



Nordax Bank

With a vision to become a Leading Niche Bank in Northern Europe

YEAR-END REPORT 2017
FEBRUARY 8

2017

ENVIRONMENT

- Increased regulations and competition
- Focus on responsible lending in brand building activities
- Regulatory initiatives improve competitive position

ORGANISATION

- New governance structure Q3
- Business Development function
- Employee satisfaction and engagement increasing

CUSTOMER FOCUS

- Significant improvements in customer satisfaction
- Focus on efficiency (opex, funding and capital) to sharpen customer offering
- Digitalisation focus;
 - improves customer offering
 - increase efficiency
 - enable lending growth



Key financial indicators



- Finland main driver of growth
- Germany stable growth but room for improvements
- Sweden solid growth Y/Y but stable H2
- Cautious approach in Norway

- Lower return in 2017 mainly due to increased equity base and FX headwind
- Efficiency measures - key for improvement



Solid financial performance 2017

REPORTED FIGURES YTD	2017	2016	%
Net interest income	1 194	1 100	+9
Other income	-5	76	
Total income	1 189	1 176	+1
Expenses	-451	-439	+3
Profit before credit losses	738	737	0
Credit Losses	-209	-164	+27
Operating profit	529	573	-8

UNDERLYING PERFORMANCE YTD	2017	2016	%
Reported operating profit	529	573	-8
Adjustment non recurring items	0	-13	
Adjustment amortization intangibles	12	13	
Adjustment FX gain/loss	18	-63	
Adjusted operating profit	559	510	+10

25.8%
(27.3%)

Adj. C/I ratio

1.6%
(1.4%)

Credit loss level

14.7%
(14.0%)

CET1 Ratio

22.4%
(24.6%)

Adj. RoTE

Financial performance Q4 vs Q4

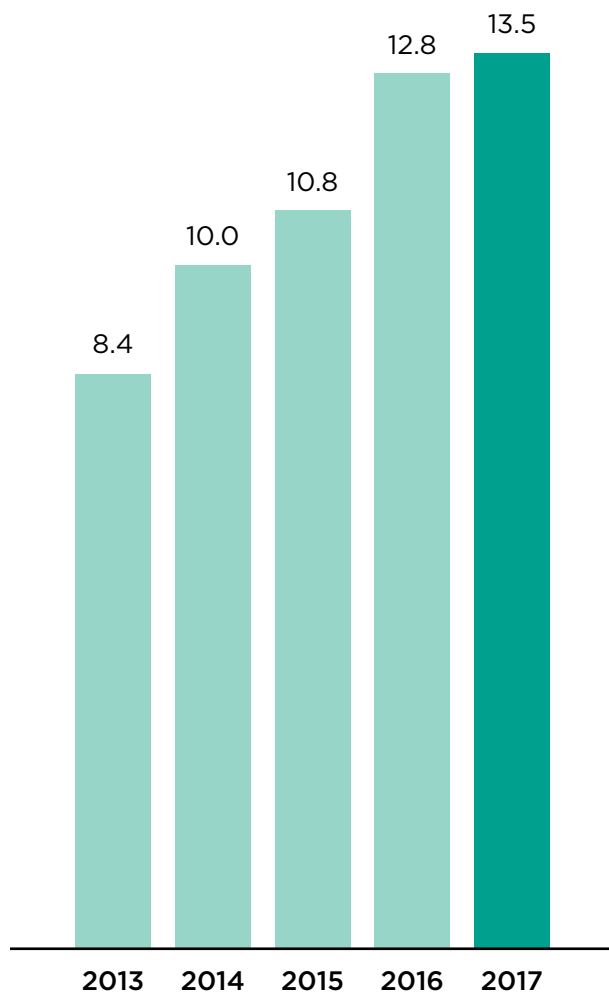
REPORTED FIGURES Q4	2017	2016	%
Net interest income	303	296	+2
Other income	-6	-2	
Total income	297	294	1
Expenses	-109	-114	-4
Profit before credit losses	188	180	4
Credit Losses	-62	-40	+55
Operating profit	126	140	-10

