Nordax Bank

2016

FINANCIAL REPORTS AND NOTES

Nordax Group AB (publ)

Multi-year review

GROUP

KEY RATIOS	2016	2015	2014	2013	2012
Common equity Tier 1 capital ratio	14.0	12.6	12.3	12.0	10.1
Return on equity, %	23.2	11.9	18.0	17.1	13.4
C/I ratio, %	37.3	54.2	45.3	44.0	46.1
Credit loss level, %	1.4	1.5	1.2	1.4	1.8
Number of employees[1]	199	212	187	162	138
Summary of income statements					
Net interest income	1,100	927	781	629	504
Net commission	16	16	15	15	15
Net profit/loss from financial transactions	60	-55	7	5	45
Other operating income	0	0	0	4	15
Total income	**1,176**	**888**	**803**	**653**	**579**
Total operating expenses	**-439**	**-481**	**-364**	**-287**	**-267**
Credit losses	-164	-157	-114	-114	-127
Operating profit	**573**	**250**	**325**	**251**	**185**
Tax	-127	-55	-71	-49	-49
Net profit/loss for the year	**446**	**195**	**254**	**203**	**136**
Summary of balance sheets					
Lending to credit institutions	1,672	1,810	2,212	1,608	2,546
Lending to the general public	12,794	10,841	10,042	8,393	7,456
Bonds and other fixed income securities	959	1,157	1,585	550	1,991
Intangible assets	305	320	316	330	342
Other assets	43	34	35	29	24
Total assets	**15,773**	**14,162**	**14,190**	**10,910**	**12,359**
Liabilities to credit institutions	3,205	2,880	2,259	2,314	1,781
Deposits from the general public	7,141	6,001	6,479	4,753	7,165
Issued securities	2,910	3,187	3,581	2,259	2,033
Other liabilities	150	115	134	99	98
Subordinated liabilities	247	246	199	198	197
Equity	2,120	1,733	1,538	1,287	1,085
Total equity and liabilities	**15,773**	**14,162**	**14,190**	**10,910**	**12,359**

[1] In 2016 the number of employees is calculated at balance sheet date. The comparative periods have been changed accordingly.

Consolidated income statement

GROUP

All amounts in MSEK	Not	JAN-DEC 2016	JAN-DEC 2015
Operating income			
Interest income	7,14	1,354	1,260
Interest expense	7,14	-254	-333
Total net interest income		**1,100**	**927**
Commission income	8,14	16	16
Net profit from financial transactions	9,14	60	-55
Other operating income		0	0
Total operating income		**1,176**	**888**
Operating expenses			
General administrative expenses	10,14	-291	-261
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	2,14,19	-25	-21
Other operating expenses	14	-136	-124
Non-recurring items	11,14	13	-75
Total operating expenses		**-439**	**-481**
Profit before credit losses		**737**	**407**
Net credit losses	12,14	-164	-157
Operating profit		**573**	**250**
Tax on profit for the period	13	-127	-55
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		**446**	**195**
Attributable to:			
The Parent Company's shareholders		446	195
Non-controlling interest		-	-
Earnings per share, SEK	2	4.02	1.76
Diluted earnings per share, SEK	2	4.02	1.76
Average number of outstanding shares	2	110,912,265	110,945,598

Consolidated statement of financial position

GROUP

All amounts are in MSEK	Not	31 DECEMBER 2016	31 DECEMBER 2015
ASSETS			
Lending to credit institutions	5,6,15	1,672	1,810
Lending to the general public	5,6,14,16	12,794	10,841
Bonds and other fixed-income securities	5,6,17	959	1,157
Tangible assets	18	7	8
Intangible assets	19	305	320
Other assets	20	19	9
Prepaid expenses and accrued income		17	17
TOTAL ASSETS		**15,773**	**14,162**
LIABILITIES, PROVISIONS AND EQUITY			
Liabilities			
Liabilities to credit institutions	5,6,21	3,205	2,880
Deposits from the general public	5,6	7,141	6,001
Issued securities	5,6,22	2,910	3,187
Current tax liability	23	36	10
Deferred tax liability	13	30	9
Other liabilities	24	16	24
Accrued expenses and deferred income		68	72
Subordinated liabilities	5,6,25	247	246
Total liabilities		**13,653**	**12,429**
Equity			
Share capital		111	111
Other capital		-4	-
Other capital contributions		736	736
Retained earnings, incl. profit for the		1,277	886
Total equity		**2,120**	**1,733**
TOTAL LIABILITIES, PROVISIONS		**15,773**	**14,162**

Consolidated cash flow statement

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Operating activities		
Operating profit (Group) / profit before tax (Parent	573	250
Adjustment for non-cash items		
Exchange rate effects [1]	-60	55
Income tax paid	-80	-81
Depreciation, amortisation and impairment of property, plant	25	21
Amortisation of financing costs	-	-
Unrealised changes in value of bonds and other fixed-	3	0
Change in operating assets and liabilities		
Decrease/Increase in lending to the general public	-1,577	-1,110
Decrease/Increase in other assets	-10	2
Decrease/Increase in deposits from the general public	1,140	-478
Decrease/Increase in other liabilities	-12	7
Cash flow from operating activities	**2**	**-1,334**
Investing activities		
Purchase of equipment	-9	-26
Investment in bonds and other interest bearing securities	-3,879	-3,403
Sale/disposal of bonds and other fixed income securities	4,073	3,830
Cash flow from investing activities	**185**	**401**
Financing activities		
Increase in liability to credit institutions	186	3,136
Repayment of debt to credit institutions	-	-2,395
Issue of subordinated loans	-	244
Redemption of subordinated loans	-	-194
Issued bonds	500	1,079
Repayment of issued bonds	-952	-1,339
Paid dividend	-55	-
Repurchase own shares	-4	-
Cash flow from financing activities	**-325**	**531**
Cash flow for the period	**-138**	**-402**
Cash and cash equivalents at beginning of year	**1,810**	**2,212**
Cash and cash equivalents at end of year	**1,672**	**1,810**

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 26 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents because they are pledged for not more than 30 days and therefore are current.

Operating income for the Group includes interest income paid by the public totalling SEK 1,351 (1,250) million and interest income paid by credit institutions totalling SEK 3 (10) million, as well as interest expenses paid to the public totalling SEK 91 (108) million and interest expenses paid to credit institutions totalling SEK 148 (199) million.

[1] Unrealized exchange rate effects are now included in operating assets and liabilities instead of as a non-cash item.

Statement of changes in consolidated equity

GROUP

All amounts are in MSEK	Restricted equity Share captial	Non restricted equity Other capital	 Other contrib-uted capital	 Retained earnings	Total
OPENING BALANCE, 1 JANUARY 2015	**1**		**846**	**691**	**1,538**
Comprehensive income					
Net profit/loss for the year				195	**195**
Total comprehensive income				**195**	**195**
Transactions with shareholders					
Intragroup restructuring (see Note 1)	110		-110	-	**0**
Total transactions with shareholders	**110**		**-110**	**-**	**0**
CLOSING BALANCE, 31 DECEMBER 2015	**111**	**-**	**736**	**886**	**1,733**
OPENING BALANCE, 1 JANUARY 2016	**111**	**-**	**736**	**886**	**1,733**
Comprehensive income					
Net profit/loss for the year				446	**446**
Total comprehensive income				**446**	**446**
Transactions with shareholders					
Dividends paid				-55	-55
Repurchase of own shares		-4			**-4**
Total transactions with shareholders		**-4**		**-55**	**-59**
CLOSING BALANCE, 31 DECEMBER 2016	**111**	**-4**	**736**	**1,277**	**2,120**

Notes

Amounts stated in the notes are in SEK million unless otherwise indicated.

Note 1 General information

Nordax Group AB (publ) (Corporate Identity Number 556993-2485), with its registered office in Stockholm, is the parent company of a group that includes the subsidiary Nordax Bank AB. In its turn, Nordax Bank AB owns companies whose business includes owning companies and managing shares in companies. The Group's main operations consist of lending to private individuals in the Nordic region.

Information on the consolidated situation
The top company in the consolidated situation is Nordax Group AB (publ). The following companies are included in the consolidated financial statements for the group in accordance with full IFRS and in the group-based financial statements for calculation of capital requirements: Nordax Group AB (publ), Nordax Bank AB (publ), Nordax Finans AS, PMO Sverige OY, Nordax Nordic AB (publ), Nordax Sverige AB, Nordax Nordic 4 AB (publ), Nordax Sverige 4 AB (publ), Nordax Nordic 2 AB and Nordax Nordic 3 AB (publ).

Changes in the consolidated situation
During 2016, with the approval of the Swedish Financial Supervisory Authority, Nordax merged the two wholly owned holding companies Nordax Group Holding AB and Nordax Holding AB with Nordax Bank AB (publ).

Nordax Group AB (publ) acquired as of May 11 2015, through a share exchange, Nelson Luxco Sarl which was the former ultimate parent company for the Nordax Group. The transaction was purely a share exchange under common control and is considered to be a pure reorganisation. Since this is a reorganization under common control, and it was carried out through a share exchange Nordax Group AB (publ) cannot be considered the accounting acquirer. Accordingly, the consolidated financial statements prepared as a continuation of the previous Nordax Group.

