



Nordax Bank

2015

CORPORATE GOVERNANCE REPORT

Nordax Group AB (publ)

# Introduction

Shares in Nordax Group AB (publ) ("Nordax") have been listed on the Main Market of Nasdaq Stockholm since 17 June 2015. The company is the parent company of the Nordax Group and holds all the shares in Nordax Group Holding AB, Nordax Holding AB and the operating subsidiary Nordax Bank AB (publ) ("Nordax Bank"). Nordax bank conducts a banking business and is under the supervision of the Swedish Financial Supervisory Authority. Nordax and Nordax Bank follow a number of laws and rules on good corporate governance and control of operation, such as the Swedish Companies Act (2005:551), the Annual Accounts Act (1995:1554), the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Corporate Governance Code, Nasdaq Stockholm's Rule Book for Issuers, the Banking and Finance Service Act and International Financial Reporting Standards. In addition, Nordax Bank is covered by a number of regulations and general guidelines issued by the Swedish Financial Supervisory Authority and the European Banking Authority ("EBA").

Nordax has prepared this corporate governance report in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code (referred to below as "the Code"). In accordance with

the statement made in the Offering Memorandum prepared ahead of the listing on Nasdaq Stockholm, Nordax's intention was to follow the Code from the time of listing. The Code, according to the version applicable at that time was to be applied from the first Annual General Meeting in the year following listing. The Code was amended on 2 November 2015 and is now to be applied in full from the time of listing. The description below explains how Nordax follows the new rules or how it is intended that these will be handled in future. For further information about the Code, see [www.bolagsstyrning.se](http://www.bolagsstyrning.se).

In accordance with the fundamental rules on the governance and organisation of a limited liability company, Nordax is governed through the General Meeting of Shareholders, the Board of Directors appointed by the shareholders at the Annual General Meeting, the Chief Executive Officer appointed by the Board of Directors and the Board of Directors' control of the Nordax management. The auditor appointed by the Annual General Meeting issues an audit report on his or her auditing of the company's annual report and consolidated accounts, on the disposition of profit and on the administration of the company and its operations by the Board of Directors and the Chief Executive Officer.

## Explanation of deviation from the Code

Under the Code, members of the Board of Directors may sit on the Nomination Committee, but must not constitute a majority of the members of the Nomination Committee. The Chairman of the Board of Directors or another member of the Board is not allowed to serve as Chairman of the Nomination Committee. If more than one member of the Board of Directors sits on the Nomination Committee, no more than one of them may be dependent on the company's major shareholders. The member of the Board of Directors Andrew Rich is Chairman and a member of the Nomination Committee, nominated by Vision Capital Partners VII LP and Vision Capital Partners VII A LP (jointly referred to below as "Vision Capital Partners"), funds that are advised by

Vision Capital Management Limited. The fact that the Board member Andrew Rich chairs the Nomination Committee represents a deviation from the Code. The deviation is explained by the fact that Vision Capital Partners remains the largest shareholder in Nordax after the listing. Andrew Rich has been a member of the Board of Directors of the Nordax Group since Vision Capital Partners acquired the Group in 2010 and has good knowledge and experience of the company's business.

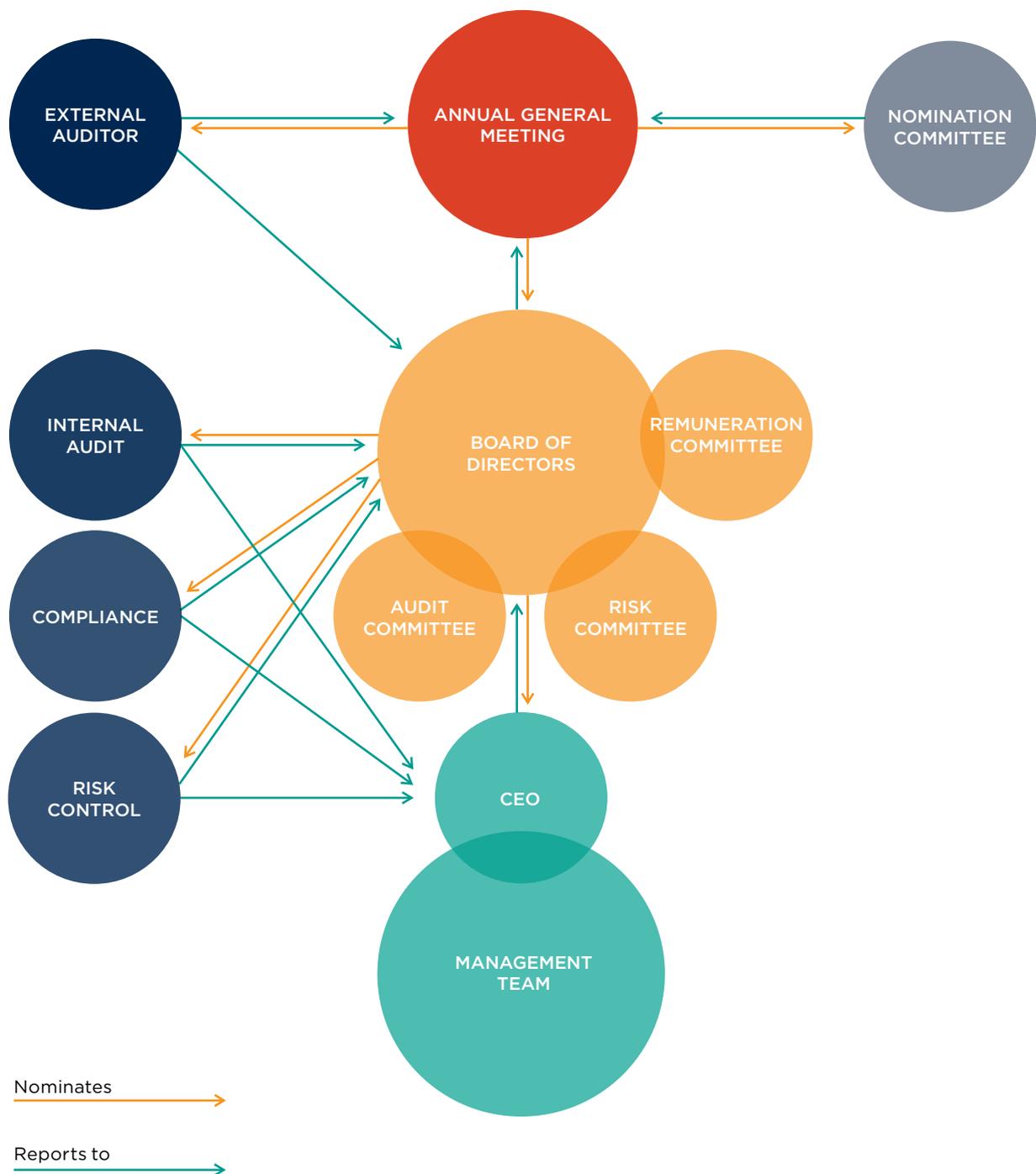
Other than the above, Nordax did not deviate from the Code during the period covered by the corporate governance report.

## Articles of Association

The Nordax Articles of Association regulate the company's operation, among other things. The object of the company's business is to be to own and manage securities and to conduct other business activities compatible therewith. The Articles of Association do not contain any conditions concerning the appointment or dismissal of members of the Board of Directors, with the exception of a conditions on the minimum and maximum number of Board members. A notice of an

Extraordinary General Meeting at which a question concerning amendment of the Articles of Association is to be discussed must, under the Companies Act, be issued no earlier than six weeks and no later than four weeks prior to the meeting. The current Articles of Association of Nordax were adopted at an Extraordinary General Meeting held on May 11 2015. The Articles of Association are available on the website [www.nordaxgroup.com](http://www.nordaxgroup.com).

