Nordax Bank

2018

Annual Report

Nordax Bank AB (publ)

Contents

While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is prepared in Swedish.

Nordax in Brief

Nordax, a leading specialist bank owned by Nordic Capital and Sampo, has just over 160,000 private customers in Sweden, Norway, Finland and Germany.

Through responsible lending, Nordax helps its customers to make well-considered choices for a life they can afford, and operates in a flexible complementary role alongside the major banks.

Nordax specialises in a small number of products - personal loans, mortgage loans and savings accounts. It has around 200 employees operating from one office in Stockholm.

The thorough, robust and data-driven credit assessment process is one of Nordax's leading-edge areas of expertise and Nordax customers are financially stable. On 31 December 2018, lending to the general public amounted to SEK 15.1 billion and deposits to SEK 11.3 billion.

Nordax is regulated by the Swedish Financial Supervisory Authority, www.fi.se, and is a member of the government's deposit guarantee scheme in the same way as all other Swedish banks and credit institutions.

Read more at www.nordaxgroup.com/sv

OUR CUSTOMERS

AVERAGE AGE

51 years

HOMEOWNER

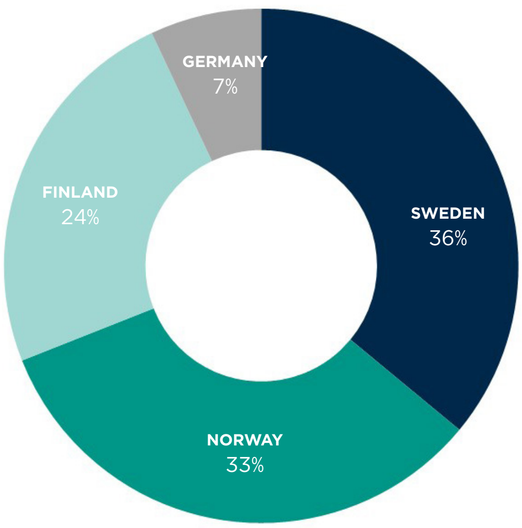
65%

AVERAGE MONTHLY INCOME

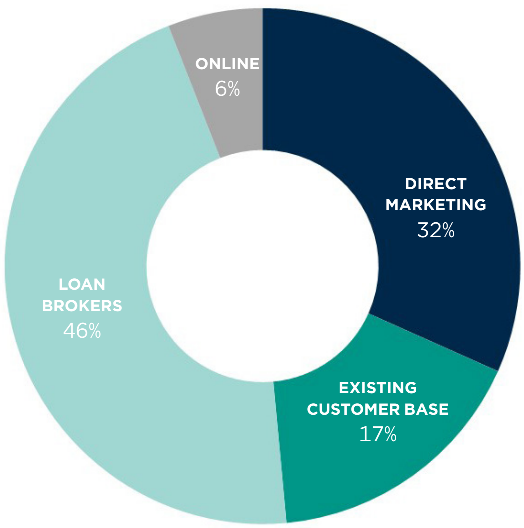
SEK 37,000

On the same level as, or above, the national average for the respective markets

LOAN PORTFOLIO PER MARKET



NEW LENDING PER CHANNEL IN 2018



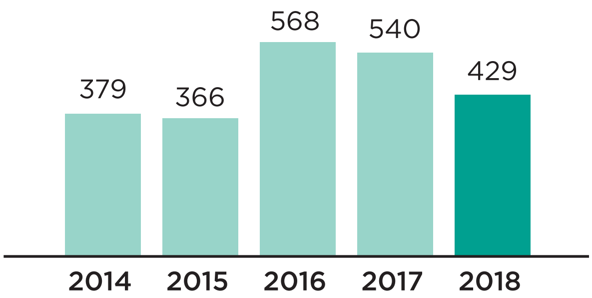
Highlights of 2018

STRONG GROWTH MAINTAINED

- Growth in the loan portfolio, adjusted for currency effects and non-recurring effects from the adoption of IFRS 9, was 11 percent
- Lending increased in all markets
- Net interest income rose 11 percent to SEK 1,325 million (1,194)
- Operating profit totalled SEK 429 million (540)
- The Common Equity Tier 1 Capital Ratio was 17.0 percent (14.7)
- Return on equity was 13.8 percent
- In February, Nordax Intressenter, controlled by Nordic Capital made a mandatory cash offer to the shareholders of Nordax Group AB, the Parent Company of Nordax Bank AB
- Nordax Group AB was delisted from Nasdaq Stockholm in April 2018
- In May, Nordax Bank launched mortgage loans adapted to the modern labour market and its many different forms of employment
- In June, Nordax Bank entered into an agreement to acquire Svensk Hypotekspension AB. The acquisition, completed in January 2019, strengthens Nordax Bank's position as a leading specialist bank for private individuals in northern Europe, and as a challenger in the mortgage loan market
- In July, Nordax Bank signed an agreement with Banqsoft for a new banking system

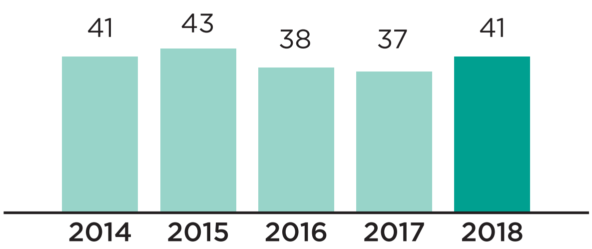
OPERATING PROFIT

SEK MILLION



C/I RATIO

%



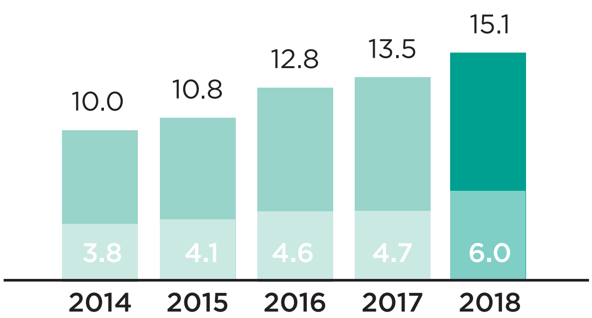
FINANCIAL SUMMARY

SEK MILLION

	2018	2017	%
Net interest income	1,325	1,194	11
Operating profit	429	540	-21
Net profit	326	419	-22
Lending to the general public	15,140	13,488	12
Deposit-taking from the general public	11,278	7,511	50
Equity	2,440	2,295	6
Common Equity Tier 1 Capital Ratio, %	17.0	14.7	
Return on equity, %	13.8	19.4	

TOTAL LENDING AND NEW LENDING

SEK BILLION



CEO's Statement

I have been here since the start in 2003/04, and have been privileged to be involved in every eventful phase in Nordax's amazing journey of growth. 2018 was another eventful year. It began with a cash bid from Nordic Capital and Sampo for Nordax. The bid represented a market value of around SEK 6.7 billion, a bid that the Board ultimately decided to accept. From the outset, Nordax's strategy and tried-and-tested business model have generated stable, sound organic growth and the future is bright.

At the same time, there is considerable potential for further scalability of the platform, expansion of existing business and more product launches in new and existing markets. This potential is best exploited under stable, long-term private ownership, and I am delighted to welcome our new owners, Nordic Capital and Sampo, which represent exactly that. To us at Nordax, this guarantees that our successful journey will continue.

During 2018 we have taken important steps in order to expand our product portfolio with for example two attractive mortgage products for customers who find it difficult to gain acceptance from the major banks. These customers fall into two categories, people with some form of non-traditional income, such as the self-employed and temporary employees, and pensioners with low loan-to-value ratios who can gain financial freedom of action and the chance to live on in their home.

In 2018, we also saw a strong development within private loans, that still constitute our core business. New lending within this segment developed strongly and amounted to SEK 5.8 billion over the year, a rise of 24% from the preceding year. In all, the loan portfolio increased by 12 percent to SEK 15.1 billion. All markets contributed to this growth, with Finland being the one that again expanded most in 2018, with 24 per-cent.

I am pleased to note that our various deposit products are very popular, and deposits rose by 50 percent to SEK 11.3 billion. This is an important part of our diversified financing strategy, and the share represented by deposits rose from 45 percent to 58 percent. In December, we were also proud to receive the news that Privata Affärer magazine had awarded Nordax the Savers' Interest Rate of the Year prize for our Sparkonto Xtra savings account. In its citation, the jury noted the attractive interest rate and the absence of any lock-in, such as fixed term or limited withdrawals.

During the year net interest income rose 11 percent, to SEK 1,325 million (1,194). The Common Equity Tier 1 Capital Ratio improved to 17.0 percent (14.7) Return on equity, which increased during the year to SEK 2,440 million, was 13.8 percent (19.4). In other words, Nordax continues to operate as a profitable and well-capitalised specialist bank.

I would like to sincerely thank all my colleagues who are taking on the challenge of making the next phase of the Nordax journey a reality. Starting from a strong position, we have staked out our course for continued growth within a portfolio of responsible deposit and loan products for new target groups and new markets.

Jacob Lundblad - CEO

Stockholm, April 2019

Nordax Bank

2018

DIRECTORS' REPORT

Nordax Bank AB (publ)

Operations

About Nordax
Nordax Bank AB (publ) (Corporate Identity Number 556647-7286), registered office in Stockholm, address Box 23124, SE-104 35 Stockholm, Sweden, telephone number +46 8 508 808 00, www.nordaxgroup. com, hereinafter "Nordax", is a wholly owned subsidiary of Nordax Group AB (publ) (Corporate Identity Number 556993-2485). The owner of the Nordax Group is NDX Intressenter AB, which is controlled by Nordic Capital and Sampo. On 31 December, the latter controlled 100 percent of the shares in the Company. This is Nordax's fifteenth financial year. The Nordax Bank Group consists of Nordax Bank AB (publ), Nordax Sverige AB, Nordax Nordic 4 AB (publ), Nordax Sverige 4 AB (publ) and Nordax Nordic 2 AB.

Market and competitors
One important factor driving the personal loan market is the state of the macroeconomy. Economic growth, with rising GDP, rising house prices, higher disposable incomes and low unemployment, normally boost household optimism, private consumption, and consequently demand for personal loans. The personal loan market is typified by a high degree of competition and fragmentation.

Nordax's competitors may for the most part be divided into two categories: full-service banks and niche banks. In recent years, the niche banks have taken market shares from the full-service banks. The niche banks have product offerings similar to those of the specialist bank Nordax. What differs among them is the customer groups that they target, the channels they use to reach their potential customers and how they finance their lending.

There are several barriers to entry that make it difficult for new operators, of limited size or limited experience of operating in a regulated environment, to get established in the personal loan market. One barrier lies in the benefits of scale that largely dominate the personal loan market. In view of the strict, complex rules and regulations on banks and credit institutions, operators are required to establish robust functions and systems for legal issues, compliance and financial management, which in turn demands substantial investment and expertise. Once such functions are in place, operators can normally handle large loan volumes, creating major benefits of scale and operational leverage effects.

New operators also have to comply with the rising number and complexity of requirements and provisions for capital adequacy and liquidity. Compliance re-quires capital, close management focus and resources to be invested in compliance and risk control functions.

Capacity for credit assessments needs tried-and-tested models that, in turn, are dependent on access to extensive historical information on how the loans have performed. Developing such models takes time and requires experience of lending, which is a barrier to entry for new operators.

Tried-and-tested business model
Nordax is a leading niche bank, with operations in Sweden, Norway, Finland, Germany and Denmark, offering personal loans and savings products. The bank has around 125,000 active loan customers and 44,000 active deposit customers.

Lending and saving
Nordax's main business consists of lending to private customers in the Nordic region and Germany. Lending consists of unsecured loans up to the equivalent of SEK 600,000, NOK 500,000, EUR 60,000 in Finland and EUR 40,000 in Germany. As of 2008, no new lending has taken place in Denmark. Since the second quarter of 2018, secured loans against residential property have also been offered in Sweden.

Loan customers are typically middle-aged professionals with income above the national average for household incomes. They are also near or above the nation-al averages for home ownership and only by way of exception show any non-payment record, and then only where the home is pledged as security.

Nordax accepts deposits on accounts from the public in Sweden, Norway, Finland and Germany. Deposit-taking generates positive net interest income for the Group since lending is offered at a higher interest rate than deposits. At the same time, they facilitate the Group's traditional borrowing mainly from financial institutions.

Centralised platform
Through a centralised business model and organisation, Nordax conducts cross-border lending in Sweden, Norway, Denmark, Finland and Germany in accord-ance 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.

Nordax conducts all its operations from an office in Stockholm, where all employees and functions are located. This makes it possible to expand the bank's activities cost-efficiently, and facilitates information-sharing between Nordax's various functions and markets. The centralised corporate governance and risk management, as well as the centralised control functions, enable Nordax to oversee closely and effectively its internal governance and control. This also simplifies resource allocation.

Marketing

Nordax strives for controlled growth in its loan portfolio, while keeping a focus on the creditworthiness of its loan customers. The risk assessment process at Nordax is already under way as Nordax's products are marketed. Targeted marketing, one of Nordax's core areas of expertise, includes Nordax's most important marketing channels, such as addressed direct mail, unaddressed direct mail and marketing via partners. Nordax excludes from its marketing such 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. Targeted marketing accounted for approximately 32 percent of new lending at Nordax in 2018. Nordax's marketing channels also include lending to existing customers and market-ing channels that are not targeted, including loan brokers and online channels. In 2018, 17 percent of the loans approved originated via existing customers, 46 via loan brokers and 6 percent via online applications.

Data-driven and responsible lending

Before a loan is approved, Nordax performs a thorough creditworthiness assessment for every loan application, in accordance with credit policies and applicable laws and regulations. The creditworthiness assessment process consists of a combination of policy rules, assessment rules, 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 cus-tomer's creditworthiness.

Diversified financing

Nordax's diversified financing comprises asset-backed securities, financing backed by security from international banks, deposit-taking from the general public, senior unsecured bonds, equity and subordinated liabilities. Nordax's asset-backed securities require accessible and detailed information about the loans in the loan portfolio and confirmation that the loans are performing well. The diversified structure for financing reduces Nordax's liquidity risk and enables Nordax to create a greater and more optimised financing mix over time.

The interest rates that Nordax charges to its loan customers are variable. In Norway and Sweden, customer margins are linked to the cost of financing and the interest rates to loan customers are adjusted when the cost of financing changes. Nordax has taken a policy decision only to adjust interest rates in its Norwe-gian and Swedish loan portfolio if Nordax's costs of financing rise or fall by no less than 50 points. In Finland, Germany and Denmark, the interest rates that Nordax charges to its loan customers is instead linked to a reference interest rate, EURIBOR or CIBOR. When reference interest rates are raised or lowered, the change is reflected in both assets and liabilities, which leads to stable net interest margins. For new loans, Nordax sets the interest rate on the basis of various factors in addition to cost of financing and reference interest rates; these factors include credit assessment for the customer and size of the loan.

Corporate social responsibility

Nordax is committed to conducting its business in a socially responsible way. This commitment is reflected in every aspect of interaction with customers, society, government agencies and employees.

Employees

The number of employees at year-end totalled 231 (255). The number of full-time equivalents was 200 (197). Of those employed at year-end. 62.5 percent were women and 37.5 percent men. In the Senior Management Team, 44.4 percent were women at year-end. Total sick leave, including long-term sick leave, was 5.2 percent (4.7). Over the year, the level of employee turnover was 20.4 percent (14.1).

Financial results for 2018

Group

Operating profit totalled SEK 429 million (540). Net interest income amounted to SEK 1,325 million (1,194). Net interest income rose as a result of growth in the loan portfolio. Credit losses amounted to SEK -380 million (-209), corresponding to 2.7 per cent (1.6) of average lending.

As of 1 January 2018, the new reporting standard IFRS 9 is applied in calculation of credit loss provisions, which are based on expected credit losses and not only on actual default events. This has created greater volatility in the provisions. For more information, see Note 4. The main reason for the higher credit losses are an increase in credit provisions regarding Stage 1 loans, as a result of the adoption of IFRS 9 and a slight decline in credit quality in Norway and Germany.

Operating expenses totalled SEK -571 million (-440). Increased costs arising from investments in growth initiatives to expand and extend the scope of Nordax's business.

Tax for the year was SEK 103 million (121). Net profit for the year was SEK 326 million (419).

Parent Company

Operating profit totalled SEK 444 million (559). Net interest income amounted to 434 MSEK (348) on 31 December 2018.

Credit losses amounted to SEK -380 million (-209), corresponding to 2.7 per cent (1.6) of average lending. Operating expenses totalled SEK -434 million (-419).

Lending volumes

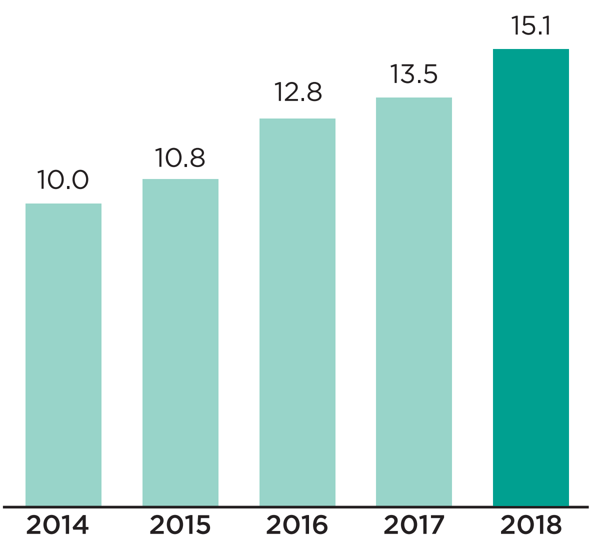
Personal loans
New lending for personal loans developed strongly to SEK 5.8 billion over the year, an increase of 24 percent on same period last year. Finland was the market that performed most robustly (+35 percent in local currency), followed by Sweden and Norway, while new lending decreased in Germany. During the year, the strongest growth in new lending was in the loan broker channel, a result of both improved customer processes and collaborations with more brokers.

Mortgage loans
In early May, Nordax began offering mortgage loans in the Swedish market. The main target group is customers with some form of non-traditional employment, such as the self-employed and temporary employees, including project, part-time or replacement employees. Thorough credit assessments and personal cus-tomer contacts have made more loan approvals possible in this customer group, which is often denied by the major banks despite stable finances. Interest in the offering has been high and after mid-September marketing was increased, leading to a significant increase in the number of applications in the period Septem-ber to December.

Portfolio growth
Total lending to the general public rose by 12 per cent from the beginning of the year to SEK 15.1 billion at year-end. Adjusted for currency effects and one-off effects from the transition to IFRS 9, the increase was 11%. Lending increased in all markets with the strongest trend in Finland, where the corresponding increase was 24 per cent.

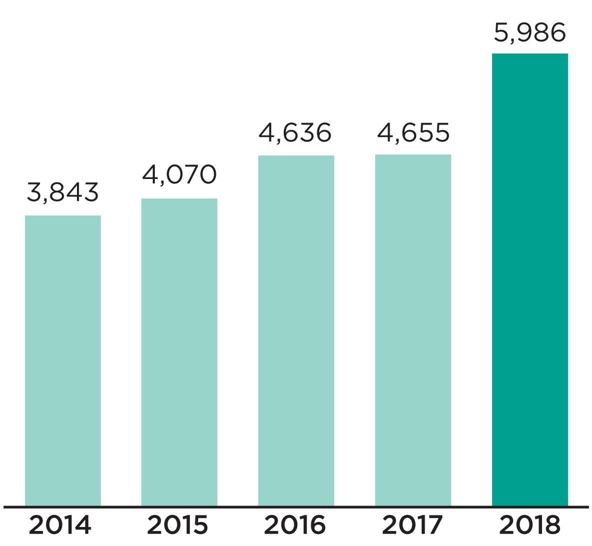
GROWTH IN THE LOAN PORTFOLIO

SEK BILLION



NEW LENDING

SEK MILLION



Financing, liquidity and capital situation

A diversified financing structure is a corner-stone of Nordax's business model. Nordax's financing mix consists of asset-backed securities, senior unsecured bonds, secured bank financing from international banks and deposit-taking from the general public. Nordax offers deposit products with competitive interest rates on all four main markets, in the currencies SEK, NOK and EUR.

