirements are assessed using internal models for economic capital. The Bank has not received any Pillar 2 guidance as Swedish Financial Authority has not yet completed its Review and Evaluation process. The internal capital requirement is estimated using Bank Norwegian has been issued with a Pillar 2 requirement in the amount of 5.8% by the Financial Supervisory Authority of Norway, in addition to recomended CET1 margin of 1% and a buffer for other system-critical institutions amounting to 3% of Bank Norwegian's total risk-weighted exposure sum. These have also been taken into account and included in the total capital requirements for the Consolidated Situation.

### Leverage ratio

Following amendments to the Prudential Regulation, a minimum leverage ratio of 3.0 percent has been implemented effective June 28, 2021. As at December 31, 2021, the Consolidated Situation has a leverage ratio amounting to 10.78%, which is well in excess of the 3% requirement.

### Information on liquidity risk

The Group defines liquidity risk as the risk of failing to fulfill payment obligations at maturity without a significant increase in the cost of obtaining means of payment. The Group uses asset-backed borrowing in which parts of the Group's asset portfolios are pledged as collateral for the loans. The Group's long-term strategy is to match lending assets with the maturities of liabilities. The strategy strives to achieve a diversified funding platform comprising equity, subordinated debt, securitizations ("ABS"), credit facilities provided by banks, deposits from the public and senior uncovered bonds.

The goal is to use funding sources that meet the following criteria:

- Provide a high degree of matching of currencies and interest periods 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 strong 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 of a growing balance sheet.

The Group has an independent function for liquidity risk control. The function reports directly to the Board of Directors and CEO. Liquidity risk is reported at each meeting of the Board of Directors. Cash flows that are expected to arise 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 under various scenarios and events (such as less favorable advance rates and changed cash flows) and specified separately and collectively. Measurement and reporting of liquidity risk is also performed by the Treasury function on a daily basis, which reports to the Company's management.

The contingency plan contains a clear division of responsibilities and instructions on how the Group should respond in a liquidity crisis. The plan specifies appropriate actions to manage the consequences of various types of crises and contains definitions of events that trigger and escalate the contingency plan. The contingency plan has been tested and updated.

As at December 31, 2021, Nordax had a liquidity coverage ratio (LCR) of 124%[1] (401%[2]). On the same date, the net stable funding ratio (NSFR) was 135% (120%), calculated in accordance with the definition in Regulation (EU) No. 575/2013.

Nordax's liquidity reserves as at December 31, 2021 amounted to SEK 27.8 billion (4.1 billion). The large increase is mainly due to the acquisition of Bank Norwegian, whose contribution amounted to SEK 22.7 billion. Of these investments, 43 percent (30) were in covered bonds, 29 percent (25) in municipal bonds, 9 percent (25) in Nordic banks, 7 percent (18) in the Riksbank, the rest were invested in treasury bills and multilateral development banks. These investments generally have a credit rating of between AAA and A. The liquidity reserve's average maturity was 457 days (467).

As at December 31, 2021, Nordax's funding sources comprises SEK 2,250 million (2,250 million) financing via the asset-backed securities market (securitized), SEK 8,605 million (1,080 million) in corporate bonds, SEK 6,608 million (1,605 million) financing against pledges with international banks,

[1] When calculating the LCR of the Consolidated Situation, Nordax has chosen to include only the liquidity buffer required to cover Bank Norweg an's net outflow, as Nordax does not consider that liquidity exceeding 100% of Bank Norwegian's net outflow can be freely used by the Consolid ted Situation. In the event that Bank Norwegian surplus liquidity was included in the Consolidated Situation, the LCR could stand at 358%.
[2] Nordax has revised the Q4 2020 LCR following a reclassification of the buffer that was previously reported as 472 percent.

# Note 5 Classification of financial assets and liabilities

GROUP

| 31 December 2021 | Financial assets at fair value through profit or loss[1] | Financial assets at amortised cost | Financial liabilities at amortised cost | Financial assets at fair value via other comprehensive income | TOTAL |
|---|---|---|---|---|---|
| Assets | | | | | |
| Lending to central banks | - | 1,924 | - | - | 1,924 |
| Lending to credit institutions | - | 3,258 | - | - | 3,358 |
| Lending to the general public | - | 71,391 | - | - | 71,391 |
| Bonds and other fixed-income securities | 23,318 | - | - | - | 23,318 |
| Other shares | | - | - | 154 | 154 |
| Derivates | 140 | - | - | 0 | 140 |
| Other assets | - | 2 | - | - | 2 |
| Total assets | 23,458 | 76,575 | - | 154 | 100,187 |
| | | | | | |
| Liabilities | | | | | |
| Liabilities to credit institutions | - | - | 6,609 | - | 6,609 |
| Deposits from the general public | - | - | 67,424 | - | 67,424 |
| Issued securities | - | - | 10,866 | - | 10,866 |
| Subordinated liabilities | - | - | 1,721 | - | 1,721 |
| Derivates | 437 | - | - | - | 437 |
| Other liabilities | - | - | 128 | - | 128 |
| Total liabilities | 437 | - | 86,748 | - | 87,185 |

| 31 December 2020 | Financial assets at fair value through profit or loss[1] | Financial assets at amortised cost | Financial liabilities at amortised cost | Financial assets at fair value via other comprehensive income | TOTAL |
|---|---|---|---|---|---|
| Assets | | | | | |
| Lending to central banks | - | 728 | - | - | 728 |
| Lending to credit institutions | - | 1,144 | - | - | 1,144 |
| Lending to the general public | - | 28,458 | - | - | 28,458 |
| Bonds and other fixed-income securities | 2,329 | - | - | - | 2,329 |
| Other shares | - | - | - | 127 | 127 |
| Derivates | 2 | - | - | - | 2 |
| Other assets | - | 2 | - | - | 2 |
| Total assets | 2,331 | 30,332 | - | 127 | 32,790 |
| | | | | | |
| Liabilities | | | | | |
| Liabilities to credit institutions | - | - | 1,605 | - | 1,605 |
| Deposits from the general public | - | - | 24,180 | - | 24,180 |
| Issued securities | - | - | 3,330 | - | 3,330 |
| Subordinated liabilities | - | - | 348 | - | 348 |
| Derivates | 2 | - | - | - | 2 |
| Other liabilities | - | - | 19 | - | 19 |
| Total liabilities | 2 | - | 29,482 | - | 29,484 |

# Note 6 Fair value measurments of finacial assets and liabiliites

## GROUP

| 31 December 2021 | Carrying amount | Fair value | Delta |
|---|---|---|---|
| Assets | | | |
| Lending to central banks[1] | 1,924 | 1,924 | - |
| Lending to creditinstitutions[1] | 3,258 | 3,258 | - |
| Lending to the general public[2] | 71,391 | 74,375 | 2,984 |
| Bonds and other fixed-income securities | 23,318 | 23,318 | - |
| Other shares | 154 | 154 | - |
| Derivatives | 140 | 140 | - |
| Total Assets | 100,185 | 103,169 | 2,984 |
| | | | |
| Liabilities | | | |
| Liabilities to credit institutions[1] | 6,609 | 6,609 | - |
| Deposits from general public[1] | 67,424 | 67,424 | - |
| Issued securities [3] | 10,866 | 10,947 | 81 |
| Derivatives | 437 | 437 | - |
| Subordinated liabilities[3] | 1,721 | 1,756 | 35 |
| Total liabilities | 87,057 | 87,173 | 116 |

| 31 December 2020 | Carrying amount | Fair value | Delta |
|---|---|---|---|
| Assets | | | |
| Lending to central banks[1] | 728 | 728 | - |
| Lending to creditinstitutions[1] | 1,144 | 1,144 | - |
| Lending to the general public[2] | 28,458 | 30,722 | 2,264 |
| Bonds and other fixed-income securities | 2,329 | 2,329 | - |
| Other shares | 127 | 127 | - |
| Derivatives | 2 | 2 | - |
| Total Assets | 32,788 | 35,052 | 2,264 |
| | | | |
| Liabilities | | | |
| Liabilities to credit institutions[1] | 1,605 | 1,605 | - |
| Deposits from general public[1] | 24,180 | 24,180 | - |
| Issued securities [3] | 3,330 | 3,294 | -36 |
| Derivatives | 2 | 2 | - |
| Subordinated liabilities[3] | 348 | 348 | 0 |
| Total liabilities | 29,465 | 29,429 | -36 |

[1] Fair value is deemed to be the same as the carrying amount, as these are of a short-term nature.
[2] The measurement includes significant non-observable inputs.
[3] Fair value data for issued securities and debenture loans belong to Level 2, as the inputs for measurement are based directly or indirectly on quoted prices.

