

Nordnet AT1

Investor presentation



Today's presenters



Anders Danielsson
CEO (acting)

With Nordnet since 2017.

Anders has a MSc in Corporate Finance from Stockholm School of Economics.

He has previously worked at SEB and Bain & Company.



Hannes Wadell
CFO

With Nordnet since 2017.

Hannes has a MSc in International Business from Umeå University.

He has previously worked as deputy CFO & Treasurer at Klarna and Treasurer at Autoliv.



Johan Tidestad
Head of Communications

With Nordnet since 2007.

Johan has a Master of Laws from Uppsala University.

He was formerly employed by Bergsgård Petersson Fonder AB and E-Trade Sverige.

Agenda

A. Introduction to Nordnet

B. Key Credit Highlights

C. Business Model & Operations

D. Financials and Capital Position

E. Transaction Overview

F. Risk Factors

This is Nordnet

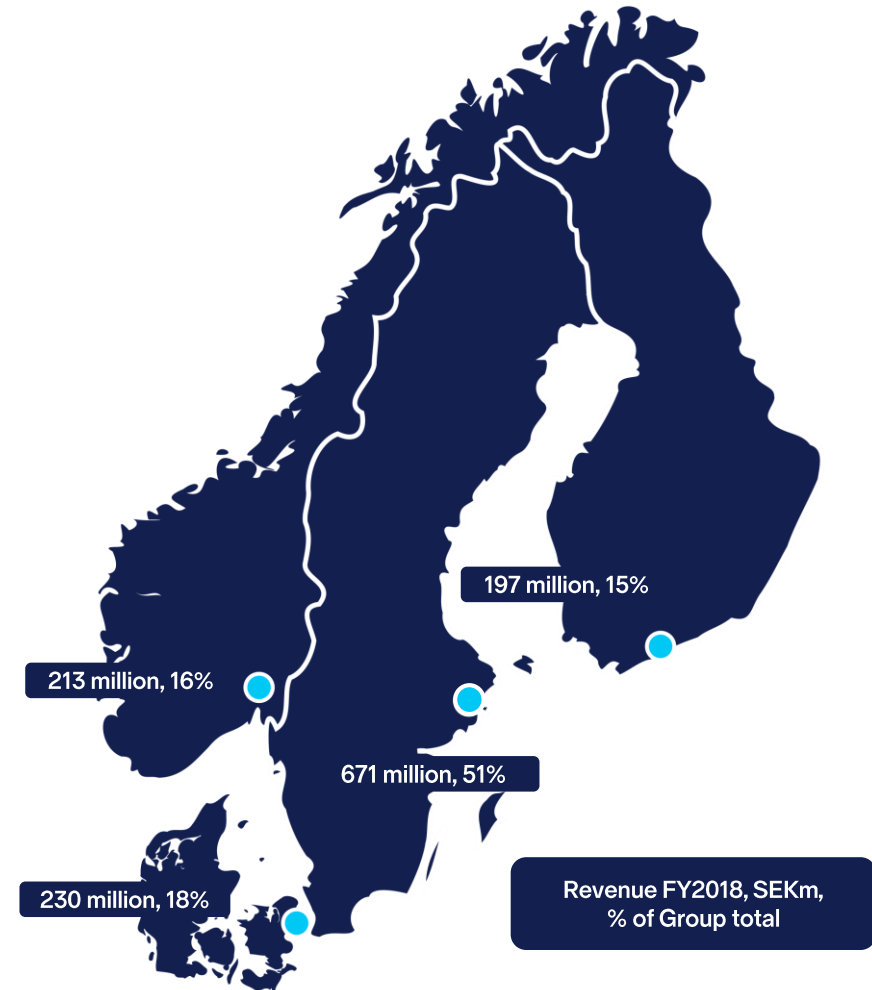
Introducing the award-winning bank



Nordnet

This is Nordnet

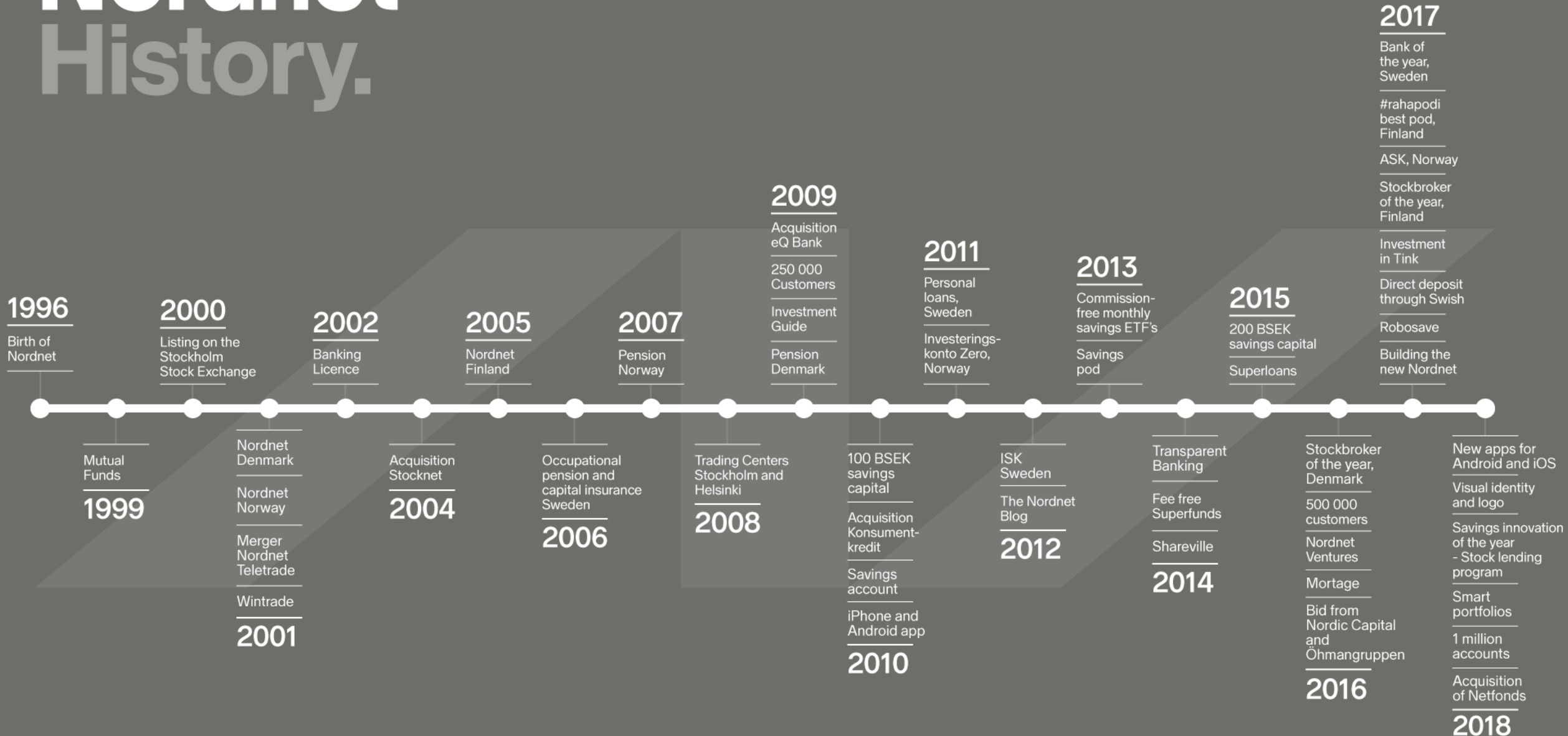
- Founded in 1996 with ambition to redefine the finance industry
- Operates within the three business segments of Savings & investments, Pension and Loans
- Businesses in Sweden, Norway, Denmark and Finland
- 500 employees
- Owned by ~30% Öhman, ~30% the Dinkelspiel family, ~40% Nordic Capital



Key Nordnet statistics

2018	Net revenues	Savings capital	Customer lending	# of active customers	# of active accounts	# of trades
	SEK 1,310 MILLION	SEK 286 BILLION	SEK 14.2 BILLION	765,200	1.0 MILLION	26.1 MILLION

Nordnet History.



Our promise and vision

Our promise



We bring you closer to your aspirations, by offering the most engaging savings and investments experience.

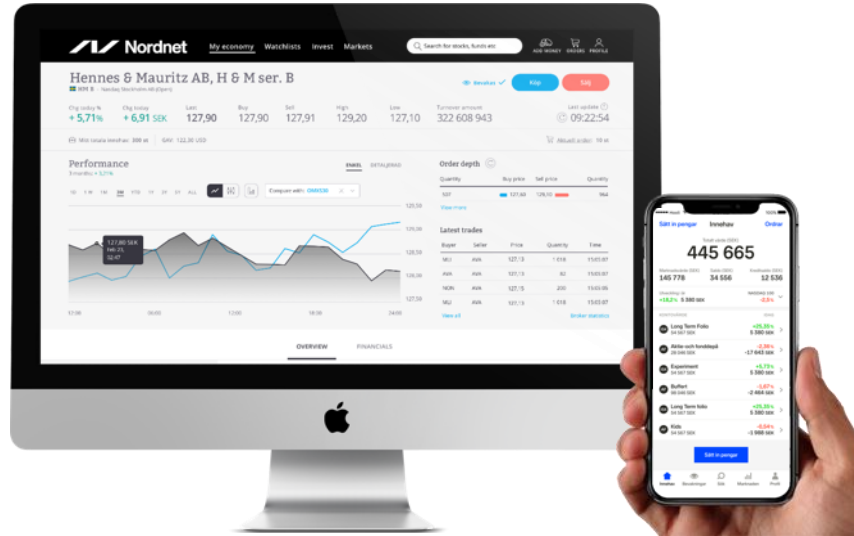
Our vision



The best investor you can be.



Digital channels & cutting edge financial products



- Nordic brokerage with access to global markets and broad range of exchange traded products
- Digital advisory services: Robosave, Smart Portfolios, Fund Guidance
- Yield enhancement: securities lending, tax-efficient wrappers
- Loans: Margin lending, mortgages, personal loans
- Occupational pensions & pensions savings



- Social investing platform
- 200,000 members
- Pipeline for new customers

Recent Nordnet awards

2017



Bank of the Year
Privata Affärer



Top 100 most attractive employer in Sweden among young professionals



Best Finnish Securities Broker
Osakesäästäjien Keskusliitto



#rahapodi best Finnish podcast
Jakso.fi

2018



Career company of the Year



Savings Innovation of the Year
Privata Affärer



Broker of the Year
Dansk Aktionærforening



#rahapodi best corporate podcast
Jakso.fi



Stockholms universitet

Top 3 most trustworthy Swedish bank
Study from Stockholm University

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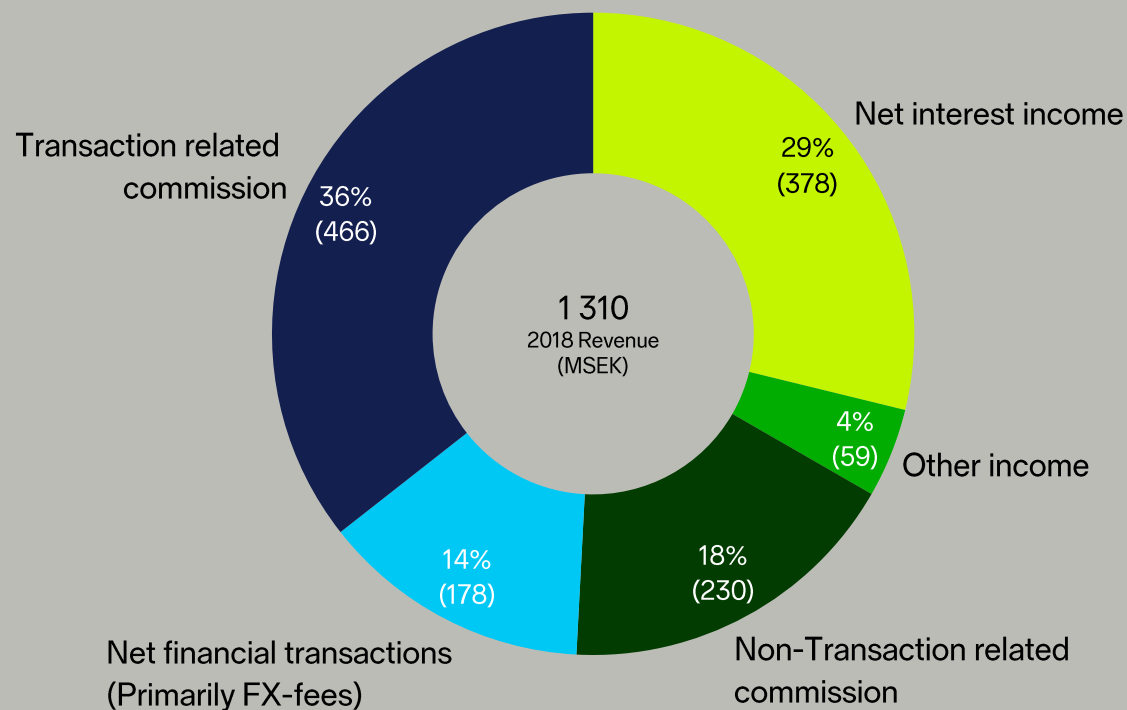
F. Risk Factors

Key Credit Highlights



Well-diversified business model

A variety of revenue streams

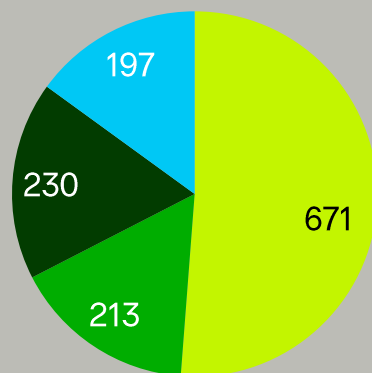


- More than 50% of Group revenues derive from non-brokerage businesses
- 33% of Group revenues derive from the business areas of Pension and Loans
- Different revenue streams have different underlying drivers
- Revenue upside from potential interest rate hikes

Solid geographic distribution

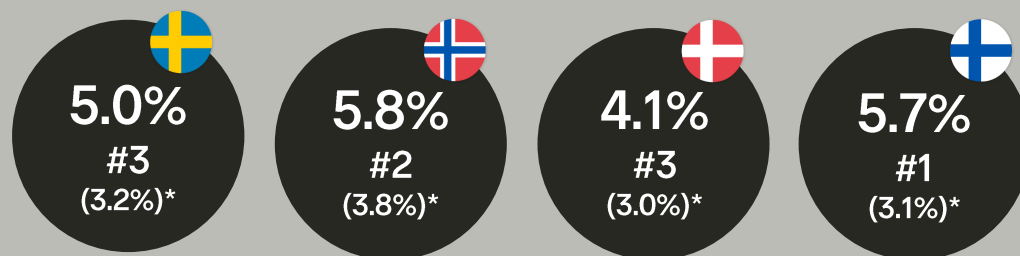
Strong pan-Nordic presence

Revenue, (MSEK), 2018



■ Sweden ■ Norway ■ Denmark ■ Finland

Market share and ranking in terms of # of trades among Nordic brokers



Solid revenue streams across Sweden, Norway, Denmark and Finland

- Developed from a Swedish online broker to a leading Nordic digital bank
- Offerings include Investment & savings, Pension and Margin lending across all markets (excl. Pension in Finland). Personal loans and Mortgages are offered to our Swedish customers
- Ranked “Top 3” in the Nordics, in terms of number of trades across all geographies
- Recent acquisition of **Netfonds** – strengthens Nordnet’s commitment in the Norwegian market

Source: Nasdaq OMX Nordic and Oslo Oslo Børs. January – December 2018.

