Nordax Bank

2020

ANNUAL REPORT

Nordax Bank AB (publ)

Contents

Nordax in Brief

Nordax, a leading specialist bank owned by Nordic Capital and Sampo, has around 255,000 private customers in Sweden, Norway, Finland and Germany.

Through responsible lending, Nordax helps its customers to make well-considered choices for a life they can afford, and operates in a flexible complementary role alongside the major banks.

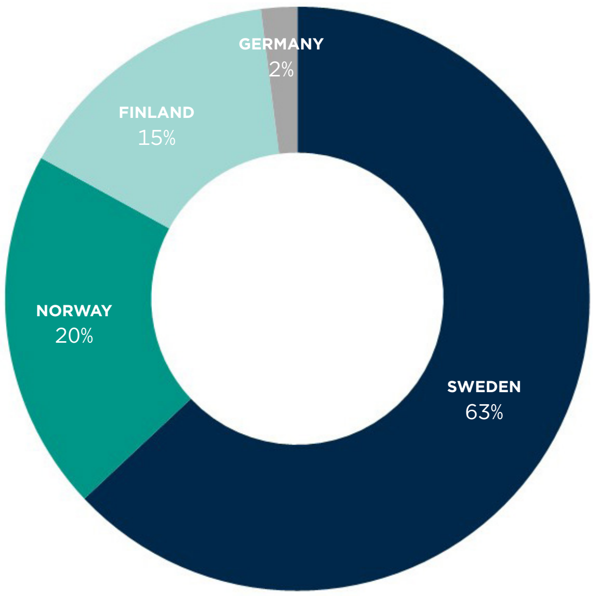
Nordax specialises in a few number of products personal loans, mortgage loans, equity release mortgages and savings accounts and has around 330 full-time employees.

Its thorough, robust and data-driven credit assessment process is one of Nordax's core competencies and Nordax's customers are financially stable. On 31 December 2020, lending to the general public amounted to SEK 27.7 billion and deposits to SEK 24.2 billion.

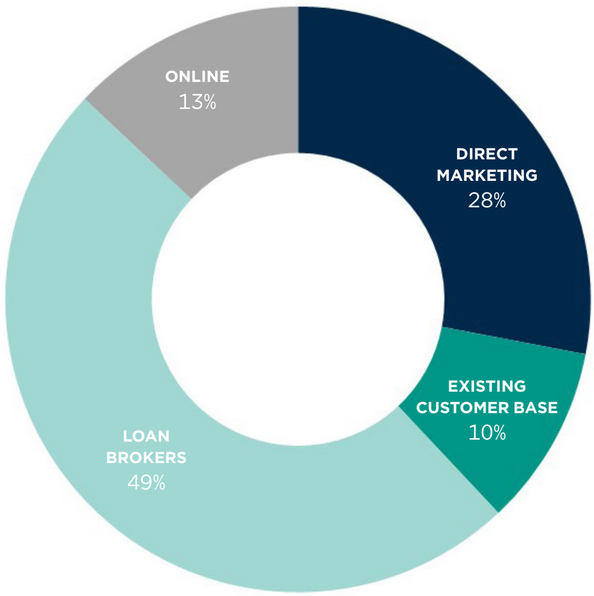
Nordax is regulated by the Swedish Financial Supervisory Authority, www.fi.se, and is a member of the government's deposit guarantee scheme in the same way as all Swedish banks and credit institutions.

Read more at www.nordaxgroup.com

LOAN PORTFOLIO PER MARKET



NEW LENDING PER CHANNEL IN 2020



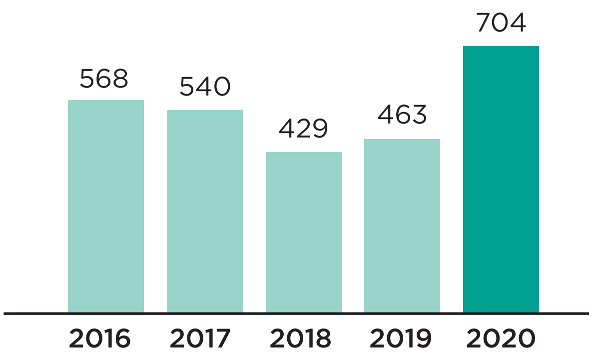
Highlights of 2020

STRONG RESULTS AND CONTINUED GOOD GROWTH

- The strongest results in Nordax's history despite the negative impact of COVID-19
- Good lending growth with an increase of 9% for the year and total lending amounting to SEK 27.7 billion at year-end
- Secured lending (mortgages and Svensk Hypoteks-pension (SHP) amounted to 36% of total lending (28% in 2019) at year-end
- Major steps forward for Nordax mortgages and lending which amounted to SEK 3.2 billion (SEK 1.6 billion in 2019)
- Positive trend for Nordax savings with SEK 24.2 billion in deposits at year-end (+26% compared to 2019)
- Strong trends in terms of capitalization during the year with a Common Equity Tier 1 Capital Ratio of 16.2 compared to 14.0 in the preceding year
- The effects of COVID-19 have been well managed while the bank has retained it operational robustness

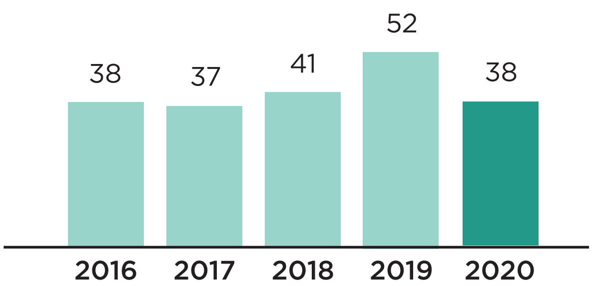
OPERATING PROFIT

SEK MILLION



C/I RATIO

%



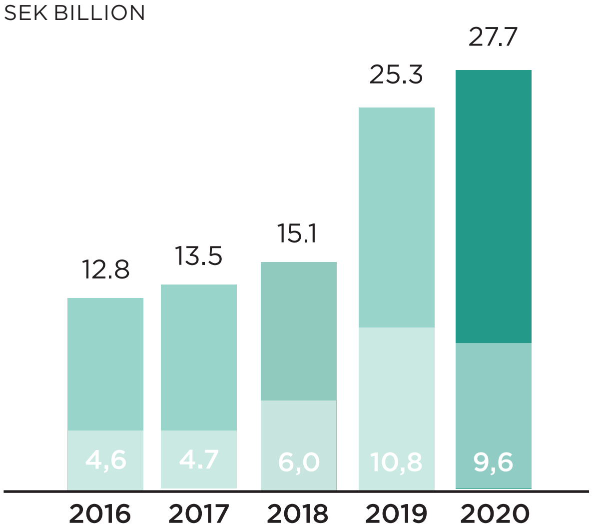
FINANCIAL SUMMARY

SEK MILLION

	2020	2019	%
Net interest income	1,753	1,507	16
Operating profit	704	463	52
Net profit	549	352	56
Lending to the general public	27,656	25,271	9
Deposit-taking from the general public	24,203	19,222	26
Equity	3,352	2,775	21
Common Equity Tier 1 Capital Ratio, %	16	14	
Return on equity, %	18	13	

TOTAL LENDING AND NEW LENDING

SEK BILLION



Of total lending in 2020 SHP is included with SEK 6.65 billion and with new lending SEK 1.3 billion.

CEO's Statement

In the course of just a couple of months in 2020, we saw the world transition from a flourishing time of prosperity to a global pandemic and a recession. We must expect it to take some time until the pandemic is under control and society is protected thanks to the enormous vaccination programs that are currently being planned. We must also recognize that it remains too soon to map out the long-term impact of the pandemic on our communities and on our economies. However, we can be sure of the fact that 2020 will go down in the history books – never before has the world changed so radically in such a short period of time.

Nordax entered the pandemic with a healthy lending portfolio, strong financing position and a large surplus capital. Additionaly, we have put a lot of effort into our transformation journey in recent years and within this we have built a very positive culture with high levels of employee commitment. When analyzing scenarios in the early months of the pandemic, we noted that we were entering the pandemic from a position of strength and that we would be able to cope with a more negative scenario. Since March 2020, we have learned a great deal about the pandemic and its impact on our business, and by the end of the year we were able to note that our business had fared relatively well.

Early this spring, we opted to reduced new lending and focus wholeheartedly on taking care of our existing customers. Taking responsibility for our existing customers must always be our top priority. We also opted to increase our liquidity and rein in costs in order to further strengthen our financial position in the event that the crisis deteriorated. Now that we come to summarize the year, I am very pleased with the decisions that have brought us to our current position. This year saw us achieve our best profit ever. This is the result of our business development endeavors in recent years, as well as a reflection of how we as a company have handled the external shock that 2020 has entailed. In parallel with all the measures that we have implemented to strengthen our position during the pandemic, I am also pleased that we have also managed to implement our targeted measures in order to continue developing both the business and our products throughout the year.

Nordax's business is all about financial inclusion and this is the very purpose of all of our products. In order to counteract the exclusion that is becoming more widespread in society, initiatives that promote financial inclusion are increasingly gaining in importance as social initiatives. Increasing digitalization and automation are important driving forces for ensuring a competitive society. The same is true for Nordax. However, we also see too many negative effects created by these forces once standardization becomes too much of a driver. In the wake of this, we can see how it is becoming increasingly difficult for ordinary people to get in touch with their bank or to even get through the standardized forms offered in the digital banking world. One of the primary needs of many people who are currently excluded from the banking sector is to have the opportunity to enter the housing market and buy their own home. In this regard, our mortgage products play an important role, which will become more important in the years to come.

Parallels can be drawn to the situation that Swedish seniors find themselves ie a market economy characterized by a lower pension. Despite the fact that many of these seniors are de facto wealthy, the door is firmly closed to them when it comes to borrowing money. Our Hypotekspension is just another example of how we can work as a business to develop products that serve a key segment of society while also promoting financial inclusion.

I am proud at how Nordax has been able to develop its business in recent years and how we are at presentable to contribute more than ever before to financial inclusion. While there is great social benefit to what we do, it also creates the opportunity for us as a company to engage in further diversification, which in turn reduces the risks the bank is exposed to.

Secured lending through Nordax mortgage products and via SHP amounted to SEK 9.8 billion at the end of 2020, and constituted 36% of Nordax's total lending portfolio. Based on the current growth rate, we expect to pass the milestone of SEK 10 billion in Secured lending during Q1 2021. Our continued strong growth in Secured lending demonstrates the great customer value offered by our mortgage products.

During the year we implemented market initiatives that strengthen our position and brand awareness as a leading player in financial inclusion. As we have made our product available, we have also taken key steps during the year to further improve our capabilities in terms of credit assessment, which is our most critical process. We have also developed our processes and our IT environment, while taking further steps in our project to migrate to a new banking system. Furthermore, we have not only handled the imposition of home working due to the pandemic, but we have also defined our preferred future in consultation with our staff – the outcome is available to read on LinkedIn. Every cloud has a silver lining and I am convinced that Nordax will emerge from the pandemic as an even more modern bank to the benefit of our customers, colleagues and investors.

Despite COVID-19, Nordax delivered its highest profit ever in 2020 with an operating profit of SEK 704 million. The strong result was driven by the good growth over recent years and robust cost controls, while we are also seeing that the scalability of Nordax's platform is becoming increasingly visible. Our capitalization remains strong with a Common Equity Tier 1 Capital Ratio of 16.2 % and a Total Capital Ratio of 17.2%. The return on equity, which increased during the year to SEK 3,352 million, was 18 percent (13). Nordax continues to operate as a profitable and well-capitalized specialist bank.

Finally, I would like to offer my deepest thanks to all my colleagues whose work has made the fantastic journey our company is on possible.

Jacob Lundblad - VD

Stockholm in February 2021

Nordax Bank

2020
DIRECTORS' REPORT
Nordax Bank AB (publ)

Operations

About Nordax
Nordax Bank AB (publ) (Corporate Identity Number 556647-7286), registered office in Stockholm, address Box 23124, SE-104 35 Stockholm, Sweden, telephone number +46 8 508 808 00, www.nordaxgroup. com, hereinafter "Nordax", is a wholly owned subsidiary of Nordax Group AB (publ) (Corporate Identity Number 556993-2485). The owner of the Nordax Group is Nordax Holding AB (earlier NDX Intressenter AB), which is controlled by Nordic Capital and Sampo. On 31 December, they controlled 100 percent of the shares in the company. This is Nordax's sevententh financial year. The Nordax Bank Group consists of Nordax Bank AB (publ), Nordax Sverige AB, Nordax Sverige 4 AB (publ), Nordax Sverige 5 AB (publ), Nordax Nordic 2 AB, Nordax Nordic 4 AB (publ), Nordax Norway 5 AB, Nordax Norway 6 AB and Svensk Hypotekspension AB with the subsidiaries Svensk Hypotekspension Fond 2 AB, Svensk Hypotekspension Fond 3 AB, Svensk Hypotekspension Fond 4 AB (publ) and Svensk Hypotekspension 5 AB (publ).

Market and competitors
One important factor driving the personal loan market is the macro economy. Economic growth with rising GDP, rising house prices, higher disposable incomes and low unemployment normally boost household optimism, private consumption, and demand for personal loans. The personal loan market is characterised by a relative high degree of competition and fragmentation.

Nordax's competitors can basically be divided into two categories: full-service banks and niche banks. In recent years, niche banks have taken market share from full-service banks. The niche banks have product offerings similar to those of the specialist bank Nordax. What varies is the customers they target, the channels they use to reach potential customers and how they finance their lending.

There are several barriers to entry that make it difficult for start-ups of limited size or experience operating in a regulated environment to get established in the personal loan market. One barrier is the economies of scale that largely distinguish the personal loan market. In view of the strict and complex rules and regulations for banks and credit institutions, operators have to establish robust functions and systems for legal issues, compliance and financial management, which in turn requires substantial investment and expertise. Once such functions are in place, operators can normally handle large loan volumes, which creates economies of scale and operating leverage. Start-ups also have to comply with the increasingly complex requirements and provisions relating to capital adequacy and liquidity. Compliance requires capital, a strong management focus and resources to invest in compliance and risk control. The capasity for conduct credit assessments needs tried-and-tested models, which in turn are dependent on access to extensive historical information on loan performance. Developing such models takes time and requires experience with lending, which is a barrier to entry for start-ups.

In the mortgage market, increased competition, stricter regulation and increased standardization has resulted in a strong trend towards automation and standardization among the major banks. This has led to an increasingly large group of non-standard customers, such as those persons in non-traditional forms of employment (the self-employed, part-time employees, project contractors, freelancers, etc.) and/or those with limited credit history no longer being served by the major banks. Nordax has established a strong position in the non-standard market focusing on customers with good creditworthiness, but who are not served by the major banks due to the aforementioned reasons. Nordax's competitors in the mortgage market are mainly other niche banks who also focus on various segments of the non-standard market.

Through the subsidiary SHP, Nordax is also active in the market for equity release mortgages, which enable people over the age of 60 to free up the equity in their homes without having to sell the property.

The market for equity release mortgages in Sweden is strongly associated with SHP, which holds a leading position in the field. Historically, banks, as well as certain insurance companies, have offered term-limited Secured products to seniors. However, these operators have all exited the market within the last few years leaving SHP as the clear market leader. The equity release market has a good rate of growth since the market still has low rates of penetration, while also being supported by underlying trends and the product offering excellent customer value. There are no ongoing interest or amortization requirements associated with equity release mortgages, which become due for payment upon the death of the customer or when they move out of the home. This allows seniors to release value from their own homes without having to sell up or move.

Tried-and-tested business model
Nordax is a leading niche bank, with operations in Sweden, Norway and Finland, offering personal loans and savings products. Since 2019, Nordax no longer grants new loans in Germany, but does offer savings products and has an existing loan book in run-off. Since 2008 there is no new lending in Denmark. The bank has around 144,000 active loan customers and 114,000 active deposit customers.

Lending and saving

Nordax's main business is lending to private customers in the Nordic region. Lending consists of unsecured loans up to the equivalent of SEK 600,000, NOK 500,000 and EUR 60,000 in Finland. Since 2018, secured loans against residential property have also been offered in Sweden, and since 2019 in Norway. Through the subsidiary Svensk Hypotekspension, which was acquired in January 2019, Nordax also offers equity release mortgages for people over the age of 60.

Personal loans are typically held by customers who are middle-aged professionals with incomes above the national household average. They are also approximately in line with or just above the national averages for home ownership.

For mortgages, the main target group is customers with some form of non-traditional employment, such as the self-employed and temporary employees, e.g. project contractors, part-time employees or substitutes. Thorough credit assessments and personalized contact with customers have made more loan approvals possible in this customer group, members of which are often denied credit by the major banks despite their stable finances.

SHP offers secured loans against residential property to Swedes who are 60 or older through its Hypotekspension product, which is an equity release mortgage. Hypotekspension gives senior citizens an opportunity to free up equity without having to sell their home.

Nordax accepts deposits in accounts from the public in Sweden, Norway, Finland and Germany. Deposit-taking generates net interest income for the Group, since lending carries a higher interest rate than deposits. At the same time, deposits facilitate the Group's traditional funding mainly from financial institutions.

Centralized platform

Through a centralized business model and organization, Nordax conducts cross-border lending in Sweden, Norway, Denmark, Finland and Germany in accordance with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

Nordax Bank AB conducts the vast majority of its operations from an office in Stockholm, where all employees and functions are located (SHP additionally operates through a further three offices). This makes it possible to expand the business cost efficiently and facilitates information-sharing between Nordax's various functions and markets. Centralized corporate governance and risk management, as well as centralized control functions, enable Nordax to closely and effectively oversee internal governance and controls. This also simplifies resource allocation.

Marketing

Nordax strives to achieve controlled growth of its loan portfolio while keeping a focus on the creditworthiness of its loan customers. Nordax's risk assessment process begins with the marketing of Nordax's products. Targeted marketing is one of Nordax's core competencies and includes its most important marketing channels, such as addressed direct mail, unaddressed direct mail and marketing via partners. Nordax excludes from its marketing segments that would be unlikely to apply, or be approved, for a loan. This results in more efficient marketing and a higher proportion of loan approvals. Nordax's marketing channels also include lending to existing customers as well as marketing channels that are not targeted, including loan brokers and online channels.

Data-driven and responsible lending

Nordax has extensive experience granting personal loans, and before a loan is approved it carries out a thorough credit assessment on every application in accordance with credit policies and applicable laws and regulations. The credit assessment process consists of a combination of policies, assessment regulations, internal credit assessment models and an estimate of the applicant's ability to pay. The maximum loan amount offered to a customer is calculated using a credit limit matrix based on the customer's creditworthiness. In terms of mortgages and equity release mortgages, an assessment with more manual components is carried out based on the customer's individual qualifications and collateral.

Diversified financing

Nordax's diversified financing comprises asset-backed securities, financing backed by security from international banks, deposits from the general public, senior unsecured bonds, equity and subordinated liabilities. Nordax's asset-backed securities require accessible and detailed information about loans in the portfolio and confirmation that they are performing. The diversified financing reduces Nordax's liquidity risk and enables it to create a larger, more optimal financing mix over time.

Financial results for 2020

Group

Operating profit for January-December 2020 amounted to SEK 704 million (463). Increase due to higher net interest income and lower administrative expenses.

Net interest income amounted to SEK 1,753 million (1,507). Net interest income rose as a result of growth in the loan portfolio.

Credit losses for January-December 2020 amounted to SEK - 416 million (-286), corresponding to 1.6 per cent (1.4) of average lending. Credit losses were affected by an additional provision of SEK 39 million for increased expected credit losses in view of the expected deterioration in the macro environment as a result of the COVID-19 pandemic. Nordax also notes that existing customers' ability to pay may be negatively affected by the COVID-19 pandemic, although the impact to date has been relatively limited.

Operating expenses amounted to SEK -694 million (-821). The decrease was in line with the company's expectations as costs in 2019 were affected by extensive investments in the business and that the company implemented a number of cost savings during Q2 2020.

In connection with a new share issue in Stabelo, Nordax acquired its pro rate share and the entire shares was revalued. The market valuation resulted in an increase in the recognized value totaling SEK 35 million, which also had an impact on the Group's comprehensive income.

Parent Company

Operating profit for January-December 2020 amounted to SEK 618 million (447). increase due to higher net interest income and lower general administrative expenses.

Net interest income for January-December 2020 amounted to SEK 1,363 million (900). Net interest income increased due to a growing lending portfolio.

Credit losses for January-December 2020 amounted to SEK -416 million (-286), corresponding 2.0 per cent (1.6) of average lending. Credit losses were affected by an additional provision of SEK 39 million for increased expected credit losses in view of the expected deterioration in the macro environment as a result of the COVID-19 pandemic. Nordax also notes that existing customers' ability to pay may be adversely affected by the COVID-19 pandemic, although the impact to date has been relatively limited.

Operating expenses for January-December 2020 amounted to SEK -635 million (-735). The decrease was in line with the company's expectations as costs in 2019 were affected by extensive investments in the business and that the company implemented a number of cost savings during Q2 2020.

The market valuation of the shares in Stabelo also affected the parent company's comprehensive income totalling SEK 35 million.

Lending volumes

Personal lending
Nordax continued to see stable growth in the personal loan market throughout the year. The total volume of consumer lending amounted to SEK 17.8 billion as of 31 December 2020 (SEK 18.1 billion as of 31 December 2019).

Mortgage lending
In 2018, Nordax launched mortgage loans in the Swedish market. The main target group is customers with some form of non-traditional employment, such as the self-employed and temporary employees, e.g. project contractors, part-time employees or substitutes. Thorough credit assessments and personalized contact with customers have made more loan approvals possible in this customer group, members of which are often denied credit by the major banks despite their stable finances. Interest in our offering has been substantial and new lending continues to develop positively.

At the end of Q1 2019, Nordax also launched mortgage loans in Norway. As in Sweden, the target group in Norway is the non-standard employment sector, i.e. customers falling outside the tight restrictions imposed by the major banks. New lending has continued to see a positive trend in both Sweden and Norway, with the total mortgage portfolio amounting to SEK 3.2 billion as of 31 December 2020 (SEK 1.7 billion as of 31 December 2019).

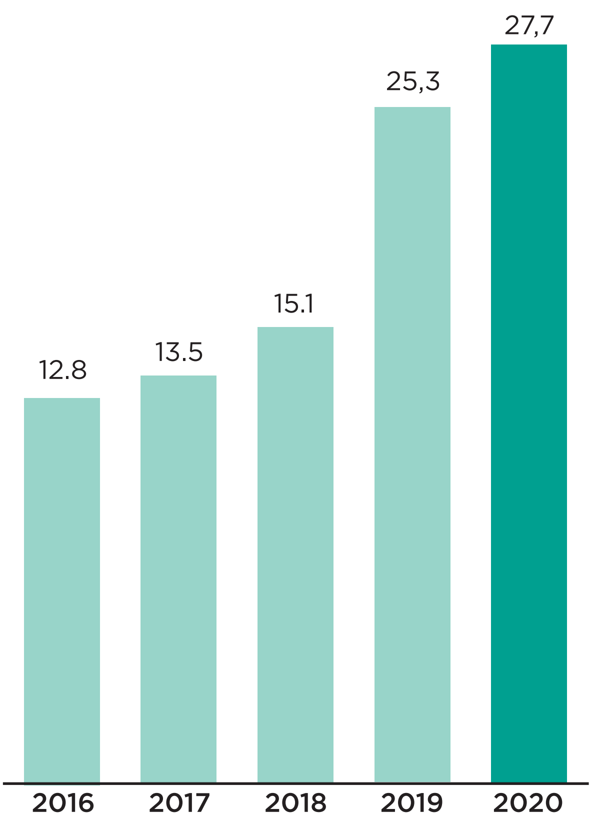
Equity release mortgages
Nordax offers equity release mortgages through its wholly-owned subsidiary Svensk Hypotekspension, which was acquired in January 2019. The portfolio has continued to develop well during 2020 thanks to strong new lending.

The market for equity release mortgages has good potential for development and Svensk Hypotekspension (SHP) has a strong brand profile within the customer group and continues to see a strong customer interest. The total volume of equity release mortgages amounted to SEK 6.6 billion as of 31 December 2020 (SEK 5.5 billion as of 31 December 2019).

Portfolio development
Total lending amounted to SEK 27.7 billion (SEK 25.3 billion as of 31 December 2019).

