



Interim Report January – June 2015

15 July 2015

Agenda

1 Introduction

2 January - June 2015 Highlights

3 January - June 2015 Financial Results

4 Q&A

Listed on Nasdaq Stockholm main market



Listed on June 17



Introduction oversubscribed several times



Strong interest from investors in Sweden and abroad



New shareholder base



Full focus on delivering continued profitable growth



Compelling business model with proven track record

Strong and Attractive Customer Base and Clear Product Utility

- ✓ 70,000 loan and 25,000 deposit customers
- ✓ Attractive loan product with clear utility
- ✓ Low risk prime customer base

Central Platform Creating Operating Leverage

Centralised operations in Stockholm

Highly Diversified Sourcing Channels

Origination by channel 2014 (by value)

Credit intermediaries 13%
 Web and advertising 7%
 Repeat sales 23%
 Direct marketing (DM, UDM, Cooperation Partners) 57%

Pull marketing
Push marketing – Nordax targets customers

- 20 sourcing channels across geographies

Responsible Underwriting Process

Front to back end integration

1a Targeting (Push) / 1b Targeting (Pull)
 2 Application
 3 Policy Rules
 4 Referral Rules
 5 Scoring and Affordability
 6 Limit Assignment
 7 Manual Check
 Approved for a loan

c. 1 MM credit decisions made

29% approval rate

Diversified Funding Base

30 Jun 2015

Warehouse 19%
 ABS 19%
 Equity 11%
 Sub 2%
 Sr unsecured bonds 3%
 Deposits 46%

~ 100% of deposits under guarantee scheme

Customer Centered Core Values

Responsible, Customer Centric, Sound, Simple

Focus on Conduct

Key Achievements January – June 2015



Continued strong new loan volumes – 1.8bn SEK new loan volumes



Maintained high profitability – Adjusted operating profit ⁽¹⁾ of 180 MSEK (up 23% y-o-y)



Sustained strong returns – Adjusted return on tangible equity ⁽¹⁾ of 26.0% - Adjusted return on average net loans ⁽²⁾ of 4.0%



Successfully issued 250 MSEK Tier 2 Capital to further reduce funding costs

1. Adjusted for one-offs, FX gains/losses and transaction goodwill amortisation

2. 12 months rolling. Adjusted operating profit as a percentage of average loan portfolio. Adjusted operating profit is adjusted for one-offs, FX gains/losses and transaction goodwill amortisation

Well in line with financial targets

Financial Targets and Outlook

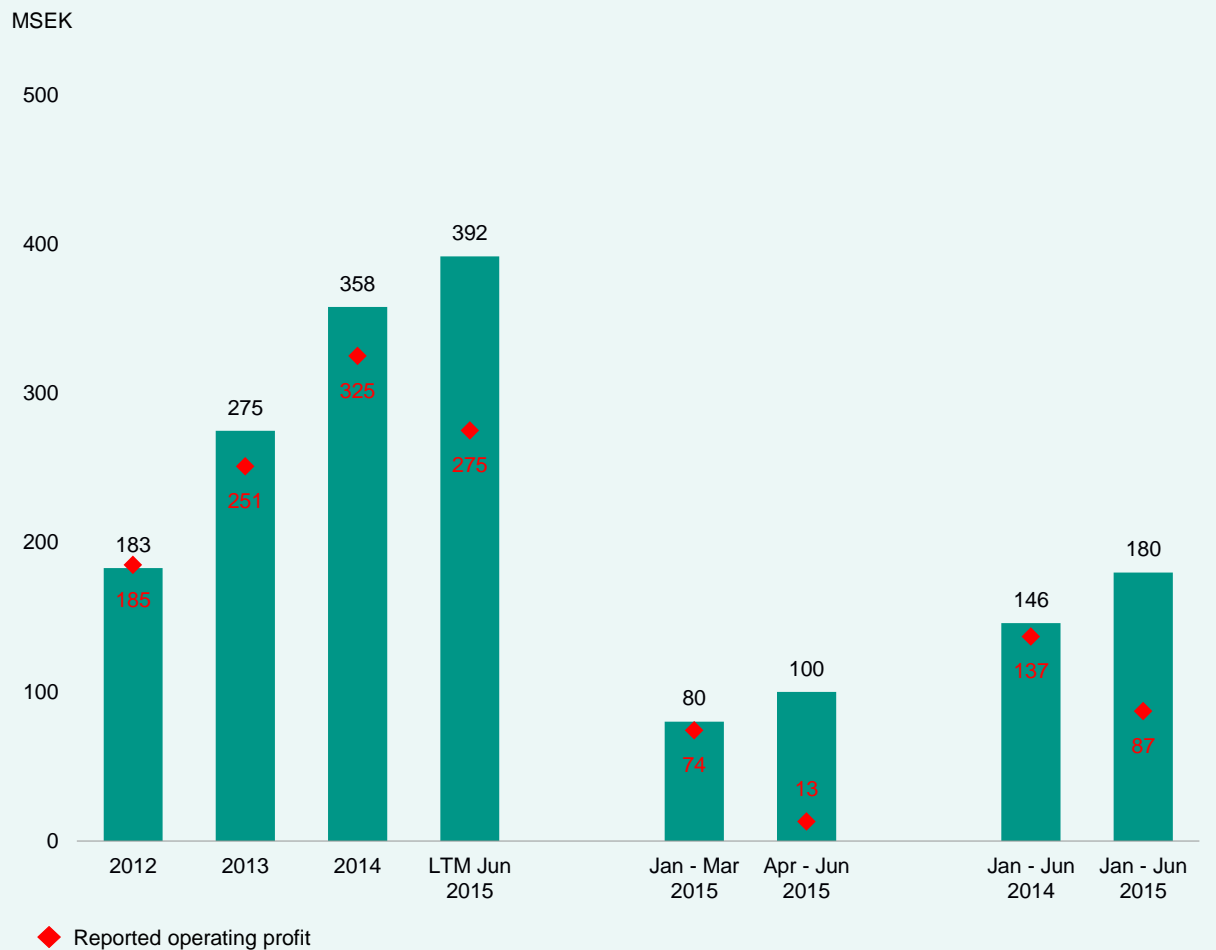
		Targets / Outlook	Current status
Financial Targets	Return	Maintaining a sustainable return on average net loans through the cycle, on a 12-month rolling basis, of above 3%	Adjusted return on average loan portfolio of 4.0% (3.4%) ⁽²⁾
	Dividend	Maintaining a payout ratio of approximately 40 percent of profit for the year ⁽¹⁾	Any dividend in respect of 2015 would be paid in respect of the profit in H215
	Capital	Capital target of maintaining a CET 1 capital ratio above 12% and a total capital ratio above 14% under current capital requirements	CET1 ratio: 12.6% (10.6%) Total capital ratio: 14.6% (12.3%)
Outlook	Growth	Expects to have similar new loan volumes in 2015 as in 2014 and will aim to grow its new loan volumes in the medium term	1,819 MSEK new loan volumes H115 vs. 1,840 MSEK H114
	Efficiency	Utilize operating leverage to continue reducing Nordax's adjusted cost to income ratio in the medium term	Adjusted cost to income ratio of 28.9% ⁽²⁾ vs. 30.7% ⁽²⁾ for the same period 2014
	Asset Quality	Maintain cost of risk, on an annual basis, of approximately 2 percent through the cycle	Cost of risk of 1.3% Jan-Jun 2015 (1.4% ⁽²⁾ Q215)

