

# Nordax Bank AB (publ)

INTERIM REPORT JANUARY-MARCH 2019

# About the Group, Nordax Bank AB (publ)

Nordax Bank AB (publ) (Corporate Identity Number 556647-7286), with its registered office in Stockholm at Box 23124, SE-104 35 Stockholm, Sweden, telephone number +46 8 508 808 00, [www.nordax-group.com](http://www.nordax-group.com), hereinafter “Nordax”, is a wholly owned subsidiary of Nordax Group AB (publ) (Corporate Identity Number 556993-2485), with its registered office in Stockholm. The Nordax Group’s owner is NDX Intressenter AB, which is controlled by Nordic Capital and Sampo and as of 31 March controlled 100 per cent of the shares in the company. This is Nordax’s sixteenth 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), Nordax Nordic 2 AB and Svensk Hypotekspension AB.

Nordax was authorised on 27 January 2004 as a credit market company to carry on finance activities. On 5 December 2014, Nordax received approval to carry on banking activities by the Swedish Financial Supervisory Authority according to the Banking and Finance Business Act and changed its name to Nordax Bank AB (publ).

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

Nordax’s main business is consumer lending 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. Since 2018, secured loans against residential property are offered as well in Sweden, and as of the first quarter of 2019 in Norway. In January 2019, Nordax finalised the acquisition of Svensk Hypotekspension AB (SHP). SHP was founded in 2005, and offers secured loans against residential property to Swedes aged 60 and older through the Hypotekspension equity release mortgage. Hypotekspension gives an older population an opportunity to free up equity without having to sell their home.

Nordax also offers personal savings accounts in Sweden, Norway, Finland and Germany. Savings deposits are part of Nordax’s diversified funding platform, which also consists of asset-backed securities, bank warehouse funding facilities, equity and subordinated debt.

## Important events during the period

### Personal loans

New lending for personal loans continued to grow strongly in the quarter to approximately SEK 2 billion, an increase of 56 percent compared to the same period in 2018. The Swedish market was the strongest performer, and Norway also developed positively. All sales channels had positive development, but new lending grew the most through loan brokers, which

was a result of improved customer processes and collaborations with more brokers.

### Mortgage loans

Nordax began offering mortgages in Sweden in 2018. The main target group is customers with some form of non-traditional employment, i.e. the self-employed or temporary employees, including project, part-time or replacement workers. Thorough credit assessments and personal contacts mean more loan approvals for this customer group, which is often denied by the major banks despite stable finances. The interest in the offer has been high and new lending has been stable.

At the end of the quarter, Nordax also began offering mortgage loans in the Norwegian market through loan brokers. The plan is to begin accepting mortgage applications directly through Nordax’s website in the second quarter.

### Equity release mortgages

New lending grew strongly in the quarter, more than doubling compared to the same period in 2018. One contributing factor has been increased marketing, which has led to greater awareness of SHP as a brand and equity release mortgages as a product. In addition, more applicants became eligible for an equity release mortgage during the quarter after the lending limit was changed and the offer was extended to more of the country’s municipalities.

### Portfolio development

Total lending amounted to SEK 20.9 billion (SEK 15.1 billion as of 31 December 2018). The acquisition of SHP and a strong quarter in the Swedish market were the most important reasons for the strong development, although other geographical markets except Germany grew as well. In the Swedish market, mortgage loans, personal loans and equity release mortgages also contributed to the strong trend.

### Other events

In the fourth quarter of 2018, Nordax received the magazine Privata Affärer’s award for Savings Rate of the Year, and in the first quarter Nordax raised its deposit rates in both Sweden and Norway. The attention surrounding the award, coupled with the marketing and improved rates, has led to significant growth in savings customers. Total deposits grew in the quarter to SEK 15.3 billion (SEK 11.3 billion as of 31 December 2018).

During the quarter, Adam Wiman was appointed the new CIO of Nordax. Adam worked most recently as a consultant at OPX Partners.

# Result January-March 2019

## GROUP

Operating profit amounted to 60 MSEK (156) in January-March 2019. Decrease due to higher costs.

Net interest income amounted to 352 MSEK (316) in January-March 2019. Higher net interest income due to a larger portfolio.

Credit losses from January-March 2019 amounted to -100 MSEK (-94), corresponding to 2.2 per cent (2.7) of average lending.

Operating expenses January-March 2019 amounted to -215 MSEK (-118). Increased costs as a result of investments in growth initiatives to grow and broaden Nordax's business but also acquisition costs and other costs related to SHP.

## PARENT COMPANY

Operating profit amounted to 73 MSEK (159) in January-March 2019.

Net interest income amounted to 172 MSEK (96) in January-March 2019.

Credit losses amounted to -100 MSEK (-94) in January-March 2019, corresponding to 2.5 per cent (2.7) of average lending.

Operating expenses amounted to -179 MSEK (-114) in January-March 2019.

# Risks and internal control

## RISKS AND UNCERTAINTIES

The Group is exposed to both credit risk and to other financial risks such as market risk and liquidity risk. The Group is also exposed to IT and operational risks. The Group's overall risk and capital policy details the risk framework as well as risk management roles and responsibilities within the Group. The Group's risk profile as well as related risk, liquidity and capital management are described in Nordax's Annual Report for 2018 and in the Risk Management and Capital Adequacy Report.

## INTERNAL CONTROL

The Group 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 44). The functions report directly to the Board of Directors and the CEO. Internal audit was during the period conducted by PwC Sweden.

# Key Figures

## GROUP

	Q1 2019	Q4 2018	Q1 2018
Common Equity Tier 1 Capital Ratio in %	14.7	17.0	14.3
Return on equity in %	7.5	4.2	22.4
Net credit loss level in %	2.2	2.8	2.7
Cost to Income ratio in %	57	53	32
Number of employees	238	217	195

## PARENT COMPANY

	Q1 2019	Q4 2018	Q1 2018
Common Equity Tier 1 Capital Ratio in %	15.4	17.1	13.9
Return on equity in %	10.5	5.1	26.0
Net credit loss level in %	2.5	2.8	2.7
Cost to Income ratio in %	51	52	31
Number of employees	226	217	195

# Consolidated income statement

<b>GROUP</b>		<b>Q1</b>	<b>Q4</b>	<b>Q1</b>
All amounts in MSEK	Note	2019	2018	2018
<b>Operating income</b>				
Interest income*		451	414	378
Interest expense		-99	-71	-62
<b>Total net interest income</b>		<b>352</b>	<b>343</b>	<b>316</b>
Commission income		14	4	3
Net profit from financial transactions		9	-11	49
<b>Total operating income</b>		<b>375</b>	<b>336</b>	<b>368</b>
<b>Operating expenses</b>				
General administrative expenses		-157	-133	-79
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-8	-5	-6
Other operating expenses		-50	-40	-33
<b>Total operating expenses</b>		<b>-215</b>	<b>-178</b>	<b>-118</b>
<b>Profit before credit losses</b>		<b>160</b>	<b>158</b>	<b>250</b>
Net credit losses	3	-100	-104	-94
<b>Operating profit</b>		<b>60</b>	<b>54</b>	<b>156</b>
Tax on profit for the period		-14	-28	-28
<b>NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME</b>		<b>46</b>	<b>26</b>	<b>128</b>
<b>Attributable to:</b>				
The Parent Company's shareholders		46	26	128

\* During the first quarter of 2019, administration fees of 10 MSEK included in net interest income have been reclassified as commission income in accordance with IFRS 15.