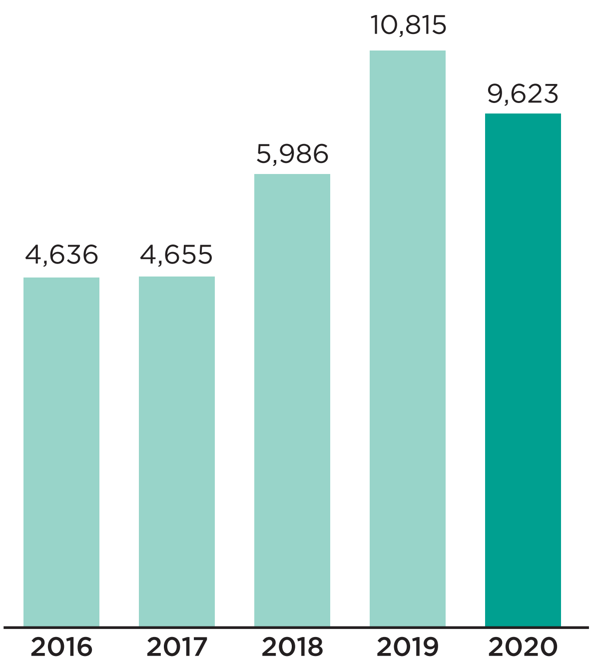
GROWTH IN THE LOAN PORTFOLIO

SEK BILLION



NEW LENDING

SEK MILLION



Financing, liquidity and capital situation

A diversified financing structure is a cornerstone of Nordax's business model. Nordax's financing mix consists of asset-backed securities, senior unsecured bonds, secured bank financing from international banks and deposit-taking from the general public. Nordax offers deposit products with competitive interest rates in all its main markets in the currencies SEK, NOK and EUR.

At the end of the period, the nominal amounts for financing were as follows: SEK 2,250 million (4,111) via the asset-backed (securitised) bond market, SEK 1,080 million (1,000) in corporate bonds and SEK 1,605 million (3,068) in warehouse funding facilities provided by international banks. During the year, deposits from the public increased to SEK 24,203 million (19,222), the increase was mainly in Sweden and Norway. Nordax's short- and long-term objectives are to remain active in the capital market through the issuance of both unsecured senior bonds and subordinated bonds.

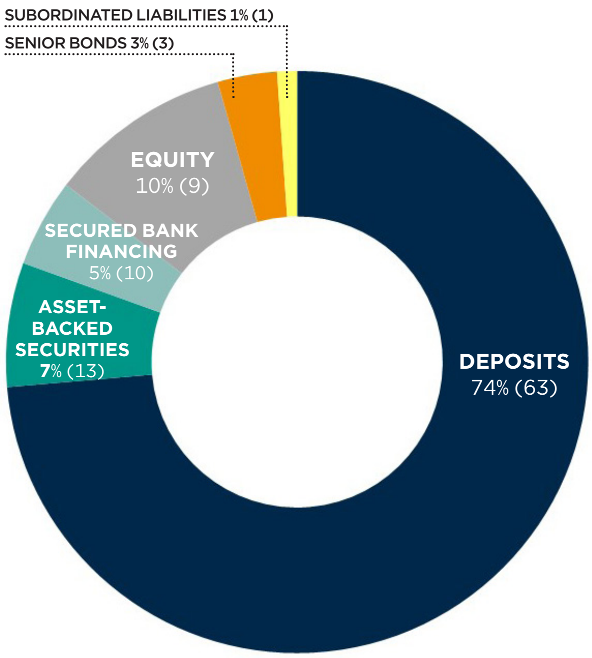
Nordax had a liquidity reserve at 31 December 2020 of SEK 4,073 million (4,239). Of these investments, 25 percent (24) was in Nordic banks, 18 percent (2) in Sveriges Riksbank, 30 percent (36) in Swedish covered bonds, 6 percent (12) in Swedish municipal paper and 21 percent (25) in Swedish municipal bonds and state. In general, these investments have a credit rating ranging from AAA to A+, with the exception of SEK 69 million of exposure to Avanza Bank AB and SEK 219 million of exposure to Danske Bank. The average maturity of the liquidity portfolio was 467 days (220). All bank investments are accessible, and all securities are repurchasable via the central bank. For more information, see Note 4.

Lending to credit institutions on 31 December amounted to SEK 1,101 million (1,152), including SEK 74 million (385) in pledged cash balances for the financing structure and the remainder in available liquidity. On 31 December 2020, equity amounted to SEK 3,352 million (2,775). Total assets amounted to SEK 33,071 million (30,988).

On the same date, the total capital ratio was 17.2 percent (15.3). The Common Equity Tier 1 capital ratio was 16.2 percent (14.0), compared to the Common Equity Tier 1 capital requirement, which is calculated at 7.79 percent including the internally determined Pillar 2 requirement. For more information, see Note 4.

The risk exposure amount rose to SEK 20,839 million (19,747), including SEK 18,937 million (18,011) in credit risk, SEK 386 million (506) in market risk, SEK 1,517 million (1,229) in operating risk and SEK 0 million (1) in CVA.

FINANCING AND EQUITY



Capital and liquidity measures

	2020	2019
Risk exposure amount, SEK million	20,839	19,747
Total Common Equity Tier 1 capital, SEK million	3,384	2,770
Common Equity Tier 1 Capital Ratio, %	16.2	14.0
Total capital ratio, %	17.2	15.3
Leverage ratio, %	10.2	8.9
Liquidity Coverage Ratio (LCR), %	472	514
Funding ratio (NFSR), %	120	120

Segments

SWEDEN	2020	2019
Net interest income, SEK million	657	518
Net interest margin, %	6.9	7.5
Net credit losses, SEK million	-140	-72
Credit loss level (cost of risk), %	1.5	1.0
Lending at end of period, SEK million	10,695	8,442
New lending, SEK million	4,986	5,027
Growth in loan portfolio, SEK million	2,253	3.020
Growth, %	26.7	55.7

The lending business launched operations in Sweden in 2004, and have since been supplemented with deposit-taking and mortgage lending later on.

In Sweden, we currently have approximately 55,000 personal loan customers, and around 2,100 mortgage customers. The total number of deposit customers is approximately 67,000. The average personal loan is around SEK 220,000 and the average mortgage is SEK 1,100,000. 58 percent of our personal loan customers own their home and the average age is 50 years old.

During 2020, the Swedish loan portfolio grew by 26.7 percent compared to 2019. The value of the portfolio as of 31 December 2020 was SEK 10,695 million.

New lending decreased from SEK 5,027 million in 2019 to SEK 4,986 million. The net interest margin for the period declined slightly to 6.9 percent (7.5), mainly due to an increased proportion of mortgage customers.

Credit loss levels increased to 1.5 percent (1.0) compared with 2019.

NORWAY[1]	2020	2019
Net interest income, SEK million	479	422
Net interest income, NOK million	488	393
Net interest margin, %	8.1	7.6
Net credit losses, SEK million	-124	-119
Credit loss level (cost of risk), %	2.1	2.1
Lending at end of period, SEK million	5,654	6,140
Lending at end of period, NOK million	5,900	5,788
New lending, SEK million	2,238	2,644
New lending, NOK million	2 ,298	2,467
Growth in loan portfolio, SEK million	-486	1.189
of which, currency effects	-612	131
Growth excluding currency effects, %	1.9	20.4

[1] Ajustments has been made in year end 2019 compared to prior year's report. Net interest income has been adjusted from NOK 411 million to NOK 393 million due to reallocation of administrative fees between interest income and commission income. An adjustment of the lending have been made from 5,528 to 5,788. The currency effects have been adjusted from SEK 157 million to SEK 131 million for the total year.

Nordax established its lending business in Norway in 2005 and deposit-taking in 2009. The mortgage business was launched in 2019.

The total number of personal loan customers in Norway is around 33,000, there are approximately 1,500 mortgage customers, and the number of deposit customers totals around 28,000. The average loan in Norway is NOK 188,000. 77 percent of personal loan customers own their home and the average age is 52.

The loan portfolio amounted to SEK 5,654 million, which corresponds to growth, adjusted for currency effects, of 2 percent. New lending reduced from SEK 2,644 million to SEK 2,238 million in 2020, primarily due to the COVID-19 pandemic and the regulations limiting personal loans (the so-called 555 rules). The net interest margin increased compared to 2019 to 8.1 percent (7.6).

The credit loss level for 2020 corresponded to that of the preceding year, which amounted to 2.1 percent.

FINLAND	2020	2019
Net interest income, SEK million	394	370
Net interest income, EUR million	37	35
Net interest margin, %	9.4	9.2
Net credit losses, SEK million	-146	-75
Credit loss level (cost of risk), %	3.5	1.9
Lending at end of period, SEK million	4,064	4,349
Lending at end of period, EUR million	404	417
New lending, SEK million	1,069	1,715
New lending, EUR million	101	162
Growth in loan portfolio, SEK million	-285	647
of which, currency effects	-156	53
Growth excluding currency effects, %	-3.1	15.6

Nordax established its lending business in Finland in 2007 and deposit-taking in 2011.

The total number of loan customers in Finland stands at approximately 34,000 and the number of deposit customers around 1,100. The average loan in Finland is around EUR 16,000. 74 percent of personal loan customers own their own their homes and the average age is 50 years old.

The loan portfolio in Finland amounted to SEK 4,064 million (SEK 4,349 million). In local currency, the loan portfolio decreased by 7 percent compared to the same period in 2019. The COVID-19 pandemic and regulatory changes had a negative impact on new lending, which fell by 37.6% in 2020, amounting to EUR 101 million.

The net interest margin remained at the same level as in the year before at 9.4 percent (9.2).

Credit loss levels increased to 3.5 percent (1.9) compared with 2019.

GERMANY	2020	2019
Net interest income, SEK million	59	82
Net interest income, EUR million	6	6
Net interest margin, %	8.6	7.7
Net credit losses, SEK million	-11	-29
Credit loss level (cost of risk), %	1.6	3.2
Lending at end of period, SEK million	575	801
Lending at end of period, EUR million	57	77
New lending, SEK million	6	86
New lending, EUR million	1	8
Growth in loan portfolio, SEK million	-226	-208
of which, currency effects	20	20
Growth excluding currency effects, %	-25.5	-22.0

The German business was established in 2012 and deposit-taking started in 2016. In the second quarter of 2019, a decision was made to stop new lending in Germany as profitability had not reached the desired levels. Nordax has continued to accept deposit-taking in Germany.

The loan portfolio amounted to SEK 575 million (801) as of 31 December. In local currency, the loan portfolio decreased by 28 percent compared to the same period last year. New lending in local currency fell to EUR 1 million (8).

The net interest margin increased to 8.6 percent (7.7) compared to full-year 2019.

The net credit loss level decreased to 1.6 percent (3.2) during the year.

SHP	2020	2019
Net interest income, SEK million	163	113
Net interest margin, %	2.7	2.4
Net credit losses, SEK million	-1	0
Lending at end of period, SEK million	6,645	5,508
New lending, SEK million	1,324	1,342
Growth in loan portfolio, SEK million	1,137	-
Growth, %	20,6	-

Svensk Hypotekspension AB was founded in 2005, while the acquisition of the company finalised in January 2019. SHP offers secured loans against residential property through its equity release mortgages. These are available to borrowers who are 60 or older. Hypotekspension gives senior citizens an opportunity to free up equity without having to sell their home.

The total number of customers in Sweden is approximately 7,800.

The average loan amounts to approximately SEK 841,000 and the average age of borrower age is 77.

The lending portfolio grew by 21% and as of 31 December 2020 it stood at SEK 6,645 million (SEK 5,508 million) compared with 2019. New lending amounted to SEK 1,324 million (SEK 1,342 million).

The net interest margin was 2.7 percent (2.4).

Sustainability report

For Nordax, sustainability relates to contributing to the long-term positive development of society in order to benefit all the company's stakeholders. Nordax's business concept is to promote financial inclusion, with the credit assessment process constituting the most important aspect in the bank's efforts to create value.

Nordax's most important stakeholders is the customers. In addition, Nordax, like other businesses, has other key stakeholders such as employees, suppliers, business partners, supervisory authorities, stakeholder organizations and investors. They influence and are influenced by Nordax's activities in various ways. As a consequence, Nordax holds a great responsibility to run a business that is sustainable in the long-term while also creating value for all stakeholders.

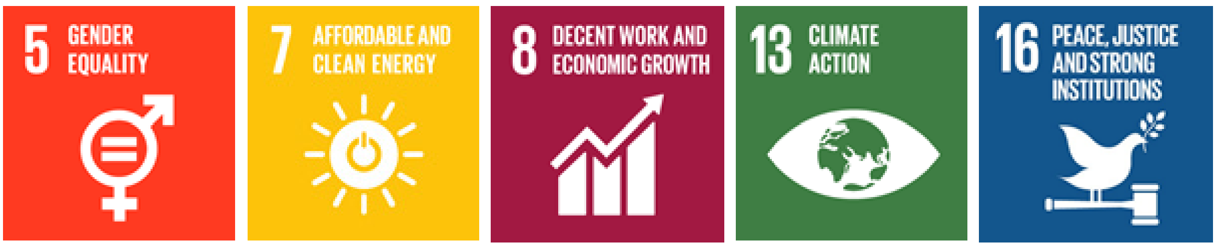
Nordax maintains continuous dialogue with all of our stakeholders and during the year we decided to revise and clarify to some extent of the sustainability areas that have been identified as the most significant ones for the company's long-term value creation.

Nordax's sustainability reporting aims to continuously monitor and cast light on those areas that are most significant to the company's long-term value creation on behalf of all its stakeholders. The bank's reporting also aims to illuminate risks that the company is exposed to. The report is prepared in accordance with all applicable regulatory requirements.

The areas identified by Nordax as the its most important sustainability areas are "Financial Inclusion and Responsible Lending", as well as "Sustainable organization". Within these areas, our focus is directed at our own impact on the environment, ensuring high standards of information security and combating financial crime.

Nordax is a member of the United Nations Global Compact and aims to promote both the Global Compact's 10 Principles as well as the UN's 17 underlying Sustainable Development Goals. Nordax has identified five goals where the company can actively contribute through its activities.

These goals are: Gender Equlity, Affordable and Clean Energy, Decent Work and Economic Growth, Climate Action, Peace and Justice Strong Institutions.



Structured sustainability work across two focus areas

FINANCIAL INCLUSION AND RESPONSIBLE LENDING

Nordax's business is fundamentally about contributing to financial inclusion and this is the basis of all products provided by the group. As financial exclusion becomes ever more widespread in society, the importance of the financial sector creating products and delivering initiatives that can counteract this trend is increasing.

Society has been moving towards increased digitalization and automation, which are important driving forces for ensuring a competitive society, over the course of many years. The same is true for Nordax. At the same time, we are observing that digitalization, automation and standardization are all strong contributory factors to financial exclusion. Customers are being guided to standardized forms online to an even greater degree and these frequently fail to work for customers who have any form of deviating circumstances, while the advent of standardized self-service has resulted in the closure of bank branches and the laying off of banking employees. It is becoming increasingly difficult for ordinary people to get in touch with their bank. One of the most primary needs for the many people who are currently excluded from the banking sector is to have the opportunity to enter the housing market and buy their own home. Nordax is working to facilitate this through its mortgage products, and the bank's aim is to act as an enabler for the customers. A review of the customer profile among Nordax's Swedish mortgage borrowers shows that one fifth of Nordax mortgage customers are individuals in non-standard forms of employment or with non-traditional patterns of income. Three fifths are individuals with a more traditional financial profile but who do not fall within the framework of the standardized processes used by the major banks, and one fifth are individuals with some form of payment remarks. Nordax mortgages fulfil an important role in building an inclusive society.

Parallels can be drawn to the situation that many seniors find themselves, ie in a situation where their disposable income shrinks at the same time they are largely excluded from financial products. Despite the fact that many of these seniors are de facto wealthy with significant value locked in their homes, the door is firmly closed to them when it comes to borrowing money. At the same time, we are living longer and increasingly active lives until very senior ages. For all those seniors who do not want to sell their homes and move so that they can release capital, Nordax's equity release mortgages are another example of how the banking world can develop products to serve a key segment in the community while contributing to shaping a more inclusive society.

As of 31 December 2020, Nordax's Secured lending amounted to SEK 10 billion, which is an increase of 10% compared with the preceding year. The growth in the customer base is the most important proof that Nordax's secured products fulfil an important role in contributing a financially inclusive society, something which will become more important in the years to come.

Nordax has offered personal loans since 2004, and these have long constituted the bank's core business. As of today, personal loans represents 64% of Nordax's total lending portfolio compared with 72% for the previous year. The basis of Nordax's personal loan business is to enable levelling of consumption over the course of the customer's lifetime. Given the nature of the product, the early redemptions of loans in our personal loan portfolio is fairly high, which is also a sign of health. Redemptions are always available at no extra cost.

A large proportion of Nordax's personal loans are used to refinance costly, small loans and lines of credit in order to reduce the customer's monthly expenses. Nordax's personal loan customers come from all ages and walks of life. The average age is 50 years old, while the average monthly income is SEK 39,000 and slightly over 66% of customers own their own home.

Responsible lending

In Nordax's efforts to promote financial inclusion, responsible lending is Nordax's most important process. Loans are offered only to financially stable individuals and customers should never be offered loans they cannot afford. Nordax should never contribute to over-indebtedness in terms of individuals or society as a whole. However, there is always a built-in risk that a customer for various reasons may run into difficulty repaying their loan due to circumstances that could not have been predicted at the time the loan was approved. This risk is built into all lending activities. It is Nordax's responsibility to do its utmost to reduce the proportion of customers who default on their payments, and also doing its best to assist those customers regrettably end up in this situation. Each loan application undergoes a correct and adequate credit assessment through the use of a tried and tested lending process. The credit assessment is conducted in accordance with good lending practices and is always based on the customer's financial situation, and carried out in accordance with Nordax's credit policy, which is based on external regulatory requirements. All customers must have a financial buffer in their personal finances, which we verify by a number of means such as analysis of their levels of indebtedness and through a left-to-live-on calculation.

* Secured lending is the collective term for Nordax mortgage loan and Nordax equity release mortgages.

Nordax's long experience in the industry, various geographical markets and different economic cycles, has provided valuable knowledge and data that is used to develop models for an advanced data-driven credit assessments that have a high predictive ability. In recent years, the company has invested considerable resources into further developing its lending process through strengthening the constituent elements of the ecosystem. For instance, the bank has addressed the way it works with structuring data, how data is aggregated and analyzed, how cross-functional forums engage with analysis and decision-making, how adaptations and revisions to the regulations are tested and implemented, and how ongoing monitoring and follow-up is conducted.

Other specific measures that were implemented during 2020 include the launch of a left-to-live-on forum to enable the continuous follow-up and review of how the bank maintains a high standard in terms of its left-to-live-on analyses when lending, the implementation of account data for credit assessment purposes and in order to counteract cases of fraud, as the launch of a Conduct forum which aims to ensure proactive, cross-functional dialogue in relation to Nordax's behavior in all regards ranging from marketing to product design and promotions.

Taking responsibility during the pandemic

In 2020, the bank also implemented comprehensive and ongoing adjustments to its credit regulatory framework in order to ensure that its lending activities remained fully responsible throughout the pandemic. This means that the credit regulations were tightened and that lending was kept at lower levels during Q2 and Q3 2020, while levels returned towards normal during Q4.

Another important aspect of responsible lending is to ensure good service to those customers who find themselves encountering payment difficulties for any reason at all. If a customer for any reason has payment difficulties the lender has a far-reaching responsibility for that loan and must act to find a solution. The most common reason in these situations are unexpected events such as divorce or redundancy. During 2020 and the pandemic, society has been faced with processing an extreme external shock to the system which has had a profound impact on the finances of many individuals. As a result, customers who would ordinarily not have had any difficulties making payments have risked distressed circumstances. During 2020, Nordax has consequently focused even more on its responsibility to take care of its existing customers. This drive by Nordax included the launch of a special payment relief program (COVID-Pay) during the spring to help customers negatively affected by COVID-19, which allowed them to pay one third of their regular monthly payment during a three-month period. Furthermore, additional resources have been assigned to our customer service organization to ensure that we are able to work together with our customers to find solutions when requested. If a customer finds themselves facing difficulties in making payments, this is a problem for the bank. However, the problem is always far more dramatic for the individual. Nordax has a significant corporate social responsibility to ensure that the best possible solution is secured for each individual customer in each given case. Nordax's responsible approach is evidenced by the fact that the repayments team at Nordax achieved a customer satisfaction rating of 93% in 2020.

Money laundering and other financial crime

Another consequence of being engaged in banking activities is that the company is exposed to the risk of financial crime such as fraud, money laundering and terrorist financing. Addressing these issues correct and responsibly is essential for us at Nordax as a company, but it is also crucial to earning the trust of our stakeholders and society at large.

In recent years, Nordax has completed an extensive work to strengthen its rules and processes and make them more efficient, to avoid Nordax being exploited for the purposes of money laundering and other types of financial crime. This framework is an integral part of Nordax's risk management activities and the internal distribution of responsibilities is based on a model of three lines of defense. The Nordax Anti-Financial Crime ("AFC") department is responsible for establishing, implementing and executing appropriate procedures and checks to prevent, detect and when needed investigate financial crime. Furthermore, Nordax has appointed the Chief Compliance Officer as the Money Laundering Reporting Officer. This officer is tasked with reviewing this work independently of the AFC unit and report to the management team and board of directors. Additionally, the internal audit function is responsible for reviewing the work of both the AFC department and the Money Laundering Reporting Officer, and reports directly to the board of directors.

Ambitions and KPIs

Nordax is currently the leading player in the Nordic market in terms of credit assessment expertise. Nordax's goal is to ensure that credit losses do not exceed 2%. In 2020, credit loss levels were 1.6% (1.4%). The bank expects to improve this metric in the years to come. An important metric in determining Nordax's capacity to deal with its customers in a way that is responsible and focused on their needs is through the use of a "Customer Satisfaction Score" (CSAT), where the company's continuous aim is to ensure that it is always among the top three firms in the industry. In 2020, Nordax achieved an average CSAT of 92% (91%), which corresponded with 3rd place in the industry.

Nordax's ambition is for all employees in the company to undergo training on Nordax's processes on an annual basis in order to prevent and counteract Nordax's business from being exploited for the purposes of money laundering and other forms of financial crime. In 2020, 99.4% (94.7%) of the company's staff took the training program offered by the AFC unit.

Nordax's work in the fields of financial inclusion and responsible lending are linked to the UN's Sustainable Development Goal no. 8 relating to decent working conditions and economic growth, and more specifically to target 8.10 "Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all".

Nordax's ambition in its work to combat financial crime is connected to the UN's Sustainable Development Goal no. 16 relating to peace, justice and strong institutions, and specifically to target 16.4 to "combat organized crime and illicit financial and arms flows".

SUSTAINABLE ORGANIZATION

Developing a sustainable organization is an important area of focus for Nordax. This is essentially a case of future-proofing the company by ensuring that it attracts and retains the right expertise, that engagement and leadership are both strong, that succession planning is in place for business-critical roles, and that Nordax is perceived to be a modern, equal and diverse organization.

This also means that the organizational structure must be effective in terms of managing inherent risks and opportunities, as well as ensuring that business processes and the IT environment interact in a cycle of feedback and improvement.

Leadership and commitment

Engaged employees are and will continue to be one of the key success factors in Nordax's work to be a sustainable organization. Nordax's activities in 2020 were affected by the pandemic. Initially, the bank's work related to securing our capacity to operate the business remotely and to transition to fully digital working processes. Team meetings, weekly meetings, employee reviews, daily standups, workshops, townhalls, etc. all continue to take place at the same frequency and with the same energy as before the pandemic.

Following Nordax's handling of the initial, practical phase of the impact of the pandemic, the company spent the second half of the year directing a more targeted focus at key cultural variables and on defining how the business will operate after the pandemic is over. This is in order to maintain efficiency and well-being, while also retaining existing personnel and attracting new employees. As part of this work, employees were invited to participated in an inventory process of the bank's corporate culture, which formed the basis for carrying relevant adjustments or planning these for future implementation. The outcome of this work, referred to both internally and externally as Hello Future, is available to read in full on LinkedIn, as well as being available on Nordax's website.
Despite the pandemic, work to strengthen co-leadership and leadership has continued with its vigor unchanged. Around 80 employees underwent co-leadership training and 16 new managers took the company's leadership training during the course of the year.

Given that 2020 was characterized by working from home, the company opted to focus additional resources on counteracting both physical and mental health issues. The importance of a present leadership and a strong feedback process in what is becoming an increasingly digitized working existence has been emphasized and training has been offered at multiple organizational leadership gatherings. Nordax has also conducted additional employee satisfaction surveys to keep in touch with the pulse of the organization's personnel as a whole.

All employees have access to "work from home kits" that contain everything from essential tools to external coaching and ergonomic support. The company has also increased its team contributions and is engaged in a range of company-wide activities that aim to encourage good mental and physical health.

In 2021, the focus will be aimed at measures that confirm Nordax's position as a modern, responsible employer. This will include ongoing work to support our corporate culture and values, especially in light of the fact that the future will also involve a high degree of flexibility and remote working. This will also involve a focus on education in the areas of co-leadership and leadership, as well as the establishment of an even stronger induction program for our new hires.

Ambitions and KPIs

Given that employee's commitment is an established success factor for the bank, Nordax's ambition is to have a leadership index rating in excess of 85% and levels of employee engagement exceeding 80%. The results of the company's quarterly measurements of employee satisfaction and its leadership index during Q4 2020 were 84% and 87% respectively*.

Nordax monitors its Employee Net Promoter Score (eNPS) on a continuous basis. This score measures to what extent our employees would recommend Nordax as an employer. During the year, our eNPS increased from 34 during Q4 2019 to 45 during Q4 2020, which is a high score compared with the rest of the industry.