**Calculation of fair value**

The fair value of financial instruments traded in an active market is based on quoted market prices on the balance sheet date. A market is considered active if quoted prices from a stock exchange, broker, industry group, pricing service or monitoring authority are readily and regularly available and these prices represent real and regularly occurring arm's length market transactions. The quoted market price used for the Group's financial assets is the current purchase price. These instruments are classified as level 1.

The fair value of financial instruments that are not traded in an active market is measured using valuation techniques. When available, market data is used here as far as possible. If all the material inputs required for the fair value measurement of an instrument are observable, either directly (i.e. as quoted prices) or indirectly (i.e. as derived quoted prices), the instrument is classified as level 2.

Where one or more material inputs are not based on observable market data, the instrument concerned is classified as level 3. The table below shows financial instruments measured at fair value, based on their classification in the fair value hierarchy.

*Valuation techniques for measuring fair value – level 2.*

· The value of lending to the general public has been measuredbased on observable market data by discounting the expected future cash flows of the assets to present value using a discount factor. The expected future cash flows have been based on the size of the portfolio at the end of the balance sheet date and an expected future cash flow on the maximum maturity of the portfolio.

· The fair value of bonds is measured by calculating discounted cash flows. The current market interest rate is use for discounting.

· The fair value of currency futures contracts is measured as the present value of future cash flows based on currency futures rates at the balance sheet date.

*Fair value measurement using material, unobservable inputs – level 3.*

Nordax has a holding of unlisted shares in Stabelo AB that is valued at fair value based on unobservable inputs. No significant events affecting fair value are deemed to have occurred since the new share issue in October 2020 and the balance sheet date of 31 December 2021, therefore the value has been measured based on the issue price at the last new share issue. The acquisition of Bank Norwegian included shares and holdings classified in level 3.

There were no transfers between levels in 2021.

The table below shows the changes that have occurred in relation to level 3 instruments:

| Unlisted shares | MSEK |
|---|---|
| Opening balance 1 januari 2020 | 80 |
| Transfers from level 2 | - |
| Acqusitions | 12 |
| Sales | - |
| Losses recognized in the other comprehensive income | - |
| Profits recognized in the other comprehensive income | 35 |
| **Closing balance 31 December 2020** | **127** |
| Acqusitions | 27 |
| Sales | - |
| Losses recognized in the other comprehensive income | - |
| Profits recognized in the other comprehensive income | - |
| **Closing balance 31 December 2021** | **154** |

GROUP

| 31 December 2021 | Level 1 | Level 2 | Level 3 | TOTAL |
|---|---|---|---|---|
| Assets | | | | |
| Bonds and other fixed-income securities | 1,716 | 21,602 | - | 23,318 |
| Other shares | - | - | 154 | 154 |
| Derivatives | - | 140 | - | 140 |
| **Total assets** | **1,716** | **21,742** | **154** | **23,612** |
| | | | | |
| Liabilities | | | | |
| Derivatives | - | 437 | - | 437 |
| **Total liabilties** | **-** | **437** | **-** | **437** |

| 31 december 2020 | Level 1 | Level 2 | Level 3 | TOTAL |
|---|---|---|---|---|
| Assets | | | | |
| Bonds and other fixed-income securities | 1,511 | 818 | - | 2,329 |
| Other shares | - | - | 127 | 127 |
| Derivatives | - | 2 | - | 2 |
| **Total assets** | **1,511** | **820** | **127** | **2,458** |
| | | | | |
| Liabilities | | | | |
| Derivatives | - | 2 | - | 2 |
| **Total liabilties** | **-** | **2** | **-** | **2** |

## Note 7 Net interest income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| All amounts in MSEK | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Interest income from the general public [1,2] | 2,848 | 2,040 | - | - |
| Interest income from credit institutions | 1 | 2 | - | - |
| Interest income from fixed-income securities[3] | 47 | 19 | - | - |
| Total interest income | 2,896 | 2,061 | - | - |
| | | | | |
| Interest expenses to the general public | -403 | -384 | - | - |
| Interest expenses to credit institutions | -7 | -3 | - | 0 |
| Interest expenses from fixed income securities[3] | -41 | -18 | - | - |
| Interest expenses debenture loans | -26 | -19 | -5 | - |
| Interest expenses group liablities | 0 | - | - | - |
| Interest expenses leasing | -1 | 0 | - | - |
| Total income expenses | -478 | -424 | -5 | 0 |
| | | | | |
| Net interest income | 2,418 | 1,637 | -5 | 0 |

1 Interest income on impaired financial assets amounts to SEK 144 million (75 million) for the Group.
2 Interest income from financial instruments not valued at fair value through profit or loss amounts to SEK 2,896 million (2,061 million) for the Group. Interest costs arising from financial instruments not valued at fair value through profit or loss amounts to SEK 479 million (424 million) for the Group.
3 Specification of interest income and interest costs added. 2020 has been updated.

## Note 8 Commission income

| | GROUP | |
|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
| Insurance commission [1] | 46 | 26 |
| Administrative fees | 120 | 45 |
| Total | 166 | 71 |

1 Insurance commission is attributable to financial instruments not measured at fair value.

## Note 9 Net result from financial transactions

| | GROUP | |
|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
| Changes in exchange rates | -8 | -43 |
| Profit from investments in bonds and other fixed-income securities valued at fair value | -40 | -3 |
| Net profit/loss from financial transactions | -48 | -46 |

Nordax uses currency derivatives to manage currency risks that arise. Currency risk occurs both in the Group and the Parent Company primarily as a result of cross-border operations. In 2021, market rates were low or negative, and Nordax invests in bonds and certificates of deposit with very low levels of credit risk attached. All in all, this meant that interest rate investments recorded a loss in the amount of SEK -40 million (-3 million).

## Note 10 General administrative expenses

| All amounts are in MSEK | GROUP 2021-12-31 | GROUP 2020-12-31 | PARENT COMPANY 2021-12-31 | PARENT COMPANY 2020-12-31 |
|---|---|---|---|---|
| **Employee benefit expenses** | | | | |
| Salaries and fees | -249 | -169 | -3 | -3 |
| Pension expenses | -23 | -19 | -1 | -1 |
| Social security contributions | -68 | -55 | -1 | -1 |
| Other employee benefit expenses | -14 | -9 | 0 | 0 |
| Total employee benefit expenses | -354 | -253 | -5 | -5 |
| | | | | |
| **Other administrative expenses** | | | | |
| IT expenses | -210 | -141 | - | 0 |
| External services | -692 | -105 | -9 | -8 |
| Costs of premises | -15 | -8 | 0 | 0 |
| Telephone and postage | -23 | -19 | 0 | 0 |
| Other | -41 | 8 | -3 | -3 |
| Total other administrative expenses | -981 | -265 | -12 | -11 |
| | | | | |
| Total general administrative expenses | -1,335 | -518 | -17 | -16 |

### GROUP

| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Specification of salaries and fees**[1] | | |
| Directors, Chief Executive Officer and other senior executives | -16 | -15 |
| Other employees | -233 | -154 |
| Total | -249 | -169 |
| | | |
| **Breakdown of social security contributions** | | |
| Directors, Chief Executive Officer and other senior executives | -6 | -5 |
| Other employees | -62 | -50 |
| Total | -68 | -55 |
| | | |
| **Breakdown of pension expenses** | | |
| Directors, Chief Executive Officer and other senior executives | -3 | -3 |
| Other employees | -20 | -16 |
| Total | -23 | -19 |
| | | |
| **Breakdown of average number of employees (converted to full-time equivalents)** | | |
| Women in Sweden | 281 | 211 |
| Men in Sweden | 234 | 142 |
| Total | 515 | 353 |
| | | |
| The average number of employees[2] | 358 | 287 |

[1] Persons in senior management include those holding senior management roles
[2] The average number of employees (FTE) for 2021 which also includes Bank Norwegian.