At the end of the period, the nominal amounts for financing were as follows: SEK 2,107 million (3,074) via the asset-backed (securitised) bond market, SEK 487 million (500) in corporate bonds and SEK 2,836 million (3,130) in warehouse funding facilities provided by international banks. During the year, deposits from the general public increased to SEK 11,260 million (7,511); the increase took place in all markets. On 18 March 2018, Nordax redeemed the outstanding SEK 500 million senior corporate bond and since then has no senior corporate bonds outstanding. However, Nordax's short- and long-term objectives are to remain active in the capital market through the issuance of both unsecured senior bonds and subordinate bonds.

Nordax had a liquidity reserve on 31 December 2018 of SEK 3,509 million (2,610). Of these investments, 66 per cent (55) were in Nordic banks, 15 per cent (19) in Swedish covered bonds and 19 per cent (26) in Swedish municipal paper. All investments had a credit rating of between AAA and A+ from Standard & Poor's, with an average of AA-. The average term to maturity was 220 days (256). All bank holdings are highly liquid and all securities are repo-able with central banks. For more information, see Note 4.

Lending to credit institutions on 31 December totalled SEK 2,681 million (1,795), including SEK 500 million (381) in pledged cash balances for the financing structure and the remainder available liquidity.

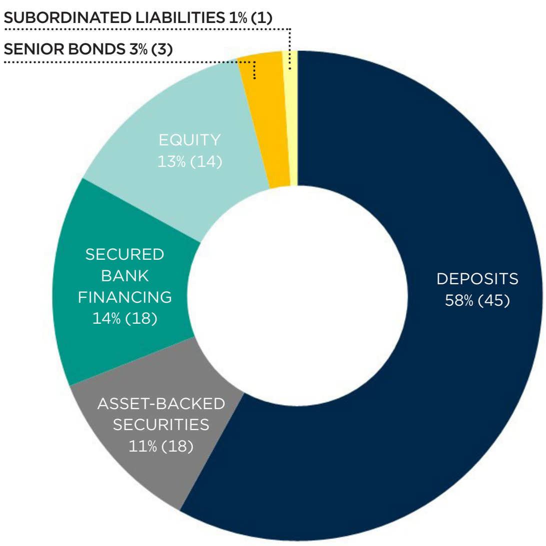
On 31 December 2018, equity totalled SEK 2,440 million (2,295). Total assets were SEK 19,564 million (16,864).

On the same date, the total capital ratio was 19.0 percent (16.7). The Common Equity Tier 1 capital ratio was 17.0 percent (14.7), compared with the Common Equity Tier 1 capital requirement, which is calculated at 8.4 percent, excluding the internally determined Pillar 2 requirement. For more information, see Note 4. Nordax is also reviewing the possibility of issuing further subordinated debt (Tier 2) during 2019.

The risk exposure amount rose to SEK 14,797 million (12,415), including SEK 13,320 million (10,828) in credit risk, SEK 565 million (787) in market risk and SEK 912 (800) in operating risk.

At adoption of the new IFRS 9 reporting standard, a non-recurring effect of SEK 177 million arose in increased provisions for expected credit losses. For more information, see Note 4.

FINANCING AND EQUITY



Capital and liquidity measures

	2018	2017
Risk exposure amount, SEK million	14,797	12,415
Total Common Equity Tier 1 capital, SEK million	2,599	1,829
Common Equity Tier 1 Capital Ratio, %	17.0	14.7
Total capital ratio, %	19.0	16.7
Leverage ratio, %	15.4	11.2
Liquidity Coverage Ratio (LCR), %	194	616
Funding ratio (NFSR), %	117	113

Segments

SWEDEN	2018	2017
Net interest income, SEK million	418	399
Net interest margin, %	8.4	8.8
Net credit losses, SEK million	-95	-61
Credit loss level (cost of risk), %	1.9	1.3
Lending at end of period, SEK million	5,422	4,685
New lending, SEK million	2,003	1,592
Growth in loan portfolio, SEK million	737	265
Growth, %	15.7	6.0

Sweden was Nordax's first market. The lending business began in 2004 and the deposit-taking business in 2008. In 2018, Nordax also established a mortgage lending business.

The total number of loan customers in Sweden is just over 41,000 and the number of deposit customers just over 20,000. The average loan is around SEK 179,000 and loan customers have an average income of just over SEK 32,000. 56 percent of unsecured loan customers own their home and their average age is 52 years.

The loan portfolio in Sweden grew 15.7%, compared with that of the preceding year, to SEK 5,422 million.

New lending rose from SEK 1,592 million in 2017 to SEK 2,003 million. The net interest margin for the period declined slightly to 8.4 percent (8.8).

Credit quality remains high, although the credit loss level increased to 1.9 percent (1.3), mainly through the effects of adopting IFRS 9.

Forward-flow sales to Lindorff began in the third quarter of 2017, whereby Nordax sells a portion of new past due receivables (+90 days) at an agreed price. Sales as per 31 December 2018 amounted to SEK 70 million in Sweden. In the fourth quarter, Nordax terminated forward-flow sales to Lindorff.

NORWAY	2018	2017
Net interest income, SEK million	467	451
Net interest income, NOK million	437	436
Net interest margin, %	9.6	9.0
Net credit losses, SEK million	-141	-106
Credit loss level (cost of risk), %	2.9	2.1
Lending at end of period, SEK million	4,951	4,806
Lending at end of period, NOK million	4,807	4,806
New lending, SEK million	1,744	1,441
New lending, NOK million	1,626	1,399
Growth in loan portfolio, SEK million	145	-411
of which, currency effects	144	-288
Growth excluding currency effects, %	0.0	-2.3

Nordax established its lending business in Norway in 2005 and its deposit-taking business in 2009.

The total number of loan customers in Norway is around 36,000 and the number of deposit customers around 8,000. The average loan in Norway is NOK 204,000. Loan customers in Norway have an average income of around NOK 42,000. 78 percent own their homes and the average age is 51 years.

The loan portfolio amounted to SEK 4,807 million, indicating that in local currency it is on a level with the corresponding period last year. New lending in local currency rose 16 percent compared with the preceding year.

The net interest margin increased in comparison with 2017, to 9.6 percent (9.0).

The net credit loss level rose to 2.9 percent (2.1). The increase is attributable in large part to the adoption of IFRS 9.

FINLAND	2018	2017
Net interest income, SEK million	344	259
Net interest income, EUR million	34	27
Net interest margin, %	10.4	10.0
Net credit losses, SEK million	-76	-6
Credit loss level (cost of risk), %	2.3	0.2
Lending at end of period, SEK million	3,702	2,917
Lending at end of period, EUR million	360	297
New lending, SEK million	1,671	1,159
New lending, EUR million	162	120
Growth in loan portfolio, SEK million	785	655
of which, currency effects	159	74
Growth excluding currency effects, %	21.5	25.7

Nordax established its lending business in Finland in 2007 and its deposit-taking business in 2011.

The total number of loan customers in Finland is just over 33,000 and the number of deposit customers around 1,000. The average loan in Finland is around EUR 15,000. Loan customers in Finland have an average income of EUR 3,500. 72 percent own their homes and the average age is 51 years.

The loan portfolio in Finland was SEK 3,702 million (2,917). In local currency, the loan portfolio increased by 21 percent compared with the same period last year. New lending in local currency rose 35 percent, to EUR 162 million.

The net interest margin was slightly higher than in the corresponding period last year, at 10.4 percent (10.0).

The net credit loss level rose to 2.3 percent (0.4), compared to 2017. The increase is attributable for the most part to the adoption of IFRS 9 and valuation effects on the impaired loan book.

Forward-flow sales to Lindorff began in the third quarter of 2017, whereby Nordax sells a portion of new past due receivables (+90 days) at an agreed price. Sales as per 31 December 2018 amounted to SEK 128 million in Finland. In the fourth quarter, Nordax terminated forward-flow sales to Lindorff.

GERMANY	2018	2017
Net interest income, SEK million	93	80
Net interest income, EUR million	9	8
Net interest margin, %	9.3	9.1
Net credit losses, SEK million	-71	-36
Credit loss level (cost of risk), %	7.1	4.1
Lending at end of period, SEK million	1,009	993
Lending at end of period, EUR million	98	101
New lending, SEK million	348	463
New lending, EUR million	34	48
Growth in loan portfolio, SEK million	16	232
of which, currency effects	43	25
Growth excluding currency effects, %	-2.7	27.2

Germany is the youngest of Nordax's markets. Business was established in 2012, with the deposit-taking business starting up in 2016.

The total number of loan customers in Germany is around 9,600 and the number of deposit customers just over 15,000. The average loan in Germany is just over EUR 14,000. Loan customers in Germany have an average income of EUR 4,600. 38 percent own their homes and the average age is 50 years.

The loan portfolio in Germany was SEK 1,009 million (993). In local currency, the loan portfolio decreased by 3 percent compared with the same period last year. New lending in local currency fell by 29 percent, to EUR 34 million. In 2018, Nordax entered into a collaboration with an external partner which has an established platform for digitising and streamlining the flow of applications.

The net interest margin increased to 9.3 percent (9.1) compared to full-year 2017.

The net credit loss level rose to 7.1 percent (4.1) during the year. The increase is attributable for the most part to the adoption of IFRS 9 and levels of provisions.

Sustainability report

At Nordax, sustainability is about conducting a responsible deposit-taking and lending business. Good risk management is crucial to this work and the creation of value. Nordax's stakeholders, customers, employees, owners, investors, suppliers and business partners, as well as decision-makers, supervisory authorities and stakeholder organisations, influence and are influenced by our activities. Ongoing dialogue is maintained with many of our stakeholders. In 2016, a structured stakeholder dialogue was conducted with customers, employees, shareholders and stakeholder organisations to validate essential internally-identified areas of sustainability. The outcome showed that there was a consensus on which aspects of sustainability are important to value-creation at Nordax for various stake-holders. What is important is to be a responsible lender to customers, to be an attractive employer, to act responsibly towards investors, owners and public authorities and to comply with laws, requirements and regulations. Nordax also takes responsibility for its environmental impact and social development by making a positive contribution to the UN Global Sustainability Goals. A structured sustainability programme is now conducted in four focus areas.

1. Responsible lending

Responsible lending is the core of Nordax's business. Loans are offered only to financially stable individuals to ensure that customers obtain loans they can afford. However, there is always an in-built risk that for various reasons a customer may run into difficulties in repaying his or her loan.

During 2018, Nordax handled approximately 715,000 loan applications. In every case, correct credit assessment is assured via a tried-and-tested lending process. Credit assessment is performed in accordance with generally accepted credit granting practice. It is always based on the customer's financial situation, and in line with Nordax's credit policy. For example, personal loan customers are not permitted to have any past records of non-payment and must have financial margins, which we verify via our enough-left-to-live-on calculation. In addition, customers must not have an excessive level of indebtedness. Through its long experience of the sector, various geographical markets and different economic cycles, Nordax has gained valuable knowledge and data that it uses to develop both models and process for creditworthiness assessment.

In 2018, Norway decided to introduce a national debt register. The register will gradually improve credit assessments and reduce manual processing and the risk of errors in credit assessments in the Norwegian market, in the same way as when Nordax signed up to a debt register in Finland. Nordax's ambition is to con-tinue to grow its lending portfolio, but growth must not be at the price of departing from its own guidelines on credit assessments. The level of credit losses in recent years has been well below Nordax Group's target of less than two percent over an economic cycle. In 2018, the outcome was 2.7 percent, mainly due to the increase in provisions for Stage 1 loans, which arose through adoption of IFRS 9, but also as a result of a slightly poorer loan quality. For more information, see Note 4. Nordax Bank's ambition is to maintain a continued low credit loss level adapted to IFRS 9.

Risk management in the area is primarily linked to

NORDAX'S FOCUS AREAS FOR SUSTAINABLE BUSINESS

RESPONSIBLE LENDING

EMPLOYEE WELL-BEING

SOLID BUSINESS ETHICS

EFFICIENT USE OF RESOURCES

creditworthiness assessment processes and to assure accurate compiling and verification of data where no support is available via credit or debt registers Central aspects of this risk management is the model of two lines of defence, as described on page 17. If a cus-tomer has problems with repaying his or her loan, Nordax has specially trained employees who promptly contact the customer to jointly arrive at a solution, and to provide advice and support. It is important that customers should value the support and services that Nordax offers, if Nordax is to maintain long-term relationships and be able to attract new customers.

The objective is to sustain a general level of satisfaction of at least 92 percent and to rank among the top three in the sector. For systematic measurement and follow-up of this at individual and unit level, the Bright International recruitment consultancy carries out customer service surveys on conclusion of a customer conversation. Questions are asked about Nordax's engagement, knowledge, ability to resolve the issue at first contact and the customer's general satisfaction. Satisfaction with the service has steadily risen in recent years and at year-end we achieved 93 percent for general satisfaction (benchmark: 88 percent), which places Nordax among the sector's top three.

To complement the customer satisfaction survey, which is performed for incoming calls, customer loyalty is also measured as recommendation index rating via a Net Promoter Score (NPS). The survey was carried out for the second time in 2018. Our ambition is to increase the proportion of ambassadors among custom-ers, which we also succeeded in doing during the year overall. In Nordax's biggest markets, Sweden and Norway, ambassador numbers rose sharply in 2018. The NPS survey also gives answers on what is popular with customers, and what areas need improvement. The outcome indicates that customers appreciate being able to contact Nordax easily, the service provided and that the individual situation of customers is taken into account.

2. Employee well-being

Committed employees are crucial to Nordax's success. Our ambition is to further improve the Commitment Index outcome in 2019 and define employeeship more clearly in terms of Nordax's goals and value via more evolved leadership.

Via a broad range of expertise and a high level of personal accountability, a corporate culture has emerged that is built on engagement and decisiveness. At Nordax, employees are able to have an influence at overall level. A high ceiling, streamlined decision-making and a workplace climate characterised by coo-per-ation and pleasure in work stimulate motivation and engagement.

In recent years, organisational and structural changes have been made to ensure that the Company has the right expertise in the right place, thereby creating the best conditions possible to achieve highly placed objectives. As a result, employees at several levels of the Company have departed from Nordax. Against this background, employee turnover has been at a slightly higher, although controlled, level, given the rapid pace of change and the need for a shift in expertise in certain departments. Despite major changes, a high tempo and a high pace of employee turnover, a Commitment Index rating of 74 was measured in December 2018. This was the highest figure recorded since the measurement was introduced in 2016. The Leadership Index, too, showed the highest-ever rating, 79, indicating that Nordax maintains a high level among its leaders.

The biggest risk in the sector lies in our ability to attract and retain the right expertise. This is addressed via focused action to strengthen the Nordax brand as an employer, by giving high priority to a continued focus on leadership and clarification of Nordax's purpose and positioning.

Respect for every person's unique and equal value lies at the heart of Nordax's ambition and the basis of a healthy and attractive culture. Customers in Sweden, Norway, Finland and Germany are served from one office, in Stockholm. Cultural and diversity issues are crucial to our ability to meet customers in our different markets. To support our work in broadening diversity, guidelines provide assistance in recruitment based on qualifications and skills and on ways in which diver-sity can and should be taken into account in the process.

Annual pay surveys are carried out to ensure that no unjustified pay differentials exist. The most recent survey, in March 2018, indicated the women were paid at 98.5 percent of salary rates for men.

3. Solid business ethics

As part of a responsible organisation in the financial sector, Nordax employees daily face ethical issues, not least in connection with financial crime such as money laundering and corruption. Addressing these issues properly and responsibly is essential if we are to earn and enjoy the trust of our stakeholders and society.

Nordax has a clear framework in place for ethical issues in general and more specific rules and processes linked to specific areas, such as the prevention of money laundering and corruption and dealing with conflicts of interest. Nordax's Code of Conduct addresses the ethical issues that the business faces at overall level and more specific rules concerning business ethics are described in other governing documents and processes. The ethical framework has been communi-cated to all employees, who also carry out annual training courses on the content of the framework.

Nordax works constantly on minimising risks, compliance with legal rules and ethical standards, and on maintaining a healthy culture linked to ethical issues. Over the past year, Nordax completed a wide-ranging programme on strengthening rules and processes and making them more efficient, in order to prevent Nordax's business being used for money laundering and other types of financial crime.

Preventing the business used for financial crime (money laundering, funding of terrorism and fraud) are a natural part of Nordax's business. Nordax has estab-lished a separate Anti-Financial Crime unit, which has responsibility for establishing, implementing and performing suitable routines for preventing, discovering and investigating financial crime.
At Nordax, we try to avoid conflicts of interest as far as such is possible. If, nevertheless, conflicts of interest arise, clearly defined routines are in place for identifying and dealing with them at various levels in the bank.

Nordax advocates transparency and encourages employees to report observations regarding suspected irregularities or unethical or illegal behaviour at Nordax. Such observations may be reported anonymously via Nordax's whistle-blower process. Employees at Nordax should always feel that there is someone they can turn to, whatever they may be reporting. To that end, several separate channels are available for reporting. Matters reported are investigated immediately, and suitable measures taken.

4. Efficient use of resources
Nordax has limited direct impact on the environment and environmental risk, but strives to reduce it for example via automation, digital development and environmentally-efficient communication. Over the year, Nordax reduced its consumption of paper for printed matter and customer mailings by around 28 percent.

KEY FIGURES	2018	2017
Responsible lending		
Credit loss level, %	2.7	1.6
General satisfaction, customer service by telephone, Bright's surveys (Index: 0-100) (December result)	93 (Benchmark 88)	93
Sector ranking, customer service survey via Bright	topp 3	topp 3
NPS result, total	20	20
NPS result, Sweden	15	7
NPS result, Norway	12	6
NPS result, Finland	19	22
NPS result, Germany	52	50
Employee well-being		
Commitment Index, employees (Scale: 0-100)	74	72
Recommendation Index, employees, eNPS (Scale: -100 to +100)	0,56	19
Number of employees, total	231	255
Gender distribution, total (men/women), %	37/63	41/59
Gender distribution, executives (men/women), %	56/44	55/45
Gender distribution, managers (men/women), %	54/46	40/60
Gender distribution, Board of Directors (men/women), %	100/0	50/50
Total employee turnover, %	20.5	14.1
Sick leave, %	5.2	4.7
Long-term healthy, %	62	88
Efficient use of resources		
Paper consumption, printed matter, customer communication etc., tons	200.6	278.8
Paper consumption, printed matter, customer communication etc., CO2e, tons	60.2	83.6

Governance and policy framework for work on sustainability

Nordax has governing document that support and guide its employees in their day-to-day work. The Sustainability Policy describes governance in sustainability and Nordax's focus areas; the policy emphasises the importance of integrating sustainability into operations, and how risks are to be identified and addressed. Nordax's Code of Conduct represents a framework to guide all employees in acting in an ethical, proper and responsible way to create long-term relationships with customers, partners and other stakeholders. It also serves as a guide as to how we should act internally so as to create a healthy corporate culture and an attractive workplace.

To support daily activities and business dealings, the following governing documents are also of great importance in day-to-day work:

- Policy Regarding Ethical standards
- Policy on diversity and assessment of suitability of directors and key function holders
- Policy Regarding Work Environment
- Remuneration policy
- Financial Crime policy
- Anti-bribery instruction
- Guidelines on recruitment to increase diversity
- Complaints Management Policy
- Procurement, Sourcing and Outsourcing Policy
- Privacy Policy
- Information Security Policy

Core values

We have strong core values that guide us in everything we do; from our detailed credit assessments to how we interact with each other and our customers. Our four key words define our core values and are reflected in all aspects of our activities:

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

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

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

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

Risk and risk management

To achieve effective risk management, a high level of risk-awareness and a healthy risk culture, Nordax has established a model with three lines of defence. The three lines are intended to establish a clear allocation of responsibilities across the whole organisation. They are also an effective way of meeting rising regulatory requirements and ensuring that internal rules are observed and that any deviations are quickly identified and efficiently dealt with.

