

# Take control of your savings.

**Nordnet's Annual and Sustainability Report 2018**



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The English version of the Annual Report is a translation. In case of any discrepancy between the Swedish version and the English version, the Swedish version shall prevail

# The year in brief.

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## Quarter 1

- Strong customer growth despite turbulent stock market - 29,200 new customers choose Nordnet
- Nordnet's head office moves to new premises at Alströmergatan, in Stockholm
- Record high net savings for a single quarter at SEK 11.5 billion

## Quarter 2

- Nordnet's new Android app launched in all Nordic markets
- Nordnet surpasses 700,000 customers, which corresponds to customer growth of 17 percent in one year

## Quarter 3

- New mobile app for iPhone introduced - triples app store rating
- Strong stock market and 21 percent increase of savings capital on an annual basis
- The social investing network Shareville reaches 200,000 members

## Quarter 4

- Acquisition of Netfonds
- Anders Danielsson is appointed Acting CEO
- Launch of Smart Portfolios
- Launch of stock lending program, wins prize as "Savings Innovation of the Year 2018"
- Stockbroker of the Year in Denmark

# The year in figures.

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## January–December

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### Income

SEK **1,310.4** million  
(1,244.0)

### Expenses<sup>1</sup>

SEK **-1,169.2** million  
(-1,043.8)

### Profit before tax

SEK **141.2** million  
(200.2)

### New customers

**95,900**  
(102,500)

### Net savings

SEK **23.5** billion  
(17.3)

### Number of trades

**26,119,800**  
(26,181,300)

## 31 December 2018

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### Savings capital

SEK **286** billion  
(272)

### Lending<sup>2</sup>

SEK **13.7** billion  
(11.4)

### Customers

**765,200**  
(669,300)

### Number of accounts

**1,016,300**  
(884,500)

<sup>1</sup>Total expenses including credit losses

<sup>2</sup> Excluding lending against pledged cash and cash equivalents

# This is Nordnet

## Our operations

Nordnet is a digital bank for savings and investments in shares, mutual funds, exchange traded funds, warrants and a number of other asset classes. Our market is the Nordic region and the ambition is to build a world class user experience for savers and investors. We do this by turning consumer trends and today's rapid technology development into products and services that are relevant to our customers. We want to help our customers grow, both personally and financially, so that they can achieve their dreams and goals in life.

Our long-term goal is for our customers to become the best investors they can be. We coach and inspire through information, guidance, social investment networks, and a broad range of digital advisory tools. We provide user friendly and reliable tools and applications so that our customers can make smart investment decisions regardless of whether they are experienced investors or beginners, whether they are knowledgeable or need guidance, wish to spend hours on their investments every day or prefer savings that are managed automatically.

## Our business areas

### Savings and investments

Nordnet's core business is savings and investments. Our customers can save and invest in different types of securities at low fees in seven markets.

User-friendliness, stability and speed are important parameters as we develop our trading platforms, whether in the form of websites, mobile apps or more advanced applications. The less-active savers can also use our digital advisory services, including Robosave and Fund Advisor.

Nordnet operates the Nordic region's largest social investment network Shareville, with more than 200,000 members. Here, members can be inspired by, and follow, how other investors act, and receive notifications when these investors make changes in their portfolios.

### Pension

In Sweden, Norway and Denmark, we offer pension savings without fixed fees and with a wide range of investment opportunities. In Sweden, we have the most complete pension solution for individuals and companies.

### Loans

Nordnet offers three kinds of loans: personal loans (unsecured loans), margin lending, and residential mortgages. Personal loans are available on the Swedish market, both via Nordnet's own brand and under the brand Konsumentkredit. Margin lending with securities as collateral is available in all four of our markets and allows our customers to borrow against their securities, increasing their investments. Our residential mortgages target the Private Banking segment and are available in the Swedish market.



### Investments and savings

✓

✓

✓

✓

### Pensions

✓

✓

✓

### Margin lending

✓

✓

✓

✓

### Residential mortgages

✓

### Personal loans

✓

# Comments from the CEO

2018 was an eventful year for both Nordnet and the savers. There were major fluctuations on the Nordic stock exchanges, and in some periods, strong negative development. However, the savers did not passively follow the developments from the stands, but instead were very active and reviewed their investments to a record extent. Nordnet's own agenda was at least as rich in content as the savers with a number of product launches and partnerships, as well as a strong growth in customers and savings.

## Financial results

The ambition of building the world's best customer experience for savings and investments requires us to work on various fronts and test a number of hypotheses. For more than a year, Nordnet has been in an intensive investment phase, implementing many initiatives aimed at boosting growth and broaden our business. As a result of this, our costs on a full-year basis were higher than before, mainly due to investments in IT, product development and marketing. Expenses



before credit losses amounted to SEK 1,133.2 million (1,008.5), an increase of 12 percent since 2017. The fourth quarter was encumbered by non-recurring costs related to both savings initiatives carried out in the autumn and the acquisition of Netfonds, although underlying expenses decreased during the year. During the autumn of 2018, we reached a point where we chose to discontinue the initiatives that have not had the effect we expected and further develop those that provided the most customer value, and we are looking forward to a return to a more normalized cost level. Income was also higher than before and amounted to SEK 1,310.4 million (1,244.0), an increase of 5 percent since 2017. Profit before tax decreased by 29 percent to SEK 141.2 million (200.2)

### Product launches and awards

Nordnet is on a journey of change towards the vision of making it possible for our customers to make profitable investments through the right tools, information and inspiration. From a development perspective, 2018 began with significant resources being invested in adapting to Mifid2 and other regulations, as well as platform and infrastructure development in order to adapt scalability to larger Nordic operations.

In May, we launched a service whereby, as a Nordnet customer, you can obtain a full overview of your investments through a single interface. With a few simple clicks and identification using Mobile Bank ID, you have the opportunity to review your savings in shares and mutual funds on the Nordnet website, regardless of which bank they are held at.

In the autumn, we launched a stock lending program where our Swedish savers are given the opportunity of extra returns on their shares. The returns are created through lending of the shares to global investment banks, for example. The compensation the borrowers pay is divided equally between us and our customers, less the agent's fee. I am very proud of this product and see it as a financial innovation – we give the savers the opportunity for a third kind of return on their shareholdings, in addition to positive value changes and dividends. Briefly after launch, we were given the prestigious award “Savings Innovation of the Year” by the newspaper Privata Affärer for the stock lending program. At the beginning of 2019, we will launch this savings innovation for our Norwegian customers.

In the fourth quarter, we were also named the “Stock-broker of the Year” by the Danish Shareholders' Association. This award is extra enjoyable since it's based on the private savers' own ratings of the quality of the actors who offer trading in shares and funds in the Danish market.

Our new asset management product Nordnet Smart Portfolios was introduced in our markets during the year. The concept is based on modern portfolio management in cooperation with JP Morgan, combined with a digital advice model developed by Nordnet.

**“I see our stock lending program as a financial innovation – we give the savers the opportunity for a third kind of return on their shareholdings, in addition to positive value changes and dividends.”**

The foundation of Smart Portfolios is three funds with different risk levels – Nordnet Smart 5, 10 and 15. The funds invest in a large number of indexes in the asset classes of shares, fixed interest products, commodities, real estate and credits. What is smart in the funds is that they redistribute between the assets depending on how the market acts, so that you as a customer will keep an even risk level in your savings. As a customer, you get an asset distribution calculated on volatility instead of a static proportion of shares and fixed interest products, and a risk that fits your own investment profile. With Nordnet Smart Portfolios, we have our sights set on becoming relevant to a larger customer group. We see this as a position shift, from mainly having been an alternative for those who want to make their own investment decisions to also offering active guidance and concrete financial advice.

I am very proud of what we achieved during the year, and I am even more impressed about how we have strengthened the quality of the mobile experience. Before the summer we launched a new Android app, and after the summer we launched a new app for Apple devices, which was quickly appreciated by the users.



## Acquisitions

In December we announced the acquisition of the Norwegian bank Netfonds, one of the leading players in the Norwegian market for electronic securities trading. Netfonds was Norway's first online broker at the beginning in 1996, and just like Nordnet challenged structures and traditional banks for many years. In 2017, Netfonds made a pre-tax profit of NOK 42 million, had around NOK 17 billion in savings capital and today offers trading in a broad range of securities to more than 80,000 registered customers in Norway and Sweden. With this deal, we solidify and develop our position in the Norwegian savings market. Our goal is to build Norway's best user experience in savings and investments with Nordnet's web service and brand as a basis.

## Customers, savings and loans

In 2018, we welcomed 96,000 new customers to Nordnet, corresponding to a customer growth of 14 percent since the previous year. At 31 December 2018, there were a total of 765,200 customers (669,300) with a total savings capital of SEK 286 billion (272). Net savings for the period January–December 2018 amounted to SEK 23.5 billion (17.3). Calculated in relation to savings capital as at the end of December 2017, net savings for the past 12 months correspond to 9 percent.

At 31 December 2018, we had a lending volume of SEK 13.7 billion (11.4) divided into three loan products. Lending in our residential mortgages increased most during the year and the volume is 75 percent higher than at the end of 2017.

## How we view sustainability

For Nordnet, sustainability means several different things. We are a climate-neutral bank, meaning that we compensate for all our greenhouse gas emissions. We want to be an attractive and sustainable employer for our employees, who are our most important asset. In our sustainability efforts, we want to work on issues that have a natural connection to our business, and have developed a model that we call Nordnet in Society. In 2018, we conducted projects in three focus areas: sustainable savings, equality & diversity, and digital learning. Inspiring savers and investors in the Nordic region to make smart investment decisions and giving them tools to invest more sustainably is a part of our vision. In 2018, 31 percent of the fund savings in Nord-

net consisted of funds with four to five globes according to Morningstar's sustainability rating. Working for greater equality and diversity both in Nordnet and the fintech industry is important to us, both to create strong and diversified teams and to make the industry more attractive and accessible to all. An example of how we worked with this in 2018 is our career network Power Women in Tech. We know that the need for developers is extensive in society and in every sector. Today, there are too few programmers in the labor market, and we therefore think it is important to contribute to future growth in the area. During the year, we arranged kid hackathons in Sweden and Finland to give children more opportunities to discover how fun it is to program and perhaps choose it as a future career.

## Priorities 2019

The main focus for 2019 from a product perspective is to finish building our new web service. In addition to this, we will continue to develop services that to a higher degree than before guide the savers to good investment decisions, and update our underlying architecture to future-proof our platform, preparing it to meet growth in a scalable manner. Due to the acquisition of Netfonds, the first half of 2019 will also be taken up by integration efforts, where we want to take the best from Netfonds and combine it with the best from Nordnet. The plan is for our shared customers to use the same platform beginning in summer 2019.

At the beginning of October, I was asked to take over as the Acting CEO of Nordnet; a mission I accepted with pride. Our vision is for you as a customer to become the best investor you can be. With a clear direction, a dedicated team and a customer-driven corporate culture, I have great hopes that we will succeed in achieving this goal.

Best regards



Anders Danielsson, Acting CEO  
@CEONordnet



# Macro environment and market

## The Stock Market in 2018

The stock market in 2018 can be summarized as turbulent with generally falling stock markets. Many see the year as the expected end to a ten-year growth period and the belief in an impending recession in 2019 has grown significantly despite the more sensible estimates from the tone-setting analysts. The higher market risk also resulted in a higher trading volume when many investors reviewed their portfolios and the flows to alternative asset classes were clear. Unfortunately, the market offered few safe harbours and the percentage of asset classes with negative returns during the year was the highest since the 1930s.

Geopolitical dissonance set the tone for the year as savers had to get used to recurring reports on the risk of a global trade war, escalation between the superpowers China, Russia and the U.S. as well as political unease in the EU with Brexit leading the way.

All Nordic stock indexes ended the year negatively with Copenhagen as the worst market.

The Stockholm stock exchange's general index OMXS30 closed at a negative 11 percent. The industry sector weighed down indexes with companies like Boliden (-28 percent), SSAB (-31 percent) and Getinge (-32 percent) at the bottom. It went better for the telecom sector, where Ericsson (+47 percent), Telia (+22 percent) and Tele2 (+16 percent) were at the top.

Oslo's OBX managed the best of the Nordic exchanges and closed just slightly negative. The oil companies Norsk Hydro (-35 percent), Petroleum Geo-Services (-29 percent) and Subsea 7 (-28 percent) pulled the stock exchange down. It went better for the fishing industry with companies like Leroy (+54 percent), Grieg Seafood (+47 percent) and Salmar (+83 percent) that rose sharply after a year of good catches despite threats of new taxes on fisheries.

Copenhagen's OMXC20 showed the weakest development of all of the Nordic exchanges when it closed 13 percent down. Scandal-burdened Danske Bank (-44 percent) lowered indexes together with Pandora (-59 percent), which entirely missed its expectations during the year. The health sector pulled up indexes with companies like Ambu (+41 percent), Coloplast (+26 percent) and GN Store Nord (+22 percent) after a year of strong growth followed by a sharp decline.

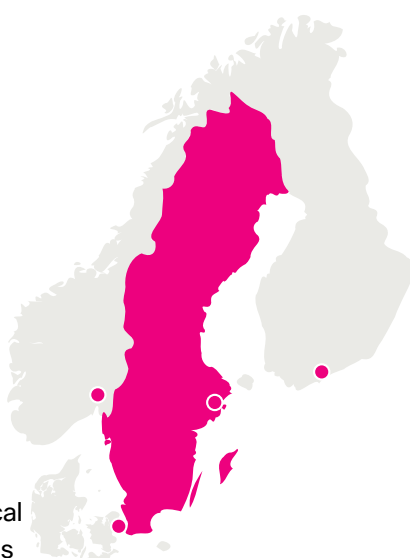
Helsinki OMXH25 fell 6 percent with Outokumpu (-57 percent) as the heaviest weight. Industrial companies like Outotec (-57 percent), Cargotec (-42 percent) and Konecranes (-28 percent) weighed down indexes. It went better for the industry sector, with DNA (+16 percent), Telia (+16 percent) and Elisa (+15 percent) as locomotives. The best share in the general index was, however, Amer Sport, which rose an impressive 71 percent during the year after buy-out speculations that were subsequently realized.

Cannabis shares were the phenomenon of the year where legalization in California and Canada, to name a few, drove up prices. Several stock exchange listings and the launch of Canadian ETFs created high demand and large trading volumes. Tilray, Aurora and Canopy all saw a strong increase in value during the year to then drop strongly.

## Our markets

Nordnet has business activities in Sweden, Norway, Denmark and Finland. Our headquarters in Stockholm house all of the Nordic functions such as IT, product development and administration. Stockholm is also home to the customer service and sales organization for the Swedish market. There are also local offices in Oslo, Copenhagen and Helsinki with responsibility for customer service, sales and marketing in each respective market. We mainly communicate with our customers through digital and social channels and have

no banking offices. Our operational platform handles all four markets, which provides us with economies of scale and cost efficiency. In the Nordic countries, the savings markets are dominated by traditional banks and pension companies. In all four markets, we are considered an upstart, alongside one or two local competitors. Nordnet has a leading position among the online banks in Norway, Denmark and Finland and is number two in the Swedish market.



## Sweden

In the Swedish market, we are one of several players who are challenging the traditional banks with greater freedom and lower prices. We offer investments and pension savings in a broad range of various products and kinds of savings for both private customers and corporate customers. In the Swedish market, we also offer personal loans and residential mortgages. We distinguish ourselves from our competitors by offering a transparent investment service, advantageous loan terms, first-class digital advisory services and cost-effective share trading in Sweden and abroad. We are the only actor that provides index funds without fees in the four Nordic markets. On our social investment network Shareville, our customers share their actual investments in real time.

## Significant events during the year

- Launch of a new asset management product – Nordnet Smart Portfolios
- Launch of the stock lending programme, which was awarded the prize “Savings Innovation of the Year” by Privata Affärer
- Frida Bratt is recruited as new savings economist

2018 was a turbulent year for the Stockholm Stock Exchange and OMXS30 dropped 11 percent. Nordnet's Swedish customers made 1 percent fewer trades in 2018 compared with 2017. The number of active customers at the end of December amounted to 326,000, corresponding to an increase of 8 percent over the past 12-month period. Net savings for the period January–December amounted to SEK 9.4 billion (1.2). Calculated in relation to savings capital as at the end of December 2017, net savings for the past 12 months correspond to 8 percent.

In 2018, income in our Swedish operations increased by 4 percent compared with the same period last year, mainly attributable to larger volumes in residential mortgages, higher commission from mutual fund savings and higher income from Nordnet Markets. The total income is held back by lower returns on surplus liquidity, however. Expenses increased by 10 percent, due to expanded initiatives in automation, IT development, CRM, marketing and an expanded sales force. The operating margin was 16 percent (20) percent.

Nordnet's residential mortgage, targeted at Private Banking customers, has Sweden's lowest list rate for customers with large savings. Demand for Nordnet's home loans remains high and at 31 December 2018, SEK 4.2 billion (2.4) in loans against collateral in residential properties had been paid out. Personal loans (unsecured loans) are offered under the product names

Key figures Sweden	2018	2017
Income, SEK million	671.2	646.0
Operating profit, SEK million	104.4	128.1
Operating margin	16%	20%
Active customers	326,000	302,700
Savings capital, SEK billion	127.5	122.3
Net savings, SEK billion	9.4	1.2
Trades	13,547,400	13,711,200
Lending, SEK billion	10.2	8.2

# Invest in yourself.

Take control of your savings and get more to live for.



Nordnet Toppenlånet and Konsumentkredit. At 31 December 2018, 27,000 customers (27,700) were using this product. The total lending volume was SEK 4.0 billion (3.7), with an interest income of about 5.7 percent after adjustment for loan brokering. During the year, the lending volume for personal loans to Nordnet's customers increased by 9 percent compared with the start of the year. Margin lending decreased by 3 percent compared with the previous year, amounting to SEK 2.0 billion (2.1) at the end of December.

In the first quarter, we welcomed our customers and others interested in savings to the sixth edition of Nordnet Live. In 2018, we gathered 3,500 visitors, 33 speakers on stage, more than 150,000 online viewers and guests such as Jacob Wallenberg, Annie Lööf, Ian Lundin, Camilla Läckberg and Rune Andersson.

In the second quarter, Nordnet was the first bank in the Nordic region to launch an aggregator service, allowing savers to view their share and mutual fund investments in a single interface, regardless of which banks these are held in. This service is made possible supported by technology licensed from Tink, a company in which Nordnet acquired a minority holding in the autumn of 2017.

In the autumn, we launched a new asset management product called Nordnet Smart Portfolios. The concept is based on modern portfolio management in cooperation with JP Morgan, combined with a digital advice model developed by Nordnet. What is smart in the funds is that they redistribute between the assets depending on how the market acts, so that you as a customer will keep an even risk level in your savings.

In October, we presented a stock lending program that means that our Swedish customers with endowment insurance are given the opportunity of extra returns on the shares they have invested in. The return is created by Nordnet lending out the shares to external parties, such as global investment banks. Borrowers pay compensation to Nordnet, which after deduction for the agent's fee is shared equally between Nordnet and the company's customers. In December, we were awarded the "Savings Innovation of the Year" for the stock lending program by the largest personal finance magazine in the Nordic region, Privata Affärer.

In 2018, Nordnet started a career network for women in fintech in Sweden – Power Women in Tech – the objective of which is to attract more women to a career in fintech. The network already has 400 members and in 2018, we had two network events that were visited by, among others, Anna Wikland, Country Director Sweden at Google, Elsa Bernadotte, Co-founder of Karma, Susanne Birgersdotter, serial entrepreneur, and Josefin Landgård, Co-founder of Kry.

Frida Bratt was recruited as the new savings economist during the fourth quarter of 2018 and succeeds the former savings economist Joakim Bornold. Frida joins us from Expressen, where she worked as a reporter and private finances expert.

## Norway

In the Norwegian market, we offer investment and saving services and pension savings for private individuals and companies. We have a leading position in the online segment. We differ from traditional banks by offering more choices and better conditions. We also offer unique products,

such as Superlånet with the market's lowest interest rate, the fee-free index fund Superfondet Norge, digital advisory services and the social investment network Shareville.



## Significant events during the year

- Acquisition of Netfonds – forming Norway's leading digital bank for savings and investments
- Launch of a new asset management product called Nordnet Smart Portfolios
- New savings economist, Bjørn Erik Sættem, and a new investment economist, Mads Johannesen

The Oslo Stock Exchange managed the weak year for the stock market the best among the Nordic markets



Key figures Norway	2018	2017
Income, SEK million	212.7	186.9
Operating profit, SEK million	9.9	7.1
Operating margin	5%	4%
Active customers	110,900	97,900
Savings capital, SEK billion	35.1	33.9
Net savings, SEK billion	3.3	5.3
Trades	4,211,100	3,978,100
Lending, SEK billion	0.7	0.7

and the OBX index ended the year at -0.5 percent. Nordnet's Norwegian customers made 6 percent more trades in 2018 compared with 2017. Net savings for the period January–December amounted to SEK 3.3 billion (5.3). Calculated in relation to savings capital as at the end of December 2017, net savings for the past 12 months correspond to 10 percent. Margin lending amounted to SEK 0.7 billion (0.7), an increase of 11 percent in 12 months.

As at 31 December 2018, the number of active customers in Norway amounted to 110,900 (97,900), which corresponds to 13,000 new customers and customer growth of 13 percent over the past 12-month period.

During the period January–December, income for Nordnet in Norway rose by 14 percent, mainly due to increased commission income from savings capital in mutual funds and improved net interest income related to increased lending, as well as positive returns on surplus liquidity. Expenses increased by 13 percent, due to expanded initiatives in IT development, CRM, marketing and an expanded sales force. The operating margin amounted to 5 percent (4) during the period January–December.

The transition period for private individuals to move shares and funds to the new account type aksjesparekonto (ASK) without taxation effects was extended to include all of 2018. Demand for the aksjesparekonto account type, therefore, remained high in the market and among customers throughout 2018.

In connection with new legislation for the savings form IPS (individual pension savings), we have discontinued the provision of the previous product. At the beginning of 2018, all IPS accounts were converted to pension

fund certificates (Pensjonskapitalbevis), which is among Nordnet's product range since the first quarter of 2018. In the second quarter, we launched an updated version of IPS. The new IPS savings form, which is more advantageous from a tax perspective and allows our customers to save up to NOK 40,000 per year.


At the beginning of the year, a new savings economist was appointed to Nordnet Norway, Bjørn Erik Sættem, who is focusing on increasing public awareness about pension savings and long-term savings. Nordnet's Norwegian podcast #pengepodden, which previously focused mainly on investing in shares, has now broadened its focus for long-term savings in order to reach a broader target group.

At the end of the second quarter, the new tax rules were established for Norwegian endowment insurance plans. The new tax rules will enter into force on 1 January 2019.

In the third quarter, a new investment economist was recruited to Nordnet Norway, Mads Johannesen, who is focusing on sharing knowledge about investments and the stock market to the more active savers.

We are continuing to broaden our customer offering to reach out to additional target groups. In November, Nordnet Smart Portfolios were launched in the Norwegian market. The smart portfolios are based on modern asset management and have been created together with JP Morgan, combined with a digital advice model developed by Nordnet.

In December, Nordnet announced that it would acquire the Norwegian bank Netfonds and form Norway's leading digital bank for savings and investments. Netfonds

A warm, intimate scene of a woman with long dark hair reading a book to a young child in a bed. They are tucked under a blue blanket, and a white sheet is pulled up over them like a tent. The room is softly lit, creating a cozy atmosphere.

# The little bear found his way home and index was up 0,41%.

**Take control of your savings.  
Automatically.**

Discover an entirely new service for long-term savings. With our free advisory services you gain access to a savings that manages itself, while you do something else.

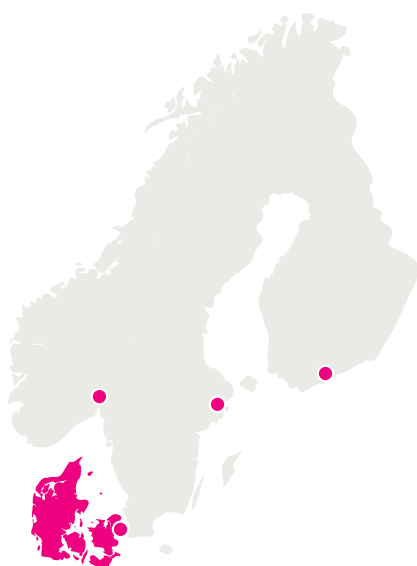


**Nordnet**

is one of the largest players in the Norwegian market for digital securities trading, and was Norway's first online broker at the beginning in 1996. The company offers trading in a wide range of securities to more than 80,000 registered customers in Norway and Sweden. Netfonds has a total of NOK 17 billion in savings capital and in 2017, made a pre-tax profit of NOK 42 million.

## Denmark

In Denmark, we have a leading position as a customer-focused bank with few, and low, fees and competitive tools for investments and savings. Our main competitors are the traditional banks. Our offering is distinguished by unique products such as Superfonden Danmark, which is Denmark's only fee-free fund, Superlånet with one of the lowest lending rates on the market, and the social investment network Shareville. Also, our pension offer with no fixed charges stands out in the market. Pension savings accounts for more than half of the savings in Denmark and many Danes are choosing to move their pensions to us.



### Significant events during the year

- Nordnet named Broker of the Year in Denmark by the Danish Shareholders' Association
- We are awarded by Økonomisk Ugebrev as the bank that offers the best prices in private banking in Denmark
- We pass the 100,000-customer milestone and continue to have high customer growth in the Danish market. Over the full-year, our customer base grew by 18 percent
- Anne Buchardt new country manager from October

2018 was a challenging year for the Copenhagen Stock Exchange. The Danish index OMXC20 declined 13 percent in 2018 and the number of trades among Nordnet's Danish customers decreased by 6 percent compared with 2017. Margin lending as of 31 December 2018 totalled SEK 1.2 billion (1.2), which is in line with the previous year.

During the period January–December, income in our Danish operations decreased by 4 percent. Nordnet Markets and income from third parties contribute positively to earnings, which however are weakened by a lower net interest income related to negative returns on surplus liquidity. Expenses increased by 19 percent. The increase in expenses was due to expanded initiatives in IT development, CRM and increased marketing expenses. Expenses for a larger workforce in sales were also higher during the year. The operating margin was 15 percent (31) percent.

The customer base is steadily increasing in the Danish market and in the final quarter of the year, we surpassed the 100,000-customer milestone. The number of active customers as at the end of December 2018 amounted to 100,100 (84,900), an increase of 18 percent over the past 12 months. Net savings for the period January–December amounted to SEK 7.6 billion (8.8). Calculated in relation to savings capital as at the end of December 2017, net savings for the past 12 months correspond to 13 percent.

In the first quarter, Nordnet Denmark entered a cooperation with Pensionsselskabet. Our Danish customers can now save in livrente, subscribe to insurance products and receive free pension advice through Pensionsselskabet. The collaboration gives Nordnet's customers new opportunities to subscribe to livrente and other risk insurance in addition to the existing banking-based pension products that Nordnet has offered at one of the lowest prices in the market for over eight years.