### GROUP

| Breakdown between women and men | 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Breakdown between women and men on the Board of Directors** | | |
| Women | 1 | 1 |
| Men | 6 | 6 |
| Total | 7 | 7 |
| | | |
| **Breakdown between women and men in the senior management** | | |
| Women | 4 | 4 |
| Men | 4 | 4 |
| Total | 8 | 8 |

## GROUP

| All anounts are in TSEK | Basic salary/ Board fees | Variable renumeration | Pension cost | Total |
|---|---|---|---|---|
| **Remuneration and other benefits 2021**[1] | | | | |
| Styrelseordförande Hans-Ole Jochumsen | -466 | - | - | -466 |
| Styrelseledamot Christopher Ekdal | -127 | - | - | -127 |
| Styrelseledamot Christian Frick | -127 | - | - | -127 |
| Styrelseledamot Henrik Källén | -296 | - | - | -296 |
| Styrelseledamot Anna Storåkers | -254 | - | - | -254 |
| Styrelseledamot Ville Talasmäki | -148 | - | - | -148 |
| Styrelseledamot Ricard Wennerklint | -85 | - | - | -85 |
| Andra ledande befattningshavare (8 st) | -14,667 | - | -3,400 | -18,067 |
| Total | -16,170 | - | -3,400 | -19,570 |

| All anounts are in TSEK | Basic salary/ Board fees | Variable renumeration | Pension cost | Total |
|---|---|---|---|---|
| **Remuneration and other benefits 2020** | | | | |
| Board of directors (7 persons) | -1,876 | - | - | -1,876 |
| Other senior management (8 persons) | -13,301 | - | -2,998 | -16,299 |
| Total | -15,177 | - | -2,998 | -18,175 |

1 The Board of Directors consists of 7 (7) persons. Director's fees were paid to the Chairman and members of the Board of Directors in accordance with the decision at the Annual General Meeting 2020.

### Information on remuneration system

Information on remuneration according to the Swedish Financial Supervisory Authority's Regulations regarding Prudential Requirements and Capital Buffers (FFFS 2011:1) is provided on Nordax's website www. nordaxgroup.com.

### Share-based remuneration

Until the delisting in April 2018, Nordax had a long-term management incentive plan for persons in senior management combining the following components: 40% of the variable remuneration was paid out in cash in the same year that the decision to grant remuneration was made, and 60% of the variable remuneration was deferred for up to 3 years or, for the CEO, 5 years (the qualifying period). When the incentive plan was terminated following the delisting, the previous future right to allocations of restricted share units was converted to variable cash remuneration. The cash remuneration for each restricted share unit amounted to SEK 60, which corresponded to the price of the Nordax share in the cash mandatory bid presented in February 2018. The deferred variable remuneration was paid for the last time in June 2021.

### CEO and other persons in senior management

The CEO is employed by Nordax Holding AB (formerly NDX Intressenter AB) and has a mutual minimum notice period for resignation/termination of employment of 6 months.

The minimum notice period for others in senior management positions is 4 months for the employee and 9 months for the Company. If the notice of termination of employment is given during the period November 20 - January 1 or May 20 - July 20, the minimum notice period is 6 months instead of 4 months. For persons in senior management hired since 2018, there is a mutual minimum notice period for resignation/termination of employment of 6 months. There are no employees who are eligible for severance pay upon termination, and this includes the CEO.

All employees including the CEO are entitled to an occupational pension according to the following premium scale:
· Salary components up to 7.5 income base amounts 4.5%
· Salary components over 7.5 income base amounts 30%
· Annual pensionable salary is calculated as monthly salary x 12.2 = annual pensionable salary

With respect to the incentive plans, reference is made to the section of the accounting policies on employee benefits, as well as the section on share-based remuneration.

| Fees to auditors<br>All amounts are in MSEK | GROUP<br>2021-12-31 | 2020-12-31 | PARENT COMPANY<br>2021-12-31 | 2020-12-31 |
|---|---|---|---|---|
| **Deloitte** | | | | |
| Audit engagement | -7 | -4 | 0 | - |
| Audit work in addition to the Audit assignment | 0 | -1 | - | - |
| Tax advisory services | 0 | - | - | - |
| Other services | -1 | - | - | - |
| Total expense for audit fees | -8 | -5 | 0 | - |

# Note 11 Credit losses

| All amounts are in MSEK | GROUP 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Creditlosses – lending to the general public** | | |
| Stage 1 | -344 | -62 |
| *of which initial effect of acquisitions* | *-304* | - |
| Stage 2 | -142 | -116 |
| *of which initial effect of acquisitions* | *-233* | - |
| Stage 3 | -524 | -252 |
| **Credit losses for the year** | **-1,010** | **-430** |
| *Total of which initial effects of acquisitions* | *-537* | - |

Upon the acquisition of Bank Norwegian on November 2, 2021, retail lending was valued at its fair value. Acquired lending in stages 1 and 2 has an initial ECL of SEK 537 million recognized in connection with the acquisition.

## Note 12 Tax on profit of the year

| All amounts are in MSEK | GROUP 2021-12-31 | GROUP 2020-12-31 |
|---|---|---|
| Current tax | | |
| Current tax on profit for the year | -48 | -155 |
| Tax on previous year's profit for the year | -1 | -1 |
| Current tax on profit of the year | -49 | -156 |
| | | |
| Deferred tax | | |
| Change in deferred tax expense relating to temporary differences | 85 | 45 |
| Total deferred tax | 85 | 45 |
| | | |
| Total reported tax | 36 | -111 |
| | | |
| Reconciliation of effective tax | | |
| Reported profit before tax | -173 | 492 |
| Current tax with Swedish tax rate of 20.6% | 36 | -105 |
| Tax effect of tax rate for operations abroad | -20 | - |
| Tax effect of non-deductible expenses | 21 | -6 |
| Tax effect of non-taxable income | 0 | 0 |
| Tax on previous year's profit for the year | -1 | -1 |
| Deferred tax | - | 1 |
| Tax effect attributable to changes in tax rates | 0 | 0 |
| Tax on profit for the year according to the income statement | 36 | -111 |
| | | |
| Tax items recognized in Other comprehensive income | | |
| Tax on hedge accounting for net investments | 76 | - |
| Tax on cash flow hedges | 0 | - |
| Total tax attributable to Other comprehensive income | 76 | - |
| | | |
| Total tax on comprehensive income for the period | 112 | -111 |
| | | |
| Tax recognised in the statement of financial position | | |
| Actual tax liability(-)tax asset(+) | -479 | -3 |
| Deferred tax liability (-)/ tax asset(+) | -1 083 | -348 |
| | | |
| | | |
| Opening balance deferred tax liability(-)/deferred tax asset(+) | -348 | -392 |
| Actual tax asset | 85 | 45 |
| Recognized under Other comprehensive income | 75 | -1 |
| Related temporary differences | -895 | - |
| Closing balance deferred tax liability (-)/deferred tax asset (+) | -1 083 | -348 |
| | | |
| Deferred tax liability is attributable to | | |
| Surplus lending upon business acquisition SHP | -26 | -27 |
| Surplus lending upon business acquisition Bank Norwegian | -470 | - |
| Surplus intangible assets upon business acquisition Bank Norwegian | -444 | - |
| Surplus intangible assets upon business acquisition | -381 | -366 |
| Financial instruments including derivatives and hedge accounting | 142 | - |
| Deficit deduction | 9 | - |
| IFRS 9 adjustments | 2 | -2 |
| IFRS 16 adjustments | 0 | 0 |
| Accrual of acquisition costs for loans | 85 | 45 |
| Accrual of acquisition costs for loans SHP | 0 | 2 |
| Deferred tax liability(-)/ deferred tax asset (+) according to balance sheet | -1 083 | 348 |
| | | |
| Deferred tax to be recovered in 12 months | -160 | -30 |
| Deferred tax to be recovered after 12 months | -923 | -318 |