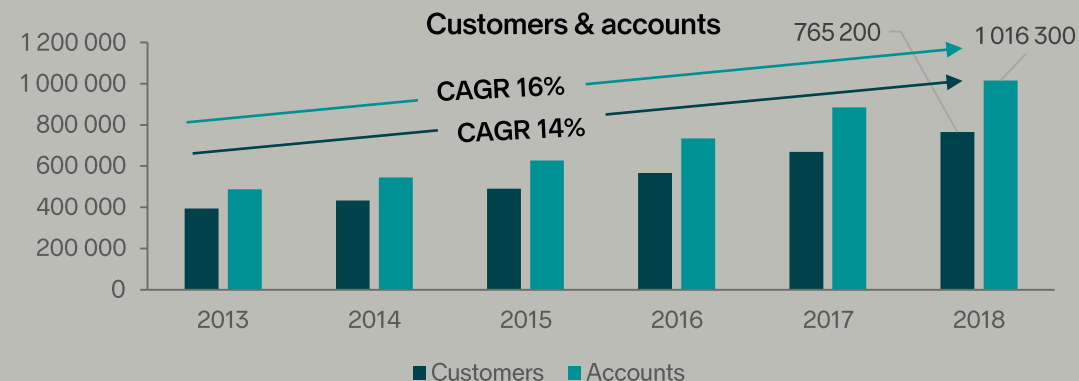
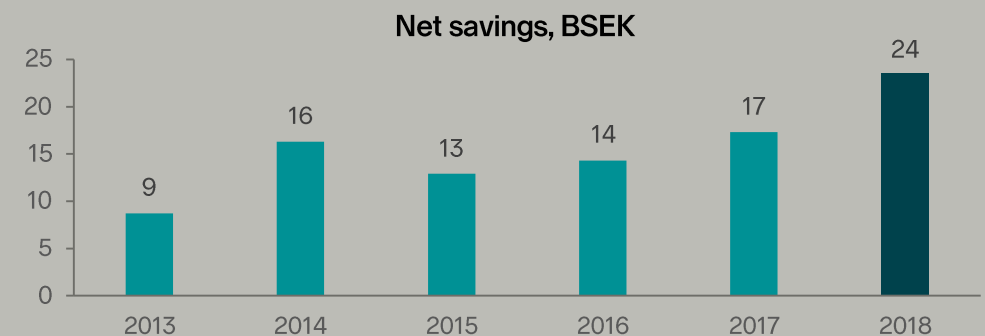
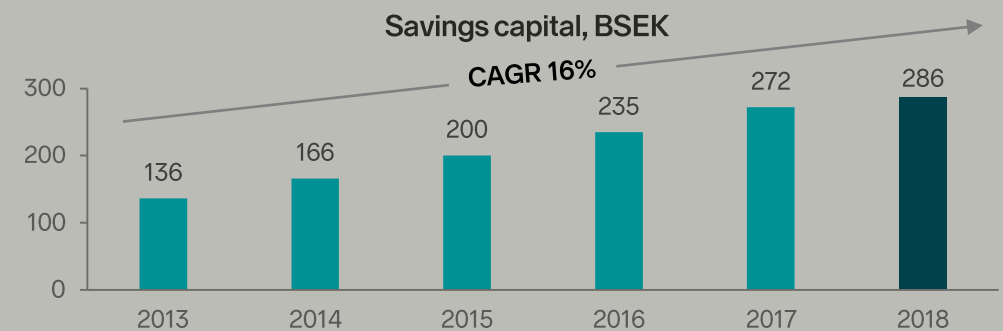
* Market share measured as turnover. January – December 2018.

Strong organic growth

Broad customer offering is key

Customer intake and cross-selling deliver strong growth

- Broadening customer offering – reducing trading importance
- 2013-2018, non-trading revenues grew by 200%
- 2013-2018, active customers grew by 94%



A leading platform for growth

Unified Nordnet across the Nordics

Nordnet has made significant investments that will prove fruitful in the near term

- New app launched during H2 2018 – tripled rating in app store
- New web will be launched in summer 2019
- Shareville – largest network of influencers within the savings and investment community in the Nordics. Currently over 200,000 unique members.



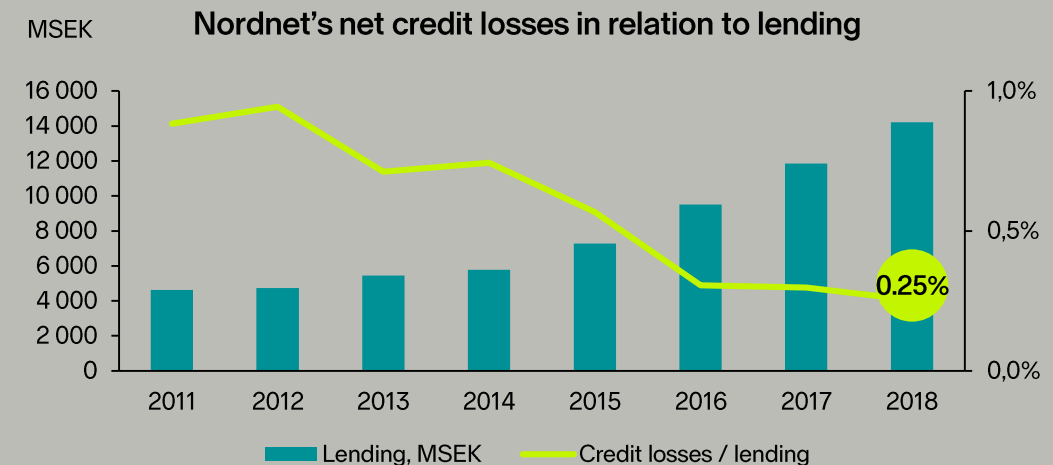
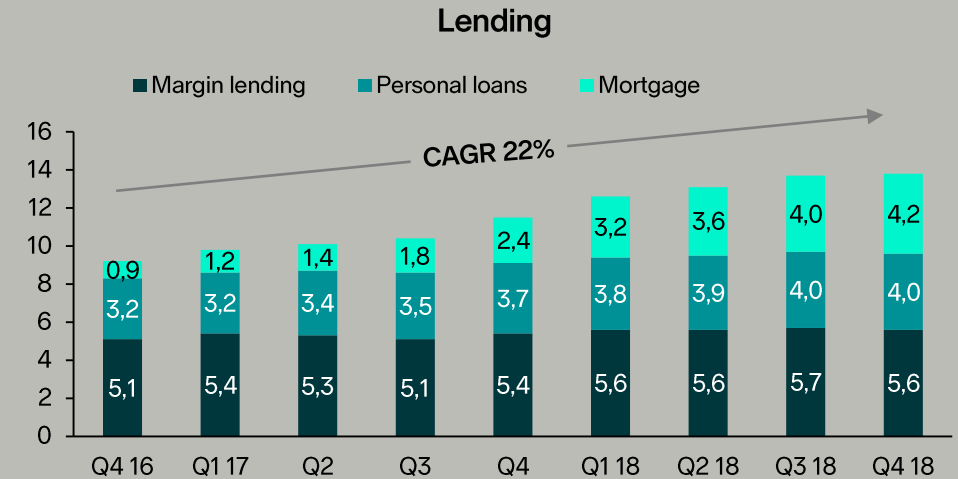
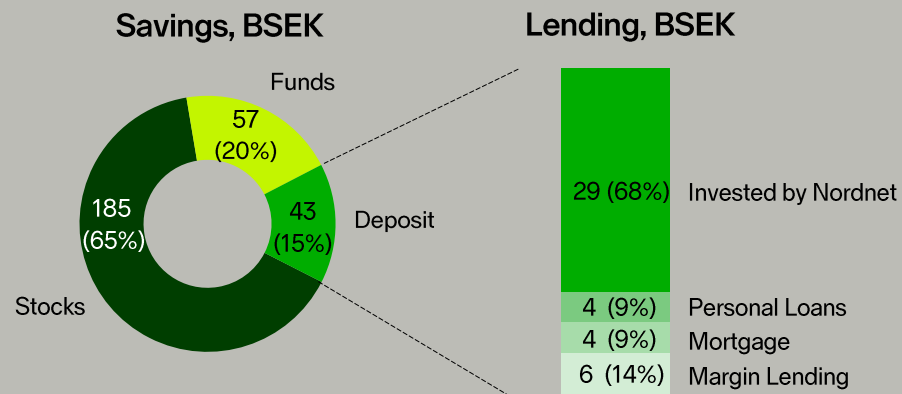
A scalable Nordic platform

- Common IT systems for trading, pension, operations, phone, customer service etc.
- Website and digital services developed for four markets simultaneously
- Functions for IT, Legal, Finance etc. centralized in Stockholm

Limited exposure to credit risk

Diversified low-risk assets

- Mortgage: Targeted at existing Nordnet customers with substantial financial assets; policy maximum LTV at 50%
- Margin lending: Average LTV 28% (31/12 2018), no significant credit loss experience over 5+ years
- Personal Loans: Continuously decreasing net credit losses in relation to originated loans
- Treasury portfolio: Predominantly Covered bonds and highly rated sovereigns & municipalities



Stable Owners

Exceptional knowledge of finance in the Nordics

Nordnet is owned by Öhman (~30%), the Dinkelspiel family (~30%) and Nordic Capital (~40%) since the start of 2017.

Öhman is a family-owned, fully independent, company group with ancestry from 1906

- Operates in the Nordic financial sector and runned by the third family generation. Core value of building long lasting relationships.
- Through its subsidiary Öhman Fonder in Sweden, the group has over SEK 90 billion in AuM

Nordic Capital is a private equity investor, focusing on the most attractive and stable markets in Europe

- Has a large number of investment companies in the financial services sector, being able to leverage on reciprocal expertise
- Showcased ownership skills through acquisitions and divestments of successfully holding and developing e.g. Lindorff and Bambora



Öhman current investments

Öhmangruppen consists of Öhman Bank, Nordnet and selected investments within listed and non-listed companies and private equity.

Nordic Capital current investments



Nordic Capital previous investments



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B. Key Credit Highlights





C. Business Model & Operations

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Nordnet's operations

				
Investment & Savings	✓	✓	✓	✓
Pension	✓	✓	✓	
Margin Lending	✓	✓	✓	✓
Mortgage	✓			
Personal Loans	✓			

Local markets 

Functions:

- Customer Service
- Sales
- Marketing



HQ Stockholm 

Nordic Functions:

- IT
- Product
- Administration
- Finance

Local functions:

- Customer Service SE
- Sales SE

Our offering

Investment & Savings

- Available on all markets
- Tax efficient account types in Sweden and Norway
- Stock trading on 7 markets
- +2 000 mutual funds
- Trading applications
- Variety of digital advisory services
- Shareville – influencer investment network

Pension

- Complete pension solutions for private individuals and employers
- Price efficient pension savings in Sweden, Norway and Denmark
- Wide range of investment alternatives

Loans

- Margin lending in Sweden, Norway, Denmark and Finland
- Mortgage available to Private banking customers in Sweden
- Personal loans (unsecured) in Sweden

Product development

Successful launches H2 2018

Smart portfolios in all four markets



Securities lending in Sweden



New mobile app



- Tripled app store rating to 4.2
- 125,000 unique users / week
- Trading uplift +30-40%

4.2 ★★★★★

7,94K Ratings



Deliveries planned for H1 2019

New customer onboarding in app



Securities lending in Norway



New margin lending product



Netfonds integration



New website "NEXT" default – mid 2019



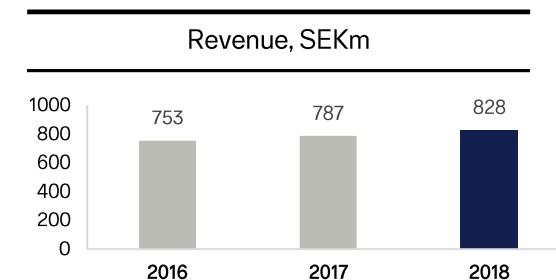
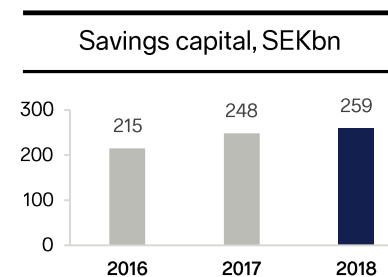
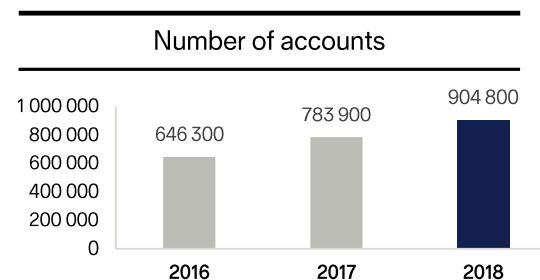
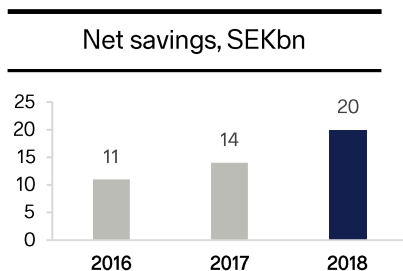
Start of replatforming work



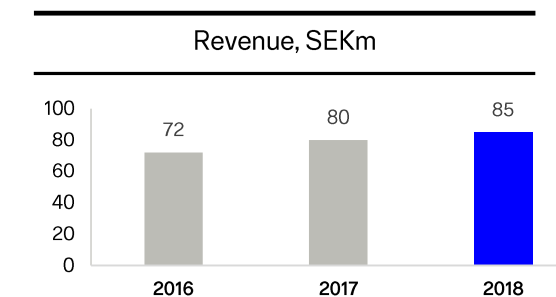
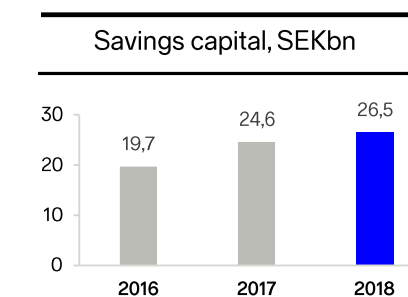
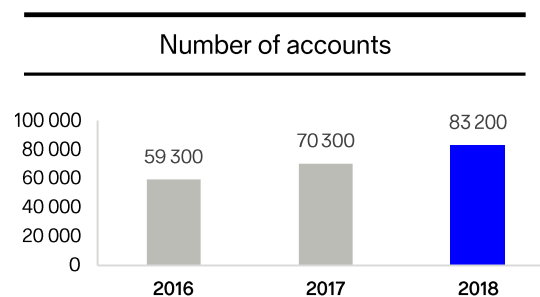
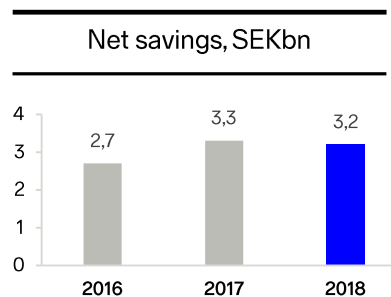
Performance per business area