UNDERLYING PERFORMANCE Q4	2017	2016	%
Reported operating profit	126	140	-10
Adjustment non recurring items	0	0	
Adjustment amortization intangibles	3	3	
Adjustment FX gain/loss	9	7	
Adjusted operating profit	138	150	-8

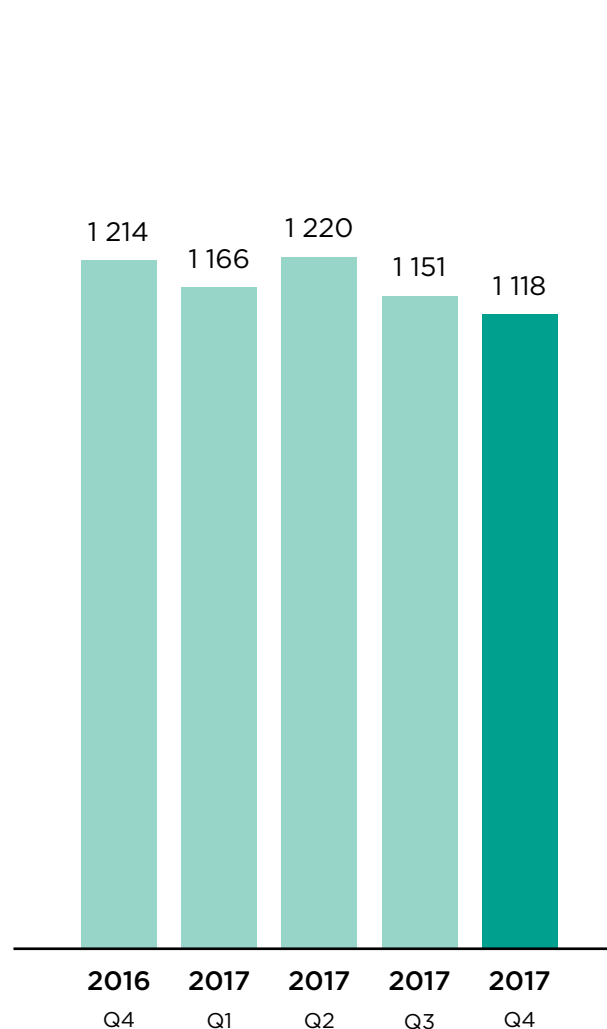


Stable lending volumes, but lower growth

LOAN PORTFOLIO, Bn SEK



NEW LENDING VOLUMES, MSEK



KEY TAKEAWAYS

Portfolio growth of 7% Y/Y in local currencies (5% in SEK) Y/Y

Slower portfolio growth Q4 0.7% in local currencies (0.2% in SEK)

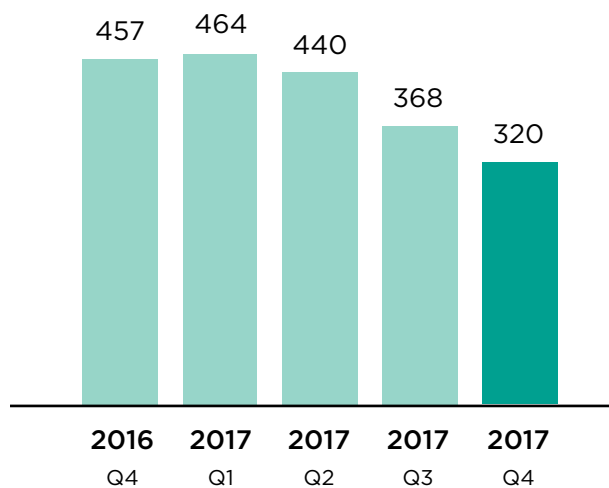
All-time high level for new lending in Q4 in Finland, Norway stable, Germany somewhat slower and Sweden weak