The current tax rate in Sweden is 20.6% and in Norway it is 25%.

## Note 13 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. Profit and Loss that cannot be attributed to a single segment is allocated using a distribution matrix according to internal principles that management believes to provide a fair allocation to the segments. The chief operating decision-maker mainly follows the income concept of operating income. The business models of both Nordax and Bank Norwegian are to conduct cross-border banking activities in Sweden, Norway, Denmark, Finland and Germany. During the year, Bank Norwegian has also begun cross-border activities in Spain. Activities are also conducted in the form of SHP's lending of equity release mortgages.

GROUP

| JAN–DEC 2021 | Sweden | SHP | Norway | Finland | Germany/ Spain | Denmark | TOTAL |
|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | |
| Interest income | 1,065 | 308 | 809 | 577 | 50 | 87 | 2,896 |
| Interest expenses | -188 | -104 | -128 | -53 | -4 | -1 | -478 |
| Total net interest income | 877 | 204 | 681 | 524 | 46 | 86 | 2,418 |
| Commission income | 67 | 2 | 57 | 32 | 0 | 8 | 166 |
| Net profit from financial transactions [1] | 15 | 1 | -17 | -4 | 0 | 0 | -48 |
| Total operating income | 958 | 207 | 721 | 552 | 46 | 94 | 2,536 |
| General administrative expenses[2] | -552 | -32 | -518 | -188 | -26 | -19 | -1,335 |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets[2] | -47 | -3 | -22 | -13 | -1 | -9 | -95 |
| Other operating expenses | -86 | -36 | -74 | -41 | -14 | -18 | -269 |
| Total operating expenses | -686 | -71 | -614 | -243 | -39 | -46 | -1,699 |
| | | | | | | | |
| Profit before credit losses | 272 | 136 | 107 | 309 | 7 | 48 | 837 |
| | | | | | | | |
| Net credit losses | -470 | -1 | -50 | -401 | -3 | -84 | -1,010 |
| *of which initial effect of acquisitions* | *-132* | - | *-104* | *-229* | - | *-72* | *-537* |
| Operating profit | -198 | 135 | 57 | -92 | 4 | -36 | -173 |
| | | | | | | | |
| **Balance sheet** | | | | | | | |
| Lending to the general public | 21,731 | 7,625 | 20,335 | 16,520 | 574 | 4,606 | 71,391 |

GROUP

| JAN–DEC 2020 | Sweden | SHP | Norway | Finland | Germany/ Spain | Denmark | TOTAL |
|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | |
| Interest income | 767 | 271 | 565 | 390 | 66 | 1 | 2,061 |
| Interest expenses | -151 | -108 | -116 | -42 | -7 | 0 | -424 |
| Total net interest income | 616 | 163 | 449 | 348 | 59 | 1 | 1,637 |
| Commission income | 30 | 1 | 20 | 20 | 0 | 0 | 71 |
| Net profit from financial transactions[1] | -3 | -2 | 29 | 11 | 0 | 0 | -46 |
| Total operating income | 643 | 162 | 498 | 379 | 59 | 0 | 1,662 |
| General administrative expenses[2] | -234 | -34 | -148 | -91 | -11 | 0 | -518 |
| Depreciation, amortisation and impairment of property, plant and equipment and intangible assets[2] | -47 | 0 | -7 | -5 | 0 | 0 | -59 |
| Other operating expenses[3] | -71 | -24 | -55 | -13 | 0 | 0 | -163 |
| Total operating expenses | -352 | -58 | -210 | -109 | -11 | 0 | -740 |
| | | | | | | | |
| Profit before credit losses | 292 | 104 | 288 | 270 | 48 | 1 | 922 |
| | | | | | | | |
| Net credit losses | -139 | -1 | -132 | -153 | -11 | 6 | -430 |
| Operating profit | 153 | 103 | 156 | 117 | 37 | 7 | 492 |
| | | | | | | | |
| **Balance sheet** | | | | | | | |
| Lending to the general public | 10,992 | 6,644 | 5,859 | 4,349 | 599 | 15 | 28,458 |

The segmentinformation is adjusted and differs from what was previously reported in the 2021 Q4 year-end report. In the report the allocation between segments for 2021 were incorrect.

[1] FX effects amount to -43 MSEK (-9 MSEK) and is not allocated.
[2] Depreciation and write-downs of tangible and intangible assets in SHP have been reclassified from general administrative expenses to depreciation and write-downs of tangible and intangible assets from Q1 2021. Historical figures have not changed.

## Note 14 Lending to central banks and credit institutions

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Central banks | 1,924 | 728 | - | - |
| Credit institutions | 3,258 | 1,144 | 157 | 32 |
| Total | 5,182 | 1,872 | 157 | 32 |

The Group's lending to credit institutions includes SEK 412 MSEK (85) million pledged assets for liablilities to credit institutions and issued securities.

## Note 15 Lending to the general public

| | GROUP | |
|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
| Households | 71,391 | 28,458 |
| Total | 71,391 | 28,458 |

The Group item includes SEK 10,007 million (4,465 million) in pledges for liabilities to credit institutions and issued securities. Lending takes place in the currency of each respective country. The geographical distribution is shown in Note 4. Of all lending, SEK 53,927 million (25,593 million) has a maturity in excess of one year.

## Note 16 Bonds and other fixed-income securities

| | GROUP | |
|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
| **Holdings broken down by issuer** | | |
| Loanable treasury bills | 3,932 | 20 |
| Municipalities | 7,473 | 1,068 |
| Residential mortgage institutions (covered bonds) | 11,913 | 1,241 |
| **Bonds and other fixed-income securities** | 23,318 | 2,329 |

All securities are listed and SEK 11,576 million (1,917 million) has a maturity of more than one year and the rest under one year.

# Not 17 Derivatives

| All amounts are in MSEK | GROUP 2021-12-31 | | 2020-12-31 | |
|---|---|---|---|---|
| | Nominal amount | Fair value | Nominal amount | Fair value |
| **Derivative instruments with positive values** | | | | |
| *Derivatives in hedge accounting* | | | | |
| Interest-related | 5,069 | 3 | - | - |
| Currency-related | - | - | - | - |
| Other derivatives | | | | |
| Currency-related | 6,099 | 137 | 622 | 2 |
| **Total derivative instruments** | 6,699 | 140 | 622 | 2 |
| Offset derivatives with positive values | - | - | - | - |
| **Total derivatives after off-setting** | 6,699 | 140 | 622 | 2 |
| | | | | |
| **Derivative instruments with negative values** | | | | |
| *Derivatives in hedge accounting* | | | | |
| Interest-related | - | - | - | - |
| Currency-related | 18,718 | 268 | - | - |
| Other derivatives | | | | |
| Currency-related | 10,743 | 168 | 430 | 2 |
| **Total derivative instruments** | 29,461 | 437 | 430 | 2 |
| Offset derivatives with negative values | - | - | - | - |
| **Total derivatives after off-setting** | 29,461 | 437 | 430 | 2 |

In order to hedge against currency and interest rate risk that arise in the Group's operations, financial hedges have been entered into and hedge accounting. The hedging instruments comprise primarily currency forwards, currency swaps and interest rate swaps.