The first line of defence is that the business activity is the risk owner and performs day-to-day risk management. The second is made up of the Risk Control and Compliance functions, which monitor, control and report on the Company's risks and how they are managed according to internal and external regulations. The third consists of the Internal Audit function, which operates on behalf of the Board and is tasked, for example, with carrying out regular scrutinisation of Management's and the Company's internal control, the work of the control functions and the Company's risk management.

A healthy risk culture is achieved by ensuring that all employees are aware of the risks associated with each task, via clearly expressed limits on accepted risk exposure and an understanding of how to avoid breaching such limits. A high level of risk-awareness is achieved, for example, via allocation of risks among the departments, by ensuring that the responsibility for risk management lies within the department concerned and via clear reporting and escalation channels for any breaches of the limit system.

Risk overview

The major areas of risk to which Nordax is exposed are:

- Credit risk
- Market and liquidity risk
- Operating risk
- Strategic risk and business risk

Credit risk

Credit risk consists above all of the risk that a customer will not be able to repay his or her loan, but also arises when Nordax invests its liquidity. Nordax only invests its liquidity with operators with a high credit rating and in asset classes recognised as secure, such as sovereign debt and secured bonds, to achieve a well-diversified liquidity portfolio.
By maintaining a robust lending process for consumers, Nordax can accept a higher credit risk in the consumer loan category. Nordax continuously monitors the credit risk in its portfolio via statistical analysis, as well as by regular validation of its credit risk models. Analysis is applied to the risk that the loan will result in a claim for payment, as well as the possibility of needs for impairment.

In addition, various segments of importance to credit assessment are analysed on an ongoing basis. The result of these actions then forms the basis for the continuous assessment based on the parameters of the assessment model. Where necessary, an adjustment is made to the model on which the lending is based.

As for the new product, mortgage loans, the appetite for risk is low. In general, the portfolio is to be diversified in terms of market and customers in different risk categories, in order to achieve a sustainable risk-adjusted yield.

Nordax's credit risk policy sets out the fundamental requirements regarding the customers to whom Nordax is willing to lend money. Within the scope of these fundamental requirements, administrators are subject to personal decision limits determined by the administrator's experience of credit assessment. Responsi-ble lending also involves management of customers who, for various reasons, fail in their loan repayment capacity. Nordax's debt recovery department is proac-tive in taking responsibility for customers facing payment difficulties and for helping them. For more information, see Note 4.

Market and liquidity risk

Nordax is exposed to market risk in terms of interest rate risk, price risk and currency risk.

Nordax's interest rate risk arises primarily in its loan book, via the bank's maturity transformation through lending over a longer term and deposit-taking over a shorter term. The appetite for interest rate risk is low and so the strategy is to match assets and liabilities in terms of currency, interest rate index and fixed-income period. Interest rate hedging may be obtained via derivative instruments such as swap contracts. Nordax's longer-term funding via warehousing and ABSs is exposed to interest rate risk, which is manifested as rolling risk.

Currency risk arises as a natural consequence of the fact that Nordax operates in countries with different currencies (SEK, NOK, DKK and EUR).
Nordax's strategy is to hedge against currency risk by matching, as far as possible, deposits and lending, assets and funding in the same currency, and by hedging against the currency risk that arises in translation to the accounting currency, SEK. The effects of fluctuations in exchange rates are managed via hedging in forward contracts and currency swap contracts. The appetite for currency risk is slightly higher than for interest rate risk.

Liquidity risk is managed via a well-balanced combination of assets and liabilities and a mix of maturities and currencies. To match Nordax's low appetite for liquidity and price risk, Nordax invests its liquidity portfolio in secure asset categories such as Swedish sovereign debt instruments and secured bonds, which may be sold at short notice at the existing price in situations demanding additional liquidity. Nordax's Treasury Department oversees and forecasts the liquidity situation at the bank on a daily basis. The bank has its own limits which are higher than the regulatory requirements as to the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) metrics. The strategy is aimed at achieving a diversified funding platform comprising equity, subordinated debt, asset-backed securities ("ABSs"), bank warehouse funding facilities, deposit-taking from the general public and senior unsecured bonds.
For more information, see Note 4.

Operating risk

All parts of Nordax's operations are exposed to operating risks, which include the risk of losses arising from not fit-for-purpose or failing internal processes, human error, inadequate systems and external events including legal risks and compliance risks. To manage and minimise these operating risk, various tools and processes are used, such as self-assessment, incident management, continuity and crisis management, control testing, follow-up of risk indicators and the pro-cess for approval of new products, services and processes. In 2018, modernisation of the IT infrastructure continued in order to adapt it to a higher degree of automation and digitisation, and to enable a customer-friendly digital environment to be offered that meets new requirements for information security and processing of personal data. Nordax maintains a medium-to-high appetite for operating risk, as the automation and digitisation of the processes required for modernisation of the IT infrastructure are in progress.

Strategic risk and business risk

Nordax is in an expansive phase with an explicit strategy of growing the business, establishing new products and gaining market shares. This expansion is to take place in a period when the financial market is in a phase of profound change, in terms of technological solutions, regulatory requirements and customer expec-tations and demands. This is placing great pressure on Nordax's ability to implement its strategic decisions effectively and bring its products out into the market. In addition, the customer offering must be adapted to a market in constant flux

Strategic risks and business risks are identified, analysed and managed in the business planning process and business development, and are monitored by both Management and board on an ongoing basis. Nordax has a high appetite for both strategic risk and business risk.

Significant events

Significant events in 2018

On 8 February, NDX Intressenter AB, which is controlled by Nordic Capital and Sampo, made a mandatory cash offer to the shareholders of Nordax Group AB, the Parent Company of Nordax Bank AB (publ), the Parent Company of the Group including Nordax Bank AB, to transfer all their shares to NDX Intressenter. The Board of Directors of Nordax Group resolved unanimously to recommend that the shareholders accept the offer. On 15 February 2018, Nordic Capital announced via a press release that it owned shares corresponding to 64.34 percent of the shares, and, with Sampo, a total of 71.98 percent of the shares in Nordax Group.

As of the beginning of 2018, the new financing reporting standard IFRS 9 entered into force. At adoption of the new standard, non-recurring effects arise that result in increased provisions for expected credit losses, and reduce equity. The capital adequacy regime allows for use of transitional rules to attenuate the effect on capital adequacy resulting from adoption of IFRS 9. In January 2018, Nordax informed the Swedish Financial Supervisory Authority of its decision to apply the transitional rules. For more information, see Note 4.

Nordax Group AB's application to delist the Company's shares from Nasdaq Stockholm was approved by Nasdaq Stockholm and the last day for trading was 24 April 2018.

In May, Nordax Bank launched mortgage loans for customers with some form of non-traditional income, such as the self-employed and temporary employees.

In June, Nordax Bank AB signed an agreement to acquire Svensk Hypotekspension AB (SHP), which specialises in equity release mortgages. The acquisition strengthens Nordax's position as a leading specialist bank for private individuals in northern Europe, and as a challenger in the mortgage loan market. The acquisition was conditional on required approvals being obtained from the relevant public authorities.

Richard Blomberg took up the role of Credit Risk & Analytics director in June.

Also in July, Nordax Bank and Banqsoft signed an agreement on a new banking system. The new system solution modernises Nordax's IT platform and supports Nordax's plans for future growth, in part by enabling faster launches of new products.

In the fourth quarter Patrick MacArthur took over as the new CFO. Patrick has been employed at Nordax since 2017 and was already a member of the Senior Management Team in his former role as Head of Business Development and Strategy.

During the same quarter, Andreas Frid was appointed as Head of Marketing and Communication. Andreas has been employed at Nordax since 2016 and was already a member of the Senior Management Team in his former role as Head of IR and Communication.

Significant events after the end of the period

In January 2019, Nordax finalised the acquisition of Svensk Hypotekspension AB, experts in equity release mortgages. Through the Hypotekspension® product, the company offers Swedish pensioners with equity tied up in their homes, the opportunity to free up this equity without having to sell their home. Svensk Hypotekspension AB thereby became a wholly owned subsidiary of Nordax Bank (publ).

Through the acquisition, Nordax strengthens its position as a challenger in the mortgage market. As with Nordax's mortgage offer, which was launched in 2018, Svensk Hypotekspension meets an important and growing customer need, where an increasing number of creditworthy customers do not fit into the standardized credit assessments of the major banks. At year-end, Svensk Hypotekspension's total lending amounted to just over SEK 4 billion, provided to nearly 6,000 customers (households).

On March 26, 2019, a change was made in the ownership structure, which implies that NDX Intressenter AB is now the parent financial holding company in the consolidated situation pursuant to the provisions set out in the Regulation (EU) 2013/575. This change has resulted in a strengthened capital base for the consolidated situation as the deduction for the minority interest in NDX Intressenter AB held by Sampo Abp is eliminated.

Five-Year Summary

GROUP

KEY FIGURES	2018	2017	2016	2015	2014
Common Equity Tier 1 Capital Ratio, %	17.0	14.7	14.0	12.6	12.3
Return on equity, %	14	19	26	21	31
Return on assets, %	1.7	2.5	2.8	2.1	2.1
Cost/income ratio, %	41	37	38	43	41
Credit loss level, %	2.7	1.6	1.4	1.5	1.2
Number of employees	217	191	191	179	163
Summary income statements					
Net interest income	1,325	1,194	1,100	952	819
Commission income	18	19	16	16	15
Net profit from financial transactions	37	-24	60	-55	7
Total income	1,380	1,189	1,176	913	841
Total operating expenses	-571	-440	-444	-390	-348
Credit losses	-380	-209	-164	-157	-114
Operating profit	429	540	568	366	379
Tax	-103	-121	-126	-80	-83
Profit for the year	326	419	442	286	296
Summary balance sheets					
Lending to credit institutions	2,681	1,795	1,650	1,714	2,191
Lending to the general public	15,140	13,488	12,794	10,818	10,009
Bonds and other fixed-income securities	1,187	1,184	959	1,157	1,585
Other assets	556	397	347	131	39
Total assets	**19,564**	**16,864**	**15,750**	**13,820**	**13,824**
Liabilities to credit institutions	2,831	3,054	3,205	2,880	2,259
Deposit-taking from the general public	11,278	7,511	7,141	6,001	6,479
Securities issued	2,581	3,547	2,910	3,187	3,581
Other liabilities	434	457	463	377	135
Equity	2,440	2,295	2,031	1,375	1,370
Total liabilities and equity	**19,564**	**16,864**	**15,750**	**13,820**	**13,824**

Fluctuations in exchange rates

Nordax's income is affected by fluctuations in exchanges rates between SEK and NOK, EUR and DKK. Exchange rates affect the translation of receivables and liabilities to SEK. Nordax's policy is to limit the effects of fluctuations in exchange rates by matching assets and liabilities in the same currency. Nordax also uses derivative instruments to limit these effects. Nordax does not use derivative instruments to limit the effects of exchange rate fluctuations on future income or expenses.

In 2018, Nordax closed the open currency positions taken to hedge capital adequacy ratios from exchange rate fluctuations, and replaced them with derivatives. The effect of currency movements on the net profit from financial transactions in the income statement, will in future decrease.

The Board of Directors has approved a policy under which the Company will measure and report on its currency risk on an ongoing basis.

The policy incorporates fixed limits for maximum permitted net exposure to foreign currencies. The current limit set by the Board is two percent of the capital base for the consolidated situation plus currency exposures arising from approved distribution of the acquisition value in NDX Intressenter AB. The actual exposure was SEK 565 million (787), made up of NOK 328 million (418), DKK 0.2 million (4) and EUR 22 million (37). A change of 5 percent in the value of SEK vis-à-vis the other currencies would result in a change of income and a change in equity amounting to SEK 28.2 million (39), made up of NOK 16.3 million (21), DKK 0.14 million (0.2) and EUR 1.2 million (1.8).

NORDAX'S CURRENCY SENSITIVITY

Currency	Change	Impact on Nordax's operating income
NOK	+/- 5%	+/- SEK 16 million
EUR	+/- 5%	+/- SEK 12 million
DKK	+/- 5%	+/- SEK 0 million

Proposed dividend

The Board of Directors proposes that no dividend be paid.

Nordax Bank

2018

CORPORATE GOVERNANCE REPORT

Nordax Bank AB (publ)

Introduction

Nordax Bank AB (publ) ("Nordax") has issued transferrable securities that are listed for trading on Nasdaq Stockholm.

The Company is a wholly owned subsidiary of Nordax Group AB (publ), which in turn is a wholly owned subsidiary of NDX Intressenter AB. NDX Intressenter AB is controlled by Nordic Capital and Sampo (see also below, in the section "Direct or indirect shareholdings in the Company that represent at least one tenth of the votes for all shares in the Company"). Nordax conducts banking business and is regulated by the Swedish Financial Supervisory Authority. Nordax complies with a number of laws and regulations on good corporate governance and control of the business, including the Swedish Companies Act (2005:551), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Nasdaq Stockholm Rulebook for Issuers, the Swedish Banking and Financing Business Act (2004:297) and International Financial Reporting Standards. Nordax Bank is also required to comply with a number of regulations and guidelines issued by the Swedish Financial Supervisory Authority and other public authorities such as the European Banking Authority.

Nordax has drawn up this corporate governance report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559).

In accordance with the basic principles regarding the governance and organisation of limited liability companies, Nordax is governed by the Annual General Meeting (AGM), the Board of Directors appointed by the shareholders at the AGM, the Chief Executive Officer (CEO) appointed by the Board and the Board's supervision of Nordax's Management. The auditor appointed by the AGM presents an Auditor's Report on its audit of the Company's annual accounts and consolidated accounts, on the appropriation of profit and on the Board's and the CEO's administration of the Company and its activities.

Shareholdings, Voting Rights and Composition of Board of Directors

DIRECT OR INDIRECT SHAREHOLDINGS IN THE COMPANY THAT REPRESENT AT LEAST ONE TENTH OF THE VOTES FOR ALL SHARES IN THE COMPANY

Nordax Group AB owns and controls 100 percent of the equity and votes in Nordax Bank AB (publ).

RESTRICTIONS REGARDING THE ISSUE OF HOW MANY VOTES EACH SHAREHOLDER CAN CAST AT THE AGM

The share capital consists of one class, in which all shares carry the same right and shareholders can cast votes for every share that they own or represent.

PROVISIONS IN THE ARTICLES OF ASSOCIATION REGARDING THE APPOINTMENT AND DISMISSAL OF DIRECTORS AND REGARDING AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Articles of Association have no provisions regarding the appointment or dismissal of directors, except for one provision regarding the maximum and minimum number of directors.

Any notice convening an Extraordinary General Meeting (EGM) at which amendment of the Articles of Association is to be considered must be issued no earlier than six weeks and no later than four weeks before the meeting. Nordax's current Articles of Association were adopted at an EGM held on 16 March 2018.

BOARD'S AUTHORISATION TO THE BOARD OF DIRECTOR TO RESOLVE THAT THE COMPANY ISSUE NEW SHARES OR BUY ITS OWN SHARES

In 2018, the AGM did not authorise the Board to resolve that the Company issue new shares or buy its own shares.

Internal Control and Risk Management

Internal control of financial reporting is based on the six corner-stones of internal control presented below: control environment, risk management, control activities, information and communication, follow-up, and evaluation of and opinion on internal audit.

System of internal control and risk management for financial reporting
Internal control of financial reporting is a process that ensures that the principles established for internal control and financial reporting are complied with, and that the Company's financial reporting is prepared in accordance with the law, regulations, applicable financial reporting standards and generally accepted accounting practice, as well as with other requirements of companies whose transferrable securities are listed for trading in a regulated market.

Control Environment
Fundamental to Nordax's control of financial reporting is its control environment described in the Corporate Governance Report, including a clear and transparent organisational structure, clear definition of authorisations and responsibilities and governing documents such as internal policies, instructions and manuals. This also includes the ethical guidelines that are communicated to all employees and represent a fundamental condition for an effective control environment. Examples of policies, instructions and manuals include the Board's rules of procedure, CEO instructions, policy for the risk control function, policy for compliance function, policy for internal audit function and policy for accounting and attestation. Governing documents are evaluated continuously, although at least annually, and are updated as required by reason of new or amended regulations and/or in the event of internal changes in the business.

A further component of the control environment is the risk assessment, in other words identification and management of the risks that may affect the financial reporting and the control activities that aim to prevent, discover and remedy errors and deviations.

In order to assure adequate risk management and compliance with laws, regulations and internal control documents, Nordax's risk management and internal control environment are built on the three lines of defence.

Risk Management
Risk management at Nordax, applied to risks associated with financial reporting, takes a proactive and monitoring role with the emphasis on evaluation, controls and training initiatives. Nordax uses available techniques and methods for managing risk in a cost efficient way. Risk management is an integral part of business activities.

Control Activities
Various control activities are built into the financial reporting process. These control activities include both general and detailed checks designed to prevent, reveal and remedy errors, deviations and any irregularities that may have a material impact on financial reporting. The control activities are produced and documented at corporate and department level, on a reasonable level relative to the risk of errors and the effects of such errors. The person responsible in each department is firstly responsible for managing risks that are linked to the activities and financial reporting processes of the department concerned. In addition, a high level of IT security is essential to effective internal control of financial reporting. On that basis, rules and guidelines are in place to ensure availability, accuracy, confidentiality and traceability of information in the business systems.

Nordax has developed a governance framework tied to IFRS 9 that comprises a committee meeting chaired by the CFO, where all relevant functions are repre-sented. Moreover, a control framework has been developed where controls for the material aspects of the IFRS 9 process are formalised. The purpose of these controls is to control and verify, for example, inputs and outputs, and to ensure that material prepared for committee meetings has been produced in accordance 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.

Information and Communication
The Company has information and communication channels intended to support completeness and accuracy in financial reporting. Governing documents in the form of internal policies, instructions and manuals for financial reporting have been made available

and known to the personnel concerned via the Nordax intranet, and they are supplemented by routine and process descriptions. Ongoing information, dialogue, training initiatives and checks are used to ensure that employees are acquainted with and understand the internal system of regulation. The internal system of regulation, consisting of policies, instructions and manuals, supplemented by routine and process descriptions, is the most important tool of information provision in securing the quality of financial reporting. The financial reporting system is used across the whole group.

The aim of external communication is to provide an accurate picture of Nordax, and is governed by the communication policy. Nordax holds investor and analyst meetings and takes part in investor seminars.

Board of Directors' measures to follow up on internal control of financial reporting

The Board of Directors' measures to follow up on internal control of financial reporting are performed for example via the Board's ongoing follow-up of the Company's and the Group's financial position and results, key figures, costs in relation to budget and forecast etc., as well as via the Board's review and follow-up of combined assurance reports by external and internal auditors. The Board receives monthly financial reports and every Board meeting considers the Company's and the Group's financial position. The Board and the Board's Audit and Risk Committee also audit the quarterly financial reporting and the annual accounts, as well as the observations and conclusions of the external and internal auditors.

In addition, Nordax's Accounting and Reporting unit regularly compiles and reports financial and operational figures and analyses, to heads of functions, Management and Board. Accounting and Reporting works actively on ongoing follow-up of income and expenses of the business, in relation to budget and forecast. This work is conducted in close consultation with the management team and the rest of the organisation. The control functions Risk Control, Compliance and Internal Audit verify compliance with internal policies, instructions and manuals. At least quarterly, the Board is presented with reports from the Risk Control and Compliance functions. The reports include items such as evaluations of operations with regard to risk management and compliance and cover the entire organisation. The Group's information and communication channels are monitored continuously by the Board to ensure that they are fit for purpose in terms of financial reporting.