Marketing efficiency improving or stable - improvement in Finland and Germany

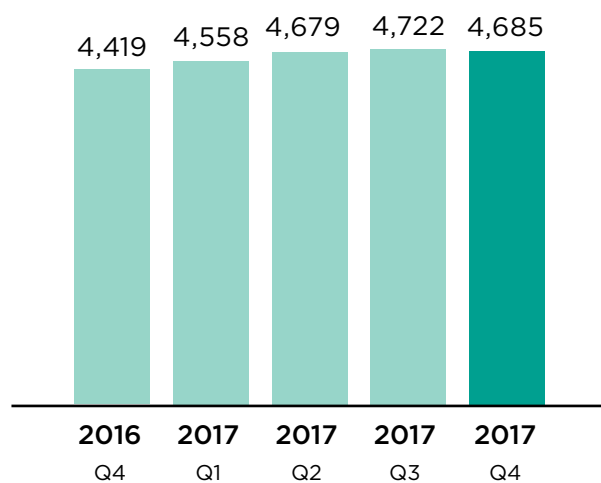
NIM quite stable Y/Y 9.1% (9.3% in 2016) and slight improvement in Q4

Sweden - Stable key ratios but lower new lending H2

NEW LENDING, MSEK



TOTAL LENDING, MSEK



KEY TAKEAWAYS

New lending volumes stable Y/Y but lower levels H2

Portfolio growth 6% Y/Y but stable development H2

Efficiency improvements initiated in direct distribution channels

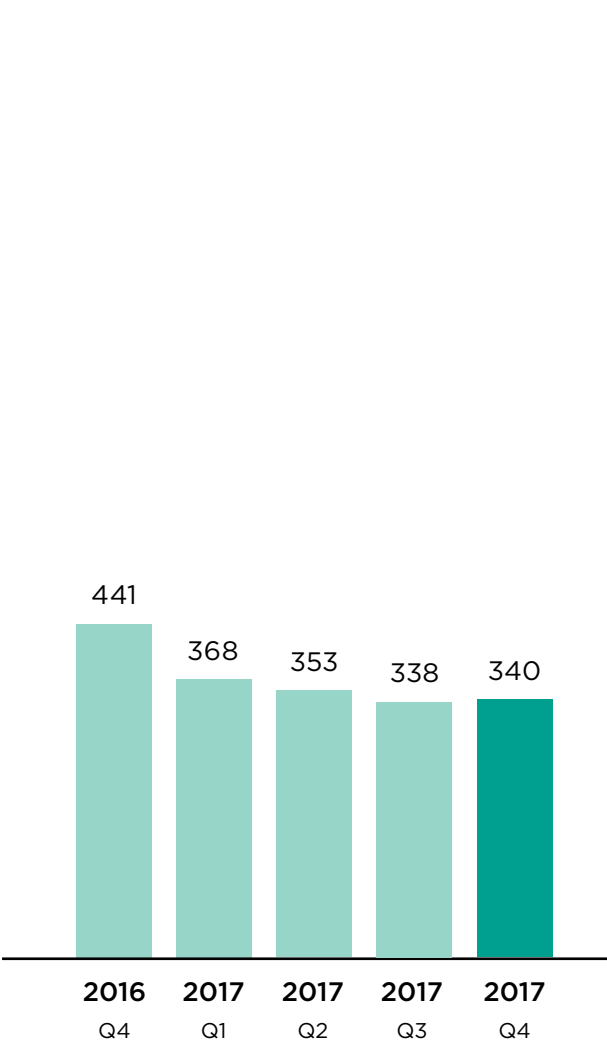
Portfolio growth -0.8% in Q4

Stable NIM 8.8% 2017 (8.7% 2016)