As in the previous year, our services were awarded by Økonomisk Ugebrev. This year, we were highlighted as the bank with the best prices among private banking customers in the Danish market. In November, Nordnet was named the Stockbroker of the Year in Denmark.



Key figures Denmark	2018	2017
Income, SEK million	230.0	239.3
Operating profit, SEK million	33.8	74.8
Operating margin	15%	31%
Active customers	100,100	84,900
Savings capital, SEK billion	60.9	57.3
Net savings, SEK billion	7.6	8.8
Trades	4,009,500	4,245,400
Lending, SEK billion	1.2	1.2

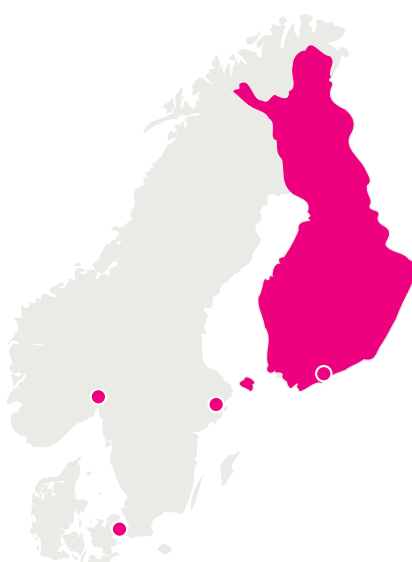
The award is given out annually by the Danish Shareholders' Association and is based on a questionnaire where the members in the organization rate Danish stockbrokers and banks in various respects. Nordnet received the highest ratings of all brokers and banks in the category of customer satisfaction.

In October, Anne Buchardt was appointed the new Country Manager for Nordnet in Denmark. Anne has more than 20 years' experience from the finance industry, where she held several leading roles in the wealth management unit, most recently as the Nordic manager for financial advisory services for private individuals at Nordea.

## Finland

Nordnet has a leading position in the Finnish savings market, and we are perceived as a modern and customer-friendly bank over our competition. We offer Finland's largest range of funds, including the only index fund without fees in the market, called Super-rahasto. Other unique Nordnet products include the loan Super-luotto and Shareville. In

Finland, we offer services for investments, savings and loans, as well as digital advisory services through the concept Nordnet Smart Portfolios.



## Significant events during the year

- Strong customer growth in the Finnish market. Growth for 2018 was 24 percent
- Nordnet's Finnish savings podcast #rahapodi was named the Best Corporate Podcast of the Year by the leading podcast collective Jakso.fi
- Launch of Rahastoneuvoja, a digital fund advisor and Nordnet Smart Portfolios

The Helsinki Stock Exchange stayed on the plus side most of the year, but in the fourth quarter OMXH25 dropped sharply, and over the full-year, the index dropped 6 percent. The number of trades during the period January–December increased by 2 percent compared with the corresponding period the previous year. Margin lending amounted to SEK 1.6 billion (1.4), an increase of 14 percent in 12 months. Net savings for the period January–December amounted to SEK 3.3 billion (2.0). Calculated in relation to savings capital as at the end of December 2017, net savings for the past 12 months correspond to 6 percent.

In 2018, income in our Finnish operations increased by 14 percent, mainly due to increased transaction-related commission income and increased income from currency exchange related to trading in foreign securities. Income from Nordnet Markets and increased mutual fund savings contribute further, while lower interest rates, with a negative return on surplus liquidity, are holding back income. Expenses increased by 12 percent. The increase in expenses was due to expanded initiatives in IT development and CRM. Marketing expenses also increased. The operating margin was a negative 3 percent (-6).

Customer growth in the Finnish market was strong in 2018. The number of active customers as at the end of December was 228,200 (183,800), corresponding

Key figures Finland	2018	2017
Income, SEK million	196.6	171.8
Operating profit, SEK million	-6.9	-9.8
Operating margin	-3%	-6%
Active customers	228,200	183,800
Savings capital, SEK billion	61.9	59.0
Net savings, SEK billion	3.3	2.0
Trades	4,351,800	4,246,600
Lending, SEK billion	1.6	1.4

to an increase of 24 percent compared with the end of December 2017.

In the first quarter, Rahastoneuvoja, a digital fund advisor, was launched in the Finnish market. Since our launch in January, our Finnish customers have shown great interest in the investment tool and in digital personal investment advice.

In the second quarter, Nordnet Finland commenced cooperation with UPM-Kymmene, one of the leading forest companies in the Nordic region. The cooperation means that UPM-Kymmene offers Finnish forest owners who collaborate with UPM-Kymmene to invest their assets through Nordnet.

During the year, Nordnet Finland attended several major investment events, including SuomiAreena, the Finnish equivalent of Almedalsveckan in Sweden, an informal summertime gathering of political parties and special interest groups. The theme of this year's SuomiAreena was sustainable investment, with Nordnet's established investment economist Jukka Oksaharju playing a prominent role.

Nordnet's Finnish savings podcast #rahapodi was named the Best Corporate Podcast of the Year, and one of the five best pods in total, by the leading podcast collective Jakso.fi. Nearly 150 episodes have been recorded of the popular podcast under the leadership of Nordnet's savings economist Martin Paasi and Miika Luukonen, Head of Business Sales.

As in Sweden and Norway, Nordnet's new management product Nordnet Smart Portfolios were also launched on the Finnish market at the end of 2018.

## Market share

In the area of share trading for private investors, Nordnet competes with a number of internet-based players, as well as with the traditional banks. Nordnet's market shares for trading on the Nordic exchanges are 3-4 percent in terms of traded volumes, and 4-6 percent in terms of the number of transactions, depending on the market.

Nordnet's market share				
2018	Sweden	Norway	Denmark	Finland
Volume	3.2%	3.8%	3.0%	3.1%
Number of trades	5.0%	5.8%	4.1%	5.7%
2017	Sweden	Norway	Denmark	Finland
Volume	3.4%	4.2%	3.0%	3.2%
Number of trades	5.5%	7.1%	4.6%	6.0%

Table: Nordnet's share per market of share trading on the Nordic exchanges.

# **Sustainability Report.**

# Sustainability in figures.

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## Total energy consumption

**1.9** GWh  
(2.2 GWh)

## Investments in sustainable funds<sup>1</sup>

SEK **15.9** billion  
(8.8)

## Equal-opportunity workplace

**38** percent women  
(36 percent)

## Healthy workplace

**2.2** percent sick leave  
(2.9 percent)

## Total greenhouse gas emissions

**254** tonnes CO<sub>2</sub>e  
(294 tonnes CO<sub>2</sub>e )

## Greenhouse gas emissions per trade

**9.7** g CO<sub>2</sub>e  
(11.2 g CO<sub>2</sub>e )

<sup>1</sup>Refers to our customers' saving in funds that have 4–5 globes according to Morningstar's sustainability rating

# Nordnet in Society

Nordnet in Society is our framework for how we should work with sustainability. We have defined three focus areas: sustainable savings, equality & diversity, and digital learning. Within these areas, we are running projects that will benefit society, as well as us as a company.

Nordnet in Society is inspired by Michael E. Porter's ideas on shared value – generating economic value so that it also produces value for society. Within the framework of Nordnet in Society, our employees work with projects that create value for our stakeholders while it also benefits us as a company in the longer perspective. The projects in Nordnet in Society are initiated and run by Nordnet's employees with support of the Board and the management team.

## Projects and activities in Nordnet in Society

In 2018, we conducted ten activities in the scope of Nordnet in Society. Together with our climate

compensation efforts, we invested SEK 261,000 in the projects and in other social contributions. Below, we report our projects during the year as well as ongoing activities within our three focus areas.

### Sustainable savings

#### Save sustainably with Nordnet

In order to inspire our customers to invest more sustainably, we have information pages on sustainable savings on Nordnet's Swedish and Norwegian websites. Here you will find tips on tools that can be used to assess the sustainability of investments. Interest in sustainable investments continues to increase, both among private savers and fund companies.



150 women gathered for the first event of Nordnet's career network Power Women in Tech, an initiative in equality & diversity.

Savings at Nordnet, SEK billion	2018	2017	2016
<b>Nordnet customer savings</b>			
Net savings	23	17	14
<b>Total savings capital</b>	<b>286</b>	<b>272</b>	<b>235</b>

The table shows Nordnet's indirect economic impact in accordance with GRI 203-2 in the form of net savings and total savings. Net savings refers to capital deposited less capital withdrawn.

Investments in educations of the public, SEK thousand	2018	2017	2016
<b>Cost for Nordnet's education activities</b>			
Savings economists	-6,982	-4,901	-4,531
Nordnet Live Stockholm	-5,570	-5,000	-4,500
Nordnet Live Oslo	0	-1,100	-915
Nordnetskolan	0	0	-44
Nordnet blog	-61	-67	-
Podcast	-1,003	-510	-
<b>Total</b>	<b>-13,616</b>	<b>-11,578</b>	<b>-9,990</b>

The table shows the cost of education efforts for our customers and the public. The saving event Nordnet Live was organized for the sixth time in Stockholm in 2018. Nordnetskolan did not incur any expenses in 2018, as we used existing resources. The Nordnet blog is our inspiration platform for savings and investments in Sweden, Norway, Denmark and Finland. The cost of the Nordnet blog relates to web hotel expenses. Podcasts refer to production expenses to produce the podcasts in Sweden, Norway, Denmark and Finland, and the cost for equipment.

## Membership in Norsif and Swesif

Since 2017, Nordnet has been a member of the trade associations Swesif and Norsif, both of which are counterparts to the European trade association Eurosif. Swesif and Norsif are independent networking forums for sustainable investments. Swesif provides a tool called the Sustainability Profile (Hållbarhetsprofilen) that allows fund savers to easily and accurately determine the specifics of how a particular fund works with sustainability criteria in its management. The Sustainability Profile tool is available at [nordnet.se](http://nordnet.se).

## Education in savings

We educate in savings, both as part of our focus area in sustainable savings, but also in our daily

operations. In our daily operations, we work with podcasts, in which our savings economists participate and represent the savers in our four markets. We have web-based courses and seminars in which we inspire the participants in savings and investments, in addition to physical events.

## Sustainable funds

We offer over 2,100 (3,200) different funds in our respective mutual fund portals. The range consists of mutual funds from both large banks and smaller start-ups, and spans different types of asset classes, regions, sectors and management styles. We allow customers to independently search for alternatives that suit them, without us pointing out the options that most benefit Nordnet.

Savings in funds marked with the ESG profile at Nordnet, SEK billion	2018	2017	2016
<b>Nordnet customer savings in funds classified with Morningstar's sustainability globes</b>			
Total savings in funds with 4-5 sustainability globes	15.9	8.8	3.6
Share of mutual fund savings in funds with 4-5 sustainability globes	31%	17%	9%

The table shows total savings in mutual funds with either four or five globes in Morningstar's Sustainability Rating among our customers, and the percentage of the total fund savings that take place in these funds compared with Nordnet's total range of mutual funds. A part of the increase is explained by Morningstar rating more funds than previous years.





At left: Ditte Hammarström, Susanne Birgersdotter, Monica Sjödin, Josefin Landgård and Elsa Bernadotte in a panel on careers, entrepreneurship and role models during Power Women in Tech.

Each year, we report the extent to which our customers choose sustainable funds. Since 2016, we have used Morningstar's sustainability rating to define which funds are sustainable. We offer savings in 579 (550) mutual funds that are marked with four or five globes according to Morningstar's sustainability rating. The sustainability rating is based on the extent to which a company, in which a fund invests, works with sustainability issues. Total savings in funds with four to five sustainability globes amounted to 31 (17) percent of total fund savings at Nordnet as at the end of December 2018.

### **Equality & diversity** **Ung i Finans, Norway**

During the year, Nordnet provided support to the organization Ung i Finans in Norway, which aims to help people aged 22-35 create a financial network. In 2018, Nordnet arranged an event in cooperation with Ung i Finans and welcomed 80 members from the network to the premises of the Oslo Stock Exchange. Well-known Norwegians from the industry, such as Peter Hermanrud, Martin Mølsæter and Jørgen V. Bruaset were invited

up on stage during the evening and participated in a panel discussion led by Anders Skar, Nordnet's Country Manager in Norway.

### **Ung privatekonomi, Sweden**

Since the end of 2016, Nordnet has collaborated with the project Ung privatekonomi. The project arranges lectures on personal finance for high school students throughout Sweden. The work is coordinated by the foundation Aktiefrämjandet, which is sponsored by the Swedish Shareholders' Association, the Swedish Securities Dealers Association, NASDAQ OMX Stockholm and Unga Aktiesparare. In 2018, Nordnet supported the project financially with the aim of increasing knowledge and awareness among young people on savings and pension, and promoting healthy personal finance habits for our future customers.

### **Power Women in Tech, Sweden**

Power Women in Tech is Nordnet's career network for women in fintech that was founded in 2018 and has 400 members. The network was created with the aim of attracting more women to a career in fintech, an industry that is still male dominated. In



the autumn, we arranged two well-visited network events where we invited, among others, Anna Wikland, Country Director Sweden at Google, Elsa Bernadotte, Co-founder of Karma, Susanne Birgersdotter, serial entrepreneur, and Josefin Landgård, Co-founder of Kry.

## Digital learning

### Kodcentrum, Sweden

Through cooperation with Kodcentrum, we contribute to the development of young people into tomorrow's programmers – a profession on which we will always be dependent to continue strengthening our customer offering. Kodcentrum is an organization that gives children aged 9-13 the opportunity to learning programming in their free time. The Kodcentrum collaboration began in 2015 and continued in 2018. We contribute both financial support and we arrange a so-called kid hackathon. In autumn 2018, we hosted our largest kid hackathon where 45 children visited our head office in Stockholm. Over an afternoon, the children had an opportunity to develop their knowledge in programming and digital creation.

### Tjejer kodar, Sweden

During the year, Nordnet contributed financially to Tjejer kodar, one of Sweden's leading organizations in education in programming for women. Together with Tjejer kodar, we want to inspire more women to learn programming. The Tjejer Kodar collaboration is also included in our focus area on equality & diversity.

### Koodikerho, Finland

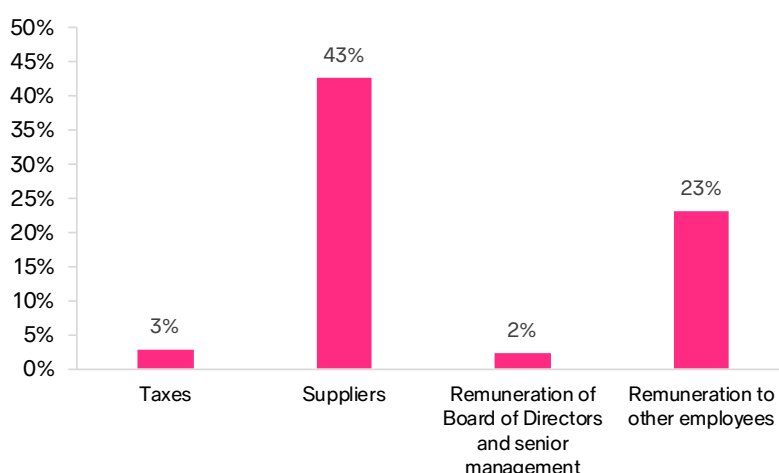
Nordnet collaborates with the volunteer organization Koodikerho in Finland, which organizes programming camps for children ages 9 and up. Our cooperation with Koodikerho began at the end of 2017. In 2018, we arranged our first coding club at our office in Helsinki, where the children could learn the basics of programming in a fun and educational way. Together with Koodikerho, we can contribute to digital development and lower the barrier to children to pursue a future career in programming.



# Our actions

Our operations affect society in the markets in which we operate, and we strive to have the most positive impact possible. We do this partly by contributing time, expertise and financial resources, and also by ensuring that all of our employees follow our ethical guidelines and the laws and regulations of each country.

Nordnet's financial impact on various stakeholder groups



The graph shows Nordnet's distributed economic value, reported in accordance with GRI 202-1, which has benefited our stakeholders in 2018.

Nordnet's customer base primarily consists of private individuals and, to a lesser extent, corporate customers. Our operations are concentrated in the Nordic countries, a region normally with a lower risk of corruption. On this basis, we assess our risk of corruption to be low, but we are actively working to counteract the risks we have as an industry player. For example, we work actively to prevent money laundering and terrorism financing. As a bank, it is important to conduct ethical and responsible activities, ensure good governance and control, as well as prevent risks. This is particularly to ensure our customers trust in Nordnet, but also to maintain confidence in the capital market as a whole.

## Values and ethical guidelines

All employees should be aware of the company's ethical guidelines and values and act in accordance with them. This is particularly important for promoting justice, integrity, trust and responsibility in Nordnet's business operations. The responsibility for ensuring that Nordnet's ethical guidelines are updated annually rests on the Board. In order for all employees to be familiar with the guidelines in ethics, privacy and anti-

corruption, they receive training in these areas every year. In addition, training is provided in other areas, such as disclosures, complaint management and market abuse for the employees who are particularly concerned with these areas.

Some employees in the Swedish operations, such as our brokers, require a Swedsec licence. We also encourage other employees to educate themselves to meet the requirements for obtaining this licence, and therefore improve their skills and enhance the quality of our customer contact. Corresponding licencing requirements also exist for certain roles in Nordnet's Danish, Finnish and Norwegian operations. At the end of 2018, 103 of our employees were licensed by Swedsec, which is around one-fourth of our employees in Sweden.

Financial sector players are at greater risk of being affected by certain financial crime such as money laundering, fraud, market abuse or insider trading. The occurrence of such crimes and infractions may harm Nordnet's brand and our stakeholders' perception of us as an organization. Nordnet works long-term to

ensure good business ethics, transparency and trust in our relationships with customers, employees, owners, suppliers and other stakeholders. Nordnet counteracts corruption by, among other things, providing compulsory education on an annual basis for all our employees and continuously reviewing policies and procedures through our control functions. The training in anti-corruption for 2018 is postponed and will instead be held in the first quarter of 2019.

Nordnet is also a member of the Financial Coalition against Commercial Sexual Exploitation of Children, which works to mitigate and prevent child sex trafficking and child sex tourism. The Coalition's efforts include preventing work computers from being used for criminal activity or company trips to places where children are sexually exploited.

### Promoting good business ethics

Nordnet is a member of the Swedish Securities Dealers Association and the Swedish Bankers' Association and adheres to the latest guidelines for dealing with ethical issues in banks. Nordnet's operations depend largely on trust from customers, supervisory authorities and other stakeholders. Circumstances that may damage this trust can also potentially harm Nordnet's operations. Therefore, it is extremely important that Nordnet identifies and manages all potential conflicts of interest. Nordnet regularly follows up on all internal policies and governance documents to ensure compliance. Nordnet also conducts annual workshops and training in conflicts of interest and 2018 was no exception.

In order to identify potential or actual events that violate Nordnet's rules of business ethics, Nordnet has a whistleblower function by which employees can anonymously report violations. In 2018, no violations were reported through this function.

### Preventing financial crime

For players in the financial market, there is always a risk of being impacted by financial crime. Nordnet continually monitors to detect suspicious behaviour that may indicate criminal activity. In accordance with the Money Laundering and Terrorist Financing (Prevention) Act, Nordnet must have good customer knowledge and good insight into customers' business activities. We, therefore, have systems and procedures in place to identify and report suspected money laundering or financing of terrorism or other types of crime. We also continually perform risk assessments of customers,

products and services. All our employees also undergo mandatory training on money laundering and terrorist financing every year.

### Information and IT security

For Nordnet, proper and secure information management is a key element in maintaining trust from customers, authorities, owners and partners. Maintaining this trust and making use of the potential of digitalization requires structured information and IT security work, which is integrated throughout our entire operations. We ensure this by:

- Involvement of Management and the Board in the structure of the security work
- Nordnet's security controls are evaluated and improved on an ongoing basis
- Nordnet participates in collaboration activities both at the national level and in the Nordic region to strengthen security in society
- There is a process for approving significant changes in the operations
- Our various IT systems are monitored around the clock, all year
- Our staff undergo security training

To further strengthen Nordnet's security, we implemented several improvement measures in 2018. For example, we recruited IT security specialists, tested the staff's security awareness, trained HR personnel in secure recruitment and clarified the responsibility for our system owners. In 2019, we will further strengthen our incident management, train our programmers in secure development and strengthen traceability in our IT systems.

### Personal integrity

We place great emphasis on protecting our customers' and employees' personal information. In connection with the implementation of the new General Data Protection Regulation (GDPR), we screened how we handle personal data in all of our operations. This entails making an impact assessment on personal data processing when we develop each new product and building in data protection when developing new systems. All customers and employees are entitled to know what information we handle about them and how and why we use it. We have also prepared guidelines for how we delete personal data we have no need for. More information on how we handle personal data is on our website.

# Employees

In order to offer relevant services to the savers, our employees need to be given the opportunity to develop and realize their full potential. To ensure that the employees are happy, we actively work to create an engaging workplace, that prioritizes health, equality and diversity. We value the diversity of our employees as an asset that generates valuable ideas and contributes to an inclusive culture.

## A culture of development

Inspiring and challenging! That's what we want the Nordnet working experience to be. In order for us to achieve our vision and our principles, we want to create a workplace where each individual sees great potential for personal development and where diversity is an asset. We are convinced that this leads to creativity, innovation, commitment and good results.

We want to maintain an unpretentious and inclusive working environment and culture at Nordnet. This enables our employees to demonstrate their creativity and be inclined to make their voices heard in various situations and contexts.

At least twice a year, all our employees have talks with their immediate manager to review their performance

and discuss their development. The work in teams and between teams very much involves collaboration and communication in order for it to be fun to work at Nordnet as well as to maintain a high rate of development. In addition to personal performance goals, our employee principles are central to how we relate to our customers and to one another. The principles summarize our behavioural and conduct goals and form the core of all evaluation and feedback.

Nordnet is dependent on attracting, developing and retaining the talent we require to achieve our goals as an organization. As a digital bank, there is a particular need for personnel in attractive areas of expertise, such as technology and digital marketing. There is extensive demand for labour in these areas, which is why there is a risk of not being able to recruit the right personnel



at the rate we would like, as well as the risk of good employees leaving us. Finance and tech are areas predominantly dominated by male employees, and the risk is that the gender distribution at Nordnet may become too one-sided. We work preventively with these risks by increasing the attractiveness of Nordnet as a potential employer, investing in our employees through personal development and increasing the number of women in our recruitment processes. One example of this is our women's career network Power Women in Tech, the objective of which is to make the industry more equal and increase the attractiveness for women to choose a career in fintech.

Our employees are relatively young, and many are at the beginning of their careers. Nordnet is a workplace where young talents get a chance to develop and grow, which makes our employees attractive. Many choose to evolve into new roles within the company and others move on to new challenges outside Nordnet. Employees who stop working for us are given an exit interview as part of our Human Capital function, and the conclusions from the interview are utilized to further improve our attractiveness as an employer.

Personnel turnover was 34.4 percent (22.5) for the Group in 2018. We measure personnel turnover every year solely on permanent employment and trial employment positions, in accordance with the Nyckeltalsinstitutet's definition. There has been a great deal of new talent at Nordnet during the year at the same time as there was a reorganization into different teams that also affected the outcome.

### Personal development

Nordnet works long-term to attract, develop and retain the talents we need to be able to develop as an organization and to deliver value to our customers. We do this primarily by offering exciting work assignments and individual development for our employees.

We also work continuously with leadership development through our Group-wide leadership forum Nordnet Forum for Leaders, where the focus is on creating consensus, energy and shared commitment around strategy and leadership. The forum develops our leaders and increases integration between different offices and different teams. In addition, we offer needs-specific training for Nordnet leaders in areas such as work environment or collective bargaining issues.

Staff turnover	2018		2017		2016	
	Employees (no)	Women (%)	Employees (no)	Women (%)	Employees (no)	Women (%)
<b>New hires</b>						
Under 30 years	113	41%	150	31%	64	34%
30 - 50 years	89	37%	79	39%	34	50%
Over 50 years	8	50%	4	25%	8	38%
<b>New hires during the year</b>	<b>210</b>	<b>40%</b>	<b>233</b>	<b>33%</b>	<b>106</b>	<b>40%</b>
Rate of new employee hires	35%		41%		22%	
<b>Departures</b>						
Under 30 years	82	35%	64	30%	49	37%
30 - 50 years	89	36%	73	41%	64	33%
Over 50 years	7	57%	8	50%	9	44%
<b>Departures during the year</b>	<b>178</b>	<b>37%</b>	<b>145</b>	<b>37%</b>	<b>122</b>	<b>35%</b>
Rate of employee turnover	30%		26%		25%	

The table shows the total labour force, including substitutes and hourly employees. Nordnet has a naturally high turnover among hourly employees, who are often younger people.





## A healthy workplace

For us, sustainability is also about having a healthy work environment for our employees. We work with several health promotion activities to create a healthy workplace and reduce the risk of sick leave for our employees. Among other things, we have a Nordic Wellness Committee with initiatives to engage employees in physical activities, as well as through inspiring health lectures. Examples of health-promoting initiatives that the employees were able to participate in during the year are various friendly competitions in running and cycling, golf, group exercise sessions, meditation, ski trips and bootcamps.

## Better through diversity and equality

We strive to ensure all employees have the same opportunities, rights and obligations. We continue to work strategically and consciously with diversity and equality, which includes focusing on the issues in our different management teams. Nordnet's business is concentrated to the Nordic countries. The risks linked to our operations that we face in the area of human rights are small, and are mostly within the areas of gender equality and discrimination. Nordnet's stated objective is for the workplace to be characterized by diversity and equality, and we work actively to prevent discrimination. No cases of discrimination were reported in 2018.

Health at Nordnet	2018	2017	2016
<b>Employee sick leave, by country</b>			
Sweden	2.0%	2.8%	2.9%
Norway	2.2%	1.5%	1.7%
Denmark	5.2%	4.7%	7.3%
Finland	0.0%	2.3%	2.0%
<b>Average Nordnet</b>	<b>2.2%</b>	<b>2.9%</b>	<b>3.1%</b>

The table shows our employees' absenteeism due to illness. No cases of work-related illnesses or deaths have been reported. Sickness absenteeism is evenly distributed between men and women in the company. Nordnet offers all employees in Sweden a health insurance called "Hälsoslussen" with Skandia, to prevent sickness absences and stress. The health insurance includes preventive measures, such as conversational therapy, physiotherapy and occupational therapy, ergonomics, professional life planning and access to medical specialists. Hälsoslussen can be used anonymously by our employees if they so desire. Similar health insurance solutions exist for employees in Norway, Denmark and Finland.

We review the wage differences from a gender equality perspective at every salary review and place specific emphasis on equal salaries for equal work.