A key focus for Nordax during 2020 was to minimize employee turnover, and this aim will be retained during 2021. Nordax's ambition is for employee turnover to be less than 20%, which the company did not achieve during 2020. Nordax's rate of employee turnover in 2020 amounted to 21.3% (25.9%).

Equality and inclusion
As part of its desire to be an attractive, modern company, Nordax's holds the ambition for its employees to feel that they receive competitive and fair remuneration, and that staff should have a fair opportunity to achieve a reasonable work-life balance. This is supported by the shortened working hours adopted by the company.

Diversity issues are important to Nordax in order for the company to be able to utilize the benefits of diversity and inclusion, while also ensuring that we can respond to our customers across our range of markets.

Our work to broaden diversity is supported through measures such as our evidence-based recruitment platform which was successfully rolled out in 2019.

Ambitions and KPIs
It goes without saying that Nordax values equality and considers all people to hold equal value, and this is an important area for the bank in terms of its ambitions. This year's salary survey shows that women earned an average of 101% (99%) of men's salaries at the bank.

Furthermore, Nordax also holds the ambition of ensuring that the various layers in the organizational structure are equal and it therefore engages in continuous monitoring of the gender proportions in the company. The proportion of women in the organization amounts to 60%, while the proportion in leadership roles is 46%.

Nordax's ambition in its work is connected to the UN's Sustainable Development Goal no. 5, and specifically to targets 5.1 "End all forms of discrimination against all females everywhere" and 5.5 "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life".

IT and information security
In many cases, Nordax's financial services constitute a vital cog in our customers' personal finances which they rely on the availability of through a range of channels. They also entrust us with sensitive personal data about their financial situation. In order to manage the trust that our customers given us, it is essential that we have appropriate IT systems in place, as well as ensuring that these are delivered reliably and securely.

In order to meeting our customers' expectations and ensure that we remain a sustainable business in the long-term, Nordax is currently engaged in intensive modernization of its IT systems. The main core banking systems are being upgraded to new, modern versions and we are expanding the digital channels that are available to our customers. Internally, this work will result in lessened complexity which will ensure the more secure, quicker delivery of services. The replacement of our central banking systems will take place throughout 2021 and into 2022.

Information security is an area that is the subject of our continuous focus as the threats posed to the banking sector are constantly changing and developing. In 2020, Nordax has allocated significantly more resources to this area to further strengthen the work. This has enabled the implementation of several important initiatives to raise security and also adhere to the increased requirements in this area as stipulated by the regulatory authorities.

In order to economize, Nordax applies a well-developed prioritization process in the case of both major projects and minor changes, involving the parties that have requested the change and other affected parties within the organization. Priority is given to regulatory requirements, while commercial initiatives are prioritized based on the extent of the forecast commercial benefit.

Ambitions and KPIs
Nordax's ambition is to have completed the migration of its personal loan portfolio in Sweden to its new banking system and to have finalized the bank's full core migration during 2022. In the field of information security, Nordax must meet the requirements that are imposed on the bank by new legislation and regulations, and we must meet our customers' expectations that we will process all data that they entrust to us securely. During the course of 2021, Nordax will roll out an updated information security program on behaviors relating to and the management of information security within the bank.

* Nordax measures the employee satisfaction and its leadership by &frankly.

Processes

Nordax applies a process-oriented approach to its work which is based on the financial products that we offer on the market. We consider this to be the most customer-oriented and efficient approach to our work in order to meet the demands and expectations that we encounter from the market, our customers and other stakeholders. A process-oriented approach to work allows us to view the entire workflow across organizational boundaries and identify how different parts affect each other. It also provides clarity on how specific employees' duties contribute to the bigger picture, and helps to create value for our colleagues and ultimately for our customers.

Nordax has mapped and documented the most significant processes within the bank, which are primarily composed of the processes that create the products that we offer to the market – personal loans, mortgage loans, equity release mortgages and savings accounts. Each process has one process owner appointed to manage it, and this individual is tasked with exercising commercial responsibility for the process while also taking responsibility for ensuring that the process is sustainable. This responsibility is satisfied through ensuring that all processes have in place a plan to guarantee continuity and recovery in the event of disruption or interruptions to that process. Additionally, the process owner is responsible on a continuous basis for identifying and assessing the risks of the process not functioning as intended, and for managing these risks, for instance through controls. This process risk management is an integral part of Nordax's overall risk management framework.

Ambitions och KPIs

Nordax shall update and test its plans for continuity of and recovery in the event of disruption or interruptions to all significant processes, and this should be done on an annual basis.In addition, the company must conduct an annual risk analysis for each significant process to identify and manage process-related risk. Everything stipulated above was completed according to plan in 2020.

Healthy operations through governance and control

Nordax works continuously to comply with regulations and ethical standards, manage and minimize risks and to maintain a health corporate culture in relation to all ethical issues.

Nordax has developed a clear framework to ethical issues in general. This incorporates issues such as conflicts of interest, remuneration, corruption, incident management and customer complaints, whistleblowing, and conduct in the financial market and towards customers. The ethical framework has been communicated to all employees who also undergo training on a continuous basis. Nordax has also developed a code of conduct based on its ethical framework.

Furthermore, Nordax has developed more detailed rules, processes and training that apply to specific areas incorporated into the ethical framework.

Nordax advocates transparency and encourages its employees to report any observations regarding suspected irregularities or unethical or illegal behavior within Nordax. Nordax's employees should always feel that there is someone for them to turn to regardless of what such a report relates to, which is why the bank has multiple reporting channels. Employees are also able to submit reports anonymously via Nordax's whistleblowing process.

All cases that are reported are investigated with immediate effect and appropriate measures are implemented.

We seek to avoid conflicts of interest within Nordax insofar as this is possible. If conflicts of interest do arise in spite of this, then there are clear procedures in place for identifying and managing these at different levels within the bank.

Having a fully functioning approach to risk management is a fundamental prerequisite for any player in the financial market if they are to succeed. Nordax has established an Enterprise Risk Management (ERM) framework. Instead of managing individual risks separately across different departments or risk areas, the ERM seeks to ensure that all financial, operational and strategic risks in the company are managed uniformly, and that the common risk strategy permeates the entire organization. The ERM creates the conditions to enable every layer within Nordax to take responsibility for risk management, which allows for quicker, more efficient, more conscious decision-making. This uniform approach to risk management also creates an overarching and holistic view of the risks that Nordax is exposed to. The ERM also provides assistance when making strategic decisions as the types and level of risk that the bank is willing to accept are based on the overall strategic and financial goals of the bank.

Ambitions and KPIs

Nordax's ambition is to maintain healthy operations through good governance and control. In 2021, the company will continue to develop and integrate both its ethical framework and risk management framework into its activities.

Furthermore, during the course of 2021, Nordax will also analyze how the EU's new sustainability-related regulations affect the bank and draw up relevant ambitions related to these. Nordax's framework for ethical issues is linked to the UN's Sustainable Develop Goal no. 16 and specifically its target 16.5 "Substantially reduce corruption and bribery in all their forms".

Environmental impact

Nordax's business has a relatively limited carbon footprint. The areas in which Nordax has an environmental impact are consumption of paper through offering our products, as well as energy consumption in our workspace. In recent years, Nordax has implemented a number of initiatives with the aim of digitalizing and automating aspects of our business that lead to ecofriendly and more sustainable profits through reduced carbon emissions in the form of less paper consumption. Additionally, Nordax undertakes climate compensation in lieu of its paper consumption using the provider ZeroMission.

In 2020, Nordax transitioned to a green lease agreement, and in relation to the renovation of its offices during the year the company switched to ecofriendly lighting. From the beginning of 2021 onwards, Nordax has also switched to a new ecofriendly electricity plan.

Ambitions and KPIs

Nordax's ambition is to continue to undertake climate compensation in lieu of its paper consumption while also retaining its green lease agreement and green electricity plan. Furthermore, the company will conduct an energy survey for 2020 which will be submitted to the Swedish Energy Agency during the spring of 2021. This energy survey will be carried out by a certified energy surveyor and may result in further initiatives designed to minimize Nordax's energy consumption.

Nordax's ambitions are connected to the UN's Sustainable Development Goals nos. 7 "Ensure access to affordable, reliable, sustainable and modern energy for all" and 13 "Take urgent action to combat climate change and its impacts".

Policies

Nordax's sustainability policy describes the company's overall governance within sustainability and the focus areas. The policy emphazie the importance of integrating sustainability into strategy development and day-to-day operations. This also includes how risks are to be identified and managed. Other policies related to Nordax's sustainability work are listed below:

- Policy regarding ethical standards
- General Credit Policy
- Policy on diversity and assessment of suitability of directors and key function holders
- Policy regarding Work Environment and Safety
- Remuneration Policy
- Financial Crime Policy
- Anti-Bribery Instruction
- Complaints Management Policy
- Outsourcing and Procurement Policy
- Privacy Policy
- Information Security Policy
- Code of Conduct

KEY FIGURES	2020	2019
Financial inclusion and responsible lending		
Credit loss level, %	1.6	1.4
General satisfaction, customer service by telephone, Bright's surveys (Index: 0-100) (December result)	92 %	91%
Sector ranking, customer service survey via Bright	top 3	top 3
Average salary for personal borrowers	39 TSEK	41 TSEK
Proportion of homeowners, personal loan borrowers	66%	67%
Average balance personal loans	196 TSEK	200 TSEK
Average age personal loans	50	50
Customer complaints	133	118
Complaints to the National Board for Consumer Disputes in Sweden, the Norwegian Financial services Complaints Board in Norway and the Consumer Disputes Board in Finland	6	8
Employees who have undertaken Work Environment Act training	99%	95%
Sustainable organization		
Commitment Index, employees (Scale: 0-100) (Q4)	84	81
Leadership Index, employees, (Scale: 0 to -100) (Q4)	87	85
ENPS (Scale -100 to + 100) (Q4)	45	34
Number of employees, total at year end	351	303
Result of salary survey	101.0%	99.0%
Employee turnover (12 month rolling bases)	21.3%	25.9%
Gender distribution, total (men/women), %	40/60	42/58
Gender distribution, executives (men/women), %	54/46	54/46
Gender distribution, managers (men/women), %	50/50	43/57
Gender distribution, Board of Directors (men/women), %	86/14	88/12
Sick leave, %	3.37	4.7
Efficient use of resources		
Electricity to the office, kWh*	158,941	148,782
Paper consumption, printed matter, customer communication etc., tons	157.89	240.6
Paper consumption, printed matter, customer communication etc., CO2e, tons	47.4	72.2

* During 2020 Nordax have expanded its office space with approximately 420 sqm and renovated existing premises, which has lead to higher energy consumption.

Risk and risk management

RISK MANAGEMENT FRAMEWORK

Value creation risk management

Nordax strives to maintain a risk management framework that creates value through a healthy corporate culture and a high level of awareness around risk, which also incorporates a responsibility for profitability. A healthy culture around risk is achieved through ensuring that all employees are aware of the risks that are associated with each task and through clearly articulated limits for accepted exposure to risk. A high level of risk awareness is achieved through, among other things, the clear ownership of risks and assigning responsibility for ongoing risk management.

To ensure appropriate and effective risk management – identify, analyze, mitigate and report risk – and internal control, Nordax has established a model with three lines of defense. The purpose of the model is to create clearly defined responsibilities and distinguish between functions that own risk (first line of defense), functions for monitoring, control and support (second line of defense) and functions for independent audit (third line of defense). The model with three lines of defense is also an effective way to manage increasing regulatory requirements, ensure that internal rules are observed and that any breaches are quickly identified and efficiently mitigated.

First line of defense – business operations

The first line of defense consists of the business operations, which are responsible for internal control and risk management in the line organization. This means that every employee is responsible for day-to-day risk management within their area of responsibility.

Second line of defense – independentcontrol functions

The second line of defense consists of the independent control functions RiskControl and Compliance. These functions monitor, control, and report business riskmanagement andcompliance. The second line of defense is responsible for establishing principles and a framework for the business operations' risk management.

Third line of defense – Internal Audit

The third line of defense, Internal Audit, evaluates the bank's collective risk management and compliance and reviews the work of the first and second lines of defense. This includes evaluating the effectiveness of ongoing risk management and the work performed by Risk Control and Compliance. The bank's Internal Audit was conducted in 2020 by PwC AB.

Development of risk managementng av riskhanteringen

The development of risk management during 2020 has been characterized by work on the long-term goal to create value and engage in integrated and overarching risk management encompassed in the bank's Enterprise Risk Management framework. In 2020, the overarching focus has been on, among other issues, the streamlining of process-related riskmanagement, improved monitoring, analysis and reporting of board limits and system support in ongoing risk management. There has been a specific focus on Nordax's framework for managing information security. As a result of the COVID-19 pandemic, some partial changes were made in relation to which risk indicators were most critical. Furthermore, the crisis also resulted in a need for closer monitoring and an increased frequency in reporting to the management team and board of directors.

Risk overwiew

The most important risk areas that Nordax is exposed to are:

- Credit risk
- Operational risk
- Market risk
- Liquidity risk
- Compliance risk
- Business risk

Credit risk

Credit risk consists above all else of the risk that a customer will not be able to repay their loan, but also arises when Nordax invests its liquidity. Nordax only invests its liquidity with highly rated firms and in asset classes recognized as secure, such as sovereign debt and covered bonds, to achieve a well-diversified liquidity portfolio.

By maintaining a robust lending process for consumers, Nordax can accept a higher credit risk in the personal loan category. Nordax continuously monitors the credit risk in its portfolio via statistical analysis, as well as by regular validation of its credit risk models. An analysis is performed of the risk that the loan will result in a claim for payment, as well as the possibility of the need for impairment.

In addition, various segments that are important to credit assessment are analyzed on a continual basis. The result of these actions then forms the basis for the continuous assessment which is done using the parameters of the assessment model. When necessary, an adjustment is made to the model that serves as the basis for lending.

In the case of the mortgage product, the appetite for risk is low. In general, the portfolio is diversified in terms of market and customers in different risk classes, to achieve a sustainable risk-adjusted return.

Nordax's credit risk policy sets out the fundamental requirements for customers to whom Nordax is willing to lend money. Within the scope of these fundamental requirements, loan officers are subject to personal decision limits based on their experience with credit assessment. Responsible lending also means managing customers who, for various reasons, fail to repay. Nordax's debt recovery department is proactive in taking responsibility for customers facing payment difficulties and assisting them. For more information, see note 4.

Operational risk

Every part of Nordax's operations is exposed to operational risks, which includes the risk of losses arising from inappropriate or faulty internal processes, human error, inadequate systems and external events including legal and compliance risks. To manage and minimize these operating risks, various tools and processes are used, such as self-assessments, incident management, continuity and crisis management, control testing, monitoring of risk indicators and the approval process for new products, services and processes.

In 2020, work to transition from manual processes while introducing a greater degree of digitization and automation continued. The purpose of the modernization is to offer a customer-friendly digital environment that lives up to the current demands in terms of information and IT security as well as management of personal data. Due to the COVID-19 pandemic, this work assumed another important purpose - that of quickly enabling Nordax staff to work from home. Furthermore, work has begun to implement system support for the management of operational risks and controls. Nordax has maintained a medium-to-high appetite for operating risk.

Market and liquidity risk

Nordax's exposure to market risk arises in terms of interest rate risk, price risk and currency risk.

Nordax's interest rate risk arises primarily in its loan book, via the bank's maturity conversions for lending with longer terms, and deposits over shorter terms. The appetite for interest rate risk is low, so the strategy is to match assets and liabilities in terms of currency, interest rate index and fixed income period. Interest rate hedging can be obtained with the help of derivatives such as swap contracts. Nordax's long-term funding through warehousing and ABSs is exposed to interest rate risk, which is manifested as rolling risk.

Currency risk arises as a natural consequence of the fact that Nordax operates in countries with different currencies (SEK, NOK, DKK and EUR).

Nordax's strategy is to hedge currency risk by matching, as far as possible, deposits and lending, assets and funding in the same currency, and hedging against the currency risk that arises in translation to the accounting currency, SEK. The effects of fluctuations in exchange rates are managed via hedging in forward contracts and currency swap contracts. The appetite for currency risk is slightly higher than for interest rate risk.

Liquidity risk is managed via a well-balanced combination of assets and liabilities and a mix of terms and currencies. To match Nordax's low appetite for liquidity and price risk, Nordax invests its liquidity portfolio in secure asset categories such as Swedish sovereign debt instruments and covered bonds, which can be sold at short notice at the prevailing price in a situation that demands additional liquidity. Nordax's Treasury Department monitors and forecasts the bank's liquidity situation on a daily basis. The bank has its own limits, which exceed the regulatory requirements for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). The strategy is to achieve a diversified funding platform comprising equity, subordinated debt, asset-backed securities (ABS), bank warehouse funding facilities, deposits from the public and senior uncovered bonds.

Compliance risk

Compliance risk is defined as the risk that Nordax will fail to comply with internal and external rules that apply to its licensed activities and thus face legal consequences, sanctions, financial losses or damage to its reputation. The Board of Directors has established that Nordax has very low tolerance for compliance risks and will strive, as far as possible, to prevent such risks. The goal is to avoid all regulatory breaches and to identify and manage compliance risks at an early stage. To effectively manage regulatory developments, Nordax has set up a process to identify, evaluate and implement the requirements mandated by new and amended regulations. In addition, the Compliance function works closely with the business operations on changes to processes or in the products and services Nordax offers, to ensure that Nordax quickly identifies and manages any compliance risks.

Business risk

Nordax is in an expansive stage with a strategy to grow the business, establish new products and win market share. This expansion is taking place at a time when the financial market is undergoing profound change in terms of technological solutions, regulatory requirements and customer expectations. This places high demands on Nordax's ability to effectively implement its strategic decisions and bring its products to market. In addition, the customer offering must be adapted to a market in constant flux.

In 2020, Nordax continued to develop its project management model and management processes through a project forum. The forum is designed to, among other things, monitor that ongoing projects are progressing according to schedule and budget. Strategic risks and business risks are identified, analyzed and managed in the business planning process and business development, and continuously monitored by both management and the Board of Directors. Nordax has a high risk appetite with respect to strategic risk and business risk.

Risk appetite and risk limits

Nordax's risk appetites are expressed in a framework consisting of qualitative risk appetite formulations that are fleshed out through quantitative risk limits at board and management level. The risk appetite framework also incorporates roles, responsibilities, escalation paths and reporting procedures in the event that these limits are exceeded.

The responsibility for continuously monitoring levels of exposure in relation to the risk limits lies with the risk owner. Risk Control conducts independent monitoring and prepares a monthly report on exposure levels in relation to all risk limits which is presented to the CEO and management team. The Board of Directors also receives a corresponding report on at least a quarterly basis relating to limits applicable to the board. In the event that any limit is exceeded, this must be escalated to Risk Control, as well as the CEO and Board of Directors, with immediate effect.

Significant events

Nordax was affected by COVID-19 during the period. Since March, a large proportion of the bank's personnel have been working from home, and there is also currently an elevated state of readiness to ensure ongoing operations in the event that the situation deteriorates.

During this period, Nordax has also conducted stress testing in relation to its capital and liquidity, which demonstrated that Nordax is in a robust financial position and has a good ability to handle any potential negative impact of COVID-19. Nordax has a strong liquidity reserve of SEK 4.1 billion in liquidity and a net stable funding ratio (NSFR) of 120% and liquidity coverage ratio (LCR) of 472% as of 31 December 2020 (consolidated situation). Total deposits amounted to SEK 24.2 billion as of 31 December 2020 (SEK 19.2 billion as of 31 December 2019). Nordax's capital ratio increased by 1.81 percent during the year and amounted to 17.19% as of 31 December 2020. The capital ratio exceeds the regulatory minimum by 5.6 percentage points (2.0 percentage points during Q4 2019).

As a result of COVID-19, Nordax has taken a more cautious approach to new lending in the personal loans market, which has resulted in a significant decrease in new lending during the second and third quarters. In line with the slightly more positive market developments during the fall of 2020, Nordax returned to a more normal situation in terms of assessing and lending to new customers during Q4, but did not achieve equivalent volumes for the full year when compared with the full year of 2019. New lending in 2020 amounted to a total of SEK 9.6 billion, compared with SEK 10.8 billion in 2019. In order to ensure the profitability of Nordax despite the potential negative effects of COVID-19, Nordax has also implemented selected savings initiatives which have resulted in a reduction in the cost base, especially during the second and third quarters. Nordax is closely monitoring customer behavior as a result of COVID-19 and anticipates that this may give rise to increased credit losses, and the bank has thus also made provision for an additional SEK 39 million during the period. However, the actual impact on customer behavior has, to date, been relatively limited in scope.

In January 2020, Ricard Wennerklint was appointed to the board and Heikki Kapanen left the board. Ricard Wennerklint is Chief of Strategy at Sampo Group. In March, Hanna Belander joined as the new Chief Marketing Officer.

In January, Nordax carried out an issue of SEK 200 million of senior uncovered bonds that runs until January 2023. These bonds were issued under the auspices of Nordax Bank's MTN program with a total framework amount of SEK 3 billion.

In March, Nordax completed the redemption of the Tier 2 bond issue from 2015. The bond had a contractual term of 10 years and redemption was carried out on 1st call date, 5 years after the issue, after approval for redemption was obtained from the Swedish Financial Supervisory Authority.

In June, Nordax decided to change the method for phasing in IFRS 9 and, in addition to paragraph 2, also apply clause 4 of CRR Article 427a, which means that the transitional rules for IFRS 9 also apply to any increases in stage 1 and stage 2 IFRS 9 expected credit provisions during the transition period. The change had a positive impact on Nordax Bank and its consolidated situation's capital base and will also lead to reduced capital volatility going forward.

In Finland, a new law on time-limited restrictions on consumer loans was introduced during the period from July 2020 to December 2020. In December 2020, a new temporary legislative act was introduced with equivalent provisions to apply from January 2021 until September 2021. These laws stipulate a maximum customer rate of interest of 10% during the periods in question, as well as specifying that personal loans may not be directly marketed during the periods in question. These laws have a negative impact on Nordax's sales and net interest income in Finland as Nordax usually markets through direct advertising, amongst other methods, and some new lending prior to the introduction of these regulations had rates of interest in excess of 10%.

On 25 September 2020,the Swedish Financial Supervisory Authority published a proposal to amend the regulations and change the application of banks' capital requirements. If the Swedish Financial Supervisory Authority's proposal is implemented in accordance with its published proposals, it is expected to lead to increased Pillar 2 requirements. A higher capital requirement is expected to have a limited impact on Nordax as the current capital position is strong inrelation to current and expected future capital requirements.

On 15 October 2020, Nordax's subsidiary company Nordax Nordic 4 AB redeemed all outstanding bonds upon the first pre-redemption date in Scandinavian Consumer Loans VI ("SCL VI") by means of repayment to the investors. The sum repaid amounted to NOK 1,302 million.

In October, NDX Intressenter, which owns 100% of the shares in Nordax Bank through its wholly-owned subsidiary Nordax Group, changed its name to Nordax Holding.

In October, Stabelo, in which Nordax holds a 9% stake, carried out a new share issue worth SEK 120 million. Nordax subscribed to its full pro rate share in the new share issue, worth SEK 12 million. Nordax values the holdings at fair value via other comprehensive income. As of 31 December 2020 the fair value amounts to SEK 127 million. The year's change in value reported in other comprehensive income amounts to SEK 35 million.

Five-Year Summary

GROUP

KEY FIGURES	2020	2019	2018	2017	2016
Common Equity Tier 1 Capital Ratio, %	16.2	14.0	17.0	14.7	14.0
Return on equity, %	18	13	14	19	26
Return on assets, %	1.7	1.1	1.7	2.5	2.8
Cost/income ratio, %	38	52	41	37	38
Credit loss level, %	1.6	1.4	2.7	1.6	1.4
Number of employees	351	303	217	191	191
Summary income statements					
Net interest income	1,753	1,507	1,325	1,194	1,100
Commission income	71	74	18	19	16
Net profit from financial transactions	-10	-11	37	-24	60
Total income	1,814	1,570	1,380	1,189	1,176
Total operating expenses	-694	-821	-571	-440	-444
Credit losses	-416	-286	-380	-209	-164
Operating profit	704	463	429	540	568
Tax	-155	-111	-103	-121	-126
Profit for the year	549	352	326	419	442
Summary balance sheets					
Lending to central banks	728	100	-	-	-
Lending til credit institutions	1,101	1,152	2,681	1,795	1,650
Lending to the general public	27,656	25,271	15,140	13,488	12,794
Bonds and other fixed-income securities	2,329	3,120	1,187	1,184	959
Other assets	1,257	1,345	556	397	347
Total assets	**33,071**	**30,988**	**19,564**	**16,864**	**15,750**
Liabilities to credit institutions	1,605	3,068	2,831	3,054	3,205
Deposit-taking from the general public	24,203	19,222	11,278	7,511	7,141
Securities issued	3,330	5,105	2,581	3,547	2,910
Other liabilities	581	818	434	457	463
Equity	3,352	2,775	2,440	2,295	2,031
Total liabilities and equity	**33,071**	**30,988**	**19,564**	**16,864**	**15,750**

Proposed dividend

The Board of Directors proposes that no dividend be paid.