The consolidated financial statements and annual report for Nordax Group AB (publ) for the financial year 2016 were approved by the Board of Directors and Chief Executive Officer to be published on 22 March 2017 for adoption by the Annual General Meeting in 2017.

Note 2 Accounting and measurement policies

The most important accounting policies applied in preparing these consolidated financial statements are indicated below.

The consolidated financial statements for the Nordax Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. together with the Credit Institutions and Securities Companies Act (1995:1559), the SwedishFinancial Accounting Standards Council's recommendation RFR 1, Supplementary Accounting Regulations for Groups as well as the Swedish Financial Supervisory Authority's regulations and guidelines FFFS 2008:25.

(i) 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.

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

(iii) Transactions with related parties
All related-party transactions are conducted according to the arms-length principle.
Otherwise, there are no material differences in the Parent Company's accounting policies compared with the Group's accounting policies presented below.

Consolidated financial statements
The consolidated financial statements have been prepared on the basis of the cost method, except as regards instruments, treasury bills eligible for refinancing, bonds and other securities measured at fair value through profit and loss.

Consolidation of subsidiaries
Subsidiaries are all 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 is able to 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 the control ceases.

Translation of foreign currency

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

(ii) 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 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 recognized in the income statement under the item Net profit from financial transactions.

Property, plant and equipment

Items of property, plant and equipment are recognized at cost and depreciated on a straight-line basis over their useful life. The depreciation period for property, plant and equipment is between 3 and 5 years. Impairment testing takes place if there is an indication of a decline in value.

Intangible assets

(i) Internally developed software

Costs of software maintenance are recognised as an expense when they arise. Development costs directly attributable to development and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

(ii) Goodwill

The carrying amount of goodwill is attributable to the acquisition of Nordax Holding AB in 2010. The carrying amount of customer relationships, which is an estimate of the value of acquired customer databases, is also attributed to goodwill. The intangible asset attributable to customer databases is amortised over a period of ten years. During the year Nordax Holding AB merged with Nordax Bank AB, consequently the goodwill is now attributable to Nordax Bank AB.

Value in use

Goodwill relates to the whole Group, Nordax Holding AB. The recoverable amount was established at the end of 2016 based on value in use. This means that the expected future cash flows of the assets are established by calculating the present value with a discount rate. The expected future cash flows are based on the Group's prepared five-year plan. The key assumptions in the five-year plan are the management's estimation of growth and net profit including credit losses, estimated by the Board of Directors. The assumptions are based on both historical experience and market data.

The cash flow calculations have been made based on five years of assumed cash flows and an estimated final value at the end of the five-year period that is equal to the book value of the assets. No growth is assumed after the forecasting period. The Group considers an unweighted Tier 1 capital ratio of 15% to be reasonable. The discount rate ranges between 4.1% and 5.3% (5.2%) after tax, depending on country, and has been established on the basis of an assumed requirement for return on equity of 20%, as well as market yield requirements in funding the assets.

Based on the calculation described above, there was no impairment of goodwill at year-end. Nor would a change in discount rate, which is the most sensitive parameter (+1 percentage point) lead to any impairment. Goodwill was previously monitored at total level, but since 2014 goodwill has been monitored and tested at operating segment level, based on relative values of the segments existing at the time of acquisition. The carrying amount of goodwill is attributable to Sweden at SEK 90 (93) million, to Norway at SEK 114 (105) million and to Finland at SEK 47 (53) million.

Financial assets

The Group classifies its financial assets in the following categories: financial assets measured at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of the financial assets on initial recognition.

(i) Financial assets measured at fair value through profit and loss

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

(ii) Loans and receivables

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

(iii) Recognition and measurment

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

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

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 are defined as treasury bills eligible for refinancing and lending to credit institutions. Pledged cash and cash equivalents according to Note 27 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents.

(iv) Impairment of assets carried at amortised cost

The bank assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of assets has declined in value, and impairment is made, only if there is objective evidence that they have declined in value as a result of one or more events that have occurred after the asset was first recognised ("loss event"), and the loss event (or loss events) has (or have) an impact on future expected cash flows from the financial assess or from the group of financial assets and this impact can be estimated with reasonable assurance.

If, at a later time, the amount by which an asset needs to be impaired decreases and the decrease can be objectively attributed to an event after the impairment was made (as in the case of an improvement in a borrower's creditworthiness), the previously made impairment is reversed by reducing the amount of the provision.

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.

(i) Financial liabilities measured at fair value through profit and loss

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

(ii) Other financial liabilities

Other financial liabilities are recognised under the items Liabilities to credit institutions, Deposits from the public, Issued securities and Subordinated liabilities and are measured at amortised cost with application of the effective interest method.

Where material covenants exist, this should be disclosed.

Lending

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

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

Credit losses consist of write-off for the year of observed credit losses, provisions for loans with an individually identified loss event (individually identified loss even is understood to mean receivables past due more than 180 days) and group provision for receivables measured as a group (past due 1-180 days). No individual reservation is made for a loss event until the receivable is 180 or more days past due.

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

See note 3 and 4.

Interest income
Interest income is recognised as income with application of the effective interest method. The Group recognizes transaction costs such as opening fees, invoicing fees and monthly fees as income when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably, and will be recognised as interest income. Transaction costs are included in the calculation of effective interest rate.

Commission income
Commission income consists of insurance commission. Income comprises the fair value of the amount received or which will be received for services sold in the Group's operating activities. The Group recognizes income when it is probable that future economic benefits will flow to the company and these benefits can be measured reliably.

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

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

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

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

Earnings per share
Basic EPS is calculated by dividing the profit or loss for the year attributable to shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as undiluted earnings per share since there was no dilution.

Employee benefits

(i) Pension expenses
The Group's pension plans are funded through payments to insurance companies. The Group only has defined contribution pension plans. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees all the benefits relating to employee service in current and prior periods.

For defined-contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as the pension is vested. Prepaid contributions are recognised as an asset to the extent that cash repayment or decrease in future payments can accrue to the Group.

(ii) Shared-based payments
Nordax introduced a management incentive plan that combines cash and shares in 2015 and the Annual General Meeting 2016 approved a similar plan for 2016. The incentive plans comprise two remuneration components: a cash component and a share-based component in the form of deferred restricted stock units. Shares and social security contributions are expensed in the period in which the free shares are earned, which is the same year that the variable remuneration is earned. After the Board of Directors has decided on the variable remuneration, shares can be acquired within the framework of Nordax's long-term incentive plans at the prevailing market price on the date of the Board's decision. Repurchased shares are recognised as a reduction in equity.

The deferred restricted stock units convert to shares when the qualifying period has elapsed. The qualifying period is 3 years for all participants in the plan with the exception of the CEO, who has a qualifying period of 5 years. To qualify for restricted stock units, the participant must remain an employee throughout the qualifying period.

No share-based payments have been made up to and including 2016.

Segment
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 to provide a fair allocation to the segments. The chief operating decision-maker mainly follows the income concept of operating income.

New and revised standards adopted by the Group
None of the IFRS standards or IFRIC interpretations that are mandatory for the first time in the financial year commencing on 1 January 2016 have had a material impact on the Group's income statement or balance sheet. Revisions of the Annual Accounts Act for Credit Institutions and Securities Companies and FFFS 2008:25 have led to changes in presentation and disclosures.

New applicable standards, amendments and interpretations of existing standards that have not yet entered into force and have not been adopted early by the Group.

IFRS 9 Financial Instruments addresses the classification and measurement, including impairment, of financial assets and liabilities, as well as hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that address the classification and measurement of financial instruments. The standard will be applied to financial years beginning 1 January 2018 and has been adopted by the EU. Prospective application is permitted. The Group will not apply IFRS 9 prospectively.

IFRS 9 retains a mixed measurement model but simplifies it in certain respects. There will be three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. How an instrument is classified depends on the company's business model and the instrument's characteristics. There will be three business models for debt instruments that are financial assets that determine which valuation category to apply. To recognise a financial asset at amortised cost requires, apart from it being consistent with the business model, that the asset's contractual terms at any point in time only give rise to cash flows that are payments of the principal amount and interest. Even if the financial asset meets the definition for the business model and the cash flows are only payments of the principal amount and interest, the company can, as in IAS 39, choose to apply recognition at fair value through profit and loss. Debt instruments that are financial assets and meet the definition of SPPI (Solely Payment of Principal and Interest) but whose business model does not lead to recognition at amortised cost are recognised at fair value through other comprehensive income or profit and loss depending on the business model. Investments in equity instruments are recognised at fair value through profit and loss, but there is also an option upon initial recognition to recognise the instrument at fair value through other comprehensive income. There is then no reclassification to profit and loss when the instrument is divested. Independent derivatives are recognised at fair value through profit and loss. In the case of financial liabilities, classification and measurement do not change, apart from when a liability is recognised at fair value through profit and loss based on the fair value alternative. Value changes attributable to changes in own credit risk are then recognised in other comprehensive income.

IFRS 9 changes the requirements for application of hedge accounting by replacing the 80-125 criteria with requirements for the financial relationship between hedging instruments and hedged asset and by having the same hedging ratio as used in risk management. Hedging documentation is also little changed in comparison with what was prepared under IAS 39. The Group currently does not apply hedge accounting.