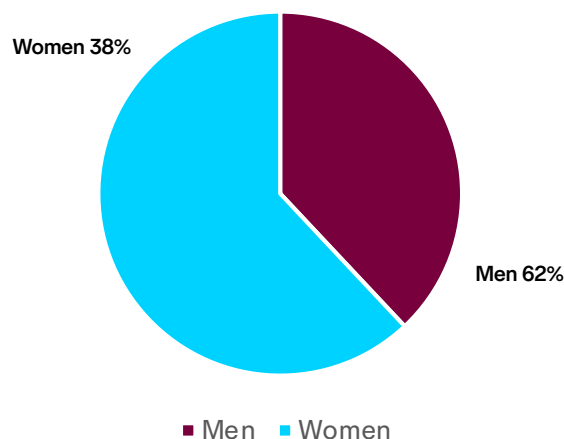
The circle diagram shows the gender distribution and age distribution at Nordnet. At 31 December 2018, 62 percent (64) of the employees were men and 38 percent (36) were women. The gender distribution varies between different employee categories. Administrative functions have a higher proportion of women, while the proportion of men is higher among, for example, IT personnel. The majority of the employees, 54 percent (52), are in the 30-50 age range.

We see positive results regarding the percentage of women in management positions, which increased by 7 percentage points since 2017. As at December 2018, 47 percent of our managers with employee responsibility were women, compared with 40 percent in 2017 and 41 percent in 2016. We continue to believe that an increased proportion of women in recruiting positions promotes long-term improvement in gender equality.

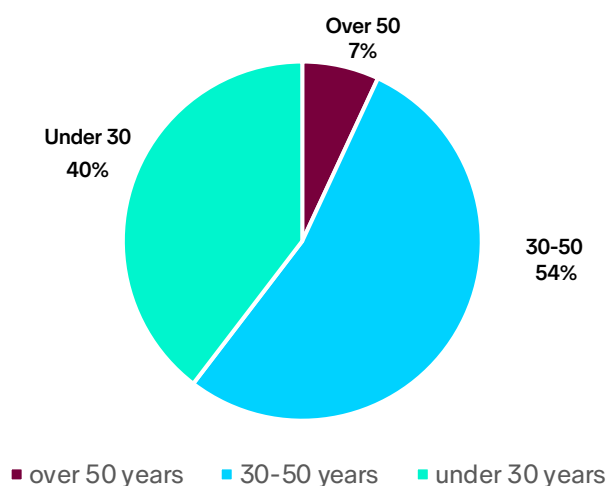
The proportion of women in the management team is 29 percent, down from 43 percent last year. At 31 December 2018, Nordnet's management team consists of 10 men and 4 women, and the Board of Directors consists of 7 men and no women.

We strive to even out the gender balance of the entire company, and we work for greater diversity in the workforce. To achieve this, we work to broaden the basis for selection by proactively recruiting potential candidates. Since our corporate language is English, the people we recruit are not required to master any of the Nordic languages, which increases our potential to find good candidates. We strive to have a larger proportion of the under-represented gender in the various stages of the

**Gender distribution**



**Age distribution**



Ratio of basic salary of women to men at Nordnet	2018	2017	2016
<b>Women's salaries as a percentage of men's</b>			
Management (excluding the CEO and 1 consultant in Group management)	107%	97%	111%
All employees (excluding management)	88%	89%	89%

The table shows women's average salary as a percentage of the average wage of men in different personnel categories as at 31 December 2018. The calculation includes severance pay. We actively work according to our equality plan and equality policy to reduce the differences.



Collective bargaining agreements	2018	2017	2016
<b>Employees covered by collective bargaining agreements (%)</b>			
Share of employees with collective bargaining agreement	87%	85%	85%

All employees in Finland and Sweden are covered by collective bargaining agreements, including employment categories such as temporary employees and substitutes.

recruitment process – ranging from the first selection to the final candidates. Our procedures help us avoid unconscious decisions linked to both gender and cultural background. We are pleased to see that the proportion of newly-recruited women in total increased by 7 percent compared with 2017.

Nordnet's gender equality policy clearly states that all employees have the right to be treated with respect and that everyone's integrity and right to privacy are protected. Unwelcome advances of a sexual nature, discrimination and other forms of harassment are prohibited in the workplace.



# Environment

At Nordnet, we adhere to current environmental legislation and other regulations that concern environmental aspects. We have an awareness of global environmental issues and Nordnet's ability to influence them both directly and indirectly.

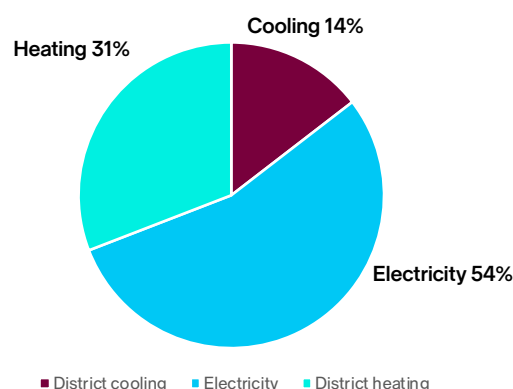
To reduce our direct impact on the environment, we strive to operate our office spaces with renewable energy, reduce our use of paper and recycle waste. Our business model does not require physical banking offices, and contact with our customers is mainly online and by telephone. This means that we are basically resource efficient, and that our environmental impact is relatively small, which is why we assess the environmental risks as small. For this reason, we do not have a formal process of environmental management.

## Energy efficient banking services

Nordnet's greatest environmental impact derives from the energy consumed by the servers that deliver our services around the clock. In 2018, we consumed approximately 1,864 MWh (2,190) for the operation of our IT infrastructure and for our consumption of electricity, heating and cooling at our offices. That's about as much as 75 (90) average single-family homes in Sweden consume over a year.

Nordnet's energy intensity amounted to 0.07 kWh (0.08) per trade – a decline of 15 percent compared to last year. In 2018, we moved our head office to larger premises at Alströmergatan in Stockholm. At the new office, we have installed energy efficient lighting, such as LEDs and sensors in selected locations, which have

Energy consumption by energy type



enabled higher energy savings. In connection with the move of the head office, one of the server halls was closed, which contributed to our electricity consumption decreasing in 2018. Since the new head office is significantly larger than the previous one, and the summer of 2018 was the warmest for many years, our consumption of district heating and district cooling increased significantly compared with earlier years.

Nordnet's energy consumption	2018	2017	2016
<b>Indirect energy consumption, MWh</b>			
Electricity, whereof 85% renewable energy	1,025	1,720	1,620
District heating, whereof 85% renewable energy	570	450	393
District cooling, whereof 98% renewable energy	270	20	20
<b>Total</b>	<b>1,864</b>	<b>2,190</b>	<b>2,033</b>

The table shows the energy consumption for heating and cooling premises, and operating equipment. Consumption of district cooling increased in connection with the move of the head office in Stockholm. At the former head office, cooling was regulated by electricity.



**Nordnet's new head office at  
Alströmergatan 39 in  
Stockholm**

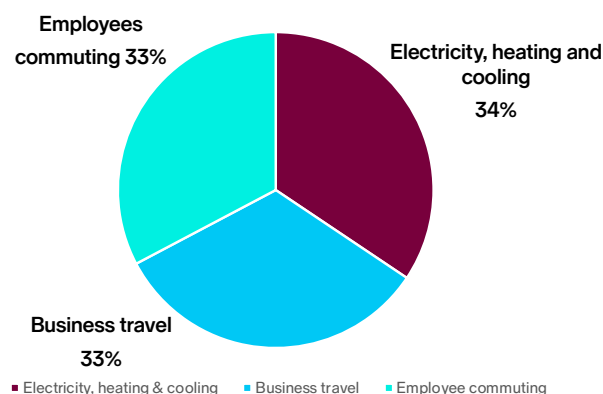
## Nordnet - a climate-neutral bank

We strive to have as little negative impact on the environment as possible, and every year we climate compensate for our greenhouse gas emissions, including the employees' commutes. This means that we are climate neutral. This is offset by planting trees in collaboration with small-scale farmers in Bolivia. The project, called ArBolivia, is certified in accordance with Plan Vivo. In addition to climate benefits, the project adds valuable social and ecological value.

Each year, we report our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol, the most common international framework for voluntary reporting of greenhouse gas emissions. Nordnet's greenhouse gas emissions primarily come from the employees' travel to and from work and from electricity consumption at our offices. In 2018, Nordnet's total greenhouse gas emissions amounted to 254 tonnes (294) of CO<sub>2</sub>e, which is a decrease of 14 percent (4) compared with 2017. The reduction is mainly attributable to our employees choosing more climate efficient transport to get to and from work. This is probably a result of it being more advantageous to get to work by public transport instead of by car since the head office moved to Stockholm's city centre. Emissions from our employees' commuting to and from work decreased by 24 percent (31) and commuting by public transport, walking and cycling increased by 31 percent compared with the previous year. Greenhouse gas emissions per trade on our platform decreased by 13 percent (16).

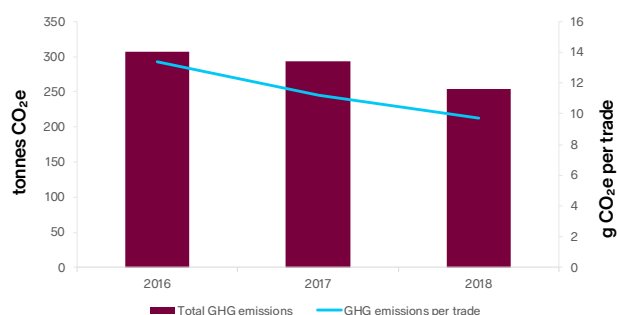
Nordnet's policy is to first and foremost communicate between the Nordic offices by phone, digital tools and video conference instead of meeting physically. Emissions from business travel decreased by 13 percent in 2018, which is due to our employees having made fewer journeys during the year.

## Greenhouse gas emissions by activity



Nordnet's greenhouse gas emissions are mainly from employee commuting and energy use at our offices.

## Greenhouse gas emissions



The bars represent Nordnet's total greenhouse gas emissions and the turquoise line represents greenhouse gas emissions per trade.

# The auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Nordnet AB (publ), corporate identity number: 559073-6681.

## Engagement and responsibility

The Board of Directors is responsible for the statutory sustainability report on pages 18-33 and pages 136-144 and that it is prepared in accordance with the Annual Accounts Act.

## The scope of the audit

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

## Opinion

A statutory sustainability report has been prepared.

Stockholm, March 21, 2019

Jan Palmqvist  
Authorised Public Accountant

# **Nordnet AB (publ) Annual Report.**

# Board of Directors' report

## Introduction

The Board and Chief Executive Officer of Nordnet AB (publ), company registration number 559073-6681, headquartered in Stockholm, hereby submit the Annual Report and principles of consolidation for the 2018 financial year. On 1 March 2019, a merger was made between NNB Intressenter AB, org. reg. no. 559073-6681 and its wholly owned subsidiary Nordnet AB (publ), org. reg. no. 556249-1687, whereby NNB Intressenter AB absorbed Nordnet AB (publ) and Nordnet AB (publ) was dissolved without liquidation. For further information about the company, please refer to note 1.

## Operations

Nordnet is a digital bank for savings and investments. Business is conducted through the subsidiaries Nordnet Bank AB, Nordnet Pensionsförsäkring AB and a number of other companies in the Group.

Nordnet Bank AB offers a broad range of services for savings and investments, margin lending with securities as collateral, unsecured loans and residential mortgages on the Swedish market. In addition, a large number

of information services and digital advisory tools are offered. In Norway, Denmark and Finland, bank operations are run via branch offices. Through the secondary name Konsumentkredit in Sweden, consumer loans are provided to private individuals on the Swedish market.

Nordnet Pensionsförsäkring AB offers life insurance business focused on pension savings. The Norwegian pension operations are conducted through Nordnet Livsförsäkring AS, a subsidiary of Nordnet Pensionsförsäkring AB.

Nordnet also runs the social investment network Shareville. Here, our members can exchange experiences and savings tips, and follow how other investors act.

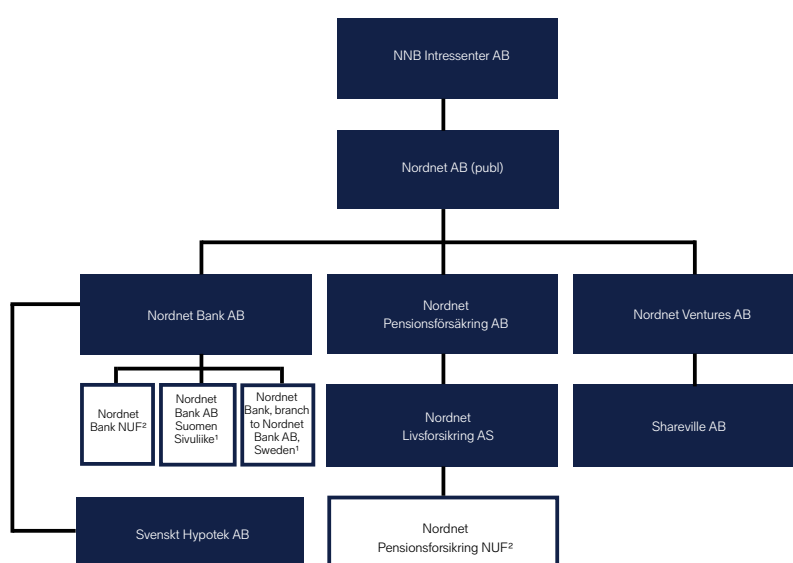
## Significant events during the year

### The full year

- The customer base continues to increase at a steady pace. The number of customers as at the end of the year was 765,200 (669,300), corresponding to an increase of 14 percent compared with one year earlier.

## Group overview

The illustration below shows the Nordnet Group chart as at 31 December 2018.



<sup>1</sup>Branch of Nordnet Bank

<sup>2</sup>Branch of Pensionsförsäkring AB, dormant



- During the year, extensive investments were made in technical platforms, product development, marketing and systems for proactive communications with the aim of enabling future growth.
- The 2018 stock market year was marked by challenging conditions in all Nordic markets, especially during the last quarter of the year. The number of trades among Nordnet's customers amounted to 26.1 million trades (26.2).

### First quarter

- Trading record for an individual day on 6 February, Nordnet's customers made a total of 202,863 transactions.
- Inauguration of Nordnet's new head office in Kungsholmen in Stockholm.
- Record high net savings for a single quarter at SEK 11.5 billion.
- Significant resources are allocated to adapting to Mifid2 and other regulations, as well as platform and infrastructure development in order to adapt scalability to larger Nordic operations.

### Second quarter

- A new Android app is introduced in all Nordic markets.
- The customer base surpassed 700,000 customers.
- An aggregator service is launched, providing savers a comprehensive overview of their savings.

### Third quarter

- A new app for iPhone is launched, tripling the app store rating.
- Shareville passes 200,000 members.

### Fourth quarter

- Anders Danielsson takes office as the Acting CEO.
- Nordnet's stock lending program is launched in the Swedish market and wins an award for "Savings Innovation of the Year" by Privata Affärer.
- The savers at Nordnet set a new trading record in October with 2.8 million trades. Nordnet's customers make a total of 6,984,500 transactions during the entire quarter, which is also a record.
- Nordnet surpasses one million accounts on a Nordic basis and 100,000 customers in Denmark.
- The focus on digital advisory services continues. Nordnet Smart Portfolios is introduced in three of our markets.

- Nordnet is named "Broker of the Year" in Denmark by the Danish Shareholders' Association.
- Acquisition of Netfonds – forming Norway's leading digital bank for savings and investments.
- In terms of income, the strongest quarter ever. Income amounts to SEK 348 million, an increase of 4 percent compared with the same quarter of 2017.

### Profits and financial review, Group

Operating income for the financial year rose by 5 percent to SEK 1,310.4 million (1,244.0). Of operating income, SEK 696.0 million (640.5) was net commission income; SEK 377.6 million (386.3) was net interest income; SEK 58.9 million (54.9) was other income; and SEK 178.0 million (162.4) was net profit from financial transactions.

Net interest income decreased by SEK 8.7 million. Larger volumes in residential mortgages and margin loans are positive contributing factors to the net interest income, which however is deteriorating due to lower return on surplus liquidity due to zero and negative interest rates in several currencies. Net commission income rose by SEK 55.5 million, which is explained by non-transaction-related income rising due to increased mutual fund savings and greater volumes in Nordnet Markets.

Operating expenses before credit losses rose by 12 percent to SEK -1,133.2 million (-1,008.5). This is mainly explained by increased investments in IT development and CRM, as well as higher expenses for marketing and sales staff. The expenses for depreciation, amortization and impairment increased as a result of depreciation and amortization for investments in the new head office beginning and impairment related to the concluded co-operation with IPsoft. These costs are included in Capitalized expenses for development work, depreciation, see note 13 - amortization and depreciation of tangible and intangible assets. Expenses for office space as a result of the new head office also increased compared with the previous year. Acquisition expenses of SEK 16 million attributable to the acquisition of Netfonds AS were charged to profit. These costs are included in Purchased services in Note 12, General transaction costs. Compared with 2018, SEK 34 million attributable to a restructuring of operations with an increased focus on automation and IT development was charged to the 2017 profit. In 2017, SEK 40 million in expenses related

to NNB Intressenter's acquisition of Nordnet was charged to profit.

Operating profit for the financial year decreased by 29 percent to SEK 141.2 million (200.2), and the operating margin was 11 percent (16). Profit after tax for the period decreased by 29 percent to SEK 118.1 million (167.3), resulting in a profit margin of 9 percent (13). Lending to credit institutions amounted to SEK 333.0 million (275.6). The Group's cash and equivalents amounted to SEK 1,677.2 million (667.9), of which cash and holdings central banks amounted to SEK 1,344.2 million (392.3). The Group's cash and cash equivalents,

including cash and cash equivalents in the insurance business, amounted to SEK 3,038.2 million (2,563.0), as at the end of the period, of which frozen assets amounted to SEK 91 million (82). Consolidated equity at year-end amounted to SEK 1,988.2 million (2,024.7). Capital base in relation to capital requirement for the Group amounted to 1.2 (1.5) as at the end of the period.

At year-end, goodwill and brands amounted to SEK 190.0 million (188.1). Investments in tangible fixed assets during the year amounted to SEK 84.0 million (29.1). Investments in intangible assets during the year, such as capitalized expenditure for develop-

Group	2018 <sup>1</sup>	2017 <sup>1</sup>	2016 <sup>2</sup>	2015 <sup>2</sup>	2014 <sup>2</sup>
<b>Income statements, SEK thousands</b>					
Net interest income	377,563	386,269	403,174	406,572	471,494
Net commission	695,954	640,504	589,845	624,653	478,217
Net result of financial transactions	177,981	162,360	151,518	147,193	86,445
Other income	58,916	54,903	51,486	59,641	42,675
<b>Total operating income</b>	<b>1,310,414</b>	<b>1,244,036</b>	<b>1,196,023</b>	<b>1,238,059</b>	<b>1,078,831</b>
Operating expenses	-1,133,239	-1,008,528	-799,191	-748,079	-698,779
Credit losses	-36,002	-35,301	-29,098	-41,333	-43,074
<b>Operating result</b>	<b>141,173</b>	<b>200,207</b>	<b>367,734</b>	<b>448,647</b>	<b>336,978</b>
Tax	-23,121	-32,874	-70,688	-91,506	-60,343
<b>Income for the year</b>	<b>118,052</b>	<b>167,333</b>	<b>297,046</b>	<b>357,141</b>	<b>276,634</b>
<b>Balance sheets, SEK thousands</b>					
Interest-bearing securities	20,036,326	17,852,202	15,485,339	13,562,861	11,191,469
Lending to credit institutions	333,024	275,591	329,045	294,691	987,472
Loans to the general public	14,204,488	11,852,046	9,516,392	7,278,083	5,806,242
Assets for which customers bear the investment risk	51,726,480	46,515,739	41,684,655	35,995,138	28,868,479
Other assets	5,819,098	3,844,984	3,434,812	3,082,521	2,390,329
<b>Total assets</b>	<b>92,119,416</b>	<b>80,340,562</b>	<b>70,450,243</b>	<b>60,213,294</b>	<b>49,243,991</b>
Liabilities to credit institutions	-	-	-	396,529	-
Deposits and borrowing from the general public	35,225,181	29,063,690	24,426,599	19,605,376	16,500,316
Liabilities for which customers bear the investment risk	51,726,480	46,515,739	41,685,918	35,996,211	28,869,319
Other liabilities	3,179,516	2,736,480	2,358,841	2,341,211	2,123,234
<b>Total liabilities</b>	<b>90,131,177</b>	<b>78,315,909</b>	<b>68,471,358</b>	<b>58,339,327</b>	<b>47,492,869</b>
Total equity	1,988,239	2,024,653	1,978,885	1,873,967	1,751,122
<b>Total equity and liabilities</b>	<b>92,119,416</b>	<b>80,340,562</b>	<b>70,450,243</b>	<b>60,213,294</b>	<b>49,243,991</b>

<sup>1</sup> Refers to Nordnet AB (publ), changed name from NNB Intressenter AB, org. reg. no.: 559073-6681

<sup>2</sup> Refers to Nordnet AB (publ), org. reg. no.: 556249-1687

ment work, amounted to SEK 112.1 million (88.0), of which SEK 32.5 million (23.1) was in personnel-related expenditure for product development. A consolidated multi-year overview is below and key figures are after the notes.

## Profits and financial review, Parent Company

The Parent Company's operating income for 2018 amounted to SEK 8.2 million (3.5) and relates to internal administrative services within the Group. Profit from financial investments amounted to SEK 17.6 million (272.3), mainly consisting of profit from participations in Group companies. The Parent Company's profit after financial items amounted to SEK 7.2 million (264.2). The Parent Company's cash and cash equivalents amounted to SEK 1.7 million (3.0), and shareholders' equity to SEK 6,512.6 million (6,607.0). The Parent Company's dividend to the owners amounted to SEK 100.0 million (172.3).

## Future prospects

Nordnet has an efficient and scalable operating model. We use a common platform to provide a Nordic savings offering, and we have a strong position in all markets within the area of savings and investment. The head office in Stockholm houses Group functions such as IT, innovation, administration, communication, finance and legal. In the four countries where we maintain operations, we employ personnel who work with customer service, marketing and sales.

Nordnet is undergoing a shift in business model, under which operations in the future will contain a greater degree of digital advice and guidance. During the year, we introduced digital advisory services, such as Nordnet Smart Portfolios and the Fund Advisor, to become more relevant for a larger customer group. However, we will never leave the ambition to be the number one choice for people who have a significant interest in savings and want to make independent investment decisions.

In Nordnet's assessment, the Nordic savings market is growing. One factor making a strong contribution is the restructuring of the pension system that is in progress, where the individual is expected to assume greater responsibility for his/her pension. The Nordic pension market is varied and complex. In Denmark, with clear rules for transfers and reporting of fees, our pension business is growing at a rapid pace; a trend we expect

to continue. An introduction of rules regarding transfer rights in the Swedish market would have a favourable effect on Nordnet.

The long-term trends favour our business model. In an environment where digital technology allows customer reviews to spread quickly, and offerings and prices can easily be compared, it is increasingly difficult for banks to lock in customers and require their total commitment. Increasing awareness among savers often leads them to choose banks such as Nordnet with its transparent, affordable offering within a defined area. We believe the key lies in creating products that offer a high level of customer value. What is good for our customers is also good for Nordnet.

## Employees

The average number of full-time positions for the period was 512 (426). The number of full-time positions at year-end was 526 (474), consisting of 430 (379) in Sweden, 32 (24) in Norway, 32 (33) in Denmark and 33 (38) in Finland.

Nordnet strives for balanced gender distribution. At the end of 2018, the proportion of women in the Group is 38 percent, and the proportion of women managers is 47 percent. The proportion of women in the management team is 29 percent.

Employee commitment and satisfaction regarding Nordnet as an employer is continuously monitored. We use Net Promoter Score (NPS) to measure our overall attractiveness as employer. The sustainability report contains more information about employees on pages 26-30. Also see Note 12 for more information.

## Risks and uncertainty factors

Nordnet's operations are influenced by a number of environmental factors, the effects of which on the Group's profit and financial position can be controlled to varying degrees. When assessing the Group's future development, it is important to take into account the risk factors alongside any opportunities for profit growth.

The risks in Nordnet's operations are determined by:

- Credit risk including concentration risk
- Market risk
- Financing risk/Liquidity risk

- Operational risk
- Risks in the insurance operations

A low level of risk, and market confidence are a high priority for Nordnet and profitability is directly dependent on the ability to identify, analyse, control and price risk.

The objective of Nordnet's risk management is to identify, measure, guide, internally report and control the risks to which Nordnet is, or is likely to be, exposed.

The Board decides on the main principles of risk management and is ultimately responsible for ensuring that there is an effective system for managing Nordnet's risks and that Nordnet adheres to applicable directives, legislation and regulations. The Board of Directors shall ensure that there are independent functions for the monitoring and control of risk management and regulatory compliance and report how the operations are being conducted in this regard to the Board and the management. Nordnet's control functions consist of Risk Control, Compliance and the Internal Audit. For a detailed description of risks and the handling of these, please see Note 7.

## Official supervision

Nordnet's operations are supervised by the Swedish Financial Supervisory Authority in Sweden and the corresponding authorities in Norway, Finland and Denmark. Operations are largely regulated by laws, instructions, industry agreements and regulation by European supervisory authorities. Within the Group, compliance with regulations is therefore of the utmost importance and is subject to regular review by the Board and control functions. Nordnet's compliance function reviews whether the policies and instructions developed and applied in the operations are appropriate and effective. The compliance function is also tasked with ensuring that Group's employees and the Board of Directors are kept informed of applicable rules for the operations conducted. This occurs, for example through training courses on new and changing business rules and information on the intranet.

## Authorizations received

The subsidiary, Nordnet Bank AB, which is subject to supervision by the Swedish Financial Supervisory

Authority, is licensed to run banking operations in accordance with the Banking and Financing Business Act (2004:297), licensed to run securities operations in accordance with the Securities Market Act (2007:528) and licensed to run pension savings operations in accordance with the Individual Pension Savings Act (1993:931). The subsidiary, Nordnet Pensionsförsäkring AB, which is also subject to supervision by the Swedish Financial Supervisory Authority, is licensed to run insurance business in accordance with the Insurance Business Act (2010:2043). Nordnet Livsförsäkring AS is a wholly owned subsidiary of Nordnet Pensionsförsäkring AB and is subject to the supervision of the Financial Supervisory Authority of Norway. Nordnet Livsförsäkring AS is licensed to conduct insurance business in accordance with the Norwegian Insurance Act (10 June 2005 no. 44).

## Sustainability

Sustainability is important to us, our customers and society at large. Nordnet's business model does not require physical banking offices and our operations are on the Internet. As an organization, we therefore have a low environmental impact and focus more on issues concerning social conditions and social benefit in our sustainability work. We created Nordnet in Society, which is our framework for how we should work with sustainability. Nordnet in Society contains three focus areas: sustainable savings, equality & diversity, and digital learning. Within these areas, we are conducting projects that will benefit society, as well as us as a company. The framework is inspired by Michael E. Porter's ideas on shared value creation – generating economic value while it also produces value for society. Read more about Nordnet in Society on pages 20-23.