Evaluation of and opinion on internal audit

Nordax has established independent functions for risk control and compliance in accordance with the Swedish Financial Supervisory Authority's Regulations and General Guidelines regarding Governance, Risk Management and Control at Credit Institutions (FFFS 2014:1) and the European Banking Authority's Guidance on Internal Governance (GL 11). The functions report directly to the Board of Directors and the CEO. Nordax's Internal Audit function is appointed by, and reports directly to, the Board via the Audit and Risk Committee. Internal Audit has been outsourced to an external party in order to guarantee quality and independence of evaluation and auditing. During the period, the internal audit was conducted by PwC Sweden.

The role of Internal Audit is governed by the policy on the Internal Audit function, and the function's work is based on an audit plan that is scrutinised by the Audit and Risk Committee and adopted by the Board annually. The plan is based on a risk analysis performed jointly with the Risk Control and Compliance functions, Nordax's external auditors and the Chair of the Audit and Risk Committee. The work of Internal Audit includes, for example, scrutinising and determining whether systems, internal control mechanisms and routines are appropriate and effective, as well as deciding whether recommendations issued are complied with and, at least once a year reporting in writing to the Board and Audit and Risk Committee.

Nordax Bank

2018

FINANCIAL REPORTS AND NOTES

Nordax Bank AB (publ)

Consolidated income statement

GROUP

All amounts in MSEK	Note	JAN–DEC 2018	JAN–DEC 2017
Operating income			
Interest income	7,14	1,595	1,455
Interest expense	7,14	-270	-261
Total net interest income		**1,325**	**1,194**
Commission income	8,14	18	19
Net profit from financial transactions	9,14	37	-24
Total operating income		**1,380**	**1,189**
Operating expenses			
General administrative expenses	11,14	-411	-289
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	14,19,20	-23	-24
Other operating expenses	14	-137	-127
Total operating expenses		**-571**	**-440**
Profit before credit losses		**809**	**749**
Net credit losses	12,14	-380	-209
Operating profit		**429**	**540**
Tax on profit for the period	13	-103	-121
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		**326**	**419**
Attributable to:			
The Parent Company's shareholders		326	419

Consolidated statement of comprehensive income

Comprehensive income corresponds to net profit for the period.

Parent company income statement

PARENT COMPANY

All amounts in MSEK	Note	JAN–DEC 2018	JAN–DEC 2017
Operating income			
Interest income	7	1,599	1,461
Interest expense	7	-1,165	-1,113
Total net interest income		**434**	**348**
Commission income	8	8	5
Net profit from financial transactions	9	36	-23
Other operating income[1]	10	901	857
Total operating income		**1,379**	**1,187**
Operating expenses			
General administrative expenses	11	-406	-280
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	19,20	-12	-12
Other operating expenses		-137	-127
Total operating expenses		**-555**	**-419**
Profit before credit losses		**824**	**768**
Net credit losses	12	-380	-209
Operating profit		**444**	**559**
Tax on profit for the period	13	-106	-127
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		338	432

[1] Other operating income refers to income frome securitised loans.

Parent company statement of comprehensive income

Comprehensive income corresponds to net profit for the period.

Statement of financial position

All amounts in MSEK	Note	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
ASSETS					
Lending to credit institutions	4,5,6,15	2 ,681	1,795	2,167	1,365
Lending to the general public		15,140	13,488	15,137	13,480
Bonds and other fixed-income securities	5,6,17	1,187	1,184	1,187	1,184
Shares in subsidiaries	18	-	-	1	2
Intangible assets	19	4	6	4	6
Tangible assets	20	287	300	25	27
Current tax assets	13	4	-	4	-
Other assets	21	228	68	226	56
Prepaid expenses and accrued income		33	23	32	23
TOTAL ASSETS		**19,564**	**16,864**	**18,783**	**16,143**
LIABILITIES, PROVISIONS AND EQUTIY					
Liabilities					
Liabilities to credit institutions	5,6,22	2,831	3,054	-	-
Deposits from the general public	5,6,23	11,278	7,511	11,278	7,511
Issued securities	5,6,24	2,581	3,547	487	498
Liabilities to securitisation firms		-	-	4,380	5,594
Current tax liabilities	13	-	55	-	55
Deferred tax liabilities	13	3	31	-	24
Other liabilities	25	114	70	149	146
Accrued expenses and deferred income		68	54	63	49
Subordinated liabilities	5,6,26	249	247	249	247
Total liabilities		**17,124**	**14,569**	**16,606**	**14,124**
Equity					
Share capital		50	50	50	50
Other reserves		7	7	7	7
Other funds		22	19	22	19
Retained earnings, incl. profit for the year		2,361	2,219	2,098	1,943
Total equity		**2,440**	**2,295**	**2,177**	**2,019**
TOTAL LIABILITIES, PROVISIONS AND EQUTIY		**19,564**	**16,864**	**18,783**	**16,143**

Statement of cash flows

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Operating activities				
Operating profit (Group) / profit before tax (Parent company) [1]	429	540	444	559
Adjustment for non-cash items				
Exchange rate effects [2]	-46	24	-45	23
Income tax paid	-141	-96	12	-99
Depreciation, amortisation and impairment of property, plant	23	24	13	12
Amortisation of financing costs	31	-	10	
Unrealised changes in value of bonds and other fixed-income securities	10	6	806	6
Unrealised credit losses incl. IFRS 9 adjustment	814	-	-138	
Group contribution	-	-43	-	-43
Change in operating assets and liabilities				
Decrease/Increase in lending to the general public	-1,788	-834	-1,783	-814
Decrease/Increase in other assets	-168	-56	-181	40
Decrease/Increase in deposits from the general public	3,123	370	3,123	370
Decrease/Increase in other liabilities	6	-26	-36	510
Cash flow from operating activities	**2,293**	**-91**	**2,225**	**564**
Investment activities				
Purchase of equipment	-8	-16	-8	-16
Investment in bonds and other interest bearing securities	-3,342	-3,791	-3,342	-3,791
Sale/disposal of bonds and other fixed income securities	3,329	3,559	3,329	3,559
Cash flow from investing activities	**-21**	**-248**	**-21**	**-248**
Financing activities				
Increase in liability to credit institutions	-337	-133	-9	-
Issued bonds	-	2,107	-	-
Repayment of issued bonds	-1,049	-1,369	-12	-
Change in deemed loan liabilities			-1 381	
Paid dividend	-	-121	-	-121
Cash flow from financing activities	**-1,386**	**484**	**-1,402**	**-121**
Cash flow for the period	**887**	**145**	**802**	**195**
Cash and cash equivalents at beginning of year	**1,795**	**1,650**	**1,365**	**1,170**
Cash and cash equivalents at end of year	**2,681**	**1,795**	**2,167**	**1,365**

1 Whereof received interest MSEK 1,557 (1,398) and paid interest MSEK 207 (135) for the Group and whereof received interest MSEK 528 (1,398) and paid interest MSEK 106 (135) for the parent company.

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

Cash and cash equivalents are defined as lending to credit institutions. Pledged cash and cash equivalents according to Note 27 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

GROUP

All amounts are in MSEK	CB 2017	Cash flows	Other non-cash flow changes	Foreign exchange effects	CB 2018
Liabilities to credit institutions	3,054	-337	16	98	2,831
Issued securities	3,547	-1,049	14	69	2,581
Total	**6,601**	**-1,386**	**30**	**167**	**5,412**

PARENT COMPANY

All amounts are in MSEK	CB 2017	Cash flows	Other non-cash flow changes	Foreign exchange effects	CB 2018
Liabilities to credit institutions	-	-	-	-	-
Issued securities	498	-12	1	-	487
Total	498	-12	1	-	487

Consolidated statement of changes in equity

GROUP

All amounts are in MSEK	Share capital	Other reserves	Other funds	Retained earnings	TOTAL
OPENING BALANCE, 1 JANUARY 2017	50	7	5	1,969	**2,031**
Comprehensive income					
Net profit for the period				419	**419**
Total comprehensive income				419	**419**
Other reserves					
Capitalisation			16	-16	**-**
Depriciation			-2	2	**-**
Total other reserves			14	-14	**-**
Transactions with shareholders					
Dividends paid				-121	**-121**
Group contribution provided				-43	**-43**
Tax on group contribution				9	**9**
Total transactions with shareholders				-155	**-155**
CLOSING BALANCE, 31 DECEMBER 2017	50	7	19	2,219	**2,295**
OPENING BALANCE, 1 JANUARY 2018	50	7	19	2,219	**2,295**
Comprehensive income					
Net profit for the period				326	**326**
Total comprehensive income				326	**326**
Other reserves					
Capitalisation			8	-8	**-**
Depriciation			-5	5	**-**
Total other reserves			3	-3	**-**
Effect in equity attributable to transition to IFRS 9					
Initial effect in Equity attributable to transition to IFRS 9				-177	**-177**
Tax effect in Equity attributable to transition to IFRS 9				39	**39**
Total effect in equity attributable to the transition to IFRS 9				-138	**-138**
Transactions with shareholders					
Dividends paid				-	**-**
Group contribution provided				-55	**-55**
Tax on group contribution				12	**12**
Total transactions with shareholders				-43	**-43**
CLOSING BALANCE, 31 DECEMBER 2018	50	7	22	2,361	**2,440**

Parent company statement of changes in equity

PARENT COMPANY	Restricted equity			Unrestricted equity	
All amounts are in MSEK	Share capital	Other reserves	Other funds	Retained earnings	TOTAL
OPENING BALANCE, 1 JANUARY 2017	50	7	5	1,610	**1,672**
Comprehensive income					
Net profit for the period				432	432
Profit attributable to earlier periods				70	**70**
Total comprehensive income				502	**502**
Other reserves					
Capitalisation			16	-16	**-**
Depriciation			-2	2	**-**
Total other reserves			14	-14	**-**
Transactions with shareholders					
Dividends paid				-121	**-121**
Group contribution provided				-43	**-43**
Tax on group contribution				9	**9**
Total transactions with shareholders				-155	**-155**
CLOSING BALANCE, 31 DECEMBER 2017	50	7	19	1,943	**2,019**
OPENING BALANCE, 1 JANUARY 2018	50	7	19	1,943	**2,019**
Comprehensive income					
Net profit for the period				338	338
Total comprehensive income				338	338
Other reserves					
Capitalisation			8	-8	**-**
Depriciation			-5	5	**-**
Total other reserves			3	-3	**-**
Effect in equity attributable to transition to IFRS 9					
Initial effect in Equity attributable to transition to IFRS 9				-177	**-177**
Tax effect in Equity attributable to transition to IFRS 9				39	**39**
Total effect in equity attributable to the transition to IFRS 9				-138	**-138**
Transactions with shareholders					
Dividends paid					
Group contribution provided				-55	**-55**
Tax on group contribution				12	**12**
Total transactions with shareholders				-43	**-43**
CLOSING BALANCE, 31 DECEMBER 2018	50	7	22	2,098	**2,177**

Notes

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

Note 1 General information

Nordax Bank AB (publ) (Corporate Identity Number 556647-7286), with its registered office in Stockholm, address Box 23124, 104 35 Stockholm, phone number +46 8 508 808 00, www.nordaxgroup.com, hereinafter "Nordax", is a fully owned subsidiary to Nordax Group AB (publ) (Corporate Identity Number 556993-2485), with its registered office in Stockholm, which in turn is a fully owned subsidiary to NDX Intressenter AB (Corporate Identity Number 559097-5743), with its registered office in Stockholm. Consolidated financial statements are also provided by Nordax Group AB (publ) and NDX Intressenter AB.

Changes in the consolidated Group and the consolidated situation
During 2018 Nordax divested the fully owned subsidiaries Nordax Nordic AB (publ) och Nordax Nordic 3 AB (publ) for subsequent liquidation.

As at 31 March 2018 NDX Intressenter AB had acquired all outstanding shares in Nordax Group AB (publ) which triggered changes in the consolidated situation for regulatory reporting purposes. As at 31 December 2018 NDX Intressenter AB's share ownership amounted to 100%.

New members of the Board were appointed at the Extraordinary General Meeting held on 2 May 2018. At the Ordinary General Meeting that was held on 29 June 2018 the General Meeting decided on new provisions for Board renumeration. The previous Board was not remunerated by Nordax Bank AB (publ).

The consolidated financial statements and the annual report for Nordax Bank AB (publ) for the fiscal year 2018 was approved by the Board and the Chief Executive Officer on 8 April 2019 for subsequent submission to the 2019 General Meeting.

Note 2 Accounting and measurement policies

The most significant accounting policies applied in preparing the consolidated financial statements are described below.

Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU. In addition, the Group applies the following related amendments as they are stipulated in Credit Institutions and Securities Companies Act (1995:1559), the Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Regulations for Groups as well as the Swedish Financial Supervisory Authority's regulations and guidelines FFFS 2008:25.

New and changed financial reporting standards applied by the Group
The following financial reporting standards are applied by the Group for the first time for the fiscal year starting 1 January 2018.

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from contracts with customers

IFRS 9 - Financial instruments
IFRS 9 sets out provisions for classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. The final version of IFRS 9 was published in July 2014 and replaces IAS 39. The standard is adopted by the EU and is applied for all fiscal years starting on or after 1 January 2018. Nordax has not prematurely applied IFRS 9. IFRS 9 is principle-driven as opposed to IAS 39 that was rule-based and contains principles for how to classify and measure financial assets.

Classification and measurement
Financial assets
The key determinants for classification of financial assets under the IFRS 9 framework are (i) the "business model", i.e. the purpose for holding financial assets, and (ii) the nature of the contractual cash flows. The main portion of Nordax's assets are constituted by lending to the general public. Nordax has defined the business model for these assets as Hold to Collect. As part of the classification process, Nordax has performed a SPPI test (Solely Payments of Principal and Interest) that shows that the contractual terms for these financial assets generate cash flows constituted only by principle payments and interest on the outstanding principle. The result of the SPPI test implies that Nordax measures these assets at amortised cost in accordance with IFRS 9.

The transition to IFRS 9 did not trigger any revisions to measurement methodology for lending to the general public since these assets were measured at amortised cost under IAS 39.

Lending to credit institutions consists of cash and bank balances and was classified as Loans and Receivables under IAS 39. Lending to credit institutions is measured at amortised cost under IFRS 9.

Bonds and other fixed income securities was measured at fair value through profit and loss in accordance with the fair value option. The defined business model for bonds and other fixed income securities implies that these assets are mandatorily measured at fair value through profit and loss under IFRS 9. Derivatives held for trading are also measured at fair value through profit and loss under IFRS 9 which is no change to IAS 39.

Financial liabilities
All of Nordax's financial labilities except for derivatives are measured at amortised cost under IFRS 9 which is no change to IAS 39.

Hedge accounting
The IFRS 9 regime has changed the requirements for application of hedge accounting compared to IAS 39 through the replacement of the 80-25 criteria with a ratio requirement between the hedging instrument and the hedged item, where the hedge ratio should be

the same as that used for financial risk management purposes. As at 31 December 2018, the Group does not apply hedge accounting and is consequently not affected by the change in rules.

Impairment
IFRS 9 introduces a new model for calculating credit loss provisions based on expected credit losses and not solely on loss events that have already occurred. The impairment framework in IFRS 9 is based on a three-stage model where each stage reflects the change in credit risk since initial recognition. Additional information on impairment and expected credit loss provisioning can be found in Note 4.

Effects of transitioning to IFRS 9
The Group has revised its accounting principles and is retroactively applying IFRS 9 from 1 January 2018. As permitted by the transitional provisions of IFRS 9, the Group has elected not to restate comparative figures. The effect of transition has in its entirety been recognised in the opening balance of retained earnings on 1 January 2018.

The transition to IFRS 9 triggered a one-off increase in credit loss provisions of 177 MSEK (equivalent to 1.3% of lending to the general public) and a reduction of equity before tax with the corresponding amount. The increase in provisions is mainly due to that IFRS 9 requires that all loans, including fully performing claims, are included in the recognition of expected credit loss allowance. For capital adequacy reporting, Nordax has decided to apply the transition rules that allow for a gradual phasing of this effect. In the calculation of the capital base in capital adequacy the decrease in equity is amortised during the period 2018-2022 according to the below gradual reversal rates:

• 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

The below table outlines the transitional effects on financial assets in accordance with the respective classification categories under IAS 39 and IFRS 9.

IFRS 15 - Revenue from Contracts with Customers
IFRS 15 Revenue from Contracts with Customers is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts, as well as all associated interpretations (IFRIC and SIC). In IFRS 15 revenue is recognised when the customer gains control of the sold goods or services, a principle that replaces the previous principle that revenue is recognised when risks and benefits are assumed by the buyer. The basic principle in IFRS 15 is that a company recognises revenue in a way that best reflects the transfer of the promised goods or service to the customer. A company can choose between full retroactivity or prospective application with additional disclosures. The standard will be applied to financial years beginning 1 January 2018 and has been adopted by the EU. Prospective application is permitted. The Group will not apply IFRS 15 prospectively. The Group has evaluated that IFRS 15 will not have a significant impact on the financial statements due to the Group's revenue being transaction-based.

New applicable standards, amendments and interpretations of existing standards that have not yet entered into force and have not been adopted early by the Group
IFRS 16 - Leasing
IFRS 16 comes into effect the fiscal year starting 1 January 2019. The standard eliminates the distinction between operating and finance leasing in IAS 17 and requires that a right to use the leased asset is recognised as an asset in the statement of financial position and that a financial liability corresponding to the lease payments is recognised. A voluntary exception can be made for short-term contracts and contracts with marginal value. The income statement will be affected due to expenses being higher at the beginning of the contract and lower at the end. Operating profit is affected by the replacement of lease expenses with interest expenses, depreciation and amortisation. The scope of impact for Nordax is mainly the Group's leasing contracts regarding office facilities and cars.

TRANSITIONAL EFFECTS ON FINANCIAL ASSETS

	IAS 39 until 2017-12-31				IFRS 9 as of 2018-01-01		
Category	Financial assets available-for-sale	Held for trading/ fair value option	Loans and receivables	Initial effect attributable to transition to IFRS 9	Hold to collect	Other	Hold to collect and sell
Measurement	Fair value through other comprehensive income	Fair value through profit and loss	Amortised cost		Amortised cost	Fair value through profit and loss[1]	Fair value through other comprehensive income
Assets							
Lending to credit institutions			1,795	-	1,795		
Lending to the general public			13,488	-177	13,311		
Bonds and other fixed-income securities		1,184		-		1,184	
Derivatives		7		-		7	

[1] Mandatorily at fair value through profit and loss.

IMPAIRMENT

	IAS 39 until 2017-12-31			IFRS 9 as of 2018-01-01			
Allocation of provision	Individual	Collective	TOTAL	Stage 1	Stage 2	Stage 3	TOTAL
Loans and receivables	1,536	104	**1,640**	153	128	1,536	**1,817**

At transition to IFRS 16 on the 1 January 2019 Nordax will apply the prospective approach and not restate comparative figures as permitted by the standard. Leasing contracts that were classified as operational leases under IAS 17 will be recognised as the present value of remaining lease payments discounted by the incremental borrowing rate as at 1 January 2019. Nordax will recognise a right to use corresponding to the lease liability adjusted for potential prepaid leasing fees accounted for as at 31 December 2018. This implies that the transition to IFRS 16 will have no affect on equity.

The Group has elected to apply several of the practical expedients that are permitted by the standard where the most significant regards the exclusion of low-value leases that had a maturity of less than 12 months at the transition date.

The below table sets out the transitional effects from IFRS 16 that will impact Nordax's financial statements as at 1 January 2019.

None of the IFRS standards or IFRIC interpretations that have not yet entered into force are expected to have had a material impact on the Group.

All amounts are in MSEK	2019-01-01
Right to use	32.4
Long term lease liability	-22.9
Short term lease liability	-7.5
Prepaid leasing fee	-2
Initial effect recognised in equity	**0**

Consolidated financial statements
The consolidated financial statements have been prepared based on the cost method, except for financial instruments measured at fair value through profit and loss.

Consolidation of subsidiaries
Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to or has the right to variable returns from its holding in the entity and can affect this return through its influence in the entity. Subsidiaries are included in the consolidated financial statements from the date when control passes to the Group. Subsidiaries are deconsolidated from the date on which the control ceases.