## Consolidated statement of comprehensive income

Total profit corresponds to profit for the period

# Parent Company income statement

<b>PARENT COMPANY</b>		<b>Q1</b>	<b>Q4</b>	<b>Q1</b>
All amounts in MSEK	Note	2019	2018	2018
<b>Operating income</b>				
Interest income*		408	389	387
Interest expense*		-236	-279	-291
<b>Total net interest income</b>		<b>172</b>	<b>110</b>	<b>96</b>
Commission income		5	1	1
Net profit from financial transactions		9	-14	48
Other operating income <sup>1</sup>		166	238	222
<b>Total operating income</b>		<b>352</b>	<b>335</b>	<b>367</b>
<b>Operating expenses</b>				
General administrative expenses		-133	-132	-78
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-2	-3	-3
Other operating expenses		-44	-40	-33
<b>Total operating expenses</b>		<b>-179</b>	<b>-175</b>	<b>-114</b>
<b>Profit before credit losses</b>		<b>173</b>	<b>160</b>	<b>253</b>
Net credit losses	3	-100	-104	-94
<b>Operating profit</b>		<b>73</b>	<b>56</b>	<b>159</b>
Tax on profit for the period		-15	-28	-28
<b>NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME</b>		<b>58</b>	<b>28</b>	<b>131</b>

<sup>1</sup> Operating income for the Parent Company refers to income from securitised loans.

\* During the first quarter of 2019, administration fees of 4 MSEK included in net interest income have been reclassified as commission income in accordance with IFRS 15.

## Parent company statement of comprehensive income

Total profit corresponds to profit for the period

# Consolidated statement of financial position

		GROUP		PARENT COMPANY	
		31 MARCH	31 DECEMBER	31 MARCH	31 DECEMBER
All amounts are in MSEK	Note	2019	2018	2019	2018
<b>ASSETS</b>					
Lending to credit institutions	5,6,7,9	2,150	2,681	1,778	2,167
Lending to the general public	3-9	20,933	15,140	16,348	15,137
Bonds and other fixed-income securities	5,6,7	2,781	1,187	2,781	1,187
Shares in subsidiaries		-	-	930	1
Intangible assets		1,024	287	23	25
Tangible assets		39	4	6	4
Current tax assets		82	4	80	4
Other assets	5,6	191	228	410	226
Prepaid expenses and accrued income		25	33	20	32
<b>TOTAL ASSETS</b>		<b>27,226</b>	<b>19,564</b>	<b>22,376</b>	<b>18,783</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>					
<b>Liabilities</b>					
Liabilities to credit institutions	5,6,7	4,766	2,831	-	-
Deposits from the general public	5,6,7	15,272	11,278	15,272	11,278
Issued securities	5,6,7	4,189	2,581	-	487
Liabilities to securitisation firms <sup>1</sup>		-	-	4,392	4,380
Deferred tax liability		30	3	-	-
Other liabilities	5,6	139	114	146	149
Accrued expenses and deferred income		100	68	82	63
Subordinated liabilities	5,6,7	249	249	249	249
<b>Total liabilities</b>		<b>24,745</b>	<b>17,124</b>	<b>20,141</b>	<b>16,606</b>
<b>Equity</b>					
Share capital		50	50	50	50
Other reserves		7	7	7	7
Other funds		-	-	20	22
Retained earnings, incl. profit for the year		2,424	2,383	2,158	2,098
<b>Total equity</b>		<b>2,481</b>	<b>2,440</b>	<b>2,235</b>	<b>2,177</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>		<b>27,226</b>	<b>19,564</b>	<b>22,376</b>	<b>18,783</b>

<sup>1</sup> Liabilities to securitisation firms refer in their entirety to liabilities to subsidiaries for the securitised loans, which are reported by Nordax Bank AB, since the derecognition rules according to IFRS 9 have not been met.

# Statement of cash flows

<b>GROUP</b>	<b>JAN-MAR</b>	<b>JAN-MAR</b>
All amounts are in MSEK	2019	2018
<b>Operating activities</b>		
Operating profit <sup>1</sup>	60	429
Adjustment for non-cash items		
Exchange rate effects <sup>2</sup>	36	-46
Depreciation, amortisation and impairment of property, plant & equipment	11	23
Amortisation of financing costs	11	31
Depreciation of surplus value related to the lending portfolio	2	-
Unrealised changes in value of bonds and other fixed income securities	-1	10
Unrealised credit losses incl. IFRS 9 adjustment	179	814
Income tax paid	-93	-141
Group contribution	0	-
<b>Change in operating assets and liabilities</b>		
Decrease/Increase in lending to the general public	-5,696	-1,788
Decrease/Increase in other assets	45	-168
Decrease/Increase in deposits from the general public	3,806	3,123
Decrease/Increase in other liabilities	87	6
<b>Cash flow from operating activities</b>	<b>-1,552</b>	<b>2,294</b>
<b>Investing activities</b>		
Purchase of equipment	-783	-8
Investment in bonds and other interest bearing securities	-2,182	-3,342
Sale/disposal of bonds and other fixed income securities	579	3,329
<b>Cash flow from investing activities</b>	<b>-2,386</b>	<b>-21</b>
<b>Financing activities</b>		
Change to liability to credit institutions	1,891	-337
Change issued bonds	1,517	-1,049
<b>Cash flow from financing activities</b>	<b>3,408</b>	<b>-1,386</b>
<b>Cash flow for the period</b>	<b>-530</b>	<b>887</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,681</b>	<b>1,795</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,150</b>	<b>2,681</b>

<sup>1</sup> Whereof received interest MSEK 398 (1,557) and paid interest MSEK 108 (207)

<sup>2</sup> Unrealized changes in value were recognised in earlier periods as exchange rate effects and have now been reclassified as changes in operating assets and liabilities.

Cash and cash equivalents are defined as lending to credit institutions. Pledged cash and cash equivalents according to Note 9 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 therefore are current.