Nordnet has prepared a sustainability report in accordance with GRI Standards. In accordance with Chapter 6 Section 11 of the Annual Accounts Act, Nordnet has chosen to prepare the statutory sustainability report as a separate report from the annual report. The sustainability report is on pages 18-33 and pages 136-141 in this document.

# **Corporate Governance Report.**



# Corporate Governance Report

## Introduction

Nordnet is a privately owned Swedish limited company, headquartered in Stockholm. In 2018, the Group pursued operations in Sweden, Norway, Denmark and Finland.

The Nordnet share was listed on Nasdaq Stockholm (formerly the Stockholm Stock Exchange) between April 2000 and February 2017. On 25 October 2016, the Öhman Group and Nordic Capital issued a public buy-out offer through NNB Intressenter AB to acquire all shares in Nordnet. On 17 February 2017, the share was delisted from Nasdaq.

Governance of the Group in 2018 is based, among other things, on the Articles of Association, the Swedish Companies Act, and the regulations of the stock exchange, which include the Swedish Code of Corporate Governance. The corporate governance report was prepared in accordance with the Annual Accounts Act. Nordnet has applied the Swedish Corporate Governance Code since 1 July 2007, although with certain adjustments taking into account that the company's share is no longer listed and that the company has only one shareholder.

## Bodies and regulations

### Shareholder

As at the end of 2018, Nordnet had one shareholder, NNB Intressenter AB, which as such controls 100 per cent of the capital and voting rights in the company.

### Annual General Meeting

Resolutions concerning Nordnet are conducted at the Annual General Meeting (AGM), which is the company's highest decision-making body. Some of the obligatory tasks of the AGM include approving and adopting the company's balance sheet and income statement, deciding on the distribution of earnings, the remuneration principles for the company's senior executives and on discharge from liability for the Board members and CEO. The Annual General Meeting also elects Board

members and auditors for the period until the end until the end of the next AGM.

## Board of Directors

### Responsibility of the Board of Directors 2018

Nordnet's Board of Directors has the overall responsibility for the company's organization and management of the company's affairs in accordance with the Swedish Companies Act, as well as for having a well-functioning reporting system. The Board is responsible for the company's long-term operations and significant issues, for reviewing the company's operations including procedures, resolutions on issues concerning general targets, strategies, the business plan and budget, and continuously monitoring the company's development and financial situation. The Board is responsible for the Group's financial statements being prepared in compliance with legislation and applicable accounting principles, and for quality assuring the company's financial reporting. The Board ensures that the company's external communication is characterized by openness and objectivity as well as high relevance to the target groups to which it is directed. The Board also has the task of ensuring that there is satisfactory control of the company's compliance with laws and regulations and that necessary ethical guidelines are established for the company's and the Group's conduct, and appointing an internal auditor, whose work is evaluated annually. This responsibility also includes appointing a CEO, approving the composition of the management team as proposed by the CEO, and evaluating its work.

### Chairman of the Board

The Chairman manages the work of the Board to ensure that this is done efficiently and in accordance with legislation and regulations. The Chairman monitors operations in consultation with the CEO and is responsible for ensuring that other members receive the information they need to maintain high levels of quality in discussions and decisions. The Chairman ensures that the Board's work is evaluated annually and verifies that the Board's decisions are implemented effectively.

## Composition of the Board

At the 2018 Annual General Meeting, it was decided that the Board would consist of seven regular members and no deputies. The CEO does not sit on the Board but presents the reports. The company's General Counsel presides as secretary at the Board meetings. Where necessary, other company officials also present reports. The table below shows the composition of the Board as at 31 December 2018 and includes the Board's dependence in relation to the company and the company's owners. The Articles of Association state that Board members are elected annually by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association include no specific regulations on dismissing Board members and amending the Articles of Association.

## Promoting diversity in the Board

Diversity entails a variety of characteristics and skills among individuals. This may apply, for example, to formal skills in the form of education, experience in different sectors, experience from activities in different countries or other background factors such as gender, ethnicity or age. Nordnet strives to have a Board with equal gender distribution, composed of members of varying ages, with varied education, experience and expertise, and with varying geographical backgrounds. Nordnet's Board currently has a diversified composition in terms of expertise, experience and specialist areas, and it is well-adapted in this respect to Nordnet's priority development areas. The age distribution of the Board is relatively broad. In 2018, the Board of Directors consisted solely of men, and a more even gender distribution is desirable.

## The Board's rules of procedure

The rules of procedure are set annually at the Board meeting following election. The rules of procedure are reviewed when necessary. The rules of procedure include the Board's responsibilities and duties, the duties of the Chairman, composition of the Board, and audit issues, and state which reports and financial information are to be received by the Board prior to each ordinary Board meeting. Furthermore, the rules of procedure include instructions to the CEO complemented by CEO terms of reference. The rules of procedure also stipulate that remuneration, Audit, Risk and Compliance Committees will be established and what their tasks will be. The Board's rules of procedure were established 26 April 2018.

## Evaluation of the work of the Board

The rules of procedure state that an annual evaluation of the work of the Board should take place by means of a systematic and structured process. For 2018, the Chairman has ensured that the work of the Board has been evaluated.

## Committees

### Remuneration Committee

The overall responsibilities of the Board cannot be delegated, but the Board has established a remuneration committee tasked with preparing issues relating to salaries, remuneration and other terms of employment for the CEO, Group management and others, plus bonuses for Group employees where applicable. The Committee shall also analyse and present to the Board the risks associated with the company's remuneration

### Board members 2018

	Elected	Position	Dependent position <sup>1</sup>	Remuneration committee	Credit committee	Audit committee	Risk & compliance committee
Hans Larsson	2017	Chairman of the Board		Member	Member	Member	Chairman
Jan Dinkelspiel	2017	Board member	Yes		Member		Member
Tom Dinkelspiel	2007	Board member	Yes	Member		Chairman	
Christopher Ekdahl	2017	Board member	Yes		Chairman		Member
Christian Frick	2017	Board member	Yes	Chairman		Member	
Pierre Siri	2017	Board member					
Per Widerström	2017	Board member					

<sup>1</sup>Independent in relation to the company and its management, but dependent in relation to the company's owner in accordance with the definition in the Swedish Corporate Governance Code

system and, on the basis of this analysis, identify and present the employees who should be considered to have a substantial impact on the company's risk profile. Reporting to the Board takes place regularly.

### **Audit Committee**

The Board has also established an Audit Committee tasked with preparing the work of the Board with regard to monitoring and assuring the quality of financial reporting, maintaining on-going contact with the external auditor, proposing guidelines for the Board regarding which services, beyond auditing, may be procured from the auditor, examining and monitoring the auditor's impartiality and independence, and assisting in the preparation of proposals on the AGM's resolution regarding the selection of auditors. In terms of the financial reporting, the Committee shall also monitor the effectiveness of the company's internal control, independent audit and risk management.

### **Risk and Compliance Committee**

The Board has established a Risk and Compliance committee, which is a preparatory body for the Board. The Committee through its work and in dialogue with external auditors, Head of Risk Control, Head of Compliance and Group management, shall monitor and provide the Board greater possibilities of obtaining insight into the operations' and organization's structure, compliance, risk and incident reporting. The Risk and Compliance Committee shall propose an audit plan for the internal audit to the Board and it shall scrutinize independent reviews and report on these to the Board.

### **Credit Committee**

For the subsidiary Nordnet Bank AB, the Board has established Credit committee which, among other things, is tasked with determining and preparing the limits for which the Board of Directors of the company is responsible in accordance with the Board procedures, and to prepare the annual reporting of the limits set by the Board. According to the current rules of procedures, the Credit Committee shall also report to the Board in Nordnet AB (publ).

### **CEO and Group management**

The CEO manages operations within the guidelines and instructions established by the Board. The most recently established instructions were set by the Board

on 26 April 2018. The CEO is responsible for compliance with the objectives, policies and strategic plans for the company by the Board. The CEO also produces the requisite information for following the company's position, earnings, liquidity and development in general, necessary information and decision basis prior to Board meetings, presents issues and justifies proposals for decisions.

The CEO leads the work of the Group Management team and makes decisions in consultation with other members of management. Group Management holds regular meetings at which both strategic and operational issues are discussed. In addition, Group management produces business plans each year, which are followed up via monthly reports. Group management consists of managers of essential business areas within the Nordnet Group, see pages 51-52.

### **Auditors**

At the 2018 Annual General Meeting, accounting firm Deloitte AB was re-elected as the auditor of Nordnet AB (publ) and all subsidiaries until the end of the Annual General Meeting 2019. The auditors' task is to review the annual accounts, consolidated accounts and accounting, plus the administration of the Board and CEO. The auditors report back on their findings on a number of occasions during the year and are present at the Board meetings that deal with annual accounts. The auditors also have continuous contact with the Audit Committee.

### **Internal audit**

In accordance with the Board's procedures and procedures for the subsidiaries Nordnet Bank AB and Nordnet Pensionsförsäkring AB and the regulations of the Swedish Financial Supervisory Authority, the Board has appointed an independent review function/internal audit, which is directly subordinate to the Board. The internal auditor's work is based on a Board-approved instruction. Internal auditing shall review and periodically evaluate if the company's internal controls are appropriate and effective. As at 2018, the function is held by E&Y.

### **Board control of financial reporting**

The Board monitors the quality of financial reporting in a number of ways. One method is by issuing instructions to the CEO. According to these instructions, the

CEO is responsible for reviewing and ensuring the quality of all financial reporting, and for ensuring that the Board in general receives the reports required in order for it to continually assess the Group's financial position.

The internal reporting and control system is based on annual financial plans, monthly reports and daily checks on key operational figures. The CEO is also responsible for other financial information, such as ensuring that press releases and presentation material are correct and of good quality. The CEO's instructions state the issues on which the CEO is permitted to exercise his authority to represent the company only after authorization by the Board.

The Group works with internal control in accordance with the principles associated with the three lines of defence. The assessment of the efficiency of internal control is largely conducted by the independent control functions. These consist of the function for Risk Control, Compliance and internal audit, which monitor adherence to internal and external regulations and risk limits. The tasks performed by the Audit Committee ensure that the financial reports maintain a high standard. The Board follows up and assesses this quality assurance by receiving monthly reports on the company's earnings trend, credit and risk exposure and relevant sector data and by addressing the Group's financial situation at each Board meeting.

During 2018, no interim reports were subject to review by the company's auditors. The Group's auditors report their findings to the Board in connection with the review of the annual accounts. In addition, the Board meets the company's auditors at least once a year – without the presence of the executive management team – to learn about the focus and scope of the audit, and to discuss coordination between the external and internal audits and views of the company's risks. The auditor issues a presentation and receives feedback from the Board regarding the focus and scope of the audit.

## Work over the year

### Annual Report 2018

Nordnet's 2018 Annual General Meeting was held on 26 April 2018. Hans Larsson was elected Chairman of

the AGM. The resolutions of the Annual General Meeting included:

- A dividend of SEK 0.58 per share (1.00) was to be paid to shareholders for 2017.
- The Board shall have seven regular members and no deputies.

#### Attendance at the AGM

2018	100%
2017	98%
2016	63%

*Percent of votes and capital.*

## Board of Directors

The Board held 22 meetings over the year, of which seven were conducted by per capsulam. The tables on page 46 show attendance of meetings in 2018.

The work of the Board takes place at an intensive pace in order to support the CEO and other members of Group management. At each meeting, the Board discussed a number of issues relating to strategic and business-related areas. During the year, Nordnet officials have also taken part in Board meetings by presenting reports. Every month, the Board receives a report on the company's earnings trend, credit and risk exposure and relevant industry data. See the table of Board meetings for decisions made in 2018 on page 46. For information about Board members, see the section Board of Directors and auditors on page 50.

## Remuneration Committee

As at 31 December 2018, the Remuneration Committee consists of Christian Frick (Chairman), Tom Dinkelspiel and Hans Larsson. The Committee has conventionally handled matters as wages, compensation, incentive compensation and other employment terms for the CEO and the company's top management and incentive programmes for key employees. During 2018, the Committee held six meetings.

## Audit Committee

As at 31 December 2018, the Audit Committee consists of Tom Dinkelspiel (Chairman), Christian Frick and Hans Larsson. Among other matters, the committee has prepared the work of the Board regarding qual-

**Attendance Board meetings and committee meetings 2018**

	<b>Board meetings</b>	<b>Remuneration committee</b>	<b>Credit committee<sup>1</sup></b>	<b>Audit committee</b>	<b>Risk and compliance committee</b>
Hans Larsson	22 of 22	6 of 6	6 of 6	10 of 10	9 of 9
Jan Dinkelspiel	22 of 22		5 of 6		9 of 9
Tom Dinkelspiel	22 of 22	6 of 6		9 of 10	
Christopher Ekdahl	20 of 22		6 of 6		7 of 9
Christian Frick	22 of 22	6 of 6		6 of 10	
Pierre Siri	22 of 22				
Per Widerström	22 of 22				

<sup>1</sup> The committee is only in Nordnet Bank AB

ity assurance of financial reporting and maintained constant contact with the external auditor. In 2018, the Committee held ten meetings.

**Risk and Compliance Committee**

The Risk and Compliance Committee consists of Hans Larsson (Chairman), Jan Dinkelspiel and Christopher Ekdahl at 31 December 2018. The committee is tasked with monitoring and providing the Board with greater access to information concerning compliance, risk and incident reporting of the organization and its operations. The Committee held nine meetings during the year.

**Credit Committee (committee in Nordnet Bank AB)**

The Credit Committee consists of Christopher Ekdahl (Chairman), Hans Larsson and Jan Dinkelspiel at the end of 2018. The Committee has determined and prepared the annual report of the Board's limits and limits on the company's Board of Directors in accordance with the applicable credit policy and credit instruction at all times. The Committee held six meetings over the year.

**CEO**

Since 2 October 2018, Anders Danielsson has been the Acting CEO of Nordnet. Anders Danielsson succeeded former CEO Peter Dahlgren. More information is available under Management on page 51.

**Board meetings 2018**

<b>Meeting</b>	<b>Topics discussed</b>
January	Ordinary matters. Year-end report from previous year. Suggested dividend.
March	Ordinary matters. Notice of AGM. Strategy. Report from auditor regarding audit of annual accounts 2017. Internal capital adequacy assessment.
April (before and after AGM)	Ordinary matters. Education ("Risks" and "Human Capital"). Decisions on members of the board committees, board procedures, etc. Q1 results.
June	Ordinary matters. Education (Continuity management). Strategy.
July	Q2 result.
September	Ordinary matters. Education ("The Nordic insurance market" and "Nordnet's regulatory status"). Internal capital assessment. ORSA. ICLAAP (formerly "IKLU")
October	Ordinary matters. Education (GDPR and IDD). Q3 result. Strategy. Evaluation of the Board.
December	Ordinary matters. Budget and forecast for 2019. Discussions about dividend for 2018. Plan for Board education 2019. Annual presentation of major credit commitments. Business insurance.



## Group management

As at 31 December 2018, Group management consisted of 14 people: Anders Danielsson, Anders Skar, Anne Buchardt, Carina Tovi, Fredrik Ekblom, Hannes Wadell, Jakob Bergfeldt, Johan Tidestad, Martin Andersson, Martin Ringberg, Rasmus Järborg, Ronnie Bodinger, Suvi Tuppurainen and Sylvia Ndikumasabo.

During the year, further changes were made to Nordnet Group management. From 5 February, Jakob Bergfeldt, Chief Lending Officer, is a part of Group management. Eva Trouin, Country Manager Sweden, left her position on 9 May and was succeeded by Martin Ringberg. Jenny Garneij, Chief Human Capital & Communications Officer, left Nordnet on 14 May and was replaced by Karin Isberg as the Acting HR Manager between 28 May-31 December.

Tuva Palm, Chief Customer Experience Officer, left Nordnet on 7 June. Her former role was divided into two – Ronnie Bodinger began as the CTO on 7 June, and Rasmus Järborg began as CPO on 2 October. Niklas Odenwall, Country Manager Denmark, left Nordnet in the third quarter and was replaced in October by Anne Buchardt. Anders Danielsson took office as the acting CEO on 1 October, and thereby succeeded former CEO Peter Dahlgren. A search process for a permanent CEO is ongoing.

The management team is presented in more detail in the Group Management section on pages 51-52.

## Audits and auditors

At the 2018 Annual General Meeting, accounting firm Deloitte AB was re-appointed as the auditor for Nordnet AB and all of its subsidiaries until the 2019 Annual General Meeting. The principal auditor is Authorized Public Accountant Jan Palmqvist.

## Remunerations

### Remuneration to the Board of Directors

The Annual General Meeting of 2018 resolved that total remuneration of the Board members for the current year would amount to SEK 2,100,000 (1,950,000), of which SEK 500,000 (500,000) was paid to the Chairman of the Board, Hans Larsson, with SEK 250,000 (250,000) to Pierre Siri and SEK 150,000 (150,000) to

each of the other members. In addition, fees for work in the Board's committees include SEK 25,000 per committee in which the member participates. A fee of SEK 50,000 is paid to the Chairman of the respective committees. Fees for work in the Risk and Compliance Committee, however, amount to SEK 150,000 to the chairman and SEK 75,000 to the other members of the Committee. For more information, please see Note 12.

### Remuneration to the CEO and Group Management

Remuneration to the CEO and other members of Group management is made up of fixed remuneration, variable remuneration, pension and other benefits. Remuneration levels shall be consistent with and promote effective risk management, shall not encourage excessive risk-taking, shall correspond to the company's business strategy, objectives, values and long-term interests and shall not, with regards to total variable pay, limit the company's capacity to maintain a sufficient capital base or, where necessary, to strengthen the capital base.

Fixed remuneration is individual and takes into consideration the individual executive's areas of responsibility, experience, performance and results achieved. Nordnet is a valuation-governed company, which is why performance is also valued in relation to the company's values. Fixed remuneration is reviewed annually.

Fixed remuneration to former CEO Peter Dahlgren for 2018 amounted to SEK 416,667 (416,667) per month and a car benefit of SEK 8,250 (8,283) per month in 2018. Peter Dahlgren received salary until 1 October 2018 with six months' severance pay thereafter. Fixed remuneration of the current Acting CEO Anders Danielsson amounted to SEK 416,667 per month as of 1 October 2018. Håkan Nyberg, CEO between 2012-2017, received SEK 192,500 in severance pay per month as of 1 January 2018 until the end of December 2018. For more information, see Note 12.

With the exception of the CEO, Nordnet has the same pension policy for senior executives as for other employees. The pension plan is premium-based, and the premium for service pension insurance is based on age, salary and the base amount that appears for each applicable premium plan. For members of Group management not residing in Sweden, local rules are ap-

**Remuneration to CEO and corporate executives 2018**

SEK thousands	Year	Fixed	Benefits	Pension expenses	Total
CEO Håkan Nyberg	2018	-	-	-	-
	2017	-9,464	-397	-1,344	<b>-11,205</b>
CEO Peter Dahlgren	2018	-6,250	-50	-2,758	<b>-9,058</b>
	2017	-4,707	-50	-2,314	<b>-7,071</b>
Acting CEO Anders Danielsson	2018	-1,250	-2	-544	<b>-1796</b>
Other corporate executives <sup>1</sup>	2018	-29,522	-1,029	-6,280	<b>36,830</b>
	2017	-21,826	-816	-3,258	<b>-25,899</b>

<sup>1</sup> During 2018, the average number of persons in the management team was 14.2 (whereof 1.2 consultants) compared to 12.7 during 2017.

plied that lead to a pension under equivalent terms. The same policy is to be applied regarding future pension obligations. Pension payments to Peter Dahlgren and Anders Danielsson correspond to 35 percent of the fixed salary in 2018.

The period of notice that from the company to former CEO Peter Dahlgren was 12 months, and the period of notice from the CEO to the company was six months. The period of notice for Anders Danielsson, Acting CEO, is a mutual one month period of notice by both the company and the CEO.

The other members of the Group management team have between three and nine months' notice. There are no special benefits for senior executives except for paid medical insurance. All employees have the opportunity to lease a car at cost.

### Remuneration to auditors

A total of SEK 5,843 thousand (4,622) was paid to auditors and audit firms in 2018. This amount relates to audits, advice and other review work linked with auditing. Remuneration has also been paid for other advice, of which most was for relates to consultation concerning accounting and tax issues. For more information, please see Note 12.

### Internal control

The Board's internal control report is prepared in accordance with the Swedish Code of Corporate

Governance and chap. 6, Section 6, Paragraph 2 of the Swedish Annual Accounts Act (1995:1554).

Internal control of financial reporting is defined as the process, carried out by the Board, management and other relevant personnel, serving to establish reasonable assurance of the accuracy of financial reporting. Internal control work regarding financial reporting is structured around the three internal control components detailed below: Control environment and monitoring, Risk assessment and control activities, and Information and communication. This report deals only with internal control regarding financial reporting.

### Monitoring and control

The Board of Directors bears the utmost responsibility for operations being conducted with good internal control. The Board is responsible for risk management being appropriate and effective and in accordance with the Group's strategies and targets. The CEO has the overall responsibility for managing the Group's risks in accordance with policies and instructions and for operations being conducted in accordance with external and internal rules.

The operations constitute the first line of defence against risks in the organization. Risk Control and Compliance constitute the second line of defence, and Internal Audit is the third line of defence, which on behalf of the Board monitors both the first and second line of defence.

Risk Control and Compliance are independent of the business activities. Both functions are directly subordinate to the CEO and regularly report to both the CEO and the Board. Internal audit is directly subordinate to the Board, and has the primary task of, based on the audit done, assessing and making a statement to the Board and CEO regarding the bank's governance, risk management and internal control being appropriate and effective. The internal audit function reports to the Board.

### **Risk assessment and control activities**

Nordnet constantly assesses the risks in its financial reporting; i.e. it identifies, analyses and assesses the principal risks of misstatement in the financial reports. The identification, analysis and assessment takes into account the complexity of business operations, the level of systems support and the quality of procedures and controls. Review and analysis play a central role, in which cumulative effects are also analysed. The control activities serve to detect, guard against and limit risks and the assumption of risks in operations while also preventing deviations and errors in financial reporting.

### **Information and communication**

Nordnet's Board has set policies, guidelines and routines to safeguard its financial reporting. These are made available and kept updated via Nordnet's intranet. Knowledge and awareness of these are obtained by means of ongoing internal training and information for the various departments and functions covered by internal reporting responsibility in respect of financial statistics and information.

## Board of Directors and auditors



### Hans Larsson, Chairman of the Board

**Born:** 1961

**Elected:** 2017

**Current position and other significant assignments:** Board member of Intrum Justitia AB and Svensk Exportkredit (SEK). CEO of Linderyd Advisory.

**Previous positions:** Board member of Nordax AB and Nordax Bank AB, Deputy CEO and board member of Lindorff Group, as well as senior positions in SEB.



### Jan Dinkelspiel, Board member

**Born:** 1977

**Elected:** 2017

**Current position and other significant assignments:** Founder and CEO of 10Xrecruit. **Previous positions:** Chief Innovation Officer and Country Manager of Sweden and Finland at Nordnet.



### Tom Dinkelspiel, Board member

**Born:** 1967

**Elected:** 2007

**Current position and other significant assignments:** Chairman of the Boards of E. Öhman J:or AB and Swedsec Licensiering AB. Board member of Kogmot AB and MPS Holding AB.

**Previous positions:** CEO of E.Öhman J:or Fondkommission AB and of the Öhman Group.



### Christopher Ek Dahl, Board member

**Born:** 1980

**Elected:** 2017

**Current position and other significant assignments:** Director, NC Advisory AB, advisor to Nordic Capital Funds, and a board member of Nordax Bank AB and companies in the Resurs Group.

**Previous positions:** Worked in Investment Banking at Calyon in Paris and Carnegie in Stockholm.



### Christian Frick, Board member

**Born:** 1976

**Elected:** 2017

**Current position and other significant assignments:** Partner, NC Advisory AB, advisor to Nordic Capital Funds, and a board member of the Nordax Group, Resurs Holding AB and MFEX Mutual Funds Exchange AB.

**Previous positions:** Worked in Investment Banking at Morgan Stanley.



### Pierre Siri, Board member

**Born:** 1974

**Elected:** 2017

**Current position and other significant assignments:** Partner in the growth equity fund Sprints Capital and board member of Hemnet.

**Previous positions:** Background in Internet and mobile and previously the CEO and part-owner of Blocket.se and Hitta.se.



### Per Widerström, Board member

**Born:** 1966

**Elected:** 2017

**Current position and other significant assignments:** CEO and Chairman of the Management Board of the gaming company Fortuna Entertainment Group.

**Previous positions:** Senior positions in Gala Coral Group, bwin.party, Telenor, Procter & Gamble and Coca-Cola.

### Auditors

The company's auditor has been Deloitte AB since 2017. Principal auditor is Authorized Public Accountant Jan Palmqvist, born in 1962.

## Management



### **Anders Danielsson, Acting CEO**

**Born:** 1974

**Employed at Nordnet since:** 2017

**Background:** Anders has an MSc in Corporate Finance from Stockholm School of Economics. He has previously worked at SEB and Bain & Company.



### **Anders Skar, Country manager Norway**

**Born:** 1976

**Employed at Nordnet since:** 2005

**Background:** Anders holds an MBA from the Norwegian School of Economics. He previously worked for Accenture.



### **Anne Buchardt, Country Manager Denmark**

**Born:** 1969

**Employed at Nordnet since:** 2018

**Background:** Anne has an MSc in Economics from the University of Copenhagen. She previously worked with wealth management at Nordea.



### **Carina Tovi, Chief Operations Officer**

**Born:** 1965

**Employed at Nordnet since:** 2011

**Background:** Carina has an MSc in Business and Economics from the Stockholm School of Economics. She was formerly employed by Swedbank Robur Fonder, among others.



### **Fredrik Ekblom, CEO Nordnet Pensionsförsäkring AB**

**Born:** 1975

**Employed at Nordnet since:** 2014

**Background:** Fredrik previously worked as the Deputy CEO for Nordnet Pensionsförsäkring. Before then, Fredrik worked at Swedbank Försäkring as Product Manager and Head of Investment Offer.



### **Hannes Wadell, Chief Financial Officer**

**Born:** 1970

**Employed at Nordnet since:** 2017

**Background:** He has an MSc in International Business from Umeå University. He previously worked as the deputy CFO and Treasurer at Klarna.



### **Jakob Bergfeldt, Chief Lending Officer**

**Born:** 1980

**Employed at Nordnet since:** 2014

**Background:** Jakob has an MSc in Financial Economics from Stockholm University. He previously worked in multiple positions at Avanza Bank, most recently as the Head of Credit and Treasury.



### **Johan Tidestad, Chief Communications Officer**

**Born:** 1968

**Employed at Nordnet since:** 2007

**Background:** Johan has a Master of Laws from Uppsala University. He was formerly employed by Bergsgård Petersson Fonder AB and E-Trade Sverige.



