Nordax Bank AB (publ)

INTERIM REPORT JANUARY-DECEMBER 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.nordaxgroup.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. On 31 December, they 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, Nordax Sverige 4 AB (publ), Nordax Nordic 2 AB, Nordax Norway 5 AB, Nordax Norway 6 AB and Svensk Hypotekspension AB with subsidiaries Svensk Hypotekspension Fond 2 AB, Svensk Hypotekspension Fond 3 AB and Svensk Hypotekspension Fond 4 AB (publ).

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 and EUR 60,000 in Finland. 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). Founded in 2005, SHP 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.

Development during the year

Personal loans

New lending for personal loans continued to grow strongly in the fourth quarter. New lending was especially robust in the Swedish market, where a strong and improved offer contributed to growth in all channels. In Norway, new presonal loan regulations (the so-called 555 rules) were introduced in the second quarter, setting clear rules and limits on new personal loans in Norway, and in the thrid quarter a new debt registry was introduced as well. Nordax is positive to the changes in the Norwegian market and expects that in time they will lead to a sounder credit market and better risk assesments. The immediate effect on new lending in the fourth quarter was slightly negative, however. A decision was made in the second quarter to discontinue new lending in Germany and focus on the Nordic markets. Lending in Germany accounted for 3% of Nordax's total lending at the end of the quarter.

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. self-employed or temporary employees, including project, part-time or replacement workers. Thanks to thorough credit assessments and personal contacts, more loans are approved for this customer group, which is often denied by the major banks despite being financially stable. Interest in the offer has been high and new lending continues to grow.

At the end of the first quarter, Nordax also launched mortgage loans in the Norwegian market through loan brokers, and at the end of the second quarter mortgage applications were being accepted directly through Nordax's website. Lending continued to develop strongly in the third and fourth quarters in connection with a diversification of marketing channels.

Equity release mortgages

New lending has grown strongly during the year. One contributing factor has been increased marketing, which has led to greater awareness of Swedish Hypotekspension (SHP) as a brand and equity release mortgages as a product. More applicants also became eligible for an equity release mortgage during the year 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 25.3 billion (SEK 15.1 billion as of 31 December 2018). The acquisition of SHP, expansion of the product offering to include mortgage loans, and strong increase in personal loans in the Swedish market were the most important reasons for the significant growth. Excluding the SHP acquisition, lending grew by 31% for the year, partly due to positive currency effects. All geographical markets except Germany grew. In the Swedish market, mortgages, personal loans and equity release mortgages all contributed to the strong trend.

Other events

Nordax's savings offer continued to attract many new customers, which led to an increase in total deposits to SEK 19.2 billion (SEK 11.3 billion at year-end).

In December 9% of the Swedish mortgage challenger Stabelo was acquired. Through the investment in Stabelo, Nordax further strengthens its position as a challenger in the mortgage market.

Nordax's vision is to be "The obvious choice for the new everyday", which means driving change and challenging the traditional banks. Stabelo has the same philosophy, but in another part of the mortgage market, and through this investment Nordax can both support and participate in Stabelo's success. Given their complementary business models, Nordax and Stabelo also see exciting opportunities to collaborate and drive further product innovation in the mortgage market. In October, Nordax issued an additional SEK 200 million in senior unsecured bonds which mature in September 2022, after previously having issued SEK 300 million. The bonds were issued under Nordax Bank's MTN programme, which has a total framework of SEK 3 billion. Nordax's subsidiary Svensk Hypotekspension issued mortgage backed fixed rate notes in the amount of SEK 2.25 billion in December. The notes mature in December 2067 and the first call date is in January 2024.

Result January-December 2019

GROUP

Operating profit amounted to 463 MSEK (429). Increase due to higher net interest income and lower-credit losses.

Net interest income amounted to 1 507 MSEK (1 325). Higher net interest income due to a growing lending portfolio and acquisition of SHP.

Credit losses amounted to -286 MSEK (-380), corresponding 1.4 per cent (2.7) of average lending. The decrease in credit losses is mainly a result of revised model assumptions, reduced credit losses in Germany as a result of a reducing loan book and that credit losses in 2018 were impacted negatively by Nordax terminating its forward flow agreement with Lindorff. Credit losses as percentage of average lending were also positively impacted by the acquisition of SHP and expansion into mortgages as these products have lower credit loss levels.

Operating expenses amounted to -821 MSEK (-571). 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 447 MSEK (444).

Net interest income amounted to 900 MSEK (466). Higher net interest income due to a growing lending portfolio.

Credit losses amounted to -286 MSEK (-380), corresponding 1.4 per cent (2.7) of average lending. The decrease in credit losses is mainly a result of revised model assumptions, reduced credit losses in Germany as a result of a reducing loan book and that credit losses in 2018 were impacted by the expansion into mortgages as mortgages have lower credit loss levels.

Operating expenses amounted to -735 MSEK (-555). Increased costs as a result of investments in growth initiatives to grow and broaden Nordax's business.