# Organisational chart



# Ownership and right to vote

The share capital consists of one share class, where all the shares carry the same rights. The share capital as at 31 December 2015 totalled SEK 111 million, distributed into 110,945,598 shares and votes. The largest shareholder, Vision Capital Partners, with a total holding of 36.1 percent at 31 December 2015, is represented by Andrew Rich on the Nomination Committee and therefore in the process of nominating the Board of Directors and the auditor, and by Daryl Cohen and Andrew Rich on the Board of Directors.

## General Meeting of Shareholders

The General Meeting of Shareholders is the company's highest decision-making body. At a General Meeting, shareholders exercise their right to vote on matters such as adoption of the income statement and statement of financial position, the disposition of profit or loss, the granting of discharge from liability for Board members, election of Board members and auditors, adoption of Board fees and audit fees and deciding on guidelines for the remuneration of senior management. The Annual General Meeting (AGM), under the Articles of Association, has to be held within six months following the end of the financial year. In addition to the Annual General Meeting, an Extraordinary General Meeting may be called.

Under the Nordax Articles of Association, a General Meeting of Shareholders has to be held in Stockholm. Under the Articles of Association, a notice convening a General Meeting must be published in the Swedish Official Gazette (Post och Inrikes Tidningar) and be made available on the Company's website. At the time of the notice convening a General Meeting of Shareholders, information regarding the notice has to be announced in the newspaper Dagens Nyheter. A notice convening the Annual General Meeting must be issued no earlier than six weeks and no later than two weeks before the meeting. The material released prior to and in connection with the General Meeting as well as the minutes of the General Meeting will be made available on the Company's website. [www.nordaxgroup.com](http://www.nordaxgroup.com).

In order to be entitled to vote at a General Meeting of Shareholders, shareholders must attend the meeting, either personally or through a proxy. In addition, shareholders are required to be registered in their own name in the register of shareholders maintained by Euroclear Sweden AB on a particular day prior to the meeting and have notified their participation to the company in accordance with the instructions in the notice convening the General Meeting of Shareholders. Shareholders may vote for all the shares owned or represented by the shareholder.

Shareholders wishing to have a matter discussed at the General Meeting of Shareholders must submit a written request for this to be done to the Board of Directors.

Information on the date and time of a future General Meeting of Shareholders and how shareholders exercise the right of initiative can be found on the Nordax website [www.nordaxgroup.com](http://www.nordaxgroup.com) under "Corporate Governance" at the latest at the time when the third quarter report in the year preceding the General Meeting of Shareholders is published. If the Board of Directors considers there to be reason to hold a General Meeting of Shareholders prior to the next Ordinary General Meeting of Shareholders, or if the company's auditor or at least ten percent of the shares so request, an Extraordinary General Meeting may be convened. A notice convening an Extraordinary General Meeting at which a matter concerning amendment of the Articles of Association is to be discussed must be issued no earlier than six weeks and no later than four weeks prior to the meeting. A notice convening a second Extraordinary General Meeting must be issued no earlier than six weeks and no later than three weeks prior to the General Meeting.

Four Extraordinary General Meetings were held during the financial year ahead of the company's listing on Nasdaq Stockholm in June 2015.

At an Extraordinary General Meeting held on 27 February 2015, Synnöve Trygg was appointed as a new Board member and Öhrlings PriceWaterhouseCoopers AB was appointed as auditor for the company for the period until the end of the 2016 Annual General Meeting, with Helena Kaiser de Carolis as auditor in charge.

At an Extraordinary General Meeting held on 1 April 2015, Katarina Bode and Hans Larsson were appointed as new members of the Board of Directors of Nordax. At an Extraordinary General Meeting held on 14 April 2015, a decision was made to adopt principles for how the Nomination Committee is to be appointed by the company. See "Nomination Committee and nomination procedure" below.

At an Extraordinary General Meeting held on 11 May 2015 a decision was made to adopt new Articles of Association and a new share issue ahead of the issue of shares against consideration in kind through which Nordax became the new parent company of the Nordax Group prior to listing on Nasdaq Stockholm.

# The Nomination Committee and the nomination procedure

Pursuant to the Code, the company has a Nomination Committee which has to present proposals to the General Meeting concerning the following:

- proposal for Chairman of the Annual General Meeting
- proposal for Board of Directors
- proposal for Chairman of the Board of Directors
- proposal for fees and other remuneration of the members of the Board of Directors and any remuneration for Committee work
- proposal for auditor
- proposal for fee payable to the company's auditors
- proposal for any changes to the procedure for appointing a Nomination Committee

At an Extraordinary General Meeting held on 14 April 2015, it was decided that the Nomination Committee ahead of the 2016 Annual General Meeting is to consist of representatives of each of the three largest shareholders based on shareholding at 31 August 2015 according to the register of shareholders maintained by Euroclear Sweden AB. The member representing the largest shareholder is to be appointed Chairman of the Nomination Committee. If one or more shareholders who have appointed members to the Nomination Committee are no longer among the three largest shareholders at a time more than two months before the 2015 Annual General Meeting, the members repre-

senting these shareholders must relinquish their duties and new members must be appointed by the new shareholders who, at that time, are among the three largest shareholders. If a member of the Nomination Committee withdraws from his or her duties before the term of office of the Nomination Committee has come to an end, the same shareholder who appointed the departing member, if considered necessary, must have the right to appoint a new member, or, if the shareholder is no longer among the three largest shareholders, the next largest shareholder.

Changes to the composition of the Nomination Committee must be announced immediately.

The composition of the Nomination Committee must be announced no later than six months prior to the Annual General Meeting. The members of the Nomination Committee are not remunerated for their duties. On the other hand, Nordax reimburses reasonable costs the Nomination Committee deems necessary for the Nomination Committee to be able to fulfil its duties. The term of office of the Nomination Committee extends until the time when a new Nomination Committee has been appointed

The names of the members of the Nomination Committee and the shareholders they represent were published on 9 October 2015.

## COMPOSITION OF THE NOMINATION COMMITTEE<sup>1</sup>

Name	Representing	Percentage of shares at 31.08.2015	Percentage of shares at 31.12.2015
Andrew Rich (chairman)	Vision Capital Partners VII LP och Vision Capital Partners VII A LP	36.1	36.1
Hans Hedström	Carnegie Fonder	4.7	7.2
Ulrika Danielson	Andra AP-fonden	2.2	2.1

<sup>1</sup> The Nomination Committee is not composed of representatives of the three largest shareholders at 31 August 2015, as some shareholders have chosen to refrain from appointing a representative, in accordance with the revised Code, and their turn has been taken instead by the next shareholder in size.

The Nomination Committee's proposals, as well as a report on its work, are published no later than in conjunction with the notice convening the Annual General Meeting. Shareholders may approach the Nomination Committee with nomination proposals. Such proposals may be sent by e-mail to [ir@nordax.se](mailto:ir@nordax.se) or by post to Nordax Group AB (publ), Att: Nomination Committee, Box 23124, 104 35 Stockholm.

