Nordax Bank

2019
ANNUAL REPORT
Nordax Bank AB (publ)

Contents

Nordax in Brief

Nordax, a leading specialist bank owned by Nordic Capital and Sampo, has around 245,000 private customers in Sweden, Norway, Finland and Germany.

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

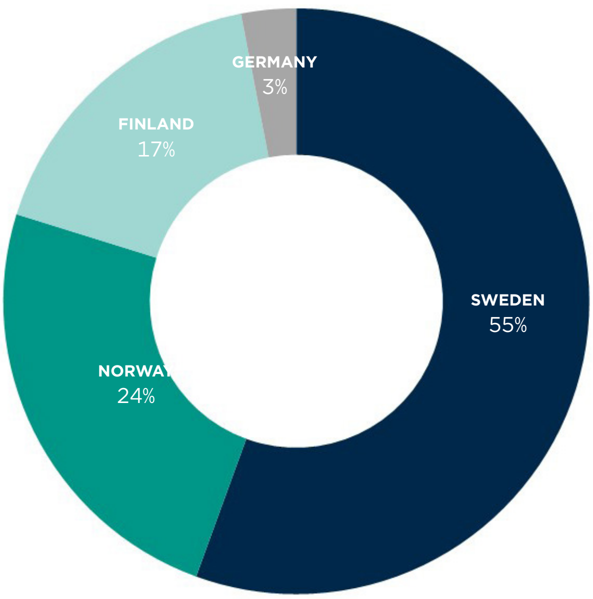
Nordax specialises in a small number of products – personal loans, mortgage loans and savings accounts – and has around 250 employees working at two offices in Stockholm.

Its thorough, robust and data-driven credit assessment process is one of Nordax's core competencies and Nordax's customers are financially stable. On 31 December 2019, lending to the general public amounted to SEK 25.3 billion and deposits to SEK 19.2 billion.

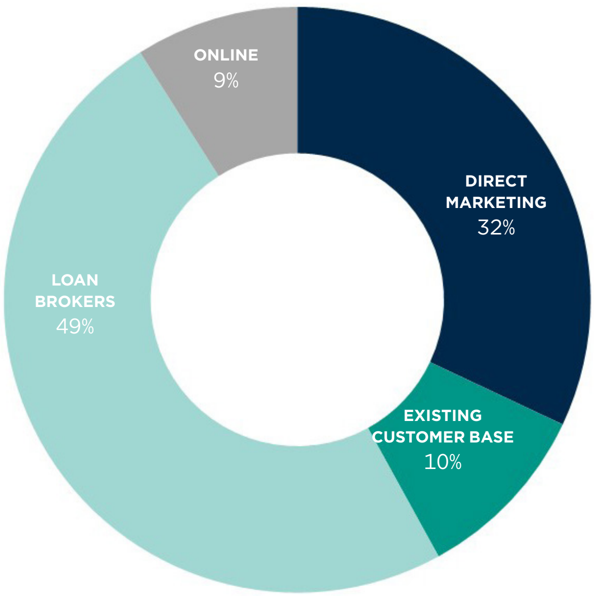
Nordax is regulated by the Swedish Financial Supervisory Authority, www.fi.se, and is a member of the government's deposit guarantee scheme in the same way as all Swedish banks and credit institutions.

Read more at www.nordaxgroup.com/en

LOAN PORTFOLIO PER MARKET



NEW LENDING PER CHANNEL IN 2019



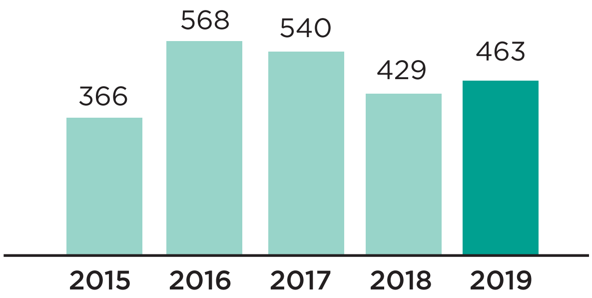
Highlights of 2019

STRONG GROWTH MAINTAINED

- Strong growth in new lending in personal loans, mortgage loans and equity release mortgages
- Lending growth was 31% at the end of the fourth quarter and total lending amounted to SEK 25.3 billion
- In December, Nordax acquired 9% of the Swedish mortgage challenger Stabelo
- Establishment of MTN programme with SEK 3 billion framework
- Launch of mortgage loans in Norway
- Decision made to stop new lending in Germany to focus on the Nordic markets
- New regulations on personal loans in Norway (the so-called 555 rules)
- Issuance of new SEK 350 million subordinated Tier 2 bond
- The acquisition of Svensk Hypotekspension (SHP) was finalised

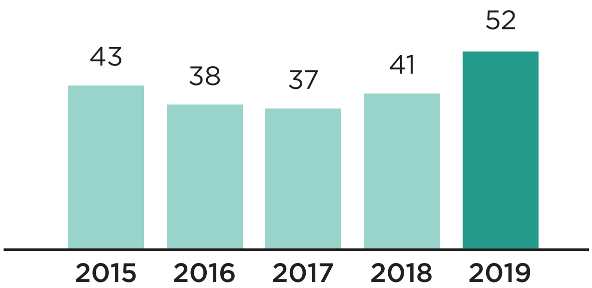
OPERATING PROFIT

SEK MILLION



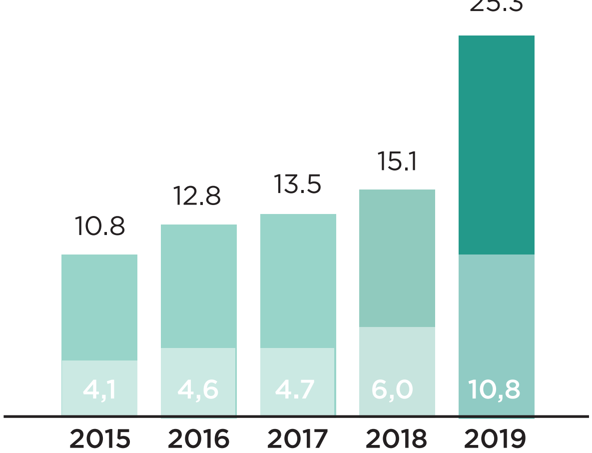
C/I RATIO

%



TOTAL LENDING AND NEW LENDING

SEK BILLION



FINANCIAL SUMMARY

SEK MILLION

	2019	2018	%
Net interest income	1,507	1,325	14
Operating profit	463	429	8
Net profit	352	326	8
Lending to the general public	25,271	15,140	67
Deposit-taking from the general public	19,222	11,278	70
Equity	2,775	2,440	14
Common Equity Tier 1 Capital Ratio, %	14	17	
Return on equity, %	13	14	

CEO's Statement

Having been here since the start in 2003-2004, I have been privileged to have been part of every eventful stage of Nordax's fantastic growth, and I was happy to see the continued development in 2019.

In 2019, Nordax continued its strategic journey and expanded into mortgages. Our Swedish mortgage business continues to develop well and we are seeing strong demand from customers who typically are overlooked by the major banks, such as those with some form of non-traditional income. In January 2019, we finalised the acquisition of Svensk Hypotekspension, which gives seniors, another group that is often ignored by the major banks but with low loan-to-value ratios, access to financial freedom and the ability to stay in their home through an equity release mortgage. In the first half of 2019, we launched mortgages in Norway as well. As in Sweden, we primarily target customers who the major banks overlook. In December 2019, Nordax also acquired 9% of the Swedish mortgage challenger Stabelo. Given our complementary business models, Nordax and Stabelo see exciting opportunities to collaborate and drive product innovation in the mortgage market.

We have also continued to develop in personal loans, which remains our core business. New lending was especially successful in the Swedish market, where a strong, improved offer contributed to growth in all our channels. In Norway, new personal loan regulations (the so-called 555 rules) were introduced in the second quarter, setting clear rules and limits on new personal loans, and in the third quarter a new debt registry was introduced as well. We are positive to the changes in the Norwegian market and expect that in time they will lead to a sounder credit market and better risk assessments. The immediate impact in the second half of the year, however, was a slight decline in new lending. In the second quarter of 2019, we also decided to stop new lending in Germany to focus on the Nordic markets.

I am pleased to add that our various savings products are very popular and continue to develop well. In 2019, deposits increased by 70 percent to SEK 19.2 billion.

Net interest income increased by 14 percent during the year to SEK 1,507 million (1,325). Our capitalisation remains strong with a Common Equity Tier 1 Capital Ratio of 14.0 percent and Total Capital Ratio of 15.3 percent. The return on equity, which increased during the year to SEK 2,775 million, was 13 percent (14). Nordax therefore continues to operate as a profitable and well-capitalised specialist bank.

I would sincerely like to thank all my colleagues, who have accepted the challenge of making the next stage of Nordax's journey a reality. Starting from a strong position, we have staked out a course for further growth with a portfolio of responsible deposit and loan products for new target groups and new markets.

Jacob Lundblad - CEO

Stockholm, April 2020

Nordax Bank

2019

DIRECTORS' REPORT

Nordax Bank AB (publ)

Operations

About Nordax
Nordax Bank AB (publ) (Corporate Identity Number 556647-7286), registered office in Stockholm, address Box 23124, SE-104 35 Stockholm, Sweden, telephone number +46 8 508 808 00, www.nordaxgroup. com, hereinafter "Nordax", is a wholly owned subsidiary of Nordax Group AB (publ) (Corporate Identity Number 556993-2485). The owner of the Nordax Group is NDX Intressenter AB, which is controlled by Nordic Capital and Sampo. On 31 December, they controlled 100 percent 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, Nordax Norway 5 AB, Nordax Norway 6 AB and Svensk Hypotekspension AB with the subsidiaries Svensk Hypotekspension Fond 2 AB, Svensk Hypotekspension Fond 3 AB and Svensk Hypotekspension Fond 4 AB (publ).

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

Nordax's competitors can basically be divided into two categories: full-service banks and niche banks. In recent years, niche banks have taken market share from full-service banks. The niche banks have product offerings similar to those of the specialist bank Nordax. What varies is the customers they target, the channels they use to reach potential customers and how they finance their lending.

There are several barriers to entry that make it difficult for start-ups of limited size or experience with operating in a regulated environment to get established in the personal loan market. One barrier is the economies of scale that largely distinguish the personal loan market. In view of the strict and complex rules and regulations for banks and credit institutions, operators have to establish robust functions and systems for legal issues, compliance and financial management, which in turn requires substantial investment and expertise. Once such functions are in place, operators can normally handle large loan volumes, which creates economies of scale and operating leverage.

Start-ups also have to comply with the increasingly complex requirements and provisions on capital adequacy and liquidity. Compliance requires capital, a strong management focus and resources to invest in compliance and risk control.

Capacity for credit assessments needs tried-and-tested models, which in turn are dependent on access to extensive historical information on loan performance. Developing such models takes time and requires experience with lending, which is a barrier to entry for start-ups.

Through the subsidiary SHP, Nordax is also active in the market for equity release mortgages, which enable people over the age of 60 to free up the equity in their homes without having to sell the property. There is good growth in equity release mortgages, since a growing number of seniors want to tap the equity in their homes. Competition in the market is limited and SHP sees good growth thanks to a strong brand and customer offer.

Tried-and-tested business model
Nordax is a leading niche bank, with operations in Sweden, Norway and Finland, offering personal loans and savings products. Since 2019, Nordax no longer grants new loans in Germany, but does offer savings products and has an existing loan book in run-off. The bank has around 130,000 active loan customers and 115,000 active deposit customers.

Lending and saving
Nordax's main business is lending to private customers in the Nordic region. Lending consists of unsecured loans up to the equivalent of SEK 600,000, NOK 500,000 and EUR 60,000 in Finland. As of 2018 and 2019, no new lending has taken place in Denmark and Germany, respectively. Since 2018, secured loans against residential property have also been offered in Sweden, and since 2019 in Norway. Through the subsidiary Svensk Hypotekspension, which was acquired in January 2019, Nordax also offers equity release mortgages for people over the age of 60.

Loan customers are typically middle-aged professionals with household incomes above the national average. They are also near or above the national average for home ownership and only rarely have a record of non-payment, and then only when their home is pledged as security.

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

Centralised platform

Through a centralised business model and organisation, Nordax conducts cross-border lending in Sweden, Norway, Denmark, Finland and Germany in 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 invesment firms.

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

Marketing

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

Data-driven and responsible lending

Nordax has extensive experience granting personal loans, and before a loan is approved it performs a thorough credit assessment of every application in accordance with credit policies and applicable laws and regulations. The credit assessment process consists of a combination of policy rules, assessment rules, internal credit assessment models and an estimate of the applicant's ability to pay. The maximum loan amount offered to a customer is calculated using a credit limit matrix based on the customer's creditworthiness. In mortgages and equity release mortgages, more of a manual assessment is done based on the customer's individual qualifications and collateral.

Diversified financing

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

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

Corporate social responsibility

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

Employees

The number of employees at year-end was 291 (231). The number of full-time equivalents was 264 (200). Of those employed at year-end. 56 percent were women and 44 percent men. In the Senior Management Team, 44 percent were women at year-end. Total sick leave, including long-term sick leave, was 4.7 percent (5.2). Over the year, turnover was 27.5 percent (20.4).

Financial results for 2019

Group

Operating profit amounted to SEK 463 million (429). Net interest income amounted to SEK 1,507 million (1,325). Net interest income rose as a result of growth in the loan portfolio and the acquisition of SHP. Credit losses for January-December 2019 amounted to SEK -286 million (-380), corresponding to 1.4 per cent (2.7) of average lending. The decrease in credit losses is mainly a result of revised model assumptions, lower credit losses in Germany from a shrinking loan book and the fact that the credit losses in 2018 were negatively impacted when Nordax terminated its forward flow agreement with Lindorff. Credit losses as a percentage of average lending were also positively impacted by the acquisition of SHP and expansion into mortgages, as both products have lower credit loss levels.

Operating expenses amounted to SEK -821 million (-571). Expenses increased as a result of investments in initiatives to grow and broaden Nordax's business as well as acquisition costs and other costs related to SHP.

Tax for the year was SEK 111 million (103). Net profit for the year was SEK 352 million (326).

Parent Company

Operating profit for January-December 2019 amounted to SEK 447 million (444).

Net interest income for January-December 2019 amounted to SEK 900 million (434). Net interest income increased due to a growing lending portfolio.

Credit losses for January-December 2019 amounted to SEK -286 million (-380), corresponding 1.4 per cent (2.7) of average lending. The decrease in credit losses is mainly a result of revised model assumptions, lower credit losses in Germany from a shrinking loan book and the fact that credit losses in 2018 were negatively impacted when Nordax terminated its forward flow agreement with Lindorff. Credit losses as percentage of average lending were also positively impacted by the expansion into mortgages, as the product has lower credit loss levels

Operating expenses for January-December 2019 amounted to SEK -735 million (-571). Expenses increased as a result of investments in initiatives to grow and broaden Nordax's business.

Lending volumes

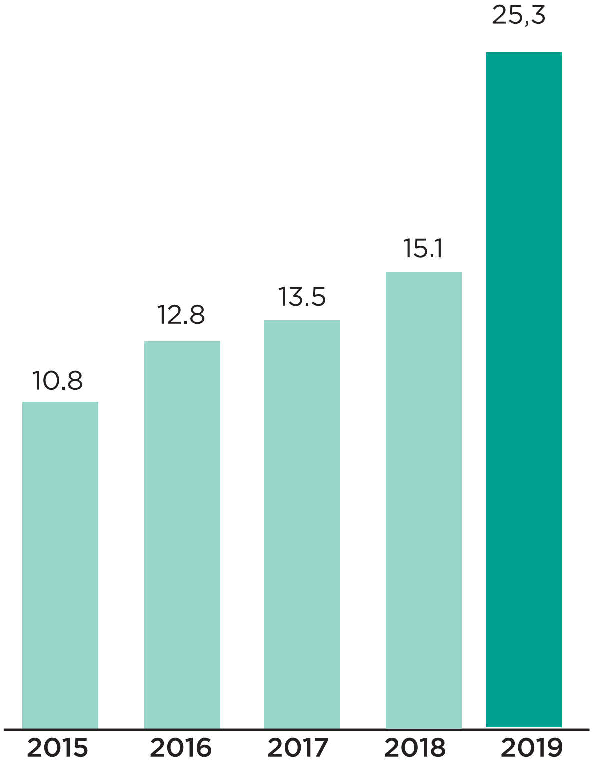
Personal loans
New lending for personal loans developed strongly and amounted to SEK 7.8 billion during the year. Lending was strongest in Sweden, while sales in Finland and Norway were stable compared to 2018. During the year, new lending increased the most in the loan broker channel, which was a result of both improved customer processes and collaborations with more brokers.

