

# Strong profit leads to strong performance

*Since the IPO in 2015, Nordax has three financial targets. They cover return, capitalisation and dividend to shareholders. All financial targets were met during 2016.*

## RETURN ON AVERAGE LOANS

### TARGET

To maintain a return through the cycle above 3% on net average loans.

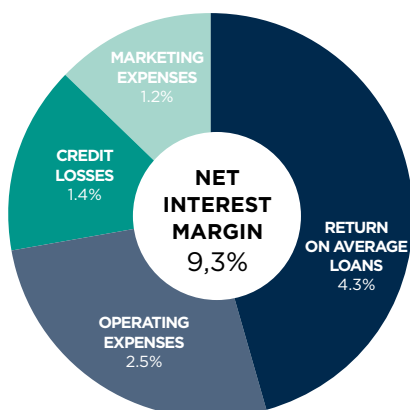
### MOTIVATION

To retain a sustainable business that can finance growth and a dividend to shareholders requires a solid return.

### OUTCOME

In 2016 the adjusted return on average loans improved to 4.3% (3.8). Profitability strengthened mainly with the help of improved interest margins and increased operational efficiency.

## FROM NET INTEREST MARGIN TO RETURN



## RETURN ON AVERAGE LOANS

### TARGET

>3.0%

### OUTCOME

4.3%

## CAPITALISATION

### TARGET

To maintain a Common Equity Tier 1 capital ratio above 12% and a total capital ratio above 14% and a buffer of at least 1.5 percentage points above the requirements for the Common Equity Tier 1 capital ratio and the total capital ratio.

### MOTIVATION

Nordax shall be financially strong and well-capitalised. The capital target was set taking into consideration the dividend target of 40% of net profit and the profitability and growth opportunities available to Nordax. A buffer of at least 1.5 percentage points is considered necessary to provide flexibility and manage any changes in capital requirements or volatility in the growth rate.

### OUTCOME

Capitalisation was strengthened in 2016 and capital ratios improved by 1.4 percentage points. The margin to the regulatory requirement for Common Equity Tier 1 capital increased to 4.9 percentage points and for total capital to 2.9 percentage points. The improvement was driven by solid profitability, together with a change in the method used to calculate the capital requirement for operational risks. Nordax's solid profitability in 2016 strengthened its capitalisation and financed growth in the loan portfolio and the proposed dividend of 40% of net profit for the year.

## DIVIDEND

### TARGET

To maintain a payout ratio of approximately 40% of net profit.

### MOTIVATION

Prior to Nordax's IPO, the Board of Directors decided to introduce a dividend policy. The pay-out ratio is considered reasonable given Nordax's profitability, capitalisation target, capital position and growth ambition. It allows Nordax to grow while at the same time generating a cash flow for our shareholders.

### OUTCOME

For 2016 the Board of Directors has proposed a dividend of 1.60 SEK per share, corresponding to a pay-out ratio of 40%. For 2015 the dividend was 0.50 SEK per share, which was paid for the second half of 2015, i.e., after the IPO in 2015.

## CAPITALISATION

Common Equity Tier 1 Capital Ratio

TARGET

**>12%**

OUTCOME

**14.0%**

## DIVIDEND

Pay-Out-Ratio

TARGET

**~40%**

OUTCOME

**40%**

Total Capital Ratio

TARGET

**>14.6%**

OUTCOME

**16.0%**

Dividend 2016

**1.60 SEK**