Risks and internal control

RISKS AND UNCERTAINTIES FACTORS

The Group is exposed to both credit risks and other financial risks such as market risk and liquidity risk. The Group is also exposed to operational risks such as IT risks, process risks and external risks, as well as compliance risks and business risks. The Group's overall risk management policy sets the bank's appetite for risks, strategies for risk management as well as roles and responsibilities for risk management within the Group. The risk composition for the Group, as well as related risk, liquidity and capital management, is 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	Q4 2019	Q3 2019	Q4 2018	JAN-DEC 2019	JAN-DEC 2018
Common Equity Tier 1 Capital Ratio in %	14.0	14.5	17.0	14.0	17.0
Return on equity in %	7.2	19.8	4.2	13.5	13.8
Net credit loss level in %	2.0	0.8	2.8	1.4	2.7
Cost to Income ratio in %	55	46	53	52	41
Number of employees	269	254	217	269	217

PARENT COMPANY	Q4 2019	Q3 2019	Q4 2018	JAN-DEC 2019	JAN-DEC 2018
Common Equity Tier 1 Capital Ratio in %	14.9	15.4	17.1	14.9	17.1
Return on equity in %	8.9	19.4	5.1	14.7	16.1
Net credit loss level in %	2.6	1.1	2.8	1.6	2.7
Cost to Income ratio in %	53	45	52	50	40
Number of employees	254	241	217	254	217

Consolidated income statement

GROUP All amounts in MSEK	Note	Q4 2019	Q3 2019	Q4 2018	JAN-DEC 2019	JAN-DEC 2018
Operating income						
Interest income*		528	495	414	1,955	1,595
Interest expense		-114	-126	-71	-448	-270
Total net interest income		**414**	**369**	**343**	**1,507**	**1,325**
Commission income*		23	18	4	74	18
Net profit from financial transactions		-12	-8	-11	-11	37
Total operating income		**425**	**379**	**336**	**1,570**	**1,380**
Operating expenses						
General administrative expenses		-176	-120	-133	-601	-411
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-8	-9	-5	-33	-23
Other operating expenses		-48	-44	-40	-187	-137
Total operating expenses		**-232**	**-173**	**-178**	**-821**	**-571**
Profit before credit losses		**193**	**206**	**158**	**749**	**809**
Net credit losses	3	-118	-46	-104	-286	-380
Operating profit		**75**	**160**	**54**	**463**	**429**
Tax on profit for the period		-28	-31	-28	-111	-103
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		**47**	**129**	**26**	**352**	**326**
Attributable to:						
The Parent Company's shareholders		47	129	26	352	326

* In the period January-December 2019, administrative fees of 46 MSEK that had been included in net interest income were reclassified to commission income. Historical data have not been ajusted as it was not considered material.

Consolidated statement of comprehensive income

Total profit corresponds to profit for the period

Parent Company income statement

PARENT COMPANY All amounts in MSEK	Note	Q4 2019	Q3 2019	Q4 2018	JAN-DEC 2019	JAN-DEC 2018
Operating income						
Interest income*		483	444	421	1,768	1,631
Interest expense*		-179	-224	-279	-868	-1,165
Total net interest income		**304**	**220**	**142**	**900**	**466**
Commision income*		18	13	1	47	8
Net profit from financial transactions		-11	-9	-14	-12	36
Other operating income [1]		88	129	206	533	869
Total operating income		**399**	**353**	**335**	**1,468**	**1,379**
Operating expenses						
General administrative expenses		-168	-117	-132	-561	-406
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-2	-3	-3	-10	-12
Other operating expenses		-42	-39	-40	-164	-137
Total operating expenses		**-212**	**-159**	**-175**	**-735**	**-555**
Profit before credit losses		**187**	**194**	**160**	**733**	**824**
Net credit losses	3	-118	-46	-104	-286	-380
Operating profit		**69**	**148**	**56**	**447**	**444**
Tax on profit for the period		-16	-34	-28	-103	-106
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		**53**	**114**	**28**	**344**	**338**

1 Operating income for the Parent Company refers to income from securitised loans.

* In the period January-December 2019, administrative fees of 25 MSEK that had been included in net interest income were reclassified to commission income. Historical data have not been adjusted since it was not considered material.