HEDGE ACCOUNTING
The Group has chosen to apply the accounting principles in IAS39 regarding hedge accounting. Hedge accounting regarding net investment in the Group's foreign operations began to be applied in connection with the acquisition of Bank Norwegian in November 2021. Hedge accounting for cash flow hedges began to be applied in December 2021.

**Risk management**
In connection with the acquisition of Bank Norwegian, the Board decided on a strategy for the currency exposure which occurs in the consolidated situation (capital adequacy rules) is hedged through currency derivatives. Currency exposure arising in a consolidated situation refers to the currencies NOK, DKK and EUR. Hedge accounting is applied for currency changes in NOK.

**Risks and hedging instruments**
The hedged risks which hedge accounting is applied for are:
- Currency risk
- Interest rate risk

In the Group, hedge accounting is applied regarding net investment in foreign operations. The Group hedges a share of the currency risk in net investment in foreign operations. The part where hedge accounting is applied corresponds to currency exposure in NOK according to capital adequacy rules an where currency derivatives have been entered to manage emerging currency risk. Hedging instruments refer to currency derivatives in NOK for both net investment in foreign operations and for shares in subsidiaries. In addition, cash flow hedges are applied regarding future interest payments where interest rate swaps have been entered to change the variable interest rate to fixed interest rate. Hedging instruments refer to interest rate swaps.

**Establishing economics links and sources of inefficiency**
The inefficiency that arises in a hedging relationship is reported in the income statement. Sources of inefficiency in the Group's hedging relationships are described below.

*Cashflow hedging of interest rate risk*
In a cash flow hedge, critical conditions have been identified such as nominal amount, final maturity date, reference interest rate and interest rate setting date. Deviations in terms between the hedged item (hypothetical derivative) and the hedging instrument's terms regarding interest payments with variable interest rates can give inefficiencies.

*Hedging of net investment*
The Group hedges translation differences from net investments in foreign operations by entering currency derivatives. Nominal amounts in currency derivatives amount to SEK 18 718 million at the end of the year, defined as hedges of net investments in foreign operations. Inefficiencies in the hedges are reported in Net result of financial transactions (Note 9).

| All amounts in MSEK | Derivatives<br>Nominal amount | | Assets&liabilities<br>Booked value | | Hedge accounting<br>Change in value this year | | Ackumulated change in value | |
|---|---|---|---|---|---|---|---|---|
| | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| HEDGE ACCOUNITING - GROUP | | | | | | | | |
| Cash flow hedges | | | | | | | | |
| *Interest rate related contracts* | | | | | | | | |
| Secured items[1] | - | - | - | - | -3 | - | - | - |
| Hedging instruments- Interest rate swaps | 5,069 | - | 3 | - | 3 | - | - | - |
| | | | | | | | | |
| Hedging of net investment in foreign opera-tionset | | | | | | | | |
| *Currency-related contracts* | | | | | | | | |
| Secured item – Net investment in foreign operations[2] | - | - | 369 | - | 369 | - | 369 | - |
| Hedging instruments – Currency derivatives | 18,718 | - | -268 | - | -383 | - | - | - |
| | | | | | | | | |
| Total secured item | - | - | 369 | - | 366 | - | 369 | - |
| Total hedging instrument | 23,787 | - | -265 | - | -380 | - | - | - |
| Total inefficiency | - | - | - | - | -14 | - | - | - |
| | | | | | | | | |
| HEDGE ACCOUNITING - PARENT COMPANY | | | | | | | | |
| Fair value hedges | | | | | | | | |
| *Currency related contracts* | | | | | | | | |
| Secured item - Shares in subsidiaries | - | - | - | - | - | - | - | - |
| Hedging instruments – Currency derivatives | - | - | - | - | - | - | - | - |
| | | | | | | | | |
| Cash flow hedges | | | | | | | | |
| *Interest rate related contracts* | | | | | | | | |
| Secured items[1] | - | - | - | - | - | - | - | - |
| Hedging instruments- Interest rate swaps | - | - | - | - | - | - | - | - |
| | | | | | | | | |
| Total secured item | - | - | - | - | - | - | - | - |
| Total hedging instrument | - | - | - | - | - | - | - | - |
| Total inefficiency | - | - | | - | - | - | - | - |

[1] The change in value of the hedged item refers to a perfectly effective hypothetical hedging instrument. The instrument is used to determine th effective part of the hedging instrument, which is reported in other comprehensive income, and the ineffective part, which is reported under the income statement Net income from financial items.
[2] The Group hedges translation differences from net investment in foreign currency. Currency derivatives in the amount of SEK 18,718 milion were at the end of the year defined with the same volume as hedges of net investments in foreign operations. Inefficiencies in the hedges are reported in Net income from financial transactions.

## Note 18 Shares in group companies

PARENT COMPANY

| 31 december 2021 | Corporate Identity Number | Registered office | Share of votes | Number of shares | Carrying amount SEK<br>2021-12-31 | 2020-12-31 |
|---|---|---|---|---|---|---|
| Nordax Group AB (publ) | 556993-2485 | Stockholm | 100% | 160 941 497 | 22,013,449,278 | 6,736,604,416 |
| *Nordax Bank AB (publ)* | *556647-7286* | *Stockholm* | *100%* | *50 100 000* | | |
| Nordax Sverige AB | 556794-0126 | Stockholm | *100%* | *100 000* | | |
| Nordax Sverige 4 AB (publ) | 559007-7425 | Stockholm | 100% | 500 000 | | |
| Nordax Sverige 5 AB | 559229-0695 | Stockholm | 100% | 500 000 | | |
| Nordax Nordic 2 AB | 556823-4255 | Stockholm | 100% | 50 000 | | |
| Nordax Nordic 4 AB (publ) | 559049-5023 | Stockholm | 100% | 500 000 | | |
| Nordax Norway 5 AB | 559216-9154 | Stockholm | 100% | 50 000 | | |
| Nordax Norway 6 AB | 559216-9188 | Stockholm | 100% | 50 000 | | |
| Svensk Hypotekspension AB | 556630-4985 | Stockholm | 100% | 14 882 661 | | |
| Bank Norwegian ASA | 991 455 671 | Oslo | 100% | 186 904 268 | | |
| Total | | | | | 22,013,449,278 | 6,736,604,416 |

## Note 19 Other shares

| All amounts are in MSEK | GROUP 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Carrying amount** | | |
| Shares, listed | - | - |
| Shares, unlisted | 154 | 127 |
| Total | 154 | 127 |

## Note 20 Tangible assets

| All amounts are in MSEK | GROUP 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Non-current assets** | | |
| Cost at start of the year | 39 | 31 |
| - acquisitions during the year | 7 | 8 |
| - disposals during the year | - | - |
| Cost at end of the year | 46 | 39 |
| | | |
| Accumulated and amortisation at start of year | -29 | -26 |
| - amortisation for the year | -6 | -3 |
| - disposals during the year | - | - |
| Accumulated amortisation at end of year | -35 | -29 |
| | | |
| Carrying amount | 11 | 10 |

## Note 21 Intangible assets

| All amounts are in MSEK | GROUP 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Carrying amount** | | |
| Goodwill | 9,583 | 3,714 |
| Other intangible assets | 2,967 | 828 |
| Total | 12,549 | 4,542 |

The Groups other intangible assets comprise of contractual customer relationships acquired via Nordax Group AB (publ), Bank Norwegian ASA and SHP, as well as the costs of internally developed software. Goodwill is attributable to the acquisition of Nordax Group AB (publ) which took place in 2018, the acquisition of Svensk Hypotekspension AB which took place in January 2019, and Bank Norwegian ASA which took place in November 2021.