Mortgage loans
In 2018, Nordax launched mortgage loans in the Swedish market and interest in the product has been high since the start. The main target group is customers with some form of non-traditional employment, such as the self-employed and temporary employees, e.g. project, part-time or replacement employees. Thorough credit assessments and personal contacts have made more loan approvals possible in this customer group, which is often denied by the major banks despite stable finances. In 2019, Nordax also launched mortgage loans in Norway. As in Sweden, the focus is on customers who, despite good finances, are overlooked by the major banks.

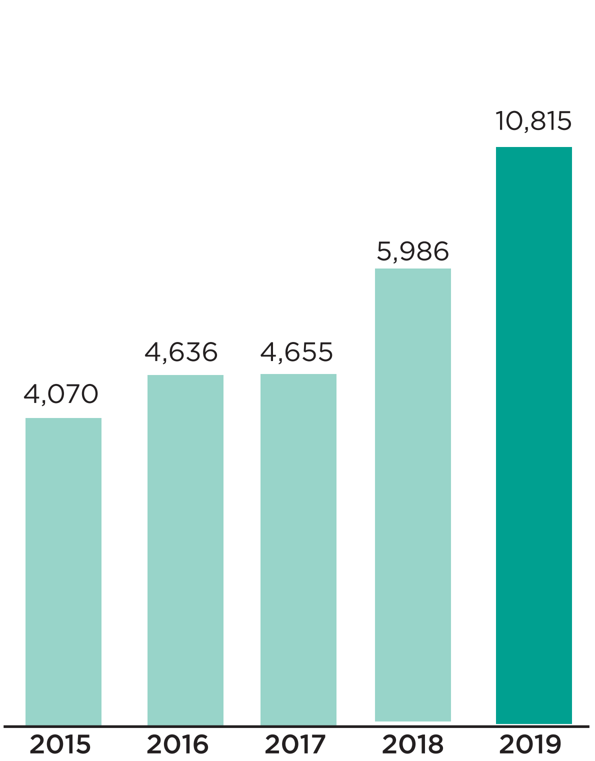
Equity release mortgages
Nordax offers equity release mortgages through the wholly owned subsidiary Svensk Hypotekspension, which was acquired in January 2019. New lending developed strongly during the year. One contributing factor has been increased marketing, which has led to greater awareness of Swedish 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
Lending to the public amounted to SEK 25.3 billion, which corresponds to organic growth (excluding the effect of the SHP acquisition) of 31 percent in 2019. Including the effect of the SHP acquisition, growth was 67 percent.

GROWTH IN THE LOAN PORTFOLIO
SEK BILLION



NEW LENDING
SEK MILLION



Financing, liquidity and capital situation

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

At the end of the period, the nominal amounts for financing were as follows: SEK 4,111 million (2,107) via the asset-backed (securitised) bond market, SEK 1,000 million (487) in corporate bonds and SEK 3,068 million (2,836) in warehouse funding facilities provided by international banks. During the year, deposits from the public increased to SEK 19,222 million (11,260), the increase was mainly in Sweden and Norway. Nordax's short- and long-term objectives are to remain active in the capital market through the issuance of both unsecured senior bonds and subordinated bonds.

Nordax had a liquidity reserve at 31 December 2019 of SEK 4,239 million (3,509). Of these investments, 24 percent (66) was in Nordic banks, 2 percent (0) in Sveriges Riksbank, 36 percent (15) in Swedish covered bonds, 12 percent (19) in Swedish municipal paper and 25 percent (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 SEK 22 million 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. For more information, see Note 4.

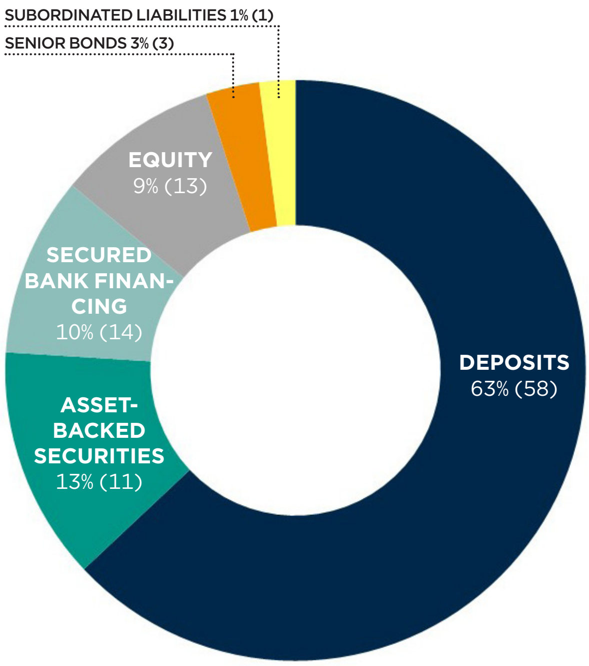
Lending to credit institutions on 31 December amounted to SEK 1,252 million (2,681), including SEK 385 million (501) in pledged cash balances for the financing structure and the remainder in available liquidity.

On 31 December 2019, equity amounted to SEK 2,775 million (2,440). Total assets amounted to SEK 30,988 million (19,564).

On the same date, the total capital ratio was 15.3 percent (19.0). The Common Equity Tier 1 capital ratio was 14.0 percent (17.0), compared to the Common Equity Tier 1 capital requirement, which is calculated at 8.9 percent including the internally determined Pillar 2 requirement. For more information, see Note 4.

The risk exposure amount rose to SEK 19,747 million (14,797), including SEK 18,011 million (13,320) in credit risk, SEK 506 million (565) in market risk, SEK 1,229 million (912) in operating risk and SEK 1 million (0) in CVA.

FINANCING AND EQUITY



Capital and liquidity measures

	2019	2018
Risk exposure amount, SEK million	19,747	14,797
Total Common Equity Tier 1 capital, SEK million	2,770	2,599
Common Equity Tier 1 Capital Ratio, %	14.0	17.0
Total capital ratio, %	15.3	19.0
Leverage ratio, %	8.9	15.4
Liquidity Coverage Ratio (LCR), %	514	194
Funding ratio (NFSR), %	120	117

Segments

SWEDEN	2019	2018
Net interest income, SEK million	518	418
Net interest margin, %	7.6	8.4
Net credit losses, SEK million	-72	-95
Credit loss level (cost of risk), %	1.0	1.9
Lending at end of period, SEK million	8,442	5,422
New lending, SEK million	5,027	2,003
Growth in loan portfolio, SEK million	3,020	737
Growth, %	55.7	15.7

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

The total number of personal loan customers in Sweden is around 50,000 and the number of mortgage customers nearly 1,000. In total, there are 63,000 deposit customers. The average personal loan is around SEK 205,000 and the average mortgage is SEK 1,200,000. 52 percent of unsecured loan customers own their home and their average age is 50 years.

The loan portfolio in Sweden grew 55.7 percent compared to the preceding year, to SEK 8,442 million. New lending rose from SEK 2,003 million in 2018 to SEK 5,027 million. The net interest margin for the period declined slightly to 7.6 percent (8.4), mainly due to an increased share of mortgage customers.

Credit quality remains high and the credit loss level decreased from 1.9 percent to 1.0 percent.

NORWAY	2019	2018
Net interest income, SEK million	422	467
Net interest income, NOK million	411	437
Net interest margin, %	7.9	9.6
Net credit losses, SEK million	-119	-141
Credit loss level (cost of risk), %	2.1	2.9
Lending at end of period, SEK million	6,140	4,951
Lending at end of period, NOK million	5,528	4,807
New lending, SEK million	2,644	1,744
New lending, NOK million	2 ,519	1,626
Growth in loan portfolio, SEK million	1.189	145
of which, currency effects	157	144
Growth excluding currency effects, %	20.4	0.0

Nordax established its lending business in Norway in 2005 and deposit-taking in 2009. The mortgage business was launched in 2019.

The total number of personal loan customers in Norway is around 36,000 and the number of deposit customers around 28,000. The average loan in Norway is NOK 205,000. 77 percent of personal loan customers own their home and the average age is 51.

The loan portfolio amounted to SEK 5,528 million, which corresponds to growth, adjusted for currency effects, of 20.4 percent. New lending increased from SEK 1,744 million to SEK 2,644 million, largely thanks to a successful launch of our mortgage offer.

The net interest margin decreased compared to 2018 to 7.9 per cent (9.6) due to an increased share of secured loans.

The net credit loss level decreased to 2.1 percent (2.9).

In 2019, Norway introduced new limits on personal loans (the so-called 555 rules).

This means that consumer credit may not be granted to individuals who cannot afford a rate hike of 5 percentage points, their total debt may not exceed five times their annual income, the bank must require monthly instalment payments and the debt must be paid off in a maximum of five years.

FINLAND	2019	2018
Net interest income, SEK million	370	344
Net interest income, EUR million	37	34
Net interest margin, %	9.6	10.4
Net credit losses, SEK million	-75	-76
Credit loss level (cost of risk), %	-1.9	2.3
Lending at end of period, SEK million	4,349	3,702
Lending at end of period, EUR million	417	360
New lending, SEK million	1,715	1,671
New lending, EUR million	162	162
Growth in loan portfolio, SEK million	647	785
of which, currency effects	53	159
Growth excluding currency effects, %	15.6	21.5

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

The total number of loan customers in Finland is just over 34,000 and the number of deposit customers around 3,000. The average loan in Finland is around EUR 16,000. 69 percent of personal loan customers own their own their homes and the average age is 51.

The loan portfolio in Finland amounted to SEK 4,349 million (3,702). In local currency, the loan portfolio increased by 15.6 percent compared to the same period in 2018.

New lending was at the same level as in 2018 and amounted to EUR 162 million.

The net interest margin decreased year-over-year to 9.6 percent (10.4).

The net credit loss level fell to 1.9 percent (2.3) compa-red to 2018.

GERMANY	2019	2018
Net interest income, SEK million	82	93
Net interest income, EUR million	8	9
Net interest margin, %	8.8	9.3
Net credit losses, SEK million	-29	-71
Credit loss level (cost of risk), %	-3.2	7.1
Lending at end of period, SEK million	801	1,009
Lending at end of period, EUR million	77	98
New lending, SEK million	86	348
New lending, EUR million	8	34
Growth in loan portfolio, SEK million	-208	16
of which, currency effects	20	43
Growth excluding currency effects, %	-22.0	-2.7

The German business was established in 2012 with deposit-taking business started in 2016. In the second quarter of 2019, a decision was made to stop new lend-ing in Germany as profitability had not reached the desired levels. Nordax has continued to accept depos-its in Germany.

The loan portfolio amounted to SEK 801 million (1,009) as of 31 December. In local currency, the loan portfolio decreased by 22 percent compared to the same period last year. New lending in local currency fell to EUR 8 million (34).

The net interest margin decreased to 8.8 percent (9.3) compared to full-year 2018.

The net credit loss level fell to 3.2 percent (7.1) during the year.

SHP	2019	2018
Net interest income, SEK million	113	-
Net interest margin, %	2,4	-
Net credit losses, SEK million	0	-
Credit loss level (cost of risk), %	0,0	-
Lending at end of period, SEK million	5 508	-
New lending, SEK million	1 342	-
Growth in loan portfolio, SEK million	-	-
Growth, %	-	-

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.

The total number of customers in Sweden is around 7,000. The average loan amounts to approximately SEK 792,000 and the average borrower's age is 74.

New lending amounted to SEK 1,342 million and the loan portfolio as of 31 December amounted to SEK 5,508 million.

The net interest margin was 2.4 percent and the credit loss level was 0 percent.

Sustainability report

For Nordax, sustainability relates to responsible deposit-taking and lending business. Good risk management is crucial to this work and to the creation of value.

Nordax's most important stakeholders are customers, employees, owners, investors, suppliers, business partners, decision-makers, supervisory authorities and stakeholder organisations. They influence and are influenced by Nordax's activities in various ways. A continuous dialogue is maintained with many of our stakeholders.

In 2016, a more extensive stakeholder dialogue was conducted with customers, employees, shareholders and stakeholder organisations to validate the most significant sustainability issues that were identified internally. It showed that there was a consensus on which aspects of sustainability are important to Nordax as a company and create value for stakeholders. What is important is to be a responsible lender to customers, to be an attractive employer, to act responsibly towards investors, owners and public authorities, and to comply with laws, requirements and regulations.

Nordax maintains an ongoing dialogue with relevant stakeholders through surveys, personal meetings and conversations depending on the stakeholder. In this way, important new sustainability issues can be quickly identified. Nordax's owner, Nordic Capital, receives an annual progress report on the sustainability aspects it prioritises it its holdings. Nordax has a limited impact on the environment, but takes action to reduce resource consumption where possible. Nordax's aim is to positively contribute to social development by contributing to the UN Sustainable Development Goals.

Governance and policy framework for work on sustainability

The sustainability policy describes sustainability governance and Nordax's focus areas. The policy also stresses the importance of integrating sustainability into strategic development and ongoing operations. This includes how risks are identified and addressed. Nordax's Code of Conduct and values provide a framework that will guide all employees in acting ethically, properly and responsibly in order to create long-term relationships with customers, partners and other stakeholders. The Code of Conduct also serves as a compass how to act internally to create a healthy corporate culture and an attractive workplace. In 2019, a reassessment of all other central policies was conducted. They are easily available to all employees who are affected by them. To support employees on a daily basis and ensure regulatory compliance, the following governing documents are also important to day-to-day work:

- Policy regarding ethical standards
- Policy on diversity and assessment of suitability of directors and key function holders
- Policy regarding work environments
- Remuneration policy
- Financial crime policy
- Anti-bribery instruction
- Guidelines on recruitment to increase diversity
- Complaints management policy
- Procurement, sourcing and outsourcing policy
- Privacy policy
- Information security policy

NORDAX'S FOCUS AREAS FOR SUSTAINABLE BUSINESS

NORDAX'S FOCUS AREAS FOR SUSTAINABLE BUSINESS

RESPONSIBLE LENDING

EMPLOYEE WELL-BEING

SOLID BUSINESS ETHICS

EFFICIENT USE OF RESOURCES

1. Responsible lending

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

Risk management in this area is primarily linked to data-driven creditworthiness assessment processes to ensure accurate collection and verification of data where no support is available via credit or debt registers. A key aspect of risk management is the model with three lines of defence, as described on page 17. If a customer has problems repaying their loan, Nordax has specially trained employees who promptly contact them to provide advice and support and jointly arrive at a solution.

In 2019, Nordax processed around 965,000 loan applications. In every case, a correct credit assess-ment was assured via a tried-and-tested lending process. The assessment is performed in accordance with generally accepted lending practices, is always based on the customer's financial situation and conforms with Nordax's credit policy. For example, personal loan customers are not permitted to have a past record of non-payment and must have a financial buffer, which we verify via a left-to-live-on calculation. In addition, customers must not have an excessive level of indebtedness. Through its long experience in the industry, various geographical markets and different economic cycles, Nordax has gained valuable knowledge and data that it uses to develop models for an advanced data-driven creditworthiness assessment.

Nordax's ambition is that its lending portfolio will continue to grow, but growth must not come at the price of departing from its own credit assessment guidelines.

In 2018, Norway decided to introduce a national debt register, which will gradually improve credit assessments and reduce manual processing and the risk of errors in credit assessments in the Norwegian market, in the same way as when Nordax joined a debt register in Finland. Nordax decided in 2019 to stop new lending in Germany to focus on the Nordic markets. The credit loss level in recent years has been well below Nordax's target of less than two percent over an economic cycle. Due to the transition to IFRS 9 in 2018, the level increased slightly. In 2019, however, the credit loss level decreased significantly to 1.4 percent (2.7). The decrease in credit losses as a share of average lending is mainly a result of changes in model assumptions and lower credit losses in Germany, but was also positively affected by the acquisition of Svensk Hypotekspension and the expansion into mortgages. For more information, see Note 4.