Savings & investment area is the backbone of Nordnet's success

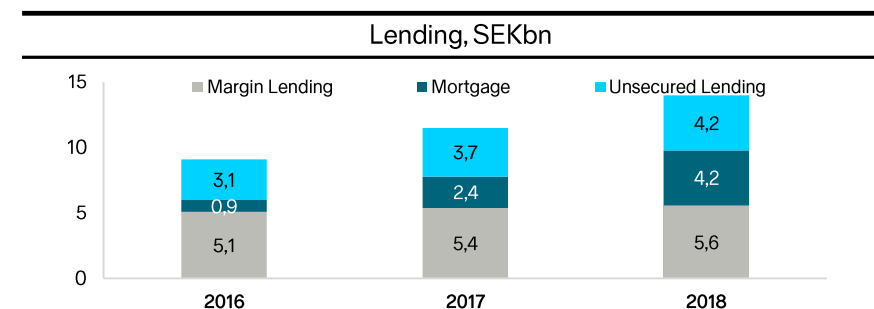
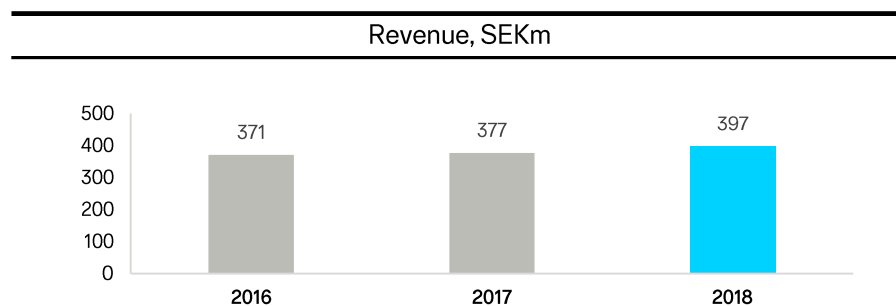
Savings & investments



Pension



Loans

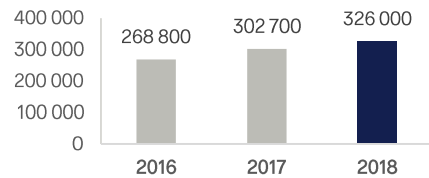


Performance per geographic area

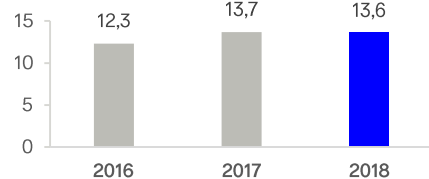
Positive developments across all countries



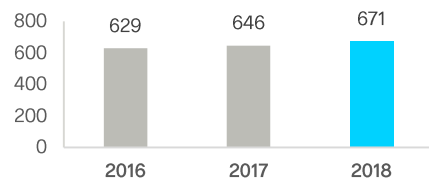
Number of accounts



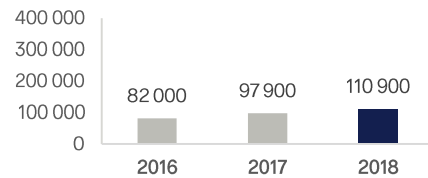
Trades, million



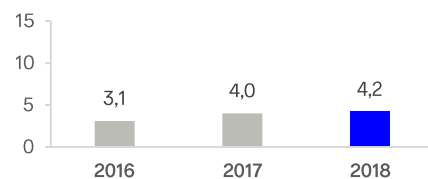
Revenue, SEKm



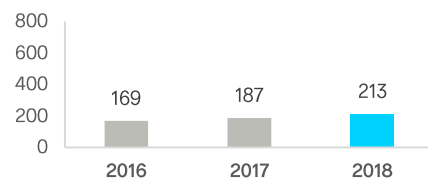
Number of accounts



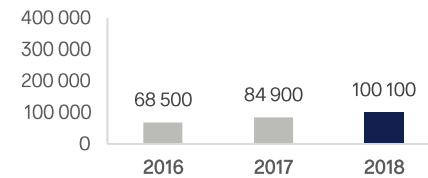
Trades, million



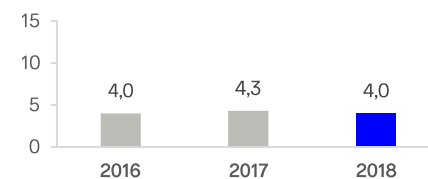
Revenue, SEKm



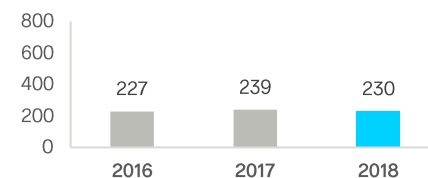
Number of accounts



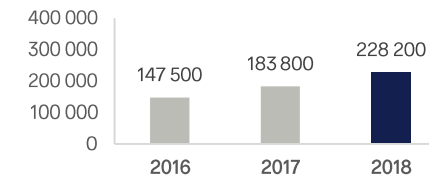
Trades, million



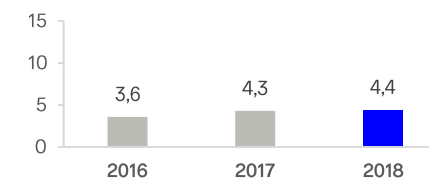
Revenue, SEKm



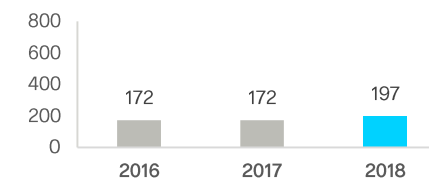
Number of accounts



Trades, million



Revenue, SEKm



Nordnet's playing field

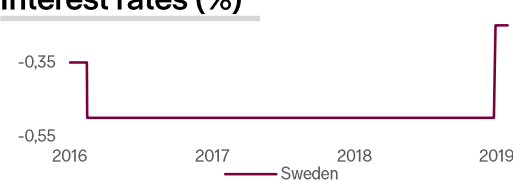
The positive rates trend is strengthening Nordnet's profitability



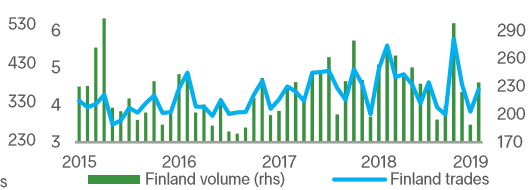
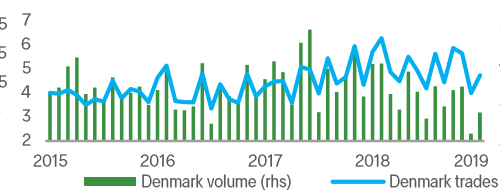
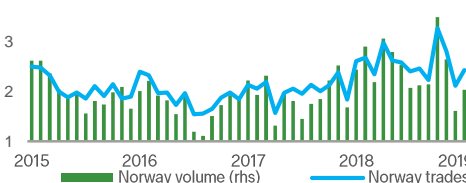
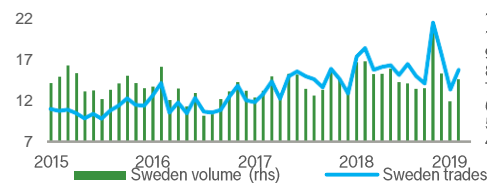
Historical main-index prices



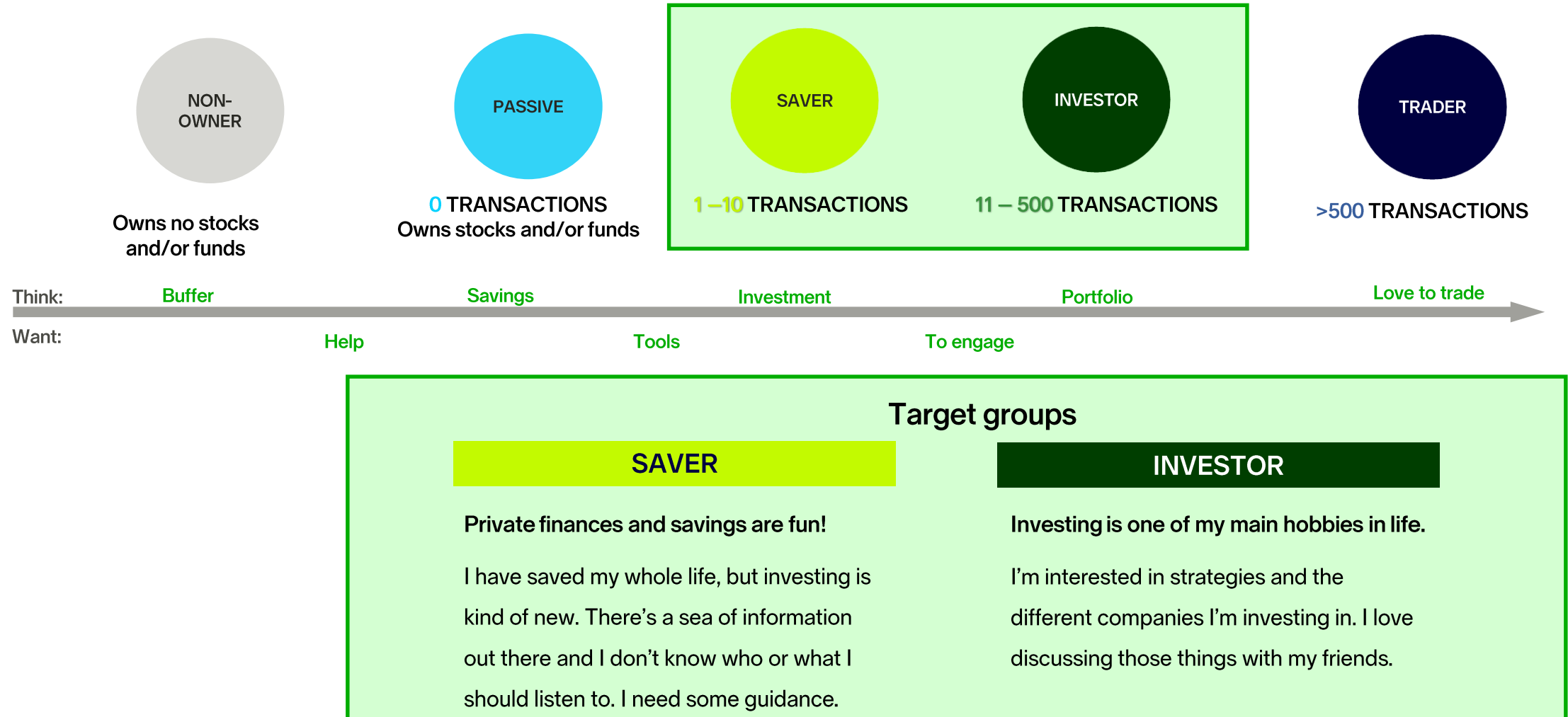
Interest rates (%)



No. of trades (millions, LHS) vs. volume SEK equivalent (billions, RHS)



Market segments – definition



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Consolidated income statement*

SEKm	2014	2015	2016	2017	2018
Net Interest Income	471	407	403	386	378
Net Commissions	478	625	590	641	696
Net result of financial income	86	147	152	162	178
Other income	43	60	51	55	59
Total Operating income	1 079	1 238	1 196	1 244	1 310
Total expenses before credit losses	-699	-748	-799	-1 009	-1 133
Net Credit losses	-43	-41	-29	-35	-36
Operating profit	337	449	368	200	141
Tax	-60	-92	-71	-33	-23
Profit for the period	276	357	297	167	118

* Nordnet AB (publ) 2014-2016, NNB Intressenter AB 2017-2018

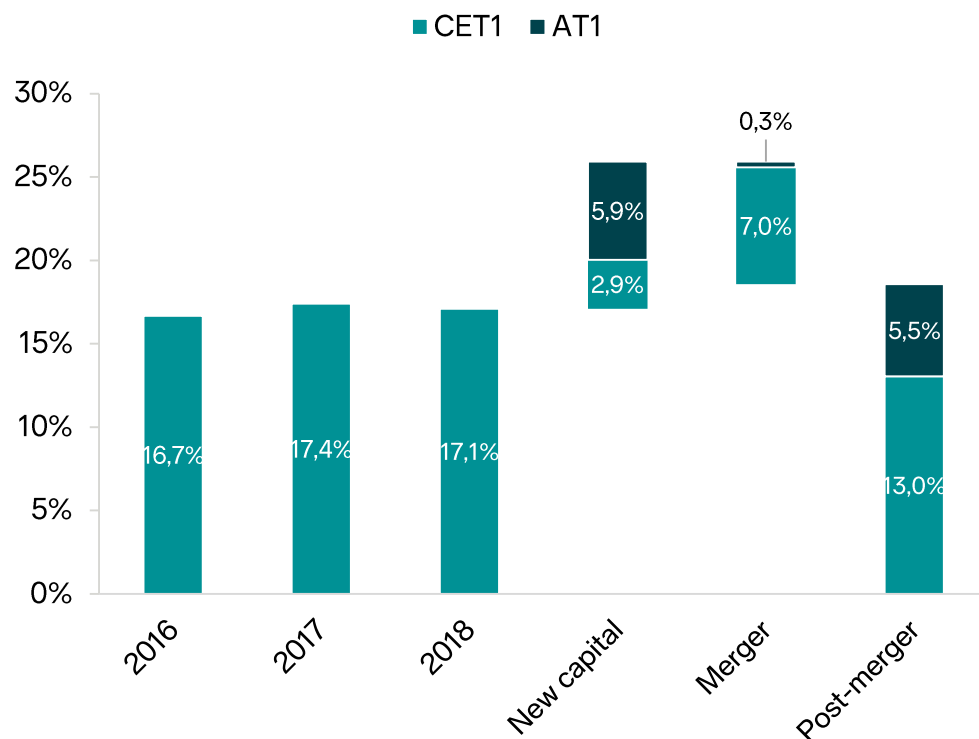
Consolidated balance sheet*

SEKm	2014	2015	2016	2017	2018
Assets					
Cash and balances in Central banks	–	–	436	392	1 344
Debt securities	11 191	13 563	15 485	17 852	20 036
Loans to credit institutions	987	295	329	276	333
Lending to the public	5 806	7 278	9 516	11 852	14 204
Insurance assets	28 868	35 995	41 685	46 516	51 726
Intangible assets	434	390	375	382	414
Other Assets	1 956	2 693	2 624	3 070	4 061
Total assets	49 244	60 213	70 450	80 341	92 119
Liabilities					
Liabilities to credit institutions	–	397	–	–	–
Deposits and borrowing from the public	16 500	19 605	24 427	29 064	35 225
Liabilities in the insurance business	28 869	35 996	41 686	46 516	51 726
Other liabilities	2 123	2 341	2 359	2 736	3 180
Total liabilities	47 493	58 339	68 471	78 316	90 131
Equity					
Total equity	1 751	1 874	1 979	2 025	1 988
Total liabilities and equity	49 244	60 213	70 450	80 341	92 119