The Nomination Committee held several meetings in 2015, and between these meetings maintained contact by phone and e-mail. The Nomination Committee has also reviewed and discussed the results of the evaluation made by the Board of Directors and its work as well as

of the Chairman, in which the size and composition of the Board of Directors have also been evaluated. When the Nomination Committee presents proposals for Board of Directors' fees, comparisons are made with companies engaged in similar operations and of a similar size and complexity. Pursuant to the revised Code that became effective on 1 November 2015, the Nomination Committee, in assessing the Board's evaluation and in its proposal for a Board of Directors to the 2016 Annual General Meeting, has to pay particular attention to the requirement for diversity and breadth in the Board of Directors and to endeavour to attain an even gender distribution.

# The Board of Directors

Under the Nordax Articles of Association, the Board of Directors must consist of not fewer than five and not more than twelve members. The members are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting. The Nordax Board of Directors consists of nine members elected by the Annual General Meeting. The Chief Executive Officer sits on the Board.

The company is the parent company of the Nordax Group and holds all the shares in Nordax Group Holding AB, Nordax Holding AB and Nordax Bank AB (publ). The composition of the Board of Directors is identical in these Group companies.

## Composition of the Board of Directors

Following the election of the Board of Directors at the Extraordinary General Meetings held on 27 February 2015 and 1 April 2015, the Board of Directors consisted of the following members: Richard Pym (Chairman), Arne Bernroth (Vice Chairman), Christian Beck, Andrew Rich, Daryl Cohen, Synnöve Trygg, Hans Larsson, Katarina Bonde and Morten Falch.

In accordance with what was communicated in conjunction with the Offering Memorandum prepared ahead of the listing in June 2015, Richard Pym expressed the wish that the Board of Directors would appoint a new Chairman after the listing, as he considered that the companies would be better served by having a locally based Chairman. The Vice Chairman Arne Bernroth indicated his willingness to serve as Chairman. The Board of Directors appointed Arne Bernroth as Chairman on October 15 2015, and Richard Pym remained on the Board as an ordinary member.

## Chairman of the Board of Directors

The Chairman of the Board of Directors is elected by the General Meeting of Shareholders. If the Chairman of the Board of Directors terminates his or her duties during the period of office, the Board of Directors will appoint from within its number a new Chairman until the end of the General Meeting, when a new Chairman is elected by the meeting. The Chairman of the Board has particular responsibility for the management of the work of the Board of Directors and ensuring that such work is well organised and conducted effectively, supervising that the Board of Directors receives the training required for its duties, checking that the executive management implements the decisions of the Board of Directors, takes the initiative for the annual evaluation of the Board of Directors and the work of the Chief Executive Office and represents the Board of Directors through the shareholders.

## The work of the Board of Directors

The Board of Directors is responsible for the organisation and administration of the company. These responsibilities include, among other things, determining and reviewing overall targets and strategies that take into consideration the long-term financial interests of Nordax, the risks to which Nordax is exposed and applicable capital requirements, ensuring that the company has satisfactory control of compliance and that internal rules concerning risk management, risk control and risk reporting are established, ensuring that there are appropriate systems for follow-up and control of the company's operations and the risks with which the company and its operations are associated, continuously evaluating the Group's financial position and ensuring that the information given by Nordax is characterized by openness and is

## OVERVIEW OF THE BOARD MEETINGS 2015

MONTH	TASKS
January	Budget 2015, decision on variable compensation for 2014 for management and responsible for control
February	Annual financial statements and year-end 2014, reports of Internal Audit to the Audit Committee
March	The Board's self-evaluation, a decision on new sub-ordinated loan
April	Annual General Meeting and first board, the Annual Accounts 2014 Interim report first quarter, reports of external audit to the audit committee, the determination of remuneration to management and those responsible for control
May	Decisions on listing on the Nasdaq Stockholm
June	Approval of the prospectus for listing on the Nasdaq Stockholm, decided to raise the maximum loan amount in Finland and Germany EUR 40 000
July	Interim report second quarter
August	Reporting of internal audit to the audit committee, approval of ICAAP report 2015
September	Strategy and business development
October	Arne Bernroth takes over as chairman, interim report third quarter. Decision on the securitization transaction
November	Decided to raise the maximum loan amount in Sweden and Norway 500 000
December	Presentation of the evaluation of the board, reports from Internal Audit to the Audit Committee, the draft budget 2016

correct, relevant and reliable. The Board of Directors is also responsible for establishing guidelines for how the Company acts in society with the aim of ensuring the long-term capacity of Nordax to create value.

The work of the Board of Directors follows written rules of procedure adopted annually at the first meeting of the new Board of Directors following the Annual General Meeting. The rules of procedure follow, among other things, the Banking and Finance Business Act, applicable regulations issued by the Swedish Financial Supervisory Authority and guidelines issued by the European Banking Authority (EBA). The rules of procedure govern, among other things, the Board of Directors' processes for decision-making and Board meetings, as well as the distribution of work between the Board of Directors, the Chairman of the Board and Board committees. The rules of procedure also regulate the distribution of work between the members of the Board of Directors and the Chief Executive Officer. The rules of procedure are revised at least once per year. The Board of Directors meets according to an annually determined schedule and on the basis of an annual plan. Further meetings may be convened to address issues that cannot be referred to one of the ordinary meetings. The Board of Directors makes decisions on matters concerning the strategic orientation of the company, for example through a business plan and budget, financing, material organisational changes and governing documents in the form of policies. The Board of Directors discusses the company's interim reports and decides on adoption and publication of the quarterly report. The Board of Directors regularly follows up the Group's risks and compliance through reporting from the independent functions for compliance and risk control. The Board of Directors also receives reports on internal control from Mazars SET Revisionsbyrå AB, to which Nordax Bank has outsourced the Internal Audit Function. The Group's external auditors submit reports on reviews of the administration of the company and of the financial reporting. The Chief Executive Officer, also a member of the Board of Directors, attends the meetings of the Board of Directors. The Chief Financial Officer, the Treasurer and other staff attend as necessary to present reports. The minutes of meetings of the Board of Directors are kept by the Chief Legal Counsel.

The Board of Directors of Nordax has held seven meetings since the company was listed in June 2015, of which five ordinary meetings and two non-ordinary meetings. The Board of Directors of the operating subsidiary Nordax Bank held 19 meetings in 2015, of which eleven ordinary meetings, three meetings following election of a new Board and five non-ordinary meetings. The ordinary meetings of the Board of Directors always receive financial reporting, operational reporting by the Chief Executive Officer and the Function Manager based on the annual plan, reporting from the independent control functions for risk control and compliance and credit risk reporting. As well as the recurrent reporting above, presented at each ordinary meeting of the Board of Directors, the Board discusses issues during the year as listed on page 64.

#### **Board committees**

The Board of Directors of Nordax has established the following committees and has adopted a policy for each committee, which among other things governs the work and terms of reference of the committee. The committees prepare and report verbally through the Chairman of the committee those issues and matters that have been addressed at the meeting of the committee at a subsequent meeting of the Board of Directors. The minutes of committee meetings are supplied to the Board of Directors.

#### **Audit Committee**

The main duties of the Audit Committee include monitoring Nordax's financial reporting; monitoring the efficiency of Nordax's internal controls, internal audits, and risk management in respect of the financial reporting; keeping itself informed regarding audit of the annual report and group accounts; reviewing and monitoring the objectivity and independence of the external auditor; and assisting in the preparation of proposals to the Annual General Meeting regarding the election of the auditor.