It is important that customers value the support and services that Nordax offers, if Nordax is to maintain long-term relationships and attract new customers. The objective is to sustain a general level of satisfaction of at least 93 percent and be in the top three in the sector. To systematically measure and monitor this at an individual and unit level, the market research firm Brilliant future conducts a customer service survey after each conversation with a customer. Questions are asked about Nordax's engagement, knowledge, ability to resolve the issue right away and the customer's general satisfaction with the company. Satisfaction with the service has continuously improved and has been at a stable high level in the last two years. At the end of 2019, it nearly reached the same high level as in 2018 – a general level of satisfaction of 92 percent (93) – which remains in the top three in the sector.

To complement the customer satisfaction survey that is conducted after incoming calls, customer loyalty is measured as a recommendation rating through a Net Promoter Score (NPS). The score was measured for the third straight year in 2019. Our ambition is to increase the number of ambassadors among our customers, which we succeeded in doing for the year as a whole. In Nordax's largest home markets, Sweden and Norway, the share of ambassadors continued to rise in 2019. The biggest increase was in Norway, where Nordax among other things launched mortgage loans in 2019. The increase was also high in Sweden, where Nordax broadened its offering through Svensk Hypotekspension. The NPS survey also provides answers on what is popular with customers and what areas need improvement. The results indicate that customers appreciate being able to contact Nordax easily, the service provided and that the company takes each customer's individual situation of customers into account.

2. Employee well-being

Engaged employees are crucial to Nordax's success. Our ambition is to continue to focus on engagement in 2020 and define employeeship more clearly in terms of Nordax's goals and values through evolved leadership.

One of the main challenges in this area is attracting and retaining the right talent. This is managed by focusing on Nordax's employer brand, where the priorities are leadership and clarifying the company's purpose and positioning.

Through a broad range of expertise and high level of personal accountability, a corporate culture has emerged built on engagement and decisiveness. A high ceiling, streamlined decision-making and a workplace characterised by cooperation and having fun will lead to motivation and engagement. People who actively want to play a part and contribute to the company's development by staying humble and helping out where needed will enjoy working at Nordax. The organisation's size makes it possible to see how individual contributions affect the big picture.

Respect for every person's uniqueness and value lies at the heart of Nordax's ambition, along with having a healthy and appealing culture. Customers in Sweden, Norway, Finland and Germany are served by the office in Stockholm, where all employees and functions are located. In addition, SHP has three offices. Cultural and diversity issues are critical in order to understand customers in our different markets. Our efforts to broaden diversity are supported by recruiting guidelines. During the year, a new evidence-based recruiting platform was implemented that assesses potential rather than previous qualifications and talents.

In recent years, organisational and structural changes have been made to ensure that the company has the right expertise in the right place, thereby creating the best conditions possible to achieve highly ambitious objectives. Having skilled and effective leaders has been seen as a key to achieving the objectives. This has meant that employees at various levels have left Nordax. Against this backdrop, employee turnover has been slightly higher, but controlled, given the rapid pace of change and need for new expertise in certain departments. Despite major changes, a high tempo and high level of employee turnover, an Employee Engagement Index rating of 81 was measured, a major increase compared to 74 in December 2018. This was a new record since these pulse surveys began in 2016. The Leadership Index reached 85, which was the target for the year and shows that the efforts to ensure good leadership have produced results. The Recommendation Index also improved significantly during the year and reached a high level, which shows that Nordax is an attractive workplace with evolved leadership.

As part of its effort to attract and retain the right talent, Nordax wants its employees to feel that they are competitively and fairly compensated and that those with the reduced work schedule that Nordax applies maintain a work-life balance. All employees have access to generous wellness subsidies, and initiatives that promote teamwork and make work more fun are encouraged and supported financially in every department. Gender equality is a priority and the most recent annual salary survey from January 2020 showed that women earned 99 percent (98.5) of salary rates for men.

KEY FIGURES	2019	2018
Responsible lending		
Credit loss level, %	1.4	2.7
General satisfaction, customer service by telephone, Bright's surveys (Index: 0-100) (December result)	92 (December result)	93 (Benchmark 88)
Sector ranking, customer service survey via Bright	topp 3	topp 3
NPS result, total	23.1	20
NPS result, Sweden	23	15
NPS result, Norway	23.1	12
NPS result, Finland	not appicable	19
NPS result, Germany	not applicable	52
Employee well-being		
Commitment Index, employees (Scale: 0-100)	81	74
Recommendation Index, employees, eNPS (Scale: -100 to +100)	34	0,56
Number of employees, total at year end	291	231
Gender distribution, total (men/women), %	44/56	37/63
Gender distribution, executives (men/women), %	56/44	56/44
Gender distribution, managers (men/women), %	54/46	54/46
Gender distribution, Board of Directors (men/women), %	88/12	100/0
Total employee turnover, %	27.5	20.5
Sick leave, %	4.7	5.2
Long-term healthy, %	49	62
Efficient use of resources		
Electricity to the office, kWh	148 782	130,561
Paper consumption, printed matter, customer communication etc., tons	240.6	200.6
Paper consumption, printed matter, customer communication etc., CO2e, tons	72.2	60.2

3. Solid business ethics

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

Nordax works continually to comply with regulations and ethical standards, manage and minimise risks, and maintain a healthy culture in terms of ethical issues. In recent years, Nordax has completed a wide-ranging effort to strengthen its rules and processes and make them more efficient, to avoid being exploited for money laundering and other types of financial crime.

Nordax has an extensive and clear framework for ethical issues in general as well as specific rules and processes for certain areas, such as preventing money laundering and corruption and managing conflicts of interest. The ethical framework (see page 15) has been communicated to all employees, who also receive annual training.

There is a separate Anti-Financial Crime unit, which is responsible for establishing, implementing and performing appropriate routines and controls to prevent, detect and when needed investigate financial crime (money laundering, terrorist financing and fraud). Nordax advocates transparency and encourages employees to report suspected irregularities as well as unethical or illegal behaviour at Nordax. Observations can be reported anonymously via Nordax's whistleblower process. Employees at Nordax should always feel that they have someone to turn to regardless of what they may want to report. To that end, several different reporting channels are available. Reported incidents are investigated immediately and appropriate measures are taken.

At Nordax, we try to avoid conflicts of interest as far as possible. If they arise, clearly defined routines are in place to identify and address them at various levels of the bank.

4. Efficient use of resources

Nordax has limited direct impact on the environment and risk in this area, but tries to reduce it through automation, digital development and environmentally friendly communication. During the year, consumption of paper for printed matter and customer mailings increased by around 20 percent. This was mainly due to the acquisition of Svensk Hypotekspension and increased activity in Norway. Nordax buys carbon offsets for its mailings.

Core values

During the year, Nordax worked extensively to further strengthen its position in the market segments where it is active, to address the new mortgage offers that have been developed and to incorporate Svensk Hypotekspension. The work has resulted in among other things a new vision, mission and updated values. For 2020, an action plan is in place to implement them in governance and communication with the goal of further strengthening Nordax's position as a stable and reliable challenger in the banking market and an attractive employer.

Wholehearted
WE SEE PEOPLE

We see each other, we listen to each other, and we give of ourselves. We see each other as human beings, not human resources. We listen to what our customers want to achieve and find out what they really need. We take the time to understand and explain. We believe in the ability of people to make decisions.

Challenger
WE THINK DIFFERENTLY

How people live and work is constantly changing. As a result, we have to pay attention and be prepared to react quickly, so that we can keep pace with trends and stay relevant. We challenge preconceptions and expectations how a bank acts. Internally as well as externally. We also challenge our own ways of working and our view of ourselves with the goal to always get better.

Accountability
WE ROLL UP OUR SLEEVES

We take responsibility for our community. We enjoy getting things done and we take responsibility for reaching our shared objectives. We avoid pretence and won't hesitate to lend a hand where needed.
We always do a robust credit assessment and if our customers have problems repaying their loans, we get involved and help them.

Risk and risk management

A healthy risk culture is a priority for Nordax. The bank tries to take conscious risks and maintain high risk awareness among employees. This is achieved in part by ensuring that all employees are aware of the risks associated with each task, through clearly articulated limits on accepted risk exposure and an understanding of how to avoid breaching them. A high level of risk awareness is achieved, for example, by delegating responsibility among departments, clearly articulated limits for acceptable risk levels and clear reporting and escalation channels for any breaches of the limit system.

To ensure appropriate and effective risk management – identify, analyse, mitigate and report risk – and internal control, Nordax has established a model with three lines of defence. The purpose of the model is to create clearly defined responsibilities and distinguish between functions that own risk (first line of defence), functions for monitoring, control and support (second line of defence) and functions for independent audit (third line of defence). The model with three lines of defence is also an effective way to manage increasing regulatory requirements, ensure that internal rules are observed and that any breaches are quickly identified and efficiently mitigated.

First line of defence – business operations
The first line of defence consists of the business operations, which are responsible for internal control and risk management in the line organisation. This means that every employee is responsible for day-to-day risk management within their area of responsibility.

Second line of defence – independent control functions
The second line of defence is made up of the independent functions Risk Control and Compliance, which monitor, control and report the business operations' risk management and compliance. The second line of defence is responsible for establishing principles and a framework for the business operations' risk management.

Third line of defence – Internal Audit
The third line of defence, Internal Audit, evaluates the bank's collective risk management and compliance and reviews the work of the first and second lines of defence. This includes evaluating the effectiveness of ongoing risk management and the work performed by Risk Control and Compliance. The bank's Internal Audit was conducted in 2019 by PwC AB.

Risk overview
The most important risk areas that Nordax is exposed to are:
- Credit risk
- Operating risk
- Market risk
- Liquidity risk
- Compliance risk
- Strategic risk and business risk

To facilitate effective management of the most important risks, they have been broken down into subcategories with clearly articulated limits for acceptable risk levels.

Credit risk
Credit risk consists above all else of the risk that a customer will not be able to repay their loan, but also arises when Nordax invests its liquidity. Nordax only invests its liquidity with highly rated firms and in asset classes recognised as secure, such as sovereign debt and covered bonds, to achieve a well-diversified liquidity portfolio.

By maintaining a robust lending process for consumers, Nordax can accept a higher credit risk in the consumer loan category. Nordax continuously monitors the credit risk in its portfolio via statistical analysis, as well as by regular validation of its credit risk models. An analysis is performed of the risk that the loan will result in a claim for payment, as well as the possibility of the need for impairment.

In addition, various segments that are important to credit assessment are analysed on a continual basis. The result of these actions then forms the basis for the continuous assessment which is done using the parameters of the assessment model. When necessary, an adjustment is made to the model that serves as the basis for lending.

In the case of the new mortgage product, the appetite for risk is low. In general, the portfolio is diversified in terms of market and customers in different risk classes, to achieve a sustainable risk-adjusted return.

Nordax's credit risk policy sets out the fundamental requirements for customers to whom Nordax is willing to lend money. Within the scope of these fundamental requirements, loan officers are subject to personal decision limits based on their experience with credit assessment. Responsible lending also means managing customers who, for various reasons, fail to repay. Nordax's debt recovery department is proactive in taking responsibility for customers facing payment difficulties and assisting them. For more information, see Note 4.

Market and liquidity risk
Nordax's exposure to market risk arises in terms of interest rate risk, price risk and currency risk.

Nordax's interest rate risk arises primarily in its loan book, via the bank's maturity conversions for lending with longer terms, and deposits over shorter maturities. The appetite for interest rate risk is low, so the strategy is to match assets and liabilities in terms of currency, interest rate index and fixed income period. Interest rate hedging can be obtained with the help of derivatives such as swap contracts. Nordax's long-term funding through warehousing and ABSs is exposed to interest rate risk, which is manifested as rolling risk.

Currency risk arises as a natural consequence of the fact that Nordax operates in countries with different currencies (SEK, NOK, DKK and EUR).

Nordax's strategy is to hedge currency risk by matching, as far as possible, deposits and lending, assets and funding in the same currency, and hedging against the currency risk that arises in translation to the accounting currency, SEK. The effects of fluctuations in exchange rates are managed via hedging in forward contracts and currency swap contracts. The appetite for currency risk is slightly higher than for interest rate risk.

Liquidity risk is managed via a well-balanced combination of assets and liabilities and a mix of maturities and currencies. To match Nordax's low appetite for liquidity and price risk, Nordax invests its liquidity portfolio in secure asset categories such as Swedish sovereign debt instruments and covered bonds, which can be sold on short notice at the prevailing price in a situation that demands additional liquidity. Nordax's Treasury Department monitors and forecasts the bank's liquidity situation on a daily basis. The bank has its own limits, which exceed the regulatory requirements for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The strategy is to achieve a diversified funding platform comprising equity, subordinated debt, asset-backed securities (ABS), bank warehouse funding facilities, deposits from the public and senior unsecured bonds.

Operating risk
Every part of Nordax's operations is exposed to operating risks, which include the risk of losses arising from inappropriate or faulty internal processes, human error, inadequate systems and external events including legal and compliance risks. To manage and minimise these operating risks, various tools and processes are used, such as self-assessments, incident management, continuity and crisis management, control testing, monitoring of risk indicators and the approval process for new products, services and processes.
In 2019, modernisation of the IT infrastructure continued in order to adapt Nordax to a higher level of automation and digitisation. The purpose of the modernisation is offer a customer-friendly digital environment that lives up to the current demands in terms of information and IT security as well as management of personal data. Nordax has maintained a medium-to-high appetite for operating risk, until ongoing measures involving the IT infrastructure begin to have an impact through automation and digitisation of governance and monitoring processes.

Compliance risk
Compliance risk is defined as the risk that Nordax will fail to comply with internal and external rules that apply to its licensed activities and thus face legal consequences, sanctions, financial losses or damage to its reputation. The Board of Directors has established that Nordax has very low tolerance for compliance risks and will strive, as far as possible, to prevent such risks. The goal is to avoid all regulatory breaches and to identify and manage compliance risks at an early stage. To effectively manage regulatory developments, Nordax has set up a process to identify, evaluate and implement the requirements mandated by new and amended regulations.
In addition, the Compliance function works closely with the business operations on changes to processes or in the products and services Nordax offers, to ensure that Nordax quickly identifies and manages any compliance risks.

Strategic risk and business risk
Nordax is in an expansive stage with a strategy to grow the business, establish new products and win market share. This expansion is taking place at a time when the financial market is undergoing profound change in terms of technological solutions, regulatory requirements and customer expectations. This places high demands on Nordax's ability to effectively implement its strategic decisions and bring its products to market. In addition, the customer offering must be adapted to a market in constant flux.

In 2019, Nordax further developed its project management process by establishing a project forum. The forum is designed to among other things monitor that ongoing projects are progressing according to their plan and budget. Strategic risks and business risks are identified, analysed and managed in the business planning process and business development, and continuously monitored by both management and the Board of Directors. Nordax has a high risk appetite with respect to strategic risk and business risk.

Significant events

Significant events in 2019
In January 2019, the acquisition of Svensk Hypotekspension was finalised. Svensk Hypotekspension is the market leader in Sweden in equity release mortgages, which are a product designed for those aged 60 and older.

In Q2, Nordax established an MTN programme with a framework of SEK 3 billion. During the year, Nordax issued senior unsecured bonds of SEK 1 billion under the programme and also issued an SEK 350 million in subordinated Tier 2 bonds under the MTN programme in May 2019.

Nordax continued its expansion in mortgages, which were launched during the year in Norway. Further growth potential exists in Sweden as well, where mortgages were launched in 2018.

In May 2019, a decision was made to stop new lending in Germany to focus on the Nordic markets. Lending in Germany accounted for 3 percent of Nordax's total lending at year-end.

In Norway, new personal 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 third 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 assessments. The immediate effect on new lending in the second half of 2019 was slightly negative, however.