### **Martin Andersson, Head of Capital Markets**

**Born:** 1973

**Employed at Nordnet since:** 2002

**Background:** Martin has a degree in Business Administration from Stockholm University. He has previously worked at Teletrade Solutions.



## Management<sup>1</sup>



**Martin Ringberg, Country Manager Sweden**

**Born:** 1976

**Employed at Nordnet since:** 2017

**Background:** Martin previously worked at SEB where he held several roles in savings and investments with a focus on sales.



**Rasmus Järborg, Chief Product Officer**

**Born:** 1976

**Employed at Nordnet since:** 2018

**Background:** Rasmus has an MSc in Business and Economics from the Stockholm School of Economics. He previously worked at SEB, most recently as the Chief Strategy Officer. Prior to that, Rasmus worked at UBS in London.



**Ronnie Bodinger, Chief Technology Officer**

**Born:** 1973

**Employed at Nordnet since:** 2018

**Background:** Ronnie has extensive experience from digital banking operations and in the 1990s he started the online broker hq.se, which subsequently became Avanza. Ronnie previously worked as the CTO at Avanza and as the CIO at MTG and Cabonline.



**Suvi Tuppurainen, Country Manager Finland**

**Born:** 1976

**Employed at Nordnet since:** 2010

**Background:** Suvi has an MSc in Economics from Tampere University, Finland. She has worked in finance since 1998 and was formerly employed by eQ Bank.

<sup>1</sup> In 2018, Sylvia Ndikumasabo, Chief Credit Risk Officer was also a member of Nordnet's management team. Sylvia left her position at Nordnet on 28 February 2019.

## Proposed distribution of profit

<b>The following profits are at the disposal of the Annual General Meeting (SEK):</b>	
Share premium reserve	6,340,175,920
Non-restricted reserve	-
Profit brought forward	165,855,314
Profit of the year	5,542,031
<b>Total</b>	<b>6,511,573,265</b>
<b>The Board proposes the following allocation:</b>	
Carried forward to next year	6,511,573,265
<b>Total</b>	<b>6,511,573,265</b>

The Board of Directors and the CEO provide their assurance that the annual accounts have been prepared in accordance with generally accepted accounting practices in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards as stipulated by the European Parliament and Council's regulation (EC) No. 1606/2002 of 19 July 2002 on the application of international accounting standards and give a fair account of the Parent Company and Group's position and earnings. Furthermore, assurance is given that the Board of Directors' report for the Parent Company and Group, respectively, provides an accurate overview of the development of operations, position and earnings of the Parent Company and the Group, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and the companies within the Group.

# **Financial statements.**

# Financial statements

## Consolidated income statement

Group, SEK thousands	Note	2018	2017
Interest income	8	492,410	431,694
Interest expenses	8	-114,847	-45,425
Commission income	9	983,895	905,112
Commission expenses	9	-287,941	-264,608
Net result of financial transactions	10	177,981	162,360
Other operating income	11	58,916	54,903
<b>Total operating income</b>		<b>1,310,414</b>	<b>1,244,036</b>
General administrative expenses	12	-949,639	-864,578
Depreciation, amortization and impairments of intangibles and equipment	13	-105,863	-90,458
Other operating expenses	14	-77,737	-53,492
<b>Total expenses before credit losses</b>		<b>-1,133,239</b>	<b>-1,008,528</b>
<b>Profit before credit losses</b>		<b>177,175</b>	<b>235,508</b>
Credit losses, net	15	-36,002	-35,301
<b>Operating profit</b>		<b>141,173</b>	<b>200,207</b>
Tax on profit for the year	16	-23,121	-32,874
<b>Profit for the year</b>		<b>118,052</b>	<b>167,333</b>
<b>Of which, attributable to:</b>			
Shareholders of the Parent Company		118,052	167,333

## Consolidated statement of other comprehensive income

Group, SEK thousands	Note	2018	2017
<b>Profit for the year</b>		<b>118,052</b>	<b>167,333</b>
<b>Items that will be reversed to the income statement</b>			
Changes in value of financial assets recognized at fair value through other comprehensive income	31	-32,221	-
Tax on changes in value of financial assets recognized at fair value through other comprehensive income	31	7,089	-
Changes in value of available-for-sale assets	31	-	-5,072
Tax on changes in value of available-for-sale assets	31	-	1,116
Translation of foreign operations	31	8,401	-2,994
Tax on translation of foreign operations		-416	-1,541
<b>Total other comprehensive income after tax</b>		<b>-17,147</b>	<b>-8,491</b>
<b>Total profit or loss and other comprehensive income</b>		<b>100,905</b>	<b>158,842</b>
<b>Of which, attributable to:</b>			
Shareholders of the Parent Company		100,905	158,842



## Consolidated balance sheet

Group, SEK thousands	Note	2018	2017
<b>Assets</b>			
Cash and balances in Central banks		1,344,200	392,304
Treasury bills and other interest bearing securities eligible for refinancing	18	18,260,611	15,903,194
Loans to credit institutions	19	333,024	275,591
Loans to the general public	20	14,204,488	11,852,046
Bonds and other interest bearing securities	21	1,775,715	1,949,008
Shares and participations	22	59,593	59,184
Assets for which customers bear the investment risk	23	51,726,480	46,515,739
Intangible fixed assets	24	414,259	382,151
Tangible fixed assets	25	102,763	41,856
Deferred taxed assets	16	-	1,633
Current tax assets	16	89,094	77,251
Other assets	26	3,617,698	2,749,656
Prepaid expenses and accrued income	27	191,491	140,949
<b>Total assets</b>		<b>92,119,416</b>	<b>80,340,562</b>
<b>Liabilities</b>			
Deposits and borrowing from the general public	28	35,225,181	29,063,690
Liabilities for which customers bear the investment risk	23	51,726,480	46,515,739
Other liabilities	29	2,952,826	2,544,693
Current tax liabilities	16	42,105	8,017
Deferred tax liabilities	16	23,187	34,415
Accrued expenses and deferred income	30	161,398	149,355
<b>Total liabilities</b>		<b>90,131,177</b>	<b>78,315,909</b>
<b>Equity</b>	31		
Share capital		1,000	1,000
Other capital contributions		6,821,256	6,821,256
Other reserves		-85,014	-67,867
Retained earnings including profit for the year		-4,749,002	-4,729,736
<b>Total equity</b>		<b>1,988,239</b>	<b>2,024,653</b>
<b>Total liabilities and equity</b>		<b>92,119,416</b>	<b>80,340,562</b>

## Consolidated statement of changes in equity

Group, SEK thousands	Share capital	Other contributed capital	Other reserves <sup>1</sup>	Retained earnings including profit for the year	Attributed to the owners of the parent company	Total equity
<b>Equity brought forward 1 January 2017</b>	<b>175,028</b>	<b>481,080</b>	<b>-59,376</b>	<b>1,382,152</b>	<b>1,978,885</b>	<b>1,978,885</b>
Profit after tax reported in the income statement	-	-	-	167,333	167,333	<b>167,333</b>
Comprehensive income after tax	-	-	-8,491	-	-8,491	<b>-8,491</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-8,491</b>	<b>167,333</b>	<b>158,842</b>	<b>158,842</b>
<b>Transactions with the owners:</b>						
Dividend issued	-	-	-	-174,452	-174,452	<b>-174,452</b>
Cash issue	239	1,818,719	-	-	1,818,958	<b>1,818,958</b>
Performance-related share programme	-	-	-	-9,233	-9,233	<b>-9,233</b>
Unconditional shareholders' contribution	-	49,670	-	-	49,670	<b>49,670</b>
Non-cash issue	711	4,471,787	-	-	4,472,498	<b>4,472,498</b>
Bonus issue	172,283	-	-	-	172,283	<b>172,283</b>
Reduction of share capital	-172,283	-	-	172,283	-	<b>-</b>
Change in group structure 2017	-174,978	-	-	-6,267,820	-6,442,798	<b>-6,442,798</b>
	<b>-174,028</b>	<b>6,340,176</b>	<b>-</b>	<b>-6,279,222</b>	<b>-113,074</b>	<b>-113,074</b>
<b>Equity carried forward 31 December 2017</b>	<b>1,000</b>	<b>6,821,256</b>	<b>-67,867</b>	<b>-4,729,736</b>	<b>2,024,653</b>	<b>2,024,653</b>
<b>Group, SEK thousands</b>						
<b>Equity brought forward 1 January 2018</b>	<b>1,000</b>	<b>6,821,256</b>	<b>-67,867</b>	<b>-4,729,736</b>	<b>2,024,653</b>	<b>2,024,653</b>
Profit after tax reported in the income statement	-	-	-	118,052	118,052	<b>118,052</b>
Comprehensive income after tax	-	-	-17,147	-	-17,147	<b>-17,147</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-17,147</b>	<b>118,052</b>	<b>100,905</b>	<b>100,905</b>
<b>Transactions with the owners:</b>						
Effect of changed accounting principles IFRS 9 as of January 1, 2018	-	-	-	-37,830	-37,830	<b>-37,830</b>
Dividend issued	-	-	-	-100,000	-100,000	<b>-100,000</b>
Effect of changed tax rate untaxed reserves	-	-	-	513	513	<b>513</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-137,317</b>	<b>-137,317</b>	<b>-137,317</b>
<b>Equity carried forward 31 December 2018</b>	<b>1,000</b>	<b>6,821,256</b>	<b>-85,014</b>	<b>-4,749,002</b>	<b>1,988,239</b>	<b>1,988,239</b>

<sup>1</sup> See Note 31

## Consolidated cash flow statement (direct method)

Group, SEK thousands	Note	2018	2017
<b>Current operations</b>			
Interest received		377,377	437,240
Interest paid		-63,611	-77,133
Provisions received		983,895	905,112
Provisions paid		-287,941	-264,608
Net received from financial transactions		182,569	164,521
Other operating payments		60,045	71,540
Dividend received		176	269
Payments to suppliers and employees		-981,098	-866,804
		<b>271,412</b>	<b>370,137</b>
<b>Increase/decrease of assets of current operations</b>			
Increase (-)/decrease (+) of lending to the general public		-2,353,194	-2,338,393
Increase (-)/decrease (+) of other assets		-412,296	-171,596
<b>Increase/decrease of liabilities of current operations</b>			
Increase (+)/decrease (-) of deposits and borrowing among the general public		5,538,817	4,414,634
Increase (+)/decrease (-) of liabilities		505,888	354,353
Income taxes paid		-37,963	-43,928
<b>Cash flow from current operations</b>		<b>3,512,664</b>	<b>2,585,207</b>
<b>Investing activities</b>			
Acquisition of subsidiary company		-	-1,837,128
Acquisition of intangible assets	24	-112,144	-87,980
Acquisition of tangible assets	25	-84,016	-29,134
Investments in securities		-12,894,554	-11,782,800
Sales of securities		10,685,869	9,363,643
<b>Cash flow from investing activities</b>		<b>-2,404,845</b>	<b>-4,373,399</b>
<b>Financing activities</b>			
Cash issue		-	1,818,957
Shareholders' contribution		-	49,670
Dividend paid		-100,000	-174,452
<b>Cash flow from financing activities</b>		<b>-100,000</b>	<b>1,694,175</b>
<b>Cash flow for the year</b>		<b>1,007,819</b>	<b>-94,017</b>
Cash and cash equivalents, January 1		667,895	765,464
Exchange rate differences in cash and cash equivalents		1,510	-3,552
<b>Cash and cash equivalents at year-end</b>		<b>1,677,224</b>	<b>667,895</b>
<b>Cash and cash equivalents include: <sup>1</sup></b>			
Cash and balances in Central Banks		1,344,200	392,304
Loans to credit institutions (bank deposits) <sup>2</sup>	19	333,024	275,591
		<b>1,677,224</b>	<b>667,895</b>

<sup>1</sup> This amount includes blocked funds of SEK 91 million (82).

<sup>2</sup> Lending to credit institutions (bank deposits) includes only investments with a maturity less than 3 months.

## Parent Company income statement

Parent Company, SEK thousands	Note	2018	2017
Net sales	35	8,184	3,535
<b>Total operating income</b>		<b>8,184</b>	<b>3,535</b>
Other external expenses	36	-4,147	-6,797
Personnel expenses	37	-14,448	-3,532
Other operating expenses		36	-1,270
<b>Total operating expenses</b>		<b>-18,559</b>	<b>-11,599</b>
<b>Operating profit</b>		<b>-10,375</b>	<b>-8,064</b>
<b>Result from financial investments</b>			
Profit from shares in Group companies	38	17,553	272,283
Interest expenses and similar expense items		-3	-
<b>Result from financial investments</b>		<b>17,550</b>	<b>272,283</b>
<b>Profit after financial items</b>		<b>7,175</b>	<b>264,219</b>
Tax on profit for the year	39	-1,633	1,633
<b>Profit for the year <sup>1</sup></b>		<b>5,542</b>	<b>265,852</b>

<sup>1</sup> Matches the comprehensive income as there is no other comprehensive income.

## Parent Company's balance sheet

Parent Company, SEK thousands	Note	2018	2017
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares in Group companies	40	6,503,933	6,503,933
		<b>6,503,933</b>	<b>6,503,933</b>
<b>Current assets</b>			
Current receivables from Group companies		16,037	100,000
Deferred tax asset		-	1,633
Current tax receivables		445	405
Other receivables		225	-
Prepaid expenses and accrued income	41	-	148
		<b>16,707</b>	<b>102,186</b>
Cash and cash equivalents		1,655	3,035
<b>Current assets, total</b>		<b>18,362</b>	<b>105,221</b>
<b>Total assets</b>		<b>6,522,295</b>	<b>6,609,154</b>
<b>Equity</b>	42		
<b>Restricted equity</b>			
Share capital		1,000	1,000
		<b>1,000</b>	<b>1,000</b>
<b>Non-restricted equity<sup>1</sup></b>			
Share premium reserve		6,340,176	6,340,176
Retained earnings		165,855	3
Profit for the year		5,542	265,852
		<b>6,511,573</b>	<b>6,606,031</b>
<b>Total equity</b>		<b>6,512,573</b>	<b>6,607,031</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Liabilities to Group companies		4,478	-
Other liabilities	43	994	661
Accrued expenses and deferred income	44	4,250	1,462
<b>Total liabilities</b>		<b>9,722</b>	<b>2,123</b>
<b>Total equity and liabilities</b>		<b>6,522,295</b>	<b>6,609,154</b>

<sup>1</sup> For further information, see note 46 - events after the balance sheet date

## Parent Company's changes in shareholders' equity

Parent Company, SEK thousands	Share capital	Share premium reserve	Other non-restricted reserves	Retained earnings	Profit for the year	Total
<b>Equity brought forward 1 January 2017</b>	<b>50</b>	-	-	-	-	<b>50</b>
Reallocation of last year's profit	-	-	-	-	-	-
Profit after tax reported in the income statement	-	-	-	-	265,852	<b>265,852</b>
<b>Total comprehensive income</b>	-	-	-	-	<b>265,852</b>	<b>265,852</b>
<b>Transactions with the owners</b>						
Dividend issued	-	-	-	-172,280	-	<b>-172,280</b>
Cash issue	239	1,818,719	-	-	-	<b>1,818,958</b>
Non-cash issue	711	4,471,787	-	-	-	<b>4,472,498</b>
Bonus issue	172,283	-	-	-	-	<b>172,283</b>
Reduction of share capital	-172,283	-	-	172,283	-	-
Unconditional shareholders' contribution	-	49,670	-	-	-	<b>49,670</b>
<b>Equity carried forward 31 December 2017</b>	<b>1,000</b>	<b>6,340,176</b>	-	<b>3</b>	<b>265,852</b>	<b>6,607,031</b>
<b>Equity brought forward 1 January 2018</b>	<b>1,000</b>	<b>6,340,176</b>	-	<b>3</b>	<b>265,852</b>	<b>6,607,031</b>
Reallocation of last year's profit	-	-	-	265,852	-265,852	-
Profit after tax reported in the income statement	-	-	-	-	5,542	<b>5,542</b>
<b>Total comprehensive income</b>	-	-	-	-	<b>5,542</b>	<b>5,542</b>
<b>Transactions with the owners</b>						
Dividend issued	-	-	-	-100,000	-	<b>-100,000</b>
<b>Equity carried forward 31 December 2018<sup>1</sup></b>	<b>1,000</b>	<b>6,340,176</b>	-	<b>165,855</b>	<b>5,542</b>	<b>6,512,573</b>

<sup>1</sup> For further information, see note 46 - events after the balance sheet date



## Parent Company's cash flow statement (direct method)

Parent Company, SEK thousands	Note	2018	2017
<b>Cash flow from current operations</b>			
Net received from financial transactions		-3	-69
Other operating payments		9,700	3,485
Payments to suppliers and employees		4,892	-10,165
<b>Cash flow from current operations before changes in working capital</b>		<b>14,589</b>	<b>-6,749</b>
<b>Cash flow from changes in working capital</b>			
Decrease (+)/increase (-) of other receivables		-16,262	-
Increase (+)/decrease (-) of liabilities		333	661
Paid income taxes		-40	-405
<b>Cash flow from current operations</b>		<b>-1,380</b>	<b>-6,493</b>
<b>Investing activities</b>			
Acquisition of subsidiary company		-	-1,859,152
<b>Cash flow from investing activities</b>		<b>-</b>	<b>-1,859,152</b>
<b>Financing activities</b>			
Cash issue		-	1,818,957
Shareholders' contribution		-	49,670
Dividend received		100,000	172,283
Dividend paid to shareholders		-100,000	-172,280
<b>Cash flow from financing activities</b>		<b>-</b>	<b>1,868,630</b>
<b>Cash flow for the year</b>		<b>-1,380</b>	<b>2,985</b>
Cash and cash equivalents, January 1		3,035	50
<b>Cash and cash equivalents at year-end</b>		<b>1,655</b>	<b>3,035</b>

Cash and cash equivalents refers to the company's bank accounts.

**Notes.**

# Notes

## Note 1 Company information

The consolidated accounts for Nordnet AB (publ) for the financial year ending 31 December 2018 have been approved by the Board of Directors and CEO for publication on 22 March 2019 and will be presented for adoption by the Annual General Meeting on 21 March 2019. The registered office of Nordnet AB (publ) is Alströmergatan 39, Box 30099, 104 25 Stockholm, Sweden.

Nordnet is owned by the Öhman Group with an interest of around 60 percent and Nordic Capital with an interest around 40 percent. The Öhman Group is comprised of E. Öhman J:or AB, partly in the form of direct ownership, and also because family members of the owners of E. Öhman J:or AB have direct holdings in Nordnet AB (publ). Nordic Capital holds direct ownership through Nordic Capital Fund VIII.

The Group offers financial services and products in the home markets Sweden, Norway, Denmark and Finland. The activities are further described in the Board of Directors' Report.

On 1 March 2019, a merger was made between NNB Intressenter AB, org. reg. no. 559073-6681 and its wholly owned subsidiary Nordnet AB (publ), org. reg. no. 556249-1687, whereby NNB Intressenter AB absorbed Nordnet AB (publ) and Nordnet AB (publ) was dissolved without liquidation. NNB Intressenter AB thereby took over all assets and liabilities in Nordnet AB (publ) as of 1 March 2019. For further information, see note 46 Events after the balance sheet date. In connection with the execution of the merger, the overtaking company NNB Intressenter AB changed its company name to Nordnet AB (publ) and changed the company category from a private to a public company. This annual report was prepared after the execution of the merger and registration of name changes. Nordnet AB (publ), org. reg. no. 559073-6681 is now the Parent Company of the Group.

## Note 2 Basis for compilation of accounts

### Statement of compliance with applied regulations

The financial statements and the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and interpretative statements from the IFRS Interpretations Committee as approved by the EU.

In addition, the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1559) on Annual Accounts of Credit Institutions and Securities Companies (ÅRKL); the Financial Supervisory Authority's Regulations and General Advice on Annual Accounts of Credit Institutions and Securities Companies (FFFS 2008:25) including applicable amendments; the Swedish Financial Reporting Recommendations RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company's annual report is prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and with application of the Swedish Financial Reporting Boards RFR 2 Accounting for legal entities. This entails that the Parent Company applies the same accounting principles as in the Group with the exceptions and additions set out in Swedish accounting legislation. IFRS valuation and rules of disclosure are applied with the exceptions and additions specified in the section concerning the Parent Company's accounting principles.

The accounting is based on historical cost. Financial assets and liabilities are recognized at amortized cost, with the exception of certain financial assets and liabilities that are recognized at fair value. Financial assets and liabilities measured at fair value include derivative instruments, financial instruments classified as financial assets or liabilities measured at fair value via profit or loss or fair value via other comprehensive income. In addition to this, liabilities where the customer bears the investment risk are recognized at fair value, other recognition.

The accounting principles stated below were applied consistently in all periods presented in the financial statements, unless stated otherwise.

## Note 3 New and amended standards

### The following standards are applied for the first time for the financial year beginning on 1 January 2018

#### IFRS 9 Financial instruments

As of 1 January 2018, Nordnet applies IFRS 9 Financial Instruments to entirely replace IAS 39. See Note 5 for further information on what impact IFRS 9 has on Nordnet's financial statements.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers are based on the principle that income is reported when the customer receives control of the sold item or service and has the opportunity to use and receive benefit from the goods or service. The standard will provide users of financial reports with more useful information about the company's income. The expanded disclosure obligation entails that information about type of income, timing of recognition, uncertainties linked to income recognition and cash flow attributable to the company's customer contracts must be disclosed. The income standard applies to all contracts with customers. Nordnet has analysed the contract based on the five steps in IFRS 15 and concluded that the standard has no impact on income recognition.

### Standards that will come into force in 2019 and beyond

When preparing the Group's financial statements, there are standards and interpretations published by the International Accounting Standards Board (IASB), which are not yet in force and have not been applied in advance for the preparation of these financial reports. The following is a preliminary assessment of the impact that the introduction of these standards and interpretations may have on the company's financial reports. In addition to the standards and interpretations described below, other standards and interpretations are not expected to affect the Group's financial reports.

#### IFRS 16 Leases

The new standard IFRS 16 Leases replaced IAS 17 Leases and enters into effect for financial years that begin on 1 January 2019.

The application of the standard means that all leases will be reported as an asset with the right of use and as a corresponding liability in the lessee's balance sheet. The depreciation of the asset is recognized in the income statement and the lease payments are divided up into interest expense and amortization. The standard exempts leases with a leasing period of less than 12 months (short-term leases) and leases for assets with a low value, from recognition as an asset and liability. For Nordnet, rental contracts for premises and leases for cars are included, but Nordnet does not consider other contracts to be material. The reporting requirements for lessors are largely unchanged.

The standard must either be applied retroactively for the respective period in the financial statements, or retroactively without conversion of earlier periods (simplified transition method). Nordnet will apply the simplified transition method, which means that the asset in the transition period will be linked to being equal with the liability, which means that no effect of the transition will be presented in equity. No comparative figures will be restated.

The costs of these leases will be recognized in the income statement as depreciation or interest expense. Key performance indicators for capital effect and indebtedness will be negatively impacted when recognized assets and interest-bearing liabilities increase.

Nordnet has chosen to use the rate that corresponds to a Swedish five-year government bond for our premises leases. In the contracts for leased vehicles, a variable interest rate is given. Nordnet's weighted average marginal borrowing rate is 0.05 percent.

At 1 January 2019, Nordnet's right-of-use (ROU) assets and attributable financial liability amounted to SEK 239,344 thousand.

#### IFRS 17 Insurance Contracts

IFRS 17 will replace IFRS 4 and will entail significant changes. Unlike IFRS 4, IFRS 17 also contains rules on

how insurance contracts are to be valued and presented. The standard aims at creating a uniform method of accounting for all types of insurance contracts, a higher degree of transparency of insurance companies' earnings and increased comparability between companies and countries. The definition of an insurance contract is basically unchanged compared with IFRS 4, while the rules for separation of investment and service components are slightly adjusted. Formats in the income statements and balance sheets will be changed and the requirements for supplementary information will be expanded substantially. Provided that IFRS 17 is adopted by the EU and the date of entry into force proposed by the IASB is not amended, the standard will apply from the financial year 2022. The Group is currently analysing the financial impact of the new standard.

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

## Note 4 Critical accounting estimates and assumptions

Establishing financial reporting in accordance with IFRS requires that management conduct assessments and estimates as well as make assumptions that affect the application of the accounting principles and the reported amounts of assets and liabilities on the balance sheet date and report income and expenses during the reporting period. Estimates and assumptions are based on historical experience and a number of other factors that seem reasonable under current conditions. The result of these estimates and assumptions is then used to assess the reported values of assets and liabilities that are not otherwise clearly stated from other sources. Estimates and assumptions are reviewed regularly. Actual outcomes may deviate from these estimates and assessments.

Below is a discussion of the areas in which the risk of changes in value over the following year is greatest due to the fact that the assumptions or estimates may need amending.

### Impairment testing of goodwill

The value of recognized goodwill is tested at least once a year to determine whether the asset may be impaired. This testing requires an assessment of the utility value

of the cash generating unit, or groups of cash generating units, to which the goodwill value is attributable. This in turn requires the anticipated future cash flow from the cash generating unit to be estimated and a relevant discount rate to be established for calculation of the present value of the cash flow. The assessments made as at 31 December 2018 are specified in Note 24.

### Provision for credit losses

The credit loss provision models for Residential mortgages, Granting of unsecured loans, Margin loans and the Liquidity portfolio consist of several estimates and assessments, described in Note 7, page 86, under the heading "Determining significant increase in credit risk after initial recognition".

## Note 5 Accounting principles applied

### Consolidated accounts

The consolidated accounts comprise the Parent Company and its subsidiaries where controlling influence is held. The financial reports of the Parent Company and subsidiaries included in the consolidated accounts relate to the same period and have been compiled in accordance with the accounting principles applicable to the Group. The Parent Company has controlling influence when it has the influence and ability to exert its influence over the other company's relevant operations and is exposed to variable returns and has the ability to use its influence to affect returns. Controlling influence exists when the Parent Company directly, or indirectly through subsidiaries, holds over half of the voting rights in a company. A subsidiary is included in the consolidated accounts from the time of acquisition, which is the date on which the Parent Company takes on controlling influence and is included in the consolidated accounts until the date on which the controlling interest ceases. The acquisition method entails that acquired identifiable assets, liabilities and contingent liabilities that meet the accounting conditions are reported and valued at fair value at the acquisition date. A surplus between the acquisition value and the business combination and the fair value of the acquired participation is reported as goodwill. If the amount is less than fair value, the difference is recognized directly in the income statement in other income. Acquisition-related costs are reported as expenses when incurred. No provisions are made for expenses for planned restructuring measures resulting from the acquisition.

A subsidiary's contribution to equity consists solely of the capital that is acquired between date of acquisition and date of disposal. All intra-group dealings that arise in transactions between companies included in the consolidated accounts are eliminated in their entirety.