As part of its duties, the Audit Committee must, among other things, support the Board of Directors in its work of ensuring that Nordax has an effective internal risk management and control framework, participate in the planning of the audit work by discussing the scope and the focus of the audit work with the external auditor and the executive management, and review the external auditor's audit plan and support the Board of Directors in its work of ensuring the quality of Nordax's financial reporting. Furthermore, the Audit Committee must review and recommend for approval by the Board of Directors the annual plans for Nordax's Compliance Function and the Risk Control Function, review and approve a risk-based audit plan for Nordax's Internal Audit Function, oversee the appointment, compensation and dismissal of the internal and external auditors, review audit reports, check that Nordax's management takes necessary corrective actions in a timely manner to address control weaknesses and other problems identified by the auditors, monitor choice of accounting policies and principles, and perform other tasks delegated to the Audit Committee by the Board of Directors.

The Audit Committee consists of three Board members. Since the company was listed, the Audit Committee has consisted of Arne Bernroth (Chairman), Hans Larsson and Andrew Rich. The majority of the members of the Audit Committee are independent of Nordax and its executive management, and at least one member of the Committee is independent of the company's major shareholders. At least one member has accounting or auditing proficiency.

The Audit Committee held seven meetings during the year. The company's auditors attended two of the meetings.

### **Risk Committee**

The main responsibilities of the Risk Committee include supporting the Board of Directors in identifying and defining risks within Nordax's business and ensuring that risk taking is measured and controlled. In addition, the Risk Committee is responsible for, among other things, monitoring and reviewing Nordax's risk strategy and the implementation thereof, monitoring and reviewing Nordax's risk appetite (including limits and exposure), and monitoring and reviewing risk management policies and practices.

The Risk Committee consists of three Board members. Since the company was listed, the Risk Committee has consisted of Hans Larsson (Chairman), Arne Bernroth and Daryl Cohen.

The Risk Committee held five meetings during the year.

### **Remuneration Committee**

The main duties of the Remuneration Committee include preparing the Board of Directors' decisions on issues concerning principles for remuneration, remuneration and other terms of employment for the executive management, monitoring and evaluating programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management, and monitoring and evaluating the application of the guidelines for remuneration that the Annual General Meeting is legally obliged to establish, as well as the current remuneration structures and levels in Nordax. The Remuneration Committee also supports the Board of Directors in its work of ensuring that the risks associated with Nordax's remuneration systems are identified, managed and reported. The Remuneration Committee furthermore assists the Board of Directors when (i) establishing standards and principles in order to ensure compliance with applicable labour law, (ii) determining the remuneration for Nordax's employees and in ensuring that Nordax's remuneration systems comply with relevant labour law and other laws, regulations and guidelines applicable to Nordax, (iii) ensuring that Nordax's staff are remunerated fairly and responsibly with the long-term interests of Nordax in mind, (iv) preparing proposals for a remuneration policy that is aligned with Nordax's risk strategy and applicable laws, regulations and guidelines, (v) monitoring the remuneration system to ensure that it is applied consistently throughout Nordax at all employee levels in compliance with the remuneration policy, (vi) reviewing the information on remuneration to be disclosed in conjunction with the adoption of the annual report according to regulations issued by the Swedish Financial Supervisory Authority and performing other tasks delegated to the Remuneration Committee by the Board of Directors.

The Remuneration Committee consists of three Board members. Initially, from the time of listing of the company, the Remuneration Committee consisted of Andrew Rich (Chairman), Richard Pym and Synnöve Trygg. In conjunction with the appointment of Arne Bernroth as Chairman of the Board of Directors during the autumn of 2015, the Board of Directors appointed

Arne Bernroth as a member of the Committee and Richard Pym was relieved of his duties as a member of the Committee. The members of the Committee are independent of the company and the Senior Management Team.

The Remuneration Committee held four meetings during the year.

### **Diversity and suitability policy**

Pursuant to the rules on management review, all members of the Board of Directors have to be approved by the Swedish Financial Supervisory Authority, and the composition of the Board of Directors has to fulfil the requirements of the Swedish Financial Supervisory Authority. The Board of Directors of Nordax Bank has also adopted a policy regarding diversity and suitability assessment of members of the Board of Directors, the Chief Executive Officer and other members of the Senior Management Team pursuant to regulations issued by the Swedish Financial Supervisory Authority and guidelines issued by the EBA. The policy indicates that the composition of the Board of Directors must achieve diversity in terms of gender, age, geographical origin and educational and professional background, and that an assessment must be made of the individual's experience, expertise, reputation and rating for suitability, taking account of a broad set of criteria.

The Nomination Committee has received information from the company about applicable rules and guidelines mentioned above that have an impact on the task of the Nomination Committee to nominate members for the Nordax Board of Directors and has also studied the policy of the Board of Directors described above

### **Evaluation of the work of the Board of Directors and the Chief Executive Officer**

An evaluation of the Board of Directors and its work was made during the fourth quarter of 2015. The evaluation was based on responses to an online questionnaire provided by an external party. The evaluation contributes towards and is aimed at further improving the work of the Board of Directors and assists the Nomination Committee in assessing the composition of the Board of Directors and its size. The evaluation reviews whether the members of the Board of Directors actively take part in the work and discussions of the Board of Directors and any committee, whether the climate at the meetings of the Board of Directors contributes to and fosters open discussions, how the Chairman of the Board carries out his or her work and whether the members of the Board of Directors contribute independent judgement. The Board of Directors continuously evaluates the work of the Chief Executive Officer. Separate evaluation of the work of the Chief Executive Officer will take place in 2016 in conjunction with decisions on variable remuneration. The outcome of the evaluation was reported for the Nomination Committee by the Chairman of the Board of Directors.

# CEO and Senior Management Team

The Chief Executive Officer reports to the Board of Directors and is responsible for the day-to-day management of the company's affairs and daily operations in accordance with the Board of Directors' guidelines, adopted policies and instructions.

The division of work between the Board of Directors and the CEO is set forth in the rules of procedure for the Board of Directors and the instructions for the CEO. Pursuant to the instructions for the CEO, the CEO is responsible for ensuring that the Board of Directors receives objective, detailed and relevant information necessary for making informed decisions. Accordingly, the CEO must continually keep the Board of Directors informed of, among other things, the developments of Nordax's operations, sales, earnings and financial position, liquidity, risk situation and other significant business events and circumstances.

The Senior Management Team comprises the CEO and the senior executives appointed by the CEO. The Nor-

dax Senior Management Team at the end of 2015 consisted of seven persons, five women and two men. The CEO and the Senior Management Team hold formal Senior Management Team meetings monthly and additional informal meetings as and when required. For information on the CEO and members of the Senior Management Team, see page 76-77.

The CEO has appointed a number of forums as support for his work of directing operational activity to assist the CEO and other function managers in making decisions that affect day-to-day operation, based on material produced by the heads of function or for preparation of a recommendation by the Senior Management Team for decision by the Board of Directors. The forums are intended to coordinate and assess the effect of proposed strategies and decisions prior to implementation. Examples of forums are the Risk Profile Forum, the Anti-money Laundering Forum, the Credit Risk and MIS Forum, the Risk and Compliance Forum, the HR Forum and the IT and Security Forum.

## Remuneration of Board of Directors and senior executives

### Remuneration of the Senior Management Team

Remuneration for members of the Senior Management Team consists of a fixed salary and a variable and performance based remuneration. The variable remuneration is offered through a long term incentive plan which is based on both cash and share related compensation

The Board of Directors has adopted a remuneration policy based on the Swedish Financial Supervisory Authority regulations and guidelines issued by the EBA. The policy is based on a risk analysis and covers all employees of the Nordax Group. According to the policy, remuneration and other benefits must be competitive in order to promote Nordax's long-term interests while discouraging excessive risk taking. Individual remuneration to, among others, the CEO and all other members of the Senior Management Team is decided by the Board of Directors.