Parent company statement of comprehensive income

Total profit corresponds to profit for the period

Consolidated statement of financial position

All amounts are in MSEK	Note	GROUP 31 December 2019	GROUP 31 December 2018	PARENT COMPANY 31 December 2019	PARENT COMPANY 31 December 2018
ASSETS					
Lending to credit institutions	5,6,7,9	1,252	2,681	832	2,167
Lending to the general public	3-9	25,271	15,140	19,763	15,137
Bonds and other fixed-income securities	5,6,7	3,120	1,187	3,120	1,187
Shares in subsidiaries		-	-	1,030	1
Other shares		80	-	80	-
Intangible assets		1,009	287	17	25
Tangible assets		31	4	5	4
Current tax assets		45	4	45	4
Other assets	5,6	129	228	1,467	226
Prepaid expenses and accrued income		51	33	33	32
TOTAL ASSETS		**30,988**	**19,564**	**26,392**	**18,783**
LIABILITIES, PROVISIONS AND EQUITY					
Liabilities					
Liabilities to credit institutions	5,6,7	3,068	2,831	-	-
Deposits from the general public	5,6,7	19,222	11,278	19,222	11,278
Issued securities	5,6,7	5,105	2,581	1,000	487
Liabilities to securitisation firms[1]		-	-	2,877	4,380
Deferred tax liability		33	3	-	-
Other liabilities	5,6	103	114	111	149
Accrued expenses and deferred income		84	68	75	63
Subordinated liabilities	5,6,7	598	249	598	249
Total liabilities		**28,213**	**17,124**	**23,883**	**16,606**
Equity					
Share capital		50	50	50	50
Other reserves		7	7	7	7
Other funds		-	-	16	22
Retained earnings, incl. profit for the year		2,718	2,383	2,436	2,098
Total equity		**2,775**	**2,440**	**2,509**	**2,177**
TOTAL LIABILITIES, PROVISIONS AND EQUITY		**30,988**	**19,564**	**26,392**	**18,783**

1 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

GROUP All amounts are in MSEK	**JAN-DEC** 2019	**JAN-DEC** 2018
Operating activities		
Operating profit [1]	463	429
Adjustment for non-cash items		
Exchange rate effects [2]	80	-46
Depreciation, amortisation and impairment of property, plant & equipment	33	23
Amortisation of financing costs	15	31
Depreciaion of surplus value related to the lending portfolio	8	-
Unrealised changes in value of bonds and other fixed income securities	13	10
Unrealised credit losses incl. IFRS 9 adjustment	638	814
Income tax paid	-223	-141
Group contribution	15	-
Change in operating assets and liabilities		
Decrease/Increase in lending to the general public	-10,575	-1,788
Decrease/Increase in other assets	43	-168
Decrease/Increase in deposits from the general public	7,806	3,123
Decrease/Increase in other liabilities	120	6
Cash flow from operating activities	**-1,564**	**2,294**
Investing activities		
Purchase of equipment & intangible assets	-782	-8
Investment in bonds and other interest bearing securities	-6,497	-3,342
Sale/disposal of bonds and other fixed income securities	4,465	3,329
Cash flow from investing activities	**-2,814**	**-21**
Financing activities		
Change to liability to credit institutions	145	-337
Change issued bonds	2,804	-1,049
Cash flow from financing activities	**2,949**	**-1,386**
Cash flow for the period	**-1,429**	**887**
Cash and cash equivalents at beginning of year	**2,681**	**1,795**
Cash and cash equivalents at end of year	**1,252**	**2,681**

1 Whereof received interest 1,725 MSEK (1,557 MSEK) and paid interest 517 MSEK (207 MSEK).
2 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	TOTAL
OPENING BALANCE 1 January 2018	**50**	**7**	**2,238**	**2,295**
Comprehensive income				
Net profit/loss for the year			326	**326**
Total comprehensive income			**326**	**326**
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**	**2,383**	**2,440**
OPENING BALANCE 1 January 2019	**50**	**7**	**2,383**	**2,440**
Comprehensive income				
Net profit/loss for the year			352	**352**
Total comprehensive income			**352**	**352**
Effect in equity attributable to transition to IFRS 9 - SHP				
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
Total effect in equity attributable to the transition to IFRS 9 - SHP			**-4**	**-4**
Transactions with shareholders				
Capital contributions			-15	-15
Tax effect on capital contribution			3	3
Total transactions with shareholders			**-12**	**-12**
CLOSING BALANCE 31 December 2019	**50**	**7**	**2,718**	**2,775**

* On 15 January 2019, Nordax acquired SHP, and the initial implementation effect for SHP's loan portfolio related to the provision for IFRS 9 was handled through a deduction directly from equity.

Statement of changes in equity

PARENT COMPANY	Restricted equity			Non-restricted equity	
All amounts are in MSEK	Share capital	Other Reserves	Other Funds	Retained Earnings	TOTAL
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				344	**344**
Total comprehensive income				**344**	**344**
Other reserves					
Capitalization			-	-	-
Depreciation			-6	6	-
Total other reserves			**-6**	**6**	**-**
Transactions with shareholders					
Capital contributions				-15	-15
Tax effect on capital contribution				3	3
Total other reserves				**-12**	**-12**
CLOSING BALANCE 31 December 2019	**50**	**7**	**16**	**2,436**	**2,509**

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 December. 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. The interim report for the parentcompany has been prepared in accordance with the provisions of the Swedish Annual Accounts act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR2) has been applied.