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 percent of the Swedish mortgage challenger Stabelo was acquired. Through the investment, 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 December, Nordax's subsidiary Svensk Hypotekspension issued mortgage backed fixed rate notes in the amount of SEK 2.25 billion. The notes mature in December 2067 and the first call date is in January 2024.

Markus Kirsten took over in December 2019 as the new Director of Credit Risk & Analytics.

Significant events after the end of the period
In January 2020, Ricard Wennerklint became a new member of the Board of Directors and Heikki Kapanen stepped down from the Board. Ricard Wennerklint is Chief of Strategy at Sampo Group.

Hanna Belander took over in March as the new Chief Marketing Officer.

In March, Nordax redeemed the subordinated Tier 2 notes issued in 2015. The bond, which had a contractual maturity of 10 years, was redeemed on the first call date, five years after issuance, after approval was received from the Swedish Financial Supervisory Authority.

There is a risk that demand for Nordax's products and that existing customers' ability to pay could be adversely affected by Covid-19, although we have not yet seen any significant changes in customer behaviour so far. Uncertainty about Covid-19 remains high and the company is closely monitoring developments. A large percentage of employees are already working from home, but preparations have been made to safeguard operations if the situation worsened. Nordax has a robust financial position with strong liquidity and capital and has conducted extensive scenario and stress tests for possible financial impacts from Covid-19. In connection with the financial reporting for the first quarter, Nordax will also review its provisions for expected credit losses under IFRS 9 in light of the expected deterioration in the macro environment as a result of Covid- 19.

Five-Year Summary

GROUP

KEY FIGURES	2019	2018	2017	2016	2015
Common Equity Tier 1 Capital Ratio, %	14.0	17.0	14.7	14.0	12.6
Return on equity, %	13	14	19	26	21
Return on assets, %	1.1	1.7	2.5	2.8	2.1
Cost/income ratio, %	52	41	37	38	43
Credit loss level, %	1.4	2.7	1.6	1.4	1.5
Number of employees	269	217	191	191	179
Summary income statements					
Net interest income	1,507	1,325	1,194	1,100	952
Commission income	74	18	19	16	16
Net profit from financial transactions	-11	37	-24	60	-55
Total income	1,570	1,380	1,189	1,176	913
Total operating expenses	-821	-571	-440	-444	-390
Credit losses	-286	-380	-209	-164	-157
Operating profit	463	429	540	568	366
Tax	-111	-103	-121	-126	-80
Profit for the year	352	326	419	442	286
Summary balance sheets					
Lending to credit institutions	1,252	2,681	1,795	1,650	1,714
Lending to the general public	25,271	15,140	13,488	12,794	10,818
Bonds and other fixed-income securities	3,120	1,187	1,184	959	1,157
Other assets	1,345	556	397	347	131
Total assets	**30,988**	**19,564**	**16,864**	**15,750**	**13,820**
Liabilities to credit institutions	3,068	2,831	3,054	3,205	2,880
Deposit-taking from the general public	19,222	11,278	7,511	7,141	6,001
Securities issued	5,105	2,581	3,547	2,910	3,187
Other liabilities	818	434	457	463	377
Equity	2,775	2,440	2,295	2,031	1,375
Total liabilities and equity	**30,988**	**19,564**	**16,864**	**15,750**	**13,820**

Fluctuations in exchange rates

Nordax's income is affected by fluctuations in exchanges rates between SEK and NOK, EUR and DKK. Exchange rates affect the translation of receivables and liabilities to SEK. Nordax's policy is to limit the effects of fluctuations in exchange rates by matching assets and liabilities in the same currency. Nordax also uses derivative instruments to further reduce the currency exposure in the balance sheet.

The company measures and reports its currency risk on an ongoing basis. Established limits are in place on maximum net exposure in foreign currencies in order to minimise the currency exposure.

At year-end, the currency exposure in Nordax Bank amounted to EUR 2 million, NOK -78 million and DKK -2 million. For the consolidated situation (NDX Intressenter AB), the currency exposure was higher, largely as a result of the distribution of the acquisition values that arose through the acquisition of Nordax Group AB and amounted to NOK 209 million, EUR 26 million and DKK -3 million. A change of 5 percent in the value of SEK against the other currencies would affect Nordax's result by SEK 4 million (28).

NORDAX'S CURRENCY SENSITIVITY

Currency	Change	Impact on Nordax's operating income
NOK	+/- 5%	+/- SEK3.9 million
EUR	+/- 5%	+/- SEK 0.1 million
DKK	+/- 5%	+/- SEK 0.1 million

Proposed dividend

The Board of Directors proposes that no dividend be paid.

Nordax Bank

2019

CORPORATE GOVERNANCE REPORT

Nordax Bank AB (publ)

Introduction

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

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

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

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

The most important elements in the company's system for internal control and risk management in connection with the financial reporting

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

System of internal control and risk management for financial reporting

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

Control Environment

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

Another component of the control environment is the risk assessment, i.e. identification and management of the risks that can affect the financial reporting as well as the control activities that are designed to prevent, detect and correct errors and breaches.

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

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

Internal Control and Risk Management

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

Nordax has developed a governance framework tied to IFRS 9 that comprises a committee meeting chaired by the CFO, where all relevant functions are represented. Moreover, a control framework has been developed where controls for the material aspects of the IFRS 9 process are formalised. The purpose of these controls is to control and verify, for example, inputs and outputs, and to ensure that material prepared for committee meetings has been produced in accordance with the duality principle. The risk control function also has its own controls for two purposes: to control the controls in the first line, and to verify the outcomes. The risk control function also performs regular quarterly validations of the impairment model as defined in IFRS 9.

Information and Communication
The Company has information and communication channels intended to support completeness and accuracy in financial reporting. Governing documents in the form of internal policies, instructions and manuals for financial reporting have been made available and known to the personnel concerned via the Nordax intranet, and they are supplemented by routine and process descriptions. Ongoing information, dialogue, training initiatives and checks are used to ensure that employees are acquainted with and understand the internal system of regulation. The internal system of regulation, consisting of policies, instructions and manuals, supplemented by routine and process descriptions, is the most important tool of information provision in securing the quality of financial reporting. The financial reporting system is used across the whole group.

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

The Board of Directors' measures to monitor the internal control of financial reporting
The Board of Directors' measures to monitor the internal control of financial reporting are performed e.g. via its continuous monitoring of the company's and the Group's financial position and results, key figures, costs in relation to budget, forecasts, etc., but also via the Board's review and monitoring of assurance reports by external and internal auditors. The Board receives monthly financial reports and every Board meeting considers the company's and the Group's financial position. The Board and the Board's Audit Committee also audit the quarterly financial reporting and the annual accounts, as well as the observations and conclusions of the external and internal auditors.

In addition, Nordax's Accounting and Reporting unit regularly compiles and reports financial and operational figures and analyses to the heads of functions, management and the Board. Accounting and Reporting actively monitors income and expenses in relation to the budget and forecast. This work is done in close consultation with the management team and the rest of the organisation.

The control functions Risk Control, Compliance and Internal Audit monitor compliance with internal policies, instructions and manuals.

At least quarterly, the Board is presented with reports from Risk Control and Compliance. The reports include items such as evaluations of operations with regard to risk management and compliance and cover the entire organisation.

The Group's information and communication channels are monitored continuously by the Board to ensure their appropriateness in terms of financial reporting.

Evaluation of and opinion on the internal audit

Nordax's Internal Audit function is appointed by, and reports directly to, the Board via the Audit and Risk Committee. The role of Internal Audit is governed by the policy on the Internal Audit function, and the function's work is based on an audit plan which is annually scrutinised by the Audit and Risk Committee and adopted by the Board.

The plan is based on a risk analysis performed jointly with the Risk Control and Compliance functions, Nordax's external auditors and the Chair of the Audit and Risk Committee. The work of Internal Audit includes scrutinising and determining whether systems, internal control mechanisms and routines are appropriate and effective, verifying compliance with current recommendations and at least once a year reporting in writing to the Board and Audit and Risk Committee.

Internal Audit has been outsourced to an external party to guarantee quality and independence in evaluation and auditing.

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

NDX Intressenter AB owned and controlled 100 per cent of the shares in Nordax parent company, Nordax Group AB (publ), as of 31 December 2019. The largest owners were Nordic Capital Fund VIII and Sampo plc. Nordic Capital Fund VIII owned and controlled through direct and indirect holdings totalling 63.47 per cent of the shares and votes in NDX Intressenter AB, whereof 60.41 per cent through direct ownership. Sampo Oyj owned and controlled through direct and indirect holdings totalling 36.09 per cent of the shares and votes in NDX Intressenter AB, whereof 34.35 per cent through direct ownership.

RESTRICTIONS ON HOW MANY VOTES EACH SHAREHOLDER CAN CAST AT THE AGM

The share capital consists of one class, where all shares carry the same rights and shareholders can vote all the shares they own or represent.

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

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

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

THE AGM'S AUTHORISATION TO THE BOARD OF DIRECTORS TO RESOLVE THAT THE COMPANY ISSUE NEW SHARES OR ACQUIRE ITS OWN SHARES

In 2019, the AGM did not authorise the Board to resolve that the company issue new shares or acquire its own shares.

2019

FINANCIAL REPORTS AND NOTES

Nordax Bank AB (publ)

Consolidated income statement

GROUP

All amounts in MSEK	Note	JAN–DEC 2019	JAN–DEC 2018
Operating income			
Interest income	7,16	1,955	1,595
Interest expense	7,16	-448	-270
Total net interest income		**1,507**	**1,325**
Commission income[1]	8,16	74	18
Net profit from financial transactions	9,16	-11	37
Total operating income		**1,570**	**1,380**
Operating expenses			
General administrative expenses	11,16	-601	-411
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	16,22,23	-33	-23
Other operating expenses	16	-187	-137
Total operating expenses		**-821**	**-571**
Profit before credit losses		**749**	**809**
Net credit losses	14,16	-286	-380
Operating profit		**463**	**429**
Tax on profit for the period	15	-111	-103
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		**352**	**326**
Attributable to:			
The Parent Company's shareholders		352	326

[1] In the period January-December 2019, administrative fees of 46 MSEK that had been included in the net interest income were reclassifcied to commision income. Historical data have not been adjusted as it was ot considered material.

Consolidated statement of comprehensive income

Comprehensive income corresponds to net profit for the period.

Parent company income statement

PARENT COMPANY

All amounts in MSEK	Note	JAN–DEC 2019	JAN–DEC 2018
Operating income			
Interest income	7	1,768	1,599
Interest expense	7	-868	-1,165
Total net interest income		**900**	**434**
Commission income[1]	8	47	8
Net profit from financial transactions	9	-12	36
Other operating income[2]	10	533	901
Total operating income		**1,468**	**1,379**
Operating expenses			
General administrative expenses	11	-561	-406
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	22,23	-10	-12
Other operating expenses		-164	-137
Total operating expenses		**-735**	**-555**
Profit before credit losses		**733**	**824**
Net credit losses	14	-286	-380
Operating profit		**447**	**444**
Tax on profit for the period	15	-103	-106
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		344	338

[1] In the period January-December 2019, administrative fees of 46 MSEK that had been included in the net interest income were reclassifcied to commision income. Historical data have not been adjusted as it was ot considered material.

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

Parent company statement of comprehen-sive income

Comprehensive income corresponds to net profit for the period.

Statement of financial position

All amounts in MSEK	Note	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
ASSETS					
Lending to credit institutions	4,5,6,17	1,252	2,681	832	2,167
Lending to the general ublic		25,271	15,140	19,763	15,137
Bonds and other fixed-income securities	5,6,19	3,120	1,187	3,120	1,187
Shares in subsidiaries	20	-	-	1,030	1
Other shares	21	80	-	80	-
Tangible assets	22	31	4	5	4
Intangible assets	23	1,009	287	17	25
Current tax assets	15	45	4	45	4
Other assets	24	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 EQUTIY					
Liabilities					
Liabilities to credit institutions	5,6,25	3,068	2,831	-	-
Deposits from the general public	5,6,26	19,222	11,278	19,222	11,278
Issued securities	5,6,27	5,105	2,581	1,000	487
Liabilities to securitision firms		-	-	2,877	4,380
Current tax liabilities	15	-	-	-	-
Deferred tax liabilities	15	33	3	-	-
Other liabilities	28	103	114	111	149
Accrued expenses and deferred income		84	68	75	63
Subordinated liabilities	5,6,29	598	249	598	249
Total liabilities		**28,213**	**17,124**	**23,883**	**16,606**
Equtiy					
Share capital		50	50	50	50
Other reserves		7	7	7	7
Other funds		-	22	16	22
Retained earnings, incl. profit for the year		2,718	2,361	2,436	2,098
Total equity		**2,775**	**2,440**	**2,509**	**2,177**
TOTAL LIABILITIES, PROVISIONS AND EQUTIY		**30,988**	**19,564**	**26,392**	**18,783**

Statement of cash flows

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Operating activities				
Operating profit (Group) / profit before tax (Parent company) [1]	463	429	447	444
Adjustment for non-cash items				
Exchange rate effects [2]	80	-46	69	-45
Income tax paid	-219	-141	-211	-12
Depreciation, amortisation and impairment of property, plant	33	23	10	13
Amortisation of financing costs	15	31	2	10
Depreciation of surpluse value related to the lending portfolio	8	-	-	-
Unrealised changes in value of bonds and other fixed income securities	13	10	13	806
Unrealised credit losses incl. IFRS 9 adfjustment	638	814	487	-138
Group contribution	0	-	0	-
Change in operating assets and liabilities				
Decrease/Increase in lending to the general public	-10,576	-1,788	-4,897	-1,783
Decrease/Increase in other assets	145	-168	-1,074	-181
Decrease/Increase in deposits from the general public	7,807	3,123	7,804	3,123
Decrease/Increase in other liabilities	28	6	-37	-36
Cash flow from operating activities	**-1,565**	**2,293**	**2,613**	**2,225**
Investment activities				
Purchase of shares	-80	-	-1,109	-
Purchase of equipment	-781	-8	-3	-8
Investment in bonds and other interest bearing securities	-6,417	-3,342	-6,418	-3,342
Sale/disposal of bonds and other fixed income securities	4,465	3,329	4,465	3,329
Cash flow from investing activities	**-2,813**	**-21**	**-3,065**	**-21**
Financing activities				
Increase in liability to credit institutions	145	-337	0	-9
Issued bonds	2,458	-1,049	513	-12
Repayment of issued bonds	347	-	347	-
Change in deemed loan liabilities	-	-	-1,743	-1,381
Paid dividend	-	-	-	-
Cash flow from financing activities	**2,949**	**-1,386**	**-883**	**-1,402**
Cash flow for the period	**-1,429**	**887**	**802**	**802**
Cash and cash equivalents at beginning of year	**2,681**	**1,795**	**1,365**	**1,365**
Cash and cash equivalents at end of year	**1,252**	**2,681**	**2,167**	**2,167**

[1] Whereof received interest MSEK 1,725 (1,557) and paid interest MSEK 517 (207) for the Group and whereof received interest MSEK 1,090 (528) and paid interest MSEK 284 (106) for the parent company.

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

Cash and cash equivalents are defined as lending to credit institutions. Pledged cash and cash equivalents according to Note 27 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents because they are pledged for not more than 30 days and are therefore current.