Translation of foreign currency
Functional currency and reporting currency
Items included in the financial statements for the different units in the Group are measured in the currency used in the financial environment in which the company concerned is mainly active (functional currency). The functional currency and reporting currency of the Parent Company, which is the Swedish krona (SEK), is used in the consolidated financial statements.

Transactions and balance sheet items
Transactions in foreign currencies are translated to the functional currency at the exchange rate applicable on the transaction date. Exchange 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 rate prevailing on the reporting date are recognised in the income statement under the item Net profit from financial transactions.

Property, plant and equipment
Items of property, plant and equipment are recognised at cost and depreciated on a straight-line basis over their useful lifetime. The depreciation period 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 of software maintenance are recognised as an expense when they arise. Development costs directly attributable to development and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically possible to complete the software so that it can be used,
- the entity's intention is to complete the intangible asset and use or sell it,
- the conditions necessary to use or sell the software exist,
- it can be shown how the software generates probable future financial benefits,
- adequate technical, financial and other resources are available to complete the development and to use or sell the software, and
- the expenditure attributable to the software during its development can be calculated in a reliable manner.

Development costs are recognised as an asset in the balance sheet if it is probable that the future economic benefits will accrue to the company. Development costs not meeting the criteria for capitalisation are expensed as incurred. Development costs which have previously been recognised as an expense are not recognised as an asset in the subsequent period. Development costs for software recognised as an asset are amortised over its estimated useful lifetime, which is not more than five years.

Goodwill and customer relations
The carrying amount of goodwill is attributable to the acquisition of Nordax Holding AB in 2010. The carrying amount of customer relationships is also derived from this acquisition and is an estimate of the value of acquired customer databases. The intangible asset attributable to customer relationships is amortised over a period of ten years. Goodwill was previously monitored on an aggregate level, but as of 2014 it is monitored and tested on operating segment level based on the relative values on the segments that existed at the acquisition date. The carrying amount of goodwill is distributed as follows: Sweden 93 MSEK (93), Norway 97 MSEK (97), and Finland 61 MSEK (61).

Calculation of the value in use 2018
During the end of 2018, the recoverable amount has been calculated based on the value in use. The value in use has been calculated through the application of a DDM model (Divided Discount Model). This approach implies that the value of equity of each cash generating unit is derived through the discounting of that unit's expected cash flow from dividends. In order to properly reflect the relative risk of the investment as well as the time value of money, the present value of future cash flows is calculated using a discount rate that is based on the cost of equity. The expected future cash flows have been estimated using a projection period of seven years at the end of which the growth rate is expected to have stabilised. The most signifi-cant assumptions during the projection period is the management team's assessment of future growth and earnings net of credit losses which have been approved by the Board. The assumptions are based on historical performance and market data. After the projection period, a steady growth rate of 2% is assumed. When calculating the value in use, the Group has applied a capital ratio of 14.2%. The discount factor ranges from 16.1% - 16.6% and varies by operating segment. It is calculated under the assumption that the cost of equity after tax equals 13.5%.

Based on the outlined calculation approach above, the impairment test showed that no impairment regarding goodwill needed to be recognised. A change in the discount rate (+1 percentage unit) which is the most sensitive parameter would not cause a need for impairment loss recognition.

Calculation of the value in use 2017
During the end of 2017, the recoverable amount has been calculated based on the value in use. The value in use has been calculated through the application of a DCF model. This implies that the value of each cash generating unit is derived through discounting of the units' free cash flows. The expected future cash flows were based on the Group's five-year plan and an estimated terminal value at the end of the five-year period which equaled the carrying amount of the assets in scope. The steady growth rate after the projection period was assumed to be 0. For the 2017 calculation the Group assumed a capital requirement of 12 %. The discount factor ranged from 1.7% - 3.0% before tax and varied by operating segment. It was calculated under the assumption that the cost of equity before tax equaled 12.2% plus the market cost of funding for the assets in scope.

FINANCIAL ASSETS – Accounting policies applied as of 1 January 2018 under IFRS 9

As of 1 January 2018, the Group classifies its financial assets in the following categories:

• Financial assets measured at fair value either through profit and loss or through other comprehensive income
• Financial assets measured at amortised cost

The classification is based on the defined business model for management of financial assets and the contractual terms of these assets. Nordax's management team defines the classification of financial assets at initial recognition. Reclassification does only occur where the defined business model is changed.

Measurement
Financial assets are initially recognised at fair value plus transaction costs directly attributable to the acquisition provided that the asset is not measured at fair value through profit and loss. Transaction costs attributable to assets measured at fair value through profit and loss are instantly recognised in the income statement.

Initial recognition and derecognition
Purchases and sales of financial assets are recognised on the trade date which is the day Nordax is committed to either purchase or sell the asset. Financial assets are derecognised when all significant risks, benefits, and the right to collect cash flows from the asset has expired or transferred.

Investments in debt instruments
Amortised cost
Assets held for the purpose of collecting contractual cash flows where the cash flows are solely payments of interest and principle (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 amortised cost. Received origination fees are incorporated in the loan assets' initial carrying amount. Interest revenue recognised for such assets are reported in the item Net interest income through the application of the effective interest rate method. Foreign currency translation effects are reported in the item Net profit from financial transactions. Gains and losses arising at a derecognition event are reported in the item Net profit from financial transactions. This category includes Lending to credit institutions, Lending to the general public, Cash and bank balances with a central bank, and Other assets.

Fair value through profit and loss
Nordax measures bonds and other fixed income securities at fair value through profit and loss since the business model for managing these assets does not meet the requirements for amortised cost. The business model for these investments indicates that performance is followed up on a fair value basis and that Nordax's management team has the mandate to sell these assets. Changes in fair value are recognised as gains or losses for debt instruments measured at fair value through profit and loss are recognised in the income statement under the item Net profit from financial transactions. Interest income for such assets are reported in the item Net interest income for which information is provided in Note 7.

Impairment
As of 1 January 2018, the Group calculates expected credit losses related to investments in debt instruments measured at amortised cost based on forward looking information. The provisioning approach depends on whether a significant increase in credit risk ("SICR") has occured or not. Further information is provided in Note 4.

In the statement of financial position provisions for expected credit losses are recognised as a contra asset paired with the gross carrying amount for the asset. A write-off decreases the carrying amount for the asset. Changes in expected credit loss provisions and write-offs are recognised in the income statement under the item Net credit losses. Detailed information is provided in Note 12.

The Group writes off assets when there is no reasonable expectation of recovery. Received cash flows for written off assets and recoveries are recognised as impairment gains under the item 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 will be recognised under the item Net credit losses. Modification gain or losses are calculated as the difference between the gross carrying amount currently recognised 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 derecognised the date of modification is regarded as initial recognition for the new asset subject to future assessments of SICR. When the newly recognised loan is considered impaired at initial recognition it is categorised as a purchased or originated credit impaired asset in which it will stay 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 categorised as purchased or originated credit impaired assets both initially and at all subsequent measurement dates. Expected credit losses for such assets are always calculated on a lifetime basis. However, the expected credit losses at initial recognition are considered to be reflected in the gross carrying amount. The recognised loss allowance for such assets represents cumulative changes in lifetime expected credit losses. Beneficial changes in lifetime expected credit losses are recognised as impairment gains, even if the beneficial change is greater than the earlier amount recognised in the income statement as an impairment loss.

Derivatives
Derivatives are accounted for in the statement of financial position on the trade date and are measured at fair value, both initially and at subsequent measurement dates. Since Nordax does not apply hedge accounting, all changes in fair value of derivatives are recognised under the item Net profit from financial transactions.

FINANCIAL ASSETS – Accounting policies applied until 31 December 2017 under IAS 39
The Group classifies its financial assets in the following categories: financial assets measured at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of the financial assets on initial recognition.

Financial assets measured at fair value through profit and loss
Financial assets measured at fair value through profit and loss are financial assets held for trading and those financial assets that management at initial recognition classified to this category, i.e. designated at fair value. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading as the Group does not apply hedge accounting. Assets in this category, so-called derivatives, are classified as current assets, i.e. with the intent to be used within 12 months and are recognised under the items Other assets. Nordax has chosen to classify bonds and other fixed-income assets as financial assets measured at fair value through profit and loss (the fair value option) since the management at initial recognition classified these assets to this category, i.e. designated at fair value.

Loans and receivables
Loans and receivables are non-derivative financial assets, which have fixed or determinable payments and which are not listed on an active market. They are included in current assets with the exception of items with a due date more than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables consist of Lending to credit institutions, Lending to the general public, Cash and bank balances at central banks and Other assets in the balance sheet.

Recognition and measurement
Purchases and sales of financial assets are recognised on the settlement date. Financial instruments are initially recognised at fair value plus transaction expenses, which applies to all financial assets not recognised at fair value through profit and loss. Financial assets measured at fair value through profit and loss are initially recognised at fair value, while related transaction costs are recognised in profit and loss. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or has been transferred and the Group has transferred substantially all the risks and benefits associated with right of ownership. Financial assets measured at fair value through profit and loss are recognised after the time of acquisition at fair value. Loans and receivables are recognised at amortised cost with application of the effective interest method.

Gains and losses due to changes in fair value pertaining to the category of financial assets measured at fair value through profit and loss are recognised in the income statement in the period in which they arise and are included in the income statement item Net profit from financial transactions.

Impairment of assets carried at amortised cost
The bank assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of assets has declined in value, and impairment is made, only if there is objective evidence that they have declined in value as a result of one or more events that have occurred after the asset was first recognised ("loss event"), and the loss event (or loss events) has (or have) an impact on future expected cash flows from the financial assess or from the group of financial assets and this impact can be estimated with reasonable assurance. If, at a later time, the amount by which an asset neds to be impaired decreases and the decrease can be objectively attributed to an event after the impairment was made (as in the case of an improvement in a borrower's creditworthiness), the previously made impairment is reversed by reducing the amount of the provision.

Lending
Loan receivables intended to be held to maturity are classified as financial assets and constitute a separate category of financial instruments in IAS 39. These are recognised in the balance sheet at amortised cost net of realised and expected credit losses. Received arrangement commissions are included in the cost of loan receivables.

Disbursement takes place immediately after granting, whereupon there are no commitments in granted, non-disbursed loans.

Impairment of loan receivables is recognised in the income statement as Net credit losses, which consist of the year's write-off of observed credit losses, provisions for loans with individually identified loss events (individually identified loss events are understood to mean receivables past due more than 180 days) and a group provision for receivables measured collectively (past due 1-180 days). No provision is made for a loss event until the receivable is 180 or more days past due.

When the value of a loan receivable has declined, the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the instrument at the time of impairment, i.e. the initial effective interest rate.

See note 3 and 4.

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 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 according to Note 27 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 and loss and other financial liabilities.

Financial liabilities measured at fair value through profit and loss
Financial liabilities measured at fair value through profit and loss are financial liabilities held for trading. A financial liability is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading as the Group does not apply hedge accounting. Change in fair value is recognised in the income statement item Net profit from financial transactions. Liabilities in this category are recognised under the items Other liabilities.

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

Interest income and interest expenses
Interest income is recognised as income with application of the effective interest method. The Group recognises transaction costs such as opening fees, invoicing fees and monthly fees as income when they can be measured reliably. Transaction costs are included in the calculation of the effective interest rate.

Commission income
Commission income consists of insurance commission. The Group recognises commission income when the performance obligation is fulfilled, i.e. during the period when the brokerage service is carried out and Nordax has the right to receive 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 performed services.

Net profit/loss from financial transactions
Net profit/loss from financial transactions include realised gains and losses on all financial instruments. Gains and losses include gains and losses from changes in the exchange rate and profit from investments in bonds and other fixed-income securities.

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

Tax
Recognised income taxes comprise tax which is payable or receivable pertaining to the current year, adjustments pertaining to the current tax of previous years and changes in deferred tax. Tax liabilities/assets are measured at what, in the company's assessment, is due to be paid to or received from the tax authority.

Deferred tax is recognised in its entirety on all temporary differences arising between tax base and carrying amount of assets and liabilities for tax purposes. Deferred income tax is recognised with application of the tax rates applicable on the balance sheet date.

Employee benefits
Pension expenses
The Group's pension plans are funded through payments to insurance companies. The Group only has defined contribution pension plans. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees all the benefits relating to employee service in current and prior periods. For defined-contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as the pension is vested. Prepaid contributions are recognised as an asset to the extent that cash repayment or decrease in future payments can accrue to the Group.

Shared-based payments
Nordax introduced a management incentive plan that combines cash and shares in 2015 and the Annual General Meeting 2017 approved a similar plan for 2017. The incentive plans comprise two remuneration components: a cash component and a share-based component in the form of deferred restricted stock units. Shares and social security contributions are expensed in the period in which the free shares are earned, which is the same year that the variable remuneration is earned. After the Board of Directors has decided on the variable remuneration, shares can be acquired within the framework of Nordax's long term incentive plans at the prevailing market price on the date of the Board's decision. Repurchased shares are recognised as a reduction in equity. The deferred restricted stock units convert to shares when the qualifying period has elapsed. The qualifying period is 3 years for all participants in the plan with the exception of the CEO, who has a qualifying period of 5 years. To qualify for restricted stock units, the participant must remain an employee throughout the qualifying period. No share-based payments have been made up to and including 2017.

The above described management incentive plan was terminated during 2018.

Operating segments
The segment information is presented based on the perspective of the chief operating decision-maker, and the segments are identified on the basis of internal reporting to the Chief Executive Officer, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway, Finland, Denmark and Finland which reflects Nordax's lending portfolio. Income not directly attributable to segments is allocated with effect from 2014 with allocation keys in accordance with internal principles that 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 and where all relevant functions are represented. This committee meeting 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 formalised. The purpose of these controls is to control and verify among other things inputs, outputs and that material prepared for committee meetings has been produced in line with the duality principle. Moreover, the risk control function has its own controls for two purposes: to control the controls in the first line, and to verify the results. The risk control function also performs quarterly validations of the impairment model

Parent Company
The Parent Company's annual report has been prepared in accordance with the Annual Accounts Act (1995:1554), the Swedish Financial Accounting Standards Council's recommendation RFR 2 "Accounting for legal entities", and the Swedish Financial Supervisory Authority's guidelines (FFFS 2008:25).

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

Group contributions
Group contributions are reported in the income statement in accordance with RFR 2. Group contributions received from subsidiaries are recognised as financial income in the income statement. Group contributions paid to subsidiaries are recognized as increase in participations in Group companies to the extent that impairment is not required. The tax effect of Group contributions paid and received is recognised in the income statement in cases where the Group contribution is recognised in the income statement. As the Group contribution is recognized in equity, the tax effect is also recognised in equity.

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

In addition to the above, there are no material differences in the Parent Company's accounting policies compared with 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.

Measurement of expected credit losses ("ECL") according to IFRS 9
The loss allowance for financial assets measured at amortised cost is based on assumptions for the probability of impairment and expected losses given impairment. Nordax makes its own assumptions, and selection of input data to the model used for ECL measurement purposes. The input data builds upon historical performance, known market conditions, and forward-looking information at end of each reporting period.

The most significant assumptions made for application of criteria for ECL measurement purposes are outlined below:

- Definition of criteria for measuring SICR
- Grouping of financial assets
- Selection of forward-looking variables and their relative weighting in the ECL measurement process for each operating segment.

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

Impairment of loan receivables, credit risk until 2017-12-31
The Group regularly reviews its credit portfolios in order to identify impairment losses. In order to determine whether impairment should be recorded through profit or loss, an assessment is made of whether there are indications of reductions in future estimated cash flows from receivables in the credit portfolio. These indications may be a decline in payment status among a group of debtors or worsened economic conditions correlating with suspension of payments in the portfolio.

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

Management uses estimates based on historical credit losses for assets with the same credit risk and attributes as those in the loan portfolio. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between estimated and actual losses.

Calculation of fair value
The fair values of financial instruments which are traded in an active market (such as financial instruments held for trading and available-for-sale financial instruments) are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices from an exchange, broker, industry group, pricing service or regulatory authority are easily and regularly available, and these prices represent actual and regularly occurring arm's length market transactions. The quoted market price used for the Group's financial assets is the current bid price. These instruments belong to Level 1.

Fair value of financial instruments not traded in an active market are established using inputs other than quoted market prices that are observable for the asset or liability, either directly (i.e. in the form of quoted prices) or indirectly (i.e. derived from quoted prices). Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable the instrument belongs to Level 2.

In cases where one or several significant inputs are not based on observable market information the instrument is classified as Level 3. The company does not have any financial liabilities measured at Level 3.

Note 4 Financial risk management

Financial risk factors
Through its 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 minimising the potentially adverse effects of unpredictability in the financial markets. The Group employs derivative instruments to hedge certain risk exposure.

Risk management is handled primarily by a credit department and a central treasury department in accordance with policies defined by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group's operational units. The Board draws up written policies both for overall risk management and for specific areas, such as credit risk, foreign currency risk, interest rate risk, use of derivative and non-derivative financial instruments and investment of surplus liquidity. Risk management is supervised by the risk control function which reports to the Board of Directors in accordance with FFFS 2014:1.

Credit risk in general
Credit risk is defined as the risk of a counterparty or debtor not being able to fulfil 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 honour their obligations in a financial transaction. The Group is mainly exposed to credit risk in its lending portfolio where debtors might fail to pay their contractual instalments. The Group is also exposed to credit concentration risk regarding lending to credit institutions. Credit concentration risk represents exposure to specific counterparties, industries and regions.

Lending activities are based on policies adopted by the Board of Directors. All loans are assessed in a separate, centrally located department in the Group.

As consumer loans are provided without physical collateral, credit assessment is an important element. To obtain a loan, the customer and submitted application documents must fulfil a number of policy rules, such as minimum income, minimum age, maximum indebtedness and no record of non-payment. Decisions on loans are based on creditworthiness, which is determined using a model for calculating the probability that a borrower will be able to adhere to the concluded agreements ("credit scoring"). A customer's credit score determines, for instance, how much he or she will be able to borrow.

The credit decision is additionally based on a calculation of affordability to ensure that the customer is able to repay the loan. The affordability calculation assesses the customer's income, housing expenses, borrowing costs and living expenses. In cases where it is not possible to obtain income and debt information from credit reference agencies the customer is required to submit further information in addition to the application documents, such as a salary specification and tax return, to confirm his or her stated income and debts. This information is used to assess the customer's financial situation, for instance by calculating the customer's debt ratio and a "left to live on" amount.

Credit risks in other counterparty relationships, such as derivatives and financial investments, are regulated by a policy adopted by the Board of Directors. Collateral agreements are used to limit counterparty risks in derivative contracts.

Measurement of credit risk under IFRS 9
The estimation of the credit risk exposure for risk management purposes is complex and builds upon statistical modelling techniques. Nordax's model for credit risk measurement is component based where credit risk is measured 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 recognition date, the debtors' payment behaviour is continuously monitored in order to produce a behavioural credit risk score. All other information impacting the debtor's ability to pay instalments, such as historical payment pattern, is also incorporated in the production of behavioural credit risk scores. These scores are used for estimation of PD.

Measurement of credit risk under IAS 39
The credit risk in the portfolio is measured against the specified targets on an ongoing basis. The measurements are based partly on how loans perform over time, how old the individual loans are ("vintage") and the maturity of the overall portfolio. Measurements are made depending on the risk that a loan will fall into arrears and whether it has been impaired. Continuous measurements are also made on a segment basis. The applicable credit regulations and scoring models are followed up continuously to ensure the effectiveness of applied regulations and models. The results of these measurements are used as a basis for any adjustments to credit regulations and scoring models.

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

Principles for ECL provisions under IFRS 9
Model for ECL measurement
Nordax's model for ECL measurement according to IFRS 9 is constituted by two main sub-models: a quantitative cash flow based model that calculates ECL and a qualitative model that adjusts the quantitative model output based on forward-looking macroeconomic variable assumptions.