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

Right-of-use assets (SEK million)	2019-12-31	2019-01-01
Premises and parking spaces	25	32
Vehicles	1	0
Total right-of-use assets	**26**	**32**

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
Effect recognised in equity	**0**

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	**Q4** 2019	**Q3** 2019	**Q4** 2018	**JAN-DEC** 2019	**JAN-DEC** 2018
Credit losses, net - lending to the general public					
Stage 1	-17	-6	3	-43	-52
Stage 2	7	-8	4	-4	- 22
Stage 3	-108	-32	-111	-239	-306
Total credit losses	**-118**	**-46**	**-104**	**-286**	**-380**

PARENT COMPANY All amounts in MSEK	**Q4** 2019	**Q3** 2019	**Q4** 2018	**JAN-DEC** 2019	**JAN-DEC** 2018
Credit losses, net - lending to the general public					
Stage 1	-17	-6	3	-43	-52
Stage 2	7	-8	4	-4	-22
Stage 3	-108	-32	-111	-239	-306
Total credit losses	**-118**	**-46**	**-104**	**-286**	**-380**

Note 4 Lending to the general public

GROUP

31 December 2019	Sweden	Norway	Denmark	Finland	Germany	SHP	**TOTAL**	Allocation of provision	past due receivables
Stage 1	7,688	5,185	4	3,712	755	5,501	22,845	-268	1%
Stage 2	345	308	0	265	31	9	959	-159	17%
Stage 3	1,097	1,587	320	832	217	4	4,055	-2,160	53%
Total	**9,130**	**7,080**	**324**	**4,809**	**1,003**	**5,513**	**27,859**	**-2,587**	**9%**
Reserve	-688	-939	-293	-502	-203	-5	-2,587		
Total lending to the general public	**8,442**	**6,140**	**31**	**4,349**	**801**	**5,508**	**25,271**		

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%
Total	**6,045**	**5,744**	**359**	**4,034**	**1,184**	**17,365**	**-2,225**	**13%**
Reserve	-625	-792	-303	-331	-174	-2,225		
Total lending to the general public	**5,422**	**4,951**	**56**	**3,702**	**1,009**	**15,140**		

PARENT COMPANY

31 December 2019	Sweden	Norway	Denmark	Finland	Germany	**TOTAL**	Allocation of provision	past due receivables
Stage 1	7,688	5,184	4	3,712	755	17,343	-265	2%
Stage 2	345	308	0	265	31	950	-157	17%
Stage 3	1,097	1,587	320	832	217	4,052	-2,160	53%
Total	**9,130**	**7,079**	**324**	**4,809**	**1,003**	**22,345**	**-2,582**	**12%**
Reserve	-688	-939	-293	-460	-203	-2,582		
Total lending to the general public	**8,442**	**6,140**	**31**	**4,349**	**801**	**19,763**		

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%
Total	**6,045**	**5,742**	**359**	**4,033**	**1,183**	**17,362**	**-2,225**	**13%**
Reserve	-625	-792	-303	-331	-174	-2,225		
Total lending to the general public	**5,420**	**4,950**	**56**	**3,701**	**1,009**	**15,137**		

Note 5 Capital adequacy analysis

Capital adequacy information in this document refers to information whose disclosure is provided for in Chapter 6, 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 of 8 chapter 7§ (FFFS 2014:12) of the Swedish Financial Supervisory Authority and column a appendix 6 in Commission implementing regulation (EU) no. 1423/2013.

The decrease in the capital ratio for Nordax Bank and for the consolidated situation as of 31 December 2019 compared to 31 December 2018 was mainly due to the acquisition of Svensk Hypotekspension in January 2019, which had a negative effect on the capital ratio as a result of an increase in the risk exposure amount and increased capital deduction in the consolidated situation.

In accordance with Article 28 of Commission Delegated Regulation (EU) No 241/2014, the subordinated bond (Tier 2) of SEK 250 million, which can be redeemed in March 2020 at the earliest, is exempt from the capital base as of 31 December 2019.

Other information required under FFFS 2014:12 is provided on the website,
www.nordaxgroup.com.

Combined buffert requirement
The combined buffer requirement for the consolidated situation consists of a capital conservation buffer and a countercyclical capital buffer. The capital conservation buffer requirement amounts to 2.5 per cent of risk-weighted assets. The countercyclical capital buffer is weighted based on geographical requirements. For Swedish and Norwegian exposures this means 2.5 per cent of risk-weighted assets. The countercyclical capital buffer requirement for Norwegian exposures was raised from 2 per cent to 2.5 per cent as of 31 December 2019. For Danish exposures, a countercyclical capital buffer of 1 per cent of risk-weighted assets took effect on 30 September 2019. It will later be raised to 1.5 per cent on 30 June 2020 and possibly to 2 per cent on 30 December 2020. At present, there are no buffer requirements in Finland.

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, Nordax Sverige 4 AB (publ), Nordax Nordic 2 AB, Nordax Norway 5 AB, Nordax Norway 6 AB and Svensk Hypotekspension AB with subsidiaries Svensk Hypotekspension Fond 2 AB, Svensk Hypotekspension Fond 3 AB and Svensk Hypotekspension Fond 4 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 thirt 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.