Reconciliation of net debt

GROUP

All amounts are in MSEK	CB 2018	Cash flows	Other non-cash flow changes	Foreign exchange effects	CB 2019
Liabilities to credit institutions	2,831	145	5	87	3,068
Issued securities	2,581	2,458	7	59	5,105
Total	**5,412**	**2,603**	**12**	**146**	**8,173**

PARENT COMPANY

All amounts are in MSEK	CB 2018	Cash flows	Other non-cash flow changes	Foreign exchange effects	CB 2019
Liabilities to credit institutions	-	-	-	-	-
Issued securities	487	513	0	-	1,000
Total	**487**	**513**	**0**	**-**	**1,000**

Consolidated statement of changes in equity

GROUP

All amounts are in MSEK	Share cap-tial	Other reserves	Retained earnings	TOTAL
OPENING BALANCE, 1 JANUARY 2018	50	7	2,238	**2,295**
Comprehensive income				
Net profit for the period			326	**326**
Total comprehensive income			326	**326**
Effect in equity 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 in the transition to IFRS 9			-138	**-138**
Transactions with shareholders				
Group contribution provided			-55	**-55**
Tax on group 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 for the period			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			-4	**-4**
Transactions with shareholders				
Dividends paid			-	**-**
Group contribution provided			-15	**-15**
Tax on group contribution			3	**3**
Total transactions with shareholders			12	**12**
CLOSING BALANCE, 31 DECEMBER 2018	50	7	2,718	**2,775**

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

Parent company statement of changes in equity

PARENT COMPANY

All amounts are in MSEK	Restricted equity Share capital	 Other reserves	 Other funds	Unrestricted equity Retained earnings	TOTAL
OPENING BALANCE, 1 JANUARY 2018	50	7	19	1,943	**2,019**
Comprehensive income					
Net profit for the period				338	338
Total comprehensive income				338	**338**
Other reserves					
Capitalisation			8	-8	**-**
Depriciation			-5	5	**-**
Total other reserves			3	-3	**-**
Effect in equity attributable to transition to IFRS 9					
Initial effect in Equity attributable to transition to IFRS 9				-177	**-177**
Tax effect in Equity attributable to transition to IFRS 9				39	**39**
Total effect in equity attributable to the transition to IFRS 9				-138	**-138**
Transactions with shareholders					
Group contribution provided				-55	**-55**
Tax on group contribution				12	**12**
Total transactions with shareholders				-43	**-43**
CLOSING BALANCE, 31 DECEMBER 2018	50	7	22	2,098	**2,177**
OPENING BALANCE, 1 JANUARY 2019	50	7	22	2,098	**2,177**
Comprehensive income					
Net profit for the period				344	344
Total comprehensive income				344	344
Other reserves					
Capitalisation			-	-	**-**
Depriciation			-6	6	**-**
Total other reserves			-6	6	**-**
Transactions with shareholders					
Group contribution provided				-15	**-15**
Tax on group contribution				3	**3**
Total transactions with shareholders				-12	**-12**
CLOSING BALANCE, 31 DECEMBER 2018	50	7	22	2,436	**2,509**

Notes

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

Note 1 General information

Nordax Bank AB (publ) (Corporate Identity Number 556647-7286), with its registered office in Stockholm, address Box 23124, 104 35 Stockholm, phone number +46 8 508 808 00, www.nordaxgroup.com, hereinafter “Nordax”, is a fully owned subsidiary to Nordax Group AB (publ) (Corporate Identity Number 556993-2485), with its registered office in Stockholm, which in turn is a fully owned subsidiary to NDX Intressenter AB (Corporate Identity Number 559097-5743), with its registered office in Stockholm. Consolidated financial statements are also provided by Nordax Group AB (publ) and NDX Intressenter AB. The Group's operations are described in the Directors' report. Changes in the Group and the consolidated situation
NDX Intressenter's ownership interest as of 31 December 2019 amounted to 100 per cent of the shares.

In 2019, the wholly owned subsidiaries Nordax Nordic AB (publ) and Nordax Nordic 3 AB (publ) were liquidated.

Anna Storåkers was elected as a new member of the Board of Directors at the Extraordinary General Meeting on 8 April 2019. The Annual General Meeting on 9 May 2019 re-elected the Board until the conclusion of the next Annual General Meeting. The Extraordinary General Meeting on 10 January 2020 elected Ricard Wennerklint as a new member of the Board and dismissed Heiki Kapanen as a Board member.

The consolidated financial statements and the annual report for Nordax Bank AB (publ) for the financial year 2019 were approved by the Board and the Chief Executive Officer on 27 April 2020 for subsequent submission to the 2020 General Meeting.

Note 2 Accounting and measurement policies

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

The consolidated financial statements for Nordax the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the Group applies the amendments stipulated by the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Reporting Board's recommendation RFR 1 Complementary Accounting Regulations for Groups, and the Swedish Financial Supervisory Authority's regulations and guidelines (FFFS 2008:25).

New and revised financial reporting standards applied by the Group
The following financial reporting standards are applied by the Group for the first time for the financial year starting 1 January 2019:

IFRS 16 - Leasing

IFRS 16 Leasing is applied as of 1 January 2019. The Group has applied the modified retrospective approach, as a result of which comparative figures for 2018 have not been restated. In the transition to IFRS 16 the Group recognised lease liabilities attributable to leases that were previously classified as operating leases in accordance with the rules in IAS 17 Leasing. These liabilities have been measured at the present value of future lease payments, discounted by Nordax's marginal loan rate as of 1 January 2019. Nordax's weighted marginal loan rate applied to these lease liabilities as of 1 January 2019 was 2.63%.

Right-of-use assets consisted on the transition date of leases of premises, parking spaces and motor vehicles. All right-of-use assets have been measured at the value of the lease liability, adjusted for prepaid or accrued lease fees as of 1 January 2019. This means that there was no impact on the Group's equity in connection with the transition. There were no onerous contracts that would have necessitated an adjustment to the right-of-use asset upon initial application. The Group has applied the following practical expedients in the transition to IFRS 16:

• Operating leases with a remaining lease term of less than 12 months as of 1 January 2019 have been recognised as short-term leases.
• Direct acquisition costs for right-of-use assets have been excluded on transition, and
• Low-value leases are expensed on a straight-line basis through profit or loss.

The recognised right-of-use assets are attributable to the following asset classes:

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 revised accounting policy affected the following lines in the statement of financial position 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**

For further information on the transition, see note 12.

Nordax has decided to apply the transition rules that allow for a gradual phasing of this effect in the capital adequacy. In the calculation of the capital base in capital adequacy this means that the decrease in equity is amortised during the period 2018-2022 as follows:
• 2018 95% reversal of the initial negative effect on equity
• 2019 85% reversal of the initial negative effect on equity
• 2020 70% reversal of the initial negative effect on equity
• 2021 50% reversal of the initial negative effect on equity
• 2022 25% reversal of the initial negative effect on equity

New applicable standards, amendments and interpre¬tations of existing standards that have not yet ente¬red into force and have not been adopted early by the Group

No IFRS or IFRIC interpretations that have not yet entered into force are expected to have a material impact on the Group.

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

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

Intra-Group transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated. Intra-Group losses may be an indication of impairment which must be recognised in the consolidated financial statements. The accounting policies for subsidiaries have, if applicable, been revised to guarantee consistent application of the Group's policies.

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

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

Goodwill refers to the amount by which transferred consideration, any non-controlling holding in the acquired company, and the fair value on the acquisition date of a previous share of equity in the acquired company (if the business combination is implemented in stages) exceeds the fair value of identifiable acquired net assets.

If the amount is less than the fair value of the acquired net assets, in the event of a bargain purchase, the difference is recognised directly through profit or loss.

In cases where all or part of the purchase price is deferred, the future payments will be discounted to present value on the acquisition date. The discount rate is the company's marginal loan rate, which is the interest rate that the company would have paid for financing through loans in a corresponding period with similar terms.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are remeasured each period at fair value. Any revaluation gains and losses are recognised in profit or loss.

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

Transactions and balance sheet items
Transactions in foreign currencies are translated to the functional currency at the exchange rate applicable on the transaction date. Exchange rate gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate prevailing on the reporting date are recognised in the income statement in the item Net profit from financial transactions.

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

Intangible assets

Internally developed software

Costs of software maintenance are recognised as an expense when they arise. Development costs directly attributable to development and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
• it is technically possible to complete the software so that it can be used,
• the entity's intention is to complete the intangible asset and use or sell it,
• the conditions necessary to use or sell the software exist,
• it can be shown how the software generates probable future financial benefits,
• adequate technical, financial and other resources are available to complete the development and to use or sell the software, and
• the expenditure attributable to the software during its development can be calculated in a reliable manner.

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

Goodwill and customer relations

The carrying amount of goodwill is attributable to the acquisition of Nordax Holding AB in 2010 and the acquisition of SHP in 2019. The carrying amount of customer relations is also derived from these acquisitions and is an estimate of the value of acquired customer databases. The intangible assets attributable to customer relationships are amortised over a period of ten years. Goodwill was previously monitored on an aggregate level, but as of 2014 it is monitored and tested on operating segment level based on the relative values for the segments that existed at the acquisition date. The carrying amount of goodwill is attributable to SHP SEK 683 million (0), Sweden SEK 96 million (93), Norway SEK 97 million (97), and Finland SEK 61 million (61).

Impairment of non-financial assets

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

Calculation of the value in use

The recoverable amount was calculated at the end of the financial year based on value in use. The value in use has been calculated through the application of a DDM model (Divided Discount Model), which means that the value of equity for each cash generating unit is derived through the discounting of that unit's expected cash flow from dividends. To properly reflect the relative risk of the investment as well as the time value of money, the present value of future cash flows is calculated using a discount rate that is based on the cost of equity. Expected future cash flows have been estimated using a projection period of seven years at the end of which the growth rate is expected to have stabilised.

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

Financial assets

The Group classifies its financial assets in the following categories:
• financial assets measured at fair value either through profit and loss or through other comprehensive income
• financial assets measured at amortised cost.

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

Measurement

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

Initial recognition and derecognition

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

Investments in debt instruments

Amortised cost

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

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

Investments in equity instruments
Nordax has only equity instruments which are not held for trading. The Group measures its holding at fair value through profit or loss. Changes in value are recognised in the result from other securities and long-term receivables. Dividends from investments are recognised in result from other securities and long-term receivables when the Group's right to receive payment has been established.

Impairment
The Group calculates measures credit losses related to investments in debt instruments recognised at amortised cost based on forward looking information. The provisioning approach depends on whether a significant increase in credit risk ("SICR") has occurred or not. Further information is provided in Note 4.

In the statement of financial position provisions for expected credit losses are recognised as a contra asset paired with the gross carrying amount for the asset. A write-off decreases the carrying amount of the financial asset. Credit losses and write-offs are recognised in the income statement in the item Net credit losses; see Note 14.The Group writes off assets when there is no reasonable expectation of recovery. Received cash flows for written-off assets and recoveries are recognised as impairment gains in the item Net credit losses.

Modifications
When a loan is modified without triggering derecognition, the Group continues to monitor significant increases in credit risk since initial recognition for impairment purposes. Modifications do not automatically imply a decrease in credit risk and all quantitative and qualitative indicators will continue to be monitored. Gains or losses arising from modifications will be recognised in the item Net credit losses. Modification gain or losses are calculated as the difference between the gross carrying amount currently recognised in the statement of financial position and the present value of the modified cash flows discounted using the original effective interest rate. When a loan is modified and subsequently derecognised, the date of modification is regarded as initial recognition for the new asset subject to future assessments of SICR. When a newly recognised loan is considered impaired at initial recognition, it is categorised as a purchased or originated credit impaired asset and stays in stage 3 until it is repaid in full or written off.

Purchased or originated credit impaired assets
Financial instruments that are considered impaired at initial recognition are categorised as purchased or originated credit impaired assets. Expected credit losses for such assets are always calculated on a lifetime basis. However, the expected credit losses at initial recognition are considered to be reflected in the gross carrying amount. The recognised loss allowance for such assets represents cumulative changes in lifetime expected credit losses. Beneficial changes in lifetime expected credit losses are recognised as impairment gains, even if the beneficial change is greater than the earlier amount recognised in the income statement as an impairment loss.

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

Fair value
Fair value of listed securities is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group determines fair value by applying measurement techniques such as use of information pertaining to recent transactions on an arm's length basis, reference to the fair value of another instrument which is essentially equivalent and analysis of discounted cash flows. In this respect, market information is used to as great an extent as possible, while company-specific information is used to as small an extent as possible.

Cash and cash equivalents
Cash and cash equivalents are defined as treasury bills eligible for refinancing and lending to credit institutions. Pledged cash and cash equivalents according to Note 29 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents.

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

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

Other financial liabilities
Other financial liabilities are recognised in the items Liabilities to credit institutions, Deposits from the public, Issued securities and Subordinated liabilities and are measured at amortised cost with application

of the effective interest method. Where material covenants exist, this should be disclosed.

Leasing
The Group leases office space, parking spaces and motor vehicles. Through 31 December 2018, leases on property as well as other tangible assets were classified as operating leases. Payments for operating leases were recognised through profit or loss on a straight-line basis over the term of the lease. As of 1 January 2019, the leases are recognised as right-of-use assets and included in property, plant and equipment with a corresponding lease liability included in in other liabilities, from the date that the leased asset is available for use by the Group. The exception is payments for short contracts and low-value leases, which are expensed on a straight-line basis in the income statement. With respect to vehicles, Nordax applies the exemption in IFRS 16 and does not recognise non-lease components separately.

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

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

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

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

Administrative fees of SEK 46 million in the Group and SEK 25 million in the Parent Company were reclassified in 2019 to net commission income. In 2018, they were included in net interest income. Historical figures have not been adjusted as they are not considered material.

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

Net profit/loss from financial transactions
Net profit/loss from financial transactions include realised gains and losses due to changes in the exchange rates and the result of investments in bonds and other fixed income securities.

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

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

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

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

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

60, which corresponds to the price of the Nordax share in the cash mandatory bid presented in February 2018. Deferred variable remuneration will be paid out for the last time in 2021. As a rule, if employment ends the right to all deferred variable remuneration expires on the date that the participant ceases to be employed.

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

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

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

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

Group contributions
Group contributions received from subsidiaries are recognised as financial income in the income statement. Group contributions paid to subsidiaries are recognised as an increase in participations in Group companies to the extent impairment is not required. The tax effect of Group contributions paid and received is recognised in the income statement in cases where the Group contribution is recognised in the income statement.

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

Leasing
In the Parent Company, all lease fees are recognised on a straight-line basis over the term of the lease.

Other than the above, there are no material differences in the Parent Company's accounting policies compared to the Group's accounting policies.

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

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

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

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

tion is recognised in the income statement. As the Group contribution is recognized in equity, the tax effect is also recognised in equity.

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

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

Note 3 Significant accounting estimates

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

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

The most significant assumptions made for application of criteria for ECL measurement purposes are:
• Definition of criteria for measuring SICR
• Grouping of financial assets
• Selection of forward-looking variables and their relative weighting in the ECL measurement process for each market.

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

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

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

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3. Nordax currently has one holding in equity instruments measured at fair value in Level 3. For further information, see Note 6.

Note 4 Financial risk management

Financial risk factors
Through its business operations, the Group is exposed to both credit risks and other financial risks: market risk (including currency risk, interest rate risk at fair value, interest rate risk in cash flow and price risk) and liquidity risk. The Group's overall risk management policy focuses on managing credit risks which have been taken intentionally and minimising the potentially adverse effects of the unpredictability in the financial markets. The Group employs derivative instruments to hedge certain risk exposure.

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

Credit risk in general
Credit risk is defined as the risk of a counterparty or debtor not being able to fulfil its contractual obligations to Nordax and that the collateral received for mitigation of credit risk is not sufficient to cover losses in the event of default. Counterparty credit risk is often used instead of credit risk regarding exposures in financial instruments and represents the risk that counterparties fail to honour their obligations in a financial transaction. The Group is mainly exposed to credit risk in its lending portfolio, where debtors might fail to pay their contractual instalments. The Group is also exposed to credit concentration risk for lending to credit institutions. Credit concentration risk represents exposure to specific counterparties/customers, industries and regions.

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

As consumer loans are provided without physical collateral, credit assessment is an important element. To obtain a loan, the customer and submitted application documents must fulfil a number of policy rules, such as minimum income, minimum age, maximum indebtedness and no record of non-payment. Decisions on loans are based on creditworthiness, which is determined using a model for calculating the probability that a borrower will be able to adhere to the concluded agreements ("credit scoring"). A customer's credit score determines, for instance, how much he or she will be able to borrow. The credit decision is additionally based on a calculation of affordability to ensure that the customer is able to repay the loan. The affordability calculation assesses the customer's income, housing expenses, borrowing costs and living expenses. In cases where it is not possible to obtain income and debt information from credit reference agencies, the customer is required to submit further information in addition to the application documents, such as a salary specification and tax return, to confirm his or her stated income and debts. This information is used to assess the custo-mer's financial situation, for instance by calculating the customer's debt ratio and a "left to live on" amount.