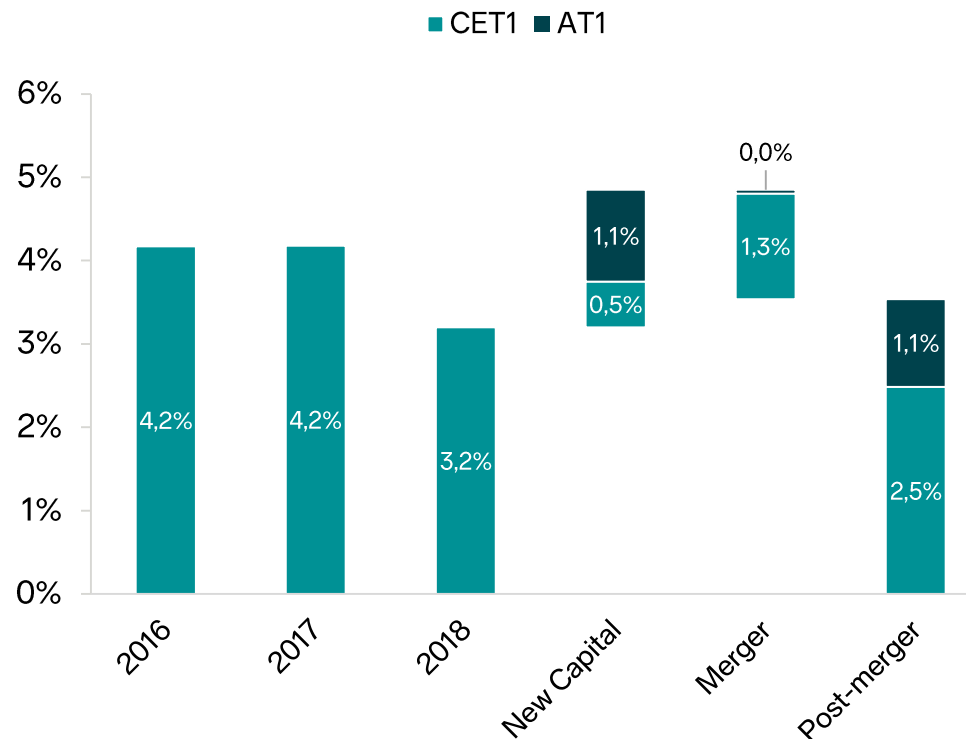
* Nordnet AB (publ) 2014-2016, NNB Intressenter AB 2017-2018

Capital ratios pre and post Netfonds

Nordnet consolidated CET1 and capital ratios
(post Netfonds indicative)

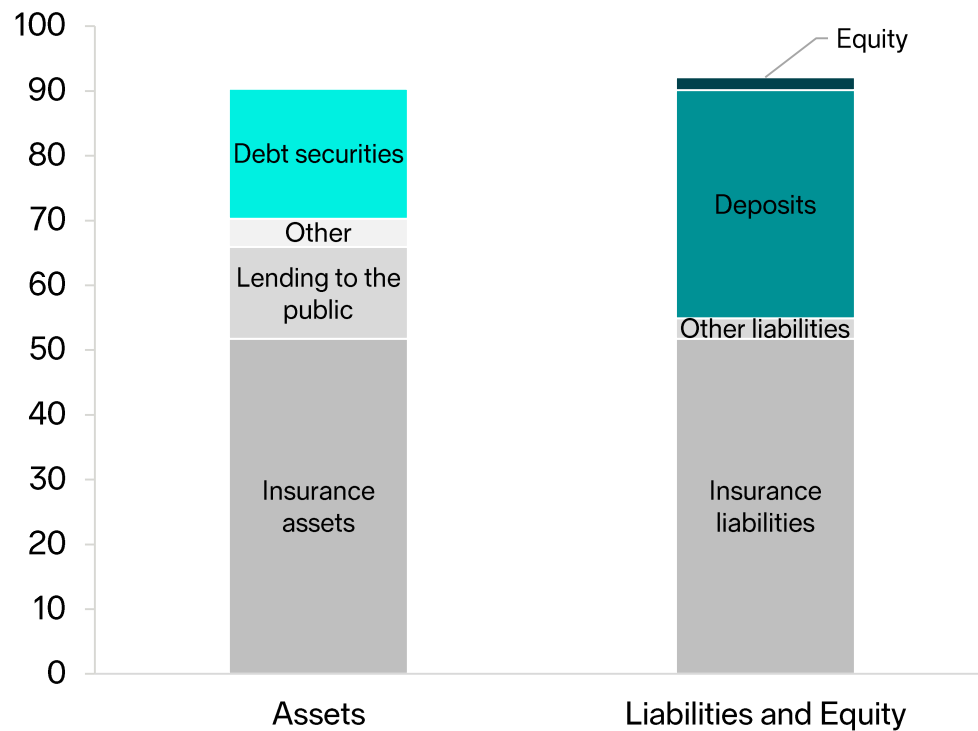


Nordnet consolidated leverage ratio
(post Netfonds indicative)

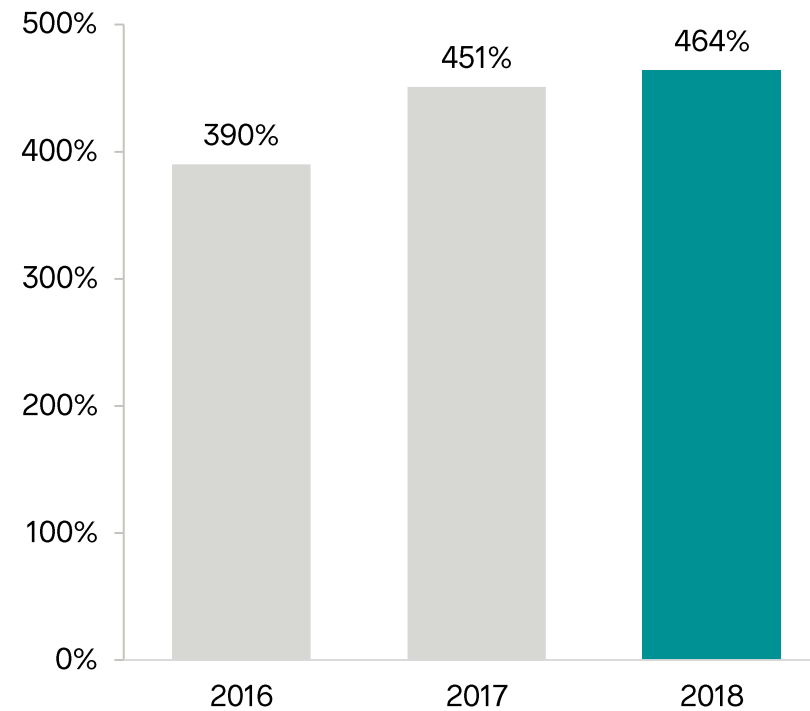


Funding and liquidity

Nordnet Group Balance sheet
31/12 2018, BSEK



Nordnet LCR
2016-2018, Consolidated situation



Financials – Summary

Revenues

- Income dominated by fees and commissions from customers' trading and fund income
- NII declining over time period in connection with decline in market interest rates
- Increased cross-border trades by customers drive FX income

Costs

- Significant investments during 2017-2018 provide foundation for future growth
 - New web and app, building scalable platform, securities lending, smart portfolios
- Credit losses low and declining over time period

Assets

- Asset mix weighted towards low-risk assets – primarily insurance assets and treasury investments in debt securities

Liabilities and Equity

- Nordnet largely funded by customers' cash positions – low level of Loans/Deposits
- No pre-existing capital markets debt

Subdued earnings 2017-2018 from investments and low interest rate environment

Low risk exposure

Strong funding and liquidity position

Agenda

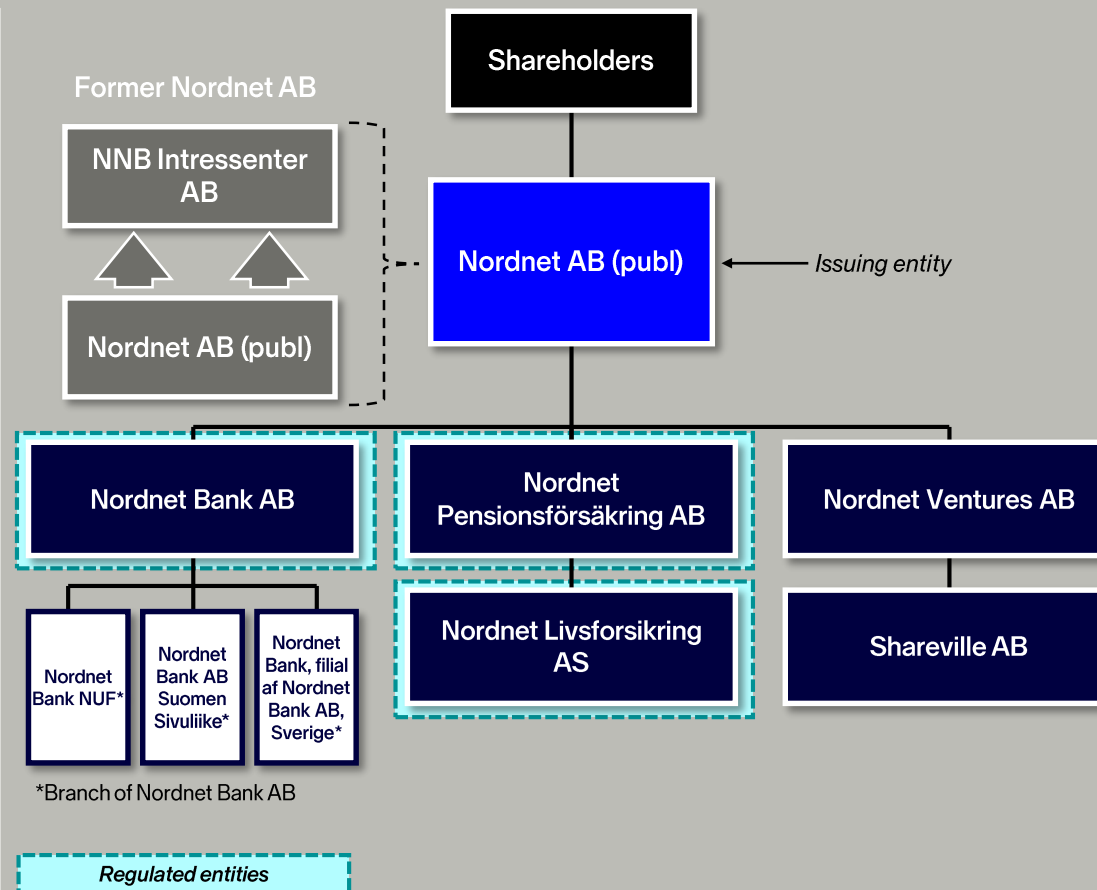
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Nordnet's legal structure

Overview

Legal structure

- Nordnet AB (publ) is the parent company of the group and, for the purpose of banking regulations (see right), of the consolidated situation of Nordnet Bank AB
- Nordnet AB (publ) was absorbed by NNB Intressenter AB as of 1 March 2019, and simultaneously NNB Intressenter AB was converted to a public company named Nordnet AB (publ)
- All operations are carried out in Nordnet AB's subsidiaries
- Nordnet Pensionsförsäkring AB and Nordnet Livsförsäkring AS offer savings products as life insurance
- Nordnet ventures' objective is to work in collaboration with new fintech companies
- In addition to companies and branches listed to the right, the group contains inactive entities Svenskt Hypotek AB (subsidiary of Nordnet Bank AB) and Nordnet Pensjonsforsikring NUF



Supervisory status

- Nordnet Bank AB holds a banking license and is supervised by the Swedish Financial Supervisory authority
- Nordnet Bank AB is categorised in the 2nd supervised type, equal to some of Sweden's largest mortgage institutions
- Each of Nordnet Pensionsförsäkring AB and Nordnet Livsförsäkring AS holds an insurance license and is supervised by the Swedish Financial Supervisory Authority and the Norwegian Financial Supervisory Authority, respectively
- Nordnet Bank AB and Nordnet Livsförsäkring AS are in the process of acquiring Netfonds Bank AS and Netfonds Livsförsikring AS, respectively

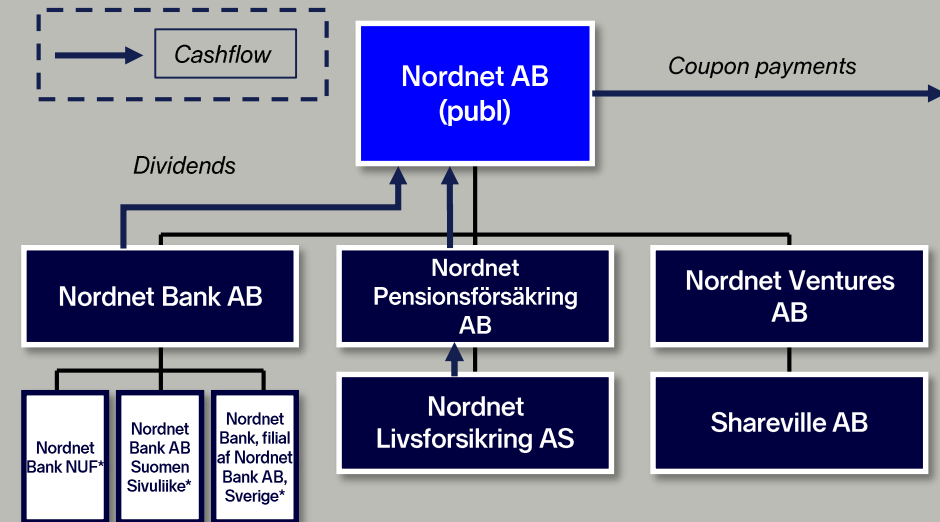
Nordnet's Legal Structure (cont.)