During the second quarter a Tier 2 of 350 MSEK was issued, with a term of 10 years with first possible call date in 5 years.

All amounts in MSEK	Consolidated situation 31 December 2019	Consolidated situation 31 December 2018	Parent Company 31 December 2019	Parent Company 31 December 2018
OWN FUNDS				
Common Equity Tier 1 capital	7,163	6,229	2,627	2,308
Deduction from own funds	-4,393	-3712	-20	-26
Total Common Equity Tier 1 capital	**2,770**	**2,518**	**2,607**	**2,282**
Tier 1 Capital, minority	-	81	-	-
Sum Tier 1 Capital	**2,770**	**2,599**	**2,607**	**2,282**
Tier 2 Capital[3]	260	216	348	249
Net own funds	**3,030**	**2,814**	**2,955**	**2,531**
Risk exposure amount for credit risk	18,011	13,320	16,290	12,362
Risk exposure amount for market risk	506	565	102	71
Risk exposure amount for market risk	1,229	912	1,072	882
CVA	1	-	1	-
Total risk exposure amount (risk weighted assets)	**19,747**	**14,797**	**17,465**	**13,315**
Common Equity Tier 1 capital ratio	14.03%	17.02%	14.92%	17,14%
Tier 1 capital ratio	14.03%	17.56%	14.92%	17,14%
Total capital ratio	15,34%	19.02%	16.92%	19,01%
Total Common Equity Tier 1 capital requirement including buffer requirement	8.90%	8.40%	8.88%	8,40%
- of which, capital conservation buffer requirement	2.50%	2.50%	2.50%	2,50%
- of which, countercyclical capital buffers	1.90%	1.40%	1.88%	1,40%
Common Equity Tier 1 capital available for use as buffer[1]	8.03%	11.02%	8.92%	11,14%
Specification own funds				
Common Equity Tier 1 capital:				
Capital instruments and the related share premium accounts	6,778	4,324	73	78
-of wich share capital	1	43	50	50
- of wich other contributed capital	6,777	4,280	7	7
-of which other funds	0	-	16	22
Balanserade vinstmedel	23	5	2,093	1,760
- Other transition adj. of common equity Tier 1 capital [5]	117	131	117	131
-Minority interest	-	1,749	-	-
Independently reviewed interim profits	245	20	344	338
Common Equity Tier 1 capital before regulatory adj.	**7,163**	**6,229**	**2,627**	**2,308**

Alla amounts in MSEK	Consolidated situation 31 December 2019	 31 December 2018	Parent Company 31 December 2019	 31 December 2018
Regulatory adjustments:				
- Intangible assets	-4,390	-3,710	-17	-25
- Own shares	-	0	-	0
-Prudent valuation	-3	-1	-3	-1
Total regulatory adjustments to Common Equity Tier 1	-4,393	-3,712	-20	-26
Common Equity Tier 1	2,770	2,518	2,607	2,282
Tier 1 capital				
Tier 1, minority	-	81	-	-
Tier 1 capital, total	**2,770**	**2,599**	**2,607**	**2,282**
Tier 2 capital:				
Tier 2 capital instrument	260	216	348	249
Tier 2 capital	**260**	**216**	**348**	**249**
Total capital	**3,030**	**2,814**	**2,955**	**2,531**
Specification of risk exposure amount[2]				
Institutional exposures	244	563	148	435
Covered bonds	154	51	154	51
Household exposures	12,954	11,095	12,304	10,375
Exposures secured by mortgages on immovable property	2,599	80	639	80
Equity exposures	80	-	1,110	-
Past due items	1,891	1,331	1,790	1,221
Corporate exposures	-	-	-	-
Other items	89	200	145	200
Total risk exposure amount for credit risk, Standardised Approach	**18,011**	**13,320**	**16,290**	**12,362**
Exchange rate risk	506	565	102	71
Total risk exposure amount for market risk	**506**	**565**	**102**	**71**
Operative risk according to alternative Standardized Method	1,229	912	1,072	882
Total risk exposure amount for operational risks	**1,229**	**912**	**1,072**	**882**
Capital Requirement, in percent				
Pillar 1	8.00%	8.00%	8.00%	8.00%
Pillar 2	0.92%	1.15%	1.05%	1.20%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%
Institute-specific countercyclical buffer	1.90%	1.40%	1.88%	1.40%
Total Capital Requirement	**13.32%**	**13.05%**	**13.43%**	**13.10%**
Capital Requirement, MSEK				
Pillar 1	1,580	1,184	1,397	1,065
Pillar 2	182	170	184	160
Capital conservation buffer	494	370	437	333
Institute-specific countercyclical buffer	374	207	328	186
Capital Requirement	**2,630**	**1,930**	**2,345**	**1,744**
LEVERAGE RATIO				
Exposure measure for calculating leverage ratio	31,249	16,906	25,155	18,873
Tier 1 capital	**2,770**	**2,599**	**2,607**	**2,282**
Leverage ratio	**8,86%**	**15.37%**	**10.36%**	**12.09%**

[1] Common Equity Tier 1 capital available for use as a buffer refers to Common Equity Tier 1 capital after deducting own funds used to meet the capital adequacy requirement according to Pillar 1. Expressed as a percentage of total risk exposure amount.