1. The dividend target is based on current regulatory capital requirements, and any future changes regarding regulatory capital requirements could affect Nordax's dividend target

2. 30 June 2015, rolling last 12 months

Operating Profit Increased due to Larger Lending Volumes

Adjusted Operating Profit Development ⁽¹⁾



Key Takeaways

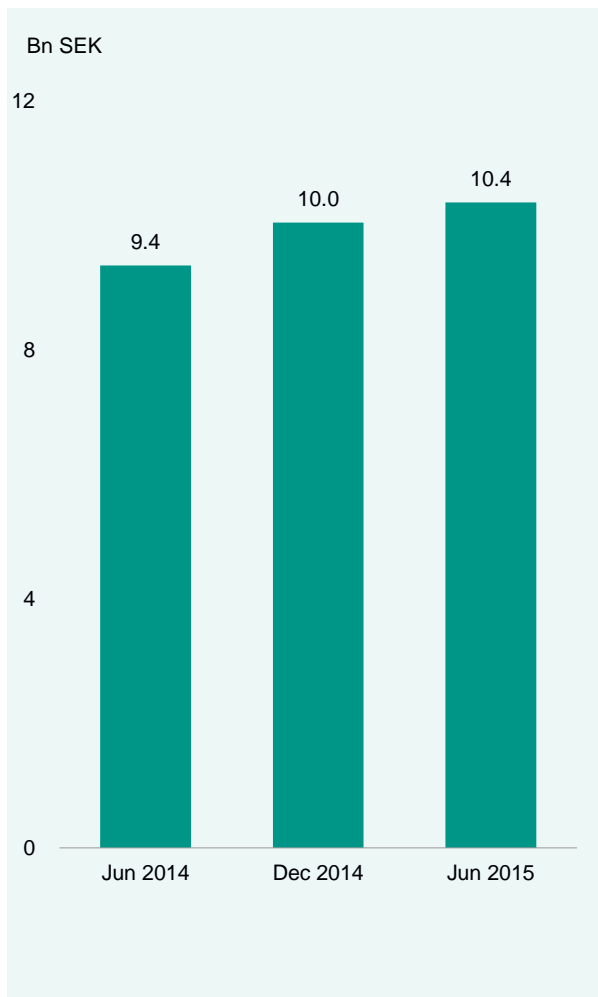
- Improvement of adjusted operating profit in the period
 - Increase of 23% in H115 vs. H114
 - Despite negative impact of 7 MSEK cost of early Tier 2 redemption
- Growth reflecting larger lending volumes and improved operating performance
- Net interest margin increased 0.3% points H115 to 8.5% (8.2%) vs. H114
- Benefitting from centralized platform and cost control
- Cost of risk developed as anticipated reflecting maturity of portfolio

1. Adjusted for one-offs, FX gains/losses and transaction goodwill amortisation

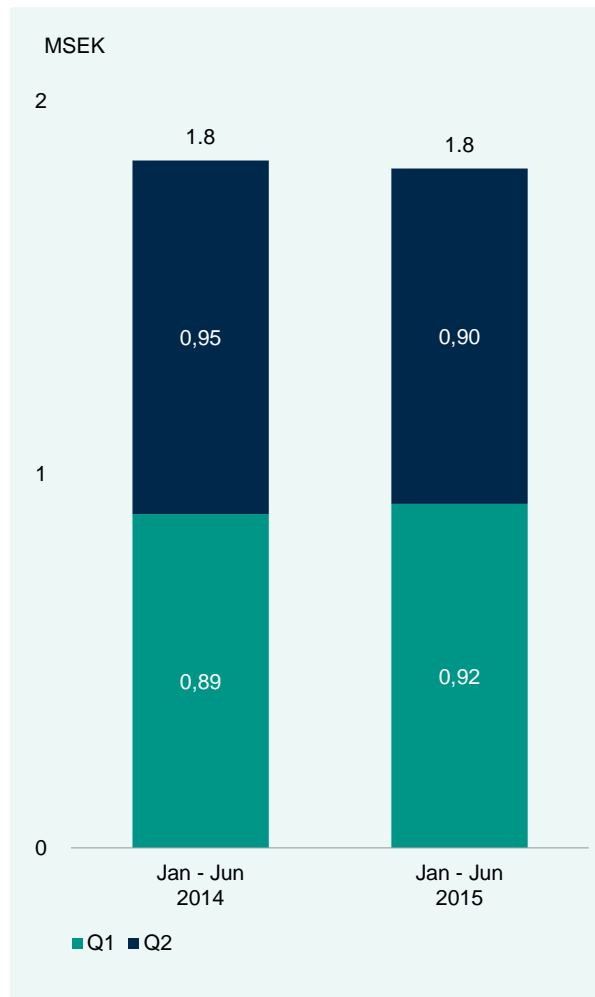
See slide 22 for an overview of adjustments and Interim Report Jan-Jun 2015 for definitions