The consolidated accounts are presented in Swedish kronor (SEK), which is the functional currency and reporting currency of the Parent Company. Each company included in the Group determines its functional currency based on its primary economic environment. Transactions in foreign currencies are reported after translation using the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are converted into functional currency at the exchange rate on the balance sheet date. All exchange rate differences are reported in the income statement. Non-monetary items in foreign currency that are valued at their historical cost are valued in the functional currency, using the exchange rate at the time of the original transaction.

### Translation of foreign currency

Assets and liabilities in subsidiaries and associated companies with a functional currency other than SEK are translated into the reporting currency at the

exchange rate on the balance sheet date. For recalculation of the income statement, an average price for the period is usually used for practical reasons. Translation differences that occur are reported in other comprehensive income.

### Classification

Fixed assets and long-term liabilities principally consist of amounts that are expected to be realized (recovered) or paid within 12 months from the report period. Current assets and current liabilities principally consist of amounts that are expected to be realized (recovered) or paid within 12 months from the report period.

### IFRS 9 Financial instruments

IFRS 9 affects Nordnet in the following three areas: Classification and measurement of financial instruments, Impairment and Hedge accounting.

The table below presents a reconciliation of the provisions in accordance with IAS 39 against the opening balance of loss reserves determined in accordance with IFRS 9. Refer also to the table under "Consolidated statement of changes in equity" regarding the effect of changed accounting principles.

Million SEK IAS 39	IFRS 9	IAS 39	IFRS 9	Effect of change in loss reserve
31 December 2017	1 January 2018	31 December 2017	1 January 2018	
Specific reservations for individually valued loan receivables		37		-37
<b>Financial assets recognized at amortized cost</b>				
	Step 1		20	20
	Step 2		26	26
	Step 3		39	39
<b>Financial assets recognized at fair value through other comprehensive income</b>				
	Step 1		0	0
<b>Total</b>		<b>37</b>	<b>85</b>	<b>48</b>

The tax effect on transition to IFRS 9 amounted to a negative SEK 11 million. Provisions in accordance with IAS 39, as a whole, refer to reserves for financial assets classified as Loans and receivables.



Following the transition to IFRS 9, Nordnet applies the following classification. The table shows a simplified picture of how the classification of Nordnet's financial instruments has changed in connection with the transition.

Classification under IAS 39	Measurement in accordance with IFRS 9
Loans and receivables	Amortized cost
Instruments held for maturity	Amortized cost
Available-for-sale financial assets	Fair value through other comprehensive income
Financial assets at fair value through profit and loss	Fair value through profit and loss
Other financial liabilities	Amortized cost

Nordnet has evaluated the business model for its portfolios of financial instruments based on how they are managed and evaluated. The liquidity portfolio, which until 31 December 2017 was reported according to "Held to maturity" and "Available for sale" is classified according to "Hold to collect" and "Hold to collect and sell as of 1 January 2018. The transition in general has not caused any material differences compared with how the financial instruments were measured previously and thereby have no financial impact on Nordnet.

## Financial assets

Financial assets recognized in the balance sheet include, on the asset side, Cash and balances in central banks, treasury bills eligible for refinancing, etc. Assets where the customer bears the investment risk, Loans to credit institutions, Loans to the general public, Bonds and other interest-bearing securities, Shares and participations, Other assets and Accrued income. Currency derivatives are reported as either assets or liabilities, depending on whether the fair value is positive or negative.

Acquisitions and disposals of financial assets are recognized on the transaction date, which represents the day on which the company undertakes to acquire or dispose of the asset. A financial asset is de-recognized from balance sheet when the contractual rights to cash flow cease or when the Group for all material purposes has transferred all risks and benefits associated with ownership of the financial asset.

The same applies to parts of financial assets. Financial assets and financial liabilities are offset and recognized at a net amount in the balance sheet where there is a legal right to offset the amounts reported at the same time as there is an intention to adjust the items with a net amount or realize the asset and adjust the liability at the same time.

When a financial asset, with the exception of accounts receivable, is initially recognized it is measured at fair value plus – as regards a financial asset not belonging to the category of financial assets measured at fair value via the income statement – transaction expenses directly attributable to the acquisition or issue of the financial asset. Accounts receivable that do not have a significant financing component are measured at their transaction price. The financial assets are then classified either as measured at amortized cost, fair value through other comprehensive income or fair value via the income statement. Classification is based on the Group's business models for managing financial assets and the characteristics of the contractual cash flows from the financial asset.

### *Financial assets measured at amortized cost*

Debt instruments are measured at amortized cost when they:

- are held in the context of a business model the objective of which is to hold financial assets for the purpose of collecting the contractual cash flows and;
- the agreed terms of the financial asset, at fixed dates, give rise to cash flows that are solely payments of principal and interest on the outstanding principal.

Measurement occurs at amortized cost less deductions for expected credit losses. For accounting of expected credit losses, see Note 20 "Lending to the general public". Financial assets recognized at amortized cost are: Cash and balances in central banks, Treasury bills eligible for refinancing, etc. Assets in the insurance business, Loans to credit institutions, Loans to the general public, Bonds and other interest-bearing securities, Shares and participations, Other assets and Accrued income.

*Financial assets measured at fair value via other comprehensive income*

Debt instruments are measured at fair value via other comprehensive income when they:

- are held in the context of a business model the objective of which is achieved both by collecting contractual cash flows and selling financial assets and;
- the agreed terms of the financial asset, at fixed dates, give rise to cash flows that are solely payments of principal and interest on the outstanding principal.

The value change is recognized in other comprehensive income, except for expected credit losses and currency profits and currency losses – until the financial asset is de-recognized from the balance sheet, at which time the accumulated profit or loss previously recognized in comprehensive income is reported in the income statement. For accounting of expected credit losses, see Note 20 “Lending to the general public”. Financial assets recognized at fair value via other comprehensive income are Treasury bills eligible for refinancing, etc., and Bonds and other interest-bearing securities.

*Financial assets measured at fair value via the income statement*

Equity instruments measured at fair value via the income statement refer to instruments held for trading. Changes in value are recognized in the income statement. These are comprised of Shares and participations.

## Financial liabilities

Financial liabilities recognized in the balance sheet include, on the liability side: Deposits and borrowing from the general public, Liabilities where the customer bears the investment risk, Other liabilities and Accrued expenses.

When a financial liability is initially recognized, it is measured at fair value plus – as regards a financial liability not belonging to the category of financial assets measured at fair value via the income statement – transaction expenses directly attributable to the incurrence or issue of the financial liability. Financial liabilities subsequently classified are either as measured at amortized cost or fair value via the income statement.

Liabilities where the customer bears the investment risk are measured at fair value via the income statement, as this is deemed to lead to more relevant information as it significantly reduces the inconsistencies in measurement and recognition (“Lack of conformity in the reporting”).

Other financial liabilities are measured at amortized cost.

## Impairment of financial assets

Nordnet applies a three-step method to measure expected credit losses for financial assets measured at amortized cost and fair value via other comprehensive income as well as loan commitments. Nordnet has identified four different categories for recognizing expected credit losses:

- Margin loans
- Granting of unsecured credits
- Residential mortgages
- Liquidity portfolio

There are no expected credit losses for share investments because they are not covered by the standard model.

Financial assets with the exception of Other financial instruments measured at amortized cost are subject to the following three steps, based on the change in creditworthiness since the first reporting date:

Step 1: 12-month expected credit losses. For exposures where there has been no significant deterioration of the creditworthiness since the first reporting date, the part of lifetime expected credit losses related to the probability of default is reported within the next 12 months.

Step 2: Lifetime expected credit losses – underperforming assets. For exposures where there has been a significant deterioration of the creditworthiness from the initial reporting date, but that are not considered to have defaulted, lifetime expected credit losses (i.e., that which reflects the remaining life of the financial asset) are reported.

Step 3: Lifetime expected credit losses – non-performing assets. Exposures are deemed to have defaulted when one or more events that have an adverse effect on the estimated future cash flows for the asset have occurred. For exposures that have defaulted, lifetime

expected credit losses and interest income are calculated using the effective interest rate on the depreciated amount (net after disposal) rather than the gross carrying amount.

Other financial instruments measured at amortized cost comprise accounts receivables without any significant financing component. For these financial assets, lifetime expected credit losses are recognized at the first reporting date according to the simplified model.

#### *Determination of significant increase in credit risk*

At each reporting date, Nordnet assesses whether there has been a significant deterioration of the creditworthiness from the initial reporting date of exposures; for further information, see Note 7 on page 86.

An exposure will move between the steps as credit quality changes. If credit quality improves in a subsequent period and also reverses a previously assessed significant deterioration of creditworthiness, a provision for doubtful receivables will be turned from lifetime expected credit losses to 12 months. The receivable will be moved back according to the following aspects:

- when modifying loans after 12 months without remark
- in late payments after 3 months without remark
- when scoring model is being improved, the receivable will be moved back

Provision for doubtful receivables for exposures that have not deteriorated significantly since the first reporting date or where the deterioration remains within what, according to Nordnet's investment rating criteria, is considered to have low credit risk based on 12 months' expected credit losses.

When an asset has defaulted, it is depreciated against the provision that is attributable to the exposure. Such assets are depreciated after all necessary procedures have been completed and the loss amount has been determined. Recovering amounts previously depreciated reduces the cost in the income statement.

For the Liquidity portfolio, Nordnet carries out the credit risk assessment on an individual basis. For the other categories, the assessment is performed collectively. In the collective assessment of impairment requirements,

the financial instruments are grouped on the basis of common credit risk characteristics.

#### *Measurement of expected credit losses*

Expected credit losses are derived from objective and probability-weighted estimates of expected losses and are measured as follows:

- Financial assets that have not fallen due on the balance sheet date: as the present value of any cash loss over the expected useful life of the financial asset discounted with the effective interest rate. The cash loss is the difference between the cash flows that Nordnet is entitled to under agreements and the cash flows Nordnet is expected to receive.
- Financial assets that have fallen due on the balance sheet date: as the difference between the reported value gross and the present value of estimated future cash flows discounted by the effective interest rate.
- Unutilized loan commitments: as the present value of the difference between the contractual cash flows that Nordnet is entitled to if the commitment is utilized and the cash flows that Nordnet expects to receive.

Expected credit losses are recognized through a provision on receivables in the income statement. In the case of financial instruments measured at fair value through other comprehensive income, the measurement of expected credit losses is based on the three-step strategy applied for financial assets at amortized cost described on page 70. Nordnet recognizes the provision in the income statement with the corresponding amount reported in other comprehensive income without any impairment of the carrying amount of the asset in the balance sheet.

#### **Stock lending program**

During the year, Nordnet Pensionsförsäkring AB decided on management measurements to improve the efficiency of the management of the company's assets with the aim of creating conditions for a higher return. As a result of this, the company launched a stock lending program, which means that the company in its capacity as the owner of shares in insurance savings can lend them to external parties against interest that is shared between the company and the customers who

through their endowment insurance have chosen to invest insurance capital in the share concerned. Lending takes place against provided collateral amounting to 105 percent of the lent value. The policy holder's investment right in the insurance is not affected by the stock lending program.

The company has assessed that the risks and returns on lent securities stay in the company and that it shall thereby be reported according to IFRS 9 and the measurement principles there. The securities are taken up in their entirety under the item "assets where the customer bears the investment risk" and equivalent amount in the item "liabilities where the customer bears the investment risk". The income is classified as an interest income and the compensation to the customer as an interest expense. At 31 December 2018, lent securities amounted to SEK 252 million and we received collateral as of the same date in an amount of SEK 281 million.

### **Buy-back agreement and reverse buy-back agreement**

Securities that have been provided according to buy-back agreements are not removed from the balance sheet. Securities that have been provided according to buy-back agreements are also recognized under the item Pledged assets for own liabilities. Cash and cash equivalents received under a buy-back agreement are recognized in the balance sheet as Liabilities to credit institutions.

## **IAS 39 Financial instruments**

### **Financial assets and financial liabilities**

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms. Financial assets recognized in the balance sheet include, on the asset side, interest-bearing receivables, other shares and participations, other receivables, accounts receivable, assets in the insurance business and cash and cash equivalents. Accounts payable and borrowings are reported on the liability side. Currency derivatives are reported as either assets or liabilities, depending on whether the fair value is positive or negative. A financial asset is de-recognized from the balance sheet once the obligations in the contract have been realized, have matured or if the company has lost control of it. The same applies to parts of financial assets. Financial liabilities are de-recognized when the liability has been

terminated by the completion, cancellation or termination of the agreement. The same applies for part of a financial liability.

When a financial instrument is reported for the first time, it is valued at fair value plus, regarding financial liability not belonging to the category of financial assets or liabilities valued at fair value through profit or loss, transaction expenses directly attributable to the acquisition or issue of the financial instrument. When valuing a financial instrument after initial recognition, the financial asset is recognized according to the valuation category of the financial instrument. Acquisitions and disposals of financial assets are recognized on the transaction date, which represents the day on which the company undertakes to acquire or dispose of the asset.

The fair value of a financial asset listed on an active market is established by the purchase price at closure on the balance sheet date. When such are missing, fair value is determined based on recently completed transactions between capable, independent parties. Financial assets and financial liabilities are offset and recognized in the balance sheet on a net basis when there is a legally enforceable right to offset the carrying amounts and if the intention is to settle on a net basis or to simultaneously realize the asset and settle the liability.

### *Financial liabilities valued at fair value through profit or loss*

A financial asset is classified as held for trading if it was acquired or originated for the primary purpose of being sold or bought back in the short term, or if it is included in a portfolio of identified financial instruments that are managed together and for which there is a recent, demonstrated, actual pattern of short-term realizations of profit, or if the financial asset is a derivative. Profits and losses on assets held for trading are reported in the income statement.

The category also includes other financial instruments chosen on initial recognition to be irrevocably recognized at fair value, known as the fair value option. Financial assets in this subcategory are managed by the company and the result is evaluated based on fair value. This category includes assets in the insurance business in which policyholders bear investment risk.

Note 32 Group – categories of Financial assets and liabilities and their fair values.

#### *Loans and accounts receivable*

Loans and accounts receivable are financial assets that are not derivatives, have established or determinable payments and are not listed on an active market. The valuation is made at amortized cost less impairment and specific provisions for credit losses. Profits and losses are reported in the income statement when the financial asset is de-recognized from the balance sheet or recognized as an impairment, and also via period allocation. Accounts receivable are recognized in the balance sheet once an invoice has been sent. Accounts receivable are expected to have a short maturity, therefore the value is recognized at a nominal amount without discounting.

If objective evidence indicates that a need has arisen to recognize impairment in a financial asset, the impairment is calculated as the difference between the carrying value of the asset and the present value of estimated future cash flows (excluding future credit losses that have not occurred), discounted to the loan receivable's original effective interest rate. If the need to recognize impairment in a financial asset decreases in subsequent periods, impairment loss can be recovered up to an amount not exceeding accumulated acquisition value, as if the asset was never impaired. Impairment is recognized in the income statement as Net credit losses, either as provisions for individually unsecured loans, portfolio reserves or as write-offs of unsecured loans. All or part of the amount due that is not deemed to be recoverable or that cannot be obtained on realization of the security is reported as an actual loss. Actual losses are recognized as impairment where there are no realistic chances of recovery.

Provision for probable credit losses is made if the claim is impaired, i.e.:

- if it is likely, based on events and circumstances that have occurred by the balance sheet date, that the payments will not be made in accordance with the contract terms, and
- there is no security that will cover, by a safe margin, both loan amounts and interest, including compensation for any delay.

When determining reservations relating to probable

credit losses, the loan receivables are valued individually and in groups for homogeneous groups of loan receivables of limited value and of a similar credit risk. Restructured loan receivables, for example in the form of a reduction in interest due to a borrower's financial problems, are not considered to be uncertain, if it is deemed likely that payments will be made in accordance with the contractual terms following the restructuring.

Repayments of write-offs as well as recovered credit losses are recognized as income in credit losses.

#### *Financial assets held to maturity*

Financial assets held to maturity are financial assets, which are not derivatives, and have set or determinable payments and a set duration with the intent and ability to be held until maturity. Financial assets classed as belonging to the category of financial assets held to maturity are initially recognized in the balance sheet at the acquisition value including transaction expenses. After initial recognition, instruments are valued at amortized cost. Valuation is the same as for loan receivables. Impairment is recognized in the income statement as "Impairment of securities held as financial assets".

#### *Available-for-sale financial assets*

Available-for-sale financial assets are assets that are not derivatives and where the assets are identified as being available for sale, are also not kept to maturity and which are not classified in any of the three categories mentioned above. Valuation is carried at fair value with unrealized changes in value reported in Other comprehensive income, except for impairment and exchange rate changes recognized in the income statement in the line Net profit for financial transactions. On disposal, the accumulated profit or loss is recognized in the income statement in the line Net income financial transactions and thereby deducted from other comprehensive income.

If there is objective evidence indicating a need to recognize impairment, a transfer from Other comprehensive income to the income statement is made and is reported in the line Net profit financial transactions. The amount transferred to the income statement corresponds to the difference between the acquisition value and the fair value of the instrument less any previous impairments. Impairment of interest-bearing securities

is reversed via the income statement if fair value increases and the increase can be objectively attributed to an event occurring after the impairment.

If there is objective evidence to indicate impairment of unlisted shares valued at cost because fair value cannot be reliably estimated, the calculated impairment is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market return for similar financial assets. Impairment of equity instruments is never reversed.

#### *Financial liabilities*

Financial liabilities not recognized in financial instruments at fair value through profit or loss are initially reported at their acquisition value on the acquisition date and thereafter at amortized cost. Amortized cost is calculated in the same way as for loan receivables. Accounts payable are recognized in the balance sheet when the invoice is received. Accounts payable have a short expected maturity and are valued at a nominal amount without discounting.

Financial liabilities in the insurance business in which customers bear the investment risk are recognized as financial liabilities identified on initial recognition as an item valued at fair value through profit or loss. These holdings have been classified in this category to eliminate or significantly reduce inconsistencies in measurement and reporting.

#### **Tangible assets**

Tangible assets are recognized in the balance sheet if the company is likely to derive future economic benefits from them and the acquisition value of the assets can be reliably estimated. The asset is reported at cost less accumulated amortization and impairment.

Depreciation is made on a straight-line basis over the estimated useful life of the asset. A recoverable amount is calculated when there is a persistent decline in value. If this is less than the carrying amount, an impairment is recognized. The tangible asset is de-recognized from the balance sheet upon scrapping or disposal, or when no future economic benefits are expected to remain. Profit and loss is determined by the difference between sales income and the asset's carrying amount.

Fixtures and fittings, computers and other hardware

are normally written off after 3–4 years. Improvement charges for third-party property are depreciated on a straight-line basis over the remaining term of the rental contract or the useful life of the improvements, whichever is shorter.

#### **Intangible assets**

Intangible assets are recognized as assets in the balance sheet if the company is likely to derive future economic benefits from them and the acquisition value of the asset can be reliably estimated. An intangible asset is valued at its acquisition value when it is initially recognized in the balance sheet. After its initial recognition, an intangible asset is included in the balance sheet at its acquisition value less any accumulated depreciation and accumulated impairment. The useful life of intangible assets is estimated to be either determinable or indeterminable. Intangible assets with a determinable useful life are depreciated on a straight-line basis over their useful life. The residual value and useful life of intangible assets are reviewed, irrespective of whether there is any indication of depreciation, at the end of every financial year as a minimum, at which point the amortization period is adjusted and/or impairment recognized. Also, intangible assets, which are not yet available for use, are tested for impairment on an annual basis, even if there is no indication of a need to recognize impairment.

#### **Goodwill**

Goodwill arising in a business combination is recognized as the acquisition value on the acquisition date. Goodwill constitutes the part of the acquisition value that exceeds the net fair value of the acquired participation, of the acquired entity's identifiable assets, liabilities and contingent liabilities. After its initial recognition, any goodwill that has arisen is valued at the acquisition value less any accumulated impairments.

#### **Brands**

Brands acquired separately are reported at cost. Brands acquired in a business combination are recognized at fair value on the acquisition date. All brands deemed to have limited useful lives are depreciated on a straight-line basis over their useful life, estimated at five years.

#### **Customer base**

The cost of the customer base is recognized at estimat-



ed fair value on the acquisition date. A customer base has a limited useful life and is recognized at cost less accumulated amortization and any impairment. Depreciation is on a straight-line basis over the useful life of the asset, which varies between five and twenty years.

### **Capitalized expenditure for development work**

Balanced development expenses relate mainly to externally purchased services, development of trading systems and other applications, which are expected to provide future financial benefits through either increased income or cost savings. Capitalized development expenses are initially recognized at cost and subsequently at cost less accumulated amortization and impairments. Depreciation occurs after the asset is completed, on a straight-line basis over the assessed useful life, which varies between three to five years.

### **Impairment**

At each reporting date, an assessment is made of whether there are indications that assets may have decreased in value. If this is the case, an estimate is made of the asset's recoverable amount. For goodwill with an indefinite useful life, the recoverable amount is calculated at least annually. The recoverable amount of an asset is the fair value minus sales expenses for an asset or cash-generating unit and its value in use, whichever is greater. If the carrying amount exceeds the recoverable amount, impairment is made to the recoverable amount. In calculating the recoverable amount, future cash flows are estimated which are discounted at present value with a discount rate before tax which takes into account market assessments of the time value of money and the risks related to the specific asset. For an asset that does not generate cash flows, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. Impairment is recognized in the income statement separately for tangible and intangible assets.

At each reporting date, an assessment is made of whether there are indications that a previous impairment, complete or partial, is not longer justified. If there are any such indications, the recoverable amount of the asset is calculated. A previous impairment is reversed only if there has been a change in the assumptions used to assess the asset's recoverable amount when the impairment was recognized. If this is the case, the

carrying amount of the asset shall be increased to its recoverable amount.

This increase is recognized in the income statement as a reversal of an impairment loss. Impairment of goodwill is never reversed. Impairment is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount that the asset would have had, less depreciation, if no impairment was recognized. A reversal is recognized in the income statement. Once an impairment loss has been reversed, future depreciation is adjusted to allocate the assets revised carrying amount, less any residual value, over its remaining useful life.

### **Leasing**

The classification of leases is based on the extent to which financial risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. A lease is classified as a finance lease if the financial rewards and risks associated with ownership of the object are materially transferred from the lessor to the lessee. Otherwise, it is classified as an operating lease.

Financial leases are recognized in the balance sheet as fixed assets, and the obligation to pay lease payments in the future as debt. Fixed assets are depreciated over the shorter of the useful life or lease period. Minimum lease allocated between the amortization and interest of the debt outstanding. The interest is allocated over the period by an amount corresponding to a fixed interest rate for the debt recognized during the period.

Operating leases are not recognized in the balance sheet. Leasing fees are expensed on a straight-line basis over the period of the lease. The Group only has operating leases.

### **Insurance business**

#### **Insurance contracts and investment contracts**

IFRS differentiates between insurance contracts and investment contracts.

Insurance contracts constitute agreements under which significant insurance risk is transferred from the policyholder to the insurer. Investment contracts constitute financial instruments that are not defined as insurance contracts, as they do not transfer any sig-

nificant insurance risk. Risk products including health insurance, premium waiver, death benefit and survivors' pension are classified as insurance contracts. Other products are classified as investment contracts.

Nordnet's insurance consists of unit-linked insurance or traditional insurance. For unit-linked insurance, the value of the insurance is entirely dependent on the investments made by the policyholder. The policyholders themselves bear the investment risk of their investments. For traditional insurance, the value of the insurance consists entirely of a conditional bonus, which means that the insurance has no guaranteed insurance capital. The policyholders themselves bear the investment risk of their investments.

The products Kapitalpension (Capital Pension), Tjänstepension (Occupational Pension) and Privat Pension (Private Pension) may be converted into unit-linked insurance when they are paid out. If the insurance remains as a traditional policy, for the first five years, a fixed annual amount of 3 percent of the insurance value will be calculated at the first payment and paid out over five years. The amount payable is guaranteed over the first five years.

### **Prepaid acquisition expenses, insurance business**

Effective from the second quarter of 2018, acquisition costs directly or indirectly related to new investment agreements and expenses related to the renewal of existing agreements, such as Deferred Acquisition Costs (DAC), are capitalized in the balance sheet.

Acquisition costs for the agreements are then amortized according to plan, adjusted to the anticipated proportion of contracts remaining. Other significant assessment items affecting the plan include contracts that are redeemed prematurely or cease in the event of death by means of an estimated repurchase or death rate.

If the anticipated maturity is adjusted or the asset is impaired, the effect is recognized in the income statement. On 31 December 2018, the capitalization of prepaid acquisition costs applied in agreements brokered by external partners amounted to SEK 2.5 million.

### **Assets in the insurance business**

Assets in the insurance business consist of policyholders' investments in securities in endowment insurance, capital pension, private pension and occupational pension, as well as equivalent products in Norway. The policyholders themselves bear the investment risk of their investments, with the exception of any guaranteed amount in a traditional insurance that pays out. The assets in the insurance business are valued at fair value through profit or loss. Amounts received from and paid to the holders are entered in the balance sheet as deposits or withdrawals.

### **Insurance technical provisions**

The technical provisions are divided into life insurance provision, unit-linked insurance provision, provision for claims outstanding and conditional bonus provision.

The life insurance provision consists of the capital value of future insurance benefits guaranteed to the policyholders. The provision is calculated individually for each insurance policy and refers to guaranteed commitments during a five-year disbursement. The unit-linked insurance provision is calculated individually for each insurance. The provision corresponds to the total market value of the holdings in the policyholders' deposits.

The provision for claims outstanding relates to claims incurred but not reported. The provision is calculated collectively for the insured population, corresponding to a certain percentage of the gross risk premium income for the year when the claim arose.

The conditional provision is calculated individually for each insurance. It corresponds to the total market value of the holdings in the policyholder's deposit less provisions for guaranteed commitment.

### **Commitment for investment contracts**

All contracts with Nordnet have conditional bonuses where the policyholder is exposed to the risk of a change in value, whereby they are classified as investment contracts and the commitment is recognized as a liability. The size of this liability is directly related to the value development of the securities, as well as deposits and withdrawals. The liability is recognized as a liability valued at fair value through profit or loss.

Changes in the value of assets in the insurance business and corresponding changes of commitments for investment contracts are reported net in the income statement. The substance of the transaction is that the changes in value belong entirely to the policyholders. A net report makes it easier for policyholders and other stakeholders to understand the transactions and assess the company's results and future cash flow.

### **Commitment for insurance contracts**

The contracts classified as insurance contracts are recognized as liabilities to policyholders. This liability relates to a provision for unknown claims. Liability for unknown claims is calculated on an actuarial basis and recognized as outstanding claims.

### **Employee benefits**

#### **Short-term employee benefits**

Short-term benefits include salaries, social security contributions, paid short-term leave, performance-related pay and certain types of non-monetary benefits are recognized in the income statement in the period in which the employee performed the service for the Group. Short-term benefit entails that the amount is due for payment within twelve months after the end of the period during which the employee has performed the services.

A provision for performance-related pay is reported when the Group has a legal or informal obligation to make such payments as a consequence of the services in question having been received from the employees and the provision amount can be calculated reliably.