# Statement of changes in equity

## GROUP

All amounts are in MSEK	Share capital	Other Reser- ves	Retained Ear- ning	TOTALT
<b>INGÅENDE BALANS 1 JANUARI 2018</b>	<b>50</b>	<b>7</b>	<b>2,238</b>	<b>2,295</b>
<b>Comprehensive income</b>				
Net profit/loss for the year			326	326
<b>Total comprehensive income</b>			<b>326</b>	<b>326</b>
<b>Effect in equity attributable to transition to IFRS 9</b>				
Initial effect in Equity attributable to transition to IFRS 9			-177	-177
Tax effect in Equity attributable to transition to IFRS 9			39	39
<b>Total effect in equity attributable to the transition to IFRS 9</b>			<b>-138</b>	<b>-138</b>
<b>Transactions with shareholders</b>				
Capital contributions			-55	-55
Tax effect on capital contribution			12	12
<b>Total transactions with shareholders</b>			<b>-43</b>	<b>-43</b>
<b>CLOSING BALANCE 31 DECEMBER 2018</b>	<b>50</b>	<b>7</b>	<b>2,382</b>	<b>2,439</b>
<b>OPENING BALANCE 1 JANUARY 2019</b>	<b>50</b>	<b>7</b>	<b>2,382</b>	<b>2,439</b>
<b>Comprehensive income</b>				
Net profit/loss for the year			46	46
<b>Total comprehensive income</b>			<b>46</b>	<b>46</b>
<b>Effect in equity attributable to transition to IFRS 9 - SHP</b>				
Initial effect in Equity attributable to transition to IFRS 9 - SHP			-5	-5
Tax effect in Equity attributable to transition to IFRS 9 - SHP			1	1
<b>Total effect in equity attributable to the transition to IFRS 9 - SHP</b>			<b>-4</b>	<b>-4</b>
<b>CLOSING BALANCE 31 MARCH 2019</b>	<b>50</b>	<b>7</b>	<b>2,424</b>	<b>2,481</b>



# Statement of changes in equity

PARENT COMPANY				Restricted equity	Non-restricted equity	
	Share capital	Other Reserves	Other Funds		Retained Earnings	TOTAL
All amounts are in MSEK						
OPENING BALANCE 1 JANUARY 2018	50	7	19		1,943	2,019
Comprehensive income						
Net profit/loss for the year					338	338
Total comprehensive income					338	338
Other reserves						
Capitalization			8		8	-
Depreciation			-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						
Capital contributions					-55	-55
Tax effect on capital contribution					12	12
Total transactions with shareholders					-43	-43
CLOSING BALANCE 31 DECEMBER 2018	50	7	22		2,098	2,177
OPENING BALANCE 1 JANUARY 2019	50	7	22		2,098	2,177
Comprehensive income						
Net profit/loss for the year					58	58
Total comprehensive income					58	58
Other reserves						
Capitalization			-		-	-
Depreciation			-2		2	-
Total other reserves			-2		2	-
CLOSING BALANCE 31 MARCH 2019	50	7	20		2,158	2,235

# Notes

Amounts stated in the notes are in MSEK unless otherwise stated.  
The information on pages 1-3 is an integrated part of this interim report.

## Note 1 General Information

Nordax Bank AB (publ) (Corporate Identity Number 556647-7286), with its registered office in Stockholm, is a wholly owned subsidiary to Nordax Group AB (publ) (Corporate Identity Number 556993-2485), registered office in Stockholm. Nordax Group's owner, NDX Intressenter AB, which is controlled by Nordic

Capital and Sampo, controlled 100 per cent of the shares in the company as of 31 March. Nordax Bank AB owns companies whose business includes owning companies and managing shares in companies whose main operations consist of consumer lending in the Nordic region.

## Note 2 Accounting and valuation Principles

The interim report has been prepared according to IAS 34, Interim Financial Reporting. The consolidated accounts for the Nordax Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, together with the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Regulations for Groups, and the Swedish Financial Supervisory Authority's regulations and guidelines FFFS 2008:25. In all material aspects, the Group's and the Parent Company's accounting policies, basis for calculations and presentations are unchanged in comparison with the Annual Report 2018, aside from the transition to IFRS 16. For more information, see below.

### New and amended accounting policies due to IFRS 16

The Group has applied IFRS 16 Leases retroactively as of 1 January 2019, but has not restated comparative figures for 2018, in accordance with the exemptions in the standard's transition rules. Reclassifications and adjustments that have arisen through first-time adoption of the standard have therefore been recognised in the opening balance as of 1 January 2019.

### Adjustments in the transition to IFRS 16

After the transition to IFRS 16, the Group recognises lease liabilities attributable to leasing contracts that were previously classified as operating leases under IAS 17 Leases. These liabilities have been measured as the present value of future lease payments discounted by Nordax's incremental borrowing rate as of 1 January 2019. Nordax's weighted average incremental borrowing rate applied to these lease liabilities was 2.63% as of 1 January 2019.

Right-of-use assets consisted upon transition of leases of premises, parking spaces and vehicles. All right-of-use assets have been measured as the value of the lease liability adjusted for prepaid or accrued leasing fees as of 31 December 2018. There were no onerous contracts which would have resulted in adjustments to right-of-use assets in connection with first-time adop-

tion. The recognised right-of-use assets are attributable to the following asset types:

Right-of-use assets (SEK million)	2019-03-31	2019-01-01
Premises and parking spaces	34	32
Vehicles	0	0
<b>Total right-of-use assets</b>	<b>34</b>	<b>32</b>

The amended accounting policy affected the following lines in the balance sheet as of 1 January 2019:

Effect on opening balance (SEK million)	2019-01-01
Tangible assets	32
Prepaid expenses and accrued income	-2
Lease liabilities	-30
of which short-term portion	-7
of which long-term portion	-23
<b>Effect recognised in equity</b>	<b>0</b>

### Practical expedients applied

When IFRS 16 was applied for the first time, the Group used the following practical expedients allowed in the standard:

- Operating leases with a remaining term of less than 12 months as of 1 January 2018 have been recognised as short-term leases
- Direct costs for right-of-use assets have been excluded at transition, and
- Low value leases are expensed on a straight-line basis through profit or loss.

### The Group's leasing activities and their recognition

The Group leases offices, parking spaces and vehicles.

Until 31 December 2018, leases on properties and other tangible assets were classified as operating leases. Payments for operating leases were recognised in profit or loss on a straight-line basis over the lease term. As of 1 January 2019, the leases are recognised as right-of-use assets and are included in tangible fixed assets with a corresponding lease liability included in other liabilities, from the date on which the leased asset is available for use by the Group.

Right-of-use assets are initially measured at cost and include the following:

- The amount that the lease liability was originally measured at
- Leasing fees paid on or before the initial date, after deducting any economic benefits received when the lease was signed
- Initial direct costs
- Costs to restore the asset to the condition stipulated in the lease terms.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful lifetime and the lease term. The carrying value is reduced by any impairment and adjusted for remeasurements of the lease liability (see below).