IFRS 9 also introduces a new model for calculating the credit loss provision arising from expected credit losses. This means that the credit losses are recognised based on expected loss events and not on incurred losses. Financial assets are divided into three stages based on the risk of default. Stage 1 comprises assets that have not had a significant increase in credit risk, stage 2 comprises assets that have had a significant increase in credit risk, and stage 3 comprises impaired assets. In stage 1 provisions correspond to 12-month expected credit losses. In stage 2 and 3 provisions correspond to lifetime expected credit losses. An important aspect affecting the size of the provisions according to IFRS 9 is the trigger for transferring an asset from stage 1 to stage 2. The Group must decide which parameters to use to determine the increase in credit risk and how much these parameters have to change for them to entail a significant increase in accordance with the rules. Customers who are past due more than 30 days on their payments and customers which an elevated risk relative to the established risk level are transferred to stage 2 according to the Group's preliminary definition.

In the current model the provision for loans with individually identified loss events (receivables past due more than 180 days) and collective provision for collectively measured receivables is based on an established model where the criterion for a loss event is the delayed payment of principal and interest. A loss event in the existing model is not expected, however, to fully correspond to the trigger that moves an item from category 1 to 2 according to IFRS 9.

When the Group estimates losses during the remaining term according to IFRS 9, they are based on probability-weighted, forward-looking information. The work to determine macroeconomic scenarios to take into account the nonlinear aspects of expected credit losses is underway and has not yet been finalised. The use of forward-looking information will increase complexity and make the provisions more dependent on management's view of economic development.

The Group expects, in accordance with the prospectus from the IPO 2015, credit loss provisions to increase because even performing assets are included in the calculation of expected credit losses. The new requirements are expected to increase the provisions for credit losses and reduce equity for the initial application period. This is not expected to have a significant effect on large exposures. The impact on capital adequacy cannot yet be determined, since the Basel Committee is working on new rules for the transition to IFRS 9, and these rules are not yet complete. When any transition rules cease to apply, the effects of IFRS 9 are expected to have a negative impact on capital adequacy, since the decrease in equity is expected to reduce Common Equity Tier 1 capital.

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

IFRS 16 Leases mainly affects recognition for lessees and will mean that nearly all leases are recognised in the statement of financial position. The standard eliminates the distinction between operating and finance leasing in IAS 17 and requires that a right to utilise the leased asset is recognised as an asset in the statement of financial position and that a financial liability corresponding to the lease payments is recognised. A voluntary exception can be made for short-term contracts and contracts with marginal value. The income statement will also be affected because expenses are higher at the beginning of the contract and lower at the end. Operating profit is affected by the replacement of lease expenses with interest expenses and depreciation/amortisation. Cash flow from operating activities will be higher since payments of the principal amount in the lease liability are recognised as cash flow from financing activities and only the part of the payment that refers to interest can be recognised as cash flow from operating activities. Recognition for the lessor will not be significantly affected. Differences compared to the current standard can arise due to the new definition of a lease. In IFRS 16 a contract is, or contains, a lease if it conveys a right to control an identified asset for a period of time in exchange for payment. The standard will be applied to financial years beginning 1 January 2019 and has not been adopted by the EU. Prospective application is permitted of IFRS 15 is applied from the same reporting date. The Group has not yet evaluated the effects of IFRS 16.

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

Changes in accounting policies
During 2016, the accounting policies remained essentially the same as in 2015.

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

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.

The measurement of lending to the general public includes non-observable inputs and therefore belongs to Level 3. The value has been established by calculating the present value of the expected future cash flows of the assets with a discount rate. The future expected cash flows have been based on the size of the portfolio at the end of the balance sheet date and an expected future cash flow of 15 years, which is the maximum term. The Group considers an unweighted Tier 1 capital ratio of 15% to be reasonable. The discount rate ranges between 4.1% and 5.3% (5.2%) after tax, depending on country, and has been established on the basis of an assumed requirement for return on equity of 20%, as well as market yield requirements in funding the assets.

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

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

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

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

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

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

Note 4 Financial risk management

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

Risk management is handled primarily by a credit department and a central treasury department in accordance with policies determined by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation 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.

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

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

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

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

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

(iv) Principles for credit risk provisions
Principles for credit risk provisions are indicated in Note 2 and Note 3. When the value of a loan receivable has declined, the carrying amount is written down to the recoverable amount, which is defined as the estimated future cash flow discounted by the initial effective interest rate for the instrument at the time of impairment. Management uses estimates based on historical credit losses for assets with the same credit risk and attributes as those in the loan portfolio. The methods and assumptions used to forecast future cash flows are reviewed regularly to reduce the difference between estimated and actual losses.

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

MAXIMUM EXPOSURE TO CREDIT RISK

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Credit risk exposures relate to the balance sheet as follow:		
Lending to credit institutions	1,672	1,810
Lending to the general public	12,794	10,841
Bonds and other fixed-income securities	959	1,157
Total	**15,425**	**13,808**

The assets above are recognised at carrying amount in accordance with the balance sheet.

LENDING TO THE GENERAL PUBLIC

31 december 2016	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision past due receivables	
Not yet past due	4,021	4,719	109	1,957	732	11,538		
Past due 30 days	50	143	3	80	15	291	-30	10%
Past due 60 days	28	63	2	33	9	135	-33	24%
Past due 90 days	28	39	2	12	4	85	-32	37%
Past due 120-150 days	24	41	0	18	6	89	-46	52%
Past due 180 days or more	685	683	308	361	38	2,075	-1,278	62%
Total past due	**815**	**969**	**315**	**504**	**72**	**2,675**	**-1,419**	**53%**
Total	**4,836**	**5,688**	**424**	**2,461**	**804**	**14,213**		
Reserve[1]	-417	-470	-290	-199	-43	-1 419		
Total lending to the general public	**4,419**	**5,218**	**134**	**2,262**	**761**	**12,794**		

LENDING TO THE GENERAL PUBLIC

31 december 2015	Sweden	Norway	Denmark	Finland	Germany	TOTAL	Allocation of provision past due receivables	
Not yet past due	3,690	3,772	150	1,699	537	9,848		
Past due 30 days	44	96	5	82	8	235	-23	10%
Past due 60 days	21	37	3	27	4	92	-20	22%
Past due 90 days	18	28	3	14	2	65	-24	36%
Past due 120-150 days	29	29	1	23	3	85	-43	51%
Past due 180 days or more	574	513	292	282	13	1,674	-1,048	63%
Total past due	**686**	**703**	**304**	**428**	**30**	**2,151**	**-1,158**	**54%**
Total	**4,376**	**4,475**	**454**	**2,127**	**567**	**11,999**		
Reserve[1]	-351	-350	-275	-163	-19	-1,158		
Total lending to the general public	**4,025**	**4,125**	**179**	**1,964**	**548**	**10,841**		

[1] Provision for receivables which are more than 180 days past due are assessed individually and total SEK -1,278 (-1,048) million. The group provision is SEK -141 (-110) million. The difference between the provision recognised above and credit losses as indicated in the income statement is due to exchange rate effects, which are accounted for under Net profit from financial transactions.

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

PROVISION FOR CREDIT LOSSES

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Provision for loans with individually identified loss events [1]		
Opening reserve at start of year	-1,158	-957
- allocated during the year	-96	-92
- foreign exchange effects [2]	-24	1
Provision for loans with individually identified loss events	**-1,278**	**-1,048**
Group provision for receivables measured as a group [3]		
Opening reserve at start of year	-110	-87
- allocated during the year	-24	-28
- foreign exchange effects [2]	-7	5
Group provision for receivables measured as a group at end	**-141**	**-110**
Total provision for credit losses	**-1,419**	**-1,158**

1 Individually identified loss events refer to loans which are more than 180 days past due
2 Exchange-rate effects are recognised in Net profit/loss from financial transactions
3 Group valued receivables and performing receivables where no loss event has yet been identified pertain to loans past due between one and 180 days

CREDIT QUALITY

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Credit quality pertaining [1]		
Rating A	828	707
Rating B	2,355	1,982
Rating C	4,662	3,843
Rating D	3,103	2,712
Rating E	418	445
No rating	172	159
Total	**11,538**	**9,848**

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

Regarding credit quality for lending to credit institutions and bonds and other interest bearing securities, please see Note 4 under Information on liquidity risk.

Risk concentrations in financial assets with credit risk exposure – geographical areas
A breakdown of credit exposure by geographical area is presented below. The values are carrying amounts. The allocations are based on the domiciles of borrowers.

CREDIT EXPOSURE

31 december 2016	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Lending to credit institutions	1,672					1,672
Lending to the general public	4,419	5,218	134	2,262	761	12,794
Bonds and other fixed-income securities	959					959
Total	**7,050**	**5,218**	**134**	**2,262**	**761**	**15,425**

31 december 2015	Sweden	Norway	Denmark	Finland	Germany	TOTAL
Lending to credit institutions	1,810					1,810
Lending to the general public	4,025	4,125	179	1,964	548	10,841
Bonds and other fixed-income securities	1,157					1,157
Total	**6,992**	**4,125**	**179**	**1,964**	**548**	**13,808**

No credit limits were exceeded during the year.