The Nordnet AB (publ) group has more diverse cashflows than Nordnet Bank AB

Hold-Co Issuance

- Hold-Co issuance of Additional AT1 receives full consolidated capital treatment under current regulations versus bank issuance
- The proceeds of the issued debt will be down streamed as equity to the bank
- No subsidiary of Nordnet AB has issued any debt securities
- In Nordnet's case, the operating cash flow has been stronger at the Nordnet AB Group level versus the bank, while the consolidated regulatory capital requirement is on par with the bank's
- Hold-Co level issuance is common practice in the European insurance sector as well as for UK, US and Swiss banks
- The deeply subordinated status of AT1 instruments reduce the impact of structural subordination resulting from Hold-Co issuance

Cash flow supporting AT1



*Branch of Nordnet Bank AB

Transaction summary



TRANSACTION RATIONALE

- Support further growth of the business and utilisation of the new platform
- Help fund recent acquisition of the leading broker Netfonds and together strengthen market position against large established banks

CAPITAL BASE

- Optimising and strengthening of the capital base
- Enhancing Leverage ratio to counterbalance regulatory needs in the same manner as low risk but leverage constraint issuers has done with their AT1 issuance

ACQUISITION OF NETFONDS

- Netfonds offers a wide range of digital brokerage services across markets
- Netfonds was established in 1996 as the first digital brokerage firm in Norway – recently reported a significant market share of 4% at Oslo Børs
- A total of 80,000 registered customers in Norway and Sweden, NOK 18bn in savings capital
- Netfonds reported NOK 42m earnings before tax in 2017

Key Terms and Conditions

Issuer:	Nordnet AB (publ)
Instrument:	Additional Tier 1 Capital notes
Expected Volume:	SEK 500 million. Denominations of SEK 2,000,000 + SEK 2,000,000
Tenor:	Perpetual with a 5 year non-call period (PerpNC5)
Issuer call dates:	Callable on [•] 2024 (First Call Date) and every Interest Payment Date thereafter, subject to Swedish FSA approval
Early redemption:	The Notes may be redeemed at the option of the Issuer at their outstanding Nominal Amount together with accrued Interest (if any) following a Tax Event or a Capital Event, subject to Swedish FSA approval. The Notes are not redeemable at the option of the Noteholders at any time
Redemption:	100 per cent. of the Nominal Amount
Coupon:	3 month Stibor + [•] bps, paid quarterly in arrears, Actual / 360, modified following, adjusted
Interest cancellation:	Any payment of Interest in respect of the Notes shall be payable only out of the Issuer's Distributable Items and (i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Banking Regulations; or (ii) will be mandatorily cancelled, to the extent so required by the Applicable Banking Regulations, including the applicable criteria for Additional Tier 1 Capital instruments
Loss absorption:	Upon a Trigger Event, the Total Nominal Amount shall be reduced (in whole or in part, and in each case as determined by the Issuer in consultation with the Swedish FSA) by an amount sufficient to restore the CET1 ratio of the Issuer Consolidated Situation to at least 7.00 per cent., at the point of such write-down, provided that the maximum reduction of the Total Nominal Amount shall be down to SEK 250 (i.e. down to a Nominal Amount per Note of SEK 1)
Trigger event:	CET1 ratio of the Issuer Consolidated Situation has fallen below 7.00 per cent
Non-viability:	The Notes may be subject to statutory loss absorption as more fully described in the risk factors
Governing law:	Swedish law
Sole arranger:	Nordea Bank Abp

Peer structuring comparison

Issuer:	 Nordnet	Klarna.	Landshypotek Bank	
Volume:	SEK 500m	SEK 250m	SEK 700m	SEK 300m
Tenor:	PerpNC5	PerpNC5	PerpNC5	PerpNC6
Coupon:	Floating	Floating	Floating	Fixed
Yield/Spread:	3mS + [•]	3mS + 575bps	3mS + 440bps	9.5% (~830bps)
Issue date:	March 2019	May 2017	March 2017	October 2014
Early redemption:	<ul style="list-style-type: none"> Capital Disqualification Event Tax Event 	<ul style="list-style-type: none"> Capital Disqualification Event Tax Event 	<ul style="list-style-type: none"> Capital Disqualification Event Tax Event 	<ul style="list-style-type: none"> Capital Disqualification Event Tax Event
Interest cancellation:	<ul style="list-style-type: none"> Cancelled at the issuer's sole discretion Mandatorily cancellation required by law Interest only from distributable items 	<ul style="list-style-type: none"> Cancelled at the issuer's sole discretion Mandatorily cancellation required by law Interest only from distributable items 	<ul style="list-style-type: none"> Cancelled at the issuer's sole discretion Mandatorily cancellation required by law Interest only from distributable items 	<ul style="list-style-type: none"> Cancelled at the issuer's sole discretion Mandatorily cancellation required by law Interest only from distributable items
Loss absorption:	<ul style="list-style-type: none"> Temporary write-down The Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes on a pro-rata basis 	<ul style="list-style-type: none"> Temporary write-down The Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes on a pro-rata basis 	<ul style="list-style-type: none"> Temporary write-down The Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes on a pro-rata basis 	<ul style="list-style-type: none"> Temporary write-down The Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes on a pro-rata basis
Trigger event:	CET1 ratio below 7% on issuer Consolidated situation	CET1 ratio below 5.125% on issuer and 7% on consolidated situation	CET1 ratio below 5.125% on issuer and 7% on consolidated situation	CET1 ratio below 5.125% on issuer
Non-viability:	Statutory loss absorption	Statutory loss absorption	Statutory loss absorption	Statutory loss absorption
Governing law:	Swedish law	Swedish law	<ul style="list-style-type: none"> English law Subordination, governed by Swedish law 	Swedish law
Arranger/s:	Nordea Bank Abp	Nordea Bank Abp	Danske Bank & Swedbank	Pareto Securities AB



Q&A

 Nordnet

Agenda

- A. Introduction to Nordnet
- B. Key Credit Highlights
- C. Business Model & Operations
- D. Financials and Capital Position
- E. Transaction Overview
- F. Risk Factors

Risk Factors

Risk Factors

All investments in notes involve a degree of risk. The financial performance of Nordnet and the risks associated with Nordnet's business are important when making a decision on whether to invest in the Notes. A number of factors influence and could influence Nordnet's operations and financial performance and ultimately the Issuer's ability to make payments under the Notes. In this section, a number of risk factors are illustrated and discussed, both risks pertaining to Nordnet's operations and risks related to the Notes as subordinated financial instruments. The risk factors below are not ranked in any specific order of importance and no claim is being made that the list is exhaustive.

Potential investors should carefully consider the risk factors below, the Terms and Conditions, all other information in the investor documents and other available information before deciding on making an investment in the Notes. Investors must, in addition, alone or together with financial and/or other advisers, consider the general business prospects, and general information about the relevant market and companies active on that market, based on their personal circumstances. An investor should possess sufficient knowledge to assess the risk factors and sufficient financial strength to bear those risks.

Additional risk factors that are not currently known or not currently considered to be material may affect the Issuer's business, financial condition and results of operations and consequently the Issuer's ability to meet its obligations under the Notes.

Definition

- **“Agent”** means Intertrust (Sweden) AB, Swedish Reg. No. 556625-5476, or another party replacing it, as Agent, in accordance with the Terms and Conditions.
- **“Issuer”** means Nordnet AB (publ), a public limited liability company incorporated under the laws of Sweden with Reg. No. 559073-6681.
- **“Nordnet”** means the Issuer or the Issuer and all its subsidiaries from time to time.
- **“Nordnet Bank”** means Nordnet Bank AB, a private limited liability company incorporated under the laws of Sweden with Reg. No. 516406-0021.
- **“Nordnet Livsforsikring”** means Nordnet Livsforsikring AS, a private limited liability company incorporated under the laws of Norway with Reg. No. 914350956.
- **“Nordnet Pension”** means Nordnet Pensionsförsäkring AB, a private limited liability company incorporated under the laws of Sweden with Reg. No. 516406-0286.
- **“Note”** means a debt instrument (*skuldförbindelse*) of the type set forth in Chapter 1 Section 3 of the Financial Instruments Accounts Act (*lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) and which is governed by and issued under the Terms and Conditions.
- **“Noteholder”** means the person who is registered on a Securities Account (as defined in the Terms and Conditions) as direct registered owner (*ägare*) or nominee (*förvaltare*) with respect to a Note.
- **“Terms and Conditions”** means the terms and conditions for the floating rate additional tier 1 capital notes expected to be issued by the Issuer, a draft of which is dated 4 March 2019 and attached hereto as Schedule 1 (*Draft Terms and Conditions*).
- Words and expressions defined in the Terms and Conditions have the same meanings when used in herein, unless expressly stated or otherwise follows from the context.

Risks related to the Issuer (1/2)

Competition in the financial services industry

- Nordnet operates in the savings and investments market and in the consumer lending market. The markets in which Nordnet operates are characterised by a high degree of competition and fragmentation and the strong demand growth in these markets for the products that Nordnet offers has led to increased competition. The demand for Nordnet's products is also dependent on the customers' forecasts for the future, market rates and other factors that have an influence on the customers' financial situation.
- Since Nordnet's ability to gain profit is affected by existing customers' as well as new customers' incentive to save and attitudes to risk, various factors relating to the Nordic saving markets may generally lead to reduced savings and thus have a negative impact on the Issuer's business, financial condition and result of operations. Such factors are for example increased amortization requirements, rising interest rates, reduced securities trading and concerns about falling real-estate prices combined with an uncertain stock market.

Risk relating to the current macroeconomic environment

- Nordnet's business is subject to inherent risks arising from general and sector-specific economic conditions. A deterioration in economic conditions globally and in the markets in which Nordnet operates, including, but not limited to business and consumer confidence, unemployment, household disposable income, the state of the housing market, counterparty risk, inflation, the availability and cost of credit, the liquidity of global financial markets, market share prices, or market interest rates may reduce the level of demand for the products and services of Nordnet. This may adversely affect the earnings Nordnet can achieve on its products and services and lead to reduced volumes of credit issued, reduced net interest income, reduced revenue and increased levels of impairment charges. Also, confidence in financial markets in general, and financial instruments in particular, may alter risk preference for investments due to reduced activity and income for brokerage. In addition, the financial performance of the Issuer could be adversely affected by a worsening of general economic conditions in the markets in which it operates, for example, as a result of the United Kingdom leaving the European Union in 2019. The aforementioned factors may adversely impact the Issuer's business, financial condition and result of operations.

Credit risks and risk relating to counterparties

- Credit risk is the risk of Nordnet not receiving payment as agreed and/or making a loss due to a counterparty's inability to fulfil its obligations, and where any security does not cover Nordnet's receivables. Nordnet's credit risk mainly involves the granting of credits against security in quoted shares and mutual funds, granting of unsecured credits and residential mortgages. The granting of unsecured credits and residential mortgages are only offered in Sweden. Nordnet is also subject to counterparty risk through exposures towards banks, investments in bonds, reinsurance and through settlement risks.
- The exposure towards credit risk means that Nordnet is also subject to credit related concentration risk, i.e. the risk relating to large exposures to a group of customers, a specific industry or geographical area.
- Adverse changes in the credit quality of Nordnet's customers or other counterparties and/or any security provided could affect the recovery and value of the Nordnet's assets and require an increase in provisions made for bad and doubtful debts and other provisions and could consequently adversely affect the Issuer's business, financial condition and result of operations.

Risks related to the Issuer (2/2)

Risks associated with Netfonds Bank AS and Netfonds Livsforsikring AS

- Nordnet has entered into an agreement to acquire Netfonds Bank AS and Netfonds Livsforsikring AS. The acquisition is subject to regulatory approvals. The acquisition is subject to risks and uncertainties concerning operations, assets, liabilities, claims, customer retention, and other aspects. It may also pose risks because of the difficulty in integrating operations, personnel, technology and information technology. If any of these risks materialize, this could result in an adverse effect on the Issuer's business, financial condition and result of operations.

Disputes and legal proceedings

- Nordnet may be subject to legal proceedings, claims and disputes in jurisdictions where it is active. There is a risk that Nordnet will become involved in a dispute which could adversely affect Nordnet's business, financial condition and results of operations. There is further a risk that the results of any investigation, proceeding, litigation or arbitration brought by private parties, regulatory authorities or governments can be hard for Nordnet to predict. In addition, if an unfavourable decision were to be given against Nordnet, significant fines, damages and/or negative publicity can adversely affect the Issuer's business, financial condition and results of operations.

Operational risks (1/2)

Operational risk

- Nordnet is subject to operational risk, meaning the risk of losses due to inappropriate or failed processes, human error, faulty systems or external events. Besides all the risks that may be associated with human error and mistakes, typical examples of operational risks include computer failure, dependency on key individuals, fraud, inadequate compliance with legislation and internal regulations, or external events, such as fire, natural disasters, sabotage or changes in laws and regulations. To maintain good internal control of operational risks, well-functioning systems are required, as well as ongoing training of personnel. The principal responsibility for the management of operational risks lies with the individual departments and functions in the organization. Nordnet has operational risk management processes in place, but the processes can prove to be not adequate. Hence, there is a risk that issues related to operational risk will have an adverse effect on the Issuer's business, financial condition and results of operations.

Reliance on third parties

- Some of Nordnet's business systems are dependent on third party software and infrastructure.
- It can be difficult for Nordnet to replace these relationships on commercially reasonable terms and seeking alternate relationships could be time consuming and result in interruptions to Nordnet's business. Nordnet's use of business outsourcing partners also exposes Nordnet to reputational risks. The failure of Nordnet's third party providers to perform their services to Nordnet's standards and any deterioration in or loss of any key relationships can have an adverse effect on the Issuer's business, financial condition and results of operations.
- Furthermore, Nordnet's business outsourcing partners and other third parties could fail to comply with applicable laws and regulations, or fail to otherwise provide their agreed services to Nordnet. To the extent these third parties violate laws, other regulatory requirements or their contractual obligations to Nordnet, or otherwise act inappropriately in the conduct of their business, Nordnet's business and reputation can be negatively affected or penalties could be directly imposed on Nordnet. Furthermore, there is a risk that Nordnet's methods and procedures for overseeing how outsourcing partners and other third parties operate their businesses may not detect the occurrence of any violations for a substantial period of time, which could exacerbate the effect of such violations. Any of the above can have an adverse effect on the Issuer's business, financial condition and results of operations.

Reputational risk

- Reputational risk is the risk that an event or circumstance could adversely impact Nordnet's reputation among customers, owners, employees, authorities and other parties resulting in reduced income. This is primarily related to consumer expectations regarding the delivery of Nordnet's services, and the ability to meet regulatory and consumer protection obligations related to these services. Effects on Nordnet's reputation may originate from internal factors but also from external partners, suppliers, merchants or even competitors. Reputational risk can be substantially damaging to Nordnet's operations based on a well-established brand, and if such risk materialises it can adversely affect the Issuer's business, financial condition and results of operations.