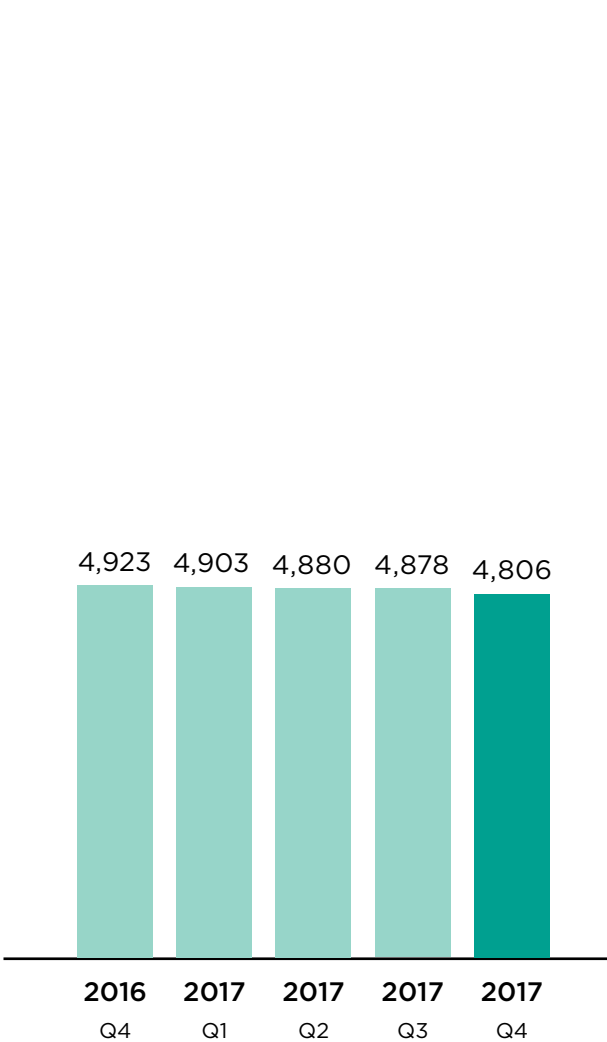
Solid credit risk performance - CoR 1.3% 2017 (1.2%)

Norway - stable new lending level but higher credit loss level

NEW LENDING, MNOK



TOTAL LENDING, MNOK



KEY TAKEAWAYS

Lower new lending since tightening of credit underwriting Q4 2016, stable new lending levels since Q1