#### **Post-employment benefits**

Post-employment benefits include pensions. The Group has defined contribution plans entailing that the Group pays a fixed fee to a separate legal entity and has no legal or informal obligation to pay additional fees if the legal entity does not have sufficient assets to pay all employee benefits related to employees' service during the current period and prior. The size of the pension for the individual employee depends on the amount of money paid in and the size of the returns on the funds, unlike defined benefit pension plans, under which the employee is guaranteed a specific, predetermined pension by the employer. The Group's obligations regarding contributions to defined contribution plans are recognized as an expense in the

income statement as they are earned by the employees performing services for the Group over a period.

### **Termination benefits**

Compensation for termination of employment where the personnel member is suspended is recognized immediately as an expense as there are no future financial benefits for the Group.

### **Provisions**

A provision is recognized in the balance sheet when a formal or informal commitment exists as a consequence of an event and it is likely that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated. A provision for restructuring is reported only when a detailed restructuring plan has been established and restructuring has either commenced or otherwise been announced to the affected parties.

### **Pledged assets**

Pledged assets consist of assets pledged for other items than for own liabilities recognized in the balance sheet. Pledged assets mainly refers to collateral in credit institutions and the stock exchange. Pledged assets on behalf of customers refers to securities lending in which assets are provided in the form of cash and cash equivalents from the institutions offering the securities lending. Nordnet, in turn, has corresponding coverage in collateral from customers.

### **Contingent liabilities**

Contingent liabilities are reported when there is a potential obligation stemming from past events the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or where there is an obligation stemming from past events but which is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### **Commitments**

Commitments consist of credits granted but not utilized, such as unsecured loans and mortgages, as well as custodial credit granted, which are reported at nominal amounts granted, less any accumulated acquisition value of the amount released from the loan receivable.

## Interest income and interest expenses

Interest income on receivables and interest expenses on liabilities are calculated and recognized using the effective interest rate method. The effective interest rate is the interest rate that makes the present value of all estimated future payments and payments over the expected interest rate period equal to the carrying amount of the receivable or liability. Exemptions from this are comprised of assets measured at amortized cost that are categorized at step 3. For these, the interest income is calculated by applying the effective interest rate to the recognized gross value less provisions for credit losses. Interest income and interest expenses in the income statement consist mainly of interest on Financial assets and liabilities valued at amortized cost and interest from Financial assets measured at fair value through other comprehensive income.

Interest expenses on deposits from credit institutions and the general public are recognized as an expense when processed, which means that interest expenses are distributed over the period to which they relate. Interest expenses also include expenses for the deposit guarantee and the resolution fee posted according to the same principle.

## Commission income

A commission income is recognized as income from contracts with customers, which consists of compensation for services rendered. A commission income is recognized when the performance commitment is fulfilled, which is when the control of the service is transferred to the customer. The income reflects the compensation received in exchange for these services.

For variable compensation, the income is recognized when it is likely that no repayment will be made. Total compensation is distributed for each service and depends on whether the services are fulfilled at a specific time or over time. The service assignment pertains to a platform for customers to trade securities of structured products in connection with share issues, among other events. For this, Nordnet receives compensation in the form of brokerage, commission or platform fees. Commissions from the fund operations are made up partly of entry commission, which is recognized as income in connection with fund purchases, monthly on the basis of actual volume.

## Commission expenses

Commitment expenses consist of expenses for services received, insofar as they are not considered to be interest, which primarily refers to the expenses of stock exchanges, clearing houses and sharing to partners in connection with the purchase and sale of securities, are recognized as expenses in connection with completion of the transaction. Commission expenses for fund management operations comprise management fees consisting of fixed expenses and expenses based on actual volumes. The cost is recognized on a monthly basis.

## Net profit from financial transactions

Realized and unrealized changes in value attributable to financial transactions classified as fair value through profit or loss are reported under this item. Upon disposal of Financial assets classified as fair value through other comprehensive income, the capital gain is recognized under this item. The transactions also refer to dividends received, currency exchange fees and exchange rate fluctuations.

Category SEK million	Sweden	Norway	Denmark	Finland	Total
Transaction related commission income	221.4	110.4	159.0	185.6	676.4
Non-transaction related commission income	193.5	74.8	26.4	12.8	307.5
<b>Total commission income</b>	<b>414.9</b>	<b>185.2</b>	<b>185.4</b>	<b>198.4</b>	<b>983.9</b>

Category SEK million	Sweden	Norway	Denmark	Finland	Total
Other deposit related income	3.3	2.8	2.3	1.4	9.8
Other operating income	24.8	3.3	6.0	15.0	49.1
<b>Total other income</b>	<b>28.1</b>	<b>6.1</b>	<b>8.3</b>	<b>16.4</b>	<b>58.9</b>

<sup>1</sup>Other consists mostly of IPOs.

## Other operating income

Other operating income relates to income from, among other things, custodial services, information services, software and service and support fees from partners. Other operating income is recognized as income from contracts with customers, which consists of compensation for services rendered. This kind of income is recognized when the performance commitment is fulfilled, which is when the control of the service is transferred to the customer. The income reflects the compensation received in exchange for these services.

For variable compensation, the income is recognized when it is likely that no repayment will be made. Total compensation is distributed for each service and depends on whether the services are fulfilled at a specific time or over time. The service assignment mainly pertains to a brokerage assignment in the listing of companies, but also other assignments, such as various information services, insurance income, administration in the trade of unlisted shares and relocation fees.

## Tax

The Group's tax consists of current and deferred tax. Current tax is that paid or received pertaining to the current year, calculated applying tax rates that have been established (or to all intents and purposes established) on the balance sheet date. Any adjustment of current tax attributable to previous periods also belongs here.

Deferred tax is calculated based on temporary differences between the reported tax bases of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill, or for differences arising on the initial recognition of assets and liabilities that are not business combinations that, at the time of the transaction, affect neither accounting nor taxable profit. Nor are temporary differences taken into account that relate to participations in subsidiaries, associates and affiliates and that are not expected to be reversed in the foreseeable future. The valuation of deferred tax provided is based on how carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set or essentially are set as at the balance sheet date. Deferred tax assets for deductible temporary differences and loss carryforwards

are recognized to the extent that it is probable that the amounts can be utilized against future taxable income.

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to offset. This entails items relating to taxes levied by the same taxation authority on either the same taxable entity or a different taxable entity, where there is an intention either to settle these tax items net or to reclaim the tax asset at the same time as the tax liability is settled. Deferred tax assets and deferred tax liabilities are generally offset to the extent that this is permitted for current tax assets and current tax liabilities.

All current and deferred taxes are reported in the income statement, unless they refer to items recognized in other comprehensive income or directly in equity.

## Tax on returns

The subsidiary Nordnet Pensionsförsäkring AB also pays a return tax based on flat-rate calculations of the return on assets managed on behalf of policyholders. The tax is deducted from policyholders' assets and reported net in the income statement in Other income.

## Segment reporting

An operating segment is a component of a company that engages in business activities from which it may earn income and incur expenses and whose operating results are regularly reviewed by the company's management and for which discrete financial information is available.

Nordnet's operating segments are divided into geographical areas in the form of the countries in which the Group operates. The highest executive decision maker in the form of Group management monitors the development of operations per country based on earnings. The allocation of balance items per country is not reported. Nordnet has a joint operating platform and the offering in each market is very similar in terms of a platform for investment and savings, pension savings and margin lending in the Swedish, Norwegian and Danish markets. The products personal loans (unsecured loans) and residential mortgages are only offered on the Swedish market. In the Finnish market, we offer a platform for investments and savings and margin lending, but not pension savings.

## Cash flow statement

The cash flow statement is prepared using the direct method, as this method best reflects the operations. The cash flow statement includes changes in cash and cash equivalents. Cash flow is divided into cash flow from operating activities, investment activities and financing activities.

Cash flow from investment activities includes only actual payments for investments during the year.

Foreign subsidiaries' transactions are recalculated in the cash flow statement at the average exchange rate of the period. Acquired and divested subsidiaries are reported as cash flow from investing activities, net, after deduction of cash and cash equivalents in the acquired or divested company.

## Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and equivalent credit institutions. Cash and cash equivalents can easily be converted into cash to a known amount, have an insignificant risk of value fluctuations and have a maturity of no more than three months from the date of acquisition.

## Parent Company's accounting policies

The Parent Company generally adheres to IFRS and the accounting principles applied in the consolidated financial statements. In addition, the Parent Company needs to take into account and prepare annual reports in accordance with the Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Recommendation RFR 2 Accounting for Legal Entities. The Parent Company's annual report has therefore been prepared in accordance with IFRS as long as it is compatible with ÅRL and RFR 2. The most significant principal differences between the Parent Company and the Group's accounting policies are shown below.

## Shares in subsidiaries

Shares in subsidiaries are recognized according to the cost method, which means that transaction expenses are included in the carrying amount.

## Untaxed reserves and group contributions

Due to the relationship between accounting and taxation, the Parent Company does not disclose the de-

ferred tax liability attributable to the untaxed reserves. These are thus recognized gross in the balance sheet and income statement. Group contributions received from subsidiaries are recognized as financial income. Group contributions paid by the Parent Company to a subsidiary are recognized as an increase in participations in Group companies.

## Note 6 Transactions with related parties

E. Öhman J:or AB with subsidiaries ("Öhman Group") and Nordic Capital Fund VIII ("Nordic Capital") are closely related to Nordnet AB (publ). Family members of the owners Öhman Group also possess direct ownership in Nordnet AB (publ).

Nordnet Bank AB regularly enters into business relations with Öhman Group in the same way as is regularly done with other financial players. Nordnet's no-fee index funds, the Superfonderna, are managed by E. Öhman J:or Fonder AB, a company within the Öhman Group. The agreement has been entered into on market terms. During the period, Nordnet Bank received commission income and other income amounting to a total of SEK 8,833 thousand (11,662) and paid commission expenses and other expenses of SEK 10,297 thousand (18,802). The Öhman Group has entered into an occupational pension agreement with Nordnet Pensionsförsäkring AB.

For information regarding the salaries and other remuneration, expenses and obligations relating to pensions and similar benefits and contracts in respect of severance pay for the Board, the CEO and other senior executives, see Note 12. The company has granted credit for margin lending to Board members of SEK 8 million, of which SEK 29 thousand is utilized. In addition to this, one Board member has a residential mortgage of SEK 10 million (received in 2017). The credits were granted on market terms.

Nordnet Bank offers personnel credits to all Group employees. As at 31 December 2018, the company had margin lending and unsecured credit to senior executives totalling SEK 8,717 thousand (8,535), of which utilized credits amounted to SEK 1,669 thousand (2,129). Interest on unutilized credits resulted in no tax imposed on fringe benefits. No provisions relating to bad debts



or expenses relating to bad debts to related parties have been reported during the financial year.

## Note 7 Risks

Risk is defined as an exposure to a deviation from an anticipated financial outcome. Risk-taking is a fundamental part of the business, but Nordnet shall not expose itself to risks not supported by an established business plan. Risk management shall be done according to standard practice so that the relationship between risk and anticipated returns is optimized.

Nordnet's risk exposures shall be based on:

- Business activities with the intention of meeting customer needs and Nordnet's own needs, with the business strategy adopted by the Board.
- Nordnet's long-term financial interests
- Current and future regulatory requirements
- Current and future ability to control and mitigate the risk exposure
- Acceptable loss levels and the capacity to absorb losses through earnings and capital

How risk management is conducted is described in the risk management framework. The framework is comprised of a number of steering documents that describe the strategies, processes, procedures, internal regulations, limits, controls and reporting procedures. The risk framework is integrated into the organization and covers all relevant risks.

Central to the risk framework is the risk appetite that expresses the aggregated level and the types of risks that Nordnet is willing to expose itself to in the risk capacity, and in accordance with the business model, to achieve strategic objectives. The risk appetite indicates the maximum accepted risk exposure on a general level as well as for specific risks. It is adapted to Nordnet's business strategy, and the limits shall be approved by the Board and evaluated and updated regularly.

Risk culture is defined as the norms, attitudes and behaviours around risk awareness, risk-taking and risk management and the controls that form decisions on risks. The risk culture affects the decisions the management and employees make in the daily activities and affects what risks they take. Nordnet shall have a sound risk culture that ensures a common view of risk-taking based on risk awareness and understanding of the

specific risks and the risk appetite. The resources and competencies in the business organization and the control functions shall be adapted to the scope of the work done in the respective units.

Nordnet works with risks in accordance with the principles associated with the three lines of defence.

The first line of defence is comprised of the operations in the line organization and pertains to all risk management activities done by line management and staff. All managers are fully responsible for the risks and the day-to-day management of them in the respective area of responsibility. They are thereby responsible for ensuring that the right organization, procedures and support systems are implemented to ensure a suitable system of internal control. They are also responsible for all activities being kept within the risk appetite and following internal and external rules.

The second line of defence is comprised of the risk control and compliance functions. They are independent of the line operations and monitor, control and report the company's risks and regulation compliance and shall also support and provide advice to the first line of defence. The functions draft principles and the limits for the risk management, collect the operations' risk assessments and conducts independent follow-up. They shall also promote a sound risk culture and thereby enable the business by supporting and training managers and staff.

The third line of defence is comprised of the internal audit function that carries out the periodic audits of the governance structure and the system for internal control. These audits can be compulsory from a regulation perspective or risk based.

The internal capital and liquidity assessment process (IKLU) is a continuous process that evaluates capital and liquidity requirements in relation to Nordnet's risk profile, plans and global factors. As part of the IKLU work, a comprehensive study and analysis is conducted of the risks in the operations. Nordnet is working for the entire organization to be involved in risk analysis. All employees are responsible for identifying risks and increasing their knowledge about these. The IKLU process is part of the organization's work with risk and requires the active participation of risk owners and the employees concerned.

## Credit risk

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 securities do not cover Nordnet's receivables. Nordnet's credit risk mainly involves the granting of credits against security in quoted shares and mutual funds (mainly Nordic), granting of unsecured credits, residential mortgages and counterparty risks in the liquidity portfolio. Credit risk also includes concentration risk. The granting of unsecured credits and residential mortgages are only offered in Sweden.

The main credit risks are divided as follows:

- Margin lending
- The granting of unsecured credits
- Residential mortgages
- Counterparty risk
- Concentration risk

Consequently, the largest exposure consists of lending to the public, which, at the end of the year, amounted to SEK 14,204 million (11,852) including lending backed by collateral in the form of cash and cash equivalents in foreign currencies of SEK 372 million (379). At the end of the year, the unsecured lending amounted to SEK 3,953 million (3,725) distributed to approximately 27,000 (27,600) customers.

Analysis credits, SEK thousands	Gross	Provisions
0-30 days	6,135,219	-37,109
31-90 days	45,865	-598
91-365 days	238,541	-3,176
1-5 years	1,446,648	-19,802
>5 years	6,434,040	-35,139
<b>Total</b>	<b>14,300,312</b>	<b>-95,824</b>

At the end of the year, Nordnet's margin lending totalled SEK 5,681 million (5,367) and the market value of the securities amounted to SEK 23,907 (25,677). Consequently, the average loan-to-value ratio amounted to 24 percent (21).

At year-end, mortgage loans amounted to SEK 4,178 million (2,381).

In the table below, secured lending is defined as very low risk. Under normal market conditions, negligible credit losses for these loans are made. Unsecured loans have been divided into three categories, relative to one another, based on the interest rates applied. This reflects the relative risk level as higher interest rates are applied to higher risk credits.

## Margin lending

Credit is regulated in accordance with a Board-approved credit policy and a credit instruction approved by the CEO. The determining assessment factor for Nordnet's lending is the security for the credit in the form of securities eligible as collateral, holdings in various currencies and the customers' creditworthiness. The loan value of securities for the credits is evaluated in accordance with an internal model based on the liquidity and volatility of individual shares. The maximum loan-to-value ratio allowed for any Nordnet securities is 90 percent. Nordnet's credit department constantly monitors the lending situation at aggregated and individual level. Nordnet's assessment is that lending is well-spread in the geographic markets. In addition, Nordnet has a working approach aimed at avoiding concentration to individual issuers among the mortgaged securities. There were approximately 15,900 (15,700) accounts utilizing credit as at year-end.

The table on the next page shows the total collateral value of the individual securities in relation to the total collateral value of all shares. This does not necessarily mean that these collateral values are utilized. As shown in the table above, there are no major concentrations in Nordnet's securities (mortgaged securities).

The ten largest credits totalled 10 percent (8) of the total margin lending. In view of this, Nordnet estimates that there is no significant concentration in the margin lending.

Credit quality	2018	2017	2018	2017
Very low risk	10,231	8,127	72%	69%
Low risk	2,894	2,466	20%	21%
Moderate risk	980	1,143	7%	10%
High risk	100	116	1%	1%
<b>Total</b>	<b>14,205</b>	<b>11,852</b>	<b>100%</b>	<b>100%</b>

Market	Credit utilized (SEK million)		Percentage of total credit volume (%)		Average credit (SEK)	
	2018	2017	2018	2017	2018	2017
Sweden	2,484	2,460	44%	46%	378,000	357,000
Norway	676	569	12%	11%	221,000	207,000
Denmark	1,039	1,054	18%	20%	544,000	543,000
Finland	1,481	1,284	26%	24%	327,000	307,000
<b>Total</b>	<b>5,681</b>	<b>5,367</b>	<b>100%</b>	<b>100%</b>	<b>367,000</b>	<b>353,000</b>

Range	Number		Total, net (SEK million)		Percentage of total (%)	
	2018	2017	2018	2017	2018	2017
<10 SEK thousands	4,800	5,100	7	6	0%	0%
10-500 SEK thousands	8,800	8,400	1,226	1,160	22%	22%
501-2 000 SEK thousands	1,800	1,700	1,692	1,621	30%	30%
>2 000 SEK thousands	500	500	2,756	2,580	49%	48%
<b>Total</b>	<b>15,900</b>	<b>15,700</b>	<b>5,681</b>	<b>5,367</b>	<b>100%</b>	<b>100%</b>

31/12/2018	
Nordea	3.8%
Nokia	3.4%
Sampo	1.8%
Novo Nordisk	1.6%
Fortum	1.4%

31/12/2017	
Nokia	4.1%
Novo Nordisk	2.1%
Hennes & Mauritz	1.6%
Enea	1.6%
Vestas Wind Systems	1.5%

In a situation in which the collateral value of the securities does not cover the amount due to Nordnet from the customer, overlending occurs. Nordnet has the option of selling securities to the extent required to rectify the overlending. Overlending amounted to SEK 8 million (6) at 31 December 2018. In a situation where a negative balance has arisen on a custody account where there is no approved loan agreement, a so-called overdraft arises. Overdrafts amounted to SEK 21 million (13) at 31 December 2018.

If the value of the securities falls below the amount due to Nordnet, a provision will be made in accordance with Nordnet's credit instruction. For a description of Nordnet's credit losses, please see Note 15.

### The granting of unsecured credits

The granting of unsecured credit consists of lending to individuals in Sweden in amounts up to SEK 500,000. Customer inspection and credit granting will be centralized. Individual pricing is applied, with the price reflecting the risk at the time of application. At the end of the year, lending totalled SEK 3,953 million (3,725). Of this amount, SEK 3,907 million (3,661) comprises loans under the brands Konsumentkredit and Toppenlånet.

### Credit quality and the management of credit risk

The Board regulates the risks through the credit policy and the CEO's handling through credit instruction. The aim is to ensure that credit is provided under good control and to state the overall credit risk strategy and credit risk appetite.

All credit decisions regarding unsecured loans are made by a separate department. Lending focuses on the management of large numbers of small individual commitments. As loans are provided without collateral, rigorous demands are imposed on the assessment of the customers' creditworthiness and future payment capacity. In the credit approval process, the credit assessment is based on scoring and rating models developed in-house, as well as using the customary credit information services. The scoring model predict the probability of default for each individual customer. These scoring models and its statistical foundations are validated continuously. The scoring models take into account information recorded by the customer upon application, credit report and internal steadiness. They are developed on internal data. The credit assessment is continuously monitored to ensure functionality.

A credit decision must always be made on current information, so an application must not be older than 30 days. The internal risk rating systems used form a central component in the credit process and basis methods and decision-making processes for lending operations, credit review and the quantification of the credit risk in the portfolio. The system serves to assess the risk of default, thus estimating future losses in the portfolio. The risk of future credit losses according to the model affects the interest rate offered to the individual customer when credit is approved. The credit risk in the credit process and the dynamics of the credit portfolio are regularly assessed and are aimed at monitoring the risk level's compliance with the risk appetite approved by the Board.

### Residential mortgages

Nordnet offers residential mortgages on the Swedish market with a maximum LTV of 50 percent. All mortgages are secured by collateral in houses and tenant-owner apartments. At year-end, the average loan-to-value ratio was 35 percent (34). The mortgage value is calculated according to Nordnet's valuation principles based on a statistical valuation carried out by an external party. The market value is reassessed annually or as needed. The maximum lending volume of residential mortgages is SEK 5 billion. Nordnet only grants mortgages following completion of a customary credit check and a KALP (left to live on calculation), in which all income and expenditure of the borrower's household is taken into consideration to ensure that the borrower can handle a scenario with the current interest rate plus 5 percent.

The result of a stress test of the pledged assets with a 30 percent decrease in prices gives no expected credit loss.

Lending against mortgages amounted to SEK 4,178 million (2,381) at year-end. 86 percent (89) of lending is to borrowers residing in Stockholm, Gothenburg and Malmö.

### Counterparty risk

Counterparty risks are divided into the following:

- Issuer risks in the liquidity portfolio
- Risks towards account holders (bank deposits)
- Liquidation risks (replacement costs for open transactions with customers and trading partners, including repos and OTC derivatives)
- Risks towards clearing houses and CCPs

Counterparty risk refers to a counterparty in a transaction to meet its obligations to pay for or deliver the agreed security or financial instrument. This refers to the risk of a counterparty defaulting prior to settlement of a transaction and that the price of the financial instrument will have changed when the transaction must be rearranged with a new counterparty. This replacement expense corresponds to the liquidation risk. As a result, part of Nordnet's counterparty risk is related to the transaction flows from the stock markets in the Nordic countries. The risks are limited through the use of established clearing organizations, such as Euroclear and NASDAQ OMX.

Counterparty risks also occur when investing Nordnet's excess liquidity. The excess liquidity is invested in an account at a bank, in treasury bills, covered bonds or other interest-bearing assets. Counterparty risk in the liquidity portfolio is limited by selecting counterparties with high credit quality.

The table on page 85 shows Standard & Poor's rating of Nordnet's financial assets. For covered bonds, the ratings of the bonds have been used; for others, the issuer's ratings have been used. A short-term rating is provided for assets with a remaining maturity of less than one year, except for covered bonds, government bonds, municipal bonds and bonds issued by the European Investment Bank where a long-term rating is used, regardless of the remaining maturity.

Assets where the Nordnet Pensionsförsäkring AB policyholders carry the investment risk are excluded. The financial assets that can be sold and where credit ratings are required, and which lack a long rating at

	Market value (SEK million)		Lending (SEK million)		Average loan to value ratio %	
Collateral for mortgage loans	2018	2017	2018	2017	2018	2017
Villas	7,878	4,679	2,700	1,578	34.3%	33.7%
Tenant-owner's right	3,914	2,261	1,478	803	37.8%	35.5%
<b>Total</b>	<b>11,792</b>	<b>6,940</b>	<b>4,178</b>	<b>2,381</b>	<b>35.4%</b>	<b>34.3%</b>

Standard & Poor's, have Moody's or Fitch lowest rating AAA, except for bond holdings in three Finnish municipalities with no rating. For loans to the public, credit quality is assured in accordance with the processes for the granting of secured and unsecured credits, respectively.

### Concentration risk

Commitments concentrated to a limited number of customers, a specific industry or geographical area, etc. create vulnerability and may constitute concentration risks. Nordnet's broad range of services and products is currently aimed at a broad spectrum of customers with a good geographical spread and considerable variation in their trading behaviour. All in all, Nordnet's customer base is therefore not deemed to constitute a concentration risk in the sense that Nordnet would be dependent on a small number of customers for its income from commissions and interest. Credit-related concentration risks arise when occasional individual exposures or groups of exposures exhibit a significant degree of covariance. Nordnet measures three types of concentration risk:

- Concentration to individual counterparties (single-name concentration risk)
- Concentration to individual industries (sector concentration risk)
- Concentration to individual countries or regions (geographical concentration risk)

### Creditworthiness of financial assets

Nordnet has various individual models for the vari-

ous financial assets the bank reports expected credit losses on. For Granting of unsecured loans, Nordnet has internally developed credit rating scales based on data on default. The credit assessment for Residential mortgages, Margin lending, other financial instruments valued at amortized cost and the liquidity portfolio are internally developed based on external data from the multiple sources to be able to assess the potential risk of default. Nordnet has defined the probability of default for all groups of counterparties.

### Input data, assumptions and techniques for assessing impairment requirements

In the assessment of impairment requirements for financial assets, Nordnet defines default in accordance with the company's Credit Policy. Default for the various financial assets is defined as follows:

For Margin lending, a custody account is considered to be in default if the loan amount has been larger than the collateral for at least three days or more.

For Granting of unsecured loans, default is defined as a receivable that is due for payment for more than 100 days, then the receivable is classified as step three. The process for collecting payment is begun when the payment for the loan is overdue and proceed until 100 days after the due date. After 100 days, the receivable is sold to a collection company and a credit loss is managed in profit and loss. Reasons that mean that a credit is categorized as in default (step 3), but is not possible to sell further to collection companies are, for example,

31/12/2018		Rating according to Standard & Poor's													
Group SEK million	Note	A-1+	A-1	A-2	A-3	no rating	AAA	AA+	AA	AA-	A+	A	A-	no rating	Total
Assets															
Loans to credit institutions	19	483	1,164	25		21									1,693
Loans to the general public	20					14,204									14,204
Financial assets at fair value	22													60	60
Treasury bills and other interest bearing securities	18						12,674	3,268		155				2,164	18,261
Bonds and other interest bearing securities	21						399	1,377							1,776
Reinvested assets in the insurance business	23						5,867	570							6,437
Total		483	1,164	25	0	14,225	18,940	5,215	0	155	0	0	0	2,224	42,431

<sup>1</sup> Of which SEK 1,361 million is recognized as technical assets in the consolidated balance sheet

<sup>2</sup> Parts of the liquid assets in the insurance business were reinvested in bonds.

31/12/2017		Rating according to Standard & Poor's														
Group SEK million	Note	A-1+	A-1	A-2	A-3	no rating	AAA	AA+	AA	AA-	A+	A	A-	no rating	Total	
<b>Assets</b>																
Loans to credit institutions	19	490	1,642	16		23										2,178
Loans to the general public	20					11,852										11,852
Financial assets at fair value	22													59		59
Treasury bills and other interest bearing securities	18		49				8,465	2,492						4,897		15,903
Bonds and other interest bearing securities	21	423	168				197	99		644		67		351		1,949
Reinvested assets in the insurance business	23						3,383									3,383
<b>Total</b>		<b>913</b>	<b>1,859</b>	<b>16</b>		<b>11,875</b>	<b>12,045</b>	<b>2,592</b>		<b>644</b>		<b>67</b>		<b>5,307</b>		<b>35,317</b>

<sup>1</sup> Of which SEK 1,895 million is reported as actuarial assets in the consolidated balance sheet.