Pursuant to the Remuneration Policy, the total variable remuneration must not limit Nordax's ability to maintain an adequate capital base, or, if necessary, strengthen its capital base. Furthermore, there must be an appropriate balance between fixed and variable components of the remuneration. The fixed remuneration components must represent a sufficient portion of the employee's total compensation for it to be possible to set the variable remuneration components to zero. The variable remuneration in one year for each individual employee must never exceed 100 percent of the individual employee's fixed annual salary.

Pursuant to the Remuneration Policy, the assessment of the result that forms the basis for calculating variable remuneration must primarily be based on risk adjusted profit measures. This assessment must take account of both future current and future risks and the actual cost of the capital and liquidity required for the operations.

Should Nordax use subjective assessments based on risk to adjust results, the considerations underlying the adjustments must be balanced and appropriately documented. The result assessment must aim to promote Nordax's long term sustainable results, and Nordax's underlying business cycle must be considered when the result-based remuneration is paid.

Remuneration of members of the Senior Management Team is subject to regulatory restrictions and requirements pursuant to regulations issued by the Swedish Financial Supervisory Authority. For example, at least 60 percent of the variable remuneration must be deferred for a period of three years for senior executives and a period of five years for the CEO.

### Remuneration of the Board

The following compensation amounts have been adopted for the Board of Directors for the period until the end of the 2016 Annual General Meeting: SEK 1,100,000 to the Chairman of the Board of Directors and SEK 400,000 to each of the other members of the Board of Directors, with the exception of Morten Falch (CEO), Daryl Cohen and Andrew Rich, who are not entitled to any remuneration for their work on the Board of Directors. In addition, SEK 50,000 is payable per committee assignment, with the exception of the Chairman of the Board of Directors, Daryl Cohen and Andrew Rich. In addition, it has been resolved that SEK 50,000 will be paid to Arne Bernroth for his assignment as Vice Chairman of the Board of Directors. Provided that it is cost-neutral for Nordax, remuneration may be invoiced through a Board member's wholly owned company.

# Auditor

The Company's auditor is appointed by the General Meeting of Shareholders. The Nordax Audit Committee assesses the work of the auditor and will assist the Nomination Committee in preparing proposals for an auditor. An auditor for Nordax is elected annually pursuant to the Companies Act and the Articles of Association.

The auditor reviews and submits an audit report on his or her audit of the Nordax annual report and consolidated statements, on the company's disposition of its profit or loss and the administration by the Board of Directors and Chief Executive Officer and expresses an opinion on the corporate governance report. The reports mentioned will be submitted and presented to the shareholders at the Annual General Meeting. The auditor issues an audit report which is presented to the Annual General Meeting. The auditor also reviews Nordax interim reports and the year end report, and presents a review report to the Audit Committee at

ordinary meetings of the Committee when the reviewed interim reports or year end report are discussed, as well as to the Board of Directors.

At an Extraordinary General Meeting held on 27 February 2015, Öhrlings PriceWaterhouseCoopers AB was re-elected as auditor for the period until the end of the 2016 Annual General Meeting. Helena Kaiser de Carolis is the auditor in charge. Helena Kaiser de Carolis is an authorised public accountant.

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Information on fees and reimbursement of costs paid to the auditors can be found in Note 10.

## Internal control and risk management

Pursuant to the rules of procedure of the Board of Directors, it is the responsibility of the Board of Directors for good internal control to be a feature of the organisation and operation of the company's business in order to ensure that the company's business is conducted in accordance with applicable rules. The Board of Directors must make sure that the company has an effective organisation that identifies, measures and controls the risks that arise in operation and that ensure reliable financial reporting. The Board of Directors must establish internal rules for sound and effective control and risk management and shall continuously ensure that these rules are followed.

### **Three lines of defence model**

To ensure adequate control of risks and compliance with laws, regulations and internal governing documents, Nordax's risk management and internal control is built according to the three lines of defence model.

### **The first line of defence - Risk management by operations**

Nordax's business units and support functions (Credit Risk, Treasury, Decision Science, Legal, Finance, IT, HR, Marketing and Operations) are responsible for the risks that arise within their operations and must identify, assess, control and internally report risks. This includes responsibility for ensuring that clear processes and procedures are in place together with internal governing documents that govern how Nordax must operate in various respects. The first line of defence also includes the First Line Risk and Compliance Function, which assists managers in the operation in identifying, controlling and reporting operational and compliance risks.

### **The second line of defence - Independent control functions**

#### **The Risk Control Function**

The Board of Directors has established a Risk Control Function whose work is based on a policy adopted by the Board of Directors. The Risk Control Function is part of Nordax's second line of defence. The Risk Control Function is responsible for independently reviewing and analysing Nordax's risks and risk management. The responsibility of the Risk Control Function includes providing a comprehensive and objective view of Nordax's risks, monitoring risk limits, control and analysis of Nordax's material risks, and identifying new risks that may arise as a result of changed circumstances. The Risk Control Function is also responsible for verifying that relevant internal rules, processes and procedures in the risk management framework are appropriate and complied with, and for proposing amendments thereto, if needed.

The Risk Control Function reports at least quarterly to the Board of Directors and the CEO and the Risk Control Manager regularly attends Board of Directors meetings. In addition, the Risk Control Function reports to the Audit Committee and the Risk Committee. On a regular basis, and whenever necessary, the head of the Risk Control Function, the Risk Control Manager, also has direct contact with the Chairman of the Board of Directors.

The Risk Control Manager independently reports to the Board of Directors and the CEO, and is a direct subordinate of the CEO. The review and questioning of decisions that affect Nordax's risk exposure is carried out in, the Board of Directors meetings, and in the Audit Committee and the Risk Committee meetings and in forum where the function for risk control and participants responsible for several functions are present.

### **The Compliance Function**

The Board of Directors has established a Compliance Function whose work is based on a policy adopted by the Board of Directors. The Compliance is part of Nordax's second line of defence. The Compliance Function is responsible for independently supporting and reviewing the business operations as a part of its work in ensuring compliance with legislation, ordinances, regulations and internal rules, as well as generally accepted practices or accepted standards regarding the operations that are subject to licenses obtained by Nordax. The Compliance Function is also responsible for independently reviewing and evaluating the appropriateness and efficiency of the measures taken by Nordax and the processes implemented for the purpose of managing compliance risks. The Compliance Function is responsible for issuing recommendations based on identified deficiencies and also regularly providing information regarding any risks that could arise as a consequence of a lack of compliance. The Compliance Function also provides assistance in the drafting of internal governing documents and supports the business operations when new products are developed, as well as in connection with any changes in the organisation. The Compliance Function is also responsible for ensuring that the employees obtain information and training regarding new or amended internal and external rules.

The Chief Compliance Officer is a subordinate of the CEO, and reports directly to the Board of Directors and the CEO. The Compliance Function submits a compliance report to the Board of Directors and the CEO at least quarterly. The Chief Compliance Officer also regularly attends meetings of the Board of Directors. In addition, regular reporting takes place to the Audit Committee and the Risk Committee. On a regular basis, and whenever necessary, the Compliance Function has direct contact with the Chairman of the Board of Directors. Regular management and follow-up of risks identified by the Compliance Function take place every two months in the Nordax Risk and Compliance Forum, attended by the Compliance Function and participants responsible for a number of functions.