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 also protects the capital adequacy ratio against any exchange rate effects with respect to the portfolios in foreign currency, which results in exchange rate effects in the income statement. The impact due to exchange rate effects on the portfolios is consequently offset by a corresponding effect on Group earnings.

The Board of Directors has adopted a policy stipulating that the company continually measures and reports its exchange rate risk. It contains established limits for the maximum permitted net exposure in foreign currencies. The current limit adopted by the Board is 1,000 MSEK (700) and actual exposure amount is 752 MSEK (624), distributed into 438 (394) MNOK, 9 (13) MDKK and 29 (25) MEUR. A change of 5% in the value of SEK against the other currencies would cause a change in profit/loss and in equity of 38 (31) MSEK, distributed into 22 MNOK (20), 0.5 MDKK (0.6) and 1.5 MEUR (1.3).

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 continually measures and reports interest rate risk. This is divided into two parts: fixed rate deposits and other interest rate risk. Deposits with a fixed interest rate are measured through a parallel shift downward on the interest rate curve of 2.0 units with an interest rate floor of 0% and has a limit of 40 MSEK (N/A). Other interest rate risk is measured through a parallel shift upward of the interest rate curve of 2.0 units with a limit of 20 MSEK (20). The actual exposures at year-end were 11 MSEK (N/A) and 4 MSEK (11), respectively.

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

Liquidity risk
Refer to the section on capital adequacy.

The table below presents an analysis of the Group's financial liabilities to be settled net, broken down according to the time remaining until the first contractual date of early redemption, at the balance sheet date. The contractual maturity for issued securities exceeds five years, see Note 22 for further information. The amounts stated in the table are the contractual, undiscounted cash flows.

MATURITY DISTRIBUTION

31 december 2016	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Liabilities to credit institutions	49	49	1,323	2,609	**4,030**
Deposits from the general public	6,846	295	-	-	**7,141**
Issued securities	55	55	637	3,136	**3,883**
Subordinated liabilities	16	16	46	314	**392**
Trade payables and other liabilities	46	-	-	-	**46**
Total	**7,012**	**415**	**2,006**	**6,059**	**15,492**

31 december 2015	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Liabilities to credit institutions	59	2,923	-	-	**2,982**
Deposits from the general public	6,001	-	-	-	**6,001**
Issued securities	508	1,653	1,091	-	**3,252**
Subordinated liabilities	15	15	46	312	**388**
Trade payables and other liabilities	33	-	-	-	**33**
Total	**6,616**	**4,591**	**1,137**	**312**	**12,656**

Capital adequacy analysis

Capital adequacy information in this document refers to information the disclosure of which is provided for in Chapter 6, Sections 3-4 of the Regulations and General Recommendations (FFFS 2008:25) on the annual accounts of credit institutions and securities companies (investment firms) and information as referred to in the Regulations and General Recommendations on capital adequacy and risk management (FFFS 2014:12) of the Swedish Financial Supervisory Authority. As of the first quarter of 2014 a capital adequacy analysis for the consolidated situation is reported. Other information required under FFFS 2014:12 is provided on the Company's website, www.nordaxgroup.com.

Information on the consolidated situation

The ultimate parent company in the consolidated situation is Nordax Group AB (publ). The following companies are included in the consolidated financial statements for the group of financial companies in accordance with full IFRS and in the group-based financial statements for calculation of capitalrequirements: Nordax Group AB (publ), Nordax Bank AB (publ), Nordax Finans AS, PMO Sverige OY, Nordax Nordic AB (publ), Nordax Sverige AB, Nordax Nordic 4 AB (publ), Nordax Sverige 4 AB (publ), Nordax Nordic 2 AB och Nordax Nordic 3 AB (publ).

CAPITAL ADEQUACY

All amounts in MSEK	Consolidated situation 31 DECEMBER 2016	31 DECEMBER 2015
OWN FUNDS		
Common Equity Tier 1 capital	1,942	1,678
Deduction from own funds	-302	-309
Total Common Equity Tier 1 capital	**1,640**	**1,369**
Tier 2 capital	234	217
Net own funds	**1,874**	**1,586**
Risk exposure amount for credit risk	10,208	8,745
Risk exposure amount for market risk	752	624
Risk exposure amount for operational risks [4]	754	1,465
Total risk exposure amount (risk weighted assets)	**11,714**	**10,834**
Common Equity Tier 1 capital ratio	14.01%	12.64%
Tier 1 capital ratio	14.01%	12.64%
Total capital ratio	16.01%	14.64%
Capital adequacy ratio (own funds / capital requirement)	2.00	1.83
Total Common Equity Tier 1 capital requirement including buffer requirement	8.13%	7.72%
- of which, capital conservation buffer requirement	2.50%	2.50%
- of which, countercyclical capital buffers	1.13%	0.72%
Common Equity Tier 1 capital available for use as buffer [1]	9.51%	8.14%
Specification own funds		
Common Equity Tier 1 capital:		
- Capital instruments and the related share premium accounts	843	847
- of wich share capital	111	111
-of wich other contributed capital	736	736
- of wich repurshase of own shares	-4	-
- Retained earnings	831	691
- Independently reviewed interim profits	446	195
- Calculated dividend [2]	-178	-55
Common Equity Tier 1 capital before regulatory adjustments	**1,942**	**1,678**
Regulatory adjustments:		
- Intangible assets	-297	-309
- Own shares	-4	-
Total regulatory adjustments to Common Equity Tier 1	**-302**	**-309**
Common Equity Tier 1	**1,640**	**1,369**
Tier 2 capital		
- Tier 2 capital instrument	234	217
Tier 2 capital	**234**	**217**
Total capital	**1,874**	**1,586**
Specification of risk exposure amount [3]		
Institutional exposures	336	365
Covered bonds	20	41
Household exposures	8,966	7,629
Past due items	840	669
Other items	46	41
Total risk exposure amount for credit risk, Standardised Approach	**10,208**	**8,745**
Exchange rate risk	752	624
Total risk exposure amount for market risk	**752**	**624**
Operative risk according to alternative Standardized Method 2016 and Basic Indicator Approach 2015 [4]	754	1,465
Total risk exposure amount for operational risks	**754**	**1,465**
LEVERAGE RATIO		
Exposure measure for calculating leverage ratio	15,479	13,862
Leverage ratio	**10.81%**	**9.88%**

[1] Common Equity Tier 1 capital ratio 14.01% less the statutory minimum requirement of 4.5% excluding the buffer requirement. A total capital requirement of a further 3.63% of which capital conservation buffer of 2.50% and 1.13% for the countercyclical capital buffers is also applicable.

[2] Calculated dividend consists of MSEK 178 attributable to the current financial year. The Swedish Financial Supervisory Authority has approved Nordax's application to include earnings in the capital base on condition that the responsible auditor has reviewed the surplus, that the surplus has been calculated in accordance with applicable accounting rules, that predicted costs and dividends have been deducted in accordance with Regulation (EU) No 575/2013 and that the calculation has been made in accordance with Regulation (EU)No 241/2014.

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

[4] During the period the method for calculating operational risk was changed from basic indicator approach to the alternative standardized method.

Internal capital requirement

As of 31 December 2016 the internal capital assessment for Nordax consolidated situation amounted to 97 MSEK (83). The internal capital requirement is assessed using Nordax internal models for economic capital and is not fully comparable to the estimated capital requirement published by the Swedish Financial Supervisory Authority due to differences in assumptions and methodologies.

Information on liquidity risk pursuant to FFFS 2014:12

The Group defines liquidity risk as the risk of failing to fulfill payment obligations at maturity without a significant increase in the cost of obtaining means of payment. The Group uses asset-backed borrowing in which parts of the Group's asset portfolios are pledged as collateral for the loans. The Group's long-term strategy is to match lending assets with the maturities of liabilities. The strategy 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 period 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 high 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 for a growing balance sheet.

The Group has an independent function for liquidity risk control. The function reports directly to the Board and CEO.Liquidity is measured on a daily basis and reported to the Company's management. Liquidity risk is reported to the Board of Directors at each board meeting.

Cash flows expected to result 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 for different scenarios and events (such as less favorable advance rates and changed cash flows) and illustrated separately and in combination.

The contingency plan specifies a clear division of responsibilities and contains instructions for how the Group should respond in a liquidity crisis situation. The plan specifies appropriate actions for managing the consequences of different crisis situations and contains definitions of events which trigger and escalate the contingency plan. The contingency plan has been tested and updated.

As of 31 December 2016, Nordax had a liquidity coverage ratio (EBA definition) of 553% (676). As of the same date the net stable funding ratio was 127% (127), calculated in accordance with the Basel Committee's definition, which may be altered when adopted by the EU.

Nordax had a liquidity reserve at 31 December 2016 of MSEK 2,189 (2,552). Of these investments, 56 (55) per cent was in Nordic banks, 9 (16) per cent in Swedish covered bonds and 35 (29) per cent in Swedish municipal papers. All investments had credit ratings ranging from AAA to A+ from Standard & Poor's, with an average rating of AA (except 27 MSEK in exposure to Avanza Bank AB). The average maturity was 43 (48) days. All bank holdings are accessible and all securities are repo-able with central banks.