The qualitative model assumes two forward-looking macroeconomic scenarios: a base scenario that builds upon non-crisis macroeconomic conditions for Nordax's geographic market areas and a downturn scenario that builds on clear economic downturn in each of the geographic market areas.

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.

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

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

- GDP (PPP) development
- Price development on the market for Credit Default Swaps

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

The quantitative model is a three-stage model for the three different types of claims that are outlined by IFRS 9: claims where there has not occurred a SICR since initial recognition (stage 1), claims where a SICR since initial recognition has occurred (Stage 2), or claims that are credit-impaired (Stage 3).

During 2018 the following changes to model methodology and significant estimation techniques have been implemented:

• Transition from a standardised recovery curve to data driven dynamic recovery curve for the German portfolio.

• Adjustments of recovery curves following seized forward-flow sales arrangements on several of Nordax's geographic market areas.

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 lifetime probability of impairment. At origination an initial risk assessment is performed, and PD is calculated through deriving a behavioural 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 Groups' 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). Future income from sold loans are based on an agreed price.

Remaining contractual lifetime
For loans in Stage 2 and Stage 3 the Group 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 contractual lifetime, including provisions for repayment, prolongation and transfer that are legally binding for the creditor.

Collective measurement of ECL
Nordax's calculation of ECL builds on a collective measurement approach.

Grouping has been performed based on the following parameters:
- Country
- Credit risk rating
- Product

Defintion of impairment
Nordax's definition of impairment is when one or more of the below criteria are met.

Quantitative criteria:
• The debtor is more than 90 days past due on one or more of its contractual instalments with a material amount

Qualitative criteria:
• A concession has been granted in the form of an alternative payment plan.
• The debtor has deceased (the estate of the deceased)

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 does not longer meet the Group's definition of impairment as specified above.

Significant increase in credit risk
To determine whether a loan has experienced a SICR, a method is used in which the loans'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 occurred if:

• The 12-month PD has exceeded the threshold,
• or when the loan is more than 30 days past due in accordance with the IFRS 9 presumption

Mortgages
Mortgage loans are treated in a separate ECL model that is based on market data and historical data from the unsecured loan product.

Earlier applied principled for credit risk provisions under IAS 39
When the value of a loan receivable has declined, the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the variable rate instrument at the time of impairment of the instrument. Management uses estimates based on historical credit losses for assets with the same credit risk and attributes as those in the loan portfolio. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between estimated and actual losses.

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

When a loan becomes past due more than 180 days the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the instrument at the time of impairment. Expected recoveries are assumed to be generated up to 13 years from the date on which the receivable becomes past due more than 180 days. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between estimated and actual losses. The senior management uses estimates based on historical data and forecasts for longer periods where there are no own historical data.

MAXIMUM EXPOSURE TO CREDIT RISK

All amounts are in MSEK	2018-12-31	2017-12-31
Credit risk exposures relate to the balance sheet as follows:		
Lending to credit institutions	2,681	1,795
Lending to the general public	15,140	13,488
Bonds and other fixed-income securities	1,187	1,184
Total	**19,008**	**16,467**

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 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 2018	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL	Allocation of provision
Lending to the general ublic					
Sweden	4,847	268	931	**6,045**	-625
Norway	4,241	299	1,203	**5,744**	-792
Denmark	30	1	327	**359**	-303
Finland	3,236	257	541	**4,034**	-331
Germany	981	41	162	**1,184**	-174
Total	**13,336**	**866**	**3,164**	**17,365**	**-2,225**
Provision for expected credit losses	-205	-151	-1,870	**-2,225**	
Carrying amount of lending to the general public	**13,131**	**715**	**1,294**	**15,140**	
Allocation of provision in %	2%	17%	59%	**13%**	

31 December 2017	Not yet past due	Past due 30-60 days	Past due 60-90 days	Past due 91 days or more	TOTAL	Allocation of provision
Lending to the general ublic						
Sweden	4,223	75	47	816	**5,161**	-476
Norway	4,197	164	127	873	**5,361**	-555
Denmark	65	3	3	313	**384**	-297
Finland	2,543	103	64	440	**3,150**	-233
Germany	950	22	14	86	**1,072**	-79
Total	**11,978**	**367**	**255**	**2,528**	**15,128**	**-1,640**
Provision for past due receivables	-	-36	-68	-1 536	**-1,640**	
Carrying amount of lending to the general public	**11,978**	**331**	**187**	**992**	**13,488**	
Allocation of provision in %	0%	10%	27%	61%	**11%**	

PARENT COMPANY

31 December 2018	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL	Allocation of provision
Lending to the general ublic					
Sweden	4,846	268	931	**6,045**	-625
Norway	4,240	299	1,203	**5,742**	-792
Denmark	30	1	327	**359**	-303
Finland	3,235	257	541	**4,033**	-331
Germany	981	41	162	**1,183**	-174
Total	**13,333**	**866**	**3,164**	**17,362**	**-2,225**
Provision for expected credit losses	-205	-151	-1,870	**-2,225**	
Carrying amount of lending to the general public	**13,128**	**715**	**1,294**	**15,137**	
Allocation of provision in %	2%	17%	59%	**13%**	

31 December 2017	Not yet past due	Past due 30-60 days	Past due 60-90 days	Past due 91 days or more	TOTAL	Allocation of provision
Lending to the general ublic						
Sweden	4,214	74	47	816	**5,151**	-476
Norway	4,197	165	127	873	**5,362**	-555
Denmark	65	3	3	313	**384**	-297
Finland	2,543	103	64	440	**3,150**	-233
Germany	950	22	14	86	**1,072**	-79
Total	**11,969**	**367**	**255**	**2,528**	**15,119**	**-1,640**
Provision for past due receivables	-	-36	-68	-1,536	**-1,640**	
Carrying amount of lending to the general public	**11,969**	**331**	**187**	**992**	**13,480**	
Allocation of provision in %	0%	10%	27%	61%	**11%**	

Collateral
Part of Nordax's lending portfolio includes mortgages secured by immovable property. The valuation of collateral is part of Nordax's credit origination process and collateral values are continuously monitored.

Nordax's policies for received collateral has not significantly changed during the period and there has been no significant change in the quality of collateral. Since none of the loans where Nordax has received collateral were classified in Stage 3 as at 31 December 2018, there is no disclosure to be provided regarding the fair value of collateral for credit impaired assets.

Sensitivity analysis
The most significant factors that cause uncertainty in the model for calculation of ECL are the SICR thresholds, and the probability for economic downturn in the Group's geographic market areas where the Group is exposed to credit risk. The table below sets out the sensitivities of the ECL provision recognised at 31 December 2018 for alternative assumptions regarding the factors causing uncertainty.

GROUP

31 December 2018		Probability of economic downturn Aggressive	Base	Defensive
	SICR threshold			
	Aggressive	55	5	-3
	Base	50	-	-8
	Defensive	46	-4	-12

Reconciliation of the ECL provision
The ECL provision has been affected by a variety of factors during the period:

- Stage transfers impacting whether ECL is recognised on a lifetime or 12-month basis
- Increase in ECL for originated loans and reversal of ECL for written-off loans
- Changes in model components in input data which changes the calculation of credit risk and estimation of future recoveries
- Changes in model methodologies and significant assumptions for calculation of ECL
- Movements due to FX effects

The following tables explain the changes in the ECL provision between the beginning and the end of the annual period due to these factors due to these factors.

GROUP

	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Closing provision for credit losses calculated in accordance with IAS 39 31 December 2017				**1,640**
Initial effect attributable to the transition to IFRS S 9				**177**
Opening provision for expected credit losses 1 January 2018	153	128	1,536	**1,817**
Stage transfers				
Transfer to/from Stage 1	-28	-	-	**-28**
Transfer to/from Stage 2	-	109	-	**109**
Transfer to/from Stage 3	-	-	103	**103**
Origination of new loans	56	-	-	**56**
Derecognition	-3	-2	-57	**-63**
Changes in risk components	-5	-91	286	**189**
Changes in model methodologies and assumptions	28	3	23	**55**
FX effects	4	3	-21	**-13**
Others	-	0	-2	**-1**
Closing provision for expected credit losses 31 December 2018	205	151	1,870	**2,225**

PARENT COMPANY

	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Closing provision for credit losses calculated in accordance with IAS 39 31 December 2017				**1,640**
Initial effect attributable to the transition to IFRS S 9				**177**
Opening provision for expected credit losses 1 January 2018	153	128	1,536	**1,817**
Stage transfers				
Transfer to/from Stage 1	-28	-	-	**-28**
Transfer to/from Stage 2	-	109	-	**109**
Transfer to/from Stage 3	-	-	103	**103**
Origination of new loans	56	-	-	**56**
Derecognition	-3	-2	-57	**-63**
Changes in risk components	-5	-91	286	**189**
Changes in model methodologies and assumptions	28	3	23	**55**
FX effects	4	3	-21	**-13**
Others	-	0	-2	**-1**
Closing provision for expected credit losses 31 December 2018	205	151	1,870	**2,225**

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 2018	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Credit quality for lending to the general public [1]				
A-B	1,781	102	-	**1,883**
C-D	7,153	463	-	**7,616**
E-F	3,807	288	-	**4,095**
G-H	169	9	-	**178**
No rating	427	4	0	**431**
Credit impaired loans	-	-	305	**305**
Non-performing loans	-	-	2 859	**2 859**
Total exposure	**13,336**	**866**	**3,164**	**17,365**
Provision for expected credit losses	205	151	1,870	**2,225**
Carrying amount of lending to the general public	**13,131**	**715**	**1,294**	**15,140**

[1] Credit quality is based on ratings A to H, where A is the lowest risk and H is the highest risk. Creditworthiness is determined using a model for calculating the probability that a debtor will be able to adhere to the concluded agreements ("credit scoring").

Regarding the credit quality for Lending to credit institutions and Bonds and other fixed-income securities, please refer to section Information on liquidity risk under section Capital adequacy analysis.

No credit limits have been breached during period.

Market risk

Foreign exchange risk

The Group is active in the Nordic countries and Germany and is exposed to currency risks arising from currency exposure in relation to NOK, DKK and EUR. The most significant currency risk arises in the translation of receivables and liabilities in foreign currency. The Group's policy is to largely limit the risk by matching assets and liabilities in the same currency. Derivatives are used when considered necessary to attain this balance. The Group does not use derivatives to limit the effect of exchange rate changes for future revenues or costs.

During 2018 the Group closed the open positions in foreign currency that were used to protect the capital adequacy ratio against any exchange rate effects and replaced these with derivatives. The impact on Net profit from financial transactions due to exchange rate effects will hence decrease in the future.

The Board of Directors has adopted a policy stipulating that the Group shall continually measure and report its foreign exchange risk. It contains established limits for the maximum permitted net exposure in foreign currencies. The current limit adopted by the Board is 2 % of the capital base for the consolidated situation plus foreign currency exposure arising due to the purchase price allocation following NDX Intressenter AB's acquisition of Nordax Group. The actual exposure amount is 565 MSEK (787), distributed into 328 MNOK (418), 0.2 MDKK (4) and 22 MEUR (37). A change of 5% in the value of SEK against the other currencies would cause a change in profit/loss and in equity of 28.2 (39) MSEK, distributed into 16.3 MNOK (21), 0.14 MDKK (0.2) and 1.2 MEUR (1.8).

Interest rate risk attributable to cash flow and fair value

In principle, the Group's assets and liabilities have a fixed interest term of one month. The Group's interest rate risk is consequently very limited as regards both the fair value of assets and liabilities and the margin between interest income and interest expenses.

The Board of Directors has adopted a policy stipulating that the Group continuously measures and reports interest rate risk. The interest rate risk is measured using six scenarios specified by the Swedish Financial Supervisory Authority. In the most negative scenario, the interest rate risk amounts to 17 MSEK (20) and has a limit of 50 MSEK. The output showed a revaluation effect -3.4 MSEK (-1.8). The methodology for stress testing of interest rate risk was updated during 2018.

Lending to the public, Lending to credit institutions and Bonds and other fixed-income securities have an average fixed interest term of less than three months. Funding through the asset-backed securities market (securitisation) and secured funding from two international banks has an average fixed interest term of one month. Corporate bonds have a fixed interest term of three months and deposits from the public have an average fixed interest term of 0 months, with the exception of deposits with a fixed interest rate, which have a term of up to two years. Other assets, liabilities and equity do not accrue interest.

Liquidity risk

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

The table below presents an analysis of the Group's financial assets and financial liabilities to be settled, broken down according to the time remaining, at reporting date, to maturity. Issued securities are presented below as contractual and undiscounted cash flows. See note 24 for more information regarding issued securities. All other amounts stated in the table are the contractual, undiscounted cash flows.

FINANCIAL ASSETS

GROUP

31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to credit institutions	2,681	-	-	-	**2,681**
Lending to the general public	1,138	49	1,712	12,241	**15,140**
Bonds and other fixed-income securities	475	202	510	-	**1,187**
Derivatives	2	-	-	-	**2**
Other assets	181	-	-	-	**181**
Total	**4,477**	**251**	**2,222**	**12,241**	**19,191**

31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to credit institutions	1,795	-	-	-	**1,795**
Lending to the general public	904	38	1,567	10,979	**13,488**
Bonds and other fixed-income securities	476	200	508	-	**1,184**
Derivatives	7	-	-	-	**7**
Total	**3,182**	**238**	**2,075**	**10,979**	**16,474**

FINANCIAL LIABILITIES

GROUP

31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	11	32	1,314	2,116	**3,473**
Deposits from the general public	9,104	1,450	724	-	**11,278**
Issued securities	15	44	112	4 243	**4,414**
Subordinated liabilities	4	11	57	313	**385**
Deemed loan liability	-	-	-	-	**-**
Trade payables and other liabilities	47	-	-	-	**47**
Total	**9,181**	**1,537**	**2,207**	**6,672**	**19,597**

31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	11	33	1,346	2,393	**3,783**
Deposits from the general public	5,869	1,362	280	-	**7,511**
Issued securities	118	958	2,584	0	**3,660**
Subordinated liabilities	4	11	57	310	**382**
Deemed loan liability	-	-	-	-	**-**
Trade payables and other liabilities	3	52	-	-	**55**
Total	**6,005**	**2,415**	**4,267**	**2,703**	**15,390**

FINANCIAL ASSETS

PARENT COMPANY

31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to credit institutions	2,167	-	-	-	**2,167**
Lending to the general public	1,138	49	1,721	12,238	**15,137**
Bonds and other fixed-income securities	475	202	510	-	**1,187**
Derivatives	2	-	-	-	**2**
Other assets	181	-	-	-	**181**
Total	**3,963**	**251**	**2,222**	**12,238**	**18,674**

31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to credit institutions	1,365	-	-	-	**1,365**
Lending to the general public	903	35	1,563	10,979	**13,480**
Bonds and other fixed-income securities	476	200	508	-	**1,184**
Derivatives	7	-	-	-	**7**
Total	**2,751**	**235**	**2,071**	**10,979**	**16,036**

FINANCIAL LIABILITIES

PARENT COMPANY

31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	-	-	-	-	**-**
Deposits from the general public	9,104	1,450	724	-	**11,278**
Issued securities	490	-	-	-	**490**
Subordinated liabilities	4	11	58	313	**386**
Deemed loan liability	3	10	557	3,810	**4,380**
Trade payables and other liabilities	45	0	-	-	**45**
Total	**9,646**	**1,471**	**1,339**	**4,123**	**16,579**

31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	-	-	-	-	**-**
Deposits from the general public	5,869	1,362	280	-	**7,511**
Issued securities	2	7	501	-	**510**
Subordinated liabilities	142	13	589	4,850	**5,594**
Deemed loan liability	4	11	57	310	**382**
Trade payables and other liabilities	3	192	-	-	**195**
Total	**6,020**	**1,585**	**1,427**	**5,160**	**14,192**

Capital adequacy analysis
Capital adequacy information in this document refers to information whose disclosure is provided for in Chapter 6, Sections 3-4 of the Regulations and general recommendations (FFFS 2008:25) on the annual accounts of credit institutions and investment firms and to information in the General recommendations on capital adequacy and risk management (FFFS 2014:12) of the Swedish Financial Supervisory Authority. Other information required under FFFS 2014:12 is provided on the website, www.nordaxgroup.com.

Information on the consolidated situation
The top company in the consolidated situation is Cidron Humber 1 S.à r.l. The following companies are in the consolidated situation when calculating capital requirements: Cidron Humber 1 S.à r.l., Cidron Humber 2 S.à r.l., NDX Intressenter Invest Holding AB, NDX Intressenter Invest AB, NDX Intressenter Invest II AB, NDX Intressenter AB, Nordax Group AB, Nordax Bank AB (publ), Nordax Sverige AB, Nordax Nordic 4 AB (publ), Nordax Sverige 4 AB (publ) och Nordax Nordic 2 AB. Changes were made in the consolidated situation as of 31 March 2018 as NDX Intressenter AB acquired Nordax Group AB (publ). NDX Intressenter's holding as of 31 December 2018 amounted to 100 percent of the shares.

CAPITAL ADEQUACY All amounts in MSEK	Consolidated situation 2018-12-31	 2017-12-31	Parent company 2018-12-31	 2017-12-31
OWN FUNDS				
Common Equity Tier 1 capital	6 229	2 135	2 308	1 781
Deduction from own funds	-3 712	-306	-26	-106
Total Common Equity Tier 1 capital	**2 518**	**1 829**	**2 282**	**1 675**
Tier 1 capital, minority	81	-	-	-
Total Tier 1 capital	**2 599**	**1 829**	**2 282**	**1 675**
Tier 2 capital[4]	216	247	249	247
Net own funds	**2,814**	**2,076**	**2,531**	**1,922**
Risk exposure amount for credit risk	13,320	10,828	12,362	10,741
Risk exposure amount for market risk	565	787	71	896
Risk exposure amount for operational risks	912	800	882	800
Total risk exposure amount (risk weighted assets)	**14,797**	**12,415**	**13,315**	**12,437**
Common Equity Tier 1 capital ratio	17.02%	14.72%	17.14%	13.46%
Tier 1 capital ratio	17.56%	14.72%	17.14%	13.46%
Total capital ratio	19.02%	16.72%	19.01%	15.45%
Total Common Equity Tier 1 capital requirement including buffer requirement	8.40%	8.41%	8.40%	8.41%
- of which, capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%
- of which, countercyclical capital buffers	1.40%	1.41%	1.40%	1.41%
Common Equity Tier 1 capital available for use as buffer[1]	11.02%	8.72%	11.14%	7.46%
Specification of own funds				
Common Equity Tier 1 capital:				
Capital instruments and the related share premium accounts	4,324	847	78	76
-of wich share capital	43	111	50	50
- of wich other contributed capital	4,280	736	7	7
-of which other funds	-	-	22	19
Retained earnings	5	1,100	1,760	1,512
- Other transition adj. of common equity Tier 1 capital [5]	131	-	131	-
-Minority interest	1,749	-	-	-
Independently reviewed interim profits	20	409	338	432
Calculated dividend[2]	0	-221	0	-239
Common Equity Tier 1 capital before regulatory adj.	**6,229**	**2,135**	**2,308**	**1,781**
Regulatory adjustments:				
- Intangible assets	-3,710	-294	-25	-27
- Own shares	0	-11	0	-79
-Prudent valuation	-1	-1	-1	-1
Total regulatory adjustments to Common Equity Tier 1 capital	**-3,712**	**-306**	**-26**	**-106**
Common Equity Tier 1 capital	**2,518**	**1,829**	**2,282**	**1,675**
Tier 1 capital				
Tier 1 capital, minority	81	-	-	-
Total Tier 1 capital	**2,599**	**1,829**	**2,282**	**1,675**
Tier 2 capital				
Tier 2 capital instruments	216	247	249	247
Total Tier 2 capital	**216**	**247**	**249**	**247**
Total capital	**2,814**	**2,076**	**2,531**	**1,922**
Specification of risk exposure amount[3]				
Institutional exposures	563	364	435	276
Covered bonds	51	51	51	51
Household exposures	11,095	9,372	10,375	9,365
Exposures secured by mortgages on immovable property	80	-	80	-
Past due items	1,331	993	1,221	993
Other items	200	48	200	56
Total risk exposure amount for credit risk, Standardised Approach	**13,320**	**10,828**	**12,362**	**10,741**
Exchange rate risk	565	787	71	896
Total risk exposure amount for market risk	**565**	**787**	**71**	**896**
Operational risk according to the Alternative Standardised Approach	912	800	882	800
Total risk exposure amount for operational risks	**912**	**800**	**882**	**800**
LEVERAGE RATIO				
Exposure measure for calculating leverage ratio	16,906	16,278	18,873	16,033
Tier 1 capital	2,599	1,829	2,282	1,675
Leverage ratio	**15.37%**	**11.23%**	**12.09%**	**10.44%**

[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] Calculated dividend consists of estimated dividend for the period of 0 MSEK. The Swedish Financial Supervisory Authority (SFSA) has approved Nordax's application to include earnings in the capital base on the condition that the responsible auditor has reviewed the surplus, that the surplus has been calculated in accordance with applicable accounting rules, that predicted costs and dividends have been deducted in accordance with Regulation (EU) No 575/2013 and that the calculation has been made in accordance with Regulation (EU) No 241/2014.