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

[3] Nordax Bank's subordinated loans of 598 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 409 MSEK.

[4] 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 part 8 in 575/2013/EU on the bank's website www.nordaxgroup.com.

Internal capital requirement

As of 31 December 2019, the internal capital assessed capital requirement amounted to 182 MSEK (170 as of 31 December 2018). The total capital requirement for the period amounts to 2,630 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 December Nordax had a liquidity coverage ratio (LCR) of 514 per cent (194). At the same date, the net stable funding ratio (NSFR) was 120 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.

Nordax had a liquidity reserve at 31 December 2019 of 4,239 MSEK (3,509). Of these investments 24 per cent (66) was in Nordic banks, 2 per cent (0) in Sveriges Riksbank, 36 per cent (15) in Swedish covered bonds, 12 per cent (19) in Swedish municipal paper and 25 per cent (0) in Swedish municipal bonds. All investments had a credit rating ranging from AAA to A+ from Standard & Poor's, with an average rating of AA+ (except 22 MSEK in exposure to Avanza Bank AB). The average maturity was 780 days (220). All bank holdings are highly liquid and all securities are repoable with central banks.

At 31 December 2019 Nordax's funding sources comprised 4,111 MSEK (2,107) through the asset-backed securities market (securitized), 1,000 MSEK (487) in senior unsecured bonds, 3,068 MSEK (2,836) in warehouse funding facilities provided by international banks and 19,222 (11,260) MSEK in deposits from the general public. The figures refer to the nominal amounts.

Note 6 Classification of financial assets and liabilities

GROUP

31 December 2019	Fair value through profit and loss	Financial assets valued at amortised cost	Financial liabilities valued at amortised cost	Total
Assets				
Lending to credit institutions	-	1,252	-	**1,252**
Lending to the general public	-	25,271	-	**25,271**
Bonds and other fixed-income securities	3,120	-	-	**3,120**
Other assets	-	123	-	**123**
Total assets	**3,120**	**26,646**	**-**	**29,766**
Liabilities				
Liabilities to credit institutions	-	-	3,068	**3,068**
Deposits from the general public	-	-	19,222	**19,222**
Issued securities	-	-	5,105	**5,105**
Subordinated liabilties	-	-	598	**598**
Derivatives	2	-	-	**2**
Other liabilities	-	-	57	**57**
Total liabilities	**2**	**-**	**28,050**	**28,052**

GROUP

31 December 2018	Fair value through profit and loss	Financial assets valued at amortised cost	Financial liabilities valued at amortised cost	Total
Assets				
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**
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 liabilties	-	-	249	**249**
Other liabilities	-	-	47	**47**
Total liabilities	**-**	**-**	**16,986**	**16,986**

PARENT COMPANY

31 December 2019	Fair value through profit and loss	Financial assets valued at amortised cost	Financial liabilities valued at amortised cost	Total
Assets				
Lending to credit institutions	-	832	-	**832**
Lending to the general public	-	19,763	-	**19,763**
Bonds and other fixed-income securities	3,120	-	-	**3,120**
Other assets	-	121	-	**121**
Total assets	**3,120**	**20,716**	**-**	**23,836**
Liabilities				
Liabilities to credit institutions	-	-	19,222	**19,222**
Deposits from the general public	-	-	2,877	**2,877**
Subordinated liabilties	-	-	598	**598**
Derivatives	2	-	-	**2**
Other liabilities	-	-	35	**35**
Total liabilities	**2**	**-**	**22,732**	**22,734**

PARENT COMPANY

31 December 2018	Fair value through profit and loss	Financial assets valued at amortised cost	Financial liabilities valued at amortised cost	Total
Assets				
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**
Total assets	**1,189**	**17,485**	**-**	**18,674**
Liabilities				
Deposits from the general public	-	-	11,278	**11,278**
Issued securities	-	-	487	**487**
Liabilities to securitisation firms[1]	-	-	4,380	**4,380**
Subordinated liabilties	-	-	249	**249**
Other liabilities	-	-	45	**45**
Total liabilities	**-**	**-**	**16,439**	**16,439**

Note 7 Fair values of financial assets and liabilities

GROUP

31 December 2019	Carrying amount	Fair value	Delta
Assets			
Lending to credit institutions[1]	1,252	1,252	-
Lending to the general public[2,4]	25,271	28,494	3,223
Derivat	0	0	-
Bonds and other fixed-income securities	3,120	3,120	-
Total Assets	**29,643**	**32,866**	**3,223**
Liabilities			
Liabilities to credit institutions[1]	3,068	3.068	-
Deposits from general public[1]	19,222	19,222	-
Issued securities[3]	5,105	5,108	3
Derivatives	2	2	-
Subordinated liabilities[3]	598	583	-15
Total Liabilites	**27,995**	**27,983**	**-12**

GROUP

31 December 2018	Carrying amount	Fair value	Delta
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	-
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 Liabilites	**16,939**	**16,946**	**7**

[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 are based directly or indirectly on quoted prices.
[4] Fair value data for lending to the general public is calculated after tax.