At 31 December 2016 Nordax's sources of funding comprised MSEK 2,427 (2,763) in funding through the asset-backed securities market (securitized), MSEK 500 (453) in senior unsecured bonds, MSEK 3,218 (2,891) in warehouse funding facilities provided by international banks in addition to MSEK 7,135 (5,991) in Deposits from the general public. The figures refer to the nominal amounts.

Note 5 Classification of financial assets and liabilities

GROUP

31 december 2016	Financial instruments measured at fair value through profit and loss		Investments held to maturity	Loans and receivables	Other financial liabilities	TOTAL
	Held for trading	Designated at initial recognition				
Assets						
Lending to credit institutions	-	-	-	1,672	-	**1,672**
Lending to the general public	-	-	-	12,794	-	**12,794**
Bonds and other fixed income	-	959	-	-	-	**959**
Derivatives	1	-	-	-	-	**1**
Total assets	**1**	**959**	**-**	**14,466**	**-**	**15,426**
Liabilities						
Liabilities to credit institutions	-	-	-	-	3,205	**3,205**
Deposits from the general public	-	-	-	-	7,141	**7,141**
Issued securities	-	-	-	-	2,910	**2,910**
Subordinated liabilities	-	-	-	-	247	**247**
Total liabilities	**-**	**-**	**-**	**-**	**13,503**	**13,503**

31 december 2015	Financial instruments measured at fair value through profit and loss		Investments held to maturity	Loans and receivables	Other financial liabilities	TOTAL
	Held for trading	Designated at initial recognition				
Assets						
Lending to credit institutions	-	-	-	1,810	-	**1,810**
Lending to the general public	-	-	-	10,841	-	**10,841**
Bonds and other fixed income	-	1,157	-	-	-	**1,157**
Derivatives	3	-	-	-	-	**3**
Total assets	**3**	**1,157**	**-**	**12,651**	**-**	**13,811**
Liabilities						
Liabilities to credit institutions	-	-	-	-	2,880	**2,880**
Deposits from the general public	-	-	-	-	6,001	**6,001**
Issued securities	-	-	-	-	3,187	**3,187**
Subordinated liabilities	-	-	-	-	246	**246**
Total liabilities	**-**	**-**	**-**	**-**	**12,314**	**12,314**

Trade receivables, trade payables and prepaid/accrued items are not included in the classification above as they are not tangible, and are recognised instead as Loan and receivables or Other financial liabilities. No offsetting of financial assets and financial liabilities has taken place.

Note 6 Fair values of financial assets and liabilities

GROUP

31 december 2016	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	1,672	1,672	-
Lending to the general public [2,4]	12,794	14,952	2,158
Bonds and other fixed income	959	959	-
Derivatives	1	1	-
Total assets	**15,426**	**17,584**	**2,158**
Liabilities			
Liabilities to credit institutions [1]	3,205	3,205	-
Deposits from the general public	7,141	7,141	-
Issued securities [3]	2,910	2,910	0
Subordinated liabilities [3]	247	254	7
Total liabilities	**13,503**	**13,510**	**7**

31 december 2015	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to credit institutions [1]	1,810	1,810	-
Lending to the general public [2,4]	10,841	12,483	1,642
Bonds and other fixed income	1,157	1,157	-
Derivatives	3	3	-
Total assets	**13,811**	**15,453**	**1,642**
Liabilities			
Liabilities to credit institutions [1]	2,880	2,880	-
Deposits from the general public	6,001	6,001	-
Issued securities [3]	3,187	3,205	18
Subordinated liabilities [3]	246	254	8
Total liabilities	**12,314**	**12,340**	**26**

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 and belongs to Level 3.
3 Fair value data for issued securities and debenture loans belong to Level 2, as the inputs for measurement are based directly or indirectly on quoted prices
4 Fair value for lending to the general public is calculated after tax. The value for 2015 has been adjusted according to the new method.

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

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

No transfers between levels occurred in 2016.

GROUP

31 december 2016	Level 1	Level 2	Level 3	TOTAL
Assets				
Bonds and other fixed income securities	959	-	-	959
Derivatives	-	1	-	1
Total assets	**959**	1	-	**960**

31 december 2015	Level 1	Level 2	Level 3	TOTAL
Assets				
Bonds and other fixed income securities	1,157	-	-	1,157
Derivatives	-	3	-	3
Total assets	**1,157**	3	-	**1,160**

Note 7 Net interest income

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Interest income from the general public [1]	1,351	1,251
Interest income from credit institutions	3	9
Total interest income	1,354	1,260
Interest expenses to the general public	-91	-108
Interest expenses to credit institutions	-147	-200
Interest expenses debenture loans	-16	-25
Total income expenses	-254	-333
Net interest income	**1,100**	**927**

[1] Interest income on financial assets impaired totals SEK 64 million (SEK 53 million).

Note 8 Commission income

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Insurance commission	16	16
Total	**16**	**16**

Note 9 Net profit from financial transactions

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Changes in exchange rates	64	-55
Profit from investments in bonds and other fixed-income securities	-4	0
Group contributions	-	-
Net profit/loss from financial transactions	**60**	**-55**

The Group profit pertains to profit/loss from changes in exchange rates in the net position and flows in operations related to lending in NOK and DKK as well as lending in EUR and profit from investments in bonds and other fixed-income securities.

Note 10 General administrative expenses

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Employee benefit expenses		
Salaries and fees	-110	-101
Pension expenses	-11	-11
Social security contributions	-37	-36
Other employee benefit expenses	-7	-7
Total employee benefit expenses	**-165**	**-155**
Other administrative expenses		
IT expenses	-29	-26
External services	-34	-30
Costs of premises	-10	-9
Telephone and postage	-25	-26
Other	-28	-15
Total other administrative expenses	**-126**	**-106**
Total general administrative expenses	**-291**	**-261**

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Fees to auditors		
Pwc		
- Audit engagement	-1	-1
- Audit work in addition to the Audit assignment	-1	-1
- Tax advisory services	0	0
Other services [1]	0	-6
Total	**-2**	**-8**
Mazars		
- Other services	-1	-1
Total	**-1**	**-1**
KPMG		
Other services [1]	0	-2
Total	**0**	**-2**
EY		
Other services [1]	0	-2
Total	**0**	**-2**
Deloitte		
Other services	0	-
Total	**0**	**-**
Total expense for audit fees	**-3**	**-13**

[1] The greater part pertains to expenses arising in connection with the issuing of an offering memorandum and listing of Nordax shares on Nasdaq Stockholm, and the expenses are recognised under the item Non-recurring expenses.

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Specification of salaries and fees [1]		
Directors, Chief Executive Officer and other senior executives	-21	-21
Other employees	-94	-85
Total	**-115**	**-106**
Breakdown of social security contributions		
Directors, Chief Executive Officer and other senior executives	-5	-7
Other employees	-32	-29
Total	**-37**	**-36**
Breakdown of pension expenses		
Directors, Chief Executive Officer and other senior executives	-3	-2
Other employees	-8	-9
Total	**-11**	**-11**
Breakdown of average number of employees (converted to full-time equivalents)		
Women	123	113
Men	69	66
Total	**192**	**179**

[1] Of the total breakdown of salaries and fees, SEK 5 million pertains to fees invoiced for members of the Board of Directors and the Chief Executive Officer.

Regular working hours have been defines as available working time. This does not include overtimes or fulltime or parttime leave. The figures related to the full year.

GROUP

Number	31 DECEMBER 2016	31 DECEMBER 2015
Breakdown between women and men on the Board of Directors		
Women	3	2
Men	5	7
Total	**8**	**9**
Breakdown between women and men in the senior management		
Women	4	5
Men	4	2
Total	**8**	**7**

GROUP

All amounts are in TSEK	Basic salary/ Board fee	Variable remuneration	Pension cost	**Total**
Remuneration and other benefits 2016				
Chairman A. Bernroth	-1,600	-	-	**-1,600**
CEO M. Falch	-2,502	-516	-591	**-3,609**
Director C. Beck	-547	-	-	**-547**
Director K. Bonde	-739	-	-	**-739**
Director H. Larsson	-821	-	-	**-821**
Director J. Rosberg	-602	-	-	**-602**
Director A. Rich	0	-	-	**0**
Director S. Trygg	-739	-	-	**-739**
Other senior management (7 persons)	-10,300	-3,061	-2,545	**-15,906**

All amounts are in TSEK	Basic salary/ Board fee	Variable remuneration	Pension cost	**Total**
Remuneration and other benefits 2015				
Chairman A. Bernroth[1]	-861	-	-	**-861**
CEO M. Falch	-2,716	-367	-427	**-3,510**
Director C. Beck	-438	-	-	**-438**
Director K. Bonde	-495	-	-	**-495**
Director D. Cohen	0	-	-	**0**
Director H. Larsson	-520	-	-	**-520**
Director R. Pym[2]	-931	-	-	**-931**
Director A. Rich	0	-	-	**0**
Director S. Trygg	-616	-	-	**-616**
Other senior management (7 persons)	-11,584	-1,565	-1,945	**-15,094**

1 Chairman of the board Oct-Dec 2015 (379 TSEK)
2 Chairman of the board Jan-Oct 2015 (829 TSEK)

Social security contributions are included in provisions in variable remuneration for other senior management.