NFSA guidelines introduced Q4

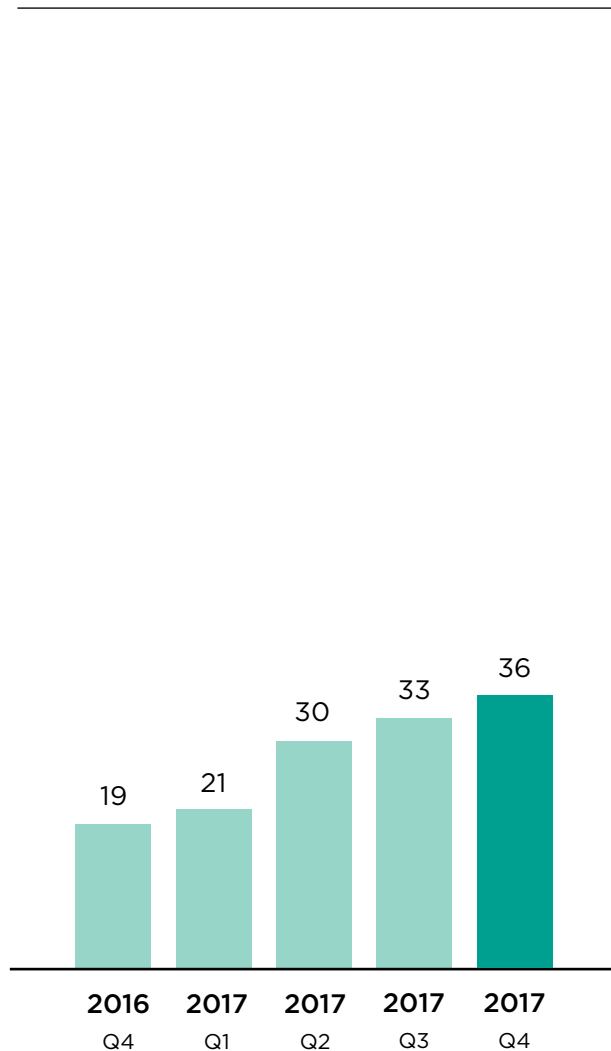
Portfolio decrease 2% in NOK Y/Y

NIM 9.0% 2017 (9.3%)

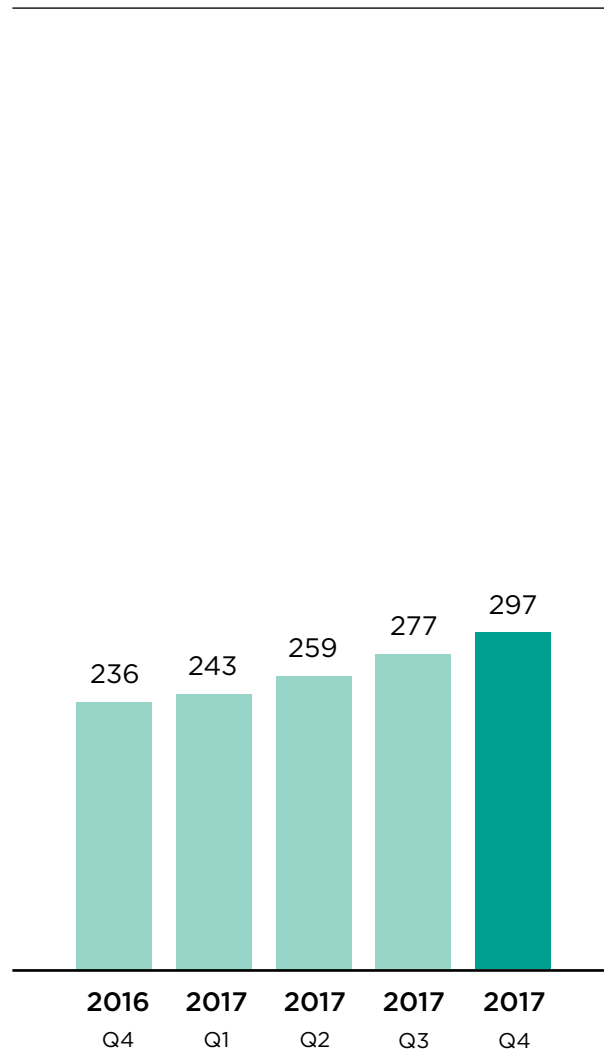
CoR increased to 2.1% YTD (1.7%), weak Q4 level not to be extrapolated