Operational risks (2/2)

Key employees

- Nordnet is dependent upon a number of key employees whom have together developed the day-to-day operations and systems within Nordnet. Should such key personnel leave Nordnet or take up employment with a competing business, and not be adequately replaced with new qualified personnel, it could have a negative effect on the Issuer's business, financial condition and result of operations.

Information technology risk

- Nordnet depends on the success and effectiveness of its business continuity planning, the uninterrupted and efficient operation of its information and communications systems, including its information technology (to manage critical business processes, including the running of its internet platform, as well as administrative functions), Nordnet's monitoring and protective measures and the successful change management of existing systems as well as development and implementation of new systems. However, losses could result from inadequate or failed internal control processes and protection systems, technical or human error, fraud, misuse or external events that interrupt normal business operations. This could result in a loss of data and a failure to provide quality service to customers.
- If any of the above risks materialise, the interruption or failure of Nordnet's information technology and other systems could impair Nordnet's ability to provide its services effectively causing direct financial loss and may compromise Nordnet's strategic initiatives. Technology failure or underperformance could also increase Nordnet's litigation and regulatory exposure or require it to incur higher administrative costs (including remediation costs). Further, a critical loss of any customer data would be expensive and time-consuming to endeavour to retrieve or recreate and would have an adverse effect on the Issuer's operations and financial situation.
- Extensive downtime of information communication technology ("ICT") systems and services, infections by malicious code or malware, hacking attacks from external threat agents or other disruptions or failure of ICT systems are possible and could disrupt Nordnet's business, result in transaction errors, the disclosure of confidential information and/or create significant financial and/or legal exposure which may, in turn, damage the Issuer's brand and reputation. Any of the above can have an adverse effect on the Issuer's business, financial condition and results of operations.

Financial risks (1/2)

Liquidity and funding risks

- Liquidity risk refers to the risk that Nordnet would be unable to finance existing assets or meet its payment obligations, or only be able to do so at significant expense. Liquidity risk can be divided into two components. The first part is the risk of Nordnet having insufficient cash and cash equivalents to fund its operations, and the other part is the risk of being unable to convert investments into cash without significant expense increases.
- Nordnet's assets mainly consist of cash and cash equivalents, loans to credit institutions and the general public and interest-bearing instruments. Deposits from Nordnet's customers is Nordnet's most important source of funding. The risks in the supply of liquidity consist primarily of the risk of Nordnet not attracting sufficient volume of deposits. The risk may arise in a situation where net withdrawals are larger than desired or when increased deposit volumes are desired in order to finance further lending and other payments. Increased net withdrawals may result from price competition or negative rumours about Nordnet, other banks or the financial system in general. A failure by Nordnet to attract a sufficient volume of deposits or to improve the liquidity situation through asset sales could have an adverse effect on the Issuer's business, financial condition and result of operations.

Market risks

- Market risk derives from the risk that the fair value or future cash flow from a financial instrument is affected by changes in market prices. Nordnet is exposed to market risks in the form of interest rate risk, foreign exchange risk and share price risk, even though Nordnet's operations are built up around customer trading and the business model does not therefore include exposing Nordnet to market risks in its own name. Fluctuations in the debt, foreign exchange or equity markets may affect the market value and liquidity of Nordnet's assets. In addition, the occurrence of such events may have an adverse impact on the revenue generated from Nordnet's primary activities.
- Interest rate risks occur when there is an imbalance regarding terms to maturity between the Nordnet's assets and liabilities and when there is an imbalance in changes in the value of assets. Nordnet gives credit at flexible interest rates, and this credit is financed by deposits at flexible interest rates. A deterioration of Nordnet's net interest due to an unfavourable change in the market could have an adverse effect on the Issuer's financial position and results of operations. Nordnet is also exposed to the risk that the fair value of instruments in the liquidity portfolio is affected due to changes in credit spreads.
- Foreign exchange risk refers to the risk that exchange-rate changes negatively impact the consolidated income statement, balance sheet and/or cash flows. Foreign exchange risks occur when assets and liabilities in the same foreign currency fail to match in terms of size because of changes in foreign exchange rates. Nordnet is exposed to foreign exchange rate risk mainly from Euro (EUR), Danish Krone (DKK), Norwegian Krone (NOK) and U.S. dollar (USD). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. This means that Nordnet is exposed to exchange rate differences. Adverse exchange rate movements could have an adverse effect on the Issuer's business, financial condition and result of operations.

Financial risks (2/2)

Systemic risk

- Due to the high level of interdependence between financial institutions, Nordnet and the Issuer are subject to the risk of deterioration of the actual or perceived commercial and financial soundness of other financial institutions and a default or financial difficulties of one financial institution may have negative consequences for other financial institutions and may lead to liquidity problems, losses, defaults or worsening of general economic climate in the markets in which Nordnet and the Issuer operate. Any of the above can have an adverse effect on the Issuer's business, financial condition and results of operations.

Insurance risk

- Nordnet is subject to insurance risk, meaning the risk of a change in value due to the difference between actual and expected insurance claims costs, that is, actual outcomes differing from expected outcomes, for example, life expectancy, mortality, morbidity or injury rate. Premium and fee levels in Nordnet are based on product calculations and are reviewed each year. There is a risk that the calculations and reviews are inadequate and a change in value due to the factors above could result in an adverse effect on the Issuer's business, financial condition and results of operations.

Regulatory risks (1/11)

General compliance risk

- Nordnet's operations are subject to legislation, regulations, codes of conduct and government policies in the jurisdictions in which it conducts business (i.e. in Sweden, Norway, Finland and Denmark) and in relation to the products it markets and sells. Regulatory authorities have broad jurisdiction over many aspects of Nordnet's business, marketing and selling practices, advertising and terms of business. Three of the Issuer's subsidiaries – Nordnet Bank, Nordnet Pension and Nordnet Livsforsikring – conduct heavily regulated activities and are under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen) (the "Swedish FSA") or the Norwegian Financial Supervisory Authority (Finanstilsynet) (the "Norwegian FSA"), as applicable. For instance, being a Swedish bank, insurance intermediary and investment firm, Nordnet Bank and Nordnet Consolidated Situation are subject to supervision by the Swedish FSA with regard to, among other things, solvency and capital adequacy, including solvency ratios and liquidity ratios as well as rules on internal governance and control.
- As a result of conducting consumer operations on a cross-border basis in various countries, consumer agencies and councils in these countries have jurisdiction over many aspects of Nordnet's business, including marketing and selling practices, advertising, general terms of business and legal debt collection operations. Nordnet is also subject to EU regulations with direct applicability and EU directives that are implemented through local legislation. Failure to comply with applicable laws and regulations can subject Nordnet to monetary fines and other penalties, which can have an adverse effect on Nordnet's reputation, business, financial condition and result of operations. Ultimately, the licenced Nordnet entities' licences can be revoked and such entities may be required to discontinue all regulated business operations.
- Many initiatives for regulatory changes have been taken in the past and the impact of such initiatives is difficult to predict. Therefore, for example, financial services laws, capital, liquidity and solvency laws, marketing laws, securities laws, consumer protection laws, data protection laws, laws related to deposits (including the Swedish deposit insurance scheme), the laws related to enforcement, laws and regulations related to or affecting interest, laws and regulations on internal governance and control, laws and regulations of remuneration, codes of conduct, government policies and general recommendations, and their respective interpretations currently affecting Nordnet can change, and Nordnet is unable to predict what regulatory changes can be imposed in the future as a result of regulatory initiatives in the EU, by the Swedish FSA, the Norwegian FSA, the European Banking Authority (the "EBA"), the European Securities Market Authority, the European Insurance and Occupational Pension Authority (the "EIOPA"), or by other authorities and agencies. Such changes can have an adverse effect on Nordnet's profitability, solvency and capital requirements, and can give rise to increased costs of compliance. Failure of Nordnet to effectively manage these legal and regulatory risk can have an adverse effect on the Issuer's business, financial condition and result of operations.

Regulatory risks (2/11)

Risks relating to Nordnet Bank's banking licence

- The Swedish Banking and Financing Business Act (lagen (2004:297) om bank- och finansieringsrörelse) (the "BFBA") requires all Swedish banking companies to operate under a licence granted by the Swedish FSA. Nordnet Bank's banking licence has an indefinite duration, but is subject to revocation by the Swedish FSA. Pursuant to the BFBA, the Swedish FSA must intervene if Nordnet Bank violates its obligations under the BFBA, other regulations governing its business, its articles of association or other policy documents issued pursuant to provisions governing Nordnet Bank's operations as a bank. The Swedish FSA may then issue an order to limit or reduce the risks of the operations in some respect, restrict or prohibit payment of dividends or interest or take other measures to rectify the situation, issue injunctions or remarks. In case of material violations, the Swedish FSA can, as an ultimate measure, revoke Nordnet Bank's banking licence, following which the Swedish FSA may determine the manner in which the business will be wound up. A decision regarding revocation of licence can be combined with an injunction against continuing the operations. If deemed sufficient, taking into consideration, among other things, the nature, gravity, duration and potential effects on the financial system of the violation, the Swedish FSA can, instead of revoking Nordnet Bank's banking licence, issue a warning. Remarks and warnings may be combined with monetary fines (the highest of EUR 5 million, ten per cent of the company's or the group's annual turnover, or two times the cost avoided or profit realized from the violation, where such amount can be ascertained). If Nordnet Bank were subject to material sanctions, remarks or warnings and/or fines imposed by the Swedish FSA, this would cause significant, and potentially irreparable, damage to the reputation of Nordnet and, as a result, Nordnet's business, financial position and results of operations can be adversely affected. Nordnet's operations are contingent upon the banking licence issued to Nordnet Bank by the Swedish FSA. The loss or suspension of the licence will require Nordnet Bank to cease its banking operations which could have an adverse effect on the Issuer's business, financial condition and result of operations.

Risks relating to Nordnet Bank's investment business licence

- The Swedish Securities Market Act (lagen (2007:528) om värdepappersmarknaden) (the "SMA") requires all Swedish investment firms to operate under a licence granted by the Swedish FSA. Nordnet Bank's licence to provide investment services has an indefinite duration, but is subject to revocation by the Swedish FSA. Pursuant to the SMA, the Swedish FSA must intervene if Nordnet Bank violates its obligations under the SMA, other regulations governing its business, its articles of association or other policy documents issued pursuant to provisions governing Nordnet Bank's operations as an investment firm. The Swedish FSA may then issue an order to limit or reduce the risks of the operations in some respect, restrict or prohibit payment of dividends or interest or take other measures to rectify the situation, issue injunctions or remarks. In case of material violations, the Swedish FSA can, as an ultimate measure, revoke Nordnet Bank's licence to provide investment services, following which the Swedish FSA may determine the manner in which the business will be wound up. A decision regarding revocation of licence can be combined with an injunction against continuing the operations. If deemed sufficient, taking into consideration, among other things, the nature, gravity, duration and potential effects on the financial system of the violation, the Swedish FSA can, instead of revoking Nordnet Bank's licence, issue a warning. Remarks and warnings may be combined with monetary fines (the highest of EUR 5 million, ten per cent of the company's or the group's annual turnover, or two times the cost avoided or profit realized from the violation, where such amount can be ascertained). If Nordnet Bank were subject to material sanctions, remarks or warnings and/or fines imposed by the Swedish FSA, this would cause significant, and potentially irreparable, damage to the reputation of Nordnet and, as a result, Nordnet's business, financial position and results of operations can be adversely affected. Nordnet's operations are contingent upon Nordnet Bank's licence to provide investment services issued by the Swedish FSA. The loss or suspension of the licence will require Nordnet Bank to cease its investment business under the SMA which could have an adverse effect on the Issuer's business, financial condition and result of operations.

Regulatory risks (3/11)

Risks relating to Nordnet Pension's insurance licence

- The Swedish Insurance Business Act (försäkringsrörelselagen (2010:2043)) (the "IBA") stipulates that insurance business may only be conducted pursuant to a licence granted by the Swedish FSA. Nordnet Pension's insurance licence has an indefinite duration, but is subject to revocation by the Swedish FSA. Pursuant to the IBA, the Swedish FSA must intervene if Nordnet Pension violates its obligations under the IBA, other regulations governing its business, its articles of association or bylaws, technical guidelines, guidelines for technical provisions, guidelines for the handling of conflicts of interest, or other policy documents issued pursuant to provisions governing Nordnet Pension's business. The Swedish FSA may then for example order Nordnet Pension to rectify within a specified period of time, prohibit its execution of decisions or issue a remark. The Swedish FSA may also under some circumstances restrict Nordnet Pension's right of disposition or prohibit it from disposing of its assets in Sweden. If a violation is severe, Nordnet Pension's licence will be revoked or, if deemed adequate, a warning will be issued by the Swedish FSA. If the licence is revoked, the Swedish FSA may determine the manner in which the business will be wound up. The Swedish FSA may combine any order or prohibition with a conditional fine and if it issues a remark or a warning, the Swedish FSA may also issue a financial penalty of up to SEK 50 million (and not more than ten per cent of the annual turnover for the previous year). If Nordnet Pension were subject to material sanctions, remarks or warnings and/or fines imposed by the Swedish FSA, this would cause significant, and potentially irreparable, damage to the reputation of Nordnet and, as a result, Nordnet's business, financial position and results of operations can be adversely affected. Nordnet's operations are contingent upon the insurance licence issued to Nordnet Pension by the Swedish FSA. The loss or suspension of the licence will require Nordnet Pension to cease its insurance operations, which could have an adverse effect on the Issuer's business, financial condition and result of operations.

Risks relating to Nordnet Livsforsikring's insurance licence

- The Norwegian Financial Institutions Act (finansforetaksloven) (the "FIA") and the Norwegian Insurance Act (forsikringsvirksomhetsloven) (the "IA"), stipulate that insurance business may only be conducted pursuant to a licence granted by the Norwegian FSA. Nordnet Livsforsikring's insurance licence has an indefinite duration, but is subject to revocation by the Norwegian FSA. Pursuant to the FIA and IA, the Norwegian FSA must intervene if Nordnet Livsforsikring violates its obligations under the FIA and IA, other regulations governing its business, its articles of association or bylaws, technical guidelines, guidelines for technical provisions, guidelines for the handling of conflicts of interest, or other policy documents issued pursuant to provisions governing Nordnet Livsforsikring's business. The Norwegian FSA may then, for example, order Nordnet Livsforsikring to rectify the violation within a specified period of time, prohibit its execution of decisions or issue a remark. The Norwegian FSA may also under some circumstances restrict Nordnet Livsforsikring's right of disposition or prohibit it from disposing of its assets in Norway. If a violation is severe, Nordnet Livsforsikring's licence will be revoked or, if deemed adequate, a warning will be issued by the Norwegian FSA. If the licence is revoked, the Norwegian FSA may determine the manner in which the business will be wound up. If Nordnet Livsforsikring were subject to remarks or warnings by the Norwegian FSA this would cause significant, and potentially irreparable, damage to the reputation of Nordnet and, as a result, Nordnet's business, financial position and results of operations could be adversely affected. Nordnet's operations are contingent upon the insurance licence issued to Nordnet Livsforsikring by the Norwegian FSA. The loss or suspension of the licence will require Nordnet Livsforsikring to cease its insurance operations, which could have an adverse effect on the Issuer's business, financial condition and result of operations.