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
Nordax has a long-term management incentive plan comprising the following remuneration components: 40% of the variable remuneration is paid out in cash in the same year that the decision to grant the remuneration is made, while 60% of the variable remuneration is deferred for up to 3 years or, in the case of the CEO, 5 years (the qualifying period), in the form of restricted share units. Deferral takes place each year when the variable cash remuneration is paid out. One requirement for a participant to be entitled to receive an award is that the participant remains an employee throughout the qualifying period. After the qualifying period the restricted share units are converted to shares. One (1) restricted share unit entitles its holder to one (1) share. If employment terminates before vesting, all deferred restricted stock units as a rule lapse on the date on which the participant ceases to be employed. The shares awarded in the incentive plan are common shares that are entitled to dividends after the qualifying period.

The number of restricted share units is determined from the established amount for deferred variable remuneration divided by the market price of the Nordax share based on settlements on the business day immediately preceding the day of the award decision, i.e., 7 February 2017 for the 2016 plan (9 February 2016 for the 2015 plan).

Within the framework of the long-term management incentive plan, Nordax intends to repurchase 130,000 shares for the 2016 plan (100,000 shares were repurchased for the 2015 plan).

	2016	2015
Number of restricted share units:	129,231	90,709
Share price on day immediately preceding the award decision:	52.50	41.10
Market value of units upon reward:	6,784,628	3,728,140

CEO and other senior management
The term of notice for the CEO is 6 months regardless of whether notice is given by the company or the employee. The CEO has a non-compete clause of 24 months, which prevents him from operating a competing business.

The term of notice for other senior management is 4 months for the employee and 9 months for the company. If terminated during the period 20 November-1 January or 20 May – 20 July, the term of notice for the employee is 6 months instead of 4 months.

No employees, including the CEO, are eligible for severance upon termination.

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

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

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

Note 11 Non-recurring costs

Non-recurring costs of MSEK -13 (75) refer to events and transactions which have an impact on profit of such magnitude that it is prudent to highlight these when the financial performance of the period is compared with earlier periods. Non-recurring items related to VAT reversal from the IPO 2015 and other cost reductions associated with the IPO were recognised during the period, which reduced costs by a total of 13 MSEK. The same period in 2015 included a non-recurring cost of 75 MSEK related to the IPO. The total net cost for the IPO in 2015 amounted to 62 MSEK, after the dissolution of the reserve in 2016.

Note 12 Credit losses

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Credit losses		
Write-offs for the period pertaining to actual credit losses	-44	-37
Gross value of new receivables during the year past due more than 180 days	-476	-371
Payments received during the year pertaining to loans past due more than 180 days	241	191
Adjustment to recoverable value pertaining to receivables past due more than 180 days	139	88
Total provision for loans with individually identified loss event [1]	-96	-92
Group provision for receivables valued as a group [2]	-24	-28
Credit losses for the year	**-164**	**-157**

[1] Individually identified loss event pertains to receivables past due more than 180 days, see also Note 4 under the section on credit risk.
[2] Group provisions for loan receivables due between one and 180 days.

Note 13 Tax on profit for the year

GROUP

All amounts are in MSEK	JAN-DEC 2016	JAN-DEC 2015
Tax recognised in profit or loss		
Current tax on profit for the year	-105	-60
Deferred tax expense/income	-22	5
Tax on profit for the year	**-127**	**-55**
Reconciliation of effective tax		
Reported profit before tax	573	250
Tax at current tax rate	-127	-55
Tax effect of non-deductible expenses	0	0
Tax effect of non-taxable income	0	0
Tax on profit for the year according to the income statement	**-127**	**-55**
Deferred tax recognised in the balance sheet	30	9
Opening balance deferred tax liability	9	29
Through profit or loss	-5	-5
Related to temporary differences	26	-15
Closing balance deferred tax liability	**30**	**9**
Deferred tax liability is attributable to		
Deferred tax related to business combinations	54	54
Recognised in profit or loss	-44	-39
Deferred tax liability attributable to temporary differences in accrued costs of loans	20	-6
Deferred tax liability according to balance sheet	**30**	**9**
Deferred tax to be regained in 12 months	-4	-5
Deferred tax to be regained after 12 months	34	14

The applicable tax rate is the tax rate for income tax in the Group. The tax rate is 22% (22%). The deferred tax liability pertains to temporary differences in accrued arrangement fees for loans and handling fees.

Note 14 Operating segments

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

GROUP

JAN–DEC 2016	Sweden	Norway	Denmark	Finland	Germany	TOTALT
Income statement						
Interest income [1]	426	582	10	264	72	**1,354**
Interest expenses	-60	-146	-2	-35	-11	**-254**
Total net interest income	**366**	**436**	**8**	**229**	**61**	**1,100**
Commission income	7	7	0	2	-	**16**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-11	-8	0	-4	-2	**-25**
Operating expenses [2]	-84	-88	-3	-43	-14	**-232**
Non-recurring costs [3]						**13**
Marketing expenses [2]	-32	-45	0	-26	-32	**-135**
Profit before credit losses	**246**	**302**	**5**	**158**	**13**	**737**
Credit losses	-51	-81	0	-9	-23	**-164**
Operating profit	**195**	**221**	**5**	**149**	**-10**	**573**
Balance sheet						
Lending to the general public	**4,419**	**5,218**	**134**	**2,262**	**761**	**12,794**

JAN–DEC 2015	Sweden	Norway	Denmark	Finland	Germany	TOTALT
Income statement						
Interest income [1]	420	542	14	242	42	**1,260**
Interest expenses	-108	-168	-4	-43	-10	**-333**
Total net interest income	**312**	**374**	**10**	**199**	**32**	**927**
Commission income	8	7	-	1	-	**16**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-11	-5	0	-2	-2	**-21**
Operating expenses [2]	-132	-113	-6	-43	-21	**-315**
Non-recurring costs [3]						**-75**
Marketing expenses [2]	-27	-49	0	-22	-27	**-125**
Profit before credit losses	**150**	**214**	**4**	**133**	**-18**	**407**
Credit losses	-40	-70	-5	-27	-15	**-157**
Operating profit	**110**	**144**	**-1**	**106**	**-33**	**250**
Balance sheet						
Lending to the general public	**4,025**	**4,125**	**179**	**1,964**	**548**	**10,841**

1 Interest income refers to revenues from external customers.

2 Operating expenses consist of net results of financial transactions, other operating income, general administrative expenses and the portion of other operating expenses that does not pertain to marketing expenses.

3 Non-recurring expenses pertain to expenses arising in conjunction with the issuing of an offering memorandum and listing of Nordax shares on Nasdaq Stockholm.

Note 15 Lending to credit institutions

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Banks	1,672	1,810
Total	**1,672**	**1,810**

The Group's lending to credit institutions includes SEK 480 (597) million in pledged assets for liabilities to credit institutions and issued securities.

Note 16 Lending to the general public

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Households	12,794	10,841
Total	**12,794**	**10,841**

The Group item includes SEK 9,479 (9,190) 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 11,959 million (10,182) has a maturity of more than one year.

Note 17 Bonds and other fixed-income securities

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Holdings broken down by issuer		
Swedish municipalities	755	745
Swedish covered bonds	204	412
Bonds and other fixed-income securities	**959**	**1,157**

All holdings are listed, SEK 0 million (106) has a maturity of more than one year and the remainder less than one year.

Note 18 Tangible assets

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Non-current assets		
Cost at start of year	21	18
- acquisitions during the year	2	4
- disposals during the year	-	-1
Cost at end of year	**23**	**21**
Accumulated and amortisation at start of year	-13	-11
- amortisation for the year	-3	-3
- reclassification between property, plant and equipment and intangible assets	-	-
- disposals during the year	-	1
Accumulated amortisation at end of year	**-16**	**-13**
Carrying amount	**7**	**8**

Note 19 Intangible assets

GROUP

31 december 2016	Goodwill	Contractual client relationships	Internally generated software development costs	TOTAL
Opening carrying amount	**251**	**48**	**21**	**320**
- purchases	-	-	6	6
- amortisation	-	-14	-7	-21
Closing carrying amount	**251**	**34**	**20**	**305**
Cost	251	99	60	410
Accumulated amortisation and impairment losses		-65	-40	-105
Carrying amount	**251**	**34**	**20**	**305**

31 december 2015	Goodwill	Contractual client relationships	Internally generated software development costs	TOTAL
Opening carrying amount	**251**	**60**	**5**	**316**
- purchases	-	-	20	20
- amortisation	-	-12	-4	-16
Closing carrying amount	**251**	**48**	**21**	**320**
Cost	251	99	54	404
Accumulated amortisation and impairment losses		-51	-33	-84
Carrying amount	**251**	**48**	**21**	**320**

Note 20 Other assets

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Other	19	9
Total	**19**	**9**

Note 21 Liabilities to credit institutions

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Foreign banks	3,205	2,880
Total	**3,205**	**2,880**

For the above liabilities in the Group, collateral has been provided in an amount of SEK 5,567 (4,927) million for receivables attributable to Lending to the general public and SEK 169 (188) million to Lending to credit institutions. Granted credit totals SEK 3,218 (3,074) 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 22 Issued securities

GROUP

All amounts are in MSEK	Term	Early redemption	31 DECEMBER 2016	31 DECEMBER 2015
Bonds issued by Nordax Sverige 4 AB, issued in SEK	Dec 2038	Nov 2018	1,087	1,081
Bonds issued by Nordax Nordic AB, issued in NOK	Oct 2028	Aug 2016	-	21
Bonds issued by Nordax Nordic 3 AB, issued in NOK	Jan 2037	Jun 2017	1,326	1,632
Bonds issued by Nordax Bank AB, issued in SEK	Mar 2019	-	497	453
Total			**2,910**	**3,187**

The foreign-exchange positions for securities issued in SEK and NOK are fully matched against assets in the currencies concerned. Securities issued in Nordic AB, Nordic 3 AB and Sverige 4 AB are listed on the Irish stock exchange. Securities issued in Nordax Bank AB are listed on Nasdaq Stockholm. For the above liabilities, collateral has been provided in an amount of SEK 3,912 (4,262) million for receivables attributable to Lending to the general public and SEK 311 (409) million to Lending to credit institutions. The amounts above pertain to volumes issued to external investors.