Nordax Bank
2020
CORPORATE GOVERNANCE REPORT
Nordax Bank AB (publ)

Introduction

Nordax Bank AB (publ) ("Nordax") has issued transferrable securities that are listed for trading on Nasdaq Stockholm.

The Company is a wholly owned subsidiary of Nordax Group AB (publ), which in turn is a wholly owned subsidiary of Nordax Holding AB (earlier NDX Intressenter AB). Nordax Holding AB is controlled by Nordic Capital and Sampo (see also below, in the section "Direct or indirect shareholdings in the Company that represent at least one tenth of the votes for all shares in the Company"). Nordax conducts banking business and is regulated by the Swedish Financial Supervisory Authority. Nordax complies with a number of laws and regulations on good corporate governance and control of the business, including the Swedish Companies Act (2005:551), the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Nasdaq Stockholm Rulebook for Issuers, the Swedish Banking and Fi-nancing Business Act (2004:297) and International Financial Reporting Standards. Nordax Bank is also required to comply with a number of regulations and guidelines issued by the Swedish Financial Supervisory Authority and other public authorities such as the European Banking Authority.

Nordax has drawn up this corporate governance report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559).

In accordance with the basic principles regarding the governance and organisation of limited liability companies, Nordax is governed by the Annual General Meeting (AGM), the Board of Directors appointed by the shareholders at the AGM, the Chief Executive Officer (CEO) appointed by the Board and the Board's supervision of Nordax's Management. The auditor appointed by the AGM presents an Auditor's Report on its audit of the Company's annual accounts and con-solidated accounts, on the appropriation of profit and on the Board's and the CEO's administration of the Company and its activities.

The most important elements in the company's system for internal control and risk management in connection with the financial reporting

Internal control of financial reporting is based on the six corner-stones of internal control presented below: control environment, risk management, control activities, information and communication, follow-up, and evaluation of and opinion on internal audit.

System of internal control and risk management for financial reporting

Internal control of financial reporting is a process that ensures that the principles established for internal control and financial reporting are complied with, and that the Company's financial reporting is prepared in accordance with the law, regulations, applicable financial reporting standards and generally accepted accounting practice, as well as with other requirements of companies whose transferrable securities are listed for trading in a regulated market.

Control Environment

Fundamental to Nordax's control of financial reporting is its control environment described in the Corporate Governance Report, including a clear and transparent organisational structure, clear definition of authorisations and responsibilities and governing documents such as internal policies, instructions and manuals. This also includes the ethical guidelines that are communicated to all employees and represent a fundamental condition for an effective control environment. Examples of policies, instructions and manuals include the Board's rules of procedure, CEO instructions, policy for the risk control function, policy for compliance function, policy for internal audit function and policy for accounting and attestation. Governing documents are evaluated continuously, although at least annually, and are updated as required by reason of new or amended regulations and/or in the event of internal changes in the business.

Another component of the control environment is the risk assessment, i.e. identification and management of the risks that can affect the financial reporting as well as the control activities that are designed to prevent, detect and correct errors and breaches.

To assure adequate risk management and compliance with laws, regulations and internal control documents, Nordax's risk management and internal control environment are built on the three lines of defence.

Risk Management
Risk management at Nordax, applied to risks associated with financial reporting, takes a proactive and monitoring role with the emphasis on evaluation, controls and training initiatives. Nordax uses available techniques and methods for managing risk in a cost-efficient way. Risk management is an integral part of business activities.

Internal Control and Risk Management

Control Activities
Various control activities are built into the financial reporting process. These control activities include both general and detailed checks designed to prevent, reveal and remedy errors, deviations and any irregularities that may have a material impact on financial reporting. The control activities are produced and documented at corporate and department level, on a reasonable level relative to the risk of errors and the effects of such errors. The person responsible in each department is firstly responsible for managing risks that are linked to the activities and financial reporting processes of the department concerned. In addition, a high level of IT security is essential to effective internal control of financial reporting. On that basis, rules and guidelines are in place to ensure availability, accuracy, confidentiality and traceability of information in the business systems.

Nordax has developed a governance framework tied to IFRS 9 that comprises a committee meeting chaired by the CFO, where all relevant functions are represented. Nordax has developed a governance framework tied to IFRS 9 that comprises a committee meeting chaired by the CFO, where all relevant functions are represented. Moreover, a control framework has been developed where controls for the material aspects of the IFRS 9 process are formalised. The purpose of these controls is to control and verify, for example, inputs and outputs, and to ensure that material prepared for committee meetings has been produced in accordance with the duality principle. The risk control function also has its own controls for two purposes: to control the controls in the first line, and to verify the outcomes. The risk control function also performs regular quarterly validations of the impairment model as defined in IFRS 9.

Information and Communication
The Company has information and communication channels intended to support completeness and accuracy in financial reporting. Governing documents in the form of internal policies, instructions and manuals for financial reporting have been made available and known to the personnel concerned via the Nordax intranet, and they are supplemented by routine and process descriptions. Ongoing information, dialogue, training initiatives and checks are used to ensure that employees are acquainted with and understand the internal system of regulation. The internal system of regulation, consisting of policies, instructions and manuals, supplemented by routine and process descriptions, is the most important tool of information provision in securing the quality of financial reporting. The financial reporting system is used across the whole group.

The aim of external communication is to provide an accurate picture of Nordax, and is governed by the communication policy. Nordax holds investor and analyst meetings and takes part in investor seminars.

The Board of Directors' measures to monitor the internal control of financial reporting
The Board of Directors' measures to monitor the internal control of financial reporting are performed e.g. via its continuous monitoring of the company's and the Group's financial position and results, key figures, costs in relation to budget, forecasts, etc., but also via the Board's review and monitoring of assurance reports by external and internal auditors. The Board receives monthly financial reports and every Board meeting considers the company's and the Group's financial position. The Board and the Board's Audit Committee also audit the quarterly financial reporting and the annual accounts, as well as the observations and conclusions of the external and internal auditors.

In addition, Nordax's Accounting and Reporting unit regularly compiles and reports financial and operational figures and analyses to the heads of functions, management and the Board. Accounting and Reporting actively monitors income and expenses in relation to the budget and forecast. This work is done in close consultation with the management team and the rest of the organisation.

The control functions Risk Control, Compliance and Internal Audit monitor compliance with internal policies, instructions and manuals.

At least quarterly, the Board is presented with reports from Risk Control and Compliance. The reports include items such as evaluations of operations with regard to risk management and compliance and cover the entire organisation.

The Group's information and communication channels are monitored continuously by the Board to ensure their appropriateness in terms of financial reporting.

Evaluation of and opinion on the internal audit
Nordax's Internal Audit function is appointed by, and reports directly to, the Board via the Audit and Risk Committee. The role of Internal Audit is governed by the policy on the Internal Audit function, and the function's work is based on an audit plan which is annually scrutinised by the Audit and Risk Committee and adopted by the Board.

The plan is based on a risk analysis performed jointly with the Risk Control and Compliance functions and the chairman of the Audit and Risk Committee. Nordax's external auditors and the Chair of the Audit and Risk Committee. The work of Internal Audit includes scrutinising and determining whether systems, internal control mechanisms and routines are appropriate and effective, verifying compliance with current recommendations and at least once a year reporting in writing to the Board and Audit and Risk Committee.

Internal Audit has been outsourced to an external party to guarantee quality and independence in evaluation and auditing.

DIRECT OR INDIRECT SHAREHOLDINGS IN THE COMPANY THAT REPRESENT AT LEAST ONE TENTH OF THE VOTES FOR ALL SHARES IN THE COMPANY

Nordax Holding AB owned and controlled 100 per cent of the shares in Nordax parent company, Nordax Group AB (publ), as of 31 December 2020. The largest owners were Nordic Capital Fund VIII and Sampo Oyj. Nordic Capital Fund VIII owned and controlled through direct and indirect holdings totalling 63.44 per cent of the shares and votes in Nordax Holding AB, whereof 60.41 per cent through direct ownership. Sampo Oyj owned and controlled through direct and indirect holdings totalling 36.07 per cent of the shares and votes in Nordax Holding, whereof 34.35 per cent through direct ownership.

RESTRICTIONS ON HOW MANY VOTES EACH SHARE-HOLDER CAN CAST AT THE AGM

The share capital consists of one class, where all shares carry the same rights and shareholders can vote all the shares they own or represent.

PROVISIONS IN THE ARTICLES OF ASSOCIATION ON THE APPOINTMENT AND DISMISSAL OF DIRECTORS AND AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Articles of Association have no provisions regarding the appointment or dismissal of directors, except for one provision on the minimum and maximum number of directors.

A notice convening an Extraordinary General Meeting (EGM) at which amendment of the Articles of Association is to be considered must be issued no earlier than six weeks and no later than four weeks before the meeting. Nordax's current Articles of Association were adopted at an EGM on 16 March 2018.

THE AGM'S AUTHORISATION TO THE BOARD OF DIRECTORS TO RESOLVE THAT THE COMPANY ISSUE NEW SHARES OR ACQUIRE ITS OWN SHARES

In 2020, the AGM did not authorise the Board to resolve that the company issue new shares or acquire its own shares.

Nordax Bank

2020

FINANCIAL REPORTS AND NOTES

Nordax Bank AB (publ)

Consolidated income statement

GROUP

All amounts in MSEK	Note	JAN–DEC 2020	JAN–DEC 2019
Operating income			
Interest income	7,15	2,177	1,955
Interest expense	7,15	-424	-448
Total net interest income		**1,753**	**1,507**
Commission income[1]	8,15	71	74
Net profit from financial transactions	9,15	-10	-11
Total operating income		**1,814**	**1,570**
Operating expenses			
General administrative expenses	11,15	-505	-601
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	15,21,22	-26	-33
Other operating expenses	15	-163	-187
Total operating expenses		**-694**	**-821**
Profit before credit losses		**1,120**	**749**
Net credit losses	13,15	-416	-286
Operating profit		**704**	**463**
Tax on profit for the period	14	-155	-111
NET PROFIT FOR THE PERIOD		**549**	**352**

Consolidated statement of comprehensive income

All amounts in MSEK	Not	JAN-DEC 2020	JAN-DEC 2019
Items not to be reclassified in the profit or loss statement			
Changes in valule of other shares[1]	20	35	-
Other comprehensive income		**35**	**-**
COMPREHENSIVE INCOME		**584**	**352**
Attributable to:			
The Parent Company's sharehoulders		**584**	**352**

1 For more information see note 6.

Parent company income statement

PARENT COMPANY

All amounts in MSEK	Note	JAN–DEC 2020	JAN–DEC 2019
Operating income			
Interest income	7	1,968	1,768
Interest expense	7	-605	-868
Total net interest income		**1,363**	**900**
Commission income	8	54	47
Net profit from financial transactions	9	4	-12
Other operating income[1]	10	248	533
Total operating income		**1,669**	**1,468**
Operating expenses			
General administrative expenses	11	-486	-561
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	21,22	-11	-10
Other operating expenses		-138	-164
Total operating expenses		**-635**	**-735**
Profit before credit losses		**1,034**	**733**
Net credit losses	13	-416	-286
Operating profit		**618**	**447**
Year-end appropriations			
Received group contributions		0	0
Tax on profit for the period	14	-137	-103
NET PROFIT FOR THE PERIOD		481	344

[1] Other operating income refers to income frome securitised loans.

Parent company statement of comprehen-sive income

All amounts in MSEK	Not	JAN-DEC 2020	JAN-DEC 2019
Items not to be reclassificed in the profit or loss statement			
Changes in value of other shares[1]	20	35	-
Övrigt totalresultat efter skatt		**35**	**-**
COMPREHENSIVE INCOME		**516**	**344**

1 For more information see note 6.

Statement of financial position

All amounts in MSEK	Note	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
ASSETS					
Lending to central banks	4,5,6,16	728	100	728	100
Lending to credit institutions	4,5,6,16	1,101	1,152	950	732
Lending to the general public		27,656	25,271	21,011	19,763
Bonds and other fixed-income securities	5,6,18	2,329	3,120	2,329	3,120
Shares in subsidiaries	19	-	-	1,030	1,030
Other shares	20	127	80	127	80
Tangible assets	21	71	31	10	5
Intangible assets	22	1,004	1,009	14	17
Current tax assets	14	-	45	8	45
Other assets	23	6	129	2,996	1,467
Prepaid expenses and accrued income		49	51	29	33
TOTAL ASSETS		**33,071**	**30,988**	**29,232**	**26,392**
LIABILITIES, PROVISIONS AND EQUTIY					
Liabilities					
Liabilities to credit institutions	5,6,24	1,605	3,068	-	-
Deposits from the general public	5,6,25	24,203	19,222	24,203	19,222
Issued securities	5,6,26	3,330	5,105	1,080	1,000
Liabilities to securitision firms[1]		-	-	304	2,877
Current tax liabilities	14	9	-	-	-
Deferred tax liabilities	14	26	33	-	-
Other liabilities	27	136	103	222	111
Accrued expenses and deferred income		62	84	56	75
Subordinated liabilities	5,6,28	348	598	348	598
Total liabilities		**29,719**	**28,213**	**26,213**	**23,883**
Equtiy					
Share capital		50	50	50	50
Other reserves		7	7	7	7
Other funds		-	-	10	16
Fair value reserve[2]		35	-	35	-
Retained earnings, incl. profit for the year		3,260	2,718	2,917	2,436
Total equity		**3,352**	**2,775**	**3,019**	**2,509**
TOTAL LIABILITIES, PROVISIONS AND EQUTIY		**33,071**	**30,988**	**29,232**	**26,392**

[1] Liabilities to securisation firms refer in their entity to liablities to subsidiaries for the securitised loans, which are reporterd by Nordax Bank AB, since the derecongoniton rules according to IFRS 9 have not been met.

2 For more information see note 6.

Statement of cash flows

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Operating activities				
Operating profit (Group) / profit before tax (Parent company) [1]	704	463	618	447
Adjustment for non-cash items				
Exchange rate effects [2]	26	-11	12	-10
Income tax paid	-165	-219	-157	-211
Depreciation, amortisation and impairment of property, plant	26	33	11	10
Amortisation of financing costs	12	15	4	2
Depreciation of surpluse value related to the lending portfolio	5	8	-	-
Unrealised changes in value of bonds and other fixed income securities	-1	13	-1	13
Unrealised credit losses incl. IFRS 9 adfjustment	826	638	825	487
Change in operating assets and liabilities				
Decrease/Increase in lending to the general public	-4,002	-10,576	-2,696	-4,897
Decrease/Increase in other assets	177	145	-1,469	-1,074
Decrease/Increase in deposits from the general public	5,642	7,807	5,643	7,804
Decrease/Increase in other liabilities	-39	28	86	-37
Cash flow from operating activities	**3,210**	**-1,656**	**2,878**	**2,534**
Investment activities				
Purchase of shares	-12	-80	-12	-1,109
Purchase of equipment	-13	-746	-13	-3
Investment in bonds and other interest bearing securities	-1,947	-6,417	-1,947	-6,418
Sale/disposal of bonds and other fixed income securities	2,721	4,465	2,721	4,465
Cash flow from investing activities	**749**	**-2,813**	**748**	**-3,065**
Financing activities				
Increase in liability to credit institutions	-1,465	145	0	0
Issued bonds	-1,617	2,458	80	513
Repayment of issued bonds	-254	347	-254	347
Change in deemed loan liabilities	-	-	-2,573	-1,743
Paid dividend	-	-	-	-
Cash flow from financing activities	**-3,336**	**2,949**	**-2,747**	**-883**
Cash flow for the period	**623**	**-1,520**	**879**	**-1,414**
Cash and cash equivalents at beginning of year	**1,252**	**2,681**	**832**	**2,167**
Exchange rate differences and cash equivalents	**-46**	**91**	**-33**	**79**
Cash and cash equivalents at end of year	**1,829**	**1,252**	**1,678**	**832**

1 Whereof received interest MSEK 1,760 (1,725) and paid interest MSEK 454 (517) for the Group and whereof received interest MSEK 1,756 (1,090) and paid interest MSEK 358 (284) for the parent company.

2 Unrealised exchange rate effects were reported in earlier periods as exchange rate effects and have now been reclassified as change in operating assets and liabilities.

Cash and cash equivalents are defined as lending to credit institutions. Pledged cash and cash equivalents according to Note 27 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents because they are pledged for not more than 30 days and are therefore current.

Reconciliation of net debt

GROUP

All amounts are in MSEK	CB 2019	Cash flows	Other non-cash flow changes	Foreign exchange effects	CB 2020
Liabilities to credit institutions	3,068	-1,465	2	-	1,605
Issued securities	5,105	-1,617	6	-164	3,330
Total	**8,173**	**-3,082**	**8**	**-164**	**4,935**

PARENT COMPANY

All amounts are in MSEK	CB 2019	Cash flows	Other non-cash flow changes	Foreign exchange effects	CB 2020
Liabilities to credit institutions	-	-	-	-	-
Issued securities	1,000	80	0	-	1,080
Total	**1,000**	**80**	**0**	**-**	**1,080**

Consolidated statement of changes in equity

GROUP

All amounts are in MSEK	Share capital	Other reserves	Fair value reserve	Retained earnings	TOTAL
OPENING BALANCE, 1 JANUARY 2019	50	7	-	2,283	**2,440**
Comprehensive income					
Net profit for the period			-	352	**352**
Total comprehensive income			-	352	**352**
Effect in equity attributable to transition to IFRS 9 - SHP[1]					
Initial effect in Equity attributable to transition to IFRS 9 - SHP				-5	**-5**
Tax effect in Equity attributable to transition to IFRS 9 - SHP				1	**1**
Total effect in equity attributable in the transition to IFRS 9 - SHP				-4	**-4**
Transactions with shareholders					
Group contribution provided				-15	**-15**
Tax on group contribution				3	**3**
Total transactions with shareholders				-12	**-12**
CLOSING BALANCE, 31 DECEMBER 2019	50	7	-	2,718	**2,775**
OPENING BALANCE, 1 JANUARY 2020	50	7	-	2,718	**2,775**
Comprehensive income					
Net profit/loss for the year			-	549	549
Other comprehensive income [2]			35	-	35
Total comprehensive income			**35**	**549**	**584**
Transactions with shareholders					
Dividends paid				-	**-**
Group contribution provided				-8	**-8**
Tax on group contribution				2	**2**
Total transactions with shareholders				-6	**-6**
CLOSING BALANCE, 31 DECEMBER 2020	**50**	**7**	**35**	**3,260**	**3,352**

[1] On 15 January 2019, Nordax acquired SHP, and the intital implementation effect for SHP's loan portfolio related to the provision for IFRS 9 was handled through a deduction directly from equity.

[2] The shareholding in Stabelo Group AB has been revalued at market value in connection with further acqusitions during 2020.

Parent company statement of changes in equity

PARENT COMPANY	Restricted equity				Unrestricted equity	
All amounts are in MSEK	Share captial	Other reserves	Other funds	Fair value reserve	Retained earnings	TOTAL
OPENING BALANCE, 1 JANUARY 2019	50	7	22	-	2,098	**2,177**
Comprehensive income						
Net profit for the period				-	344	344
Total comprehensive income				-	344	**344**
Other reserves						
Capitalisation			-	-	-	**-**
Depriciation			-6	-	6	**-**
Total other reserves			-6	-	6	**-**
Transactions with shareholders						
Group contribution provided					-15	**-15**
Tax on group contribution					3	**3**
Total transactions with shareholders					-12	**-12**
CLOSING BALANCE, 31 DECEMBER 2019	50	7	22	-	2,436	**2,509**
OPENING BALANCE, 1 JANUARY 2020	50	7	16	-	2,436	**2,509**
Comprehensive income						
Net profit for the period				-	481	481
Other comprehensive income [1]				35	-	35
Total comprehensive income				35	481	**516**
Other reserves						
Capitalisation			-		-	**-**
Depriciation			-6		6	**-**
Total other reserves			-6		6	**-**
Transactions with shareholders						
Group contribution provided					-8	**-8**
Tax on group contribution					2	**2**
Total transactions with shareholders					-6	**-6**
CLOSING BALANCE, 31 DECEMBER 2020	**50**	**7**	**10**	**35**	**2,917**	**3,019**

[1] The shareholding in Stabelo Group AB has been revalued at market value in connection with further acqusitions during 2020.

Notes

Amounts stated in the notes are in MSEK unless otherwise stated.

Note 1 General information

Nordax Bank AB (publ) (Corporate Identity Number 556647-7286), with its registered office in Stockholm, address Box 23124, 104 35 Stockholm, phone number +46 8 508 808 00, www.nordaxgroup.com, hereinafter "Nordax", is a fully owned subsidiary to Nordax Group AB (publ) (Corporate Identity Number 556993-2485), with its registered office in Stockholm, which in turn is a fully owned subsidiary to Nordax Holding AB (earlier NDX Intressenter AB) (Corporate Identity Number 559097-5743), with its registered office in Stockholm. Consolidated financial statements are also provided by Nordax Group AB (publ) and Nordax Holding AB. The Group's operations are described in the Directors' report.

Changes in the Group and the consolidated situation
Nordax Holding's ownership interest as of 31 December 2020 amounted to 100 per cent of the shares.

In January 2020, Ricard Wennerklint was appointed to the board and Heikki Kapanen left the board. Ricard Wennerklint is Chief of Strategy at Sampo Group. In March, Hanna Belander joined as the new Chief Marketing Officer.

The consolidated financial statements and the annual report for Nordax Bank AB (publ) for the financial year 2020 were approved by the Board and the Chief Executive Officer on 25th February 2021 for subsequent submission to the 2021 General Meeting.

Note 2 Accounting and measurement policies

The most significant accounting policies applied in preparing these consolidated financial statements are described below.

The consolidated financial statements for Nordax the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. In addition, the Group applies the amendments stipulated by the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559), the Swedish Financial Reporting Board's recommendation RFR 1 Complementary Accounting Regulations for Groups, and the Swedish Financial Supervisory Authority's regulations and guidelines (FFFS 2008:25).

New and revised financial reporting standards applied by the Group
The following financial reporting standards are applied by the Group for the first time for the financial year starting 1 January 2020:

Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
Nordax is currently engaged in borrowing and lending that have interest rates linked to STIBOR, EURIBOR, CIBOR and NIBOR]. Furthermore, there is exposure in the form of interest rate swaps linked to STIBOR and EURIBOR, see further information on Nordax's exposure in Note 4. Nordax has no agreements linked to LIBOR, which at the balance sheet date is the reference rate confirmed to expire on 31 December 2021. Regarding the IBOR interest rates to which Nordax is exposed, there is uncertainty about the timing and the specific nature of future changes. Nordax monitors developments and works continuously to identify and control current exposures.
Nordax does not apply hedge accounting, so amendments to IFRS 9 and IFRS 7 due to PHASE 1 of the IBOR reform have not had any impact on the financial statements as of 31 December 2020.

Nordax has decided to use transitional rules regarding IFRS 9 that entail a gradual phasing-in of credit provisions that arose during the transition to IFRS 9 and credit provisions for stages 1 and 2 until 31 December 2019. In the calculation of the capital base in capital adequacy this means that the decrease in equity is amortized during the period 2018-2022 as follows:

- 2018 95% reversal of the initial negative effect on equity
- 2019 85% reversal of the initial negative effect on equity
- 2020 70% reversal of the initial negative effect on equity
- 2021 50% reversal of the initial negative effect on equity
- 2022 25% reversal of the initial negative effect on equity

Nordax also applies the transitional rules for credit provisions for stages 1 and 2 that arose after 31 December 2019
. The calculation of the capital base in capital adequacy incorporates the below scale for reversal in the period 2020-2024:

- 2020 100% reversal of the initial negative effect on equity
- 2021 100% reversal of the initial negative effect on equity
- 2022 70% reversal of the initial negative effect on equity
- 2023 50% reversal of the initial negative effect on equity
- 2024 25% reversal of the initial negative effect on equity

New applicable standards, amendments and interpretations of existing standards that have not yet entered into force and have not been adopted early by the Group:
Phase 2 of the IBOR reform, which includes the relaxation of rules in terms of reporting modifications to contractual terms due to changes in the reference rate was approved by EU during 2020. Due to the fact that there has still been no change in the reference rates that Nordax is exposed to, the group has opted not to apply this change ahead of time.

No IFRS or IFRIC interpretations that have not yet entered into force are expected to have a material impact on the Group.

Consolidated financial statements
The consolidated financial statements have been prepared based on the cost method, except for financial instruments measured at fair value through profit and loss.

Consolidation of subsidiaries
Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to or has the right to variable returns from its holding in the entity and can affect this return through its influence in the entity. Subsidiaries are included in the consolidated financial statements from the date when control passes to the Group. They are deconsolidated from the date on which control ceases.

Intra-Group transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated. Intra-Group losses may be an indication of impairment which must be recognised in the consolidated financial statements. The accounting policies for subsidiaries have, if applicable, been revised to guarantee consistent application of the Group's policies.