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

[4] A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the consolidated rules for banking businesses. As a result, Nordax Bank's subordinated loans of 249 MSEK can only be included in the consolidated situation's capital base proportionate to the amount required to cover Nordax Bank's capital requirements. Consequently, eligible Tier 2 capital amounts to 216 MSEK.

[5] Nordax has notified the SFSA that the bank, at the consolidated and parent company level, will apply the transition rules according to article 473a in 2017/2395/EU, paragraphs 2 and 4. Table according to "Final report on the guidelines on uniform disclosure of IFRS 9 transitional arangements", EBA, 12 January 2018 is included in the information published according to del 8 in 575/2013/EU on the bank's website www.nordaxgroup.com.

CAPITAL REQUIRMENT

All amounts in MSEK	Consolidated situation		Parent Company	
	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Credit risk				
Institutional exposures	45	29	35	22
Covered bonds	4	4	4	4
Household exposures	888	750	830	749
Exposures secured by mortgages on immovable property	6	0	6	0
Past due items	107	79	98	79
Other items	16	4	16	4
Total capital requirement for credit risk	**1,066**	**866**	**989**	**859**
Market risk				
Exchange rate risk	45	63	6	72
Total capital requirement for market risk	**45**	**63**	**6**	**72**
Operational risk				
Operational risk	73	64	71	64
Total capital requirement for operational risks	**73**	**64**	**71**	**64**
Total capital requirement	**1,184**	**993**	**1,065**	**995**

Internal capital requirement
As of 31 December 2018, the internal capital assessed capital requirement amounted to 170 MSEK (160 as of 31 December 2017). The total capital requirement for the period amounts to 1,930 MSEK and are solely covered by CET1. The internal capital requirement is estimated using Nordax's internal models for economic capital.

Information on liquidity risk in accordance with FFFS 2010:7
The Group defines liquidity risk as the risk of failing to fulfil payment obligations at maturity without a significant increase in the cost of obtaining means of payment. The Group uses asset-backed borrowing in which parts of the Group's asset portfolios are pledged as collateral for the loans. The Group's long-term strategy is to match lending assets with the maturities of liabilities. The strategy is aimed at achieving a diversified funding platform comprising equity, subordinated debt, asset backed securities ("ABS"), bank warehouse funding facilities, deposits from the general public and senior unsecured bonds.

The goal is to use funding sources which:
• Provide a high degree of matching – of currencies and interest 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 and CEO.

Liquidity risk is measured on a daily basis and reported to the Nordax's management. Liquidity risk is reported at each board meeting. 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 favourable advance rates and changed cash flows) and specified separately and collectively.

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 of 31 December 2018 Nordax had a liquidity coverage ratio (LCR, Commission Delegated Regulation (EU) 2015/61 and Regulation (EU) No 575/2013) of 194 per cent (616). On the same date, the net stable funding ratio (NSFR) was 117 per cent (113), calculated in accordance with the Basel Committee's definition, which may be modi-fied when introduced by the EU. LCR and NSFR are calculated based on the previous consolidated situa-tion.

Nordax had a liquidity reserve at 31 December 2018 of 3,509 MSEK (2,610). Of these investments, 66 per cent (55) was in Nordic banks, 15 per cent (19) in Swedish covered bonds and 19 per cent (26) in Swedish municipal paper. All investments had a credit rating ranging from AAA to A+ from Standard & Poor's, with an average rating of AA (except 29 MSEK in exposure to Avanza Bank AB). The average maturity was 220 days (256). All bank holdings are highly liquid and all securities are repoable with central banks.

At 31 December 2018 Nordax's funding sources comprised 2,107 MSEK (3,074) through the asset-backed securities market (securitized), 487 MSEK (500) in senior unsecured bonds, 2,836 MSEK (3,130) in warehouse funding facilities provided by international banks and 11,260 MSEK (7,506) in deposits from the general public. The figures refer to the nominal amounts.

Note 5 Classification of financial assets and liabilities

GROUP

31 December 2018	Financial assets at fair value through profit or loss [1]	Financial assets at amortised cost	Financial liabilities at amortised cost	TOTAL
Assets				
Lending to credit institutions	-	2,681	-	**2,681**
Lending to the general public	-	15,140	-	**15,140**
Bonds and other fixed-income securities	2	-	-	**2**
Derivatives	1,187	-	-	**1,187**
Other assets	-	181	-	**181**
Total assets	**1,189**	**18,002**	**-**	**19,191**
Liabilities				
Liabilities to credit institutions	-	-	2,831	**2,831**
Deposits from the general public	-	-	11,278	**11,278**
Issued securities	-	-	2,581	**2,581**
Subordinated liabilities	-	-	249	**249**
Other liabilities	-	-	47	**47**
Total liabilities	**-**	-	16,986	**16,986**

[1] Mandatorily at fair value through profit and loss.

31 December 2017	Financial instruments measured at fair value through profit and loss		Loans and receivables	Other financial liabilities	TOTAL
	Held for trading	Designated at initial recognition			
Assets					
Lending to credit institutions	-	-	1,795	-	**1,795**
Lending to the general public	-	-	13,488	-	**13,488**
Bonds and other fixed-income securities	7	-	-	-	**7**
Derivatives	-	1,184	-	-	**1,184**
Total assets	**7**	**1,184**	**15,283**	-	**16,474**
Liabilities					
Liabilities to credit institutions	-	-	-	3,054	**3,054**
Deposits from the general public	-	-	-	7,511	**7,511**
Issued securities	-	-	-	3,547	**3,547**
Subordinated liabilities	-	-	-	247	**247**
Other liabilities	-	-	-	13	**13**
Total liabilities	**-**	-	-	**14,372**	**14,372**

PARENT COMPANY

31 December 2018	Financial assets at fair value through profit or loss [1]	Financial assets at amortised cost	Financial liabilities at amortised cost	TOTAL
Assets				
Lending to credit institutions	-	2,167	-	**2,167**
Lending to the general public	-	15,137	-	**15,137**
Bonds and other fixed-income securities	2	-		**2**
Derivatives	1,187	-	-	**1,187**
Other assets	-	181	-	**181**
Total assets	**1,189**	**17,485**	**-**	**18,674**
Liabilities				
Liabilities to credit institutions	-	-	-	**-**
Deposits from the general public	-	-	11,278	**11,278**
Issued securities	-	-	487	**487**
Deemed loan liability	-	-	4,380	**4,380**
Subordinated liabilities	-	-	249	**249**
Other liabilities	-	-	45	**45**
Total liabilities	**-**	**-**	**16,439**	**16,439**

[1] Mandatorily at fair value through profit and loss.

31 December 2017	Financial instruments measured at fair value through profit and loss		Loans and receivables	Other financial liabilities	TOTAL
	Held for trading	Designated at initial recognition			
Assets					
Lending to credit institutions	-	-	1,365	-	**1,365**
Lending to the general public	-	-	13,480	-	**13,480**
Derivatives	7	-	-	-	**7**
Bonds and other fixed-income securities	-	1,184	-	-	**1,184**
Total assets	**7**	**1,184**	**14,845**	-	**16,036**
Liabilities					
Liabilities to credit institutions	-	-	-	-	**-**
Deposits from the general public	-	-	-	7,511	**7,511**
Issued securities	-	-	-	498	**498**
Deemed loan liabilities	-	-	-	5,594	**5,594**
Subordinated liabilities	-	-	-	247	**247**
Other liabilities	-	-	-	11	**11**
Total liabilities	**-**	**-**	**-**	**13,861**	**13,861**

Note 6 Fair value measurement of financial assets and liabilities

GROUP

31 December 2018	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	2,681	2,681	-
Lending to the general public [2,4]	15,140	19,669	4,529
Derivatives	2	2	-
Bonds and other fixed-income securities	1,187	1,187	-
Total assets	**19,010**	**23,539**	**4,529**
Liabilities			
Liabilities to credit institutions [1]	2,831	2,831	0
Deposits from the general public [1]	11,278	11,278	-
Issued securities [3]	2,581	2,583	2
Subordinated liabilities [3]	249	254	5
Total liabilities	**16,939**	**16,946**	**7**

31 December 2017	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	1,795	1,795	-
Lending to the general public [2,4]	13,488	16,052	2,564
Derivatives	7	7	-
Bonds and other fixed-income securities	1,184	1,184	-
Total assets	**16,474**	**19,038**	**2,564**
Liabilities			
Liabilities to credit institutions [1]	3,054	3,054	-
Deposits from the general public [1]	7,511	7,511	-
Issued securities [3]	3,547	3,554	7
Subordinated liabilities [3]	247	260	13
Total liabilities	**14,359**	**14,380**	**21**

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.
4 Fair value for lending to the general public is calculated after tax.

PARENT COMPANY

31 December 2018	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	2,167	2,167	-
Lending to the general public [2,4]	15,137	19,669	4,532
Derivatives	2	2	-
Bonds and other fixed-income securities	1,187	1,187	-
Total assets	**18,493**	**23,025**	**4 ,532**
Liabilities			
Liabilities to credit institutions [1]	11,278	11,278	-
Deposits from the general public [1]	487	487	0
Issued securities [3]	4,380	4,380	-
Subordinated liabilities [3]	249	254	5
Total liabilities	**16,394**	**16,399**	**5**

31 December 2017	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	1,365	1,365	-
Lending to the general public [2,4]	13,480	16,052	2,572
Derivatives	7	7	-
Bonds and other fixed-income securities	1,184	1,184	-
Total assets	**16,036**	**18,608**	**2,572**
Liabilities			
Liabilities to credit institutions [1]	7,511	7,511	-
Deposits from the general public [1]	498	498	0
Issued securities [3]	5,594	5,594	-
Subordinated liabilities [3]	247	260	13
Total liabilities	**13,850**	**13,863**	**13**

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.
4 Fair value for lending to the general public is calculated after tax.

Calculation of fair value
The fair values of financial instruments which are traded in an active market (such as financial instruments held for trading and available-for-sale financial instruments) are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices from an exchange, broker, industry group, pricing service or regulatory authority are easily and regularly available, and these prices represent actual and regularly occurring arm's length market transactions. The quoted market price used for the Group's financial assets is the current bid price. These instruments belong to Level 1.

Fair value of financial instruments not traded in an active market are established using inputs other than quoted market prices that are observable for the asset or liability, either directly (i.e. in the form of quoted prices) or indirectly (i.e. derived from quoted prices). Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable the instrument belongs to Level 2.

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3. The company does not have any financial liabilities measured at Level 3.

The table below shows financial instruments measured at fair value according to their classification in the fair value hierarchy.

The different levels are defined as described below:
• Quoted market prices (unadjusted) on active markets for identical assets or liabilities (level 1)
• Other observable data for the asset or liability than quoted prices included in level 1, either direct (i.e. price quotes) or indirect (i.e derived from price quotes)(level 2).
• Data for the asset or liability that are not based on observable market data (i.e. non-observable data) (level 3).

Fair value measurement of Lending to the general public include observable market data and is thus classified as level 2. The fair value has been measured through discounting of expected future cash flows. The expected future cash flows are based on the size of portfolio as at the reporting date and an expected future cash flow based on the portfolio's maximum duration.

During 2018 there have been no transfers between the levels in the fair value hierarchy.

GROUP

31 December 2018	Level 1	Level 2	Level 3	TOTAL
Assets				
Lendning to the general public	-	19,669	-	**19,669**
Bonds and other fixed-income securities	562	625	-	**1,187**
Derivatives	-	2	-	**2**
Total assets	**562**	20,296	-	**20,858**
Liabilities				
Issued securities	-	2,583	-	**2,583**
Subordinated liabilities	-	254	-	**254**
Total liabilities	**-**	2,837	-	**2,837**

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

PARENT COMPANY

31 December 2018	Level 1	Level 2	Level 3	TOTAL
Assets				
Lendning to the general public	-	19,669	-	**19,669**
Bonds and other fixed-income securities	510	677	-	**1,187**
Derivatives	-	2	-	**2**
Total assets	**510**	20,348	-	**20,858**
Liabilities				
Issued securities	-	487	-	**487**
Subordinated liabilities	-	254	-	**254**
Total liabilities	**-**	**741**	**-**	**741**

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

Note 7 Net interest income

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Interest income from the general public [1]	1,469	1,300	1,474	1,306
Interest income from credit institutions	126	155	125	155
Total interest income	1,595	1,455	1 599	1,461
Interest expenses to the general public	-120	-110	-120	-110
Interest expenses to credit institutions	-134	-135	-14	-17
Interest expenses debenture loans	-16	-16	-16	-16
Interest expenses debenture loans	-	-	-1,015	-970
Total income expenses	-270	-261	-1,165	-1,113
Net interest income	**1,325**	**1,194**	**434**	**348**

[1] Interest income on impaired financial assets totals 100 MSEK (77) for the Group.
[2] Interest income from financial instruments not measured at fair value through profit and loss amounts to 1,595 (1,455) MSEK for the Group and 1,599 (1,461) MSEK for the parent company. Interest expenses from financial instruments not measued at fair value through profit and loss amounts to 270 (261) MSEK for the Group and 1,165 (1,113) MSEK for the parent company.

Note 8 Commission income

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Insurance commission [1]	18	19	8	5
Total	**18**	**19**	**8**	**5**

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

Note 9 Net profit from financial transactions

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Changes in exchange rates	44	-18	43	-17
Profit from investments in bonds and other fixed-income securities	-7	-6	-7	-6
Group contributions	-	-	-	-
Net profit/loss from financial transactions	**37**	**-24**	**36**	**-23**

The Group profit 2018 pertained to profit/loss from changes in exchange rates in the net position and flows in operations related to lending in NOK and DKK as well as lending in EUR and profit from investments in bonds and other fixed-income securities. Nordax open currency positions to protect capital adequacy relations from exchange rate fluctuations are replaced by derivatives. The effect of currency movements on regulatory capital that had a corresponding effect on the net profit from financial transactions in the income statement will further on be close to 0.

Note 10 Other operating income

Other operating income refers to income for securitised loans.

Note 11 General administrative expenses

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Employee benefit expenses				
Salaries and fees	-112	-102	-112	-102
Pension expenses	-12	-9	-12	-9
Social security contributions	-37	-34	-37	-34
Other employee benefit expenses	-10	-10	-10	-10
Total employee benefit expenses	-171	-155	-171	-155
Other administrative expenses				
IT expenses	-100	-46	-100	-46
External services	-96	-43	-96	-43
Costs of premises	-17	-10	-17	-10
Telephone and postage	-14	-23	-14	-23
Other	-13	-12	-7	-3
Total other administrative expenses	-240	-134	-234	-125
Total general administrative expenses	**-411**	**-289**	**-405**	**-280**

GROUP

All amounts are in MSEK	2018-12-31	2017-12-31
Specification of salaries and fees [1]		
Directors, Chief Executive Officer and other senior executives	-13	-15
Other employees	-99	-99
Total	**-112**	**-114**
Breakdown of social security contributions		
Directors, Chief Executive Officer and other senior executives	-5	-5
Other employees	-32	-33
Total	**-37**	**-38**
Breakdown of pension expenses		
Directors, Chief Executive Officer and other senior executives	-2	-2
Other employees	-10	-8
Total	**-12**	**-10**
Breakdown of average number of employees (converted to full-time equivalents)		
Women in Sweden	138	120
Men in Sweden	82	72
Total	**220**	**192**

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

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

The Chief Executive Officer has been employed in NDX Intressenter AB during 2018.

GROUP

Breakdown between women and men	2018-12-31	2017-12-31
Breakdown between women and men on the Board of Directors		
Women	-	4
Men	6	4
Total	**6**	**8**
Breakdown between women and men in the senior management		
Women	4	5
Men	5	6
Total	**9**	**11**

GROUP

All amounts are in TSEK	Basic salary/ Board fee	Variable renume-ration	Pension cost	**Total**
Remuneration and other benefits 2018 [1]				
Chairman Hans-Ole Jochumsen	-275	-	-	**-275**
Director Christopher Ekdal	-63	-	-	**-63**
Director Christian Frick	-100	-	-	**-100**
Director Heikki Kapanen	-150	-	-	**-150**
Director Henrik Källén	-175	-	-	**-175**
Director Ville Talasmäki	-75	-	-	**-75**
Other senior management (8 persons)	-14,827	-	-2,353	**-17,179**

All amounts are in TSEK	Basic salary/ Board fee	Variable renume-ration	Pension cost	**Total**
Remuneration and other benefits 2017				
Other senior management (7 persons)	-11,359	-3,814	-2,178	**-17,351**

[1] Renumeration to the Board of Directors is paid and reported in Nordax Bank AB (publ) since the Annual General Meeting of 2018. In total, 13 different people, employees of Nordax Bank AB, have been included in the executive management team. At the end of the period, they were eight. Remuneration above includes severance pay. Of remuneration to other senior executives, 2,272 TSEK refers to consulting fees.

Information on remuneration system
Information on the remuneration according to the Swedish Financial Supervisory Authority's regulations on supervisory requirements and capital buffers (FFFS 2014:12) is provided on Nordax's website www.nordax-group.com.

Share-based remuneration
Up until the delisting in April 2018, Nordax had a long-term management incentive plan comprising the following remuneration components: 40% of the variable remuneration is paid out in cash in the same year that the decision to grant the remuneration is made, while 60% of the variable remuneration is deferred for up to 3 years or, in the case of the CEO, 5 years (the qualifying period), in the form of restricted share units. Deferral takes place each year when the variable cash remuneration is paid out. One requirement for a participant to be entitled to receive an award is that the participant remains an employee throughout the qualifying period. After the qualifying period the restricted share units are converted to shares. One (1) restricted share unit entitles its holder to one (1) share. If employment terminates before vesting, all deferred restricted stock units as a rule lapse on the date on which the participant ceases to be employed. The shares awarded in the incentive plan are common shares that are entitled to dividends after the qualifying period. The number of restricted share units is determined from the established amount for deferred variable remuneration divided by the market price of the Nordax share based on settlements on the business day immediately preceding the day of the award decision, i.e., 7 February 2018 for the 2017 plan (7 February 2017 for the 2016 plan). Within the framework of the long-term management incentive plan, Nordax does not intend to repurchase any shares for 2017 (130,000 shares were repurchased for the 2016 plan).

CEO and other senior management
The CEO is employed by NDX Intressenter AB and not by Nordax Bank AB (publ).

The term of notice for other senior management is 4 months for the employee and 9 months for the company. If terminated during the period 20 November- 1 January or 20 May – 20 July, the term of notice for the employee is 6 months instead of 4 months. No employees, including the CEO, are eligible for severance upon termination.