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

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

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

Measurement of credit risk
The estimation of the credit risk exposure for risk management purposes is complex and builds upon statistical modelling techniques. Nordax's model for credit risk measurement is component based where credit risk is measured using Probability of Impairment ("PD"), Exposure at Impairment ("EAD"), and Loss Given Impairment ("LGD"). This method is also used for ECL measurement purposes under IFRS 9.

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

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

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

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

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

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

The most significant macroeconomic variables that are estimated to affect ECL are set out below:
•GDP (PPP) development
•Price trend on the market for Credit Default Swaps (CDS)

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

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

During the year, the following changes to model methodology and significant estimation techniques have been implemented:
• Nordax has made a number of changes to the methodology used to calculate the effective interest rate, which reduced to the effective interest rate and thus the provision ratio as well. The changes have had an effect at every stage and in every market. The changes in calculation of the effective interest rate relate to the treatment of loan servicing fees, the method for implementing variable interest rates on depreciated loans and did the method for monthly capitalisation
• Nordax has switched from a fixed cash flow forecast of 20 years from the depreciation date to a 20-year rolling cash flow forecast, so that depreciated loans at any given time have 20-year cash flow forecasts. The change has mainly had an effect in Sweden and Norway.

Calculation of ECL
For loans in stage 1, ECL is calculated for the following 12 months counted from each reporting date. For loans where there has been a SICR since initial recognition

(Stage 2), or loans that have become credit impaired (Stage 3), ECL is calculated based on the contractual lifetime of the loan. ECL is the discounted product of PD, EAD and LGD that are defined below. The effective interest rate is applied as discount rate.

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

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

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

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

Collective measurement of ECL
Nordax's calculation of ECL builds upon a collective measurement approach. Grouping is performed based on the following parameters:
• Country
• Credit risk rating
• Product

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

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

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

These criteria have been applied to all financial instruments held by Nordax. The definition has been consistently applied to estimate PD, EAD and LGD and thus the calculation of ECL. Only the quantitative criteria above are used for the internal credit risk management and for the definition of default.

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

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

A SICR is assumed to have occurred if:
• the 12-month PD has exceeded the threshold,
• or when the loan is more than 30 days past due in accordance with the IFRS 9 presumption.

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

LTV

All amounts in MSEK	2019-12-31
<=50%	5 510
50-65%	299
65-75%	261
75-85%	1 081
>85%	32
Total	**7 182**

Equity release mortgages
Nordax's subsidiary, Svensk Hypotekspension, offers equity release mortgages to individuals over the age of 60 who own their own home, second home or condominium. The interest rate on the loan accumulates over the term of the loan, and repayment, including cumulative interest, is made in its entirety when the loan matures, which occurs in connection with the borrower's sale of the property that has been pledged as security for the loan. The Group cannot demand repayment in an amount that exceeds what the sale of the property brings in. Consequently, the loan is considered a non-recourse loan.

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

The significant assumptions in the model are:
- The term of the loan
- Estimated outstanding loan amount at any given time
- Underlying value of the mortgaged property
- Price trend in the real estate market
- Applied discount rate

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

Significant increase in credit risk ("SICR")
The determination of whether there has been a significant increase in credit risk is done individually for each loan. Factors that are taken into consideration in this determination are:
• How long it has been since the loan matured, i.e. how much time has passed since the borrower sold their property, moved into a senior-living arrangement or deceased
• high expeceted LTV (loan to value) for the loan at the expected redemption time.

MAXIMUM EXPOSURE TO CREDIT RISK

All amounts are in MSEK	2019-12-31	2018-12-31
Credit risk exposures relate to the balance sheet as follows:		
Lending to credit institutions	1,252	2,681
Lending to the general public	25,271	15,140
Bonds and other fixed-income securities	3,120	1,187
Total	**29,643**	**19,008**

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

LENDING TO THE GENERAL PUBLIC

GROUP

31 December 2019	Stage 1	Stage 2	Stage 3	TOTAL	Allocation of provision
Lending to the general ublic					
Sweden	7,688	345	1,097	**9,130**	-688
Norway	5,185	308	1,587	**7,080**	-939
Denmark	4	0	320	**324**	-293
Finland	3,712	265	832	**4,809**	-460
Germany	755	31	217	**1,003**	-203
SHP	5,501	9	4	**5,513**	-5
Total	**22,845**	**959**	**4,055**	**27,859**	**-2,587**
Provision for expected credit losses	-268	-159	-2,160	**-2,587**	
Carrying amount of lending to the general public	**22,577**	**800**	**1,895**	**25,271**	
Allocation of provision in %	1%	17%	53%	**9%**	

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

PARENT COMPANY

31 December 2019	Stage 1	Stage 2	Stage 3	TOTAL	Allocation of provision
Lending to the general ublic					
Sweden	7,688	345	1,097	**9,130**	-688
Norway	5,184	308	1,587	**7,079**	-939
Denmark	4	0	320	**324**	-293
Finland	3,712	265	832	**4,809**	-460
Germany	755	31	217	**1,003**	-203
Total	**17,343**	**950**	**4,052**	**22,345**	**-2,582**
Provision for expected credit losses	-265	-157	-2,160	**-2,582**	
Carrying amount of lending to the general public	**17,078**	**793**	**1,892**	**19,763**	
Allocation of provision in %	2%	17%	53%	**12%**	

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

Collateral

Part of Nordax's lending portfolio includes mortgages and equity release mortgages (through the subsidiary SHP), and this lending is secured by immovable property. The valuation of collateral is part of Nordax's credit origination process and collateral values are continuously monitored.

Nordax's policies for received collateral have not significantly changed during the period and there has been no significant change in the quality of collateral. As of 31 December 2019, Nordax had two mortgages with a total volume of SEK 5 million and three equity release mortgages with a total volume of SEK 4 million were classified in Stage 3. In all these cases the collateral is considered satisfactory.

Sensitivity analysis

The most significant factors that cause uncertainty in the model for calculation of ECL are the SICR thresholds and the probability for economic downturn in the Group's geographic market areas where the Group is exposed to credit risk. The table below sets out the sensitivities of the ECL provision for the alternative assumptions regarding these uncertainties.

GROUP

	Probability of economic downturn		
31 December 2019	Aggressive	Base	Defensive
SICR threshold			
Aggressive	65	5	-4
Base	60	-	-9
Defensive	57	-3	-12

Reconciliation of the ECL provision

The ECL provision was affected by a variety of factors in 2019:

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

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

GROUP

	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Closing provision for credit losses calculated 31 December 2018	205	151	1,870	**2,225**
Stage transfers				
Transfer to/from Stage 1	-29	-	-	**-29**
Transfer to/from Stage 2	-	116	-	**116**
Transfer to/from Stage 3	-	-	115	**115**
Origination of new loans	82	-	-	**82**
Derecognition	-3	-2	-34	**-39**
Changes in risk components	-12	-110	363	**241**
Changes in model methodologies and assumptions	21	1	-138	**-116**
FX effects	4	3	-16	**-9**
Others	0	0	0	**0**
Closing provision for expected credit losses 31 December 2019	**268**	**159**	**2,160**	**2,587**

PARENT COMPANY

	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Closing provision for credit losses calculated 31 December 2018	205	151	1,870	**2,225**
Stage transfers				
Transfer to/from Stage 1	-29	-	-	**-29**
Transfer to/from Stage 2	-	116	-	**116**
Transfer to/from Stage 3	-	-	115	**115**
Origination of new loans	77	-	-	**77**
Derecognition	-3	-2	-34	**-39**
Changes in risk components	-12	-110	363	**241**
Changes in model methodologies and assumptions	21	1	-138	**-116**
FX effects	4	3	-16	**-9**
Others	2	-2	0	**0**
Closing provision for expected credit losses 31 December 2018	**265**	**157**	**2,160**	**2,582**

Credit quality

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

GROUP

31 December 2019	Steg 1	Steg 2	Steg 3	TOTALT
Credit quality for lending to the general public [1]				
A-B	2,018	100	-	**2,118**
C-D	8,902	472	-	**9,374**
E-F	4,013	288	-	**4,301**
G-H	119	7	-	**126**
No rating	666	0	0	**666**
SHP (not classified A-H)	5,501	9	4	**5,514**
Mortgage (not classified A-H)	1,626	83	5	**1,714**
Credit impaired loans	-	-	398	**398**
Non-performing loans	-	-	3,648	**3,648**
Total exposure	**22,845**	**959**	**4,055**	**27,859**
Provision for expected credit losses	268	159	2,160	**2,587**
Carrying amount of lending to the general public	**22,577**	**800**	**1,895**	**25,271**

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

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

No credit limits have been breached during period.

Market risk

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

The Board of Directors has adopted a policy stipulating that the company shall continually measure and report its foreign exchange risk. It contains established limits for the maximum permitted net exposure in foreign currencies. The current limit adopted by the Board is 2% of the capital base for the consolidated situation plus foreign currency exposure arising due to the purchase price allocation following NDX Intressenter AB's acquisition of Nordax Group. The actual exposure amount is SEK 506 million (565), distributed into NOK 209 million (328) and EUR 27 million (22). A change of 5% in the value of SEK against the other currencies would cause a change in profit/loss and in equity of SEK 25 million (28), distributed into NOK 10 million (16) and EUR 1 million (1).

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

The Board of Directors has adopted a policy stipulating that the Group continuously measures and reports interest rate risk. The interest rate risk is measured using six scenarios specified by the Swedish Financial Supervisory Authority. In the most negative scenario, the interest rate risk amounts to SEK 3.4 million (17) and has a limit of SEK 100 million.

Lending to the public, Lending to credit institutions and Bonds and other fixed-income securities have an average fixed interest term of less than three months. Funding through the asset-backed securities market (securitisation) and secured funding from two international banks have an average fixed interest term of one month. Corporate bonds have a fixed interest term of three months and deposits from the public have an average fixed interest term of 0 months, with the exception of deposits with a fixed interest rate, which have a term of up to two years. The covered bond issued by Nordax's subsidiary Svensk Hypotekspension has a fixed interest term of 4 years. Other assets, liabilities and equity do not accrue interest.

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

The table below presents an analysis of the Group's financial assets and financial liabilities to be settled, broken down according to the time remaining, at reporting date, to maturity. Issued securities are presented below as contractual and undiscounted cash flows. See note 26 for more information regarding issued securities. All other amounts stated in the table are the contractual, undiscounted cash flows.

FINANCIAL ASSETS

GROUP

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to credit institutions	1,252	-	-	-	**1,252**
Lending to the general public	1,732	44	1,930	21,565	**25,271**
Bonds and other fixed-income securities	500	50	2,570	-	**3,120**
Other shares	-	-	-	80	**80**
Derivatives	-	-	-	-	**-**
Other assets	123	-	-	-	**123**
Total	**3,607**	**94**	**4,500**	**21,645**	**29,846**

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

FINANCIAL LIABILITIES

GROUP

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	370	400	2,300	-	**3,070**
Deposits from the general public	18,412	630	180	-	**19,222**
Issued securities	-	1,861	3,250	-	**5,111**
Subordinated liabilities	250	-	-	350	**600**
Derivates	2	-	-	-	**2**
Trade payables and other liabilities	57	-	-	-	**57**
Total	**19,091**	**2,891**	**5,730**	**350**	**28,062**

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

FINANCIAL ASSETS

PARENT COMPANY

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to credit institutions	832	-	-	-	**832**
Lending to the general public	1,732	44	1,930	16,057	**19,763**
Bonds and other fixed-income securities	500	50	2,570	-	**3,120**
Other shares	-	-	-	80	80
Derivatives	-	-	-	-	**-**
Other assets	121	-	-	-	**121**
Total	**3,185**	**94**	**4,500**	**16,137**	**23,916**

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

FINANCIAL LIABILITIES

PARENT COMPANY

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	-	-	-	-	**-**
Deposits from the general public	18,412	630	180	-	**19,222**
Issued securities	-	-	1,000	-	**1,000**
Subordinated liabilities	250	-	-	350	**600**
Derivates	2	-	-	-	**2**
Deemed loan liability	2	9	371	2,495	**2,877**
Skuld till koncernbolag	100	1,139	-	-	1,239
Trade payables and other liabilities	34	-	-	-	**34**
Total	**18,800**	**1,778**	**1,551**	**2,845**	**24,974**

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

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 Swedish Financial Supervisory Authority's regulations and general advice (FFFS 2008:25) on the annual accounts of credit institutions and investment firms and which refers to information in the Swedish Financial Supervisory Authority's regulations and general advice provided for in Chapter 8, Section 7 (FFFS 2014:12) on supervisory requirements and capital buffers as well as Column A, Annex VI of the Commission Implementing Regulation (EU) No 1423/2013.

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

In accordance with Article 28 (CDR 241/2014), the SEK 250 million subordinated Tier 2 bond with a first call date in March 2020 is exempted from the capital base as of 31 December 2019.

Further information that is required according to FFFS 2014:12 is provided on the website, www.nordaxgroup.com.

Information on the consolidated situation

The top company in the consolidated situation is NDX Intressenter AB. The following companies are included in the consolidated situation when a 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 its subsidiaries Svensk Hypotekspension Fond 2 AB, Svensk Hypotekspension Fond 3 AB (publ) and Svensk Hypotekspension Fond 4 AB (publ).

Changes were made in the consolidated situation in March 2019, when NDX Intressenter AB became the parent company in the consolidated situation. NDX Intressenter's holding as of 31 March 2019 amounted to 100 percent of the shares. The change means that there are no longer minority interests in the consolidated situation. However, the third-party interest via Nordax Bank's subordinated loans still remains.

Since January 2019, Svensk Hypotekspension AB is included in Nordax Bank AB's (publ) consolidated situation. This resulted in an increase in the capital requirement for credit risk for the Parent Company through the shareholding. With respect to the consolidated situation, the capital requirement increased through SHP's mortgage portfolio.

In the second quarter, an SEK 350 million subordinated Tier 2 bond was issued with a tenor of 10 years and a first call date in five years.

CAPITAL ADEQUACY

All amounts in MSEK	Consolidated situation 2019-12-31	Consolidated situation 2018-12-31	Parent company 2018-12-31	Parent company 2018-12-31
OWN FUNDS				
Common Equity Tier 1 capital	7,163	6,229	2,627	2,308
Deduction from own funds	-4,393	-3,712	-20	-26
Total Common Equity Tier 1 capital	**2,770**	**2,518**	**2,607**	**2,282**
Tier 1 capital, minority	-	81	-	-
Total Tier 1 capital	**2,770**	**2,599**	**2,607**	**2,282**
Tier 2 capital[4]	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 operational risks	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%	1.880%	1.40%
Common Equity Tier 1 capital available for use as buffert[1]	8.03%	11.02%	8.92%	11.14%
Specification of 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
Retained earnings	23	5	2,093	1,760
- Other transition adj. of common equity Tier 1 capital [4]	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**
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 capital	**-4,393**	**-3,712**	**-20**	**-26**
Common Equity Tier 1 capital	**2,770**	**2,518**	**2,607**	**2,282**
Tier 1 capital				
Tier 1 capital, minority	-	81	-	-
Total Tier 1 capital	**2,770**	**2,599**	**2,607**	**2,282**
Tier 2 capital				
Tier 2 capital instruments	260	216	348	249
Total 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
Eqitu 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**
Operational risk according to the Alternative Standardised Approach	1,229	912	1,072	882
Total risk exposure amount for operational risks	**1,229**	**912**	**1,072**	**882**

[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.