The lease liability is initially recognised at the present value of future payments. The lease payments are discounted by the lease's implicit rate if this interest rate can easily be determined. Nordax otherwise uses its incremental borrowing rate, i.e. the interest rate that the Group would have to pay for financing through loans for a corresponding period, and with corresponding collateral, for the right to use an asset in a similar economic environment.

The following lease payments are included in the calculation of the lease liability:

- Fixed fees (including in substance fixed fees), after deducting any economic benefits that will be received when the lease is signed
- Variable leasing fees that depend on an index or a price
- Amount expected to be paid by the lessee according to residual value guarantees
- The exercise price of an option to buy if the lessee is reasonably certain to exercise such an option
- Termination penalties if the lease term reflects that the lessee will exercise an option to terminate the lease.

The lease liability is measured at amortised cost applying the effective interest method. Each lease payment is divided between amortisation of the liability and financial cost. The financial cost is divided over the lease term, so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognised in each period. The lease liability is remeasured when there is a change to future lease payments that are based on an index or interest rate, or when management's assessment has changed whether options will be exercised to buy, extend or terminate the lease. When the lease liability is remeasured as a result of such changes, a corresponding adjustment is made to the carrying value of the right-of-use asset.

Payments for short-term leases and low-value leases are expensed on a straight-line basis through profit or loss. Short-term leases have a term of 12 months or less.

Options to extend are included in a number of the Group's office leases. Such options can only be exercised by Nordax, not the lessor. When setting the lease term, management considers all available information that gives an economic incentive to exercise an extension option, or not to exercise an extension option. An option to extend a lease is included in the lease term only if it is reasonably certain that the lease will be extended (or not terminated).

See also note 11 - Transition effects IFRS 16 Leases.

## Note 3 Credit risk

### GROUP

All amounts in MSEK

	Q1 2019	Q4 2018	Q1 2018
<b>Credit losses, net - lending to the general public</b>			
Stage 1	-14	3	-11
Stage 2	-17	4	-18
Stage 3	-70	-111	-65
<b>Total credit losses</b>	<b>-100</b>	<b>-104</b>	<b>-94</b>

### PARENT COMPANY

All amounts in MSEK

	Q1 2019	Q4 2018	Q1 2018
<b>Credit losses, net - lending to the general public</b>			
Stage 1	-14	3	-11
Stage 2	-17	4	-18
Stage 3	-70	-111	-65
<b>Total credit losses</b>	<b>-100</b>	<b>-104</b>	<b>-94</b>

## Note 4 Lending to the general public

### GROUP

31 March 2019	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL	Allocation of provision past due receivables	
Stage 1	5,555	4,426	21	3,394	950	4,574	18,920	-227	1%
Stage 2	312	349	1	243	42	11	958	-172	18%
Stage 3	977	1,347	328	614	175	3	3,444	-1,990	58%
<b>Total</b>	<b>6,843</b>	<b>6,122</b>	<b>351</b>	<b>4,251</b>	<b>1,167</b>	<b>4,588</b>	<b>23,322</b>	<b>-2,389</b>	<b>10%</b>
Reserve	-657	-872	-304	-365	-185	-6	-2,389		
<b>Total lending to the general public</b>	<b>6,186</b>	<b>5,249</b>	<b>47</b>	<b>3,886</b>	<b>982</b>	<b>4,582</b>	<b>20,933</b>		

### GROUP

31 December 2018	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision past due receivables	
Stage 1	4,847	4,241	30	3,236	981	13,336	-205	2%
Stage 2	268	299	1	257	41	866	-151	17%
Stage 3	931	1,203	327	541	162	3,164	-1,870	59%
<b>Total</b>	<b>6,045</b>	<b>5,744</b>	<b>359</b>	<b>4,034</b>	<b>1,184</b>	<b>17,365</b>	<b>-2,225</b>	<b>13%</b>
Reserve	-625	-792	-303	-331	-174	-2,225		
<b>Total lending to the general public</b>	<b>5,422</b>	<b>4,951</b>	<b>56</b>	<b>3,702</b>	<b>1,009</b>	<b>15,140</b>		

### PARENT COMPANY

31 March 2019	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision past due receivables	
Stage 1	5,554	4,425	21	3,394	949	14,343	-223	2%
Stage 2	312	349	1	243	42	947	-171	18%
Stage 3	977	1,347	328	614	175	3,442	-1,990	58%
<b>Total</b>	<b>6,842</b>	<b>6,121</b>	<b>351</b>	<b>4,251</b>	<b>1,167</b>	<b>18,732</b>	<b>-2,384</b>	<b>13%</b>
Reserve	-657	-872	-304	-365	-185	-2,384		
<b>Total lending to the general public</b>	<b>6,185</b>	<b>5,249</b>	<b>47</b>	<b>3,886</b>	<b>982</b>	<b>16,348</b>		

### PARENT COMPANY

31 December 2018	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision past due receivables	
Stage 1	4,846	4,240	30	3,235	981	13,333	-205	2%
Stage 2	268	299	1	257	41	866	-151	17%
Stage 3	931	1,203	327	541	162	3,164	-1,870	59%
<b>Total</b>	<b>6,045</b>	<b>5,742</b>	<b>359</b>	<b>4,033</b>	<b>1,183</b>	<b>17,362</b>	<b>-2,225</b>	<b>13%</b>
Reserve	-625	-792	-303	-331	-174	-2,225		
<b>Total lending to the general public</b>	<b>5,420</b>	<b>4,950</b>	<b>56</b>	<b>3,701</b>	<b>1,009</b>	<b>15,137</b>		

## Note 5 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 securities companies (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](http://www.nordaxgroup.com).

### Information on the Group structure

The top company in the consolidated situation is NDX Intressenter AB. The following companies are in the consolidated situation when calculating capital requirements: 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 and Svensk Hypotekspension AB with subsidiaries Svensk

Hypotekspension Fond 2 AB och Svensk Hypotekspension Fond 3 AB.

Changes were made in the consolidated situation as of March 2019 as NDX Intressenter AB became parent company in the consolidated situation. NDX Intressenter's holding as of 31 March 2019 amounted to 100 percent of the shares. The change implies that there is no longer any minority interests in the consolidated situation, however the third party interest remains through the subordinated loan in Nordax Bank.

Since January 2019, Svensk Hypotekspension AB has been included in Nordax Bank AB (publ)'s consolidated situation. This resulted in an increased capital requirement for credit risk for the parent company, through the shareholding. For the consolidated situation, the capital requirement increased through SHP's mortgage portfolio.