Note 23 Current tax liability

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Current tax liability	36	10
Total	**36**	**10**

Note 24 Other liabilities

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Trade payables	1	9
Other	15	15
Total	**16**	**24**

Note 25 Subordinated liabilities

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Subordinated loans	247	246
Summa	**247**	**246**

SPECIFICATION

31 DECEMBER 2016	Currency	Date of issue	Principal amount	Coupon rate	Maturity [1]
Subordinated bonds	SEK	2015-03-12	250	Stibor 3 mon +5,75%	2025-03-18

31 December 2015	Currency	Date of issue	Principal amount	Coupon rate	Maturity [1]
Subordinated bonds	SEK	2015-03-12	250	Stibor 3 mon +5,75%	2025-03-18

[1] First call date March 2020

Note 26 Pledged assets

GROUP

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Pledged assets for own liabilities		
Lending to the general public	9,479	9,190
Lending to credit institutions	480	597
Total	**9,959**	**9,787**

Note 27 Contingent liabilities

The Group does not have any contingent liabilities.

Note 28 Transactions with related parties

The Group has not had any transactions with related parties.

Note 29 Significant events after balance sheet date

No events with significant impact on the information in this report have occurred after the end of the reporting period.

Parent Company income statement

PARENT COMPANY

All amounts in MSEK	Not	JAN-DEC 2016	2014-12-02 2015-12-31
Net income		**198**	**1**
Operating expenses			
Personnel expenses	1	-5	-2
Other external expenses		7	-77
Total operating expenses		**2**	**-79**
Operating profit		**200**	**-78**
Profit/loss from financial investments			
Group contributions		0	141
Interest and similar expenses		-1	0
Profit/loss from financial investments		**-1**	**141**
Profit/loss after financial items		**199**	**63**
Tax on profit for the period		-	-
NET PROFIT FOR THE PERIOD/COMPREHENSIVE INCOME		**199**	**63**

Parent Company statement of financial position

PARENT COMPANY

Alla belopp anges i MSEK	Not	31 DECEMBER 2016	31 DECEMBER 2015
ASSETS			
Financial assets			
Shares in Group companies	2	4,970	4,970
Total financial assets		**4,970**	**4,970**
Total non-current assets		**4,970**	**4,970**
Current receivables			
Receivables from Group companies		189	141
Prepaid expenses and accrued income		1	0
Total current receivables		**190**	**141**
Cash and bank balances		**22**	**83**
Total current assets		**212**	**224**
TOTAL ASSETS		**5,182**	**5,194**
EQUITY, PROVISIONS AND LIABILITIES			
Equity			
Share capital		111	111
Other equity		-4	-
Share premium reserve		4,859	4,859
Retained earnings, incl. net profit for the year		213	69
Total equity		**5,179**	**5,039**
Liabilities			
Current liabilities			
Accrued expenses and deferred income		3	0
Other liabilities		0	0
Liabilities to Group companies		0	155
Total current liabilities		**3**	**155**
Total liabilities		**3**	**155**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**5,182**	**5,194**

Parent Company statement of cash flows

PARENT COMPANY

All amounts are in MSEK	31 DECEMBER 2016	2014-12-02 2015-12-31
Operating activities		
Profit after financial items	199	63
Adjustment for non-cash items		
Anticipated dividends	-121	-141
Change in operating assets and liabilities		
Decrease/Increase in other assets	-1	-
Decrease/Increase in other assets to Group companies	73	-
Decrease/Increase in other liabilities	3	-
Decrease/Increase in liability to Group companies	-155	155
Cash flow from operating activities	**-2**	**77**
Investing activities		
Acquisition of financial assets	-	-4,970
Cash flow from investing activities	**-**	**-4,970**
Financing activities		
Paid dividend	-55	-
Repurchase own shares	-4	-
New issue	-	4,970
Result of the liquidation of Nelson LuxCo Sarl	-	6
Cash flow from financing activities	**-59**	**4,976**
Cash flow for the period	**-61**	**83**
Cash and cash equivalents at beginning of year	**83**	**0**
Cash and cash equivalents at end of year	**22**	**83**

Parent Company statement of changes in equity

PARENT COMPANY

All amounts are in MSEK	Restricted equity Aktiekapital	Non-restricted equity Other capital	Share premium reserve	Retained earnings	Total
SHARE CAPITAL 2 MARCH 2014	**1**		**-**	**-**	**1**
Comprehensive income					
Net profit/loss for the year				63	**63**
Total comprehensive income				**63**	**63**
Transactions with shareholders					
Result of the liquidation of Nelson LuxCo Sarl				6	**6**
Intragroup restructuring	110		4,859	0	**4,969**
Transactions with shareholders	**110**		**4,859**	**6**	**4,975**
CLOSING BALANCE, 31 DECEMBER 2015	**111**		**4,859**	**69**	**5,039**
OPENING BALANCE 1 JANUARY 2016	**111**	**-**	**4,859**	**69**	**5,039**
Comprehensive income					
Net profit/loss for the year				199	**199**
Total comprehensive income				**199**	**199**
Transactions with shareholders					
Dividends paid				-55	-55
Repurchase of own shares		-4			**-4**
Transactions with shareholders		**-4**		**-55**	**-59**
CLOSING BALANCE, 31 DECEMBER 2016	**111**	**-4**	**4,859**	**213**	**5,179**

The share capital consists of 110,945,598 ordinary shares of the same share class and with a quotient value of SEK 1. All shares have equal voting rights.

Note 1 Employee benefit expenses

PARENT COMPANY

All amounts are in MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Employee benefit expenses		
Salaries and fees	-3	-2
Pension expenses	-1	0
Social security contributions	-1	0
Other employee benefit expenses	-	0
Total employee benefit expenses	**-5**	**-2**

Note 2 Parent Company shares in Group companies

PARENT COMPANY

31 december 2016	Corporate Identity Number	Registered office	Share of equity	Share of votes	Number of shares	Book value SEK thousand
Nordax Group AB	556993-2485	Stockholm	100%	100%	20,010,076	4,970,052
Nordax Bank AB (publ)	556647-7286	Stockholm	100%	100%	50,100,000	-
Nordax Sverige AB	556794-0126	Stockholm	100%	100%	100,000	-
Nordax Nordic AB (publ)	556787-1891	Stockholm	100%	100%	500,000	-
Nordax Nordic 2 AB	556823-4255	Stockholm	100%	100%	50,000	-
Nordax Nordic 3 AB (publ)	556961-5254	Stockholm	100%	100%	500,000	-
Nordax Nordic 4 AB (publ)	559049-5023	Stockholm	100%	100%	500,000	-
Nordax Sverige 4 AB (publ)	559007-7425	Stockholm	100%	100%	500,000	-
Nordax Finans AS, Norge	986 568 158	Oslo	100%	100%	100,000	-
PMO Sverige OY, Finland	1983408-0	Helsingfors	100%	100%	1,000	-
Total						**4,970,052**

PARENT COMPANY

Alla belopp anges i MSEK	31 DECEMBER 2016	31 DECEMBER 2015
Opening balance, cost	**4,970**	-
- acquisitions	500	4,970
- disposals	-500	-
- reclassification between property, plant and equipment and intangible assets	-	-
- amortisation	-	-
Closing balance, cost	**4,970**	**4,970**
Opening balance, impairment	-	-
Accumulated amortisation and impairment losses	-	-
Carrying amount	**4,970**	**4,970**

Note 3 Proposed disposition of profits

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

All amounts are in SEK	
Retained earnings	4,873,522,859
Net profit/loss for the year	199,316,744
Total	**5,072,839,603**

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

All amounts are in SEK	
Dividend to shareholders of SEK 1.60 per share, total	177,144,957
carried forward to new account	4,895,694,646
Total	**5,072,839,603**

The Board of Directors proposes that the 2017 Annual General Meeting that SEK 177,144,957 be distributed to the shareholders at SEK 1.60 per share, and that the AGM authorise the Board of Directors to determine the date of payment of the dividend, which must fall before the next AGM. No dividend will be paid in relation to the company´s own holding of shares. As a consequence of the Board's proposal on disposition of profits, the Board of Directors makes the following statement:

Nordax Group AB (publ) is to pay to the shareholders the part of the company's profits not deemed to be needed to meet the requirements made by the nature, scope and risks of the operation for the size of equity and the consolidation needs, liquidity and financial position in other respects of the Group.