Business combinations
The acquisition method is used for reporting the Group's business combinations, regardless of whether the acquisition consists of equity or other assets. The purchase price of a subsidiary consists of the fair value of:
• transferred assets
• liabilities that the Group incurs to previous owners
• shares issued by the Group
• assets or liabilities that are a result of an agreement on contingent consideration
• previous equity share in the acquired company

Identifiable acquired assets, assumed liabilities and assumed contingent liabilities in a business combination are initially measured, with few exceptions, at fair value on the acquisition date. For each acquisition, i.e. acquisition by acquisition, the Group determines whether any non-controlling interest in the acquired company should be recognised at fair value or at the holding's proportional share of the carrying amount of the acquired company's identifiable net assets.

Goodwill refers to the amount by which transferred consideration, any non-controlling holding in the acquired company, and the fair value on the acquisition date of a previous share of equity in the acquired company (if the business combination is implemented in stages) exceeds the fair value of identifiable acquired net assets.

If the amount is less than the fair value of the acquired net assets, in the event of a bargain purchase, the difference is recognised directly through profit or loss.

In cases where all or part of the purchase price is deferred, the future payments will be discounted to present value on the acquisition date. The discount rate is the company's marginal loan rate, which is the interest rate that the company would have paid for financing through loans in a corresponding period with similar terms.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are remeasured each period at fair value. Any revaluation gains and losses are recognised in profit or loss.

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

Transactions and balance sheet items
Transactions in foreign currencies are translated to the functional currency at the exchange rate applicable on the transaction date. Exchange rate gains and losses arising in the payment of such transactions and in the translation of monetary assets and liabilities in foreign currencies at the rate prevailing on the reporting date are recognised in the income statement in the item Net profit from financial transactions.

Property, plant and equipment
Items of property, plant and equipment are recognised at cost and depreciated on a straight-line basis over their useful lifetime. The depreciation schedule for property, plant and equipment is between three and five years. Impairment testing takes place if there is an indication of a decline in value.

Intangible assets
Internally developed software
Costs of software maintenance are recognised as an expense when they arise. Development costs directly attributable to development and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
• it is technically possible to complete the software so that it can be used,
• the entity's intention is to complete the intangible asset and use or sell it,
• the conditions necessary to use or sell the software exist,
• it can be shown how the software generates probable future financial benefits,

• adequate technical, financial and other resources are available to complete the development and to use or sell the software, and
• the expenditure attributable to the software during its development can be calculated in a reliable manner.

Development costs that do not meet the criteria for capitalisation are expensed as incurred. Development costs which have previously been expensed are not recognised as an asset in the subsequent period. Development costs for software recognised as an asset are amortised over its estimated useful lifetime, which is not more than five years.

Goodwill and customer relations
The carrying amount of goodwill is attributable to the acquisition of Nordax Holding AB in 2010 and the acquisition of SHP in 2019. The carrying amount of customer relations is also derived from these acquisitions and is an estimate of the value of acquired customer databases. The intangible assets attributable to customer relationships are amortised over a period of ten years. Goodwill was previously monitored on an aggregate level, but as of 2014 it is monitored and tested on operating segment level based on the relative values for the segments that existed at the acquisition date. The carrying amount of goodwill is attributable to SHP SEK 683 million (0), Sweden SEK 96 million (93), Norway SEK 97 million (97), and Finland SEK 61 million (61).

Impairment of non-financial assets
With respect to impairment, goodwill and intangible assets with an indefinite useful life or intangible assets which are not ready for use are not written down and instead are tested annually or when there is an indication of diminished value. Impaired assets are assessed whenever events or changes in conditions indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. When assessing impairment needs, assets are grouped at the lowest levels where our essentially independent cash flows (cash generating units).

Calculation of the value in use
The recoverable amount was calculated at the end of the financial year based on value in use. The value in use has been calculated through the application of a DDM model (Divided Discount Model), which means that the value of equity for each cash generating unit is derived through the discounting of that unit's expected cash flow from dividends. To properly reflect the relative risk of the investment as well as the time value of money, the present value of future cash flows is calculated using a discount rate that is based on the cost of equity. Expected future cash flows have been estimated using a projection period of seven years at the end of which the growth rate is expected to have stabilised.

Based on the outlined calculation approach above, the impairment test showed that no impairment regarding goodwill needed to be recognised. A change in the discount rate (+1 percentage unit) which is the most sensitive parameter would not cause a need for impairment loss recognition.

Financial assets
The Group classifies its financial assets in the following categories:
• financial assets measured at fair value either through profit and loss or through other comprehensive income
• financial assets measured at amortised cost.

The classification is based on Nordax's business model for managing financial assets and the contractual terms for the assets' cash flows. Nordax's management team defines the classification of financial assets at initial recognition. Reclassification does only occur in cases where the defined business model has changed.

Measurement
Financial assets are initially recognised at fair value plus transaction costs directly attributable to the acquisition, provided that the asset is not measured at fair value through profit and loss. Transaction costs attributable to assets measured at fair value through profit and loss are recognised directly through profit or loss.

Initial recognition and derecognition
Purchases and sales of financial assets are recognised on the trade date, i.e. the day Nordax is committed to either purchase or sell the asset. Financial assets are derecognised from the statement of financial position when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred all significant risks and benefits associated with ownership.

Investments in debt instruments
Amortised cost
Assets held for the purpose of collecting contractual cash flows, where the cash flows are solely payments of interest and principle (according to the SPPI test) and where Nordax's management team has not made an irreversible decision to measure these assets at fair value, are measured at amortised cost. Received origination fees are included in the loan assets' initial carrying amount. Interest income recognised for such assets is recognised in the item Net interest income through the application of the effective interest rate method. Foreign currency translation effects are recognised in the item Net profit from financial transactions. Gains and losses arising at a derecognition event are recognised in the item Net profit from financial transactions. This category includes Lending to credit institutions, Lending to the general public, Cash and bank balances with central banks, and Other assets.

Fair value through profit and loss
Nordax measures bonds and other fixed income securities at fair value through profit and loss since the business model for managing these assets does not meet the requirements for amortised cost. The busi-

ness model for these investments indicates that performance is monitored on a fair value basis and that Nordax's management team has the mandate to sell these assets. Changes in fair value and any gain or loss on a debt instrument recognised at fair value through profit and loss are recognised in the item Net profit from financial transactions in the period the gain or loss arises.

Investments in equity instruments
Nordax has only equity instruments which are not held for trading. The group has chosen to report changes in the fair value of equity instruments through other comprehensive income. This means that there are no subsequent reclassifications of fair value changes recognized when the instrument is removed from the balance sheet. Dividends from any such investments are recognized as income from other securities and long-term receivables once the group's right to receive payment has been determined.

Impairment
The group values expected future credit losses in relation to investments in debt instruments recognized at amortized cost based on future prognoses. The method for calculating credit loss reserves depends on whether there has been a material increase in credit risk or not. Further information is pro vided in Note 4.

In the statement of financial position provisions for expected credit losses are recognised as a contra asset paired with the gross carrying amount for the asset. A write-off decreases the carrying amount of the financial asset. Credit losses and write-offs are recognised in the income statement in the item Net credit losses; see Note 14.The Group writes off assets when there is no reasonable expectation of recovery. Received cash flows for written-off assets and recoveries are recognised as impairment gains in the item Net credit losses.

Modifications
When a loan is modified without triggering derecognition, the Group continues to monitor significant increases in credit risk since initial recognition for impairment purposes. Modifications do not automatically imply a decrease in credit risk and all quantitative and qualitative indicators will continue to be monitored. Gains or losses arising from modifications will be recognised in the item Net credit losses. Modification gain or losses are calculated as the difference between the gross carrying amount currently recognised in the statement of financial position and the present value of the modified cash flows discounted using the original effective interest rate. When a loan is modified and subsequently derecognised, the date of modification is regarded as initial recognition for the new asset subject to future assessments of SICR. When a newly recognised loan is considered impaired at initial recognition, it is categorised as a purchased or originated credit impaired asset and stays in stage 3 until it is repaid in full or written off.

Purchased or originated credit impaired assets
Financial instruments that are considered impaired at initial recognition are categorised as purchased or originated credit impaired assets. Expected credit losses for such assets are always calculated on a lifetime basis. However, the expected credit losses at initial recognition are considered to be reflected in the gross carrying amount. The recognised loss allowance for such assets represents cumulative changes in lifetime expected credit losses. Beneficial changes in lifetime expected credit losses are recognised as impairment gains, even if the beneficial change is greater than the earlier amount recognised in the income statement as an impairment loss.

Derivatives
Derivatives are recognised in the statement of financial position on the trade date and are measured at fair value, both initially and at subsequent measurement dates. Since Nordax does not apply hedge accounting, all changes in fair value of derivatives are recognised in the item Net profit from financial transactions.

Fair value
Fair value of listed securities is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group determines fair value by applying measurement techniques such as use of information pertaining to recent transactions on an arm's length basis, reference to the fair value of another instrument which is essentially equivalent and analysis of discounted cash flows. In this respect, market information is used to as great an extent as possible, while company-specific information is used to as small an extent as possible.

Cash and cash equivalents
Cash and cash equivalents are defined as treasury bills eligible for refinancing and lending to credit institutions. Pledged cash and cash equivalents according to Note 29 are available to Nordax in connection with monthly settlement under financing arrangements and are thus defined as cash and cash equivalents.

Financial liabilities
The Group classifies its financial liabilities in the following categories: financial liabilities measured at fair value through profit and loss and other financial liabilities.

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

Other financial liabilities
Other financial liabilities are recognised in the items Liabilities to credit institutions, Deposits from the public, Issued securities and Subordinated liabilities and are measured at amortised cost with application of the effective interest method. Where material covenants exist, this should be disclosed.

Leasing
The Group leases office space, parking spaces and motor vehicles.Leasing agreements are recognized as right-of-use assets and are included among tangible assets with a corresponding lease liability including in

other liabilities from the date on which the leased asset became available for use by the group. The exception is payments for short contracts and low-value leases, which are expensed on a straight-line basis in the income statement. With respect to vehicles, Nordax applies the exemption in IFRS 16 and does not recognise non-lease components separately.

The lease liability is initially recognised at the present value of the Group's future lease payments. The lease payments are discounted by the lease's implicit interest rate if this interest rate can easily be determined. Otherwise Nordax uses its marginal loan rate, which is the interest rate that the Group would have to pay to finance a loan for a corresponding period, and with corresponding collateral, for the right to use an asset in a similar economic environment. Each lease payment is distributed between amortisation of the liability and financial expense. The financial expense is divided over the lease term in accordance with the effective interest method.

Options to extend leases are included in a number of the Group's office leases. The opportunity to extend a lease can only be utilised by Nordax, not the lessor. When the lease term is determined, management takes into account all available information that provides a financial incentive to exercise the extension option, or not to exercise an option to terminate the contract. Opportunities to extend the contract are only included in the lease term if it is reasonably certain that the contract is being extended (or not terminated).

Right-of-use assets are initially measured at cost and include the amount which the lease liability was originally measured at, adjusted for lease fees which have been paid on or before the initial date and any initial direct charges. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's right of use and the lease term.

Interest income and interest expenses
Interest income and interest expenses are recognized as income using the effective interest method. Transaction costs such as opening fees are included in the calculation of the effective interest rate.

Commission income
Commission income consists of insurance commissions and administrative fees. The Group recognises commission income when the performance obligation is fulfilled, i.e. during the period when the brokerage service is carried out and Nordax has the right to receive commission from the insurance company. The revenue is measured at an amount corresponding to what has been received or will be received by the Group for performed services.

Net profit/loss from financial transactions
Net profit/loss from financial transactions include realised gains and losses due to changes in the exchange rates and the result of investments in bonds and other fixed income securities.

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

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

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

Employee benefits
Pension expenses
The Group's pension plans are funded through payments to insurance companies. The Group only has defined contribution pension plans. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or informal obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees all the benefits relating to employee service in current and prior periods. For defined-contribution pension plans, the Group pays contributions to publicly or privately admnistered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as the pension is vested. Prepaid contributions are recognised as an asset to the extent that cash repayment or decrease in future payments can accrue to the Group.

Shared-based payments
Until the delisting in April 2018, Nordax had a long-term management incentive plan combining the following components: 40% of the variable remuneration was paid out in cash in the same year that the decision to grant remuneration was made, and 60% of the variable remuneration has been deferred for up to 3 years or, for the CEO, 5 years (the qualifying period). When the incentive plan was terminated, the previous future right to allocations of restricted share units was converted to variable cash remuneration. The cash remuneration for each restricted share unit amounts to SEK 60, which corresponds to the price of the Nordax share in the cash mandatory bid presented in February 2018. Deferred variable remuneration will be paid out for the last time in 2021. As a rule, if employment ends the right to all deferred variable remuneration expires on the date that the participant ceases to be employed.

Transactions with related parties
All related-party transactions are conducted according to the arms-length principle.

Operating segments
The segment information is presented based on the perspective of the chief operating decision-maker, and the segments are identified on the basis of internal reporting to the Chief Executive Officer, who is identified as the chief operating decision-maker. Nordax has the following operating segments: Sweden, Norway,

Finland, Denmark, Germany and SHP, which reflects Nordax's lending portfolio. Income not directly attributable to segments is allocated with effect from 2014 with allocation keys in accordance with internal principles which the senior management considers providing a fair allocation to the segments. The chief operating decision-maker mainly follows the income concept of operating income.

Corporate governance

Nordax has developed a governance framework tied to IFRS 9 that comprises a committee meeting chaired by the CFO and where all relevant functions are represented. This committee meeting includes decision making for management overlays to the expected credit loss provision. Moreover, a key control matrix has been developed where controls for the material aspects of the IFRS 9 process are formalised. The purpose of these controls is to control and verify among other things inputs, outputs and that material prepared for committee meetings has been produced in line with the duality principle. Moreover, the risk control function has its own controls for two purposes: to control the controls in the first line, and to verify the results. The risk control function also performs quarterly validations of the impairment model according to IFRS9.

Parent Company

The Parent Company's annual report has been prepared in accordance with the Annual Accounts Act (1995:1554), the Swedish Financial Accounting Standards Council's recommendation RFR 2 "Accounting for legal entities", and the Swedish Financial Supervisory Authority's guidelines (FFFS 2008:25).

Shares in Group companies

Shares in Group companies are recognised at cost in the Parent Company. Distributions received are recognised as revenue when the right to receive payment is virtually certain. Tests for impairment are performed quarterly and an impairment loss is recognised when a permanent decline is established.

Group contributions

Group contributions received from subsidiaries are recognised as financial income in the income statement. Group contributions paid to subsidiaries are recognised as an increase in participations in Group companies to the extent impairment is not required. The tax effect of Group contributions paid and received is recognised in the income statement in cases where the Group contribution is recognised in the income statement.

Leasing

In the Parent Company, all lease fees are recognised on a straight-line basis over the term of the lease.

Other than the above, there are no material differences in the Parent Company's accounting policies compared to the Group's accounting policies.

Note 3 Significant accounting estimates

Nordax has made a number of significant estimates and assumptions affecting the measurement of assets and liabilities in the financial statements. These estimates and assumptions are continuously evaluated against previous experience and other factors, such as anticipated future events.

Expected credit losses ("ECL")
The loss allowance for financial assets measured at amortised cost is based on assumptions for the probability of impairment and expected losses given impairment. Nordax makes its own assumptions and selects input data for the model used for ECL measurement purposes. The input data build upon historical performance, known market conditions and forward-looking information at end of each reporting period.

The most significant assumptions made for application of criteria for ECL measurement purposes are:

• Definition of criteria for measuring SICR
• Grouping of financial assets
• Selection of forward-looking variables and their relative weighting in the ECL measurement process for each market.

A more detailed description of the ECL model methodology, input data, assumptions and sensitivities is provided in Note 4.

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

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

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3. Nordax currently has one holding in equity instruments measured at fair value in Level 3. For further information, see Note 22.

Note 4 Financial risk management

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

Risk is managed primarily by a credit department and a central treasury department in accordance with policies established by the Board of Directors. The treasury department identifies, evaluates and manages financial risks in close cooperation with the Group's operational units. The Board draws up written policies both for overall risk management and for specific areas, such as credit risk, foreign currency risk, interest rate risk, use of derivative and non-derivative financial instruments, and investment of surplus liquidity. Risk management is supervised by the risk control function, which reports to the Board of Directors in accordance with FFFS 2014:1.

Credit risk in general
Credit risk is defined as the risk of a counterparty or debtor not being able to fulfil its contractual obligations to Nordax and that the collateral received for mitigation of credit risk is not sufficient to cover losses in the event of default. Counterparty credit risk is often used instead of credit risk regarding exposures in financial instruments and represents the risk that counterparties fail to honour their obligations in a financial transaction. The Group is mainly exposed to credit risk in its lending portfolio, where debtors might fail to pay their contractual instalments. The Group is also exposed to credit concentration risk for lending to credit institutions. Credit concentration risk represents exposure to specific counterparties/customers, industries and regions.

Lending takes place on the basis of the policies adopted by the Board of Directors.

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

For mortgages, a credit assessment is performed based on the customer's creditworthiness and the quality of the collateral. Typically, a physical appraisal is done to ensure that the valuation is correct. Information on income, debt and expenses is collected from the customer and from credit reporting data, and on that basis a household budget is calculated, including a "left to live on" amount and a stress test of the customer's interest rate sensitivity.

SHP has, for some time, developed a strong and robust credit assessment process for equity release mortgages and, since its start in 2005, has not had any actual credit losses. The maximum loan amount is determined based on the customer's age, where a customer's potential loan-to-value ratio rises with age. In addition to age and maximal loan-to-value ratio, SHP uses a number of other criteria in its lending. Among other things, the property must be located in an approved municipality, SHP must have first priority and there may not be any other loans on the residence. SHP conducts a physical appraisal of most properties and ensures that there has always been a direct personal contact with the borrower.

Credit risks in other counterparty relationships, such as derivatives and financial investments, are regulated by a policy adopted by the Board of Directors. Collateral agreements are used to limit counterparty risks in derivative contracts, and are described in further detail in the section on currency risk. Credit risk in relation to financial investments is described in the section on liquidity reserves.

Measurement of credit risk
The estimation of the credit risk exposure for risk management purposes is complex and builds upon statistical modelling techniques. Nordax's model for credit risk measurement is component based where credit risk is measured using Probability of Impairment ("PD"), Exposure at Impairment ("EAD"), and Loss Given Impairment ("LGD"). This method is also used for ECL measurement purposes under IFRS 9.

After the initial recognition date, the debtors' payment behaviour is continuously monitored in order to produce a behavioural credit risk score. All other information impacting the debtor's ability to pay instalments, such as historical payment pattern, is also incorporated in the production of behavioural credit risk scores. These scores are used for estimation of PD.

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

Principles for ECL provisions
Personal loans
Nordax's model for ECL measurement according to IFRS 9 is constituted by two main sub-models: a quantitative cash flow based model that calculates ECL and a qualitative model that adjusts the quantitative model output based on forward-looking macroeconomic variable assumptions.

The qualitative model makes the assumption that there are two forward-looking macro scenarios for the depreciation model, one base scenario based on macroeconomic conditions in the instance that Nordax's relevant geographic markets have not deteriorated into a financial crisis, and a negative crisis scenario in each respective country.

The ECL in the quantitative model builds upon the base scenario and is then adjusted monthly based on the estimated probability and effect of an economic downturn.

Through analysis of historical data, Nordax has identified and incorporated macroeconomic variables that affects credit risk and credit losses for the different operating segments. These factors are based on country, debtor, and product type. Nordax continuously monitors the macroeconomic development for each country. This includes defining forward-looking macroeconomic scenarios for different markets and products and translate them into useful macroeconomic projections.

The most significant macroeconomic variables that are estimated to affect ECL are set out below:

•GDP (PPP) development
•Price trend on the market for Credit Default Swaps (CDS)

These factors are applicable to all of Nordax's geographic market areas.

The quantitative model is a three-stage model for the three different types of claims that are outlined by IFRS 9: claims where there has not occurred a SICR since initial recognition (stage 1), claims where a SICR since initial recognition has occurred (Stage 2), or claims that are credit impaired (Stage 3).

During the year, the following changes were made to the estimation techniques and calculation bases which had an impact on the calculation of provisions for expected credit losses.

•Nordax amended the macroeconomic scenario weighting, which increased the provisions related to the macroeconomic scenarios from SEK 12 million in the preceding year to SEK 61 million as of 31 December 2020. This change had an impact in all countries.

•The limit for assess whether there has been a significant increase in credit risk since the first credit assessment has been lowered due to an expected but not yet observed deterioration in ability to pay due to the impact of COVID-19, meaning that a larger proportion of accounts are deemed to be affected by higher levels of risk. This change has affected the distribution of loans in Stages 1 and 2, meaning that a larger proportion of loans have been placed into Stage 2 and this has led to an increase in provisions.

• Nordax has amended its methodology for managing transaction fees when calculating its effective interest rate and now fully includes mediation costs based on the expected duration in the effective interest rate calculation. The change has had the effect of reducing the effective rate of interest and thus also minimizing the degree of provisions for loans with mediation costs. These changes have had an impact on all stages, primarily in Sweden, Norway and Finland.

• The methodology for forecasting cash flows in the long-term where observed cash flows are absent has continued to be adjusted to better reflect the data that is available for previous years. This change has had a positive impact on forecast recoveries, primarily in Sweden and Norway.

Calculation of ECL
For loans in stage 1, ECL is calculated for the following 12 months counted from each reporting date. For loans where there has been a SICR since initial recognition (Stage 2), or loans that have become credit impaired (Stage 3), ECL is calculated based on the contractual lifetime of the loan. ECL is the discounted product of PD, EAD and LGD that are defined below. The effective interest rate is applied as discount rate.

PD for 12 months and lifetime PD correspond to the probability of impairment within the respective time horizon. A loan's probability for becoming credit impaired within the coming 12 months is used to approximate the lifetime probability of impairment. At origination an initial risk assessment is performed, and PD is calculated through deriving a behavioural credit score from historical data.

EAD represents the estimated credit exposure at future dates for impairment where expected changes in the exposure at the reporting date are taken into consideration. The Group's approach for EAD estimation reflects current contractual terms, maturity date and future payments of principal and interest. For loans in stage 2, expected effective settlement rates are also incorporated in the estimation of EAD.

LGD corresponds to the calculated losses that are expected to arise at impairment, which builds upon the expected value of future recoveries. LGD is estimated based on the factors affecting repayment rates for loans that have become impaired. LGD for loans that are not secured by collateral is typically based on a product level due to the limited differentiation in recovery rates for these types of contracts. LGD values are primarily affected by expected future recovery rates. Recovery rates are derived from cumulative recovery curves for each of the geographic market areas that stretch beyond 20 years (15 years for Finland due to statutory time limits for collection activities).

Remaining contractual lifetime
For loans in Stage 2 and Stage 3 the Group calculates ECL based on the PD for the remaining contractual lifetime of the loans. In general, the contractual lifetime is limited to the time up until the maximal contractual maturity date during which the Group is exposed to credit risk, even if a longer time period is used in business practice. All contractual terms are considered when defining contractual lifetime, including repayment, extension and overpayment options that are binding on the bank.

Collective measurement of ECL
Nordax's calculation of ECL builds upon a collective measurement approach. Grouping is performed based on the following parameters:
• Country
• Credit risk rating
• Product

Definition of impairment
Nordax's definition of impairment is when one or more of the below criteria are met.

Quantitative criteria:
• The debtor is more than 90 days past due on one or more of its contractual instalments with a material amount

Qualitative criteria:
• A concession has been granted in the form of an alternative payment plan.
• The debtor has deceased (the estate of the deceased).

These criteria have been applied to all financial instruments held by Nordax. The definition has been consistently applied to estimate PD, EAD and LGD and thus the calculation of ECL. Only the quantitative criteria above are used for the internal credit risk management and for the definition of default.

Cure
A loan is allowed to cure when it no longer meets the Group's definition of impairment as specified above.

Significant increase in credit risk (SICR).
To determine whether a loan has experienced a SICR, a method is used in which the loan's 12 month PD is compared to a certain threshold that is a function of the original risk class and the time since the loan was granted.

A SICR is assumed to have occurred if:
• the 12-month PD has exceeded the threshold,

• or when the loan is more than 30 days past due in accordance with the IFRS 9 presumption.

Mortgage loans
Mortgage loans are calculated in a separate model based on the same methodology as personal loans and on market data and historical data from the unsecured loan product, see LTV table below. With mortgages, however, collateral received is also taken into account when determining LGD. See also the section on collateral below.

Equity release mortgages
Nordax's subsidiary, Svensk Hypotekspension, offers equity release mortgages to individuals over the age of 60 who own their own home, second home or condominium. The interest rate on the loan accumulates over the term of the loan, and repayment, including cumulative interest, is made in its entirety when the loan matures, which occurs in connection with the borrower's sale of the property that has been pledged as security for the loan. The Group cannot demand repayment in an amount that exceeds what the sale of the property brings in. Consequently, the loan is considered a non-recourse loan.