The carrying amount of goodwill is attributable to Sweden in the amount of SEK 1,776 million (1,776 million) (whereof SHP in the amount of SEK 686 million), Norway in the amount of SEK 744 million (744 million), Finland in the amount of SEK 1,102 million (1,102 million), and Bank Norwegian in the amount of SEK 5,869 million (0).

There is no need for impairment of goodwill. A change to the discount rate, which is the most sensitive parameter, (+1 percentage point) would not precipitate any impairment.

The most significant assumptions in the forecast period are management's assessment of future growth and net profit, including credit losses, which are approved by the Board of Directors. The assumptions are based on both historical experience and market data. After the forecast period, a long-term growth rate of 2% (2%) is assumed. When calculating value in use, a capital ratio of 11.8% (11.8%) has been applied for Nordax including SHP, while a common equity Tier 1 capital ratio of 18.2% has been applied for Bank Norwegian. The discount factor ranges from 13.0% - 18.8% (15.1% - 17.4%) before tax depending on the country and has been calculated under the assumption that the cost of equity after tax is 13.5% (13.8%) for Nordax including SHP, and 12.5% in the case of Bank Norwegian.

| All amounts are in MSEK | GROUP 2021-12-31 | 2020-12-31 |
|---|---|---|
| **Other intangible assets** | | |
| Cost at start of the year | 998 | 994 |
| - acquisitions during the year | 2,348 | 4 |
| **Cost at end of the year** | 3,346 | 998 |
| | | |
| Accumulated and amortisation at start of year | -170 | -128 |
| - amortisation for the year | -209 | -42 |
| **Accumulated amortisation at end of year** | -379 | -170 |
| | | |
| **Carrying amount** | 2,967 | 828 |

## Note 22 Leases

| Right-of-use assets<br>All amounts are in MSEK | GROUP 2021-12-31 | 2020-12-31 |
|---|---|---|
| Right-of-use assets start of the year | 83 | 35 |
| Additional right-of-use assets during the year | 35 | 48 |
| Opening balance Year's depreciation | -22 | -9 |
| Year's depreciation | -14 | -13 |
| Opening balance write-downs | - | - |
| Year's write-downs | - | - |
| Total | 82 | 61 |

| Lease liabilities<br>All amounts are in MSEK | GROUP 2021-12-31 | 2020-12-31 |
|---|---|---|
| Short term liabilities | 20 | 13 |
| Long term liabilities | 62 | 48 |
| Total | 82 | 61 |

| Amounts in the income statement according to IFRS 16<br>All amounts are in MSEK | GROUP 2021-12-31 | 2020-12-31 |
|---|---|---|
| Depreciations of right-of use-assets | -13 | -13 |
| Write-downs of right-of-use-assets | - | - |
| Interest expenses for lease liablities | -1 | -1 |
| Total | -14 | -14 |

The Group's leased assets classified as right-of-use assets comprise premises and vehicles. The leases do not contain any restrictions beyond the security of the leased assets. There have been no reassessments of leasing periods or changes to rates of interest during 2021.

## Note 23 Other assets

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Receivables Group contributions | 0 | 0 | 821 | 9 |
| Other | 76 | 1 | 0 | 0 |
| Total | 76 | 1 | 821 | 9 |

## Note 24 Liabilities to credit institutions

| | GROUP | |
|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
| Foreign banks | 6,609 | 1,605 |
| Total | 6,609 | 1,605 |

For the above liabilities in the Group, collateral has been provided in the amount of SEK 7,724 million (2,203 million) for receivables attributable to Retail lending and SEK 365 million (74 million) to Lending to credit institutions. Granted credit totals SEK 6,700 million (1,800 million).

The Group's liquidity risk strategy strives to achieve a diversified funding platform comprising equity, subordinated debt, securitizations ("ABS"), credit facilities provided by banks, deposits from the public and senior uncovered bonds.

## Note 25 Deposits from the general public

| | GROUP | |
|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
| Deposit accounts | 67,424 | 24,180 |
| Total | 67,424 | 24,180 |

## Note 26 Issued securities

| All amounts are in MSEK | Term | Early redemption date | GROUP 2021-12-31 | GROUP 2020-12-31 |
|---|---|---|---|---|
| **Bonds issued by Nordax Bank AB (publ)** | | | | |
| Bond issued by Nordax Bank AB (publ) issued in i SEK | Jun 2022 | Jun 2022 | 450 | 450 |
| *of which repurchased in 2020* | | | - | *50* |
| Bond issued by Nordax Bank AB (publ) issued in i SEK | Sep 2022 | Sep 2022 | 450 | 450 |
| *of which repurchased in 2020* | | | - | *50* |
| Bond issued by Nordax Bank AB (publ) issued in i SEK | Jan 2023 | Jan 2023 | 180 | 180 |
| *of which repurchased in 2020* | | | - | *20* |
| Bond issued by Nordax Bank AB (publ) issued in i SEK | Dec 2024 | | 400 | - |
| **Bonds issued by SHP Fond 4 AB (publ)** | | | | |
| Bonds issued by SHP Fond 4 AB (publ) issued SEK | Dec 2067 | Jan 2024 | 2,250 | 2,250 |
| **Bonds issued by Bank Norwegian ASA (publ) before November 2021, net*** | | | | |
| Bond issued by Bank Norwegian ASA (publ) issued in NOK | Mars 2022 | | 246 | |
| *of which repurchased in 2021* | | | *225* | |
| Bond issued by Bank Norwegian ASA (publ) issued in SEK | Sep 2022 | | 325 | |
| Bond issued by Bank Norwegian ASA (publ) issued in NOK | Sep 2022 | | 411 | |
| Bond issued by Bank Norwegian ASA (publ) issued in NOK | Dec 2022 | | 703 | |
| Bond issued by Bank Norwegian ASA (publ) issued in SEK | Dec 2022 | | 1,002 | |
| Bond issued by Bank Norwegian ASA (publ) issued in NOK | Dec 2023 | | 1,233 | |
| Bond issued by Bank Norwegian ASA (publ) issued in SEK | Dec 2023 | | 601 | |
| Bond issued by Bank Norwegian ASA (publ) issued in NOK | Maj 2024 | | 1,596 | |
| Bond issued by Bank Norwegian ASA (publ) issued in NOK | Mar 2025 | | 719 | |
| Bond issued by Bank Norwegian ASA (publ) issued in SEK | Mar 2025 | | 300 | |
| Total | | | 10,866 | 3,330 |

* included in the acquisition of Bank Norwegian on November 2, 2021.

The currency position for securities issued in Swedish kronor is fully matched against assets in the corresponding currency. Issued securities in SHP Fond 4 are listed on the Nasdaq Stockholm and securities issued in Bank Norwegian are listed on the Oslo Stock Exchange and the Oslo ABM. Securities issued in Nordax Bank are listed on the Nasdaq Stockholm. For the above liabilities, collateral has been provided in the amount of SEK 2,283 million (2,262 million) for receivables attributable to Retail lending and SEK 47 million (12 million) to Lending to credit institutions. The amounts above refer to issued volumes to external investors.