Portfolio growth of over 3% despite negative FX effect

Loan Portfolio



New Loan Volumes

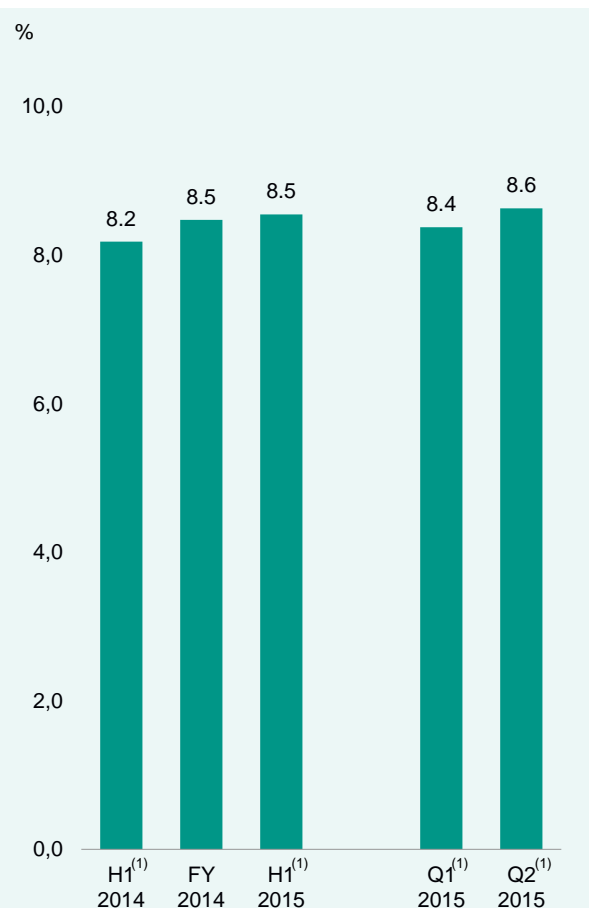


Key Takeaways

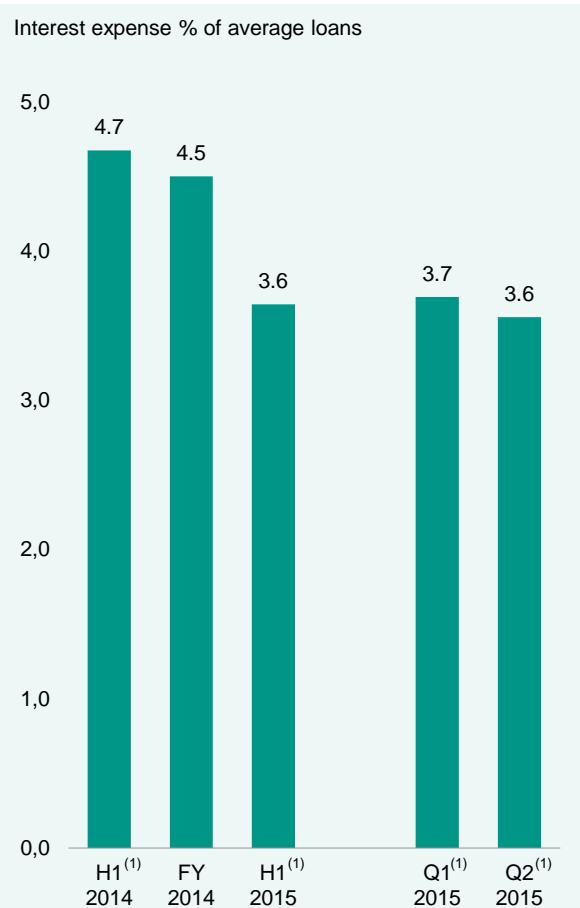
- Loan portfolio grew 3.2% to 10.4bn (4.4% adjusted for FX)
 - Total negative FX impact of 112 MSEK H115
- Negative impact from weakening NOK
- ~1.8bn SEK in new loan volumes
 - In line with H114

Continued NIM Expansion and Improvement of Funding Cost

NIM Development



Cost of Funding Development

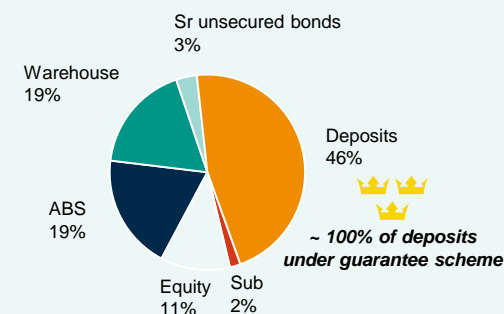


Key Takeaways

- Stable NIM of 8.6% in Q215 vs. 8.5% for the year 2014
- Continued improvement of funding cost
 - Currently at 3.6% of average loan volumes down from 4.5% for the year 2014
- 7 MSEK one-off cost of early redemption of Tier 2 instrument in Q215