The reserve for ECL on equity release mortgages is calculated with the help of a model in which risk is quantified for a depreciation in the value of the properties pledged as security for loans in relation to the expected outstanding loan amount upon expected redemption. The reserve is calculated individually for each loan.
The significant assumptions in the model are:
- The term of the loan
- Estimated outstanding loan amount at any given time
- Underlying value of the mortgaged property
- Price trend in the real estate market
- Applied discount rate

Definition of impairment
Nordax's definition of impairment in the case of equity release mortgages (the loan is credit impaired) is that the loan sent for debt collection, or if there is objective evidence that the Group has been defrauded.

Significant increase in credit risk ("SICR")
The determination of whether there has been a significant increase in credit risk is done individually for each loan. Factors that are taken into consideration in this determination are:

• How long it has been since the loan matured, i.e. how much time has passed since the borrower sold their property, moved into a senior-living arrangement or deceased
• high expeceted LTV (loan to value) for the loan at the expected redemption time.

LTV

All amounts in MSEK	2020-12-31
<=50%	6,580
50-65%	675
65-75%	507
75-85%	2,088
>85%	-
Total	**9,850**

MAXIMUM EXPOSURE TO CREDIT RISK

All amounts are in MSEK	2020-12-31	2019-12-31
Credit risk exposures relate to the balance sheet as follows:		
Lending to central banks	728	100
Lending to credit institutions	1,101	1,152
Lending to the general public	27,656	25,271
Bonds and other fixed-income securities	2,329	3,120
Total	**31,814**	**29,643**

The assets above are recognised at carrying amount in accordance with the balance sheet. The counterparties to which the Group is exposed in the items Lending to central banks, Lending to credit institutions and Bonds and other fixed income securities are Swedish only. The geographic risk concentrations regarding Lending to the general public are outlined in the below tables.

LENDING TO THE GENERAL PUBLIC

GROUP

31 December 2020	Stage 1	Stage 2	Stage 3	TOTAL	Allocation of provision
Lending to the general public					
Sweden	9,701	448	1,388	**11,537**	-841
Norway	4,516	468	1,666	**6,650**	-997
Denmark	0	0	300	**300**	-277
Finland	3,269	336	1,074	**4,679**	-615
Germany	512	35	234	**781**	-206
SHP	6,631	17	3	**6,651**	-6
Total	**24,629**	**1,304**	**4,665**	**30,598**	**-2,942**
Provision for expected credit losses	-319	-246	-2,377	**-2,942**	
Carrying amount of lending to the general public	**24,310**	**1,058**	**2,288**	**27,656**	
Allocation of provision in %	1%	19%	51%	**10%**	

31 December 2019	Stage 1	Stage 2	Stage 3	TOTAL	
Lending to the general public					
Sweden	7,688	345	1,097	**9,130**	-688
Norway	5,185	308	1,587	**7,080**	-939
Denmark	4	0	320	**324**	-293
Finland	3,712	265	832	**4,809**	-460
Germany	755	31	217	**1,003**	-203
SHP	5,501	9	4	**5,513**	-5
Total	**22,845**	**959**	**4,055**	**27,859**	**-2,587**
Provision for expected credit losses	-268	-159	-2,160	**-2,587**	
Carrying amount of lending to the general public	**22,577**	**800**	**1,895**	**25,271**	
Allocation of provision in %	1%	17%	53%	**9%**	

PARENT COMPANY

31 December 2020	Stage 1	Stage 2	Stage 3	TOTAL	Allocation of provision
Lending to the general public					
Sweden	9,701	448	1,388	**11,537**	-841
Norway	4,516	468	1,666	**6,650**	-997
Denmark	0	0	300	**300**	-277
Finland	3,269	336	1,074	**4,679**	-615
Germany	512	35	234	**781**	-206
Total	**17,998**	**1,287**	**4,662**	**23,947**	**-2,936**
Provision for expected credit losses	-313	-246	-2,377	**-2,936**	
Carrying amount of lending to the general public	**17,685**	**1,041**	**2,285**	**21,011**	
Allocation of provision in %	2%	19%	51%	**12%**	

31 December 2019	Stage 1	Stage 2	Stage 3	TOTAL	
Lending to the general public					
Sweden	7,688	345	1,097	**9,130**	-688
Norway	5,184	308	1,587	**7,079**	-939
Denmark	4	0	320	**324**	-293
Finland	3,712	265	832	**4,809**	-460
Germany	755	31	217	**1,003**	-203
Total	**17,343**	**950**	**4,052**	**22,345**	**-2,582**
Provision for expected credit losses	-265	-157	-2,160	**-2,582**	
Carrying amount of lending to the general public	**17,078**	**793**	**1,892**	**19,763**	
Allocation of provision in %	2%	17%	53%	**12%**	

The assets above are recognised at carrying amount in accordance with the balance sheet. The counterparties to which the Group is exposed in the items Lending to central banks, Lending to credit institutions and Bonds and other fixed income securities are Swedish only. The geographic risk concentrations regarding Lending to the general public are outlined in the below tables. The risk concentrations per product are presented below.

LENDING TO THE GENERAL PER PRODUCT

GROUP

31 December 2020	Stage 1	Stage 2	Stage 3	TOTAL	Allocation of provision
Lending to the general public					
Personal loans	14 ,939	1,195	4,626	**20,760**	-2,932
Mortgage loans	3,059	92	36	**3,187**	-4
SHP	6,631	17	3	**6,651**	-6
Total	**24,629**	**1,304**	**4,665**	**30,598**	**-2,942**
Provision for expected credit losses	-319	-246	-2,377	**-2,942**	
Carrying amount of lending to the general public	**24,310**	**1,058**	**2,288**	**27,656**	
Allocation of provision in %	1%	19%	51%	**10%**	

31 December 2019	Stage 1	Stage 2	Stage 3	TOTAL	Allocation of provision
Lending to the general public					
Personal loans	15,679	950	4,052	**20,681**	-2,580
Mortgage loans	1,665	0	0	**1,665**	-2
SHP	5,501	9	4	**5,513**	-5
Total	**22,845**	**959**	**4,055**	**27,859**	**-2,587**
Provision for expected credit losses	-268	-159	-2,160	**-2,587**	
Carrying amount of lending to the general public	**22,577**	**800**	**1,895**	**25,271**	
Allocation of provision in %	1%	17%	53%	**9%**	

PARENT COMPANY

31 December 2020	Stage 1	Stage 2	Stage 3	TOTAL	Allocation of provision
Lending to the general public					
Personl loans	14,939	1,195	4,626	**20,760**	-2,932
Mortgage loans	3,059	92	36	**3,187**	-4
Total	**17,998**	**1,287**	**4,662**	**23,947**	**-2,936**
Provision for expected credit losses	-313	-246	-2,377	**-2,936**	
Carrying amount of lending to the general public	**17,685**	**1,041**	**2,285**	**21,011**	
Allocation of provision in %	2%	19%	51%	**12%**	

31 December 2019	Stage 1	Stage 2	Stage 3	TOTAL	Allocation of provision
Lending to the general public					
Personal loans	15,679	950	4,052	**20,681**	-2,580
Mortgage loans	1,664	0	0	**1,664**	-2
Total	**17,343**	**950**	**4,052**	**22,345**	**-2,582**
Provision for expected credit losses	-265	-157	-2,160	**-2,582**	
Carrying amount of lending to the general public	**17,078**	**793**	**1,892**	**19,763**	
Allocation of provision in %	2%	17%	53%	**12%**	

Collateral

Part of Nordax's lending portfolio includes mortgages and equity release mortgages (through the subsidiary SHP), and this lending is secured by immovable property. The valuation of collateral is part of Nordax's credit origination process and collateral values are continuously monitored.

Nordax's policies for received collateral have not significantly changed during the period and there has been no significant change in the quality of collateral. As of 31 December 2020, Nordax had 23 mortgages with a total volume of SEK 36 million and 2 equity release mortgages with a total volume of SEK 3 million were classified in Stage 3.

Sensitivity analysis

The most significant factors contributing to uncertainty in the model for calculating expected credit losses are the limit for assessing significant increases in credit risk since the first credit assessment and the probability of financial downturns in the geographic market areas that Nordax conducts lending in.
The table below shows the sensitivity of provision sums to alternative assumptions regarding these factors of uncertainty.

GROUP

	Probability of economic downturn		
31 December 2020	High	Normal	Low
SICR threshold			
Decreased	74	9	-1
Normal	65	-	-10
Increased	58	-7	-17

Reconciliation of the ECL provision

The ECL provision was affected by a variety of factors in 2020:

• Stage transfers impacting whether ECL is recognised on a lifetime or 12-month basis
• Increase in ECL for originated loans and reversal of ECL for written-off loans
• Changes in model components in input data which changes the calculation of credit risk and estimation of future recoveries
• Changes in model methodologies and significant assumptions for calculation of ECL
• Movements due to FX effects

The following analysis explains the changes in the ECL provision between the beginning and the end of the annual period due to these factors.

GROUP

31 December 2020	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Closing provision for credit losses calculated 31 December 2019	268	159	2,160	**2,587**
Stage transfers				
Transfer to/from Stage 1	-37	-	-	**-37**
Transfer to/from Stage 2	-	125	-	**125**
Transfer to/from Stage 3	-	-	113	**113**
Origination of new loans	58	-	-	**58**
Derecognition	-5	-1	-49	**-55**
Changes in risk components	70	-106	85	**49**
Changes in model methodologies and assumptions	-24	76	-8	**44**
FX effects	-11	-7	75	**57**
Others	0	0	0	**0**
Closing provision for expected credit losses 31 December 2020	**319**	**246**	**2,376**	**2,942**

31 December 2019	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Closing provision for credit losses calculated 31 December 2018	205	151	1,870	**2,225**
Stage transfers				
Transfer to/from Stage 1	-29	-	-	**-29**
Transfer to/from Stage 2	-	116	-	**116**
Transfer to/from Stage 3	-	-	115	**115**
Origination of new loans	82	-	-	**82**
Derecognition	-3	-2	-34	**-39**
Changes in risk components	-12	-110	363	**241**
Changes in model methodologies and assumptions	21	1	-138	**-116**
FX effects	4	3	-16	**-9**
Others	0	0	0	**0**
Closing provision for expected credit losses 31 December 2019	**268**	**159**	**2,160**	**2,587**

31 December 2020	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Closing provision for credit losses calculated 31 December 2019	265	157	2,160	**2,582**
Stage transfers				
Transfer to/from Stage 1	-34	-	-	**-34**
Transfer to/from Stage 2	-	127	-	**127**
Transfer to/from Stage 3	-	-	108	**108**
Origination of new loans	58	-	-	**58**
Derecognition	-5	-1	-49	**-55**
Changes in risk components	64	-106	90	**48**
Changes in model methodologies and assumptions	-24	76	-8	**44**
FX effects	-11	-7	75	**57**
Others	0	0	0	**0**
Closing provision for expected credit losses 31 December 2020	**313**	**246**	**2,376**	**2,936**

PARENT COMPANY

31 December 2019	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Closing provision for credit losses calculated 31 December 2018	205	151	1,870	**2,225**
Stage transfers				
Transfer to/from Stage 1	-27	-	-	**-27**
Transfer to/from Stage 2	-	114	-	**114**
Transfer to/from Stage 3	-	-	115	**115**
Origination of new loans	77	-	-	**77**
Derecognition	-3	-2	-34	**-39**
Changes in risk components	-12	-110	363	**241**
Changes in model methodologies and assumptions	21	1	-138	**-116**
FX effects	4	3	-16	**-9**
Others	0	0	0	**0**
Closing provision for expected credit losses 31 December 2018	**265**	**157**	**2,160**	**2,582**

Credit quality
The below table provides an analysis of the credit quality distribution in different credit risk classes for the gross and net carrying amount of lending to the general public. Loan contracts are assigned a risk class based on a PD score that is derived through logistic regression analysis where the risk classes represent defined PD score buckets.

GROUP

31 December 2020	Steg 1	Steg 2	Steg 3	TOTALT
Credit quality for lending to the general public [1]				
A-B	2,238	125	-	**2,363**
C-D	8,554	678	-	**9,232**
E-F	3,780	382	-	**4,162**
G-H	80	7	-	**87**
No rating	287	3	0	**290**
SHP (not classified A-H)	6,631	17	3	**6,651**
Mortgage (not classified A-H)	3,059	92	36	**3,187**
Credit impaired loans	-	-	373	**373**
Non-performing loans	-	-	4,252	**4,252**
Total exposure	**24,629**	**1,304**	**4,664**	**30,597**
Provision for expected credit losses	319	246	2,376	**2,942**
Carrying amount of lending to the general public	**24,310**	**1,058**	**2,288**	**27,656**

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

Regarding the credit quality for Lending to credit institutions and Bonds and other fixed-income securities, please refer to section Information on liquidity risk under section Capital adequacy analysis.

No credit limits have been breached during period.

Market risk
In financial activities, market risks consist mainly of interest rate risks, currency risks and exchange rate risks for equities and bonds. The Board of Directors has established a policy in order to limit these risks, partly by means of limits applied to risk levels.

Exchange rate risk
Exchange rate risk refers to the risk that the value of assets and liabilities, including derivatives, may vary due to changes in exchange rates.

The Group operates in the Nordic countries and Germany and is exposed to currency risks arising from currency exposures related to NOK, DKK and EUR. The most significant currency risk arises from the translation of receivables and liabilities in foreign currency into SEK. The bank's policy is to limit the effects of fluctuations in exchange rates by matching assets and liabilities in the same currency. The Group also uses derivative instruments to further reduce the currency exposure in the balance sheet. The Group does not use derivative instruments to limit the effects of exchange rate fluctuations on future income or expenses.

The Treasury Function manages the foreign exchange exposures that arise in the business by reducing the net value of assets and liabilities, including derivatives, in a single currency through the use of currency derivatives. Derivatives are regulated through ISDA agreements and are regulated by CSA agreements. The Board of Directors has decided on a policy whereby the company continuously measures and reports its foreign exchange risk. This contains fixed limits for maximum net permissible exposure in foreign currencies. The current limit set by the Board of Directors is 2% of the balance sheet total for the consolidated situation plus currency exposures arising from the allocation of purchase price in established acquisition analysis in connection with Nordax Holding AB's acquisition of Nordax Group AB.

Nordax Bank's currency exposure (net exposure) in foreign currency amounted to NOK 13.6 million (-78.4), EUR -4.6 million (-1.8) and DKK 0.2 million (2.4).

A 5% increase in the value of the Swedish krona in relation to the other currencies would result in an increase in Nordax Bank's earning amounting to SEK 1.6 million (4.9).

In terms of the consolidated situation, the foreign currency surplus that occurred during the acquisition of Nordax Group AB is included. The currency exposure of surplus amounts to (after tax) NOK 173 million, DKK -5 million and EUR 25 million.

The consolidated situation's currency exposure (net exposure) in foreign currency amounted to NOK 188 million (209), EUR 20 million (27) and DKK -5 million (-3).

A 5% increase in the value of the Swedish krona in relation to the other currencies would result in a SEK -19 million (-25) loss in terms of the consolidated situation.

Interest rate risk in relation to cash flows and fair values
The group's fixed interest rate on lending and borrowing is mainly concentrated on a 1-month basis. The lending rate is generally tied to the bank's own borrowing costs, which mean that the interest rate risk is limited both in. terms of fair value of assets and liabilities, as well as the net interest income.

The Board of Directors has decided on a policy whereby the group continuously measures and reports its interest rate risk based on an interest rate risk model. Interest rate risk is measured in 8 different scenarios determined by the European Banking Authority and the Swedish Financial Supervisory Authority. The model not only refers to contractual fixed interest rates, but also makes certain assumptions about interest rate sensitivity in terms of non-fixed term deposits and non-performing liabilities. In the most negative scenario, the interest rate risk amounts to SEK 14.3 million (3.4) and has a limit of SEK 175 million.

Liquidity risk
Refer to section Information on liquidity risk under section Capital adequacy analysis.

Fluctuations in exchange rates

Nordax's income is affected by fluctuations in exchanges rates between SEK and NOK, EUR and DKK. Exchange rates affect the translation of receivables and liabilities to SEK. Nordax's policy is to limit the effects of fluctuations in exchange rates by matching assets and liabilities in the same currency. Nordax also uses derivative instruments to further reduce the currency exposure in the balance sheet.

The company measures and reports its currency risk on an ongoing basis. Established limits are in place on maximum net exposure in foreign currencies in order to minimise the currency exposure.

At year-end, the currency exposure in Nordax Bank amounted to EUR -5 million, NOK 14 million and DKK -0.2 million. For the consolidated situation (Nordax Holding AB), the currency exposure was higher, largely as a result of the distribution of the acquisition values that arose through the acquisition of Nordax Group AB and amounted to NOK 188 million, EUR 20 million and DKK -5 million. A change of 5 percent in the value of SEK against the other currencies would affect Nordax's result by SEK 2 million (4).

NORDAX'S CURRENCY SENSITIVITY

Currency	Change	Impact on Nordax's operating income
NOK	+/- 5%	+/- SEK 0.7 million
EUR	+/- 5%	+/- SEK 2.31 million
DKK	+/- 5%	+/- SEK 0.1 million

The table below presents an analysis of the Group's financial assets and financial liabilities to be settled, broken down according to the time remaining, at reporting date, to maturity. Issued securities are presented below as contractual and undiscounted cash flows. See note 26 for more information regarding issued securities. All other amounts stated in the table are the contractual, undiscounted cash flows.

FINANCIAL ASSETS

GROUP

31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to central banks	728	-	-	-	**728**
Lending to credit institutions	1,101	-	-	-	**1,101**
Lending to the general public	2,026	37	1,829	23,764	**27,656**
Bonds and other fixed-income securities	311	101	1,917	-	**2,329**
Other shares	-	-	-	127	**127**
Derivatives	2	-	-	-	**2**
Other assets	2	-	-	-	**2**
Total	**4,170**	**138**	**3,746**	**23,891**	**31,945**

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to central banks	100	-	-	-	**100**
Lending to credit institutions	1,152	-	-	-	**1,152**
Lending to the general public	1,732	44	1,930	21,565	**25,271**
Bonds and other fixed-income securities	500	50	2,570	-	**3,120**
Other shares	-	-	-	80	**80**
Derivatives	-	-	-	-	**-**
Other assets	123	-	-	-	**123**
Total	**3,607**	**94**	**4,500**	**21,645**	**29,846**

FINANCIAL LIABILITIES

GROUP

31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	-	-	1,605	-	**1,605**
Deposits from the general public	23,549	388	266	-	**24,203**
Issued securities	-	-	3,330	-	**3,330**
Subordinated liabilities	-	-	-	348	**348**
Derivates	2	-	-	-	**2**
Trade payables and other liabilities	19	-	-	-	**19**
Total	**23,570**	**388**	**5,201**	**348**	**29,507**

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	370	400	2,300	-	**3,070**
Deposits from the general public	18,412	630	180	-	**19,222**
Issued securities	-	1,861	3,250	-	**5,111**
Subordinated liabilities	250	-	-	350	**600**
Derivates	2	-	-	-	**2**
Trade payables and other liabilities	57	-	-	-	**57**
Total	**19,091**	**2,891**	**5,730**	**350**	**28,062**

FINANCIAL ASSETS

PARENT COMPANY

31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to central banks	728	-	-	-	**728**
Lending to credit institutions	950	-	-	-	**950**
Lending to the general public	2,026	37	1,829	17,119	**21,011**
Bonds and other fixed-income securities	311	101	1,917	-	**2,329**
Other shares	-	-	-	127	**127**
Derivatives	2	-	-	-	**2**
Other assets	0	-	-	-	**0**
Total	**4,017**	**138**	**3,746**	**17,246**	**25,147**

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial assets					
Lending to central banks	100	-	-	-	**100**
Lending til credit institutions	732	-	-	-	**732**
Lending to the general public	1,732	44	1,930	16,057	**19,763**
Bonds and other fixed-income securities	500	50	2,570	-	**3,120**
Other shares	-	-	-	80	**80**
Derivatives	-	-	-	-	**-**
Other assets	121	-	-	-	**121**
Total	**3,185**	**94**	**4,500**	**16,137**	**23,916**

FINANCIAL LIABILITIES

PARENT COMPANY

31 December 2020	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	-	-	-	-	**-**
Deposits from the general public	23,549	388	266	-	**24,203**
Issued securities	-	-	1,080	-	**1,080**
Subordinated liabilities	-	-	-	348	**348**
Derivates	2	-	-	-	**2**
Deemed loan liability	0	1	37	266	**304**
Liabilities to group companies	0	2,945	-	-	**2,945**
Trade payables and other liabilities	18	-	-	-	**18**
Total	**23,569**	**3,334**	**1,383**	**614**	**28,900**

31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Financial liabilities					
Liabilities to credit institutions	-	-	-	-	**-**
Deposits from the general public	18,412	630	180	-	**19,222**
Issued securities	-	-	1,000	-	**1,000**
Subordinated liabilities	250	-	-	350	**600**
Derivates	2	-	-	-	**2**
Deemed loan liability	2	9	371	2,495	**2,877**
Liabilities to group companies	100	1,139	-	-	**1,239**
Trade payables and other liabilities	34	-	-	-	**34**
Total	**18,800**	**1,778**	**1,551**	**2,845**	**24,974**

Capital adequacy analysis
Capital adequacy information in this document refers to information whose disclosure is provided for in Chapter 6, Sections 3-4 of the Swedish Financial Supervisory Authority's regulations and general advice (FFFS 2008:25) on the annual accounts of credit institutions and investment firms and which refers to information in the Swedish Financial Supervisory Authority's regulations and general advice provided for in Chapter 8, Section 7 (FFFS 2014:12) on supervisory requirements and capital buffers as well as Column A, Annex VI of the Commission Implementing Regulation (EU) No 1423/2013.

The subordinated bond (Tier 2) worth SEK 250 million with its first possible redemption of March 2020 has been removed from the capital base as of 31 December 2019 in accordance with Article 28 (CDR 241/2014).

Other information required by FFFS 2014:12 is available on the website at www.nordaxgroup.com.

Information on the consolidated situation
The top company in the consolidated situation is Nordax Holding AB (earlier NDX Intressenter AB). The following companies are included in the consolidated situation when a calculating capital requirements: Nordax Group AB, Nordax Bank AB (publ), Nordax Sverige AB, Nordax Sverige 4 AB (publ), Nordax Sverige 5 AB, Nordax Nordic 2 AB, Nordax Nordic 4 AB, Nordax Norway 5 AB, Nordax Norway 6 AB and Svensk Hypotekspension AB with its subsidiaries Svensk Hypotekspension Fond 2 AB, Svensk Hypotekspension Fond 3 AB (publ), Svensk Hypotekspension Fond 4 AB (publ) and Svensk Hypotekspension 5 AB (publ).