PARENT COMPANY

31 December 2019	Carrying amount	Fair value	Delta
Assets			
Lending to credit institutions[1]	832	832	-
Lending to the general public[2,4]	19,763	22,969	3,206
Derivat	0	0	-
Bonds and other fixed-income securities	3,120	3,120	-
Total Assets	**23,715**	**26,921**	**3,206**
Liabilites			
Deposits from the general public[1]	19,222	19,222	-
Liabilities to securitisation firms[1]	2,877	2,877	-
Derivatives	2	2	-
Subordinated liabilties[3]	598	583	-15
Total Liabilities	**22,699**	**22,684**	**-15**

PARENT COMPANY

31 December 2018	Carrying amount	Fair value	Delta
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**
Liabilites			
Deposits from the general public[1]	11,278	11,278	-
Issued securities[3]	487	487	0
Liabilities to securitisation firms[1]	4,380	4,380	-
Subordinated liabilties[3]	249	254	5
Total Liabilities	**16,394**	**16,,399**	**5**

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 are based directly or indirectly on quoted prices.
4 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 December 2019	Level 1	Level 2	Level 3	Total
Assets				
Lending to the general public	-	28,494	-	28,494
Bonds and other fixed-income securities	1,545	1,575	-	3,120
Derivatives	-	0	-	0
Total Assets	**1,545**	**30,069**	**-**	**31,614**
Liabilities				
Issued securities	-	5,108	-	5,108
Derivatives	-	2	-	2
Subordinated liabilties	-	583	-	583
Total Liabilities	**-**	**5,693**	**-**	**5,693**

GROUP

31 December 2018	Level 1	Level 2	Level 3	Total
Assets				
Lending 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 liabilties	-	254	-	254
Total Liabilities	**-**	**2,837**	**-**	**2,837**

PARENT COMPANY

31 December 2019	Level 1	Level 2	Level 3	Total
Assets				
Lending to the general public	-	22,969	-	22,969
Bonds and other fixed-income securities	1,545	1,575	-	3,120
Derivatives	-	0	-	0
Total Assets	**1,545**	**24,544**	**-**	**26,089**
Liabilities				
Derivatives	-	2	-	2
Subordinated liabilties	-	583	-	583
Total Liabilities	**-**	**585**	**-**	**585**

PARENT COMPANY

31 December 2018	Level 1	Level 2	Level 3	Total
Assets				
Lending 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				
Derivatives	-	487	-	487
Subordinated liabilties	-	254	-	254
Total Liabilities	**-**	**741**	**-**	**741**

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.

Q4 2019	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL
Income statement							
Interest income[1]	174	163	0	114	21	56	528
Interest expenses	-26	-52	0	-10	-2	-24	-114
Total net interest income	**148**	**111**	**0**	**104**	**19**	**32**	**414**
Commission income	9	6	0	6	0	2	23
Net profit from financial transactions[2]	-1	-4	0	-1	0	0	-12
Total operating income	**156**	**113**	**0**	**109**	**19**	**34**	**425**
General administrative expenses	-77	-53	-1	-31	-3	-11	-176
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-5	-2	0	-1	0	0	-8
Other operating expenses	-16	-20	0	-5	0	-7	-48
Total operating expenses	**-98**	**-75**	**-1**	**-37**	**-3**	**-18**	**-232**
Profit before credit losses	**58**	**38**	**-1**	**72**	**16**	**16**	**193**
Net credit losses	-39	-46	4	-30	-7	0	-118
Operating profit	**19**	**-8**	**3**	**42**	**9**	**162**	**75**
Balance sheet							
Lending to the general public	**8,442**	**6,140**	**31**	**4,349**	**801**	**5,508**	**25,271**

Q3 2019	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL
Income statement							
Interest income[1]	162	152	1	104	23	53	495
Interest expenses	-33	-51	0	-16	-3	-23	-126
Total net interest income	**129**	**101**	**1**	**88**	**20**	**30**	**369**
Commission income	5	7	0	6	0	0	18
Net profit from financial transactions[2]	-3	-4	0	-2	0	0	-8
Total operating income	**131**	**104**	**1**	**92**	**20**	**30**	**379**
General administrative expenses	-50	-36	0	-24	-4	-6	-120
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-4	-3	0	-2	0	0	-9
Other operating expenses	-20	-13	0	-8	0	-3	-44
Total operating expenses	**-74**	**-52**	**0**	**-34**	**-4**	**-9**	**-173**
Profit before credit losses	**57**	**52**	**1**	**58**	**16**	**21**	**206**
Net credit losses	-1	-22	2	-15	-5	1	-46
Operating profit	**50**	**30**	**3**	**43**	**11**	**22**	**160**
Balance sheet							
Lending to the general public	**7,594**	**5,830**	**34**	**4,246**	**890**	**5,206**	**23,801**