### **The Internal Audit Function**

The Board of Directors has established an Internal Audit Function whose work is based on a policy adopted by the Board of Directors.

The Internal Audit Function is part of Nordax's third line of defence. Nordax has outsourced the Internal Audit Function to the audit firm Mazars Set Revisionsbyrå AB ("Mazars"). The scope of the services outsourced is governed through a written agreement pursuant to which Mazars Set Revisionsbyrå AB must perform the services in accordance with applicable legislation, ordinances, practice, written audit instructions adopted by the Board of Directors and the risk-based audit plan adopted by the Board of Directors. The Internal Audit Function is responsible for reviewing and evaluating Nordax's first and second lines of defence. The internal audit also includes, among other things, an independent audit of the IT systems and information security. In addition, the function reviews and evaluates whether Nordax's

internal rules are suitable and consistent with laws and regulations and, based on its observations, issues recommendations to the relevant departments or functions. The Internal Audit Function is directly subordinate to the Board of Directors through the Audit Committee.

### **The Risk Management Process**

Nordax's risk management process consists of the following phases: identification, evaluation and assessment, control and monitoring, and reporting. Nordax identifies its risks through, among other things, incident reporting, new product approval process, quarterly self-assessments, independent reviews, sample checks, and controls. Through the self-assessments, Nordax identifies important risks specifically related to each department and to Nordax in general and the risks are assessed in terms of the probability that the risk will occur and its potential impact in the event it does occur.

The self-assessments are logged and the risks that are ranked highest based on probability and potential impact are reported quarterly on a risk radar to the Board of Directors and the CEO.

Identified and quantified risks are logged and monitored by the Risk Control Function. The risk log is updated on a quarterly basis by Nordax's "risk owners", who are the persons or units with specialist knowledge of a particular risk and have been granted the authority to assess the risk exposure. The updated risk assessments are compiled and reviewed by the independent Risk Control Function. The following is assessed in this review:

- whether the risk profile has changed;
- whether new risks have arisen;
- whether the risk assessments have changed,
- whether sufficient controls are in place in light of the above.

This review is presented to the Risk Committee at least four times per year. New material risks, problems or changes that could significantly affect the strategic risk, important performance targets and/or Nordax's prioritised plans are reported to the CEO and the executive management on a monthly basis.

The effectiveness of existing controls and routines implemented in the day-to-day business to manage risks is evaluated and controlled on an ongoing basis through reviews and controls by the Risk Control Function, the Compliance Function and the First Line Risk and Compliance Function.

During 2015 Nordax invested in system support for governance, risk management and compliance aimed at further strengthening the risk management processes. The system support is also intended to ensure rapid access to risk information concerning business risks and operational risks.

# Risks, risk management and risk appetite

Nordax's risk appetite defines the level and direction of Nordax's risks that are acceptable for Nordax to attain its strategic objectives. The purpose of the risk appetite is to ensure that Nordax has a common and sound view of risk taking, based on an understanding of all the risks to which Nordax is exposed or to which it may be exposed, and how these are managed. The Board of Directors is responsible for approving the risk appetite and for establishing limits within the risk appetite. The Board of Directors is in addition responsible for regularly and when needed, at least once per year, evaluate and update the risk appetite. Nordax's risk appetite is consistently low for all risk categories.

## **Credit quality and credit risk management**

Lending by Nordax is based on accountability by offering loans only to customers deemed to have a high credit rating and to pose a low risk. Before a loan is approved, a thorough credit assessment is carried out in accordance with the company's guidelines for loans. The credit assessment process consists of four steps, where each application is examined according to guidelines for lending, credit assessment rules, internal credit rating models including calculation of ability to pay and decisions on limits. The credit process was strengthened in 2015 by further automation.

Accountability also means that Nordax is proactive in helping its customers if their economic circumstances worsen. The Payment Solutions Department deals with missed loan payments at an early stage. The action taken consists of a dialogue with the customer to remind them of late payment and sometimes offering customised solutions.

## **Global factors**

Nordax's operations and market are subject to external factors beyond the company's control that affect, or may in future affect, the risk picture. Examples of such factors are changes in laws and regulations, reduced demand for private loans and increased credit losses resulting from macroeconomic conditions.

During 2015, focus has been on the global political and economic turmoil, sharply declining energy prices and the indebtedness of Swedish households. Nordax did not see any noticeable impact on the company's credit quality during the year, and the customers are deemed to have good ability to withstand any downturns in the economy.

## **Market and liquidity risk**

Nordax is exposed through its operations to liquidity and market risk such as interest rate risk, price risk and foreign exchange risk. Interest rate risk arises due to differences in interest rate fixing terms between funding, lending and invested liquidity. Price risk arises in investments

in the liquidity reserve. Foreign currency risk arises as a result of differences between the currencies in which assets and liabilities are denominated and a result of margins in currencies other than Swedish kronor.

Pursuant to the financial risk policy, Nordax limits its interest rate risk by matching the interest rate fixings to a large extent for assets and liabilities. The price risk is limited by the company investing only in stable counterparties with strong credit rating and for relatively short terms. The impact of changes in exchange rates is limited by matching assets and liabilities in the same currency. The company maintains open currency positions in order to protect its capital adequacy ratio against changes in exchange rates. As a result of these open currency positions, the effects of changes in exchange rates are offset on the statement of financial position by the corresponding effect that the changes in exchange rates have on the income statement.

The liquidity risk arises through the risk of not being able to fulfil payment obligations when they fall due for payment without substantial increases in costs. To reduce the risk, Nordax has liquidity management based on a number of measures. As well as a well-balanced composition of assets and liabilities and distribution of maturities and currencies, the company has also a conservatively invested liquidity reserve.

## **Operational risks**

The operational risks are limited to a centralised operation enabling effective management of risks that can arise in the processes. In addition to process risk, the operation is subject to IT and security risk, legal and compliance risk, risks due to human error and risks in the remuneration system. To minimise operational risks, Nordax has a number of tools for continuous identification, measurement, reporting and follow up of the risks that arise, or may arise, in the operation.

Losses related to operational risk events have historically been low and totalled SEK 0.55 million during the year.

## **Capital and capital adequacy**

Nordax conducts stress tests through the ongoing capital evaluation process to ensure that the company sets aside sufficient capital for unexpected events due to risk exposures. In addition to these reserves, the company has capital buffers pursuant to the Basel III regulatory framework in which only Common Equity Tier 1 capital is considered.

For further information on risks and risk management, see "Risk management and capital adequacy report" on the website [www.nordaxgroup.com](http://www.nordaxgroup.com).

# The Board of Directors' report on internal control

## IN RESPECT OF THE FINANCIAL REPORTING FOR THE FINANCIAL YEAR OF 2015

Pursuant to the Swedish Companies Act, the Annual Accounts Act and the Code, the Board of Directors is responsible for the internal control of both Nordax Group (AB (publ)), referred to below as "Nordax", and the whole of the Nordax Group. Internal control in respect of financial reporting is built around the six fundamental pillars of internal control presented below: control environment, risk management, control activities, information and communication, follow-up and evaluation and opinion regarding internal audit.

### **System of internal control and risk management in respect to financial reporting**

Internal control in respect to financial reporting is a process by which it is ensured that established principles of internal control and financial reporting are complied with and that the company's financial reporting is prepared in accordance with laws, regulations, applicable accounting standards and good accountancy practice, as well as other requirements to be met by companies whose transferable securities are listed for trading on a regulated market.