## Note 27 Other liabilities

| All amounts are in MSEK | GROUP 2021-12-31 | GROUP 2020-12-31 | PARENT COMPANY 2021-12-31 | PARENT COMPANY 2020-12-31 |
|---|---|---|---|---|
| Trade payables | 105 | 16 | 8 | - |
| Liability to Group companies | - | - | 5 | 1 |
| Other | 465 | 75 | 0 | 1 |
| Total | 570 | 91 | 13 | 2 |

## Note 28 Subordinated liabilities

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 | 2021-12-31 | 2020-12-31 |
| Subordinated loans | 1,721 | 348 | 614 | - |
| Total | 1,721 | 348 | 614 | - |

### SPECIFICATION

| 2021-12-31 | Currency | Date of issue | Principal amount | Coupon rate | Maturity |
|---|---|---|---|---|---|
| Subordinated loan | SEK | 2019-05-28 | 350 | STIBOR 3 mth +415 bp | 2029-05-28 |
| Subordinated loan | SEK | 2021-10-29 | 650 | NIBOR 3 mth +275 bp | 2031-05-28 |
| Subordinated loan | NOK | 2021-11-02* | 200 | NIBOR + 375bp | 2022-06-16 |
| Subordinated loan | NOK | 2021-11-02* | 550 | STIBOR + 375bp | 2023-10-02 |

| 2020-12-31 | Currency | Date of issue | Principal amount | Coupon rate | Maturity |
|---|---|---|---|---|---|
| Subordinated loan | SEK | 2019-05-28 | 350 | STIBOR 3 mån +415bp | 2029-05-28 |

* included in the acquisition of Bank Norwegian on November 2, 2021.

## Not 29 Pledged assets and contingent liabilities

| | GROUP | |
|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
| **Pledged assets for own liabilities** | | |
| Lending to the general public | 10,007 | 4,466 |
| Lending to credit institutions | 412 | 85 |
| Cash collateral for derivatives | 309 | - |
| Total | 10,728 | 4,551 |

| | GROUP | |
|---|---|---|
| All amounts are in MSEK | 2021-12-31 | 2020-12-31 |
| Other commitments | | |
| Granted but unpaid loans | 215 | 105 |
| Granted but unutilized card credits | 47,721 | - |
| Total | 47,936 | 105 |

All pledged assets are for the Group's asset related funding operations; securitisation and funding with collateral with international banks. See more information in note 30.

## Not 30 Financial assets and liabilities offset by or subject to netting agreements

### Details about off-setting

The following table includes financial assets and liabilities that are covered by legally binding framework agreements relating to netting or other similar agreements, but which are not off-set in the Balance Sheet. The Group has ISDA and CSA agreements in place with all derivative counterparties. The framework agreements relating to netting meant that parties can settle their exposures on a net basis (i.e. changes are offset against liabilities) in the event of a serious credit event.

All amounts are in MSEK

Financial assets and liabilities offset by or subject to netting agreements

| | | | | Related amounts not offset in the Balance Sheet | | |
|---|---|---|---|---|---|---|
| | Gross amount in the Balance Sheet | Offset in the Balance Sheet | Net in the Balance Sheet | Framework agreement relating to netting | Collateral provided Recei-ved(-)/ Pledged (+) | Net amount |
| Assets | | | | | | |
| Derivatives | 140 | - | 140 | -136 | - | 4 |
| | | | | | | |
| Liabilities | | | | | | |
| Derivatives | -437 | - | -437 | 136 | 309 | 8 |
| Repo agreement | | | | | | |
| Total | -297 | - | -297 | 0 | 309 | 13 |
| | | | | | | |
| Assets | | | | | | |
| Derivatives | 2 | - | 2 | -2 | - | 0 |
| | | | | | | |
| Liabilities | | | | | | |
| Derivatives | -2 | - | -2 | 2 | - | 0 |
| Repo agreement | | | | | | |
| Total | 0 | - | 0 | 0 | - | 0 |

## Note 31 Transactions with related parties

On October 29, 2021, Nordax Holding AB (publ) issued SEK 1,400 million floating rate additional Tier 1 instruments and SEK 650 million in floating rate callable Tier 2 bonds, which were subscribed to by external bondholders and were issued for the purposes of funding part of the acquisition of Bank Norwegian.

Nordax Group AB has issued bonds and Tier 1 capital instruments in corresponding volumes and on corresponding terms where Nordax Holding AB is the holder. Nordax Bank AB has issued bonds and Tier 1 capital instruments in corresponding volumes and on corresponding terms where Nordax Group AB is the holder. Additionally, Nordax Bank AB has borrowed SEK 200 million from Nordax Holding AB on market terms in connection with the acquisition of Bank Norwegian.

| | Assets | | Liabilities | | Income | | Costs | |
|---|---|---|---|---|---|---|---|---|
| All amounts are in MSEK | 21-12-31 | 20-12-31 | 21-12-31 | 20-12-31 | 21-12-31 | 20-12-31 | 21-12-31 | 20-12-31 |
| Nordax Bank AB (publ) | 205 | 9 | -4 | - | 0 | - | - | - |
| Nordax Group AB (publ) | 8 | 0 | -1 | -1 | 4 | 4 | 0 | 0 |
| Svensk Hypotekspension AB | 1 | 1 | - | - | 0 | 0 | - | - |
| Total | 214 | 10 | -5 | -1 | 4 | 4 | 0 | 0 |

## Note 32 Acquisiton of Bank Norwegian

On 14 July 2021, Nordax made a recommended voluntary cash takeover offer to acquire all the outstanding shares in Bank Norwegian ASA ("Bank Norwegian") ("the Offer"), subject to certain conditions such as regulatory approval and a minimum acceptance rate of 90%, which was subsequently waived and reduced to 2/3 of the shares on a fully diluted basis (the "Minimum acceptance rate condition"). A best and final cash consideration of NOK 105 per share was offered, resulting in a total consideration of approximately NOK 19.6 billion for all the shares in Bank Norwegian.
During September and October 2021, Nordax acquired 6,313,456 shares, which corresponds to 3.38% of the total number of shares. The acceptance period for Nordax's offer to acquire all the outstanding shares in Bank Norwegian ASA ("Bank Norwegian") ("the Offer") expired on 15 October 2021. On 2 November 2021, a further 129,879,195 shares were acquired through the payment of cash in the Offer and 42,472,603 shares through a non-cash issue under previous agreements to transfer existing shares. The remaining portion was acquired on 3 November through compulsory acquisition with the payment of cash in the Offer, making Nordax Bank AB the owner of 100% of the shares.

| Purchase consideration | |
|---|---|
| Payment of cash in the Offer | 14,606 |
| Reclassification of previous acquisitions | 668 |
| **Total purchase consideration paid** | **15,274** |
| Non-cash issue | 4,492 |
| **Total shares acquired** | **19,766** |

Preliminary recognised amounts (fair values) of identifiable assets acquired and liabilities assumed in Bank Norwegian as at the acquisition date:

| All amounts are in MSEK | 2021-11-02 |
|---|---|
| ASSETS | |
| Lending to centralbanks | 90 |
| Lending to credit institutions | 1,533 |
| Lending to the general public | 36,398 |
| Bonds and other interest-bearing securities | 20,331 |
| Derivatives | 208 |
| Shares and holdings | 25 |
| Intangible assets | 2,164 |
| Tangible assets | 2 |
| Prepaid expenses and accrued income | 27 |
| Liabilities to credit institutions | -44 |
| Deposits from the general public | -37,465 |
| Derivatives | -227 |
| Issued securities | -6,030 |
| Current tax liability | -382 |
| Deferred tax liability | -1,072 |
| Accrued expenses and deferred income | -255 |
| Subordinated liabilities | -746 |
| Other liabilities | -116 |
| Total net assets acquired | 14,441 |
| | |
| Tier 1 capital contribution acquired | -428 |
| Total net assets acquired excl. Tier 1 capital contribution acquired | 14,013 |
| Goodwill | 5,753 |

The goodwill arising from the acquisition relates to Bank Norwegian and the synergies that are expected to result from combining the activities of the Nordax Group and Bank Norwegian. The goodwill and other acquired intangible assets arising are not expected to be tax deductible.