Q4 2018	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL
Income statement							
Interest income[1]	129	151	1	107	26		414
Interest expenses	-17	-36	0	-14	-4		-71
Total net interest income	**112**	**115**	**1**	**93**	**22**		**343**
Commission income	2	2	0	0	0		4
Net profit from financial transactions[2]	-1	-19	0	-16	25		-11
Total operating income	**113**	**98**	**1**	**77**	**47**		**336**
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
Total operating expenses	**-73**	**-55**	**-1**	**-36**	**-13**		**-178**
Profit before credit losses	**40**	**43**	**0**	**41**	**34**		**158**
Net credit losses	-34	-39	1	-21	-11		-104
Operating profit	**6**	**4**	**1**	**20**	**23**		**54**
Balance sheet							
Lending to the general public	**5,422**	**4,951**	**56**	**3,702**	**1,009**		**15,140**

Q1-Q4 2019	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL
Income statement							
Interest income[1]	625	606	2	426	94	202	1 955
Interest expenses	-107	-184	0	-56	-12	-89	-448
Total net interest income	**518**	**422**	**2**	**370**	**82**	**113**	**1 507**
Commission income	24	26	0	22	0	2	74
Net profit from financial transactions[2]	-6	-10	0	-3	0	0	11
Total operating income	**536**	**438**	**2**	**389**	**82**	**115**	**1,570**
General administrative expenses	-234	-178	-2	-113	-22	-52	-601
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-15	-10	0	-7	-1	0	-33
Other operating expenses	-73	-55	0	-32	-4	-23	-187
Total operating expenses	**-322**	**-243**	**-2**	**-152**	**-27**	**-75**	**-821**
Profit before credit losses	**214**	**195**	**0**	**237**	**55**	**40**	**749**
Net credit losses	-72	-119	9	-75	-29	0	-286
Operating profit	**142**	**76**	**9**	**162**	**26**	**41**	**463**
Balance sheet							
Lending to the general public	**8,442**	**6,140**	**31**	**4,349**	**801**	**5,508**	**25,271**

Q1-Q4 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[2]	-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	-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**

[1] Interest income refers to revenues from external customers.
[2] FX effects amount to 8 MSEK Q1-Q4 2019 (Q4 - 6 MSEK) and is not allocated.

Note 9 Pledged assets

All amounts are in MSEK	GROUP 31 December 2019	GROUP 31 December 2018	PARENT COMPANY 31 December 2019	PARENT COMPANY 31 December 2018
Pledged assets for own liabilities				
Lending to the general public	9,482	7,350	-	-
Lending to credit institutions	385	501	-	-
Total	**9,867**	**7,851**	**-**	**-**

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 reated parties during the period.

Note 11 Transition effects IFRS 16 Leases

GROUP All amounts in MSEK	Prior transition to IFRS 16 2018-12-31	Transition effect - IFRS 16	Recalculated items 2019-01-01
ASSETS			
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
TOTAL ASSETS	**19,564**	**30**	**19,594**
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities			
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
Total liabilities	**17,124**	**30**	**17,154**
Equity			
Share capital	50		50
Other reserves	7		7
Retained earnings, incl. profit for the year	2,383	0	2,361
Total equity	**2,440**	**0**	**2,440**
TOTAL LIABILITIES, PROVISIONS AND EQUITY	**19,564**	**30**	**19,594**

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 Hypotekspension 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	-
Total purchase price	**912**

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	2019-01-15
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
Total aquired net assets	**226**
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
Net cash flow	**874**

Of the group's revenues, 202 MSEK is attributable to SHP, which has contributed 40 MSEK to the groups earnings, of which 19 MSEK relates to acquisition costs.

Note 13 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[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.

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

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

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

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

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

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

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

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

[1] These are reported with respect SFSA´s regulations and general recommendations see note 5, capital adequacy analysis.

Board of Directors' affirmation

The Board of Directors declares that the interim report for January-December 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 February 14 2020

Hans-Ole Jochumsen
Chairman

Christopher Ekdahl
Non-Executive Director

Christian Frick
Non-Executive Director

Ricard Wennerklint
Non-Executive Director

Henrik Källén
Non-Executive Director

Anna Storåkers
Non-Executive Director

Ville Talasmäki
Non-Executive Director

Review Report

Introduction
We have reviewed the interim report for Nordax Bank AB (publ) for the period January 1 - December 31, 2019. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review
We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies, and for the Parent Company in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, February 14, 2020

Deloitte AB

Malin Lüning
Authorized Public Accountant