CAPITAL ADEQUACY

All amounts in MSEK	Consolidated situation		Parent company	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
OWN FUNDS				
Common Equity Tier 1 capital	7,759	7,163	3,303	2,627
Deduction from own funds	-4,376	-4,393	-17	-20
Total Common Equity Tier 1 capital	**3,384**	**2,770**	**3,286**	**2,607**
Tier 1 capital, minority	-	-	-	-
Total Tier 1 capital	**3,384**	**2,770**	**3,286**	**2,607**
Tier 2 capital[4]	198	260	348	348
Net own funds	**3,582**	**3,030**	**3,634**	**2,955**
Risk exposure amount for credit risk	18,937	18,011	16,802	16,290
Risk exposure amount for market risk	386	506	0	102
Risk exposure amount for operational risks	1,517	1,229	1,226	1,072
CVA	0	1	0	1
Total risk exposure amount (risk weighted assets)	**20,839**	**19,747**	**18,028**	**17,465**
Common Equity Tier 1 capital ratio	16.24%	14.03%	18.23%	14.92%
Tier 1 capital ratio	16.24%	14.03%	18.23%	14.92%
Total capital ratio	17.19%	15.34%	20.16%	16.92%
Total Common Equity Tier 1 capital requirement including buffer requirement	7.22%	8.90%	7.24%	8.88%
- of which, capital conservation buffer requirement	2.50%	2.50%	2.50%	2.50%
- of which, countercyclical capital buffers	0.22%	1.90%	0,24%	1.88%
Common Equity Tier 1 capital available for use as buffert[1]	9.19%	7.34%	12.16%	8.92%
Specification of own funds				
Common Equity Tier 1 capital:				
Capital instruments and the related share premium accounts	6,778	6,778	67	73
-of wich share capital	1	1	50	50
- of wich other contributed capital	6,777	6,777	7	7
-of which other funds	0	0	10	16
Retained earnings	264	23	2,437	2,093
Other comprehensive income	35	-	35	-
- Other transition adj. of common equity Tier 1 capital [4]	302	117	283	117
-Minority interest	-	-	-	-
Independently reviewed interim profits	381	245	481	344
Common Equity Tier 1 capital before regulatory adj.	**7,759**	**7,163**	**3,303**	**2,627**
Regulatory adjustments:				
- Intangible assets	-4,373	-4,390	-14	-17
- Own shares	-	-	-	-
-Prudent valuation	-2	-3	-2	-3
Total regulatory adjustments to Common Equity Tier 1 capital	**-4,376**	**-4,393**	**-17**	**-20**
Common Equity Tier 1 capital	**3,384**	**2,770**	**3,286**	**2,607**
Tier 1 capital				
Tier 1 capital, minority	-	-	-	-
Total Tier 1 capital	**3,384**	**2,770**	**3,286**	**2,607**
Tier 2 capital				
Tier 2 capital instruments	198	260	348	348
Total Tier 2 capital	**198**	**260**	**348**	**348**
Total capital	**3,582**	**3,030**	**3,634**	**2,955**
Specification of risk exposure amount[2]				
Institutional exposures	231	244	192	148
Covered bonds	124	154	124	154
Household exposures	12,422	12,954	11,943	12,304
Exposures secured by mortgages on immovable property	3,569	2,599	1,181	639
Eqitu exposures	127	80	1,157	1,110
Past due items	2,344	1,891	2,163	1,790
Corporate exposures	-	-	-	-
Other items	120	89	42	145
Total risk exposure amount for credit risk, Standardised Approach	**18,937**	**18,011**	**16,802**	**16,290**
Exchange rate risk	386	506	0	102
Total risk exposure amount for market risk	**386**	**506**	**0**	**102**
Operational risk according to the Alternative Standardised Approach	1,517	1,229	1,226	1,072
Total risk exposure amount for operational risks	**1,517**	**1,229**	**1,226**	**1,072**
Total risk weighted exposure	**20 839**	**19,747**	**18,028**	**17,465**

CAPITAL REQUIRMENT

All amounts in MSEK	Consolidated situation 2020-12-31	Consolidated situation 2019-12-31	Parent Company 2020-12-31	Parent Company 2019-12-31
Capital requirement, %				
Pillar 1	8.00%	8.00%	8.00%	8.00%
Pillar 2	0.86%	0,92%	1,42%	1,05%
Capital conservation buffer	2.50%	2,50%	2,50%	2,50%
Institution-specific countercyclical buffer	0.22%	1,90%	0,24%	1,88%
Total capital requirement %	**11.57%**	**13.32%**	**12.15%**	**13.43%**
Capital requirement, MSEK				
Pillar 1	1,667	1 ,580	1,442	1,397
Pillar 2	178	182	256	184
Capital conservation buffer	521	494	451	437
Institution-specific countercyclical buffer	45	374	42	328
Total capital requirement	**2,412**	**2,630**	**2 191**	**2,345**
LEVERAGE RATIO				
Total exposure amount leverage ratio	33,176	31,249	26,249	25,155
Tier 1 capital	3,384	2,770	3,286	2,607
Leverage ratio %	**10.20%**	**8.86%**	**12.52%**	**10.36%**
Creditrisk				
Institutional exposures	18	20	15	12
Covered bonds	10	12	10	12
Household exposures	994	1,036	955	984
Exposures secured by mortgages on immovable property	286	208	95	51
Share exposures	10	6	93	89
Past due items	188	151	173	143
Corporate exposures	0	0	0	0
Other items	10	7	3	12
Total capital requirement for credit risk	**1,515**	**1,441**	**1,344**	**1,303**
Market risk				
Exchange rate risk	31	40	0	8
Total capital requirement for market risk	**31**	**40**	**0**	**8**
Operational risk				
Operational risk	121	98	98	86
Total capital requirement for operational risks	**121**	**98**	**98**	**86**
Credit valuation adjustment risk (CVA)				
Credit valuation adjustment risk (CVA)	0	0	0	0
Total capital requirement for CVA risk	**0**	**0**	**0**	**0**
Total capital requirement	**1,667**	**1,580**	**1,442**	**1,347**

[1] Common Equity Tier 1 capital available for use as a buffer refers to Common Equity Tier 1 capital after deducting own funds used to meet the capital adequacy requirement according to Pillar 1. Expressed as a percentage of total risk exposure amount.

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

[3] Nordax Bank's subordinated loans of 348 MSEK can only be included in the consolidated situation's capital base proportionate to the amount required to cover Nordax Bank's capital requirements. Consequently, eligible Tier 2 capital amounts to 198 MSEK.

[4] Nordax has notified the SFSA that the bank, at the consolidated and parent company level, will apply the transition rules according to article 473a in 2017/2395/EU, paragraphs 2 and 4. Table according to "Final report on the guidelines on uniform disclosure of IFRS 9 transitional arangements", EBA, 12 January 2018 is included in the information published according to part 8 in 575/2013/EU on the bank's website www. nordaxgroup.com.

Internal capital requirement
As of 31 December 2020, the internal capital assessed capital requirement in consolidated situation amounted to SEK 178 million (182). The total capital requirement for the period amounts to SEK 2,412 million and is solely covered by CET1. The internal capital requirement is estimated using Nordax's internal models for economic capital.

Information on liquidity risk
The Group defines liquidity risk as the risk of failing to fulfil payment obligations at maturity without a significant increase in the cost of obtaining means of payment. The Group uses asset-backed borrowing in which parts of the Group's asset portfolios are pledged as collateral for the loans. The Group's long-term strategy is to match lending assets with the maturities of liabilities. The strategy is aimed at achieving a diversified funding platform comprising equity, subordinated debt, asset backed securities ("ABS"), bank warehouse funding facilities, deposits from the general public and senior unsecured bonds.

The goal is to use funding sources which:
• Provide a high degree of matching – of currencies and interest periods as well as maturities – between assets and liabilities.

• Offer diversification in terms of markets, investors, instruments, maturities, currencies, counterparties and geography.

• Carry a low liquidity risk and offer a strong possibility of refinancing at maturity, as evidenced by price stability, regularity of issuance and a broad investor base.

• Provide access to relatively large volumes, to meet the funding requirements of a growing balance sheet.

The Group has an independent function for liquidity risk control. The function reports directly to the Board and CEO.

Liquidity risk is measured on a daily basis and reported to the Nordax's management. Liquidity risk is reported at each Board meeting.

Cash flows that are expected to arise from the liquidation of all assets, liabilities and off-balance sheet items are calculated. Key ratios from the balance sheet (such as the cash ratio, loan-to-deposit ratio, liquidity coverage ratio, net stable funding ratio and deposit usage) are calculated and monitored over time to illustrate the financial structure and the Group's liquidity risk. Liquidity risk is measured monthly under various scenarios and events (such as less favourable advance rates and changed cash flows) and specified separately and collectively.

The contingency plan contains a clear division of responsibilities and instructions on how the Group should respond in a liquidity crisis. The plan specifies appropriate actions to manage the consequences of various types of crises and contains definitions of events that trigger and escalate the contingency plan. The contingency plan has been tested and updated.

As of 31 December 2020, Nordax had a liquidity coverage ratio (LCR) of 472% (514). On the same date, the net stable funding ratio (NSFR) was 120% (120), calculated in accordance with the definition in the Commission Delegated Regulation (EU) 2015/61 and the Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR2).

Nordax had a liquidity reserve at 31 December 2020 of SEK 4.1 billion (4.2). Of these investments, 25 per cent (24) was in Nordic banks, 18 per cent (2) in Sveriges Riksbank, 30 per cent (36) in Swedish covered bonds, 6 per cent (12) in Swedish municipal paper and 21 per cent (25 in Swedish municipal bonds and state.

The Board of Directors has set limits to manage financial credit risk, with the lowest permitted credit rating being A unless the board has adopted specific limits applicable to counterparties. The Board of Directors has approved two counterparties that do not fulfill the credit rating requirements: Danske Bank and Avanza Bank. No limits have been exceeded during the course of the year.

All investments had a credit rating ranging from AAA to A+ except SEK 69 million in exposure to Avanza Bank AB and SEK 219 million exposure to Danske Bank. The average maturity was 467 days (343). All bank holdings are highly liquid and all securities are repoable with central banks.

At 31 December 2020 Nordax's funding sources comprised SEK 2,250 million (4,111) through the asset-backed securities market (securitised), SEK 1,080 million (1,000) in senior unsecured bonds, SEK 1,605 million (3,068) in warehouse funding facilities provided by international banks and SEK 24,203 million (19,222) in deposits from the general public. The figures above refer to the nominal amounts.

Note 5 Classification of financial assets and liabilities

GROUP

31 December 2020	Financial assets at fair value through profit or loss [1]	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets at fair value via other comprehensive income	TOTAL
Assets					
Lending to central banks	-	728	-	-	**728**
Lending to credit institutions	-	1,101	-	-	**1,101**
Lending to the general public	-	27,656	-	-	**27,656**
Bonds and other fixed-income securities	2,329	-	-	-	**2,329**
Other shares	-	-	-	127	**127**
Derivates	2	-	-	-	**2**
Other assets	-	2	-	-	**2**
Total assets	**2,331**	**29,487**	**-**	**127**	**31,945**
Liabilities					
Liabilities to credit institutions	-	-	1,605	-	**1,605**
Deposits from the general public	-	-	24,203	-	**24,203**
Issued securities	-	-	3,330	-	**3,330**
Subordinated liabilities	-	-	348	-	**348**
Derivates	2	-	-	-	**2**
Other liabilities	-	-	19	-	**19**
Total liabilities	**2**	**-**	**29,505**	**-**	**29,507**

[1] Mandatorily at fair value through profit and loss.

31 December 2019	Financial assets at fair value through profit or loss [1]	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets at fair value via other comprehensive income	TOTAL
Assets					
Lending to central banks	-	100	-	-	**100**
Lending to credit institutions	-	1,152	-	-	**1,152**
Lending to the general public	-	25,271	-	-	**25,271**
Bonds and other fixed-income securities	3,120	-	-	-	**3,120**
Other shares	-	-	-	80	**80**
Other assets	-	123	-	-	**123**
Total assets	**3,120**	**26,646**	**-**	**80**	**29,846**
Liabilities					
Liabilities to credit institutions	-	-	3,068	-	**3,068**
Deposits from the general public	-	-	19,222	-	**19,222**
Issued securities	-	-	5,105	-	**5,105**
Subordinated liabilities	-	-	598	-	**598**
Derivates	2	-	-	-	2
Other liabilities	-	-	57	-	**57**
Total liabilities	**2**	**-**	**28,050**	**-**	**28,052**

PARENT COMPANY

31 December 2020	Financial assets at fair value through profit or loss [1]	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets at fair value via other comprehensive income	TOTAL
Assets					
Lending to central banks	-	728	-	-	**728**
Lending to credit instituions	-	950	-	-	**950**
Lending to the general public	-	21,011	-	-	**21,011**
Bonds and other fixed-income securities	2,329	-	-	-	**2,329**
Other shares	-	-	-	127	**127**
Derivates	2	-	-		**2**
Other assets	-	0	-	-	**0**
Total assets	**2,331**	**22,689**	**-**	**127**	**25,147**
Liabilities					
Deposits from the general public	-	-	24,203	-	**24,203**
Issued securities	-	-	1,080	-	**1,080**
Deemed loan liability	-	-	304	-	**304**
Subordinated liabilities	-	-	348	-	**348**
Derivates	2	-	-	-	**2**
Other liabilities	-	-	18	-	**18**
Total liabilities	**2**	**-**	**25,953**	**-**	**25,955**

[1] Mandatorily at fair value through profit and loss.

31 December 2019	Financial assets at fair value through profit or loss [1]	Financial assets at amortised cost	Financial liabilities at amortised cost	Financial assets at fair value via other comprehensive income	TOTAL
Assets					
Lending to central banks	-	100	-	-	**100**
Lending to credit institutions	-	732	-	-	**732**
Lending to the general public	-	19,763	-	-	**19,763**
Bonds and other fixed-income securities	3,120	-		-	**3,120**
Other shares	-	-	-	80	**80**
Other assets	-	121	-	-	**121**
Total assets	**3,120**	**20,716**	**-**	**80**	**23,916**
Liabilities					
Deposits from the general public	-	-	19,222	-	**19,222**
Issued securities	-	-	1,000	-	**1,000**
Deemed loan liability	-	-	2,877	-	**2,877**
Subordinated liabilities	-	-	598	-	**598**
Derivates	2	-	-	-	**2**
Other liabilities	-	-	35	-	**35**
Total liabilities	**2**	**-**	**23,732**	**-**	**23,734**

Note 6 Fair value measurement of financial assets and liabilities

GROUP

31 December 2020	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to central banks [1]	728	728	-
Lending to credit institutions [1]	1,101	1,101	-
Lending to the general public [2,4]	27,656	30,722	3,066
Other shares	127	127	-
Derivatives	2	2	-
Bonds and other fixed-income securities	2,329	2,329	-
Total assets	**31,943**	**35,009**	**3,066**
Liabilities			
Liabilities to credit institutions [1]	1,605	1,605	-
Deposits from the general public [1]	24,203	24,203	-
Issued securities [3]	3,330	3,294	-36
Derivates	2	2	-
Subordinated liabilities [3]	348	348	0
Total liabilities	**29,488**	**29,452**	**-36**

31 December 2019	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to central banks [1]	100	100	-
Lending to credit institutions [1]	1,152	1,152	-
Lending to the general public [2,4]	25,271	28,494	3,223
Other shares	80	80	-
Derivatives	0	0	-
Bonds and other fixed-income securities	3,120	3,120	-
Total assets	**29,723**	**32,946**	**3,223**
Liabilities			
Liabilities to credit institutions [1]	3,068	3,068	-
Deposits from the general public [1]	19,222	19,222	-
Issued securities [3]	5,105	5,108	3
Derivates	2	2	-
Subordinated liabilities [3]	598	583	-15
Total liabilities	**27,995**	**27,983**	**-12**

[1] Fair value is deemed to be the same as the carrying amount, as these are of a short-term nature..
[2] The measurement includes significant non-observable inputs.
[3] Fair value data for issued securities and debenture loans belong to Level 2, as the inputs for measurement are based directly or indirectly on quoted prices.
[4] Fair value data for lending to the general public is calculated after tax.

PARENT COMPANY

31 December 2020	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to central banks [1]	728	728	-
Lending to credit institutions [1]	950	950	-
Lending to the general public [2,4]	21,011	24,039	3,028
Other shares	127	127	-
Derivatives	2	2	-
Bonds and other fixed-income securities	2,329	2,329	-
Total assets	**25,147**	**28,175**	**3,028**
Liabilities			
Deposits from the general public	24,203	24,203	-
Liabilities to securitisation firms[1]	304	304	-
Issued securities [3]	1,080	1,078	-2
Derivates	2	2	-
Subordinated liabilities	348	348	0
Total liabilities	**25,937**	**25,935**	**-2**

31 December 2019	Carrying amount	Fair value	Fair value gain (+)/ Fair value loss (-)
Assets			
Lending to central banks [1]	100	100	-
Lending to credit institutions [1]	732	732	-
Lending to the general public [2,4]	19,763	22,969	3,206
Other shares	80	80	-
Derivatives	0	0	-
Bonds and other fixed-income securities	3,120	3,120	-
Total assets	**23,795**	**27,001**	**3,206**
Liabilities			
Deposits from the general public	19,222	19,222	-
Liabilities to securitisation firms[1]	2,877	2,877	-
Issued securities [3]	1,000	1,003	3
Derivates	2	2	-
Subordinated liabilities	598	583	-15
Total liabilities	**23,699**	**23,686**	**-12**

1 Fair value is deemed to be the same as the carrying amount, as these are of a short-term nature..
2 The measurement includes significant non-observable inputs.
3 Fair value data for issued securities and debenture loans belong to Level 2, as the inputs for measurement are based directly or indirectly on quoted prices.
4 Fair value data for lending to the general public is calculated after tax.

Calculation of fair value

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

Fair value of financial instruments not traded in an active market is established using measurement techniques. Market data is used as far as possible when available. If all significant inputs required for the fair value measurement of an instrument are observable, whether directly (i.e. as quotations) or indirectly (i.e. derived quotations) the instrument belongs to Level 2.

In cases where one or several significant inputs are not based on observable market information, the instrument is classified as Level 3. The table below shows financial instruments measured at fair value according to their classification in the fair value hierarchy.

Valuation techniques for determination of fair value – level 2

•Fair value measurement of lending to the general public includes observable market data through assets' future cash flows being valued in the present through the use of a discount factor. The expected future cash flows are based on the size of portfolio as of the balance sheet date and an expected future cash flow based on the portfolio's maximum duration.

•Fair value measurement of bonds is derived through the calculation of discounted cash flows. Discounting applies current market rates.

•Fair value for forward exchange contracts is determined through the current value of future cash flows based on rates of exchange for forward exchange rates on the balance sheet date.

Fair value measurement using significant,non-observable inputs - level 3.

Nordax has a holding comprising unlisted shares in Stabelo AB which is measured at its fair value based on non-observable market inputs. As of 31 December 2020, the value has been determined based on the issue rate on the date of the most recent new share issue, which occurred during October 2020. All shareholders in Stabelo were entitled to participate in the new share issue, and in connection with the new share issue there was a redistribution of shareholders' respective shares in Stabelo. No significant events affecting fair value are deemed to have occurred during the period between the new share issue and the balance sheet date, whereby the issue rate has been used as the basis for valuation during the determination of fair value.

As of 31 December 2019, the fair value was determined based on the value at the time of acquisition. This was on the basis that the acquisition of the unlisted shares took place at arm's length in close proximity to the balance sheet date of 31 December 2019.

During 2020, there have been no transfers between the levels in the fair value hierarchy.

The following table shows the changes for level 3 instruments during 2020 and 2019:

Unlisted shares	MSEK
Opening balance 1 January 2019	-
Acquisitions	80
Profits recognized in the other comprehensive income	-
Closing balance 31 December 2019	**80**
Transfers from level 2	-
Acqusitions	12
Sales	-
Losses (-) recognized in other comprehensive income	-
Profits (+) recognized in other comprehensive income	35
Closing balance 31 December 2020	**127**

GROUP

31 December 2020	Level 1	Level 2	Level 3	TOTAL
Assets				
Lendning to the general public	-	30,722	-	**30,722**
Bonds and other fixed-income securities	1,511	818	-	**2,329**
Other shares	-	-	127	**127**
Derivatives	-	2	-	**2**
Total assets	**1,511**	**31,542**	**127**	**33,180**
Liabilities				
Issued securities	-	3,294	-	**3,294**
Derivates	-	2	-	**2**
Subordinated liabilities	-	348	-	**348**
Total liabilities	**-**	**3,644**	**-**	**3,644**

31 December 2019	Level 1	Level 2	Level 3	TOTAL
Assets				
Lendning to the general public	-	28,494	-	**28,494**
Bonds and other fixed-income securities	1,545	1,575	-	**3,120**
Other shares	-	-	80	**80**
Derivatives	-	0	-	**0**
Total assets	**1,545**	**30,069**	**80**	**31,694**
Liabilities				
Issued securities	-	5,108	-	**5,108**
Derivates	-	2	-	**2**
Subordinated liabilities	-	583	-	**583**
Total liabilities	**-**	**5,693**	**-**	**5,693**

PARENT COMPANY

31 December 2020	Level 1	Level 2	Level 3	TOTAL
Assets				
Lendning to the general public	-	24,039	-	**24,039**
Bonds and other fixed-income securities	1,511	818	-	**2,329**
Other shares	-	-	127	**127**
Derivatives	-	2	-	**2**
Total assets	**1,511**	**24,859**	**127**	**26,497**
Liabilities				
Issued securities	-	1,078	-	**1,078**
Derivates	-	2	-	**2**
Subordinated liabilities	-	348	-	**348**
Total liabilities	**-**	**1,428**	**-**	**1,428**

31 December 2019	Level 1	Level 2	Level 3	TOTAL
Assets				
Lendning to the general public	-	22,969	-	**22,969**
Bonds and other fixed-income securities	1,545	1,575	-	**3,120**
Other shares	-	-	80	**80**
Derivatives	-	0	-	**0**
Total assets	**1,545**	**24,544**	**80**	**26,169**
Liabilities				
Issued securities	-	1,003	-	**1,003**
Derivates	-	2	-	**2**
Subordinated liabilities	-	583	-	**583**
Total liabilities	**-**	**1,588**	**-**	**1,588**

Note 7 Net interest income

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Interest income from the general public [1,2,3]	2,069	1,865	1,860	1,678
Interest income from credit institutions	108	90	108	90
Total interest income	**2,177**	**1,955**	**1,968**	**1,768**
Interest expenses to the general public	-273	-219	-273	-219
Interest expenses to credit institutions	-131	-204	-25	-14
Interest expenses debenture loans	-19	-25	-19	-25
Interest expenses group liablities	-	-	-288	-610
Interest expenses leasing	-1	0	-	-
Total income expenses	**-424**	**-448**	**-605**	**-868**
Net interest income	**1,753**	**1,507**	**1,363**	**900**

[1] Interest income on impaired financial assets totals 75 MSEK (105) for the Group.
[2] Interest income from financial instruments not measured at fair value through profit and loss amounts to 2,177 (1,955) MSEK for the Group and 1,968 (1,768) MSEK for the parent company. Interest expenses from financial instruments not measued at fair value through profit and loss amounts to 424 (448) MSEK for the Group and 605 (868 MSEK)) for the parent company.
[3] In the parent company interest income from its subsidiary SHP amounting to SEK 60 million is included.

Note 8 Commission income

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Insurance commission [1]	26	28	18	21
Administrative fees [2]	45	46	36	26
Total	**71**	**74**	**54**	**47**

[1] Insurance commission is attributable to financial instruments not measured at fair value.
2 In the period January-December 2019, administrative fees of SEK 46 million at group level were reclassified from net interest to commission income.

Note 9 Net profit from financial transactions

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Changes in exchange rates	-7	8	7	7
Profit from investments in bonds and other fixed-income securities	-3	-19	-3	-19
Net profit/loss from financial transactions	**-10**	**-11**	**4**	**-12**

Nordax uses derivatives to hedge the balance sheet, in 2020 the result of currency hedging amounted to -7 MSEK (8) in the Group and 7 MSEK (7) in the Parent Company. Nordax invests surplus liquidity in bonds and certificates with a very high credit rating, which resulted in the result of these fixed income investments being negative and amounted to -3 million MSEK (-19).

Note 10 Other operating income

Other operating income refers to income for securitised loans.

Note 11 General administrative expenses

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Employee benefit expenses				
Salaries and fees	-164	-138	-154	-129
Pension expenses	-18	-14	-16	-13
Social security contributions	-53	-47	-50	-44
Other employee benefit expenses	-9	-15	-9	-14
Total employee benefit expenses	**-244**	**-214**	**-229**	**-200**
Other administrative expenses				
IT expenses	-141	-170	-141	-170
External services	-93	-177	-82	-147
Costs of premises	-8	-12	-18	-18
Telephone and postage	-19	-19	-18	-18
Other	0	-9	2	-8
Total other administrative expenses	**-261**	**-387**	**-257**	**-361**
Total general administrative expenses	**-505**	**-601**	**-486**	**-561**

GROUP

All amounts are in MSEK	2020-12-31	2019-12-31
Specification of salaries and fees [1,2]		
Directors, Chief Executive Officer and other senior executives	-10	-10
Other employees	-154	-128
Total	**-164**	**-138**
Breakdown of social security contributions		
Directors, Chief Executive Officer and other senior executives	-3	-3
Other employees	-50	-44
Total	**-53**	**-47**
Breakdown of pension expenses		
Directors, Chief Executive Officer and other senior executives	-2	-2
Other employees	-16	-12
Total	**-18**	**-14**
Breakdown of average number of employees (converted to full-time equivalents)		
Women in Sweden	211	177
Men in Sweden	140	126
Total	**351**	**303**

[1] Of the total breakdown of salaries and fees, fees invoiced for senior executives are not included.

[2] Senior executives include those holding senior management roles in addition to the CEO and CFO who are employees of Nordax Holding AB and Nordax Group AB respectively.

Regular working hours have been defined as available working time. This does not include overtime or fulltime or parttime leave. The figures relate to the full year.

GROUP

Breakdown between women and men	2020-12-31	2019-12-31
Breakdown between women and men on the Board of Directors		
Women	1	1
Men	6	6
Total	**7**	**7**
Breakdown between women and men in the senior management		
Women	4	3
Men	4	4
Total	**8**	**7**

GROUP

All amounts are in TSEK	Basic salary/ Board fee	Variable renume-ration	Pension cost	Total
Remuneration and other benefits 2020 [1]				
Chairman Hans-Ole Jochumsen	-550	-	-	**-550**
Director Christopher Ekdal	-150	-	-	**-150**
Director Christian Frick	-150	-	-	**-150**
Director Heikki Kapanen	-167	-	-	**-167**
Director Henrik Källén	-350	-	-	**-350**
Director Anna Storåkers	-300			**-300**
Director Ville Talasmäki	-175	-	-	**-175**
Director Ricard Wennerklint	-34	-	-	**-34**
Other senior management (8 persons)	-8,435	-	-1,788	**-10,223**
Total	**-10,311**	**-**	**-1,788**	**-12,099**

All amounts are in TSEK	Basic salary/ Board fee	Variable renume-ration	Pension cost	Total
Remuneration and other benefits 2019				
Board of directors (7 persons)	-1,696	-	-	**-1,696**
Other senior management (8 persons)	-8,351	-	-1,714	**-10,065**
Total	**-10,047**	**-**	**-1,714**	**-11,761**

[1] The board consists of 7 (7) persons. Fees were paid to the Chairman and members of the Board of Directors in accordance with the decision at he Annual General Meeting 2020. At the end of the period, there were 8 (7) persons in the ordinary managenent group. The CEO and CFO are employed in Nordax Holding AB and Nordax Group AB. Compensation above includes severance pay. Of remuneration to other senior executives, 0 TSEK (1,011) relates to consulting fees.