CAPITAL REQUIRMENT	Consolidated situation		Parent Company	
All amounts in MSEK	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Capital requirement, %				
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%
Institution-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
Institution-specific countercyclical buffer	374	207%	328	186
Total capital requirement	**2 630**	**1 930**	**2 345**	**1 744**
LEVERAGE RATIO				
Total exposure amount 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%**
Creditrisk				
Institutional exposures	20	45	12	35
Covered bonds	12	4	12	4
Household exposures	1 036	888	984	830
Exposures secured by mortgages on immovable property	208	6	51	6
Share exposures	6	-	89	-
Past due items	151	107	143	98
Corporate exposures	0	-	0	-
Other items	7	16	12	16
Total capital requirement for credit risk	**1 441**	**1 066**	**1 303**	**989**
Market risk				
Exchange rate risk	40	45	8	6
Total capital requirement for market risk	**40**	**45**	**8**	**6**
Operational risk				
Operational risk	98	73	86	71
Total capital requirement for operational risks	**98**	**73**	**86**	**71**
Credit valuation adjustment risk (CVA)				
Credit valuation adjustment risk (CVA)	98	73	86	71
Total capital requirement for CVA risk	**98**	**73**	**86**	**71**
Total capital requirement	1 580	1 184	1 347	1 065

Internal capital requirement
As of 31 December 2019, the internal capital assessed capital requirement amounted to SEK 182 million (170). The total capital requirement for the period amounts to SEK 2,630 million and is solely covered by CET1. 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 Nordax's management. Liquidity risk is reported at each Board meeting.

Cash flows that are expected to arise from the liquidation of all assets, liabilities and off-balance sheet items are calculated. Key ratios from the balance sheet (such as the cash ratio, loan-to-deposit ratio, liquidity coverage ratio, net stable funding ratio and deposit usage) are calculated and monitored over time to illustrate the financial structure and the Group's liquidity risk. Liquidity risk is measured monthly under various scenarios and events (such as less favourable advance rates and changed cash flows) and specified separately and collectively.

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

As of 31 December 2019, Nordax had a liquidity coverage ratio (LCR) of 514% (194). On the same date, the net stable funding ratio (NSFR) was 120% (117), calculated in accordance with the definition in the Commission Delegated Regulation (EU) 2015/61 and the Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR2).

Nordax had a liquidity reserve at 31 December 2019 of SEK 4,239 million (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 SEK 22 million 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 SEK 4,111 million (2,107) through the asset-backed securities market (securitised), SEK 1,000 million (487) in senior unsecured bonds, SEK 3,068 million (2,836) in warehouse funding facilities provided by international banks and SEK 19,222 million (11,260) in deposits from the general public. The figures above refer to the nominal amounts.

Note 5 Classification of financial assets and liabilities

GROUP

31 December 2019	Financial assets at fair value through profit or loss [1]	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets at fair value via other comprehensive income	TOTAL
Assets					
Lending to 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 shares	-	-	-	80	**80**
Other assets	-	123	-	-	**123**
Total assets	**3,120**	**26,646**	**-**	**80**	**29,846**
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 liabilities	-	-	598	-	**598**
Derivates	2	-	-	-	2
Other liabilities	-	-	57	-	**57**
Total liabilities	**2**	**-**	**28,050**	**-**	**28,052**

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

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

PARENT COMPANY

31 December 2019	Financial assets at fair value through profit or loss [1]	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets at fair value via other comprehensive income	TOTAL
Assets					
Lending to credit institutions	-	832	-	-	**832**
Lending to the general public	-	19,763	-	-	**19,763**
Bonds and other fixed-income securities	3,120	-		-	**3,120**
Other shares	-	-	-	80	**80**
Other assets	-	121	-	-	**121**
Total assets	**3,120**	**20,716**	**-**	**80**	**23,916**
Liabilities					
Deposits from the general public	-	-	19,222	-	**19,222**
Issued securities	-	-	1,000	-	**1,000**
Deemed loan liability	-	-	2,877	-	**2,877**
Subordinated liabilities	-	-	598	-	**598**
Derivates	2	-	-	-	**2**
Other liabilities	-	-	35	-	**35**
Total liabilities	**2**	**-**	**23,732**	**-**	**23,734**

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

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

Note 6 Fair value measurement of financial assets and liabilities

GROUP

31 December 2019	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	1,252	1,252	-
Lending to the general public [2,4]	25,271	28,494	3,223
Other shares	80	80	-
Derivatives	0	0	-
Bonds and other fixed-income securities	3,120	3,120	-
Total assets	**29,723**	**32,946**	**3,223**
Liabilities			
Liabilities to credit institutions [1]	3,068	3,068	-
Deposits from the general public [1]	19,222	19,222	-
Issued securities [3]	5,105	5,108	3
Derivates	2	2	-
Subordinated liabilities [3]	598	583	-15
Total liabilities	**27,995**	**27,983**	**-12**

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

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

PARENT COMPANY

31 December 2019	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	832	832	-
Lending to the general public [2,4]	19,763	22,969	3,206
Other shares	80	80	-
Derivatives	0	0	-
Bonds and other fixed-income securities	3,120	3,120	-
Total assets	**23,795**	**27,001**	**3,206**
Liabilities			
Deposits from the general public	19,222	19,222	-
Liabilities to securitisation firms[1]	2,877	2,877	-
Issued securities [3]	1,000	1,003	3
Derivates	2	2	-
Subordinated liabilities	598	583	-15
Total liabilities	**23,699**	**23,686**	**-12**

31 December 2018	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	2,167	2,167	-
Lending to the general public [2,4]	15,137	19,669	4,532
Derivatives	2	2	-
Bonds and other fixed-income securities	1,187	1,187	-
Total assets	**18,493**	**23,025**	**4 ,532**
Liabilities			
Deposits from the general public [1]	11,278	11,278	-
Issued securities [3]	487	487	0
Liabilities to credit institutions [1]	4,380	4,380	-
Subordinated liabilities [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 belong to Level 2, as the inputs for measurement 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 which are traded in an active market (such as financial instruments held for trading and available-for-sale financial instruments) are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices from an exchange, broker, industry group, pricing service or regulatory authority are easily and regularly available, and these prices represent actual and regularly occurring arm's length market transactions. The quoted market price used for the Group's financial assets is the current bid price. These instruments belong to Level 1.

Fair value of financial instruments not traded in an active market is established using measurement techniques. Market data is used as far as possible when available. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument belongs to Level 2.

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3. The table below shows financial instruments measured at fair value according to their classification in the fair value hierarchy.

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

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

Fair value measurment of bonds and derivatives in level 2 that do not have quoted prices is derived from other observable data. These are either direct (i.e as price quotes) or indirect (i.e derived from price quotes, market rates and exchange rates)

During 2019, there have been no transfers between the levels in the fair value hierarchy

GROUP

31 December 2019	Level 1	Level 2	Level 3	TOTAL
Assets				
Lendning to the general public	-	28,494	-	**28,494**
Bonds and other fixed-income securities	1,545	1,575	-	**3,120**
Other shares	-	-	80	**80**
Derivatives	-	0	-	**0**
Total assets	**1,545**	**30,069**	**80**	**31,694**
Liabilities				
Issued securities	-	5,108	-	**2,583**
Derivates	-	2	-	**2**
Subordinated liabilities	-	583	-	**583**
Total liabilities	**-**	5,693	-	**5,693**

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 liabilities	-	254	-	**254**
Total liabilities	**-**	**2,837**	**-**	**2,837**

PARENT COMPANY

31 December 2019	Level 1	Level 2	Level 3	TOTAL
Assets				
Lendning to the general public	-	22,969	-	**22,969**
Bonds and other fixed-income securities	1,545	1,575	-	**3,120**
Other shares	-	-	80	**80**
Derivatives	-	0	-	**0**
Total assets	**1,545**	**24,544**	**80**	**26,169**
Liabilities				
Issued securities	-	1,003	-	**1,003**
Derivates	-	2	-	**2**
Subordinated liabilities	-	583	-	**583**
Total liabilities	**-**	**1,588**	**-**	**1,588**

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	-	487	-	**487**
Subordinated liabilities	-	254	-	**254**
Total liabilities	**-**	**741**	**-**	**741**

Note 7 Net interest income

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Interest income from the general public [1]	1,865	1,469	1,678	1,474
Interest income from credit institutions	90	126	90	125
Total interest income	1,955	1,595	1,768	1,599
Interest expenses to the general public	-219	-120	-219	-120
Interest expenses to credit institutions	-204	-134	-14	-14
Interest expenses debenture loans	-25	-16	-25	-16
Interest expenses debenture loans	-	-	-610	-1,015
Total income expenses	-448	-270	-868	-1,165
Net interest income	**1,507**	**1,325**	**900**	**434**

[1] Interest income on impaired financial assets totals 105 MSEK (100) for the Group.
[2] Interest income from financial instruments not measured at fair value through profit and loss amounts to 1,955 (1,595) MSEK for the Group and 1,768 (1,599) MSEK for the parent company. Interest expenses from financial instruments not measued at fair value through profit and loss amounts to 448 (270) MSEK for the Group and 868 (1,165 MSEK)) for the parent company.

Note 8 Commission income

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Insurance commission [1]	74	18	47	8
Total	**74**	**18**	**47**	**8**

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

Note 9 Net profit from financial transactions

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Changes in exchange rates	8	44	7	43
Profit from investments in bonds and other fixed-income securities	-19	-7	-19	-7
Net profit/loss from financial transactions	**-11**	**37**	**-12**	**36**

Nordax uses derivatives to hedge the balance sheet, in 2019 the result of currency hedging amounted to 8 MSEK (44) in the Group and 7 MSEK (43) in the Parent Company. Nordax invests surplus liquidity in bonds and certificates with a very high credit rating, which resulted in the result of these fixed income investments being negative and amounted to -19 million MSEK (-7).

Note 10 Other operating income

Other operating income refers to income for securitised loans.

Note 11 General administrative expenses

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Employee benefit expenses				
Salaries and fees	-138	-112	-129	-112
Pension expenses	-14	-12	-13	-12
Social security contributions	-47	-37	-44	-37
Other employee benefit expenses	-15	-10	-14	-10
Total employee benefit expenses	-214	-171	-200	-171
Other administrative expenses				
IT expenses	-170	-100	-170	-100
External services	-177	-96	-147	-96
Costs of premises	-12	-17	-18	-17
Telephone and postage	-19	-14	-18	-14
Other	-9	-13	-8	-7
Total other administrative expenses	-387	-240	-361	-234
Total general administrative expenses	**-601**	**-411**	**-561**	**-405**

GROUP

All amounts are in MSEK	2019-12-31	2018-12-31
Specification of salaries and fees [1]		
Directors, Chief Executive Officer and other senior executives	-10	-13
Other employees	-128	-99
Total	**-138**	**-112**
Breakdown of social security contributions		
Directors, Chief Executive Officer and other senior executives	-3	-5
Other employees	-44	-32
Total	**-47**	**-37**
Breakdown of pension expenses		
Directors, Chief Executive Officer and other senior executives	-2	-2
Other employees	-12	-10
Total	**-14**	**-12**
Breakdown of average number of employees (converted to full-time equivalents)		
Women in Sweden	155	138
Men in Sweden	117	82
Total	**272**	**220**

[1] Of the total breakdown of salaries and fees, fees invoiced for senior executives are not included.

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

The Chief Executive Officer has been employed in NDX Intressenter AB during 2019.

GROUP

Breakdown between women and men	2019-12-31	2018-12-31
Breakdown between women and men on the Board of Directors		
Women	1	-
Men	6	6
Total	**7**	**6**
Breakdown between women and men in the senior management		
Women	3	4
Men	5	5
Total	**8**	**9**

GROUP

All amounts are in TSEK	Basic salary/ Board fee	Variable renume- ration	Pension cost	Total
Remuneration and other benefits 2019 [1]				
Chairman Hans-Ole Jochumsen	-550	-	-	**-550**
Director Christopher Ekdal	-119	-	-	**-119**
Director Christian Frick	-196	-	-	**-196**
Director Heikki Kapanen	-281	-	-	**-281**
Director Henrik Källén	-350	-	-	**-350**
Director Anna Storåkers	-25			-25
Director Ville Talasmäki	-175	-	-	**-175**
Other senior management (8 persons)	-8,351	-	-1,714	**-10,065**
Total	**-10,047**	**-**	**-1,714**	**-11,761**

[1] The board consists of 7 (6) persons. Fees were paid to the Chairman and members of the Board of Directors in accordance with the decision at he Annual General Meeting 2019. At the end of the period, there were 8 (8) persons in the ordinary managenent group. Compensation above includes severance pay. Of remuneration to other senior executives, 1,011 TSEK (2,272) relates to consulting fees.

All amounts are in TSEK	Basic salary/ Board fee	Variable renume- ration	Pension cost	Total
Remuneration and other benefits 2018				
Board of directors (6 persons)	-838	-	-	**-838**
Other senior management (8 persons)	-14,827	-	-2,353	**-17,179**
Total	**-15,665**	**-**	**2,353**	**-18,017**

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

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

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

The term of notice for other senior management is 4 months for the employee and 9 months for the company. If terminated during the period 20 November- 1 January or 20 May – 20 July, the term of notice for the employee is 6 months instead of 4 months. For other senior management hired from 2018 there is a mutual term of notice of 6 months. No employees, including the CEO, are eligible for severance upon termination.

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

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

	GROUP		PARENT COMPANY	
Fees to auditors	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Deloitte				
Audit engagement	-5	-3	-4	-3
Audit work in addition to the Audit assignment	-1	0	-0	0
Tax advisory services	-	-	-	-
Other services	-	-	-	-
Total expense for audit fees	**-6**	**-3**	**-4**	**-3**

Note 12 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 13 Leases

	GROUP		PARENT COMPANY	
Right-of-use assets All amounts in MSEK	**2019-12-31**	2018-12-31	**2019-12-31**	2018-12-31
Right-of-use assets 2019-01-01 after transition effects	32			
Additional right-of-use assets 2019	3	-	-	-
Year's depreciation	-9	-	-	-
Year's write-downs	-	-	-	-
Total	**26**	**-**	**-**	**-**

	GROUP		PARENT COMPANY	
Lease liabilities Alla belopp anges i MSEK	**2019-12-31**	2018-12-31	**2019-12-31**	2018-12-31
Shortterm liabilities	8	-	-	-
Longterm liabilities	15	-	-	-
Total	**23**	**-**	**-**	**-**

Amounts in the income statement according to IFRS 16 All amounts in MSEK	GROUP **2019-12-31**	 2018-12-31	PARENT COMPANY **2019-12-31**	 2018-12-31
Depreciations of right-of use-assets	-9	-		-
Write-downs of right-of-use-assets	-	-	-	-
Interest expenses for lease liablities	-1	-	-	-
Total	**-10**	**-**	**-**	**-**

The Group's lease assets thats been classified as right-of-use assets are leases of premises, parking and vehicles. The eccect of the transition to IFRS 16 is described in note 2 Accounting and valutation Principles. The transition method that the Group have chosen to apply when transition to IFRS 16 means that the comparative information is not recalculated to reflect the new requirements.

The leases contains no restriction beyond the security of the leased assets. There have been no re-examinations of leasing liabilities or changes in interest rates in 2019.

Note 14 Credit losses

All amounts are in MSEK	GROUP **2019-12-31**	 2018-12-31	PARENT COMPANY **2019-12-31**	 2018-12-31
Credit losses net - lending to the general public				
Stage 1	-43	-52	-43	-52
Stage 2	-4	-22	-4	-22
Stage 3	-239	-306	-239	-306
Credit losses for according to IFRS 9	**-286**	**-380**	**-286**	**-380**
Credit losses for the year	**-286**	**-380**	**-286**	**-380**

Note 15 Tax on profit for the year

	GROUP		PARENT COMPANY	
All amounts are in MSEK	**2019-12-31**	2018-12-31	**2019-12-31**	2018-12-31
Tax recognised in profit or loss				
Current tax on profit for the year	-114	-102	-102	-102
Tax on previous year's profit for the year	-1	-5	-1	-5
Deferred tax expense/income	4	4	-	-
Tax on profit for the year	**-111**	**-103**	**-103**	**-106**
Reconciliation of effective tax				
Reported profit before tax	463	429	447	444
Tax at current tax rate	-99	-94	-96	98
Tax effect of non-deductible expenses	-6	-4	-6	-4
Tax effect of non-taxable income	-	0	-	0
Tax on previous year's profit for the year	-1	-5	-1	-5
Deferred tax	-5	-	-	-
Tax effect attributable to changes in tax rates	0	0	0	0
Tax on profit for the year according to the income statement	**-111**	**-103**	**-103**	**-106**
Tax recognised in the statement of financial position				
Actual tax asset	40	4	45	4
Actual tax liability	-	-	-	-
Deferred tax liability	27	3	-	-
Opening balance deferred tax liability	3	31	-	24
Through profit or loss	-6	-4	-	-
Related to temporary differences	30	-24	-	-24
Closing balance deferred tax liability	**27**	**3**	**-**	**-**
Deferred tax liability is attributable to				
Deferred tax related to business combinations	29	3	-	-
Deferred tax related to IFRS 9	-1	-	-	-
Deferred tax related to IFRS 16	0	-	-	-
Deferred tax liability attributable to temporary differences in accrued costs of loans	-1	-	-	-
Deferred tax liability according to balance sheet	**27**	**3**	**-**	**-**
Deferred tax to be recovered in 12 months	1	2	-	-
Deferred tax to be recovered after 12 months	26	1	-	-

The applicable tax rate is the tax rate for income tax in the Group. The tax rate is 21.4% (22%). As of January 1, 2021 the tax rate is expected to change to 20.6%, which have had an impact on the calculation of the deferred tax liability. The deferred tax liability 2019 pertains to temporary differences in accrued arrangement fees for loans and handling fees. It also relates to deffered tax regarding IFRS adjustments.