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 the 22 March 2017

Arne Bernroth
Chairman

Christian A. Beck
Director

Katarina Bonde
Director

Morten Falch
CEO, Director

Andrew Rich
Director

Jenny Rosberg
Director

Synnöve Trygg
Director

Our audit report was issued 22 March, 2017

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant

Independent auditor's report

To the general meeting of the shareholders of Nordax Group AB (publ), corporate identity number 556993-2485

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordax Group AB (publ) for the year 2016, with the exception of the corporate governance statement on pages 49–65. The annual accounts and consolidated accounts of the company are included on pages 33–48 and 66–103 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2016 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 Security Companies. Our opinions do not cover the corporate governance statement on pages 49–65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates, such as credit provisions, that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

We organised our audit to perform full scope audit of entities with high significance and risk to the group. The procedures applied generally include an assessment and testing of controls over key business processes related to the financial reporting, such as the process of credit provisions, tests of accounting records combined with analytical procedures.
The audit was conducted during the year. In November, we reported to the Board of Directors on our audit of internal control over financial reporting and management's administration. We also conducted a review of the Interim Reports at each quarter during 2016. At year end, we reported the results of our audit of the annual accounts and management's administration to the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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.

Key audit matter

Provision for credit losses

Accounting of loan portfolios and calculations of credit provisions are based on management's judgments of future cash flows and discount rates. This includes management's subjective judgments over both timing of recognition of impairment and the estimation of the size of any such provision.

Nordax has models for calculating provision for probable credit losses both on individually assessed loans and on a collective basis.

Important areas for calculating provisions relate to:

- Measurements on how loans perform over time
- Vintage of individual loans
- Maturity of the portfolio

As per 31 December, 2016 the accounting value of lending to the general public amounted to MSEK 12 794, whereof the provisioning reserve was MSEK – 1 419. We consider this to be a significant part of the balance sheet.

Refer to Annual Report note 12 – Credit losses and note 4 – Financial risk management.

How our audit addressed the Key audit matter

Our audit procedures included a combination of testing of controls over financial reporting relating to the provision calculation procedures as well as substantive testing.

The testing of internal controls included procedures relating to the governance structure of the credit provision process. This includes management's assessment of the models for credit provisions, segregation of duties within the approval process and key controls in the lending process.

Substantive testing consisted of evaluating and validating the models and assumptions related to the calculation of the credit provisions. We assessed and compared the models and assumptions used to appropriate benchmarks in order to judge the reasonableness of the provisions.

We examined, compared and assessed historical data to assess the certainty of the forecasts of cash flows within the provisioning models.

We also examined and obtained support for a random sample of parameters and data used in the model of forecast future cash flows. We performed detailed testing on a sample of data in the models and tested the classification for each credit class.

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 1–32 and 49–65. 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 and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act of Credit Institutions and Security Companies. 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s 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 Group AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

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

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

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil 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 Banking and Financing Business Act, the Annual Accounts Act, the Annual Accounts Act of Credit Institutions and Security Companies 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.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 49–65 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.

Stockholm the 22 March 2017
Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant

Bridge statutory to adjusted accounts

BRIDGE STATUTORY TO ADJUSTED ACCOUNTS

All amounts in MSEK	JAN-DEC 2016	JAN-DEC 2015
Total operating income statutory accounts	**1,176**	**888**
Foreign exchange gain/loss	-63	55
Adjusted total operating income	**1,113**	**943**
Total operating expenses statutory accounts	**439**	**481**
Non-recurring items	13	-74
Amortization of acquired intangible assets	-13	-13
Adjusted total operating expenses	**439**	**394**
Marketing expenses	-135	-125
Adjusted total operating expenses excluding marketing costs	304	269
Net credit losses (as reported)	**-164**	**-157**
Operating profit statutory accounts	**573**	**250**
Non-recurring items	-13	74
Foreign exchange gain/loss	-63	55
Amortization of acquired intangible assets	13	13
Adjusted operating profit	**510**	**392**
Tangible equity	**1,815**	**1,413**
Shareholders' equity	2,120	1,733
Intangible assets	-305	-320
Adjusted return on tangible equity	**24.6%**	**23.2%**

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.

Adjusted operating income
Total operating income excluding foreign exchange gains/losses.

Adjusted cost to income ratio (C/I ratio) [1]
Adjusted operating expenses excluding marketing costs as a percentage of adjusted operating income. Adjusted cost to income ratio is presented on a 12-month rolling basis.

Adjusted operating expenses [1]
Total operating expenses excluding amortization of acquired intangible assets and non-recurring items.

Adjusted operating profit [1]
Operating profit excluding amortization of acquired intangible assets, foreign exchange gains/losses and non-recurring items.

Adjusted profit [1]
Profit excluding amortization of acquired intangible assets, foreign exchange gains/losses and non-recurring items as well as the tax effect thereof.

Adjusted return on average net loans [1]
Adjusted operating profit as a percentage of average loan portfolio. Return on average net loans is presented on a 12-month rolling basis.

Adjusted return on tangible equity [1]
Adjusted net profit in relation to average tangible equity on a 12-month rolling basis.

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.

Common Equity Tier 1 capital [2]
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 [2]
Common Equity Tier 1 capital as a percentage of risk exposure amount.

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

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

Leverage ratio [2]
Tier 1 capital as a percentage of total assets including off balance sheet items with conversion factors according to the standardized approach.

Liquidity Coverage Ratio (LCR) [2]
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).

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

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

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

Risk exposure amount
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. Risk exposure amounts are only defined for the consolidated situation.

Tangible equity
Shareholders' equity less intangible assets.

Tier 1 capital ratio [2]
Tier 1 capital as a percentage of risk exposure amount.

Tier 1 capital [2]
Common Equity Tier 1 capital plus qualifying forms of subordinated loans.

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

Total capital ratio [2]
Total own funds

[1] The adjusted numbers are presented in order to show the underlying performance of the business reflecting constant currencies and excluding non-recurring items primarily related to the IPO 2015. A bridge between statutory and adjusted accounts can be found on page 107.
[2] These are reported with respect SFSA's regulations and general recommendations see regarding capital adequacy, pages 83-85.

Key concepts

Interest margin hedging
Nordax lends at variable interest rate. In addition to this, by law and under general terms of contract for lending in Sweden and Norway Nordax is obliged to adjust the loan customer's interest rate if Nordax's cost of funding changes. This means that when Nordax's total cost of funding changes, Nordax adjusts the lending interest rate charged to a loan customer. At present, this adjustment takes place in steps of 0.5 percentage points. This principle means that Nordax is able to keep the margin constant even if the cost of funding changes. In Finland and Germany, the possibility of adjusting the interest rate on loans is limited to a change in the benchmark rate.

Hedging of capital adequacy ratio
Nordax protects its capital adequacy ratio against changes in exchange rates. If, for example, the Norwegian krone strengthens, all other things being equal this leads to an increase in capital requirement for the Norwegian portfolio. Nordax therefore has an open position in the respective currency corresponding to the capital requirement and consequently obtains an effect on results that neutralises the change in capital requirement. The result of this hedging is recognised in the income statement item Net profit from financial transactions.

Recognition of marketing expenses
Nordax reaches its customers through its own direct marketing and through loan intermediaries. Own direct marketing corresponds to approximately 70% of new lending, and the marketing expense for this lending is recognised directly in the income statement. In the case of loans mediated through loan intermediaries, the marketing expense is allocated over four years, which means that the cost is spread over time and is charged against the income statement on a gradual basis.

Provision for credit losses
Nordax's credit loss provisions are divided into early and later requirements. The earlier requirements cover the first 1-180 days after missing payment, where provision is made for the amounts which Nordax anticipates will become more than 180 days past due. Later requirements cover amounts more than 180 days past due. The later requirements are measured on the basis of present value of expected future cash flows from these receivables. The model is based on a recovery period of 13 years, where the cash flows are discounted at the average interest rate on the loans in the segment portfolio concerned at the time when they became more than 180 days past due.

Unsecured personal loans versus secured loans
Nordax loans are not secured in property, which means that if a customer fails to pay on his or her loan, Nordax does not have any pledged property to which to lay claim in order to cover any losses. Nordax only operates in countries where there is an established collection system, where the state as an independent party ensures that loan contracts are fulfilled if the borrower is deemed to have the ability to fulfil his or her undertakings. This procedure is supported by systems for attachment of earnings and attachment of property.

Maturity cycle for unsecured personal loans
A portfolio of personal loans typically generates limited credit losses until the loans are 18-20 months old. At this time in the credit cycle a relative increase typically takes place which then levels off and remains stable until the loan falls due. As a consequence, there is a tendency for the level of credit losses to be lower during periods when Nordax has high growth and therefore a large proportion of recently granted loans.