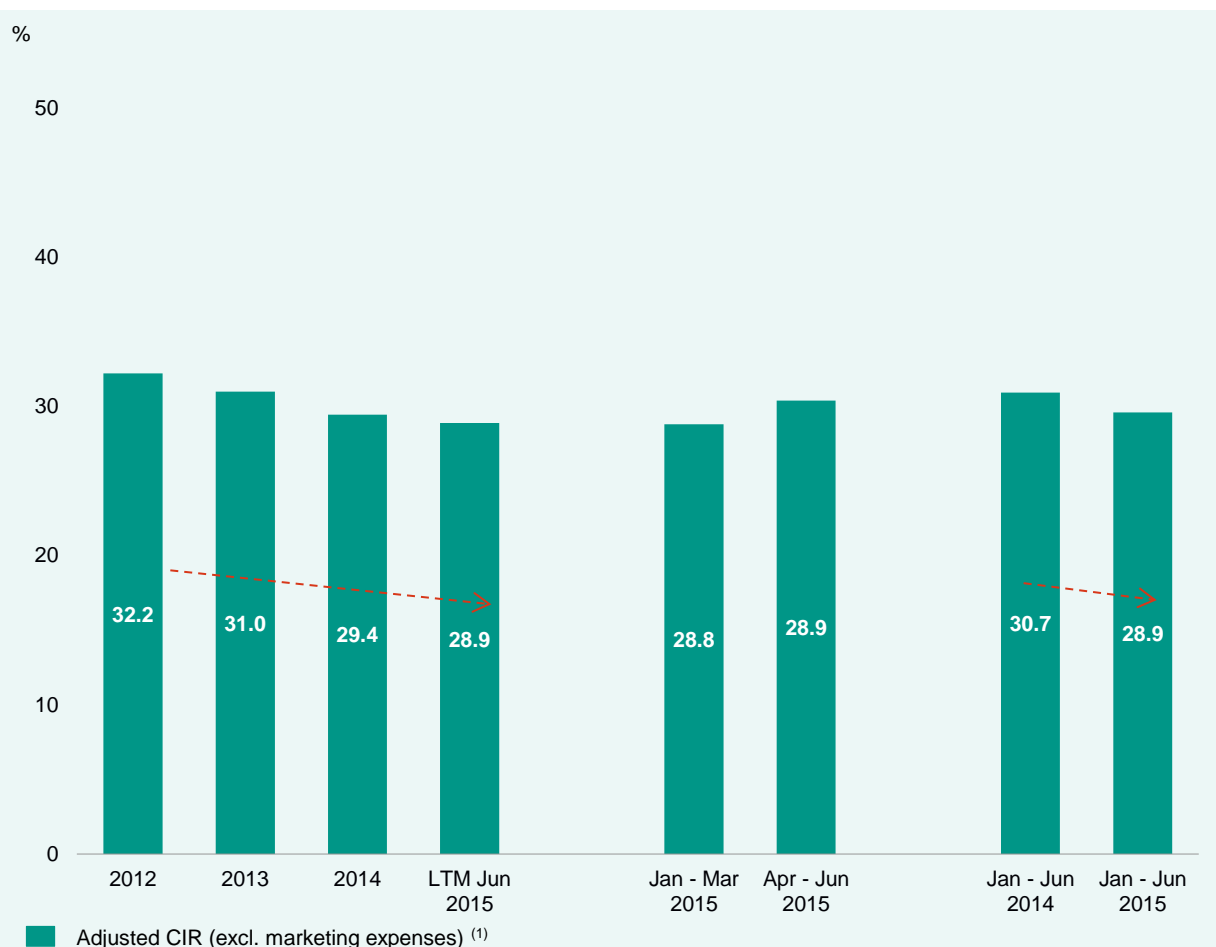
Funding Base

30 Jun 2015



Favourable development of Cost to Income Ratio

Adjusted Cost to Income Ratio ⁽¹⁾ Development



Key Takeaways

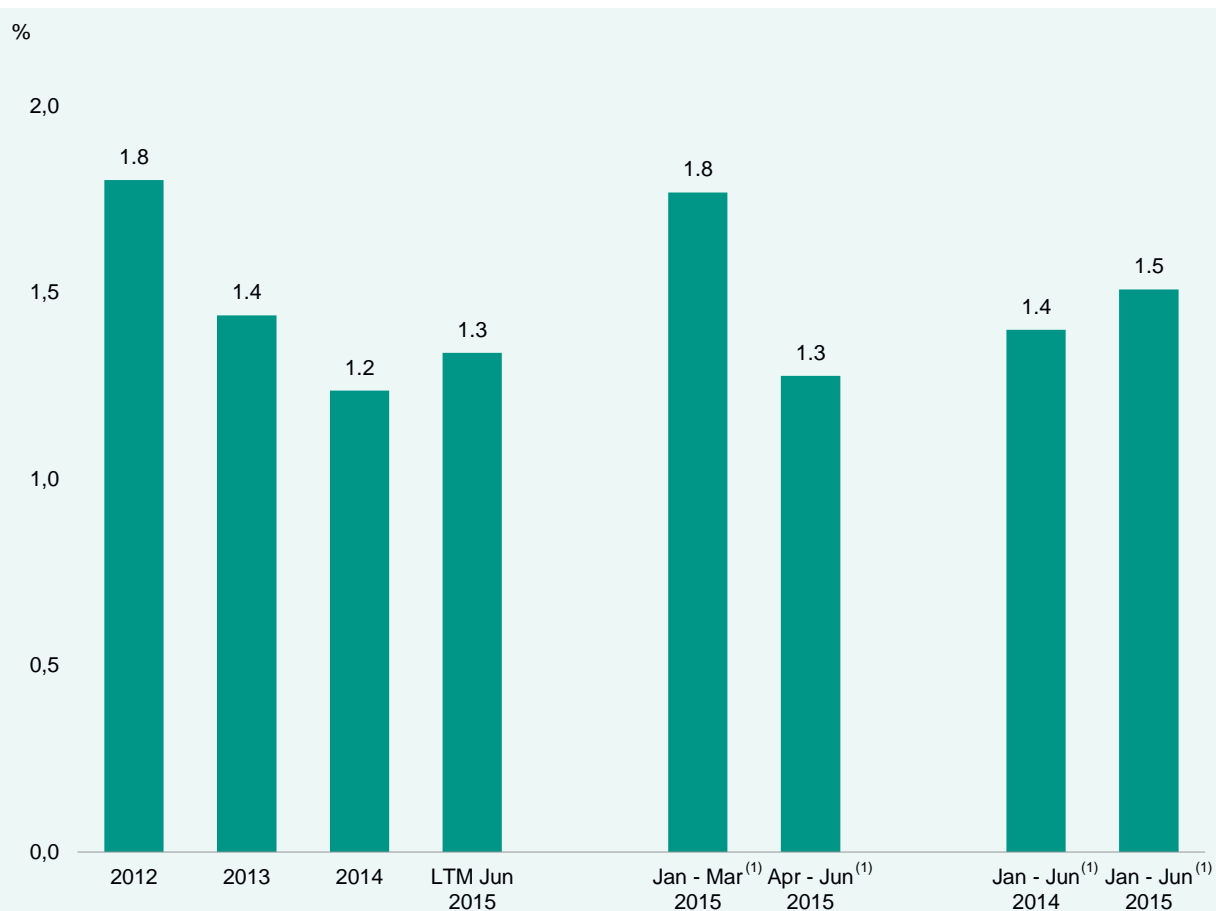
- Adjusted cost to income ratio ⁽¹⁾ down to 29% LTM vs. 32% for 2012
- An improvement of 1.8% points LTM
- New long-term incentive program impacting C/I ratio with 0.2% points in the quarter (1.6 MSEK impact)
- Gaining from operational model with centralized platform in Sweden
- Added resources to accommodate our growing business and to invest in compliance, risk management and governance
- 173 (163) dedicated full time employees – all in our premises in Stockholm

1. Adjusted for one-offs, FX gains/losses and transaction goodwill amortisation

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Evolution of cost of risk reflecting maturity of portfolio