Net cash flow in the acquisition of Bank Norwegian

| | |
|---|---|
| Cash consideration paid | 15,274 |
| Less: Cash and cash equivalents acquired | -1,623 |
| **Net cash flow** | **13,651** |

Since the acquisition, Bank Norwegian has contributed SEK 790 million to the Group's operating income and have had a negative impact of SEK 280 million to pre-tax profit, before costs related to the acquisition process. The main reason for these high costs is the effect of the accounting treatment of credit losses in connection with the acquisition. The Group's earnings have also been negatively affected by costs relating to the acquisition process of SEK 570 million. These relate to both the costs of the Offer from Nordax Bank and the handling of the Offer by Bank Norwegian.

If the acquisition had been closed on 1 January 2021, the pro forma figures for the Nordax Group's operating income and profit before tax for the period as at 31 December would be SEK 6,408 million and SEK 1,163 million respectively. These amounts have been calculated on the basis of the subsidiary's earnings and the additional consolidated adjustments specified below.

On acquisition, lending to the general public was measured at its fair value in the respective lending currency, leading to:
- an adjustment to interest income to reflect the Nordax Group's effective interest rate on acquired loan portfolios an adjustment for exchange rate effects on the translation of identified consolidated surplus value in each lending currency. A consolidated adjustment has also been made for the amortisation of identified intangible assets in the acquisition. All adjustments have been calculated as if the acquisition had taken place on 1 January 2021.

## Note 33 Significant events after balance sheet date

On October 29 2021, Nordax Holding AB (publ) issued SEK 1,400 million floating rate additional Tier 1 instruments and SEK 650 million in floating rate callable Tier 2 bonds. On March 22, 2022, they were listed on Nasdaq Stockholm´s list for corporate bonds. In concection to the listing Nordax Holding AB (publ) established and published a prospect prior to the commencement of trading of each instrument.

Following the end of the year, Svensk Hypotekspension AB obtained new bilateral secured financing worth SEK 1.75 billion with an international bank via its subsidiary Svensk Hypotekspension 5 AB (publ). This new financing further bolsters the Group's position in terms of liquidity and financing.

In February 2022, tensions in Ukraine escalated into all-out war following the Russian invasion. In addition to the awful situation faced by the Ukrainian people, the devastation inflicted upon the country and the refugee flows that this has precipitated, this conflict also entails great uncertainty in terms of both financial and real economic markets, including rapidly rising energy and fuel prices. At present, assessing how this will affect Nordax's business remains challenging and no tangible impacts have yet materialized in terms of lending volumes or repayment patterns. Nevertheless, there is a risk that this conflict may have influence on ongoing operations in 2022 and potentially subsequent years. Developments are being monitored by Nordax in a number of ways, including via the use of scenario analyses and risk assessments.

The sub-subsidiary Bank Norwegian has decided on a dividend of NOK 719.6 million, which will be paid before the end of April to Nordax Bank AB (publ).

## Note 34 Proposed dividend

### THE FOLLOWING PROFITS ARE AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING:

All amounts in SEK

| | |
|---|---|
| Retained earnings | -11,623,000 |
| Net profit/loss for the year | 136,247,000 |
| **Total** | **124,624,000** |

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

All amounts in SEK

| | |
|---|---|
| Carried forward to new acount | 124,624,000 |
| **Total** | **124,624,000** |

Group contributions have been received from Nordax Bank AB (publ) in the amount of SEK 4,727,286 (8,116,753).

# Board of Directors' affirmation

The Board of Directors and the President and CEO certify that the annual financial reports have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with international accounting standards as prescribed by the European Parliament and the Regulation (EC) No1606/2002 dated July 19, 2002 on the application of International Accounting Standards. The annual financial reports and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations. It is further assured that the administration report for the Parent Company and Group provides a true and fair overview of the development of the Parent Company's and Group's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

Stockholm April 27, 2022

**Hans-Ole Jochumsen**
Chairman

**Christopher Ekdahl**
Director

**Christian Frick**
Director

**Henrik Källén**
Director

**Anna Storåkers**
Director

**Ville Talasmäki**
Director

**Ricard Wennerklint**
Director

**Jacob Lundblad**
Director Chief Executive Officer

Our audit report was issued April 27, 2022

Deloitte AB

**Malin Lüning**
Authorized Public Accountant

The Swedish annual report has been reviewed by the company's auditors

# Definitions

The Group considers the key figures to be relevant to users of the financial report as a complement in assessing the financial performance of the Group.

Return on equity
Net profit attributable to the shareholders in relation to average shareholders' equity.

Leverage ratio[1]
Tier 1 capital as a percentage of total assets including off-balance-sheet items with conversion factors defined in Regulation (EU) No 575/2013 (CRR2).

Average loan portfolio
The average of lending to the general public at the beginning of the period and the end of the period.

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

C/I ratio excl. acquisition costs
Operating expenses, excluding acquisition costs for Bank Norwegian, as a percentage of operating income.

Credit loss level
Net credit losses as a percentage of average lending to the public.

Credit loss in % excl. initial effect of acquisitions
Net credit losses, excl. initial ECL effect, as a percentage of the average loan portfolio.

Common Equity Tier 1 capital[1]
Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments defined in Regulation (EU) No 575/2013 (CRR2).

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

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 losses or in the event of reduced access to commonly available funding sources.

Liquidity Coverage Ratio (LCR)[1]
Liquidity Coverage Ratio (LCR)1 High-quality liquid assets in relation to the estimated net cash outflows over the next 30 calendar days, as defined in Commission Delegated Regulation (EU) 2015/61 and Regulation (EU) No 575/2013.

Own funds[1]
The sum of Tier 1 and Tier 2 capital.

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

Risk exposure amount[1]
Total assets and off balance sheet items, weighted in accordance with capital adequacy regulation for credit and market risks. Operational risks are measured and added as risk exposure amount.

Net Stable Funding Ratio (NSFR)
Measures and monitors the relationship between available stable funding and required stable funding over a one-year period.

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

Tier 2 capital[1]
Mainly subordinated loans that do not qualify as Tier 1 capital.

Total capital ratio[1]
Total own funds as a percentage of the risk exposure amount

[1] These are reported with respect SFSA's regulations and general recommendations see note 4, capital adequacy analysis.

# Financial calender

May 25 2022 - interim report January–March 2022

August 26 2022 - interim report January–June 2022

November 9 2022 - interim report January–September 2022

# Auditors report

To the annual meeting of the shareholders of Nordax Holding AB (publ), corporate identity number 559097-5743.

Report on the annual accounts and consolidated accounts

*Opinions*
We have audited the annual accounts and consolidated accounts of Nordax Holding AB (publ) for the financial year 2021-01-01 - 2021-12-31 except for the statutory sustainability report on pages 13-20. The annual accounts and consolidated accounts of the company are included on pages 6-83 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. Our opinions do not cover the statutory sustainability report on pages 13-20. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

*Basis for Opinions*
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for auditors in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

*Responsibilities of the Board of Directors and the Managing Director*
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and the Annual Accounts Act of Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

*Auditor's responsibility*
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

Further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

Report on other legal and regulatory requirements

*Opinions*
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordax Holding AB (publ) for the financial year 2021-01-01 - 2021-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

*Basis for Opinions*
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the

Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

*Responsibilities of the Board of Directors and the Managing Director*
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group´s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

*Auditor's responsibility*
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

Further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

*The auditor´s opinion regarding the statutory sustainability report*
The Board of Directors is responsible for the statutory sustainability report on pages 13-20, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm April 27, 2022

Deloitte AB

*Signature on Swedish original*

Malin Lüning
Authorized Public Accountant