### **Control environment**

The control environment described in the corporate governance report, including a clear and transparent organisational structure, distribution of responsibility and governing documents such as internal policies, instructions and manuals, is fundamental to Nordax's internal control of financial reporting. This also includes the ethical guidelines communicated to all employees, which are crucial for a good control environment. Examples of policies, instructions and manuals are the Board of Directors' rules of procedure, the CEO's instructions, the policy for the Risk Control Function, the Compliance Function and the Internal Audit Function and the policy for reporting and certification.

Another part of the control environment consists of the risk assessment, that is to say identification and management of the risks that may impact on the financial reporting and the control activities intended to prevent, identify and correct errors and discrepancies.

To ensure adequate control of risks and compliance with laws, regulations and internal governing documents, Nordax's risk management and internal control is built around the three lines of defence.

### **Risk management**

Risk management in Nordax, comprising risks pertaining to financial reporting, is proactive and follows up risks, emphasising evaluation, control and training programmes. Nordax applies available techniques and methods of risk management in a cost effective way. Risk management is an integral part of the business operation.

### **Control activities**

Various control activities are built into the financial reporting process. The control activities comprise both general and detailed controls intended to prevent, discover and correct errors and discrepancies. The control activities are prepared and documented at company and department level, based on a reasonable level related to the risk of errors and the impact of such errors. The head of department concerned is primarily responsible for managing the risks associated with the activity and financial reporting processes of his or her own department. Furthermore, high IT security is crucial to good internal control of financial reporting. There are therefore rules and guidelines to ensure availability, correctness, secrecy and traceability of information in the business systems.

### **Information and communication**

The company has information and communication paths aimed at promoting complete and correct financial reporting. Governing documents in the form of internal policies, instructions and manuals pertaining to financial reporting have been made available to and known by personnel affected, and have been supplemented by relevant descriptions of procedures and processes. It is ensured through regular information, dialogue, training programmes and controls that staff are informed of and understand the internal regulatory framework. The internal regulatory framework of policies, instructions and manuals, supplemented by descriptions of procedures and processes, represents the most important tool for providing information to ensure financial reporting. The system used for financial reporting covers the whole Group. The external communication is aimed at providing a true and fair view of Nordax and is governed by the communication policy. Nordax holds meetings for investors and analysts and takes part in investor seminars.

**Follow-up**

Nordax's Accounting and Reporting unit regularly compiles and reports financial and operational figures and analyses for heads of function, management and the Board of Directors. Accounting and Reporting works actively on regular follow-up of operating expenses in relation to budget and forecast. This work takes place in close interaction with the management team and the rest of the organisation.

The Risk Control, Compliance and Internal Audit control functions check that policies, instructions and manuals are complied with.

The Board of Directors receives monthly financial reports and discusses the company's and the Group's financial situation at each Board meeting. The Board of Directors and the Board's Audit Committee also review the financial quarterly reporting and annual accounts, as well as the findings and conclusions of the external and internal auditors.

The Board of Directors receives at least quarterly reports from Risk Control and Risk Compliance. The reports contain evaluations of operation in respect of risk management and compliance and cover the whole organisation.

The Group's information and communication paths are regularly followed up to ensure that they are appropriate to the financial reporting.

**Evaluation of and opinions on internal audit**

Nordax's Internal Audit Function is appointed by, and reports directly to, the Board of Directors. The role of Internal Audit is governed by Policy regarding the Internal Audit function, and the Function's work is based on a review plan reviewed by the Audit Committee and adopted by the Board of Directors.

The plan is based on a risk assessment made in cooperation with Nordax's external auditors and the Chairman of the Audit Committee. The work of internal audit includes reviewing and assessing whether systems, internal control mechanisms and procedures are suitable and effective and issued recommendations are followed, as well as reporting at least annually to the Board of Directors and the Audit Committee.

Internal audit has been outsourced to an external party with the aim of ensuring quality and independence in evaluation and review.

# The Board of Directors



Arne  
Bernroth

Christian  
Beck

Katarina  
Bonde

<b>Position</b>	Chairman (from Oct. 2015)  Chairman of Audit Committee, Member of Remuneration Committee (from Oct. 2015) and Risk Committee	Non-Executive Director	Non-Executive Director
<b>Education</b>	B.A. in Economics, Lund University	Master of Laws and Advanced Studies in Political Economics, Oslo University	MSc Physics and Mathematics, Royal Institute of Technology, Stockholm
<b>Elected</b>	2010	2004	2015
<b>Year of birth</b>	1947	1958	1958
<b>Nationality</b>	Swedish	Norwegian	Swedish
<b>Other assignments</b>	Chairman of Aqilles Invest AB and Emra gruppen AB with subsidiaries. Member of the Board of Directors of Biolin Scientific Holding AB, elcecat AB and Motala Verkstad Group AB. Member of the Advisory Board of Axcel Investment Management. CEO of elcecat AB	Chairman of the Board of Directors of Arcasa Arkitekter AS, Cant Invest AS, Case Hol- ding AS, Eneas-gruppen and Design og Interior AS. Member of the Board of Directors of Blår AB and of the Advisory Board of Palamon Capital Partners	Chairman of the Board of Directors of Propellerhead Software AB. Member of the Board of Directors of Aptilo Holding AB, Avega Group AB, Fingerprint Cards AB, Image Systems AB, Jarl Securities AB, Mycronic AB (publ), Micro Systemation AB and the Sixth AP Fund (Sjätte AP-fonden)
<b>Independent of the company and the management</b>	Yes	Yes	Yes
<b>Independent of major share- holders</b>	Yes	Yes	Yes
<b>Previous experience</b>	Senior management positions in Nordea and Skandia	Multiple Board assignments, including as Chairman of the Board of Directors of Espresso House Sweden AB and Banqsoft AS	Senior management positions in the IT industry
<b>Own and related parties' hol- dings at 31 December 2015</b>	135,639 shares	1,025,899 shares	1,500 shares
<b>Audit Committee, attendance</b>	7/7	-	-
<b>Risk Committee, attendance</b>	5/5	-	-
<b>Remuneration Committee, attendance</b>	1/4 <sup>1</sup>	-	-
<b>Board of Directors meetings, attendance<sup>9</sup></b>	17/19	17/19	14/19 <sup>2</sup>

<sup>1</sup> Arne Bernroth joined the committee at the committee meeting in December 2015.

<sup>2</sup> Relates to part of the year, Katarina Bonde joined at the time of the Extraordinary General Meeting held on 1 April 2015.