All amounts in MSEK	Consolidated situation		Parent Company	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
<b>OWN FUNDS</b>				
Common Equity Tier 1 capital	6,830	6,229	2,352	2,308
Deduction from own funds	-4,302	-3,712	-26	-26
<b>Total Common Equity Tier 1 capital</b>	<b>2,527</b>	<b>2,518</b>	<b>2,326</b>	<b>2,282</b>
Tier 1 Capital, minority	-	81	-	-
Sum Tier 1 Capital	2,527	2,599	2,326	2,282
Tier 2 Capital <sup>4</sup>	184	216	249	249
<b>Net own funds</b>	<b>2,711</b>	<b>2,814</b>	<b>2,575</b>	<b>2,531</b>
Risk exposure amount for credit risk	15,663	13,320	14,216	12,362
Risk exposure amount for market risk	581	565	53	71
Risk exposure amount for operational risks	912	912	882	882
<b>Total risk exposure amount (risk weighted assets)</b>	<b>17,156</b>	<b>14,797</b>	<b>15,151</b>	<b>13,315</b>
Common Equity Tier 1 capital ratio	14.73%	17.02%	15.35%	17.14%
Tier 1 capital ratio	14.73%	17.56%	15.35%	17.14%
Total capital ratio	15.80%	19.02%	17.00%	19.01%
Total Common Equity Tier 1 capital requirement including buffer requirement	8.48%	8.40%	8.47%	8.40%
- of which, capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%
- of which, countercyclical capital buffers	1.48%	1.40%	1.47%	1.40%
Common Equity Tier 1 capital available for use as buffer <sup>1</sup>	8.73%	11.02%	9.35%	11.14%
<b>Specification own funds</b>				
Common Equity Tier 1 capital:				
Capital instruments and the related share premium accounts	6,779	4,324	77	78
- of which share capital	1	43	50	50
- of which other contributed capital	6,777	4,280	7	7
- of which other funds	1	-	20	22
Retained earnings	22	5	2,100	1,760
- Other transition adj. of common equity Tier 1 capital <sup>5</sup>	117	131	117	131
- Minority interest	-	1,749	-	-
Independently reviewed interim profits	29	20	58	338
Calculated dividend <sup>2</sup>	-	-	-	-
<b>Common Equity Tier 1 capital before regulatory adj.</b>	<b>6,947</b>	<b>6,229</b>	<b>2,352</b>	<b>2,308</b>

	Konolidated situation		Nordax Bank AB	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Alla amounts in MSEK				
Regulatory adjustments:				
- Intangible assets	-4,417	-3,710	-23	-25
- Own shares	-	-	-	-
- Prudent valuation	-3	-1	-3	-1
<b>Total regulatory adjustments to Common Equity Tier 1</b>	<b>-4,420</b>	<b>-3,712</b>	<b>-26</b>	<b>-26</b>
<b>Common Equity Tier 1</b>	<b>2,527</b>	<b>2,518</b>	<b>2,326</b>	<b>2,282</b>
Tier 1 capital				
Tier 1, minority	-	81	-	-
<b>Tier 1 capital, total</b>	<b>2,527</b>	<b>2,599</b>	<b>2,326</b>	<b>2,282</b>
Tier 2 capital:				
Tier 2 capital instrument	184	216	249	249
<b>Tier 2 capital</b>	<b>184</b>	<b>216</b>	<b>249</b>	<b>249</b>
<b>Total capital</b>	<b>2,711</b>	<b>2,814</b>	<b>2,575</b>	<b>2,531</b>
<b>Specification of risk exposure amount<sup>3</sup></b>				
Institutional exposures	441	563	357	435
Covered bonds	56	51	56	51
Household exposures	11,786	11,095	11,084	10,375
Exposures secured by mortgages on immovable property	1,723	80	116	80
Equity exposures	-	-	930	-
Past due items	1,480	1,331	1,370	1,221
Other items	176	200	302	200
<b>Total risk exposure amount for credit risk, Standardised Approach</b>	<b>15,663</b>	<b>13,320</b>	<b>14,216</b>	<b>12,362</b>
Exchange rate risk	581	565	53	71
<b>Total risk exposure amount for market risk</b>	<b>581</b>	<b>565</b>	<b>53</b>	<b>71</b>
Operative risk according to alternative Standardized Method	912	912	882	882
<b>Total risk exposure amount for operational risks</b>	<b>912</b>	<b>912</b>	<b>882</b>	<b>882</b>
<b>LEVERAGE RATIO</b>				
Exposure measure for calculating leverage ratio	23,011	16,906	22,382	18,873
<b>Tier 1 capital</b>	<b>2,527</b>	<b>2,599</b>	<b>2,326</b>	<b>2,282</b>
<b>Leverage ratio</b>	<b>10.98%</b>	<b>15.37%</b>	<b>10.39%</b>	<b>12.09%</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

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

<sup>4</sup> 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 184 MSEK.

<sup>5</sup> 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 arrangements", 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](http://www.nordaxgroup.com).

### Internal capital requirement

As of 31 March 2019, the internal capital assessed capital requirement amounted to 205 MSEK (170 as of 31 December 2018). The total capital requirement for the period amounts to 2,019 MSEK and are solely covered by CET 1. The internal capital requirement is estimated using Nordax's internal models for economic capital.

### Information on liquidity risk

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 Company'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 March 2019 Nordax had a liquidity coverage ratio (LCR) of 503 per cent (194). On the same date, the net stable funding ratio (NSFR) was 113 per cent (117), calculated in accordance with the Basel Committee's definition and Regulation (EU) No 575/2013, which may be modified when introduced by the EU. LCR and NSFR are calculated based on the previous consolidated situation.

Nordax had a liquidity reserve at 31 March 2019 of 4,641 MSEK (3,521). Of these investments, 40 per cent (63) was in Nordic banks, 12 per cent (15) in Swedish covered bonds and 25 per cent (22) in Swedish municipal paper and 23 per cent (0) in foreign. All investments had a credit rating ranging from AAA to A+ from Standard & Poor's, with an average rating of AA (except 27 MSEK in exposure to Avanza Bank AB). The average maturity was 178 days (211). All bank holdings are highly liquid and all securities are repoable with central banks.

At 31 March 2019 Nordax's funding sources comprised 4,200 MSEK (2,107) through the asset-backed securities market (securitized), 4,417 MSEK (2,836) in warehouse funding facilities provided by international banks and 15,271 MSEK (11,260) in deposits from the general public. The figures refer to the nominal amounts.