Cost of Risk Development

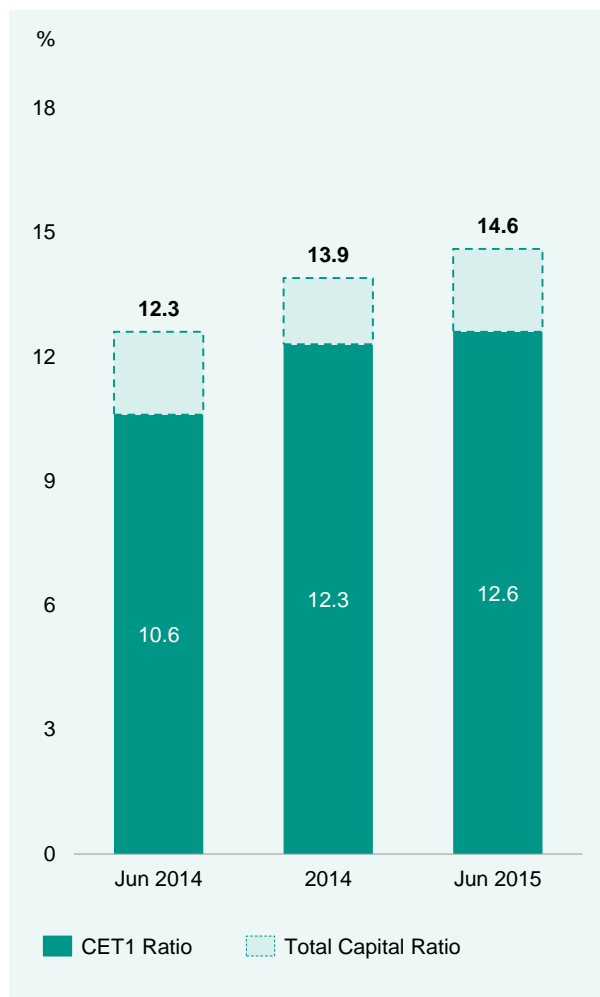


Key Takeaways

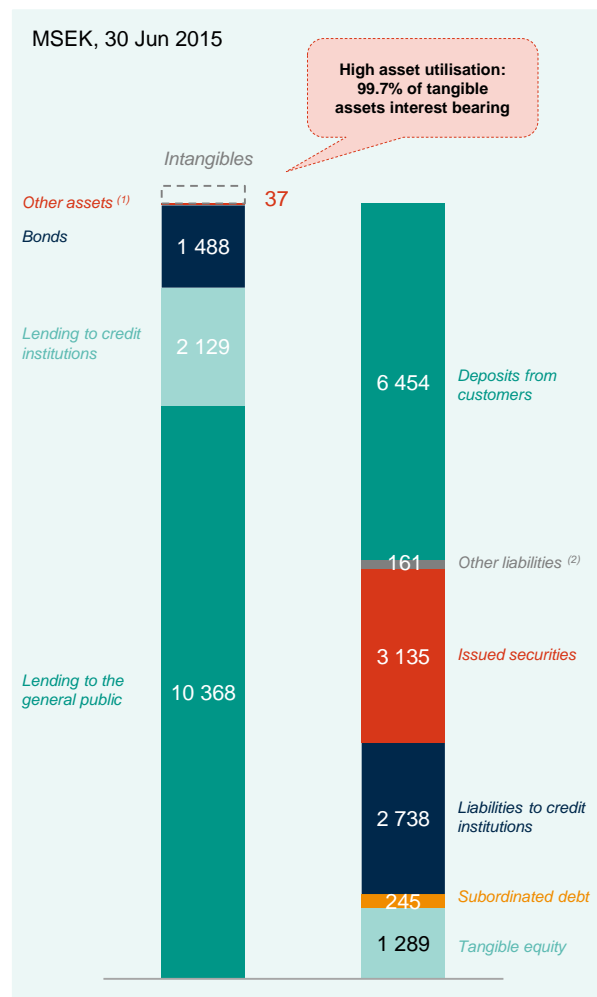
- Cost of risk of 1.5% well in line with outlook and driven by portfolio maturity
- Recoveries of 93 MSEK (75) in H115
- Development of cost of risk is reflecting growth of portfolio
 - Low credit losses on new loans
 - Credit losses typically appear after 18 months
 - Credit losses typically stabilizes after another 18 months

Strong Capitalisation and Solid Balance Sheet

Strong Capitalisation



Solid Balance Sheet



Key Takeaways

- Strong CET1 ratio of 12.6%, up from 10.6% in Jun 2014
 - Significant buffer to estimated regulatory minimum of 8.7%
- Total capital ratio 14.6% (12.3%)
- Diversified funding profile key part of Nordax's strategy
- Comes with a higher funding cost but lower liquidity risk

1. Other assets includes 12 MSEK tangible assets, 10 MSEK prepaid expenses and accrued income, 11 MSEK current tax assets; and 4 MSEK other assets
 2. Other liabilities includes 28 MSEK deferred tax liability, 101 MSEK accrued expenses and deferred income, and 32 MSEK other liabilities

Continue to build on proven strategies

Focus areas going forward



Focus on sound lending growth in our focus markets and through our 20 sourcing channels



Continued data-driven underwriting and marketing



Continue to offer customers high utility products



Continue conservative funding strategy whilst optimizing cost



Establish relations with investors

Reporting Dates and Investor Meetings

Q3 2015 Report

Interim Report

January – September 2015

22 October 2015

07:30 CET

Carnegie Mid Cap Day

Stockholm

2 September 2015

ABG Bank Day

Stockholm

23 September 2015

Carnegie Niche Bank Seminar

Stockholm

10 November 2015

Citi Financials Conference

London

9 December 2015

Questions and Answers

Nordax Bank 

Appendix

January – June 2015 Financial Summary

Overview of Income Statement

MSEK	Jan – Jun 2014	Jan – Jun 2015	Apr – Jun 2015
Adjusted operating income ⁽¹⁾	375	446	227
<i>Reported operating income</i>	383	434	216
Adjusted operating profit / loss ⁽²⁾	146	180	100
<i>Reported operating profit / loss</i>	137	87	13
Reported net profit / loss for the period	107	68	10

Overview of Key Performance Indicators

	Jan – Jun 2014	Jan – Jun 2015	Apr – Jun 2015
Net interest margin	8.2%	8.5%	8.6%
Adj. CIR ^{(2) (3)}	30.7%	28.9%	28.9%
Cost of risk ⁽³⁾	1.4%	1.5%	1.3%
Adj. return on average loan portfolio ^{(2) (3)}	3.4%	4.0%	4.0%
Adj. return on tangible equity ^{(2) (3)}	24.1%	26.0%	26.0%
CET1 ratio	10.6%	12.6%	12.6%

1. Adjusted for FX gains/losses

2. Adjusted for one-offs, FX gains/losses and transaction goodwill amortisation

3. Cost of risk presented on annualised basis, whilst adjusted cost to income ratio (excluding marketing), adjusted return on average loan portfolio and adjusted return on tangible equity are presented on last twelve months