Regulatory risks (4/11)

Regulatory capital requirements

- Nordnet Bank, Nordnet Consolidated Situation, Nordnet Pension, Nordnet Livsforsikring and Nordnet's insurance group are subject to capital adequacy regulations, which aim to put in place a comprehensive and risksensitive legal framework and to ensure enhanced risk management among financial institutions and insurance companies. Recent regulations which have impacted Nordnet and are expected to continue to impact Nordnet include, among others, the Basel III framework, the EU Capital Requirements Directive 2013/36/EU ("CRD IV"), the EU Capital Requirements Regulation (EU) No. 575/2013 ("CRR"), as well as the Solvency 2 Directive 2009/138/EC and the Solvency 2 Regulation (EU) 2015/35 (collectively, "S2").
- Nordnet must at all times meet the capital requirements, and CRD IV, CRR, and S2 have imposed significant changes for financial institutions and insurance companies in terms of minimum capital requirements and capital buffers. CRR, CRD IV, and S2 are supported by a set of binding technical standards developed by the EBA and the EIOPA, respectively. The regulatory framework will continue to evolve and any changes could have a material impact on Nordnet's business.
- As part of its efforts on strengthening and deepening the Banking Union, the EU Commission presented a package of legislative proposals in November 2016 to implement, inter alia, the reforms agreed at international level following the 2007-08 financial crisis, generally referred to as the "Banking Package". The Banking Package's main objective is to reduce risk in the EU banking industry, which is considered by Member States a prerequisite for further integration with respect to risk sharing under the Banking Union's third pillar. The Banking Package comprises proposals for amendments to, inter alia, CRD IV, CRR and BRRD (as defined below). The proposed amendments are now subject to adoption by the European Parliament and Council. It is anticipated they will entail substantial changes to the capital and liquidity requirements for banks.
- In December 2017, the Basel Committee published complements to the Basel III Framework in order to complete it. The complements, often called Basel IV, entail substantial changes and are proposed to enter into force 1 January 2022 with a phasing-in period of five years. The proposed changes will need to be implemented at EU level in order for them to become applicable for Sweden.
- The Swedish FSA has decided to amend its regulation in relation to countercyclical capital buffers (FFFS 2014:33) so that the countercyclical capital buffer will be increased to 2.5 per cent on 19 September 2019. Such an increase and any other changes may cause reductions in the capital adequacy ratios and solvency levels of Nordnet and/or cause the applicable minimum capital requirements to increase.
- The capital requirements mentioned above could force Nordnet to issue additional capital and such additional capital may be unavailable to Nordnet in the future or unavailable at an attractive rate or within the timeframe necessary in order to ensure compliance with such requirements. Furthermore, the conditions of Nordnet's business as well as external conditions are constantly changing. Nordnet and/or its consolidated situation or insurance group can be required to raise regulatory capital in addition to the already existing and such changes could result in Nordnet's existing regulatory capital ceasing to count either at the same level as present or at all. Any failure by Nordnet to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators can result in intervention by regulators or the imposition of sanctions, which can have an adverse effect on Nordnet's profitability and results and can also have other effects on Nordnet's financial performance and on the pricing of Notes, both with or without the intervention by regulators or the imposition of sanctions. Any market perception or concern regarding compliance with future capital adequacy requirements, can increase Nordnet's borrowing costs and limit its access to capital markets, which can have an adverse effect on the Issuer's business, financial condition and result of operations.

Regulatory risks (5/11)

The Recovery and Resolution Directive (1/2)

- A To complement the CRR/CRD IV legislative package, the EU Directive 2014/59/EU, known as the Bank Recovery and Resolution Directive (“BRRD”) was adopted. The BRRD establishes a framework for the recovery and resolution of credit institutions and, inter alia, requires EU credit institutions to produce and maintain recovery plans setting out the arrangements that may be taken to restore the long-term viability of the institution in the event of a material deterioration of its financial position. National resolution authorities (the National Debt Office (Riksgälden) for Sweden), in consultation with competent authorities (the Swedish FSA for Sweden), are required to prepare resolution plans setting out how a firm, if it were to fail might be resolved in an orderly fashion and its essential functions preserved. This includes the potential application of the resolution tools and powers referred to below as well as options for ensuring the continuity of critical functions.
- The BRRD has been implemented into Swedish law by the Resolutions Act (lagen (2015:1016) om resolution) and the Precautionary Support Act (lagen (2015:1017) om förebyggande statligt stöd till kreditinstitut) both of which entered into force on 1 February 2016. The National Debt Office has been appointed as resolution authority and has been given certain powers which can be categorised into preventive powers, early intervention powers and resolution powers. Ultimately, the authority may take control of a failing firm and, for example, transfer the firm to a private purchaser or to a publicly controlled entity pending a private sector arrangement. All these actions can be taken without any prior shareholder approval.
- The primary objective of the BRRD and the Resolutions Act is to maintain financial stability. Nordnet is covered by the regime and may potentially be subject to resolution actions. A prerequisite for initiating resolution actions is, however, that it is deemed necessary and proportionate in order to achieve the resolution objectives, such as systemic stability concerns. The BRRD and the Resolutions Act also provide that shares and other tier 1 and tier 2 capital instruments may be written-down/converted independently of resolution and, accordingly, these actions may be taken even if the criteria for initiating resolution action are not satisfied.
- The BRRD contains a number of resolution tools and powers intended to ensure that resolution authorities across the EU have a harmonised toolkit to manage firms’ failure provided that the resolution conditions are satisfied. The National Debt Office will only be permitted to use resolution powers and tools in relation to a firm if it determines that all the conditions for resolution are satisfied. These conditions are (a) the determination (which in Sweden will be determined by the Swedish FSA) that the institution is failing or likely to fail (the “failure condition”); (b) there is no reasonable prospect that any solution, other than a resolution action taken in respect of the firm, would prevent the failure of the firm within a reasonable timeframe (the “no alternative condition”); and (c) intervention through resolution action is necessary in the public interest (the “public interest condition”).
- The powers set out in the BRRD will impact how firms are managed as well as, in certain circumstances, the rights of creditors. Holders of debt instruments (such as the Notes) may be subject to write-down or conversion into equity on any application of the general bail-in tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. The general bail-in tool can be used to recapitalise a firm that is failing or about to fail, allowing authorities to restructure it through the resolution process and restore its viability after reorganisation and restructuring. The write-down and conversion power can be used either together with, or also, independently of, a resolution action. Other powers provided to resolution authorities under the BRRD in respect of debt instruments (which could include the Notes) include replacing or substituting the firm as obligor in respect of such debt instruments; modifying the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), and/or discontinuing the admission to trading of debt instruments. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, adversely affect the rights of the Noteholders, the price or value of Notes and/or the ability of Nordnet to satisfy its obligations under the Notes.

Regulatory risks (6/11)

The Recovery and Resolution Directive (2/2)

- On 23 February 2017, the National Debt Office presented the finalised model for the calculation of MREL, stating that systemically important institutions need to replace a portion of their existing bond holdings with subordinated bonds. However, the National Debt Office announced on 19 December 2018 that Nordnet Bank is not a systemically important institution. For institutions which are not so deemed, the MREL requirements will remain at the level of the institution's applicable capital requirements.
- As noted above, the Banking Package (as referred to in the risk factor "Regulatory capital requirements" above) comprises proposals for amendments to, inter alia, BRRD and are now subject to adoption by the European Parliament and Council.
- It is not possible to predict exactly how the powers and tools of the National Debt Office described in the BRRD and the Resolutions Act will affect Nordnet. Accordingly, it is not possible to assess the full impact of the BRRD and the Resolutions Act on Nordnet. The powers and tools given to the National Debt Office are numerous and may have a substantial effect on Nordnet.

Regulatory risks (7/11)

Loss absorption at the point of non-viability of Nordnet Bank

- A There is a risk that the Notes may be required to absorb losses as a result of statutory powers conferred on resolution and competent authorities in Sweden (the National Debt Office and the Swedish FSA). As noted above, the powers provided to resolution and competent authorities in the BRRD include write-down/conversion powers to ensure that relevant capital instruments (including the Notes) fully absorb losses at the point of non-viability of the issuing firm in order to allow it to continue as a going concern subject to appropriate restructuring. As a result, the BRRD contemplates that resolution authorities may require the permanent write-down of such capital instruments (which write-down may be in full) or the conversion of them into common equity tier 1 instruments at the point of non-viability (which CET1 instruments may also be subject to any application of the general bail-in tool described above) and before any other bail-in or resolution tool can be used. Measures ultimately adopted in this area may apply to any debt currently in issue, including the Notes.
- For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which one or more of the following circumstances apply: (a) the determination has been made by the relevant authority that the conditions for resolution (i.e. the “failure condition”, the “no alternative condition” and the “public interest condition” described above under the risk factor “The Recovery and Resolution Directive”) have been met, before any resolution action is taken; (b) the relevant authority determines that unless the write-down/conversion power is exercised in relation to the relevant capital instruments, the firm “will no longer be viable” (as described in Article 59(4) of the BRRD) and/or (c) extraordinary public financial support is required by the firm.
- The application of any non-viability loss absorption measure may result in holders of Notes losing some or all of their investment. Any such conversion to equity or write-off of all or part of an investor’s principal (including accrued but unpaid interest) shall not constitute an event of default and holders of Notes will have no further claims in respect of any amount so converted or written off. The exercise of any such power may be inherently unpredictable and may depend on a number of factors which may be outside Nordnet’s control. Any such exercise, or any suggestion that the Notes could become subject to such exercise, could, therefore, adversely affect the value of the Notes.

Regulatory risks (8/11)

Changes to the Swedish Deposit Insurance Scheme

- The Swedish Deposit Insurance Scheme (“SDIS”) guarantees the depositors’ deposits in the event Nordnet Bank is declared bankrupt or if the Swedish FSA determines that the SDIS should be activated in a given situation. The SDIS is administered by the Swedish National Debt Office. If activated, the insurance guarantees each customer compensation amounting to the value of the total funds in his or her account(s) with Nordnet Bank, plus accrued interest, until the time of bankruptcy or the Swedish FSA’s activation decision. The maximum compensation is an amount of SEK 950,000. There is a risk that regulatory changes which decrease the maximum compensation amount or change the SDIS are implemented, which could have a negative effect on the amount of customer savings deposit currently held with Nordnet Bank. This could have a negative effect on Nordnet’s business, financial condition and result of operations.

Regulatory risks (9/11)

Changes in accounting standards

- In addition to the anticipated legislative changes mentioned above, a number of legislations and regulations, taxes and rules can affect the business conducted by Nordnet. New or amended legislations and regulations could call for unexpected costs or impose restrictions on the development of the business operations or otherwise affect earnings, which could have an adverse effect on Nordnet's business and results of business operations.
- From time to time, the International Accounting Standards Board ("IASB"), the EU and other regulatory bodies change the financial accounting and reporting standards that govern the preparation of Nordnet's financial statements. These changes can be difficult to predict and can impact how Nordnet records and reports its business, financial condition and result of operations.
- For instance, IFRS 17, which may be implemented from 2022 onwards, is likely to introduce additional requirements for insurance companies in terms of minimum capital requirements, supervisory review of insurance companies' assessment of risk and enhanced disclosure requirements. All these may affect Nordnet's insurance business and associated earnings.
- In July 2014, the IASB issued a new accounting standard, International Financial Reporting Standard 9 (Financial Instruments) ("IFRS 9"), which became effective from 1 January 2018 and replaced IAS 39. IFRS 9 provides principles for classification of financial instruments, and provisioning for expected credit losses which are mandatory, and therefore fully implemented by Nordnet, as of 1 January 2018.
- Furthermore, IFRS 9 provides a new general hedge accounting model which is not yet mandatory, which is why it is currently not possible to determine the extent of the impact that the implementation of the hedge accounting model will have on CET 1 capital as the new rules for the transition, and its impact on capital ratios, are not yet final. As a consequence of the new general hedge accounting model under IFRS 9, and the uncertainty regarding its implementation, Nordnet may need to obtain additional capital in the future and may not be able to obtain new equity capital or debt financing qualifying as regulatory capital on attractive terms, or at all. Any such developments could have a material adverse effect on the Isuser's business, financial condition and results of operations.

Regulatory risks (10/11)

Changes in tax legislation

- Nordnet's business and transactions are conducted in accordance with the Nordnet's interpretation of applicable laws, tax treaties, regulations, case law and requirements of the tax authorities. There can be no assurances that its interpretation of applicable laws, tax treaties, regulations, case law or other rules or administrative practice is correct, or that such rules or practice will not change, possibly with retroactive effect. For example, on 7 November 2016, a government committee presented its report "Tax on financial services" to the government. The committee was appointed under the assumption that the financial services sector, in comparison to other sectors, has a tax advantage due to financial services being exempt from VAT. The committee proposed that a financial activity tax of 15 per cent be introduced, designed as a form of additional salary tax. However, the proposal has been heavily criticised during the consultation for comments, mainly for being too broad in its scope. On 24 February 2017, the government therefore announced that it will withdraw the proposal but begin drafting a new tax proposal that will be more narrowly directed at banks. It is currently not possible to predict if or when a new proposal will be presented or what it will look like. Nordnet's tax situation both for previous, current and future years may change as a result of legislative changes such as the one mentioned, decisions made by the tax authorities or as a result of changed tax treaties, regulations, case law or requirements of the tax authorities. Such decisions or changes, potentially with retroactive effect, could adversely affect Nordnet's business, financial condition and result of operations.

Insurance Distribution Directive

- Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (the "IDD") regulates the way insurance products may be designed and sold both by insurance intermediaries and directly by insurance undertakings, hence applicable both to Nordnet Bank (as intermediary) and Nordnet Pension (as insurance undertaking). It is anticipated that corresponding legislation will be adopted in Norway, applicable to Nordnet Livsforsikring. The IDD lays down the information that should be provided to customers before the signing of an insurance contract; it imposes extensive conduct of business and transparency rules on distributors; it clarifies procedures and rules for cross-border business and it contains rules for the supervision and sanctioning of insurance distributors in case of breach of the provisions of the directive.
- The rules apply to the sale of all insurance products, but stipulates more prescriptive rules to those distributors that sell insurance products that have an investment element such as unit-linked life insurance contracts. As the new legislation on insurance distribution (formerly insurance mediation) affects not only insurance mediators but also insurance undertakings, this leads to new requirements for Nordnet Pension as it now needs to ensure that its policies and procedures are compliant also with the IDD. Failure to comply with the IDD exposes the distributor, and where applicable its members of management, to sanctions in the form of monetary fines, an order to cease the conduct and a withdrawal of registration which could adversely affect Nordnet's business, financial condition and result of operations.