## Note 6 Classification of financial assets and liabilities

### GROUP

31 March 2019	Amortised cost	Fair value through profit and loss	Fair value through compre- hensive income	Total
<b>Assets</b>				
Lending to credit institutions	-	2,150	-	2,150
Lending to the general public	-	20,933	-	20,933
Derivatives	3	-	-	3
Bonds and other fixed-income securities	2,781	-	-	2,781
Other assets	-	142	-	142
<b>Total assets</b>	<b>2,784</b>	<b>23,225</b>	<b>-</b>	<b>26,009</b>
<b>Liabilities</b>				
Liabilities to credit institutions	-	-	4,766	4,766
Deposits from the general public	-	-	15,272	15,271
Issued securities	-	-	4,189	4,189
Subordinated liabilities	-	-	249	249
Derivatives	1	-	-	1
Other liabilities	-	-	53	47
<b>Total liabilities</b>	<b>1</b>	<b>-</b>	<b>24,529</b>	<b>24,530</b>

### GROUP

31 December 2018	Amortised cost	Fair value through profit and loss	Fair value through compre- hensive income	Total
<b>Assets</b>				
Lending to credit institutions	-	2,681	-	2,681
Lending to the general public	-	15,140	-	15,140
Derivatives	2	-	-	2
Bonds and other fixed-income securities	1,187	-	-	1,187
Other assets	-	181	-	181
<b>Total assets</b>	<b>1,189</b>	<b>18,002</b>	<b>-</b>	<b>19,191</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>16,986</b>	<b>16,986</b>

# PARENT COMPANY

31 March 2019	Amortised cost	Fair value through profit and loss	Fair value through compre- hensive income	Total
<b>Assets</b>				
Lending to credit institutions	-	1,778	-	1,778
Lending to the general public	-	16,348	-	16,348
Derivatives	3	-	-	3
Bonds and other fixed-income securities	2,781	-	-	2,781
Other assets	-	141	-	141
<b>Total assets</b>	<b>2,784</b>	<b>18,267</b>	<b>-</b>	<b>21,051</b>
<b>Liabilities</b>				
Deposits from the general public	-	-	15,272	15,272
Liabilities to securitisation firms <sup>1</sup>	-	-	4,392	4,392
Subordinated liabilities	-	-	249	249
Derivatives	1	-	-	1
Other liabilities	-	-	50	50
<b>Total liabilities</b>	<b>1</b>	<b>-</b>	<b>19,963</b>	<b>19,964</b>

# PARENT COMPANY

31 December 2018	Amortised cost	Fair value through profit and loss	Fair value through compre- hensive income	Total
<b>Assets</b>				
Lending to credit institutions	-	2,167	-	2,167
Lending to the general public	-	15,137	-	15,137
Derivatives	2	-	-	2
Bonds and other fixed-income securities	1,187	-	-	1,187
Other assets	-	181	-	181
<b>Total assets</b>	<b>1,189</b>	<b>17,485</b>	<b>-</b>	<b>18,674</b>
<b>Liabilities</b>				
Deposits from the general public	-	-	11,278	11,278
Issued securities	-	-	487	487
Liabilities to securitisation firms <sup>1</sup>	-	-	4,380	4,380
Subordinated liabilities	-	-	249	249
Other liabilities	-	-	45	45
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>16,439</b>	<b>16,439</b>

## Note 7 Fair values of financial assets and liabilities

### GROUP

31 March 2019	Carrying amount	Fair value	Delta
<b>Assets</b>			
Lending to credit institutions <sup>1</sup>	2,150	2,150	-
Lending to the general public <sup>2,4</sup>	20,933	23,621	2,688
Derivatives	3	3	-
Bonds and other fixed-income securities	2,781	2,781	-
<b>Total Assets</b>	<b>25,867</b>	<b>28,555</b>	<b>2,688</b>
<b>Liabilities</b>			
Liabilities to credit institutions <sup>1</sup>	4,766	4,766	-
Deposits from the general public <sup>2,4</sup>	15,272	15,272	-
Issued securities	4,189	4,199	10
Derivatives	1	1	-
Subordinated liabilities	249	256	7
<b>Total liabilities</b>	<b>24,477</b>	<b>24,493</b>	<b>16</b>

### GROUP

31 December 2019	Carrying amount	Fair value	Delta
<b>Assets</b>			
Lending to credit institutions <sup>1</sup>	2,681	2,681	-
Lending to the general public <sup>2,4</sup>	15,140	19,669	4,529
Derivatives	2	2	-
Bonds and other fixed-income securities	1,187	1,187	-
<b>Total Assets</b>	<b>19,010</b>	<b>23,539</b>	<b>4,529</b>
<b>Liabilities</b>			
Liabilities to credit institutions <sup>1</sup>	2,831	2,831	-
Deposits from the general public <sup>2,4</sup>	11,278	11,278	-
Issued securities	2,581	2,583	2
Subordinated liabilities	249	254	5
<b>Total liabilities</b>	<b>16,939</b>	<b>16,946</b>	<b>7</b>

<sup>1</sup> Fair value is deemed to be the same as the carrying amount, as these are of a short-term nature.

<sup>2</sup> The measurement includes significant non-observable inputs.

<sup>3</sup> Fair value data for issued securities and debenture loans are based directly or indirectly on quoted prices

<sup>4</sup> Fair value data for lending to the general public is calculated after tax.

## PARENT COMPANY

31 March 2019	Carrying amount	Fair value	Delta
<b>Assets</b>			
Lending to credit institutions <sup>1</sup>	1,778	1,778	-
Lending to the general public <sup>2,4</sup>	16,348	19,036	2,688
Derivatives	3	3	-
Bonds and other fixed-income securities	2,781	2,781	-
<b>Total Assets</b>	<b>20,910</b>	<b>23,598</b>	<b>2,688</b>
<b>Liabilities</b>			
Deposits from the general public <sup>1</sup>	15,272	15,272	-
Liabilities to securitisation firms <sup>1</sup>	4,392	4,392	-
Derivatives	1	1	-
Subordinated liabilities <sup>3</sup>	249	256	7
<b>Total Liabilities</b>	<b>19,914</b>	<b>19,920</b>	<b>7</b>

## PARENT COMPANY

31 December 2018	Carrying amount	Fair value	Delta
<b>Assets</b>			
Lending to credit institutions <sup>1</sup>	2,167	2,167	-
Lending to the general public <sup>2,4</sup>	15,137	19,669	4,532
Derivatives	2	2	-
Bonds and other fixed-income securities	1,187	1,187	-
<b>Total Assets</b>	<b>18,493</b>	<b>23,025</b>	<b>4,532</b>
<b>Liabilities</b>			
Deposits from the general public <sup>1</sup>	11,278	11,278	-
Issued securities <sup>3</sup>	487	487	0
Liabilities to securitisation firms <sup>1</sup>	4,380	4,380	-
Subordinated liabilities <sup>3</sup>	249	254	5
<b>Total Liabilities</b>	<b>16,394</b>	<b>16,399</b>	<b>5</b>

<sup>1</sup> Fair value is deemed to be the same as the carrying amount, as these are of a short-term nature.

<sup>2</sup> The measurement includes significant non-observable inputs.

<sup>3</sup> Fair value data for issued securities and debenture loans are based directly or indirectly on quoted prices

<sup>4</sup> Fair value data for lending to the general public is calculated after tax.

## Calculation of fair value

The fair values of financial instruments traded in an active market 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 fall into Level 1.