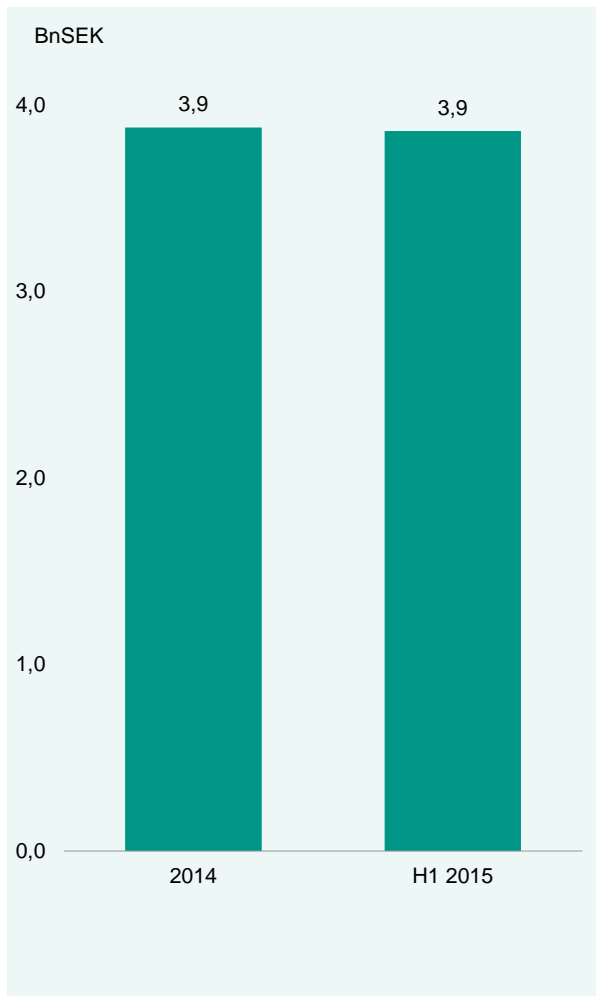
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Key Takeaways

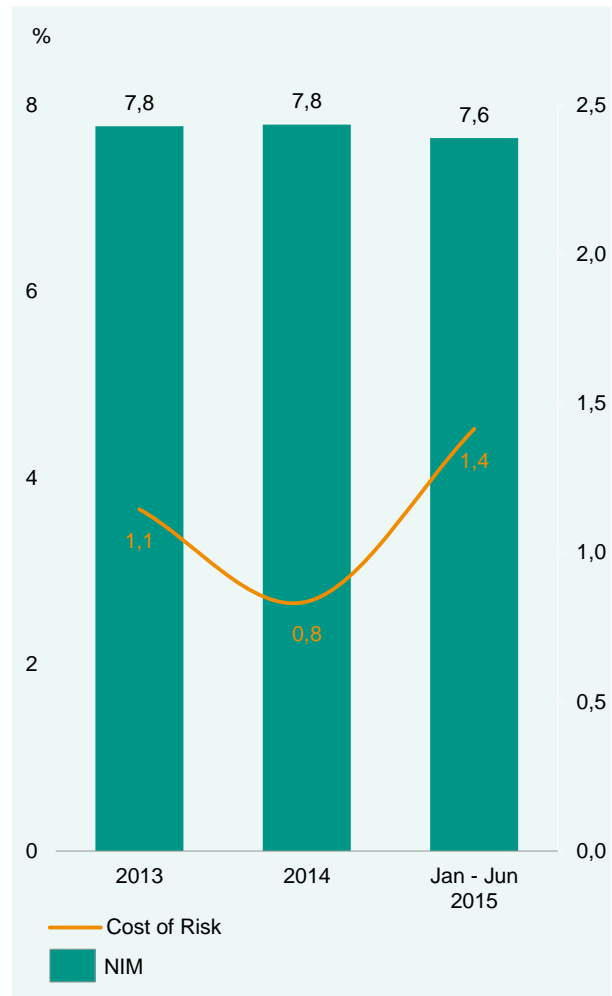
- Net interest income negatively impacted by one-off 7 MSEK cost of early redemption of Tier 2
- Adjusted operating income +19% in H115 vs. H114 due to larger lending volumes
- Adjusted C/I ratio improved 1.8% points LTM
 - Benefitting from centralized platform
- IPO costs of 75 MSEK in Q2
- Credit losses developed according to plan, reflecting maturity of portfolio
 - Cost of risk 1.5% Jan-Jun 2015 (1.4% Jan-Jun 2014)
- Adjusted operating profit up 23% H115 vs. H114
- Continued strong returns, with 26% RoTE LTM
- Solid capital position of 12.6% with significant buffer to estimated regulatory CET1 minimum of 8.7%

Country Overview: Sweden

Loan Portfolio



NIM⁽¹⁾ and CoR⁽²⁾ Evolution



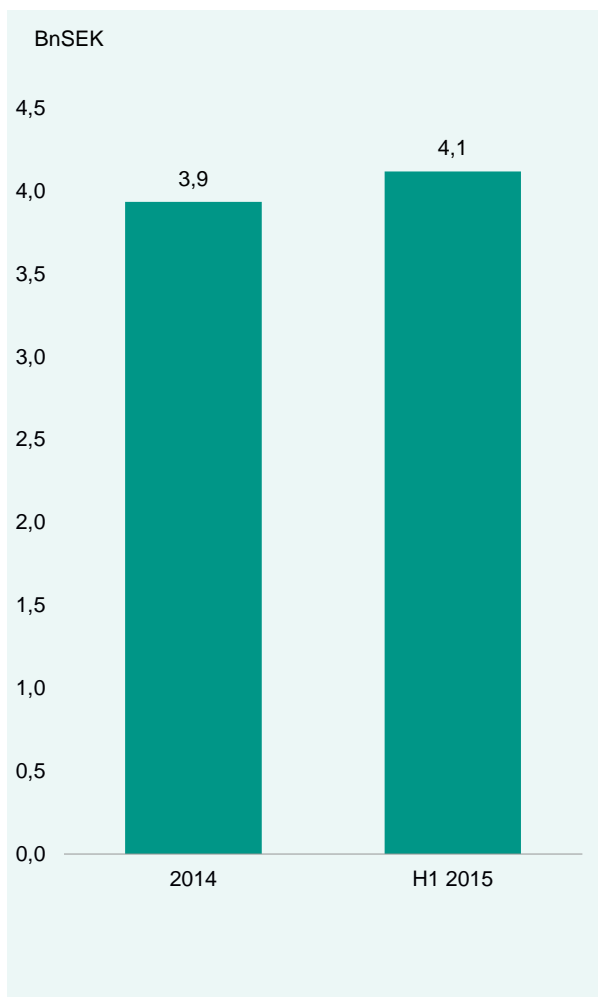
Key Takeaways

- At the end of Q215 lending to the general public amounted to 3,861 MSEK which is a decrease of 19 MSEK compared to year end 2014
- Cost of risk was 0.9% in Q215 vs. 1.9% in Q115 – a typical seasonal variation