All employees including the CEO are entitled to an occupational pension according to the following premium scale:

• Salary components to 7.5 income base amounts 4.5%
• Salary components over 7.5 income base amounts 30%
• Annual pensionable salary is calculated as monthly salary x 12.2

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

	GROUP		PARENT COMPANY	
Fees to auditors	2018-12-31	2017-12-31	2018-12-31	2017-12-31
PwC				
Audit engagement	-	0	-	0
Audit work in addition to the Audit assignment	-	-1	-	-1
Tax advisory services	-	0	-	0
Other services	-	0	-	0
Total	**-**	**-1**	**-**	**-1**
Deloitte				
Audit engagement	-3	-3	-3	-2
Audit work in addition to the Audit assignment	0	0	0	0
Tax advisory services	0	-	0	-
Other services	-	-	-	-
Total	**-3**	**-3**	**-3**	**-2**
Total expense for audit fees	**-3**	**-4**	**-3**	**-3**

Note 12 Credit losses

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Credit losses net - lending to the general public				
Stage 1	-52	-	-52	-
Stage 2	-22	-	-22	-
Stage 3	-306	-	-306	-
Credit losses for according to IFRS 9	**-380**	**-**	**-380**	**-**
Write-offs for the period pertaining to actual credit losses	-	-109	-	-109
Gross value of new receivables during the year past due more than 180 days	-	-534	-	-534
Payments received during the year pertaining to loans past due more than 180 days	-	298	-	298
Adjustment to recoverable value pertaining to receivables past due more than 180 days	-	158	-	158
Total provision for loans with individually identified loss event [1]	-	-78	-	-78
Group provision for receivables valued as a group [2]	-	-22	-	-22
Credit losses for according to IAS 39	**-**	**-209**	**-**	**-209**
Credit losses for the year	**-380**	**-209**	**-380**	**-209**

[1] Individually identified loss events refer to loans which are more than 180 days past due.
[2] Receivables valued as a group refers to loans between 1 and 180 days past due.

Note 13 Tax on profit for the year

	GROUP		PARENT COMPANY	
All amounts are in MSEK	**2018-12-31**	2017-12-31	**2018-12-31**	2017-12-31
Tax recognised in profit or loss				
Current tax on profit for the year	-102	-121	-102	-127
Tax on previous year's profit for the year	-5	-	-5	-
Deferred tax expense/income	4	-	-	-
Tax on profit for the year	**-103**	**-121**	**-106**	**-127**
Reconciliation of effective tax				
Reported profit before tax	429	540	444	559
Tax at current tax rate	-94	-118	98	-127
Tax effect of non-deductible expenses	-4	-4	-4	0
Tax effect of non-taxable income	0	1	0	-
Tax on previous year's profit for the year	-5	-	-5	-
Tax effect attributable to changes in tax rates	0	-	0	-
Tax on profit for the year according to the income statement	**-103**	**-121**	**-106**	**-127**
Tax recognised in the statement of financial position				
Actual tax asset	4	-	4	-
Actual tax liability	-	55	-	55
Deferred tax liability	3	31	-	24
Opening balance deferred tax liability	31	30	24	3
Through profit or loss	-4	-4	-	-
Related to temporary differences	-24	5	-24	21
Closing balance deferred tax liability	**3**	**31**	**-**	**24**
Deferred tax liability is attributable to				
Deferred tax related to business combinations	3	6	-	-
Deferred tax liability attributable to temporary differences in accrued costs of loans	-	25	-	24
Deferred tax liability according to balance sheet	**3**	**31**	**-**	**24**
Deferred tax to be recovered in 12 months	2	-4	-	-
Deferred tax to be recovered after 12 months	1	35	-	-

The applicable tax rate is the tax rate for income tax in the Group. The tax rate is 22% (22%). As of January 1, 2019 the tax rate will change to 21.4% and as of January 1, 2021 a further decrease to 20,6% is expected, which have had an impact on the calculation of the deferred tax liability. The deferred tax liability 2017 pertains to temporary differences in accrued arrangement fees for loans and handling fees.

Note 14 Operating segments

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

GROUP

JAN–DEC 2018	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Income statement						
Interest income [1]	487	598	4	397	109	**1,595**
Interest expenses	-69	-131	-1	-53	-16	**-270**
Total net interest income	**418**	**467**	**3**	**344**	**93**	**1,325**
Commission income	9	5	0	4	0	**18**
Net profit from financial transactions [3]	-2	17	1	33	-12	**37**
Total operating income	**425**	**489**	**4**	**381**	**81**	**1,380**
General administrative expenses	-154	-135	-3	-86	-33	**-411**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-10	-7	0	-4	-2	**-23**
Other operating expenses [2]	-46	-42	0	-31	-18	**-137**
Total operating expenses	**-210**	**-184**	**-3**	**-121**	**-53**	**-571**
Profit before credit losses	**215**	**305**	**1**	**260**	**28**	**809**
Net credit losses	-95	-141	3	-76	-71	**-380**
Operating profit	**120**	**164**	**4**	**184**	**-43**	**429**
Balance sheet						
Lending to the general public	**5,422**	**4,951**	**56**	**3,702**	**1,009**	**15,140**

GROUP

JAN–DEC 2017	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Income statement						
Interest income [1]	462	593	6	300	94	**1,455**
Interest expenses	-63	-142	-1	-41	-14	**-261**
Total net interest income	**399**	**451**	**5**	**259**	**80**	**1,194**
Commission income	9	7	0	3	0	**19**
Net profit from financial transactions [3]	0	-25	0	-1	2	**-24**
Total operating income	**408**	**433**	**5**	**261**	**82**	**1,189**
General administrative expenses	-90	-114	-3	-58	-24	**-289**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-13	-8	0	-2	-1	**-24**
Other operating expenses [2]	-32	-36	0	-31	-29	**-127**
Total operating expenses	**-135**	**-158**	**-3**	**-91**	**-54**	**-440**
Profit before credit losses	273	275	2	170	28	749
Net credit losses	-61	-106	0	-6	-36	**-209**
Operating profit	212	169	2	164	-8	539
Balance sheet						
Lending to the general public	**4,685**	**4,806**	**87**	**2,917**	**993**	**13,488**

1 Interest income refers to revenues from external customers.
2 Operating expenses consist of net results of financial transactions, other operating income, general administrative expenses and the portion of other operating expenses that does not pertain to marketing expenses.
3 The Group has closed the open positions in foreign currency that were used to protect the capital adequacy ratio against any exchange rate effects and replaced these with derivatives. The impact on Net profit from financial transactions due to exchange rate effects will hence decrease in the future.

Note 15 Lending to credit institutions

	GROUP		PARENT COMPANY	
All amounts are in MSEK	**2018-12-31**	2017-12-31	**2018-12-31**	2017-12-31
Banks	2,681	1,795	2,167	1,365
Total	**2,681**	**1,795**	**2,167**	**1,365**

The Group's lending to credit institutions includes SEK 515 (427) million in pledged assets for liabilities to credit institutions and issued securities.

Note 16 Lending to the general public

	GROUP		PARENT COMPANY	
All amounts are in MSEK	**2018-12-31**	2017-12-31	**2018-12-31**	2017-12-31
Households	15,140	13,488	15,137	13,480
Total	**15,140**	**13,488**	**15,137**	**13,480**

The Group item includes SEK 7,361 (9,130) million in pledged assets for liabilities to credit institutions and issued securities. Lending takes place in the currency of the country concerned. The geographical breakdown is presented in Note 4. Of total lending, SEK 13,950 million (12,542) has a maturity of more than one year.

Note 17 Bonds and other fixed-income securities

	GROUP		PARENT COMPANY	
All amounts are in MSEK	**2018-12-31**	2017-12-31	**2018-12-31**	2017-12-31
Holdings broken down by issuer				
Swedish municipalities	677	676	677	676
Swedish covered bonds	510	508	510	508
Bonds and other fixed-income securities	**1,187**	**1,184**	**1,187**	**1,184**

SEK 562 million are listed holding and the remaining 625 are unlisted. SEK 510 million (503) has a maturity of more than one year and

Note 18 Shares in Group companies

PARENT COMPANY

						Carrying amount in TSEK	
31 December 2018	Corporate Identity Number	Registered office	Share of equity	Share of votes	Number of shares	**2018-12-31**	2017-12-31
Nordax Sverige AB	556794-0126	Stockholm	100%	100%	100,000	100,000	100,000
Nordax Nordic AB (publ)	556787-1891	Stockholm	100%	100%	100,000	-	100,000
Nordax Nordic 2 AB	556823-4255	Stockholm	100%	100%	50,000	50,000	50,000
Nordax Nordic 3 AB (publ)	556961-5254	Stockholm	100%	100%	500,000	-	500,000
Nordax Nordic 4 AB (publ)	559049-5023	Stockholm	100%	100%	500,000	500,000	500,000
Nordax Sverige 4 AB (publ)	559007-7425	Stockholm	100%	100%	500,000	500,000	500,000
Total						**1,150,000**	**1,750,000**

Note 19 Tangible assets

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Non-current assets				
Cost at start of the year	26	23	26	23
- acquisitions during the year	1	4	1	4
- disposals during the year	0	-1	0	-1
Cost at end of the year	**27**	**26**	**27**	**26**
Accumulated and amortisation at start of year	-20	-16	-20	-16
- amortisation for the year	-3	-3	-3	-3
- reclassification between property, plant and equipment and intangible assets	-	-	-	-
- disposals during the year	0	-1	0	-1
Accumulated amortisation at end of year	**-23**	**-20**	**-23**	**-20**
Carrying amount	**4**	**6**	**4**	**6**

Note 20 Intangible assets

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Carrying amount				
Goodwill	251	251	-	-
Other intangible assets	36	49	25	27
Total	**287**	**300**	**25**	**27**

The parent company's other intangible assets are constituted by internally generated software development costs. The Group's other intangible assets include both internally generated software development costs and contractual client relationships. Goodwill is attributable to the acquisition of Nordax Holding AB during 2010.

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Other intangible assets				
Cost at start of the year	124	108	76	60
- acquisitions during the year	7	16	7	16
Cost at end of the year	**131**	**124**	**83**	**76**
Accumulated and amortisation at start of year	-75	-54	-49	-40
- amortisation for the year	-20	-21	-9	-9
Accumulated amortisation at end of year	**-95**	**-75**	**-58**	**-49**
Carrying amount	**36**	**49**	**25**	**27**

Note 21 Other assets

All amounts are in MSEK	GROUP 2018-12-31	GROUP 2017-12-31	PARENT COMPANY 2018-12-31	PARENT COMPANY 2017-12-31
Receivables Group companies	13	-	13	11
Tax account	57	25	56	13
Receivables debt collection companies	124	32	124	32
Other	33	11	32	0
Total	**228**	**68**	**226**	**56**

Note 22 Liabilities to credit institutions

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Foreign banks	2,831	3,054	-	-
Total	**2,831**	**3,054**	**-**	**-**

For the above liabilities in the Group, collateral has been provided in an amount of SEK 5,278 (5,214) million for receivables attributable to Lending to the general public and SEK 242 (156) million to Lending to credit institutions. Granted credit totals SEK 2,981 (3,130) million.

The Group's strategy for liquidity risk is aimed at achieving a diversified funding platform comprising equity, subordinated debt, securitised assets ("ABS"), bank credit facilities, Deposits from the general public and corporate bonds.

Note 23 Deposits from the general public

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Deposit accounts	11,278	7,511	11,278	7,511
Total	**11,278**	**7,511**	**11,278**	**7,511**

Note 24 Issued securities

			GROUP	
All amounts are in MSEK	Term	Early redemption date	2018-12-31	2017-12-31
Bonds issued by Nordax Nordic 4 AB, issued in NOK	Nov 2040	Okt 2020	2,094	2,026
Bonds issued by Nordax Sverige 4 AB, issued in SEK	Dec 2038	Nov 2018	-	1,023
Bonds issued by Nordax Bank AB, issued in SEK	Mar 2019	-	487	498
Total			**2,581**	**3,547**

The foreign exchange positions for securities issued in SEK and NOK are fully matched against assets in the currencies concerned. Securities issued in Nordic 4 AB and Sverige 4 AB are listed on the Irish stock exchange. Securities issued in Nordax Bank AB are listed on Nasdaq Stockholm. For the above liabilities, collateral has been provided in an amount of SEK 2,083 (3,916) million for receivables attributable to Lending to the general public and SEK 273 (271) million to Lending to credit institutions. The amounts above pertain to volumes issued to external investors.

Note 25 Other liabilities

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Trade payables	43	5	43	5
Liability to Group comanpanies	55	68	91	68
Other	17	-3	15	73
Total	**114**	**70**	**149**	**146**

Note 26 Subordinated liabilities

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Subordinated loans	249	247	249	247
Total	**249**	**247**	**249**	**247**

SPECIFICATION

2018-12-31	Currency	Date of issue	Principal amount	Coupon rate	Maturity
Subordinated bonds	SEK	2015-03-12	250	Stibor 3 mån +5,75%	2025-03-18

2017-12-31	Currency	Date of issue	Principal amount	Coupon rate	Maturity
Subordinated bonds	SEK	2015-03-12	250	Stibor 3 mån +5,75%	2025-03-18

Note 27 Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2018-12-31	2017-12-31	2018-12-31	2017-12-31
Pledged assets for own liabilities				
Lending to the general public	7,350	9,130	-	-
Lending to credit institutions	501	427	-	-
Total	**7,851**	**9,558**	**-**	**-**

All pledged assets are for the Group's asset related funding operations; securitisation and funding with collateral with international banks.

Note 28 Transactions with related parties

The Group has not had any transactions with related parties.

Note 29 Contingent liabilities

The Group does not have any contingent liabilities.

Note 30 Significant events after balance sheet date

Acquisition of Svensk Hypotekspension AB
On 15 January 2019 Nordax Bank AB (publ) acquired all shares in Svensk Hypotekspension AB ("SHP") for 912 MSEK. SHP offers an equity release loan product, "Hypotekspension", to individuals over 60 years old who own immovable property. The operations are organised in three companies. Origination of new loans are paid out and funded through Svenskhypotekspension Fond 2 AB. The second subsidiary Svensk Hypotekspension Fond 3 AB serves as a Special Purpose Vehicle ("SPV") for origination of debt securities. Through the acquisition of SHP, Nordax's strengthens its position as a leading specialist lender for households in Northern Europe and as a challenger bank on the mortgage market. Through the acquisition, Nordax further strengthens its expertise in mortgage products and sees the opportunity to realise synergies between SHP and Nordax.

The financial effects of this transaction have not been recognised in financial statements as at 31 December 2018. The acquired entity's operating profit, assets and liabilities will be consolidated as of 1 January 2019 for practical reasons.

Changes in the consolidated situation
On 26 March 2019 a change was made to the ownership structure which implies that NDX Intressenter AB is now the parent financial holding company in the consolidated situation pursuant to the provisions set out in Regulation (EU) No 575/2013. This change has resulted in a strengthened capital base for the consolidated situation as the deduction for the minority interest in NDX Intressenter AB held by Sampo Abp is eliminated.

Note 31 Proposed disposition of profits

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

All amounts are in SEK	
Retained earnings	1,760,055,000
Net profit/loss for the year	338,237,000
Total	**2,098,292,000**

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

All amounts are in SEK	
carried forward to new account	**2,098,292,000**
Total	**2,098,292,000**

Group contribution has been provided to Nordax Group AB (publ) of SEK 50,721,422 (42,775,869) and to NDX Intressenter AB of SEK 4,016,001 (0). Group contribution has been received from Nordax Nordic 2 AB of SEK 50,000 (50,000), from Nordax Sverige 4 AB of SEK 0 (50,000), Nordax Sverige AB of SEK 50,000 (0), and from Nordax Nordic 4 AB of SEK 50,000 (50,000).

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 8 April 2019

Hans-Ole Jochumsen
Chairman

Christopher Ekdahl
Director

Christian Frick
Director

Ville Talasmäki
Director

Heikki Kapanen
Director

Henrik Källén
Director

Jacob Lundblad
Chief Executive Officer

Our audit report was issued 8 April 2019

Deloitte AB

Malin Lüning
Authorized Public Accountant

Definitions

The Group considers that the key figures are relevant to the users of the financial report as a complement to assess the financial performance of the Group.

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

Return on assets
Net profit in relation to total assets.

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

Equity excluding intangible assets
Equity after deduction for intangible assets.

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

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

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

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

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 (CRR).

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 loss or reduced access to commonly available sources of funding.

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..

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

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

Earnings per share
Net profit attributable to shareholders in relation to the average number of shares.

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

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

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

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

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

AUDITORS REPORT

To the annual meeting of the shareholders of Nordax Bank AB (publ), corporate identity number 556647-7286

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Nordax Bank AB (publ) for the financial year 2018-01-01 – 2018-12-31, except for the corporate governance statement on pages 22-25 and the statutory sustainability report on pages 13-16. The annual accounts and consolidated accounts of the company are included on pages 6-68 in this document. In our opinion, the annual 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 parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies. 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 2018 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.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group. Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for auditors in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters
Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Assessments and estimates regarding the valuation of loan receivables

Accounting and valuation of loan receivables is an area that largely affects Nordax's financial results and financial position. IFRS 9 is a new and complex accounting rule that requires significant assessments from the bank's management to determine the size of the provisions for expected credit losses.

Key areas of judgment include:
• The interpretation of the requirements for determining the size of the provision for expected losses according to IFRS 9, which are reflected in the bank's model for calculating expected credit losses.
• Identification of exposures with a significant deterioration in credit quality.
• Assumptions that are applied in the model for calculating expected credit losses, such as the counterparty's financial position, expected future cash flows and forward-looking macroeconomic factors.

As of December 31 2018, the Group's lending to the public amounted to SEK 15,140 million, with provisions for expected loan losses of SEK 2,225 million. Given the significant share of the total assets, the impact that the inherent uncertainty and subjectivity involved in the assessment of the need for provisions, and since the disclosure requirements under IFRS 9 are significant, we consider this to be a key audit matter for our audit.

See also the accounting principles in Note 3 regarding significant assessments and estimates, and related information on credit risk in Note 4.

Our audit procedures included, but were not limited to:
• We have evaluated that key controls within the credit impairment process have been appropriately designed and implemented during the year. We also obtained an understanding of the process for key decisions from management and committee meetings that form part of the approval process for credit loss provisions.
• We have evaluated, with the support of specialists, the modelling techniques and model methods against the requirements of IFRS 9. We have examined the appropriateness of the models developed for the calculation of the reserve for expected credit losses.
• Based on data analysis, we examined a selection of loan commitments in detail to assess whether loan commitments with a significant deterioration in credit quality are correctly identified.

• We have involved our IT specialists and designed audit measures to test that identified key controls have been efficiently functioning during the year for the IT applications used in the calculation of the provisions for expected credit losses.
• Finally, we examined the completeness and reliability of the information in the annual report relating to the provisions for expected credit losses in order to assess compliance with the disclosure requirements according to IFRS.

IT systems that support complete and reliable financial reporting

Nordax is dependent on its IT systems to ensure complete and correct processing of financial transactions and to maintain appropriate internal control. Many of Nordax's internal controls relating to the financial reporting depend on automated application controls and the integrity and completeness of the data generated by the IT systems. Given the high degree of IT dependence, we consider this to be a key audit matter for our audit.

The following risks that could affect the financial reporting were identified:
• Incorrect and unauthorized changes to the IT environment
• Lack of operational and monitoring routines for the IT environment
• Incorrect and inadequate configuration of information security
Our audit procedures included, but were not limited to:
• We have audited the management's tests and controls in connection with changes in the IT environment.
• We have examined the process for monitoring the IT-System.
• We have reviewed the process of identity and access management, including assignment, change and removal of access rights.
• We have evaluated that processes and tools for ensuring access to information based on user needs and operational requirements, including back-up of information and restoring routines, are appropriately designed.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-5 and 13-16. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act 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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

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 Bank AB (publ) for the financial year 2018-01-01 – 2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit 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 examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 22-25 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 13-16, and that it is prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

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.

Deloitte AB was appointed auditor of Nordax Bank AB (publ) by the general meeting of the shareholders on June 29, 2018 and has been the company's auditor since the April 27, 2017.

Stockholm April 8, 2019

Deloitte AB

Malin Lüning
Authorized Public Accountant