The fair values of financial instruments not traded in an active market are determined with the help of valuation techniques. Market data is used as far as possible when such data is available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument falls into Level 2.

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3.

The table below shows financial instruments at fair value based on the classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly in the form of quoted prices or indirectly, i.e. derived from quoted prices (Level 2).
- Inputs for the asset or liability which are not based on observable market data (non-observable inputs) (Level 3).

In 2019 there have not been any transfers between the levels.

## GROUP

31 March 2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Lending to the general public	-	23,621	-	23,621
Bonds and other fixed-income securities	1,656	1,125	-	2,781
Derivatives	-	3	-	3
<b>Total Assets</b>	<b>1,656</b>	<b>24,749</b>	<b>-</b>	<b>26,405</b>
<b>Liabilities</b>				
Issued securities	-	4,199	-	4,199
Derivatives	-	1	-	1
Subordinated liabilities	-	256	-	256
<b>Total Liabilities</b>	<b>-</b>	<b>4,456</b>	<b>-</b>	<b>4,456</b>

## GROUP

31 December 2018	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Lending to the general public	-	19,037	-	1,187
Bonds and other fixed-income securities	1,656	1,125	-	2,781
Derivatives	-	2	-	2
<b>Total Assets</b>	<b>1,656</b>	<b>20,164</b>	<b>-</b>	<b>3,970</b>
<b>Liabilities</b>				
Issued securities	-	2,583	-	2,583
Subordinated liabilities	-	254	-	254
<b>Total Liabilities</b>	<b>-</b>	<b>2,837</b>	<b>-</b>	<b>2,837</b>

## PARENT COMPANY

31 March 2019	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Lending to the general public	-	19,036	-	19,036
Bonds and other fixed-income securities	1,656	1,125	-	2,781
Derivatives	-	2	-	2
<b>Total Assets</b>	<b>1,656</b>	<b>20,163</b>	<b>-</b>	<b>21,819</b>
<b>Liabilities</b>				
Derivatives	-	1	-	1
Subordinated liabilities	-	256	-	256
<b>Total Liabilities</b>	<b>-</b>	<b>257</b>	<b>-</b>	<b>257</b>

## PARENT COMPANY

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

## Note 8 Operating segments

Segment information is presented based on the chief operating decision-maker's perspective, and the segments are identified based on the internal reporting to the CEO, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway, Finland, Denmark,

Germany and SHP, which reflects Nordax's lending portfolio. Profit/loss that cannot be attributed to a single segment is allocated using a distribution matrix according to internal principles that management believes to provide a fair allocation to the segments.

Q1 2019	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL
<b>Income statement</b>							
Interest income <sup>1</sup>	137	142	1	102	25	44	451
Interest expenses	-23	-38	0	-15	-3	-20	-99
<b>Total net interest income</b>	<b>114</b>	<b>104</b>	<b>1</b>	<b>87</b>	<b>22</b>	<b>24</b>	<b>352</b>
Commission income	4	6	0	4	0	0	14
Net profit from financial transactions <sup>2</sup>	-1	0	0	0	0	0	9
<b>Total operating income</b>	<b>117</b>	<b>110</b>	<b>1</b>	<b>91</b>	<b>22</b>	<b>24</b>	<b>375</b>
General administrative expenses	-50	-45	0	-28	-7	-27	-157
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-3	-3	0	-2	0	0	-8
Other operating expenses	-18	-12	0	-10	-3	-7	-50
<b>Total operating expenses</b>	<b>-71</b>	<b>-60</b>	<b>0</b>	<b>-40</b>	<b>-10</b>	<b>-34</b>	<b>-215</b>
<b>Profit before credit losses</b>	<b>46</b>	<b>50</b>	<b>1</b>	<b>51</b>	<b>12</b>	<b>-10</b>	<b>160</b>
							0
Net credit losses	-27	-42	1	-23	-9	0	-100
<b>Operating profit</b>	<b>19</b>	<b>8</b>	<b>2</b>	<b>28</b>	<b>3</b>	<b>-10</b>	<b>60</b>
<b>Balance sheet</b>							
Lending to the general public	6,187	5,249	47	3,886	982	4,582	20,933

Q4 2018	Sweden	Norway	Denmark	Finland	Germany	TOTAL
<b>Income statement</b>						
Interest income <sup>1</sup>	129	151	1	107	26	414
Interest expenses	-17	-36	0	-14	-4	-71
<b>Total net interest income</b>	<b>112</b>	<b>115</b>	<b>1</b>	<b>93</b>	<b>22</b>	<b>343</b>
Commission income	2	2	0	0	0	4
Net profit from financial transactions <sup>2</sup>	-1	-1	0	-1	-1	-11
<b>Total operating income</b>	<b>113</b>	<b>98</b>	<b>1</b>	<b>77</b>	<b>47</b>	<b>336</b>
General administrative expenses	-53	-42	-1	-27	-10	-133
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-1	-2	0	-1	-1	-5
Other operating expenses	-19	-11	0	-8	-2	-40
<b>Total operating expenses</b>	<b>-73</b>	<b>-55</b>	<b>-1</b>	<b>-36</b>	<b>-13</b>	<b>-178</b>
<b>Profit before credit losses</b>	<b>40</b>	<b>43</b>	<b>0</b>	<b>41</b>	<b>34</b>	<b>158</b>
Net credit losses	-34	-39	1	-21	-11	-104
<b>Operating profit</b>	<b>6</b>	<b>4</b>	<b>1</b>	<b>20</b>	<b>23</b>	<b>54</b>
<b>Balance sheet</b>						
Lending to the general public	5,422	4,951	56	3,702	1,009	15,140

Q1 2018	Sweden	Norway	Denmark	Finland	Germany	TOTAL
<b>Income statement</b>						
Interest income <sup>1</sup>	118	145	1	87	27	378
Interest expenses	-16	-30	0	-12	-4	-62
<b>Total net interest income</b>	<b>102</b>	<b>115</b>	<b>1</b>	<b>75</b>	<b>23</b>	<b>316</b>
Commission income	1	1	0	1	0	3
Net profit from financial transactions <sup>2</sup>	0	-1	0	0	0	49
<b>Total operating income</b>	<b>103</b>	<b>147</b>	<b>2</b>	<b>140</b>	<b>-24</b>	<b>368</b>
General administrative expenses	-26	-28	-1	-17	-7	-79
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-3	-2	0	-1	0	-6
Other operating expenses	-7	-10	0	-7	-9	-33
<b>Total operating expenses</b>	<b>-36</b>	<b>-40</b>	<b>-1</b>	<b>-25</b>	<b>-16</b>	<b>-118</b>
<b>Profit before credit losses</b>	<b>67</b>	<b>107</b>	<b>1</b>	<b>115</b>	<b>-40</b>	<b>250</b>
Net credit losses	-26	-40	1	-13	-16	-94
<b>Operating profit</b>	<b>41</b>	<b>67</b>	<b>2</b>	<b>102</b>	<b>-56</b>	<b>156</b>
<b>Balance sheet</b>						
<b>Lending to the general public</b>	<b>4,624</b>	<b>5,101</b>	<b>86</b>	<b>3,226</b>	<b>1,051</b>	<b>14,088</b>

<sup>1</sup> Interest income refers to revenues from external customers.