Finland - strong lending growth

NEW LENDING, MEUR



TOTAL LENDING, MEUR



KEY TAKEAWAYS

New lending increased 62% in EUR compared to 2016, improved marketing efficiency

New lending at all time high level in Q4

Portfolio growth in EUR 26% Y/Y

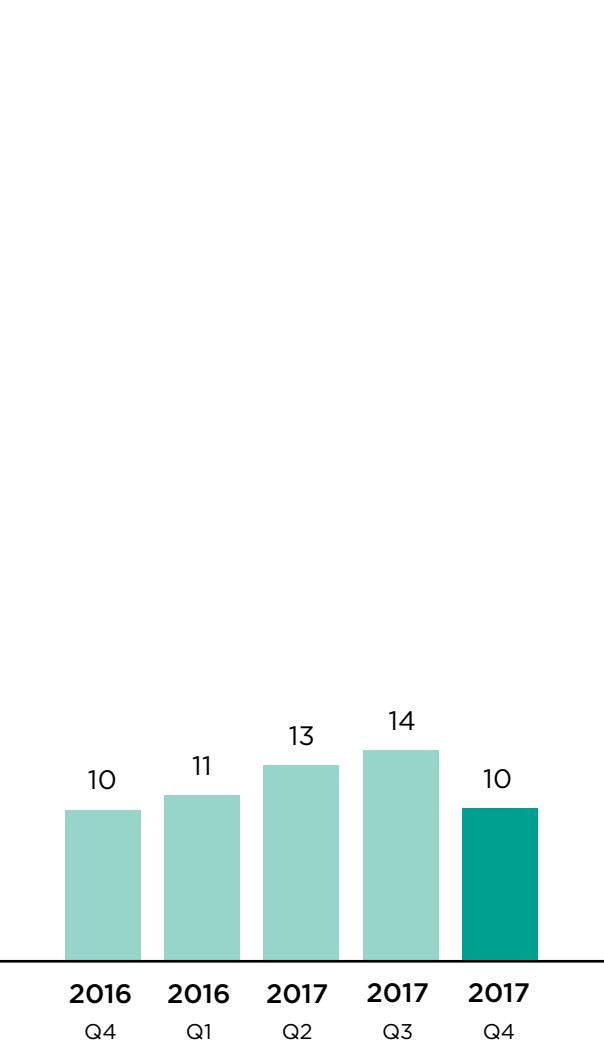
Portfolio growth 7% in EUR since Q3

NIM 10.0% 2017 (10.8%), margin on new lending has stabilised

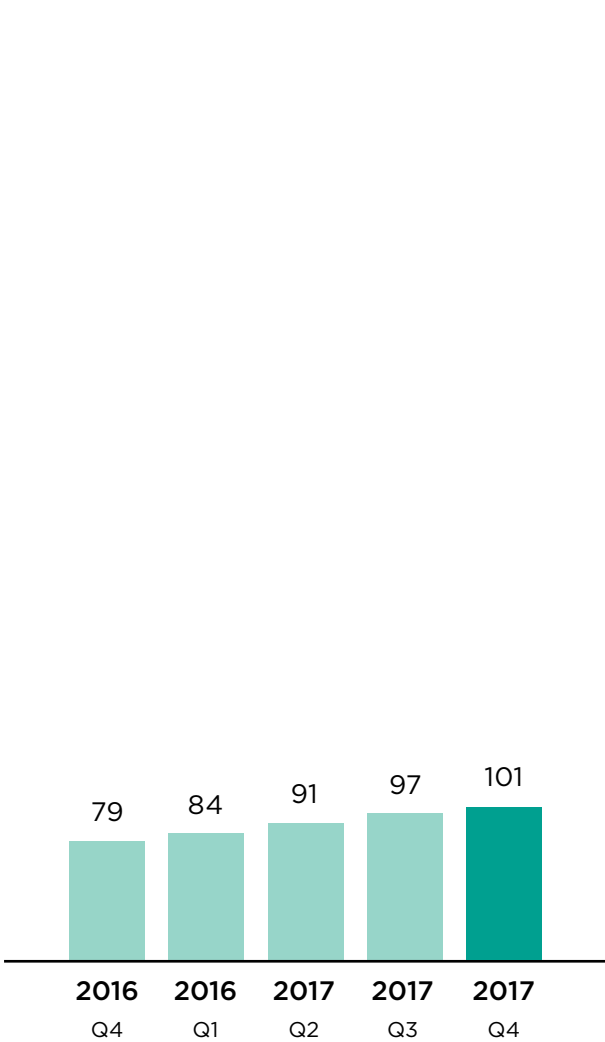
Strong credit risk performance, CoR 0.2% 2017 (0.4%)