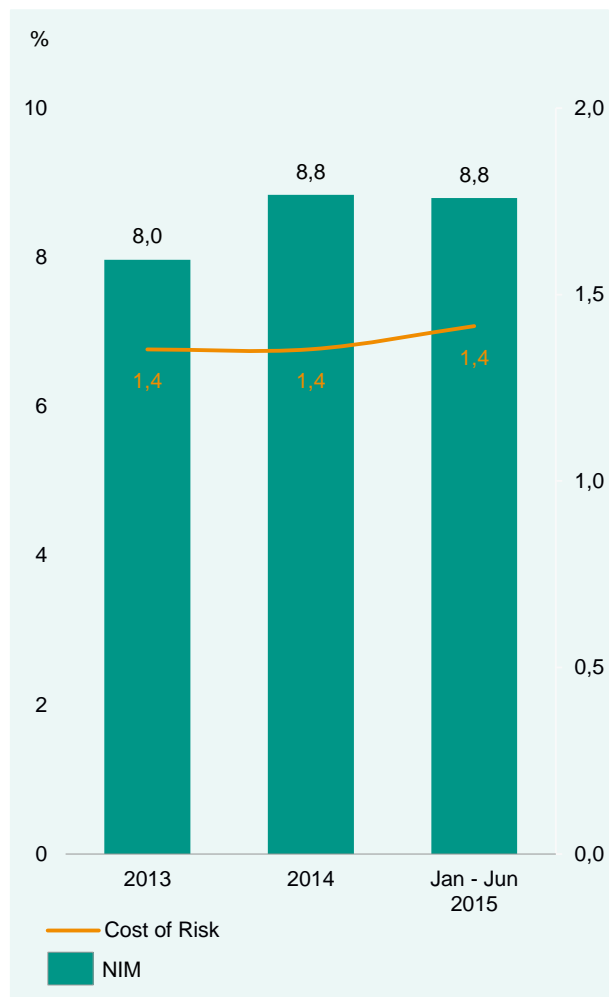
1. Net interest income to average loans
 2. Net interest income less loan losses to average loans

Country Overview: Norway

Loan Portfolio



NIM⁽¹⁾ and CoR⁽²⁾ Evolution



Key Takeaways

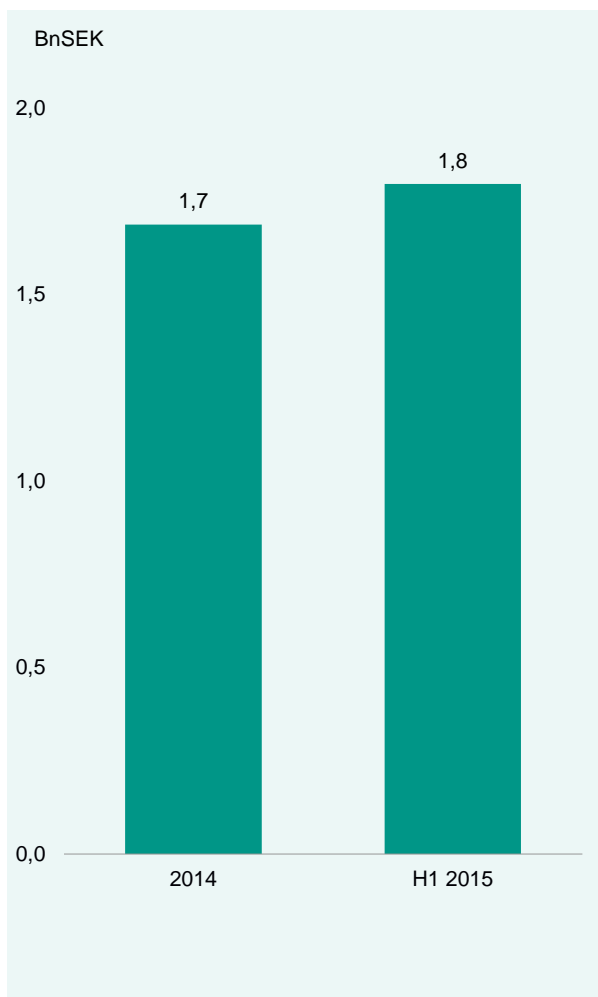
- At the end of Q215 lending to the general public amounted to 4,118 MSEK which is an increase of 184 MSEK (4.7%) vs. year end 2014
 - Loan volumes decreased by 22 MSEK in Q215 vs. Q115 due to the weakening NOK
 - FX effect of 114 MSEK in Q215
- Cost of risk was 1.3% in Q215 vs. 1.6% in Q115