Information on remuneration system
Information on the remuneration according to the Swedish Financial Supervisory Authority's regulations on supervisory requirements and capital buffers (FFFS 2014:12) is provided on Nordax's website www.nordaxgroup.com.

Share-based remuneration
Until the delisting in April 2018, Nordax had a long-term management incentive plan combining the following components: 40% of the variable remuneration was paid out in cash in the same year that the decision to grant remuneration was made, and 60% of the variable remuneration has been deferred for up to 3 years or, for the CEO, 5 years (the qualifying period). When the incentive plan was terminated, the previous future right to allocations of restricted share units was converted to variable cash remuneration. The cash remuneration for each restricted share unit amounts to SEK 60, which corresponds to the price of the Nordax share in the cash mandatory bid presented in February 2018. Deferred variable remuneration will be paid out for the last time in 2021. As a rule, if employment ends the right to all deferred variable remuneration expires on the date that the participant ceases to be employed.

CEO and other senior management
The CEO is employed by Nordax Holding AB (earlier NDX Intressenter AB and not by Nordax Bank AB (publ).

The term of notice for other senior management is 4 months for the employee and 9 months for the company. If terminated during the period 20 November- 1 January or 20 May – 20 July, the term of notice for the employee is 6 months instead of 4 months. For other senior management hired from 2018 there is a mutual term of notice of 6 months. No employees, including the CEO, are eligible for severance upon termination.

All employees including the CEO are entitled to an occupational pension according to the following premium scale:
• Salary components to 7.5 income base amounts 4.5%
• Salary components over 7.5 income base amounts 30%
• Annual pensionable salary is calculated as monthly salary x 12.2

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

	GROUP		PARENT COMPANY	
Fees to auditors	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Deloitte				
Audit engagement	-4	-5	-2	-4
Audit work in addition to the Audit assignment	-1	-1	-1	0
Tax advisory services	-	-	-	-
Other services	-	-	-	-
Total expense for audit fees	**-5**	**-6**	**-3**	**-4**

Note 12 Leases

	GROUP		PARENT COMPANY	
Right-of-use assets				
All amounts in MSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Right-of-use assets start of the year	35	32		
Additional right-of-use assets during the year	48	3	-	-
Opening balance Year's depreciation	-9	-	-	-
Year's depreciation	-13	-9	-	-
Opening balance write-downs	-	-	-	-
Year's write-downs	-	-	-	-
Total	**61**	**26**	**-**	**-**

	GROUP		PARENT COMPANY	
Lease liabilities				
Alla belopp anges i MSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Shortterm liabilities	13	8	-	-
Longterm liabilities	48	15	-	-
Total	**61**	**23**	**-**	**-**

	GROUP		PARENT COMPANY	
Amounts in the income statement according to IFRS 16				
All amounts in MSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Depreciations of right-of use-assets	-13	-9		-
Write-downs of right-of-use-assets	-	-	-	-
Interest expenses for lease liablities	-1	-1	-	-
Total	**-14**	**-10**	**-**	**-**

The Group's lease assets thats been classified as right-of-use assets are leases of premises, parking and vehicles. The leases do not contain any restrictions beyond the security of the leased assets. There have been no reassessments of leasing periods or changes to rates of interest during 2020. A new lease agreement has been signed in relation to premises. This agreement came into force on 1 April 2020 and has affected the right of use and leasing liabilities.

Note 13 Credit losses

	GROUP		PARENT COMPANY	
All amounts are in MSEK	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Credit losses net - lending to the general public				
Stage 1	-62	-43	-62	-43
Stage 2	-102	-4	-102	-4
Stage 3	-252	-239	-252	-239
Credit losses for according to IFRS 9	**-416**	**-286**	**-416**	**-286**
Credit losses for the year	**-416**	**-286**	**-416**	**-286**

Note 14 Tax on profit for the year

	GROUP		PARENT COMPANY	
All amounts are in MSEK	**2020-12-31**	2019-12-31	**2020-12-31**	2019-12-31
Tax recognised in profit or loss				
Current tax on profit for the year	-157	-114	-137	-102
Tax on previous year's profit for the year	0	-1	0	-1
Deferred tax expense/income	2	4	0	-
Tax on profit for the year	**-155**	**-111**	**-137**	**-103**
Reconciliation of effective tax				
Reported profit before tax	704	463	618	447
Tax at current tax rate	-151	-99	-132	-96
Tax effect of non-deductible expenses	-5	-6	-5	-6
Tax effect of non-taxable income	-	-	-	-
Tax on previous year's profit for the year	0	-1	0	-1
Deferred tax	1	-5	-	-
Tax effect attributable to changes in tax rates	0	0	0	0
Tax on profit for the year according to the income statement	**-155**	**-111**	**-137**	**-103**
Tax recognised in the statement of financial position				
Actual tax asset	-	40	8	45
Actual tax liability	-9	-	-	-
Deferred tax liability	26	27	-	-
Opening balance deferred tax liability	27	3	-	-
Through profit or loss	2	-6	-	-
Related to temporary differences	-3	30	-	-
Closing balance deferred tax liability	**26**	**27**	**-**	**-**
Deferred tax liability is attributable to				
Deferred tax related to business combinations	27	29	-	-
Deferred tax related to IFRS 9	1	-1	-	-
Deferred tax related to IFRS 16	0	0	-	-
Deferred tax liability attributable to temporary differences in accrued costs of loans	-2	-1	-	-
Deferred tax liability according to balance sheet	**26**	**27**	**-**	**-**
Deferred tax to be recovered in 12 months	1	1	-	-
Deferred tax to be recovered after 12 months	25	26	-	-

The applicable tax rate is the tax rate for income tax in the Group. The tax rate is 21.4% (21.4%). As of January 1, 2021 the tax rate will change to 20.6%, which have had an impact on the calculation of the deferred tax liability. The deferred tax liability 2019 pertains to temporary differences in accrued arrangement fees for loans and handling fees. It also relates to deffered tax regarding IFRS adjustments.

Note 15 Operating segments

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

GROUP

JAN-DEC 2020	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL
Income statement							
Interest income [1]	809	595	0	436	66	271	**2,177**
Interest expenses	-152	-116	0	-42	-7	-108	**-425**
Total net interest income	**657**	**479**	**0**	**394**	**59**	**163**	**1,752**
Commission income	30	20	0	20	0	1	**71**
Net profit from financial transactions [2]	-3	4	0	0	0	-2	**-10**
Total operating income	**684**	**503**	**0**	**414**	**59**	**162**	**1,814**
General administrative expenses	-227	-145	0	-90	-11	-32	**-505**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-14	-7	0	-5	-0	0	**-26**
Other operating expenses[3]	-72	-54	0	-13	0	-24	**-163**
Total operating expenses	**-313**	**-206**	**0**	**-108**	**-11**	**-56**	**-694**
Profit before credit losses	**371**	**297**	**0**	**305**	**48**	**106**	**1,120**
Net credit losses	-140	-124	6	-146	-11	-1	**-416**
Operating profit	**231**	**173**	**6**	**159**	**37**	**105**	**704**
Balance sheet							
Lending to the general public	**10,695**	**5,654**	**23**	**4,064**	**575**	**6,645**	**27,656**

JAN-DEC 2019	Sweden	Norway	Denmark	Finland	Germany	SHP	TOTAL
Income statement							
Interest income [1]	625	606	2	426	94	202	**1,955**
Interest expenses	-107	-184	0	-56	-12	-89	**-448**
Total net interest income	**518**	**422**	**2**	**370**	**82**	**113**	**1,507**
Commission income	24	26	0	22	0	2	**74**
Net profit from financial transactions [2]	-6	10	0	-3	0	0	**-11**
Total operating income	**536**	**438**	**2**	**389**	**82**	**115**	**1,570**
General administrative expenses	-234	-178	-2	-113	-22	-52	**-601**
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-15	-10	0	-7	-1	0	**-33**
Other operating expenses[3]	-73	-55	0	-32	-4	-23	**-187**
Total operating expenses	**-322**	**-243**	**-2**	**-152**	**-27**	**-75**	**-821**
Profit before credit losses	**214**	**195**	**0**	**237**	**55**	**40**	**749**
Net credit losses	-72	-119	9	-75	-29	0	**-286**
Operating profit	**142**	**76**	**9**	**162**	**26**	**41**	**463**
Balance sheet							
Lending to the general public	**8,442**	**6,140**	**31**	**4,349**	**801**	**5,508**	**25,271**

[1] Interest income refers to revenues from external customers.
[2] FX effects amount to -9 MSEK and is not allocated.
[3] Operationg expenses consists of net profit from financial transactions, other operating income, general administrative expenses and the portion of other operating expenses that does not pertain to marketing expenses.

Note 16 Lending to central banks and credit institutions

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Central banks	728	100	728	100
Banks	1,101	1,152	950	732
Total	**1,829**	**1,252**	**1,678**	**832**

The Group's lending to credit institutions includes SEK 85 (385) million in pledged assets for liabilities to credit institutions and issued securities.

Note 17 Lending to the general public

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Households	27,656	25,271	21,011	19,763
Total	**27,656**	**25,271**	**21,011**	**19,763**

The Group item includes SEK 4,465 (9,482) million in pledged assets for liabilities to credit institutions and issued securities. Lending takes place in the currency of the country concerned. The geographical breakdown is presented in Note 4. Of total lending, SEK 25,593 million (23,495) has a maturity of more than one year.

Note 18 Bonds and other fixed-income securities

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Holdings broken down by issuer				
Swedish municipalities	1,068	1,576	1,068	1,576
Swedish covered bonds	863	1,331	863	1,331
Foreign covered bonds	378	213	378	213
Foreign loanable treasury bills	20	-	20	-
Bonds and other fixed-income securities	**2,329**	**3,120**	**2,329**	**3,120**

SEK 2,079 million are listed holding and the remaining 250 are unlisted. SEK 1,917 million (2,569) has a maturity of more than one year and the rest under one year.

Note 19 Shares in Group companies

PARENT COMPANY

31 December 2020	Corporate Identity Number	Registered office	Share of equity	Share of votes	Number of shares	Carrying amount in SEK 2020-12-31	Carrying amount in SEK 2019-12-31
Nordax Sverige AB	556794-0126	Stockholm	100%	100%	100,000	100,000	100,000
Nordax Sverige 4 AB (publ)	559007-7425	Stockholm	100%	100%	500,000	500,000	500,000
Nordax Sverige 5 AB	559229-0695	Stockholm	100%	100%	500,000	500,000	-
Nordax Nordic 2 AB	556823-4255	Stockholm	100%	100%	50,000	50,000	50,000
Nordax Nordic 4 AB (publ)	559049-5023	Stockholm	100%	100%	500,000	500,000	500,000
Svensk Hypotekspension AB	556630-4985	Stockholm	100%	100%	14,882,661	1,028,405,070	1,028,405,070
Nordax Norway 5 AB	559216-9154	Stockholm	100%	100%	50,000	50,000	50,000
Nordax Norway 6 AB	559216-9188	Stockholm	100%	100%	50,000	50,000	50,000
Total						**1,030,155,070**	**1,029,655,070**

Note 20 Other shares

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Carrying amount				
Shares, listed	-	-	-	-
Shares, unlisted	127	80	127	80
Total	**127**	**80**	**127**	**80**

[1] The shareholding in Stabelo Group AB has been revalued at market value in connection with further acquisitions during 2020.

Note 21 Tangible assets

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Non-current assets				
Cost at start of the year	66	27	30	27
- acquisitions during the year	56	39	8	3
- disposals during the year	0	0	0	0
Cost at end of the year	**122**	**66**	**38**	**30**
Accumulated and amortisation at start of year	-35	-23	-25	-23
- amortisation for the year	-16	-12	-3	-2
- disposals during the year	0	0	0	0
Accumulated amortisation at end of year	**-51**	**-35**	**-28**	**-25**
Carrying amount	**71**	**31**	**10**	**5**

Note 22 Intangible assets

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Carrying amount				
Goodwill	937	937	-	-
Other intangible assets	67	72	14	17
Totalt	**1,004**	**1,009**	**14**	**17**

The Parent Company's other intangible assets are constituted by internally generated software development costs. The Group's other intangible assets include both internally generated software development costs and contractual client relationships. Goodwill is attributable to the acquisition of Nordax Holding AB in 2010 and the acquisition of Svensk Hypotekspension AB in January 2019.

The carrying amount goodwill is attributable to Sweden in the amount of SEK 779 million (779) (whereof SHP SEK 686 million), Norway SEK 97 million (97) and Finland SEK 61 million (61).

The most significant assumptions in the forecast period are management's assessment of future growth and net profit, including credit losses, which are approved by the Board of Directors. The assumptions are based on both historical experience and market data. After the forecast period, a long-term growth rate of 2% (2%) is assumed. When calculating value in use, a capital ratio of 11.8% (14.3%) has been applied. The discount factor ranges from 15.1% - 17.4% (15.7% - 17.0%) before tax depending on the country and has been calculated under the assumption that the cost of equity after tax is 13.8% (13.1%) f0r personal loans and 13.8% (14.3%) for SHP.

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Other intangible assets				
Cost at start of the year	188	131	83	83
- acquisitions during the year	4	57	4	0
Cost at end of the year	**192**	**188**	**87**	**83**
Accumulated and amortisation at start of year	-116	-95	-66	-58
- amortisation for the year	-9	-21	-7	-8
Accumulated amortisation at end of year	**-125**	**-116**	**-73**	**-66**
Carrying amount	**67**	**72**	**14**	**17**

Note 23 Other assets

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Receivables Group companies	3	0	2,994	1,339
Tax account	2	123	0	121
Receivables debt collection companies	-	-	-	-
Other	1	6	2	7
Total	**6**	**129**	**2,996**	**1,467**

Note 24 Liabilities to credit institutions

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Foreign banks	1,605	3,068	-	-
Total	**1,605**	**3,068**	**-**	**-**

For the above liabilities in the Group, collateral has been provided in an amount of SEK 2,203 (5,082) million for receivables attributable to Lending to the general public and SEK 74 (246) million to Lending to credit institutions. Granted credit totals SEK 1,800 (3,270) million.

The Group's strategy for liquidity risk is aimed at achieving a diversified funding platform comprising equity, subordinated debt, securitised assets ("ABS"), bank credit facilities, Deposits from the general public and corporate bonds.

Note 25 Deposits from the general public

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Deposit accounts	24,203	19,222	24,203	19,222
Total	**24,203**	**19,222**	**24,203**	**19,222**

Note 26 Issued securities

All amounts are in MSEK	Term	Early redemption date	GROUP 2020-12-31	GROUP 2019-12-31
Bonds issued by Nordax Nordic 4 AB (publ), issued in NOK	Nov 2040	Okt 2020	-	1,855
Bonds issued by Nordax Bank AB (publ), issued in SEK	Jun 2022	Jun 2022	450	500
-of which repurchased in 2020			*50*	-
Bonds issued by Nordax Bank AB (publ), issued in SEK	Sep 2022	Sep 2022	450	500
- of which repurchased in 2020			*50*	
Bonds issued by Nordax Bank AB (publ) issued in SEK	Jan 2023	Jan 2023	180	-
-of which repurchased in 2020			*20*	
Bonds issued by SHP Fond 4 AB (publ), issued in SEK	Dec 2067	Jan 2024	2,250	2,250
Total			**3,330**	**5,105**

The foreign exchange positions for securities issued in SEK is fully matched against assets in the currencies concerned. Securities issued in SHP Fond 4 are listed on Nasdaq Stockholm. Securities issued in Nordax Bank AB are listed on Nasdaq Stockholm. For the above liabilities, collateral has been provided in an amount of SEK 2,262 million (4,400) for receivables attributable to Lending to the general public and SEK 12 million (139) to Lending to credit institutions. The amounts above pertain to volumes issued to external investors.

Note 27 Other liabilities

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Trade payables	16	50	15	29
Liability to Group comanpanies	43	15	135	71
Other	77	38	72	11
Total	**136**	**103**	**222**	**111**

Note 28 Subordinated liabilities

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Subordinated loans	348	598	348	598
Total	**348**	**598**	**348**	**598**

SPECIFICATION

2020-12-31	Currency	Date of issue	Principal amount	Coupon rate	Maturity
Subordinated bonds	SEK	2019-05-28	350	Stibor 3 mån +4.15%	2029-05-28

2019-12-31	Currency	Date of issue	Principal amount	Coupon rate	Maturity
Subordinated bonds	SEK	2015-03-12	250	Stibor 3 mån +5.75%	2025-03-18
Subordinated bonds	SEK	2019-05-28	350	Stibor 3 mån + 4.15%	2029-05-28

Note 29 Pledged assets and contingent liabilities

All amounts are in MSEK	GROUP 2020-12-31	GROUP 2019-12-31	PARENT COMPANY 2020-12-31	PARENT COMPANY 2019-12-31
Pledged assets for own liabilities				
Lending to the general public	4,465	9,482	909	4,050
Lending to credit institutions	85	385	73	198
Total	**4,551**	**9,867**	**982**	**4,248**

All pledged assets are for the Group's asset related funding operations; securitisation and funding with collateral with international banks.

Note 30 Transactions with related parties

The Group has not had any transactions with related parties.

Note 31 Significant events after balance sheet date

There remains ongoing uncertainty in relation to COVID-19 due to the increased spread of infection and the significant occurrences of state aid in order to limit the negative impact thereof. It thus remains difficult to assess the total impact of COVID-19 on the Nordax business. Nordax has still not noted any significant deterioration in customer payment patterns. However, it is assessed that the risk of defaults remains greater due to COVID-19 and that there is a risk of increasing rates of default that may emerge at a later stage. This is on the basis on continuing uncertainty in relation to developments around the spread of infection, vaccines, unemployment and GDP. The return to normality in terms of new lending during Q4 has continued during the first quarter of 2021.

Note 32 Proposed disposition of profits

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

All amounts are in SEK	
Retained earnings	2,436,581,000
Net profit/loss for the year	480,880,000
Total	**2,917,461,000**

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

All amounts are in SEK	
carried forward to new account	**2,917,461,000**
Total	**2,917,461,000**

Group contribution has been provided to Nordax Group AB (publ) of SEK 2 964 (925 790) and to Nordax Holding AB of SEK 8 116 753 (13 859 238). Group contribution has been received from Nordax Nordic 2 AB of SEK 50,000 (50,000), from Nordax Sverige 4 AB of SEK 50,000 (50,000), Nordax Sverige AB of SEK 50,000 (50,000), and from Nordax Nordic 4 AB of SEK 50,000 (50,000).

The Board of Directors and the President and CEO certify that the annual financial reports have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with international accounting standards as prescribed by the European Parliament and the Regulation (EC) No1606/2002 dated July 19, 2002 on the application of International Accounting Standards.

The annual financial reports and the consolidated financial statements give a true and fair view of the Parent Company's and the Group's financial position and results of operations. It is further assured that the administration report for the Parent Company and Group provides a true and fair overview of the development of the Parent Company's and Group's business activities, financial position and results of operations as well as the significant risks and uncertainties to which the Parent Company and its subsidiaries are exposed.

Stockholm 25 February 2021

Hans-Ole Jochumsen
Chairman

Christopher Ekdahl
Director

Christian Frick
Director

Henrik Källén
Director

Anna Storåkers
Director

Ville Talasmäki
Director

Ricard Wennerklint
Director

Jacob Lundblad
Director Chief Executive Officer

Our audit report was issued 25 February 2021

Deloitte AB

Malin Lüning
Authorized Public Accountant

Definitions

The Group considers that the key figures are relevant to the users of the financial report as a complement to assess the financial performance of the Group.

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

Return on assets
Net profit in relation to total assets.

Leverage ratio [1]
Tier 1 capital as a percentage of total assets including off balance sheet items with conversion factors defined in regulation (EU) nr 575/2013 (CRR).

Equity excluding intangible assets
Equity after deduction for intangible assets.

Average loan portfolio
The average of lending to the general public at the beginning of the period and lending to the general public at the end of the period..

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

C/I ratio
Total operating expenses as a percentage of total operating income.

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

Common Equity Tier 1 capital [1]
Shareholders' equity excluding proposed dividend, deferred tax assets, intangible assets and certain other regulatory adjustments defined in Regulation (EU) No 575/2013 (CRR).

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

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

Liquidity Coverage Ratio (LCR) [1]
High-quality assets in relation to the estimated net cash outflows over the next 30 calendar days, as defined in Commission Delegated Regulation (EU) 2015/61 and Regulation (EU) No 575/2013.

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

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

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

Risk exposure amount [1]
Total assets and off balance sheet items, weighted in accordance with capital adequacy regulation for credit and market risks. The operational risks are measured and added as risk exposure amount.

Net interest margin
Total net interest income as a percentage of average loan portfolio.

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

Total capital ratio [1]
Total own funds as a percentage of risk exposure. amount.

[1] These are reported with respect to SFSA´s regulations and general recommendations. See note 4, capital adequacy analysis.

Financial calender

May 14, 2021 - interim report January-March

July 16, 2021 - interim report January-June

October 22, 2021 - interim report January-September

Auditors report

To the annual meeting of the shareholders of Nordax Bank AB (publ), corporate identity number 556647-7286

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Nordax Bank AB (publ) for the financial year 2020-01-01 – 2020-12-31, except for the corporate governance statement on pages 28-31 and the statutory sustainability report on pages 15-21. The annual accounts and consolidated accounts of the company are included on pages 6-77 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 28-31 and the statutory sustainability report on pages 15-21. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for auditors in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Assessments and estimates regarding the valuation of loan receivables

Accounting and valuation of loan receivables is an area that largely affects Nordax's financial results and financial position. IFRS 9 requires significant assessments from the bank's management to determine the size of the provisions for expected credit losses.

Key areas of judgment include:

• The interpretation of the requirements for determining the size of the provision for expected losses according to IFRS 9, which are reflected in the bank's model for calculating expected credit losses.

• Identification of exposures with a significant deterioration in credit quality.

• Assumptions that are applied in the model for calculating expected credit losses, such as the counterparty's financial position, expected future cash flows and forward-looking macroeconomic factors.

• Impact from Covid-19 in relation to the significant judgements listed above.

As of December 31 2020, the Group's lending to the public amounted to SEK 27 656 million, with provisions for expected loan losses of SEK 2 942 million. Given the significant share of the total assets, the impact that the inherent uncertainty and subjectivity involved in the assessment of the need for provisions, and since the disclosure requirements under IFRS 9 are significant, we consider this to be a key audit matter for our audit.

See also the accounting principles in Note 3 regarding significant assessments and estimates, and related information on credit risk in Note 4.

Our audit procedures included, but were not limited to:

• We have evaluated that key controls within the credit impairment process have been appropriately designed and implemented during the year. We also obtained an understanding of the process for key decisions that form part of the approval process for credit loss provisions.

• We have evaluated, with the support of specialists, the modelling techniques and model methods against the requirements of IFRS 9. We have examined the appropriateness of the models developed for the calculation of the reserve for expected credit losses.

• Based on data analysis, we examined a selection of loan commitments in detail to assess whether loan commitments with a significant deterioration in credit quality are correctly identified.

• As part of the above procedures, we have considered the impact of Covid-19.

• Finally, we examined the completeness and reliability of the information in the annual report relating to the provisions for expected credit losses in order to assess compliance with the disclosure requirements according to IFRS.

IT systems that support complete and reliable financial reporting
Nordax is dependent on its IT systems to ensure complete and correct processing of financial transactions and to maintain appropriate internal control. Many of Nordax's internal controls relating to the financial reporting depend on automated application controls and the integrity and completeness of the data generated by the IT systems. Given the high degree of IT dependence, we consider this to be a key audit matter for our audit.

The following risks that could affect the financial reporting were identified:

• Incorrect and unauthorized changes to the IT environment

• Lack of operational and monitoring routines for the IT environment

• Incorrect and inadequate configuration of information security

Our audit procedures included, but were not limited to:

• We have audited the management's tests and controls in connection with changes in the IT environment.

• We have examined the process for monitoring the IT-System.

• We have reviewed the process of identity and access management, including assignment, change and removal of access rights.

• We have evaluated that processes and tools for ensuring access to information based on user needs and operational requirements, including back-up of information and restoring routines, are appropriately designed.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-5 and 78-79. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act of Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstate ment, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

Further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordax Bank AB (publ) for the financial year 2020-01-01 – 2020-12-31 and the proposed appropriations of the company's profit or loss.

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

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

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

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

• has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
• in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. Further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on the website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 28-31 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The auditor´s opinion regarding the statutory sustainability report
The Board of Directors is responsible for the statutory sustainability report on pages 15-21, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Deloitte AB was appointed auditor of Nordax Bank AB (publ) by the general meeting of the shareholders on May 14, 2020 and has been the company's auditor since the April 27, 2017.

Stockholm February 25, 2021
Deloitte AB

Malin Lüning
Authorized Public Accountant