Germany - Widening of distribution channels

NEW LENDING, MEUR



TOTAL LENDING, MEUR

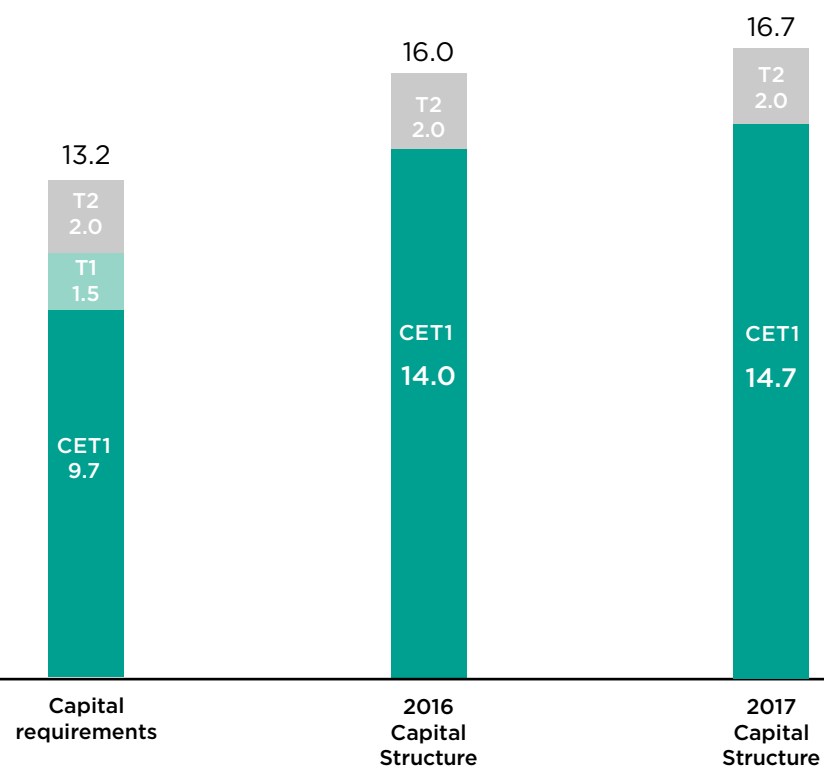


KEY TAKEAWAYS

- New lending, increased 23% in EUR compared to 2016, improved marketing efficiency
- Expected lower activity in Q4
- Widening of distribution sources in end of Q4 to include broker
- Portfolio growth 27% Y/Y in EUR
- Portfolio growth 4% since Q3 in EUR
- Stable NIM 9.1% 2017 (9.3%)
- CoR 4.1% YTD (3.5%), stable performance, 2016 positively affected by changed provisioning level

Strong capital position and proposal to increase dividend

CAPITAL RATIOS, %



KEY TAKEAWAYS

Capital ratios include dividend of 2.00 SEK per share (1.60 in 2016), equals payout ratio of 54%

Capital ratios improved by 70 bps in 2017, includes growth in lending portfolio

CET1 buffer of 270 bps to capital target and 200 bps buffer for total capital ratio

Strategic initiatives regarding FX-hedge and NPL-portfolio to conclude on long-term capital strategy

One-off IFRS9 impact on equity approximately 138 MSEK after tax, phased in during 5 years, insignificant effect on capital in 2018

2018 and onwards

CORE OPERATIONS

- Optimisation in broker channels
- Online sourcing initiatives
- Improved digital on-boarding
- Increased focus on Germany
 - Digitalisation of on-boarding process
 - Widening of sourcing mix

STRATEGIC INITIATIVES

- Review of FX Strategy, NPL Strategy and long-term growth ambition
- Ongoing analysis for potential other lending products and geographic markets
 - Preparations to launch mortgages in Sweden Q2 2018



Nordax mortgage product



- Focus on customers with non standard income
- Fill gap between high street banks and specialist providers
- Specialist providers primarily focusing on payment remarks segment
- High street banks increasingly rigid criterias
- Underserved market with limited number of players
- Growing market supported by "Gig-economy"





Q&A