Note 16 Operating segments

The segment information is presented based on the perspective of the chief operating decision-maker, and the segments are identified on the basis of internal reporting to the Chief Executive Officer, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway, Finland, Denmark, Germany and SHP which reflects Nordax's lending portfolio. Income not directly attributable to

segments is allocated with distribution keys in accordance with internal principles that the senior management considers to provide a fair allocation to the segments. The chief operating decision-maker mainly follows the income concept of operating income.

GROUP

JAN-DEC 2019	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL
Income statement							
Interest income [1]	625	606	2	420	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**

GROUP

JAN-DEC 2018	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Income statement						
Interest income [1]	487	598	4	397	109	**1 595**
Interest expenses	-69	-131	-1	-53	-16	**-270**
Total net interest income	**418**	**467**	**3**	**344**	**93**	**1,325**
Commission income	9	5	0	4	0	**18**
Net profit from financial transactions [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 [3]	-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 and is not allocated.
3 Operationg expenses consists of net profit from financial transactions, other operating income, general administrative expenses and the portion of other operating expenses that does not pertain to marketing expenses.

Note 17 Lending to credit institutions

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Banks	1,252	2,681	832	2,167
Total	**1,252**	**2,681**	**832**	**2,167**

The Group's lending to credit institutions includes SEK 385 (501) million in pledged assets for liabilities to credit institutions and issued securities.

Note 18 Lending to the general public

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Households	25,271	15,140	19,763	15,137
Total	**25,271**	**15,140**	**19,763**	**15,137**

The Group item includes SEK 9,482 (7,350) million in pledged assets for liabilities to credit institutions and issued securities. Lending takes place in the currency of the country concerned. The geographical breakdown is presented in Note 4. Of total lending, SEK 23,495 million (13,953) has a maturity of more than one year.

Note 19 Bonds and other fixed-income securities

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Holdings broken down by issuer				
Swedish municipalities	1,576	677	1,576	677
Swedish covered bonds	1,544	510	1,544	510
Bonds and other fixed-income securities	**3,120**	**1,187**	**3,120**	**1,187**

SEK 2,620 million are listed holding and the remaining 500 are unlisted. SEK 2,569 million (510) has a maturity of more than one year and the rest under one year.

Note 20 Shares in Group companies

PARENT COMPANY

						Carrying amount in SEK	
31 December 2019	Corporate Identity Number	Registered office	Share of equity	Share of votes	Number of shares	2019-12-31	2018-12-31
Nordax Sverige AB	556794-0126	Stockholm	100%	100%	100,000	100,000	100,000
Nordax Nordic 2 AB	556823-4255	Stockholm	100%	100%	50,000	50,000	50,000
Nordax Nordic 4 AB (publ)	559049-5023	Stockholm	100%	100%	500,000	500,000	500,000
Nordax Sverige 4 AB (publ)	559007-7425	Stockholm	100%	100%	500,000	500,000	500,000
Svensk Hypotekspension AB	556630-4985	Stockholm	100%	100%	14,882,661	1,028,405,070	-
Nordax Norway 5 AB	559216-9154	Stockholm	100%	100%	50,000	50,000	-
Nordax Norway 6 AB	559216-9188	Stockholm	100%	100%	50,000	50,000	-
Total						**1,029,655,070**	**1,150,000**

Note 21 Other shares

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Carrying amount				
Shares, listed	-	-	-	-
Shares, unlisted	80	-	80	-
Total	**80**	**-**	**80**	**-**

Note 22 Tangible assets

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Non-current assets				
Cost at start of the year	27	26	27	26
- acquisitions during the year	39	1	3	1
- disposals during the year	0	0	0	0
Cost at end of the year	**66**	**27**	**30**	**27**
Accumulated and amortisation at start of year	-23	-20	-23	-20
- amortisation for the year	-12	-3	-2	-3
- disposals during the year	0	0	0	0
Accumulated amortisation at end of year	**-35**	**-23**	**-25**	**-23**
Carrying amount	**31**	**4**	**5**	**4**

Note 23 Intangible assets

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Carrying amount				
Goodwill	937	251	-	-
Other intangible assets	72	36	17	25
Totalt	**1,009**	**287**	**17**	**25**

The Parent Company's other intangible assets are constituted by internally generated software development costs. The Group's other intangible assets include both internally generated software development costs and contractual client relationships. Goodwill is attributable to the acquisition of Nordax Holding AB in 2010 and the acquisition of Svensk Hypotekspension AB in January 2019.

The carrying amount goodwill is attributable to Sweden in the amount of SEK 779 million (whereof SHP SEK 686 million) (93), Norway SEK 97 million (97) and Finland SEK 61 million (61).

The most significant assumptions in the forecast period are management's assessment of future growth and net profit, including credit losses, which are approved by the Board of Directors. The assumptions are based on both historical experience and market data. After the forecast period, a long-term growth rate of 2% (2%) is assumed. When calculating value in use, a capital ratio of 14.2% (14.2%) has been applied. The discount factor ranges from 15.7% - 17.0% (16.1% - 16.6%) before tax depending on the country and has been calculated under the assumption that the cost of equity after tax is 13.1% (13.5%) f0r personal loans and 14.3% (n/a) for SHP.

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Other intangible assets				
Cost at start of the year	131	124	83	76
- acquisitions during the year	57	7	0	7
Cost at end of the year	**188**	**131**	**83**	**83**
Accumulated and amortisation at start of year	-95	-75	-58	-49
- amortisation for the year	-21	-20	-8	-9
Accumulated amortisation at end of year	**-116**	**-95**	**-66**	**-58**
Carrying amount	**72**	**36**	**17**	**25**

Note 24 Other assets

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Receivables Group companies	0	13	1,339	13
Tax account	123	57	121	56
Receivables debt collection companies	-	124	-	124
Other	6	33	7	32
Total	**129**	**228**	**1,467**	**226**

Note 25 Liabilities to credit institutions

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Foreign banks	3,068	2,831	-	-
Total	**3,068**	**2,831**	**-**	**-**

For the above liabilities in the Group, collateral has been provided in an amount of SEK 5,082 (5,278) million for receivables attributable to Lending to the general public and SEK 246 (242) million to Lending to credit institutions. Granted credit totals SEK 3,270 (2,981) million.

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

Note 26 Deposits from the general public

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Deposit accounts	19,222	11,278	19,222	11,278
Total	**19,222**	**11,278**	**19,222**	**11,278**

Note 27 Issued securities

All amounts are in MSEK	Term	Early redemption date	GROUP 2018-12-31	GROUP 2018-12-31
Bonds issued by Nordax Nordic 4 AB (publ), issued in NOK	Nov 2040	Okt 2020	1,855	2,094
Bonds issued by Nordax Bank AB (publ), issued in SEK	Jun 2022	Jun 2022	500	487
Bonds issued by Nordax Bank AB (publ), issued in SEK	Sep 2022	Sep 2022	300	-
Bonds issued by Nordax Bank AB (publ) issued in SEK	Sep 2022	Sep 2022	200	-
Bonds issued by SHP Fond 4 AB (publ), issued in SEK	Dec 2067	Jan 2024	2,250	-
Total			**5,105**	**2,581**

The foreign exchange positions for securities issued in SEK and NOK are fully matched against assets in the currencies concerned. Securities issued in Nordic 4 are listed on the Irish Stock Exchange. Securities issued in SHP Fond 4 are listed on OMX Stockholm. Securities issued in Nordax Bank AB are listed on OMX Stockholm. For the above liabilities, collateral has been provided in an amount of SEK 4,400 million (2,083) for receivables attributable to Lending to the general public and SEK 139 million (273) to Lending to credit institutions. The amounts above pertain to volumes issued to external investors.

Note 28 Other liabilities

All amounts are in MSEK	GROUP 2019-12-31	GROUP 2018-12-31	PARENT COMPANY 2019-12-31	PARENT COMPANY 2018-12-31
Trade payables	50	43	29	43
Liability to Group comanpanies	15	55	71	91
Other	38	17	11	15
Total	**103**	**114**	**111**	**149**

Note 29 Subordinated liabilities

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Subordinated loans	598	249	598	249
Total	**598**	**249**	**598**	**249**

SPECIFICATION

2019-12-31	Currency	Date of issue	Principal amount	Coupon rate	Maturity
Subordinated bonds	SEK	2015-03-12	250	Stibor 3 mån +5,75%	2025-03-18
Subordinated bonds	SEK	2019-05-28	350	Stibor 3 mån + 4,15%	2029-05-28

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

Note 30 Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2019-12-31	2018-12-31	2019-12-31	2018-12-31
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**	**-**	**-**

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

Note 31 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 32 Transactions with related parties

The Group has not had any transactions with related parties.

Note 33 Significant events after balance sheet date

In January 2020, Ricard Wennerklint became a new member of the Board of Directors and Heikki Kapanen stepped down from the Board. Ricard Wennerklint is Chief of Strategy at Sampo Group.

Hanna Belander took over in March as the new Chief Marketing Officer.

In March, Nordax redeemed the subordinated Tier 2 notes issued in 2015. The bond, which had a contractual maturity of 10 years, was redeemed on the first call date, five years after issuance, after approval was received from the Swedish Financial Supervisory Authority.

There is a risk that demand for Nordax's products and that existing customers' ability to pay could be adversely affected by Covid-19, although we have not yet seen any significant changes in customer behaviour so far. Uncertainty about Covid-19 remains high and the company is closely monitoring developments. A large percentage of employees are already working from home, but preparations have been made to safeguard operations if the situation worsened. Nordax has a robust financial position with strong liquidity and capital and has conducted extensive scenario and stress tests for possible financial impacts from Covid-19. In connection with the financial reporting for the first quarter, Nordax will also review its provisions for expected credit losses under IFRS 9 in light of the expected deterioration in the macro environment as a result of Covid- 19.

Note 34 Proposed disposition of profits

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

All amounts are in SEK	
Retained earnings	2,092,568,000
Net profit/loss for the year	344,252,000
Total	**2,436,820,000**

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

All amounts are in SEK	
carried forward to new account	**2,436,820,000**
Total	**2,436,820,000**

Group contribution has been provided to Nordax Group AB (publ) of SEK 925 790 (50 721 422) and to NDX Intressenter AB of SEK 13 859 238 (4 016 001). Group contribution has been received from Nordax Nordic 2 AB of SEK 50,000 (50,000), from Nordax Sverige 4 AB of SEK 50,000 (50,000), Nordax Sverige AB of SEK 50,000 (50,000), and from Nordax Nordic 4 AB of SEK 50,000 (50,000).

The Board of Directors and the President and CEO certify that the annual financial reports have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with international accounting standards as prescribed by the European Parliament and the Regulation (EC) No1606/2002 dated July 19, 2002 on the application of International Accounting Standards.

The annual financial reports and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations. It is further assured that the administration report for the Parent Company and Group provides a true and fair overview of the development of the Parent Company's and Group's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

Stockholm 27 April 2020

Hans-Ole Jochumsen
Chairman

Christopher Ekdahl
Director

Christian Frick
Director

Henrik Källén
Director

Anna Storåkers
Director

Ville Talasmäki
Director

Ricard Wennerklint
Director

Jacob Lundblad
Director Chief Executive Officer

Our audit report was issued 27 April 2020

Deloitte AB

Malin Lüning
Authorized Public Accountant

Definitions

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

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

Return on assets
Net profit in relation to total assets.

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

Equity excluding intangible assets
Equity after deduction for intangible assets.

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

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

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

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

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

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

Liquidity reserve
A separate reserve of high quality liquid assets that can be used to secure the company's short-term ability to pay for loss or reduced access to commonly availa-ble
sources of funding.

Liquidity Coverage Ratio (LCR) [1]
High-quality liquid assets in relation to the estimated net cash outflows over the next 30 calendar days, as defined by Swedish regulations (the SFSA's code FFFS 2012:6).

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

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

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

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

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

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

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

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

Financial calender

April 30, 2020 - interim report January-March

July 17, 2020 - interim report January-June

Auditors report

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

Report on the annual accounts and consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Nordax Bank AB (publ) for the financial year 2019-01-01 – 2019-12-31, except for the corporate governance statement on pages 24-27 and the statutory sustainability report on pages 15-18. The annual accounts and consolidated accounts of the company are included on pages 6-70 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 24-27 and the statutory sustainability report on pages 15-18. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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

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

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

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

Key areas of judgment include:
•The interpretation of the requirements for determining the size of the provision for expected losses according to IFRS 9, which are reflected in the bank's model for calculating expected credit losses.

•Identification of exposures with a significant deterioration in credit quality.

•Assumptions that are applied in the model for calculating expected credit losses, such as the counterparty's financial position, expected future cash flows and forward-looking macroeconomic factors.

As of December 31 2019, the Group's lending to the public amounted to SEK 25,271 million, with provisions for expected loan losses of SEK 2,587 million. Given the significant share of the total assets, the impact that the inherent uncertainty and subjectivity involved in the assessment of the need for provisions, and since the disclosure requirements under IFRS 9 are significant, we consider this to be a key audit matter for our audit.

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

Our audit procedures included, but were not limited to:

•We have evaluated that key controls within the credit impairment process have been appropriately designed and implemented during the year. We also obtained an understanding of the process for key decisions from management and committee meetings that form part of the approval process for credit loss provisions.

•We have evaluated, with the support of specialists, the modelling techniques and model methods against the requirements of IFRS 9. We have examined the appropriateness of the models developed for the calculation of the reserve for expected credit losses.

•Based on data analysis, we examined a selection of loan commitments in detail to assess whether loan commitments with a significant deterioration in credit quality are correctly identified.

•Finally, we examined the completeness and reliability of the information in the annual report relating to the provisions for expected credit losses in order to assess compliance with the disclosure requirements according to IFRS.

IT systems that support complete and reliable financial reporting

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

The following risks that could affect the financial reporting were identified:

•Incorrect and unauthorized changes to the IT environment

•Lack of operational and monitoring routines for the IT environment

•Incorrect and inadequate configuration of information security

Our audit procedures included, but were not limited to:

•We have audited the management's tests and controls in connection with changes in the IT environment.

•We have examined the process for monitoring the IT-System.

•We have reviewed the process of identity and access management, including assignment, change and removal of access rights.

•We have evaluated that processes and tools for ensuring access to information based on user needs and operational requirements, including back-up of information and restoring routines, are appropriately designed.

Other Information than the annual accounts and consolidated accounts

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

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordax Bank AB (publ) for the financial year 2019-01-01 – 2019-12-31 and the proposed appropriations of the company's profit or loss.

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

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

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

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

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

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

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

•has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

•in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

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

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 24-27 has been prepared in accordance with the Annual Accounts Act.

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

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

The auditor´s opinion regarding the statutory sustainability report
The Board of Directors is responsible for the statutory sustainability report on pages 15-18, and that it is prepared in accordance with the Annual Accounts Act.

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

A statutory sustainability report has been prepared.

Deloitte AB was appointed auditor of Nordax Bank AB (publ) by the general meeting of the shareholders on May 9, 2019 and has been the company's auditor since the April 27, 2017.

Stockholm April 27, 2020
Deloitte AB

Malin Lüning
Authorized Public Accountant