1. Net interest income to average loans
2. Net interest income less loan losses to average loans

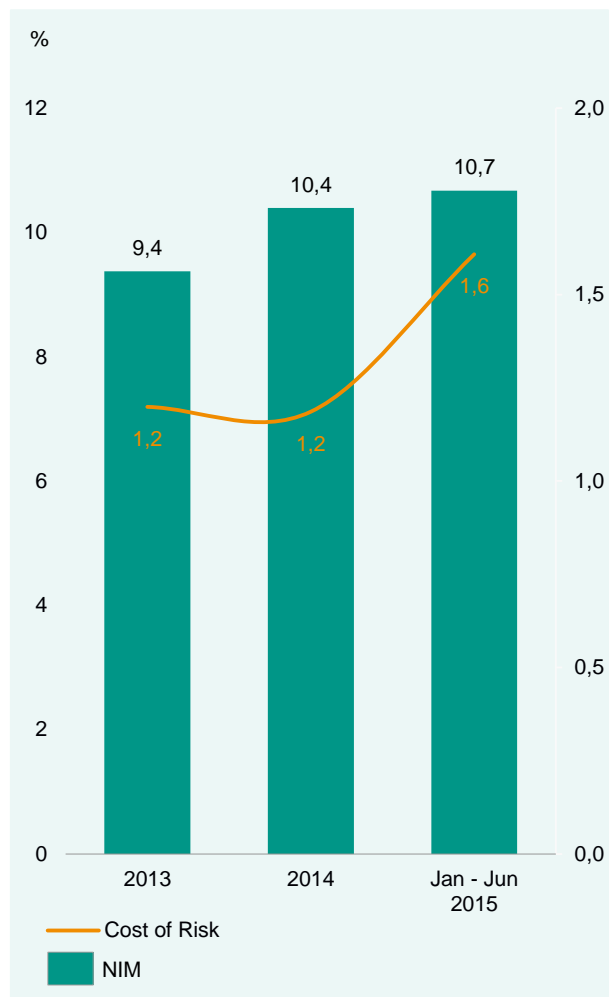
Country Overview: Finland



Loan Portfolio



NIM⁽¹⁾ and CoR⁽²⁾ Evolution



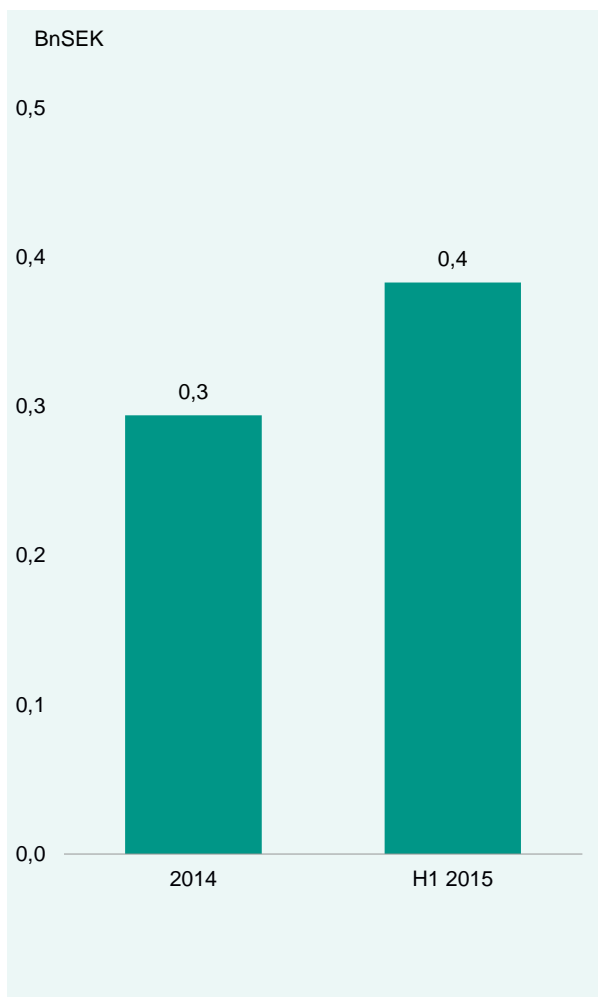
Key Takeaways

- At the end of Q215 lending to the general public amounted to 1,797 MSEK which is an increase of 109 MSEK (6.5%) vs. year end 2014
- Cost of risk was flat at 1.6% in Q115 and Q215
- In June, Nordax increased its maximum size of offered loans in Finland from 30 000 EUR to 40 000 EUR

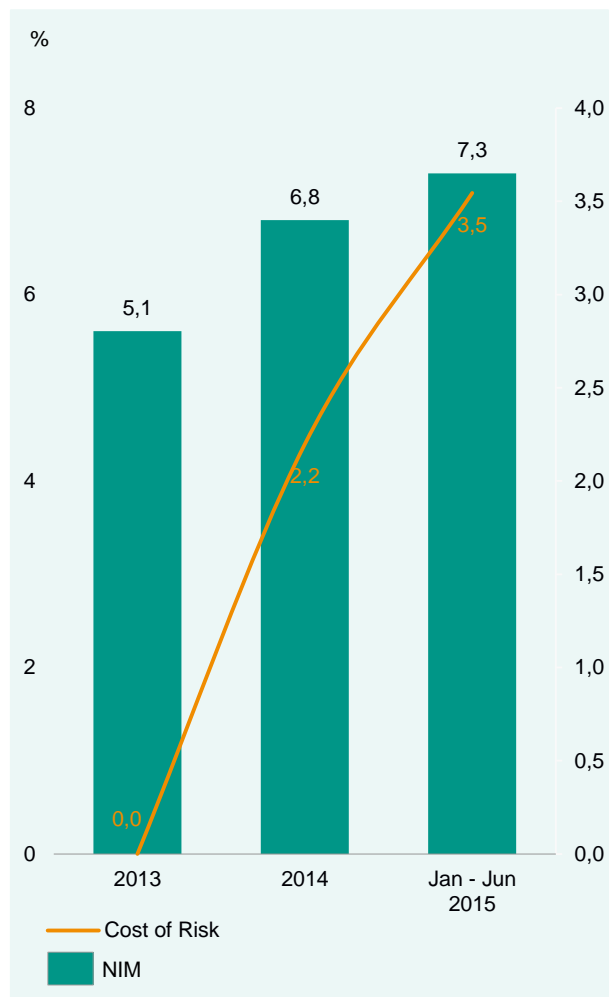
1. Net interest income to average loans
 2. Net interest income less loan losses to average loans

Country Overview: Germany

Loan Portfolio



NIM⁽¹⁾ and CoR⁽²⁾ Evolution



Key Takeaways

- Nordax started operations in 2012 in Germany and is still testing the market and building expertise
- At the end of Q215 lending to the general public amounted to 383 MSEK which is an increase of 89 MSEK (30.3%) vs. year end 2014
- Cost of risk was 4.5% in Q215 vs. 2.5% in Q115 following the maturation of the portfolio

1. Net interest income to average loans
2. Net interest income less loan losses to average loans

Overview of Adjustments

Overview of Adjusted Income Statement

MSEK	2012	2013	2014	Jan – Jun 2014	Jan – Jun 2015
Total income	579	653	803	383	434
<i>FX gains / loss</i>	(11)	15	2	(8)	12
Adjusted total income	568	668	805	375	446
Operating expenses	(267)	(287)	(364)	(186)	(269)
<i>Amortisation of allocated intangibles (contractual customer relationships)</i>	9	12	13	6	7
<i>One-off items</i>	0	(3)	18	11	74
Adjusted operating expenses	(258)	(278)	(333)	(169)	(188)
Credit losses (as reported)	(127)	(114)	(114)	(60)	(78)
Adjusted operating profit	183	275	358	146	180
<i>Operating profit (as reported)</i>	185	251	325	137	87
Adjusted profit / loss for the period	134	222	280	114	141
<i>Profit / loss for the period (as reported)</i>	136	203	254	107	68
Tangible equity	743	957	1,222	1,070	1,289
<i>Shareholders' equity</i>	1,085	1,287	1,538	1,393	1,606
<i>Intangible assets</i>	(342)	(330)	(316)	(323)	(317)
Adjusted return on equity (last 12 months)	16.3%	18.7%	19.8%	17.9%	20.4%
Adjusted return on tangible equity (last 12 months)	20.7%	26.1%	25.6%	24.1%	26.0%

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