<sup>2</sup> FX effects amount to 10 MSEK and is not allocated.

## Note 9 Pledged assets

	GROUP		PARENT COMPANY	
	31 MARCH 2018	31 DECEMBER 2018	31 MARCH 2018	31 DECEMBER 2018
All amounts are in MSEK				
<b>Pledged assets for own liabilities</b>				
Lending to the general public	11,024	7,350	-	-
Lending to credit institutions	350	501	-	-
<b>Total</b>	<b>11,374</b>	<b>7,851</b>	<b>-</b>	<b>-</b>

Pledged assets relate to subsidiary securitisation.  
The Group has no contingent liabilities or commitments.

## Note 10 Transactions with related parties

The Group did not have any transactions with related parties during the period.

## Note 11 Transition effects IFRS 16 Leases

GROUP	Prior transition to IFRS 16		Recalculated items
	2019-01-01	Transition effect - IFRS 16	2019-01-01
All amounts in MSEK			
<b>ASSETS</b>			
Lending to credit institutions	2,681		2,681
Lending to the general public	15,140		15,140
Bonds and other fixed-income securities	1,187		1,187
Intangible assets	287		287
Tangible assets	4	32	36
Current tax assets	4		4
Other assets	228		228
Prepaid expenses and accrued income	33	-2	31
<b>TOTAL ASSETS</b>	<b>19,564</b>	<b>30</b>	<b>19,594</b>
<b>LIABILITIES, PROVISIONS AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	2,831		2,831
Deposits from the general public	11,278		11,278
Issued securities	2,581		2,581
Deferred tax liability	3		3
Other liabilities	114	30	144
Accrued expenses and deferred income	68		68
Subordinated liabilities	249		249
<b>Total liabilities</b>	<b>17,124</b>	<b>30</b>	<b>17,154</b>
<b>Equity</b>			
Share capital	50		50
Other reserves	7		7
Retained earnings, incl. profit for the year	2,383	0	2,361
<b>Total equity</b>	<b>2,440</b>	<b>0</b>	<b>2,440</b>
<b>TOTAL LIABILITIES, PROVISIONS AND EQUITY</b>	<b>19,564</b>	<b>30</b>	<b>19,594</b>



## Note 12 Aquisition of Svensk Hypotekspension

On 15 January 2019, Nordax Bank AB (publ) acquired all the shares in Svensk Hypotekspension AB ("SHP") for SEK 912 million. Svensk Hypotekspension offers Hypotekspension®, an equity release mortgage for people age 60 and over who own a first or second home or condominium. Operations are organised in three companies. New loans to new customers are paid out and funded through Svensk Hypotekspension Fond 2 AB. The other subsidiary, Svensk Hypotek-

sension Fond 3 AB, is a special purpose vehicle for issuance of bond loans. Through the acquisition of Svensk Hypotekspension, Nordax strengthens its position as a leading specialist bank serving consumers in Northern Europe and a challenger in the mortgage market. Nordax also strengthens its expertise in mortgage lending and sees opportunities for business synergies between Svensk Hypotekspension and Nordax.

### Purchase price

Fixed purchase price	912
Conditional purchase price	-
<b>Total purchase price</b>	<b>912</b>

Purchase price and fair value for acquired net assets:

Provisionally reported amount (fair value) of identifiable acquired assets and liabilities in Svensk Hypotekspension as of the acquisition date:

All amounts are in MSEK	<b>2019-01-15</b>
Lending to credit institutions	38
Lending to the general public	4,323
Tangible assets	1
Intangible assets	57
Other assets	0
Prepaid expenses and accrued income	10
Liabilities to credit institutions	-2,156
Issued securities	-2,000
Deferred tax liability	-29
Account payables	-2
Other liabilities	-3
Accrued expenses and deferred income	-13
<b>Total aquired net assets</b>	<b>226</b>
Goodwill and other acquired intangible assets	686

Goodwill arising from the acquisition relates to Svensk Hypotekspensions AB and the synergy effects that are expected through the merger of Nordax and Svensk Hypotekspension's operations. The goodwill that arises is not expected to be tax deductible.

### Net cashflow when aquiring SHP

Cash paid price	912
Deducting: Aquired cash and cash equivalents	-38
<b>Net cash flow</b>	<b>874</b>

Of the group's revenues, 44 MSEK is attributable to SHP, which has contributed -10 MSEK to the groups earnings, of which 19 MSEK relates to acquisition costs.

## Note 12 Important events after the balance sheet date

No important events after the balance sheet date has been identified

# Definitions

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

**Average loan portfolio**

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

**C/I ratio**

Operating expenses as a percentage of operating income

**Common Equity Tier 1 capital<sup>1</sup>**

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<sup>1</sup>**

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

**Credit loss level**

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

**Leverage ratio<sup>1</sup>**

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

**Liquidity Coverage Ratio (LCR)<sup>1</sup>**

Liquidity Coverage Ratio (LCR)<sup>1</sup> 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.

**Liquidity reserve**

A separate reserve of high-quality liquid assets that can be used to secure the company's short-term ability to pay for losses or in the event of reduced access to commonly available funding sources.

**Own funds<sup>1</sup>**

The sum of Tier 1 and Tier 2 capital.

**Return on equity**

Net profit attributable to the shareholders in relation to average shareholders' equity

**Risk exposure amount<sup>1</sup>**

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

**Tier 1 capital ratio<sup>1</sup>**

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

**Tier 1 capital<sup>1</sup>**

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

**Tier 2 capital<sup>1</sup>**

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

**Total capital ratio<sup>1</sup>**

Total own funds as a percentage of the risk exposure amount.

<sup>1</sup> These are reported with respect SFSA's regulations and general recommendations see note 4, capital adequacy analysis.

# Board of Directors' affirmation

This report has been reviewed by the company's auditors.

The Board of Directors declares that the interim report for January-March 2019 provides a fair overview of the Parent Company's and the Group's operations, financial position and results and

describes material risks and uncertainties facing the Parent Company and the Group

Stockholm May 8 2019

**Hans-Ole Jochumsen**  
Chairman

**Christopher Ekdahl**  
Non-Executive Director

**Christian Frick**  
Non-Executive Director

**Heikki Kapanen**  
Non-Executive Director

**Henrik Källén**  
Non-Executive Director

**Anna Storåkers**  
Non-Executive Director

**Ville Talasmäki**  
Non-Executive Director