<sup>9</sup> Relates the Board meetings of the operating company Nordax Bank AB (publ)

# The Board of Directors



Daryl  
Cohen

Morten  
Falch

Hans  
Larsson

<b>Position</b>	Non-Executive Director Member of Risk Committee Member of Remuneration-Committee (retired Sept. 2015)	CEO and Executive Director	Non-Executive Director Chairman of Risk Committee Member of Audit Committee
<b>Education</b>	B.A. and M.A. in Natural Sciences, University of Cambridge	B.Sc. (Hons) in Business Administration, University of Bath	B.Sc. in Business Administration and Economics, Uppsala University
<b>Elected</b>	2010	2004	2015
<b>Year of birth</b>	1978	1967	1961
<b>Nationality</b>	British	Norwegian	Swedish
<b>Other assignments</b>	Partner of Vision Capital LLP and Member of the Board of Directors of Bormioli Rocco Holdings S.A. and Portman Group Holdings Ltd	-	Member of the Board of Directors of Linderyd Advisory AB and Lock TopCo AS, the holding company of the Lindorff Group. CEO of Linderyd Advisory AB
<b>Independent of the company and the management</b>	Yes	No	Yes
<b>Independent of major shareholders</b>	No	Yes	Yes
<b>Previous experience</b>	Multiple Board assignments	Co-founder of Nordax, senior management positions in GE Capital, Citigroup and AVCO/The Associates	Senior management positions in SEB
<b>Own and related parties' holdings at 31 December 2015</b>	-	2,697,738 shares	-
<b>Audit Committee, attendance</b>	3/7 <sup>3</sup>	-	5/7 <sup>5</sup>
<b>Risk Committee, attendance</b>	4/5	-	4/5
<b>Remuneration Committee, attendance</b>	3/4 <sup>4</sup>	-	-
<b>Board of Directors meetings, attendance <sup>9</sup></b>	16/19	19/19	13/19 <sup>5</sup>

<sup>3</sup> Daryl Cohen retired from the Audit Committee after the committee meeting in April 2015.

<sup>4</sup> Daryl Cohen retired from the Remuneration Committee ahead of the committee meeting in December 2015.

<sup>5</sup> Relates to part of the year, Hans Larsson joined at the time of the Extraordinary General Meeting held on 1 April 2015.

<sup>9</sup> Relates the Board meetings of the operating company Nordax Bank AB (publ)

# The Board of Directors



Richard  
Pym

Andrew  
Rich

Synnöve  
Trygg

<b>Position</b>	Non-Executive Director Member of Remuneration Committee (retired Sept. 2015)	Non-Executive Director Member of Audit Committee Chairman of Remuneration Committee	Non-Executive Director Member of Remuneration Committee
<b>Education</b>	B.Sc. (Hons) in Physics, University of Warwick	M.A. (Hons) in History of Art, University of Edinburgh	B.Sc. in Business Administration, Stockholm University
<b>Elected</b>	2010	2010	2015
<b>Year of birth</b>	1949	1974	1959
<b>Nationality</b>	British	British	Swedish
<b>Other assignments</b>	Chairman of the Board of Directors of Allied Irish Banks plc, UK Asset Resolution Ltd and Fellow of the Institute of Chartered Accountants in England and Wales.	Partner of Vision Capital LLP and Member of the Institute of Chartered Accounts in England Wales. Member of the Board of Directors of Systemhaus AG. Member of the Board of Directors of JDR Enterprises Ltd, Park Cakes Acquisitions Ltd, Addo Food Group Ltd, First Quench Acquisitions Ltd. Member of the Executive Committee of Trio Acquisitions LLP and Trio Acquisitions 2 LLP	Member of the Board of Intrum Justitia AB, Landshypotek Bank AB, Valitor HF, Volvofinans Bank AB and Wrapp AB
<b>Independent of the company and the management</b>	Yes	Yes	Yes
<b>Independent of major shareholders</b>	Yes	No	Yes
<b>Previous experience</b>	Several senior management positions as well as assignments as Non-Executive Director in the banking sector	Multiple Board assignments	CEO of SEB Kort
<b>Own and related parties' holdings at 31 December 2015</b>	678,197 shares	-	-
<b>Audit Committee, attendance</b>	-	7/7	-
<b>Risk Committee, attendance</b>	-	2/5 <sup>7</sup>	-
<b>Remuneration Committee, attendance</b>	3/4 <sup>6</sup>	4/4	3/4 <sup>8</sup>
<b>Board of Directors meetings, attendance<sup>9</sup></b>	18/19	18/19	16/19 <sup>8</sup>

<sup>6</sup> Richard Pym retired from the Remuneration Committee ahead of the committee meeting in December 2015.

<sup>7</sup> Andrew Rich retired from the Risk Committee after the committee meeting in April 2015.

<sup>8</sup> Relates to part of the year, Synnöve Trygg joined at the time of the Extraordinary General Meeting held on 27 February 2015.

<sup>9</sup> Relates the Board meetings of the operating company Nordax Bank AB (publ)

# Senior Management Team

AS OF APRIL 5 2016



Christine  
Ahlm

Credit Risk Manager  
Born 1967  
Employed 2004  
In current position since: 2004  
Education: Master of Science in Business and Economics, Stockholm University  
Own and related parties' holdings as of 31 December 2015: 271,279 shares



Johanna  
Clason

Treasurer  
Born 1965  
Employed 2011  
In current position since 2011  
Education: B.Sc. in Economics and Business Administration, Stockholm School of Economics  
Own and related parties' holdings as of 31 December 2015: 271,279 shares



Morten  
Falch

CEO and Executive Director  
Born 1967  
Co-Founder  
In current position since 2004  
Education: B.Sc. Honours degree in Business Administration, University of Bath  
Own and related parties' holdings as of 31 December 2015: 2,697,738 shares



Andreas  
Frid

Head of Investor Relations  
Born 1977  
Employed 2016  
In current position since 2016  
Education: Degree of Master in Business Administration, Lund University  
Own and related parties' holdings as of 31 December 2015: 0 shares



Jacob  
Lundblad

COO and Deputy CEO  
Born 1978  
Employed 2004  
In current position since 2009  
Education: Degree of Master in Business Administration, Degree of Bachelor of Business Law, School of Economics and Management, Lund University  
Own and related parties' holdings as of 31 December 2015: 1,085,115 shares



Kristina  
Nordlind

Chief Legal Counsel  
Born 1972  
Employed 2007  
In current position since 2007  
Education: Master of Laws (LL.M.), Stockholm University  
Own and related parties' holdings as of 31 December 2015: 54,256 shares



Camilla  
Wirth

CFO  
Born 1970  
Employed 2011  
In current position since 2011  
Education: Master of Science in Business and Economics, Stockholm University  
Own and related parties' holdings as of 31 December 2015: 50,586 shares

# Business Management Team

AS OF APRIL 5 2016



Per  
Alinder

Marketing Director



Olof  
Bengtsson

Data Scientist Manager, deputy



Per  
Bodlund

Senior Project Manager,  
Co-Founder



Malin  
Frick

HR Manager



Fredrik  
Hedberg

Chief Information Officer



Mats  
Lagerqvist

Data Scientist Manager,  
Co-Founder



Olof  
Mankert

Chief Compliance Officer



Tom  
Rabben

Marketing Director



Markus  
Stoor

Chief Security Officer

# Independent Auditor's report

**To the annual meeting of the shareholders of Nordax Group AB, corporate identity number 556993-2485**

## **Report on the annual accounts and consolidated accounts**

We have audited the financial statements and consolidated financial statements of Nordax Group AB for the year 2015. The financial statements and consolidated financial statements are included in the printed version of this document on pages 45-58 and 79-113.

## **Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Security Companies, and for such internal control as the Board of Directors and the Managing Director 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.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

## **Opinions**

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 the parent company as of 31 December 2015 and of its financial performance and its cash flows for the financial 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 2015 and of their financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards, 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 59-78. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordax Group AB for the year the financial year 2014-12-02 - 2015-12-31. We have also conducted a statutory examination of the corporate governance statement.

## **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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

**Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of Companies Act, the Banking and Financing Business Act, the Annual Accounts Act of Credit Institutions and Security Companies or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

**Opinions**

We recommend to the annual 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.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 6 April 2016  
Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis  
Authorised Public Accountant