Regulatory risks (11/11)

EU General Data Protection Regulation

- The EU's general data protection regulation 2016/679/EU (the "GDPR") has been applicable since 25 May 2018. The main objectives of the GDPR are to harmonise EU laws on personal data and facilitate the flows of data across EU as well as to ensure that personal data enjoys a high standard of protection everywhere in the EU.
- The GDPR includes extensive requirements for processing of personal data. These relatively new requirements may create challenges for Nordnet, as it needs to ensure that its policies and procedures are compliant with the GDPR. Failure to comply with the GDPR could expose Nordnet to substantial monetary fines which could have an adverse effect on its business, financial condition and result of operations. Failure to comply with the GDPR could adversely impact Nordnet's reputation among customers, owners, employees, authorities and other parties resulting in reduced income and as a result, the Issuer's business, financial position and results of operations could be adversely affected.

Anti-money laundering

- Nordnet's business is subject to a regulatory framework which requires Nordnet to take actions in order to counteract money laundering and terrorist financing. In order to comply with the framework all concerned companies need to establish substantial procedures, internal control functions and guidelines to counteract money laundering and terrorist financing, which can entail additional costs for Nordnet.
- Failure to comply with the requirements could result in legal implications. If Nordnet would become subject to sanctions, remarks or warnings and/or fines imposed by the Swedish FSA, this could cause significant, and potentially irreparable, damage to the reputation of Nordnet and, as a result, the Issuer's business, financial position and results of operations could be adversely affected.

Risks related to the Notes (1/10)

The Issuer's obligations under the Notes are deeply subordinated

- The Notes constitute unsecured, deeply subordinated obligations of the Issuer. In the event of the voluntary or involuntary liquidation (likvidation) or bankruptcy (konkurs) of the Issuer, the rights of the Noteholders to payments on or in respect of the Notes (which in the case of any payment of principal shall be to payment of the then Nominal Amount only) shall rank:
 - (a) pari passu without any preference among themselves;
 - (b) pari passu with (a) any obligations or capital instruments of the Issuer which constitute Additional Tier 1 Capital and (b) any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;
 - (c) senior to holders of all classes of the Issuer's shares in their capacity as such holders and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and
 - (d) junior to any present and future claims of (i) depositors of the Issuer, (ii) any other unsubordinated creditors of the Issuer, (iii) except as expressly stated in (b) above, any subordinated creditors, including for the avoidance of doubt holders of notes which constitute Tier 2 Capital and (iv) falling within the scope of 18 §, first paragraph of the Swedish Rights of Priority Act (förmånsrättslag (1970:979)), any senior non-preferred creditors.
- In the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Notes
- Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated or which are subordinated but not so deeply, there is a significant risk that an investor in the Notes will lose all or some of his investment in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer
- Please also refer to the risk factors "The Recovery and Resolution Directive" and "Loss absorption at the point of non-viability of Nordnet Bank" above.

Risks related to the Notes (2/10)

The Issuer is not (and nor is any other Nordnet group company) prohibited from issuing further debt, which may rank *pari passu* with or senior to the Notes

- There is no restriction on the amount or type of debt that the Issuer, or another company within the Nordnet group, may issue or incur that ranks senior to, or *pari passu* with, the Notes. The incurrence of any such debt may reduce the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, may limit the ability of the Issuer to meet its obligations in respect of the Notes and could result in Noteholders losing all or some of their investment in the Notes. In addition, the Notes do not contain any restriction on the Issuer issuing securities ranking *pari passu* with the Notes and having similar or preferential terms to the Notes.

The Terms and Conditions do not contain any right for the Noteholders or the Agent to accelerate the Notes

- The Notes shall constitute so called additional tier 1 capital of the Issuer. As such, the Terms and Conditions do not include any obligations or undertakings on the Issuer the breach of which would entitle the Noteholders or the Agent to accelerate the Notes.

Risks related to the Notes (3/10)

The Issuer may redeem the Notes on the occurrence of a Capital Event or Tax Event

- The Issuer may in certain circumstances, at its option, but in each case subject to obtaining the prior consent of the Swedish FSA, redeem the Notes upon the occurrence of a Capital Event or Tax Event at par together with accrued Interest on any Interest Payment Date.
- It should also be noted that the Issuer may redeem the Notes as described above even if (i) the Total Nominal Amount of the Notes has been reduced by means of a write-down in accordance with the Terms and Conditions and (ii) the principal amount of the Notes has not been fully reinstated to the initial nominal amount of the Notes.
- There is a risk that the Noteholders will not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Notes.

Call options are subject to the prior consent of the Swedish FSA

- The Issuer has the option to, at its own discretion, redeem the Notes five years after they have been issued on the First Call Date or on any Interest Payment Date falling after the First Call Date. If the Issuer considers it favourable to exercise such a call option, the Issuer must obtain the prior consent of the Swedish FSA.
- The Notes, however, have no fixed final redemption date and the Noteholders have no rights to call for the redemption of the Notes, and the Noteholders should not invest in the Notes with the expectation that such a call will be exercised by the Issuer. The Swedish FSA must agree to permit such a call, based upon its evaluation of the regulatory capital position of the Issuer and certain other factors at the relevant time. There is a risk that the Swedish FSA will not permit such a call or that the Issuer will not exercise such a call. The Noteholders should be aware that they may be required to bear the financial risks of an investment in the Notes for a period of time in excess of the minimum period.

Risks related to the Notes (4/10)

Interest payments on the Notes may be cancelled by the Issuer

- Any payment of Interest in respect of the Notes shall be payable only out of the Issuer's Distributable Items and: (i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Banking Regulations; or (ii) will be mandatorily cancelled to the extent so required by the Applicable Banking Regulations, including the applicable criteria for Additional Tier 1 Capital instruments.
- Any cancellation of Interest (in whole or in part thereof) shall in no way limit or restrict the Issuer from making any payment of interest or equivalent payment or other distribution in connection with any instrument ranking junior to the Notes (including, without limitation, any CET1 capital) of the Issuer or in respect of any other Additional Tier 1 Capital instruments. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.
- In circumstances where the Capital Buffers Act (lag (2014:966) om kapitalbuffertar) implementing Article 141 of the CRD IV Directive (or, as the case may be, any other provision of Swedish law transposing or implementing such Article) applies, no payments will be made on the Notes (whether by way of principal, Interest, or otherwise) if and to the extent that such payment would cause the maximum distributable amount (if any), determined in accordance with the Capital Buffers Act (or, as the case may be, any other provision of Swedish law transposing or implementing such Article) then applicable to the Issuer to be exceeded.
- Following any cancellation of Interest as described above, the right of the Noteholders to receive accrued Interest in respect of any such Interest Period will terminate and the Issuer will have no further obligation to pay such Interest or to pay interest thereon, whether or not payments of Interest in respect of subsequent Interest Periods are made, and such unpaid Interest will not be deemed to have "accrued" or been earned for any purpose.

Risks related to the Notes (5/10)

Loss Absorption following a Trigger Event

- If at any time the CET1 ratio has fallen below 7.00 per cent of Nordnet Consolidated Situation, this constitutes a Trigger Event and the Total Nominal Amount of the Notes shall be reduced (in whole or in part, and in each case as determined by the Issuer) by an amount sufficient to restore the CET1 ratio of Nordnet Consolidated Situation to at least 7.00 per cent (except that, for technical reasons, the Nominal Amount of each Note may not be reduced below SEK 1). Following any such reduction of the Total Nominal Amount, the Issuer may, at its discretion, reinstate in whole or in part the principal amount of the Notes, if certain conditions are met. The Issuer will not in any circumstances be obliged to reinstate in whole or in part the principal amount of the Notes (and any such reinstatement is likely to require approval at a shareholders' meeting of the Issuer).
- The Issuer and/or the Swedish FSA may determine that a Trigger Event has occurred on more than one occasion and the then Nominal Amount of each Note may be reduced on more than one occasion. Further, during any period when the then Nominal Amount of a Note is less than the initial Nominal Amount, Interest will accrue on the then Nominal Amount of the Notes.
- The Issuer's and/or the Swedish FSA's calculation of the CET1 ratio of Nordnet Consolidated Situation, and therefore its determination of whether a Trigger Event has occurred, shall be binding on the Noteholders, who shall have no right to challenge the published figures detailing the CET1 ratio of Nordnet Consolidated Situation.

Risks related to the Notes (6/10)

Structural subordination and dependence on upstreaming of funds

- The Issuer is a holding company and the proceeds from the issue of the Notes will be contributed to Nordnet Bank as an unconditional shareholders' contribution. Nordnet's business is conducted by the Issuer's subsidiaries and the Issuer is reliant on the financial performance of these subsidiaries and their ability to make dividend distributions and other payments, to enable it to meet its payment obligations (including making payments under Notes). All subsidiaries are legally separate and distinct from the Issuer and have no obligation to pay amounts due with respect to the Issuer's obligations and commitments or to make funds available for such payments. No present or future subsidiary, or other member of the Nordnet group will guarantee or provide any security for the Issuer's obligations under Notes.

Notes obligations of the Issuer only

- The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any other person, and no person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

Certain material interests

- Nordea Bank Abp, which is the arranger of the Notes issuance has engaged in, and may in the future engage in, investment banking and/or commercial banking or other services for Nordnet in the ordinary course of business. For example, Nordea Bank Abp is the lending bank under Nordnet's secured credit facility. Accordingly, conflicts of interest may exist or may arise as a result of parties having previously engaged or in the future engaging in transactions with other parties, having multiple roles or carrying out other transactions for third parties.

Interest rate risk

- The value of the Notes is dependent on several factors, one of the most significant over time being the level of market interest rates. Investments in the Notes involve a risk that the interest decreases as market interest rates decrease.

Risks related to the Notes (7/10)

Noteholder representation and majority decisions by the Noteholders

- Under the Terms and Conditions, the Agent represents each Noteholder in all matters relating to the Notes. The Terms and Conditions contain provisions to the effect that a Noteholder is prohibited from taking actions on its own against the Issuer. To enable the Agent to represent the Noteholders in court, the Noteholders can submit a written power of attorney for legal proceedings. The failure of all Noteholders to submit such a power of attorney can negatively impact the enforcement options available to the Agent on behalf of the Noteholders. Further, under the Terms and Conditions the Agent has the right in some cases to make decisions and take measures that bind all Noteholders without first obtaining the prior consent of the Noteholders.
- Additionally, under the Terms and Conditions certain majorities of Noteholders have the right to make decisions and take measures that bind all Noteholders, including those who vote in a manner contrary to the majority. Therefore, the actions of the majority and the Agent in such matters can impact the Noteholders' rights under the finance documents in a manner that can be undesirable for some of the Noteholders.

Credit risks

- If Nordnet's financial position deteriorates it is likely that the credit risk associated with the Notes will increase as there would be an increased risk that the Issuer cannot fulfil its obligations under the Terms and Conditions. Nordnet's financial position is affected by numerous risk factors, some of which have been outlined above. An increased credit risk can result in the market pricing the Notes with a higher risk premium, which can adversely affect the value of the Notes. Another aspect of the credit risk is that a deteriorated financial position can result in a lower credit worthiness, which can affect the Issuer's ability to refinance the Notes and other existing debt, which in turn can adversely affect the Issuer's operations, result and financial position

Risks related to the Notes (8/10)

The price of Notes may be volatile

- The market price of the Notes can be subject to significant fluctuations in response to actual or anticipated variations in Nordnet's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which Nordnet operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of the Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, can adversely affect the market price of the Notes without regard to the Issuer's operating results, financial condition or prospects.

MiFID II and MiFIR

- The main parts of the European Council Directive 2014/65/EU on markets in financial instruments (MiFID II) and the Regulation (EU) No 600/2014 on markets in financial instruments (MiFIR) entered into force on 3 January 2018. These entail both a review of existing rules on the securities market and the introduction of completely new rules. Among other things, the reporting requirements and transparency obligations on the interest rate market have increased. This may cause the financial institutions acting as intermediaries in trading financial instruments to become less likely to buy securities into their own stocks. If this were to happen to the Notes, it can lead to a deteriorating liquidity of these, which could have an adverse effect on the Noteholders

Risks related to the Notes (9/10)

European Benchmarks Regulation

- Following a number of major scandals, the process of the calculation of EURIBOR, LIBOR, STIBOR and other interest rate benchmarks have been subject of the legislator's attention. This has resulted in a number of legislative measures, whereof some have been implemented and others are going to be implemented. The most important initiative on the subject matter is the so called Benchmarks Regulation (Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014) that entered into force 1 January 2018 and which regulates the provision of a benchmark, contribution of input data for the purpose of determining a benchmark and the operation of benchmarks within the EU. Since the regulation has only been applicable for a limited period of time, the effects of the regulation cannot be fully assessed. There is, however, a risk that the Benchmarks Regulation may affect how interest rate benchmarks are calculated and developed. This in turn may give rise to increased volatility for some interest rate benchmarks. In addition, the increased administrative requirements and the associated regulatory risks may decrease the will of some parties to participate in the determination of interest rate benchmarks or to the fact that certain interest rate benchmarks will cease to be published. If this is the case for an interest rate benchmark applied to the Notes, it could have an adverse effect on the Noteholders.

No active secondary market

- Although the Issuer shall use reasonable efforts to ensure that the Notes are listed on Nasdaq Stockholm within three (3) months from the Issue Date, there can be no assurance that such application will be accepted or that the Notes will be so listed. Prior to any listing, there has been no public market for the Notes. There can be no assurance that an active trading market for the Notes will develop or, if developed, will be sustained. The Nominal Amount may not be indicative of the market price for the Notes. Furthermore, following a listing of the Notes, the liquidity and trading price of the Notes may be subject to fluctuations in response to many factors, including those referred to in this section, as well as to market fluctuations and general economic conditions that may adversely affect the liquidity and price of the Notes, regardless of the actual performance of the Issuer. In addition, transaction costs in any secondary market may be high. Therefore, Noteholders may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Accordingly, the purchase of Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Notes and the financial and other risks associated with an investment in the Notes.

Risks related to the Notes (10/10)

Clearing and settlement in the CSD's account-based system

- The Notes will be affiliated to and will continue to be affiliated to a central securities depository of notes, currently the CSD's account-based system, and no physical notes have been or will be issued. Clearing and settlement relating to the Notes, as well as payment of Interest and redemption of principal amounts, will be performed within the CSD's account-based system. The investors are therefore dependent on the functionality of the CSD's account-based system.

Exchange rate risks and exchange controls

- The Issuer will pay principal and Interest on the Notes in Swedish Kronor. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit other than Swedish Kronor (the "Noteholder's Currency"). Accordingly, a Noteholder is exposed to exchange rate risk if relevant exchange rates fluctuate significantly (including, but not limited to, fluctuations due to a devaluation of the Swedish Kronor or a revaluation of the Noteholder's Currency) or authorities with jurisdiction over the Noteholder's Currency impose or modify relevant exchange controls (if any).

Disclaimer (1/2)

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Thank you!