<sup>2</sup> Parts of the liquid assets in the insurance business were reinvested in bonds.

if a customer is subject to debt restructuring, enters bankruptcy, is deceased, if the customer is the victim of fraud or if the customer emigrated. Nordnet has chosen to deviate from the standard's backstop as the bank estimates that the proportion of cases that would go back to step 2 during the period between 90-100 days to be immaterial. 100 days follows the business process that is also communicated with the customer.

With regard to Residential mortgages, default is defined as a receivable that is overdue for payment more than 90 days and when the process to collect payment has begun. If a receivable is overdue for 90 days, but it is deemed that the customer will be able to fulfil his/her obligations, there is a possibility to not define the receivable as in default, even though the criterion is met. If a residential mortgage were to lead to 90-day overdue payment, Nordnet's model currently permits deviating from the standard to classify the receivable as step 3. Nordnet has a maximum loan-to-value ratio of 50 percent, which is why this risk is considered to be low.

The liquidity portfolio is classified as low risk, which means that only 12 months expected credit losses are recognized in step 1. In accordance with the company's Finance Policy, the company only holds bonds and treasury bills with a rating of no less than A- according to Standard & Poor's rating scale and the company accordingly only holds receivables with very low probability of default. Lending to credit institutions is classified as low risk as the counterparties are considered secure, see table under counterparty risk.

For other financial instruments measured at amortized cost, such as accounts receivable, default is defined as receivables that are overdue for payment more than 90 days or that the institution considers it unlikely that the debtor will pay his or her credit obligations to the institution in full.

### Determining significant increase in credit risk after initial recognition

Nordnet takes both quantitative and qualitative information into account in the decision on whether or not there has been a significant increase in credit risk since initial recognition. The analyses are based on both historical, current and prospective information. In general for all lending, a significant increase in the credit risk is considered to have taken place if a receivable is more than 30 days overdue, which is the standard's backstop.

For Granting of unsecured loans, a significant increase in credit risk is considered to have occurred if the invoice is unpaid 17 days after the due date. After these 17 days, the invoice is forwarded to a collection agency, which handles the invoice from there. Nordnet has chosen to deviate from the standard's backstop as the product's process is set up this way. Nordnet considers that this model provides a better indication of which customers are at risk of being classified as in default.

A significant increase in credit risk for Residential mortgages is defined in the table below and through an individual assessment for receivables that are overdue for payment more than 30 days. A significant increase



in the credit risk means that the receivable is moved to step 2.

#### Relocation between steps, residential mortgages

	Probability of default (PD) 12 mos.	Payments
<b>Step 1</b>	PD < 0.20%	< 30 days overdue
<b>Step 1</b>	PD < PD at start	< 30 days overdue
<b>Step 2</b>	PD > PD at start > 0.20%	< 89 days overdue
<b>Step 2</b>		31 < days overdue < 89
<b>Step 3</b>		> 90 days overdue

For Margin lending, a custody account is considered to be in default if the loan amount has been larger than the collateral for at least three days or more depending on weighting; see the table below. A significant increase in the credit risk means that the receivable is moved to step 2. In the model there are three macro-economic scenarios, positive, basic and negative with GDP as a variable. The number of days is determined by how the weighting of the scenarios are estimated, which is shown the table below.

According to Nordnet's financial policy for the Liquidity portfolio, an asset must be sold if the creditor's credit rating falls below A-/A3 (S&P and Fitch/Moody's). If the asset refers to a bond, the credit's credit rating may not fall below AA-/Aa3. If this were the case, the bond must be sold. Considering these circumstances, Nordnet has assessed that a significant increase in credit risk is not applicable to the Liquidity portfolio since an asset will be sold before the credit risk is considered to be high or has increased significantly.

#### Collective assessment

In order to be able to carry out the assessment of a significant increase in credit risk for exposures for Granting of unsecured loans, Residential mortgages, Margin lending and the Liquidity portfolio, the assessment is initially done on a collective basis, broken down by the various product categories and the financial assets.

#### Relocation between steps, margin lending

	Probability-weighted against positive or base scenario	Probability-weighted against negative scenario
<b>Step 1</b>	Loans exceed collateral 0 days, overlending ≤ 3 days	Loans exceed collateral 0 days, overlending ≤ 1 day
<b>Step 2</b>	Loans exceed collateral 0 days, overlending ≥ 4 days	Loans exceed collateral 0 days, overlending ≥ 2 days
<b>Step 2</b>	1 day ≤ Loans exceed collateral ≤ 3 days	1 day ≤ Loans exceed collateral ≤ 2 days
<b>Step 3</b>	Loans exceed collateral ≥ 4 days	Loans exceed collateral ≥ 3 days

#### Impairment/credit degradation

In general for all lending, a receivable is considered to be credit degraded when payment has been overdue for 90 days or more, if there are indications of a degraded payment capacity or if the collateral has significantly dropped in value.

Granting of unsecured loans is impaired when a payment is overdue more than 100 days, then the credit is sold to a third party and the credit loss is handled through profit or loss.

Residential mortgages are not written off; if the receivable is deemed uncertain, it is moved to step 3, an individual assessment is done in each arising situation.

For Margin lending, receivables in step 3 are handled individually, meaning an assessment is done for each custody account where loans exceed the collateral for more than three days.

Since assets in the Liquidity portfolio are already sold when the credit rating falls below A-, no assets in this category are written off; for further information, see the section "Significant increase in credit risk".

#### Calculation of expected credit losses

The calculation of expected credit losses (ECL) is based on three components (see below). These components are calculated based on internally developed statistical models, which consist of a combination of historical, current, prospective and macro-economic data, as well as of Nordnet assessed relevant benchmarks.

##### *Probability of default (PD)*

12-month and lifelong PD is Nordnet's assessment of the probability of default in the next 12 months and, respectively, in the contract's remaining duration at a given point in time based on circumstances on the balance sheet date and the future financial conditions that affect the credit risk.



*Loss given default (LGD)*

LGD is comprised of the expected loss at default considering mitigating factors, such as collateral and the value of it.

*Exposure at default (EAD)*

EAD refers to the expected exposure at default considering repayments of principal and interest from the balance sheet date to the time of default.

12-month ECL is calculated through 12-month PD multiplied by LGD and EAD discounting to present value.

For Margin lending, a loss rate is used where PD and LGD are calculated combined.

**Use of prospective information**

Nordnet's credit risk department conducts the assessment of the impact that various scenarios of prospective macro-economic factors have on the expected credit losses. These are comprised of reasonable and verifiable factors, such as unemployment, interest rate levels, gross domestic product and the price index for housing. The use of prospective information increases the assessment element of how macro-economic factors affect anticipated credit losses. The methodology and assumptions used for the models is revised regularly. No change in methodology for the distribution between steps occurred in 2018, which is reflected in Note 20.

*The granting of unsecured credits*

Nordnet considers that the correlation between unemployment and credit losses is high and has chosen to use unemployment as a parameter to forecast the expected credit losses for Granting of unsecured loans forward in time. Three different scenarios are used for the forecasts: average, low and high (see table). Each scenario includes an unemployment level and a probability that this level will occur. The forecast extends two years into the future and is based on the forecast for unemployment provided by Bloomberg (just over 10 forecasts from Swedish and international banks), where Average is the median value of the forecasts available at Bloomberg, Low shows the lowest forecast and High shows the highest forecast reported to Bloomberg. Considering the average life of Nordnet's products in this category is 20 months, this two-year forecast provides satisfactory data to forecast Nordnet's credit losses.

**Unemployment**

Year	Average %	Low %	High %
2018	6.3	6.2	6.4
2019	6.2	5.7	6.5
2020	5.8	5.4	6.9

*Residential mortgages*

Nordnet has chosen to use the housing price index to forecast the expected credit losses for Residential mortgages forward in time. The scenarios are based on how the housing price index for the Swedish property market has developed in the past 40 years, but is conservatively applied in the models compared with the actual historical price trend.

The probability weighting for the three different scenarios called average, low and high is evaluated continuously and based on the monthly development and historical price fluctuations. Historical data comes from Statistics Sweden's FASTPI index and monthly data is gathered from Valueguard HOX Sweden price index.

*Margin lending*

Nordnet uses GDP as a macro-economic variable to calculate credit losses regarding margin lending with the assumption that the overall economy is reflected in the stock market. The source for the GDP forecasts is Bloomberg; we use the forecast for the Swedish GDP growth. The probabilities are approximated and revised monthly. In years with negative GDP growth, the share market has fluctuated and credit losses on Margin lending have been higher than in other years.

**Liquidity portfolio**

The Liquidity portfolio uses changes in the market interest rate to forecast credit risk and the expected credit losses forward in time. The interest rate affects the financing costs for states, banks and institutions that borrow money on the capital markets. The interest rate thereby has an impact on the creditors' credit quality in terms of refinancing possibilities, interest payments and financing costs. Macro-economic factors are thereby reflected in the credit ratings for the creditors and the instruments in the portfolio. All instruments in the Liquidity portfolio have a credit rating from at least one credit rating institute. Each credit rating is also given a forecast (positive/stable/negative).

To forecast the credit losses in the Liquidity portfolio, Nordnet works based on three different scenarios. Base, all credit ratings are unchanged. A negative scenario, credit ratings with negative outlooks are downgraded one level. A positive scenario, where credit ratings with positive outlooks are upgraded one level.

A 12-month credit loss provision will be calculated for each of the scenarios. These are then weighted with the probability of the respective scenario occurring and the final credit loss provision is the sum of these weighted amounts.

## Sensitivity analysis prospective information

### *The granting of unsecured credits*

Expert assessments have been used to determine the effects of the prospective information regarding Granting of unsecured loans. The approach has been tested through a sensitivity analysis with an average unemployment forecast two times the actual unemployment. This results in 12 percent of the contracts in the model being classified as a significantly increased risk compared with 7 percent if the prospective scenario were to match actual unemployment. The table below illustrates the simulation's impact on moves from step 1 to step 2. The table shows the number of contracts that move between step 1 and step 2 with or without stress.

Step 2 - Comparison portfolios with stress and without stress

Portfolio	Stress	Without stress
Konsumentlånet (consumer loan)	1,838	1,820
Flexlånet (flexible loan)	540	538
Toppenlånet (top loan)	239	238
<b>Total</b>	<b>2,617</b>	<b>2,596</b>

Nordnet has only prepared a sensitivity analysis for Granting of unsecured loans since it is for this category of lending that the majority of the credit losses are found.

## Modified loans

A loan is considered to be modified when terms that control cash flows have changed compared with the original contract. Modification of a loan can be due to the borrower contacting Nordnet due to financial difficulties to meet his or her commitments, Nordnet having taken steps to keep the customer or changes in the

market conditions. At these times, the loan is modified and the profit or loss is recognized in the income statement. Modified loans are removed from the balance sheet when the existing loan is cancelled and a new contract arranged or if an existing contract is materially modified. Modifications only as a result of payment relief for a customer are not considered material and therefore do not give rise to a removal from the balance sheet.

A modified loan that does not lead to removal from the balance sheet, which is due to the customer's payment capacity, is categorized as a contract under monitoring. This gives rise to a relocation between steps. The loan must then pass 12 months without remark or a new modification to be moved back to an earlier step again.

## Compliance measures

Nordnet's contractually outstanding amounts for financial assets that are written off, but still covered by compliance measures in the form of payment plans amounted to SEK 7.1 million at 31 December 2018.

## Market risk

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. Nordnet's operations are built up around customer trading and the business model does not therefore include exposing the company to market risks in its own name.

## Interest rate risks

Interest rate risks occur when there is an imbalance regarding terms to maturity between the company's assets and liabilities and in changes in the value of assets due to market interest rate fluctuations. Nordnet gives credit at flexible interest rates, and this credit is financed by deposits at flexible interest rates. The excess deposit is placed in accordance with the restrictions stipulated by the company's finance policy.

The interest rate sensitivity of the portfolio is measured and reported weekly to the Risk Control and the CFO. In addition, at the end of each quarter, the sensitivity of the portfolio is assessed in conjunction with the finance function's interest report to Finansinspektionen (the

2018 Group - Interest period										
Assets	0-1 month	2-3 months	4-6 months	7-12 months	1-2 years	2-3 years	3-4 years	4-5 years	No fixed rates	Total
Cash and balances in Central banks	1,344,200	-	-	-	-	-	-	-	-	1,344,200
Loans to credit institutions	1,693,983	-	-	-	-	-	-	-	-	1,693,983
Loans to the general public	10,026,502	4,177,986	-	-	-	-	-	-	-	14,204,488
Financial assets at fair value	-	-	-	-	-	-	-	-	59,593	59,593
Treasury bills and other interest bearing securities	5,107,403	7,051,277	3,817,360	2,083,627	200,944	-	-	-	-	18,260,611
Bonds and other interest bearing securities	419,148	941,032	260,987	74,027	80,521	-	-	-	-	1,775,715
Reinvested assets in the insurance business	1,800,315	2,485,514	1,345,586	734,460	70,831	-	-	-	-	6,436,706
Other assets	-	-	-	-	-	-	-	-	56,141,785	56,141,785
<b>Total assets</b>	<b>20,391,551</b>	<b>14,655,809</b>	<b>5,423,933</b>	<b>2,892,114</b>	<b>352,296</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,201,378</b>	<b>99,917,081</b>
Liabilities										Total
Deposits and borrowing from the general public	43,022,846	-	-	-	-	-	-	-	-	43,022,846
Other liabilities	-	-	-	-	-	-	-	-	54,905,996	54,905,996
<b>Total liabilities</b>	<b>43,022,846</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,905,996</b>	<b>97,928,842</b>
Difference between assets and liabilities	-22,631,295	14,655,809	5,423,933	2,892,114	352,296	0	-	-	1,295,382	1,988,239
Adopted remaining interest period, year (present value)	0.04	0.16	0.36	0.71	1.39	2.25	3.07	3.85		
Adopted interest rate change, %	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%		
Risk weight	0.04%	0.16%	0.36%	0.71%	1.39%	2.25%	3.07%	3.85%		
<b>Total net interest risk</b>	<b>-9,053</b>	<b>23,449</b>	<b>19,526</b>	<b>20,650</b>	<b>4,879</b>	<b>0</b>	<b>-</b>	<b>-</b>		<b>59,452</b>

2017 Group - Interest period										
Assets	0-1 month	2-3 months	4-6 months	7-12 months	1-2 years	2-3 years	3-4 years	4-5 years	No fixed rates	Total
Cash and balances in Central banks	392,304	-	-	-	-	-	-	-	-	392,304
Loans to credit institutions	2,170,558	-	-	-	-	-	-	-	-	2,170,558
Loans to the general public	11,852,046	-	-	-	-	-	-	-	-	11,852,046
Financial assets at fair value	-	-	-	-	-	-	-	-	59,184	59,184
Treasury bills and other interest bearing securities	1,658,266	6,769,308	5,746,248	924,394	719,283	85,695	-	-	-	15,903,194
Bonds and other interest bearing securities	752,349	814,777	283,774	74,390	23,718	-	-	-	-	1,949,008
Reinvested assets in the insurance business	352,710	1,439,818	1,222,215	196,617	152,990	18,227	-	-	-	3,382,576
Other assets	-	-	-	-	-	-	-	-	49,909,235	49,909,235
<b>Total assets</b>	<b>17,178,233</b>	<b>9,023,903</b>	<b>7,252,237</b>	<b>1,195,401</b>	<b>895,991</b>	<b>103,922</b>	<b>-</b>	<b>-</b>	<b>49,968,419</b>	<b>85,618,105</b>
Liabilities										Total
Deposits and borrowing from the general public	32,446,266	-	-	-	-	-	-	-	-	32,446,266
Other liabilities	-	-	-	-	-	-	-	-	49,252,219	49,252,219
<b>Total liabilities</b>	<b>32,446,266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,252,219</b>	<b>81,698,485</b>
Difference between assets and liabilities	-15,268,033	9,023,903	7,252,237	1,195,401	895,991	103,922	0	-	716,200	3,919,620
Adopted remaining interest period, year (present value)	0.04	0.16	0.36	0.71	1.39	2.25	3.07	3.85		
Adopted interest rate change, %	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%		
Risk weight	0.04%	0.16%	0.36%	0.71%	1.39%	2.25%	3.07%	3.85%		
<b>Total net interest risk</b>	<b>-6,107</b>	<b>14,438</b>	<b>26,108</b>	<b>8,535</b>	<b>12,409</b>	<b>2,333</b>	<b>-</b>	<b>-</b>		<b>57,117</b>

Swedish Financial Supervisory Authority).

At year-end interest rate risk of fixed-income investments to 59.5 million (57.7) for a change in the market of a percentage point, which would be charged to the profit after tax and reduce equity by 46.4 million.

A list of Nordnet's fixed-interest terms is provided in the table below. Net interest risk shows how much the balance sheet or net interest income is affected by changes in market interest rates by one percentage point up or down.

## Foreign exchange risks

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. Nordnet manages arisen foreign exchange trading positions by carrying out several currency conversions each day, and only smaller flow-related foreign exchange positions can normally occur over more than one banking day.

Group - valuation of assets and liabilities in foreign currency	2018	2017
<b>Assets</b>		
Loans to credit institutions	1,344,189	1,513,617
Loans to the general public	3,523,188	3,172,411
Shares and participations	2,134	5,432
Treasury bills and other interest bearing securities	16,999,698	12,878,229
Other assets	2,133,940	1,618,160
<b>Total</b>	<b>24,003,149</b>	<b>19,187,849</b>
<b>Liabilities</b>		
Deposits and borrowing from the general public	22,149,369	17,759,630
Other liabilities	1,788,853	1,526,697
<b>Total</b>	<b>23,938,222</b>	<b>19,286,327</b>

2018	Assets	Liabilities	Net exposure	Exchange rate risk <sup>1</sup>
NOK	5,469,885	5,504,174	-34,289	3,429
DKK	8,906,769	8,908,815	-2,046	-
USD	1,372,072	1,369,612	2,460	246
EUR	8,174,605	8,075,205	99,400	9,735
Other	79,818	80,416	-598	60
<b>Total</b>	<b>24,003,149</b>	<b>23,938,222</b>	<b>64,927</b>	<b>13,470</b>

2017	Assets	Liabilities	Net exposure	Exchange rate risk <sup>1</sup>
NOK	4,171,522	4,191,935	-20,413	2,041
DKK	6,869,977	6,938,951	-68,974	-
USD	1,068,881	1,086,101	-17,220	1,722
EUR	6,990,705	6,978,624	12,081	5,689
Other	86,764	90,716	-3,952	395
<b>Total</b>	<b>19,187,849</b>	<b>19,286,327</b>	<b>-98,478</b>	<b>9,848</b>

<sup>1</sup>Displays the currency risk in an unfavourable fluctuation of 10 percent in each currency. The Danish krone has a fixed exchange rate against the Euro and the currency risks can offset each other.

At year-end, total net exposure in foreign currency amounted to SEK 64.9 million (98.5). An unfavourable exchange rate development of 10 percent in each currency entails a risk of approximately SEK 13.5 million (9.8), which will be charged against profit after tax by SEK 10.5 million (7.6). This includes net assets from foreign operations that are not hedged. For a more detailed description of assets and liabilities in foreign currency, refer to the table above.

Currency-based earnings arises primarily from customers' currency exchange in connection with cross-border trading. The list above details the corresponding value, in SEK thousands, of the assets and liabilities by currency:

### Share price risk

Share price risk is the risk that the fair value of, or future cash flows emanating from, a share fluctuates from changes in market prices. Nordnet's direct exposure to share price risk is low as the Group does not normally hold any positions of its own.

At the year-end, the company's own total exposure to share price risk amounted to SEK 59.6 million (59.2). A sudden negative market development for all the shares of 10 percent entails a risk of approximately SEK 6.0 million (5.9), which would be charged against profit after tax and reduce equity by SEK 4.7 million. In connection with Nordnet's participation as a distributor in new share issues and spread offers, Nordnet can also opt to participate as a guarantor for part of the issue. No such guarantees were issued over the turn of the year.

### Financing risk/liquidity risk

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.

Good payment readiness requires the asset side of the balance sheet to be liquid. Nordnet's assets mainly consist of cash and cash equivalents, loans to credit

institutions and the general public and interest-bearing instruments.

Loans to credit institutions amounted to SEK 333.0 million (275.6). Cash and cash equivalents including holdings in central banks amounted to SEK 1,677.2 million (667.9). Cash and cash equivalents, including assets in the insurance business, amounted to SEK 3,038.2 million (2,563.0). Of cash and cash equivalents, SEK 91 million (82) consisted of blocked funds, which is why immediately available cash and cash equivalents in the Group, including that in the insurance business, amounted to SEK 2,947.2 million (2,481) at year-end. Borrowing from the general public (households and companies) is Nordnet's most important source of finance. Nordnet's liquidity risk is reduced by the spreading of its financing over many customers and several geographical markets, and its payment readiness is deemed to be very good.

### Operational risk

Operational risk consists of the risk of losses due to inappropriate or failed processes, human error, faulty systems or external events. The definition includes legal risk, compliance risk and HR risk. In addition to all of the risks that can be associated with human error and mistakes, typical examples of operational risks include: computer failure, dependence 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, Nordnet has well-functioning systems and procedures, 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 identifies operational risks in its products, services, functions, processes and IT systems. The risk control function supports and guides departments in their risk work and carries out the independent follow-up of the handling of operational risks and reports to the CEO and the Board. A special IT security function works on the identification, prevention and control of risks related to Nordnet's IT systems.

As the basis for its analysis of Nordnet's operational risks, risks identified through the self-assessment conducted each year and incidents that occurred are used.

## Insurance risk

Insurance risk refers to 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. However, the insurance risks in the operations are limited, as deaths, survivors' pensions, premiums and sickness insurance are communicated to external parties and the risks are therefore not borne by Nordnet. Premium and fee levels in Nordnet are based on product calculations and are reviewed each year.

The insurance business comprises traditional policies with conditional bonuses and unit-linked insurance in which the insured party bears its own investment risk. This means that the company's financial risk is very limited. In traditional insurance policies with periodic pay-outs, there is a guarantee over the first five years of the pay-out period. The annual guarantee amount is 3 percent (3) of the customer's insurance capital at the time of the first payment.

Insurance provisions for guaranteed commitments amount to SEK 19 million (18), corresponding to 0.04 percent (0.04) of total insurance technical provisions.

## Note 8 Group – net interest

	2018	2017
Interest income on loans to credit institutions	1,911	796
Interest income on interest-bearing securities	52,089	18,641
Interest income on loans to the general public	433,901	406,833
Other interest income	4,509	5,424
<b>Total interest income</b>	<b>492,410</b>	<b>431,694</b>
Interest expenses for liabilities to credit institutions	-10,285	-3,598
Interest expenses on interest-bearing securities	-61,545	-
Interest expenses for deposits and loans to the general public	-12,438	-10,804
Other interest expenses	-30,579	-31,023
<b>Total interest expenses</b>	<b>-114,847</b>	<b>-45,425</b>
<b>Net interest income</b>	<b>377,563</b>	<b>386,269</b>

The average interest on lending to the public during the year was 1.65 percent (2.06). The average interest on deposits and borrowing from the public during the year was 0.04 percent (0.04). Over the year, average interest on lending, excluding account credits, which are fully covered by pledged liquid funds in endowment insurance plans, was 1.74 percent (2.21).

## Note 9 Group – net commission

	2018	2017
<b>Commission income</b>		
Securities commission	983,895	905,112
<b>Total commission income</b>	<b>983,895</b>	<b>905,112</b>
<b>Commission expenses</b>		
Securities commission	-287,941	-264,608
<b>Total commission expenses</b>	<b>-287,941</b>	<b>-264,608</b>
<b>Net commission</b>	<b>695,954</b>	<b>640,504</b>
Of which attributable to financial assets and liabilities valued at fair value via the income statement.	-	-

## Note 10 Group – net result from financial transactions

	2018	2017
Capital gains/losses, shares and participations	-1,135	-377
Unrealised value changes, shares and participations	-340	-28
Capital gains/losses, interest-bearing securities	2,627	1,906
Exchange income	176,829	160,859
<b>Total net result from financial transactions</b>	<b>177,981</b>	<b>162,360</b>
<b>Net profit/Net loss per category</b>		
Fair value through profit and loss	-1,475	-405
Fair value through other comprehensive income	2,627	-
Available-for-sale financial assets	-	1,906
<b>Total net profit/net loss per category</b>	<b>1,152</b>	<b>1,501</b>

## Note 11 Group – other operating income

	2018	2017
Other account-related side-income	9,828	12,337
Fees from customers private loans	5,938	5,081
Revenues from market activities	17,280	20,959
Other operating income	25,870	16,526
<b>Total other operating revenues</b>	<b>58,916</b>	<b>54,903</b>

## Note 12 Group – general transaction expenses

	2018	2017
<b>General administration expenses</b>		
Personnel expenses	-483,304	-408,783
Rental and property expenses	-41,331	-33,912
Other operational leasing expenses	-2,830	-1,833
Information expenses	-61,899	-48,410
System and communication expenses	-151,710	-129,781
Purchased services	-170,520	-210,427
Other general administration expenses	-38,045	-31,432
<b>Total general administration expenses</b>	<b>-949,639</b>	<b>-864,578</b>



## cont. Note 12 Group – general transaction expenses

Average number of employees covers the following geographical markets	2018	2017
<b>Sweden</b>	<b>429</b>	<b>348</b>
- of whom women	162	126
- of whom men	267	222
<b>Norway</b>	<b>27</b>	<b>22</b>
- of whom women	6	7
- of whom men	21	15
<b>Finland</b>	<b>29</b>	<b>30</b>
- of whom women	12	13
- of whom men	17	17
<b>Denmark</b>	<b>27</b>	<b>26</b>
- of whom women	15	14
- of whom men	12	12
<b>Total</b>	<b>512</b>	<b>426</b>
- of whom women	195	160
- of whom men	317	266
<b>Number of full-time employees at year-end</b>	<b>526</b>	<b>474</b>
<b>Distribution of personnel expenses</b>	<b>2018</b>	<b>2017</b>
Salaries and other remuneration	-340,651	-284,922
Social insurance contributions	-91,038	-77,426
Pension expenses	-56,205	-45,969
Other personnel expenses	-27,893	-23,538
<b>Total personnel expenses</b>	<b>-515,787</b>	<b>-431,855</b>
Of which capitalized personnel expenses	32,483	23,072
<b>Total expensed personnel expenses</b>	<b>-483,304</b>	<b>-408,783</b>
<b>Salaries and other remuneration</b>		
Board members, Chief Executive Officer and corresponding officials	-36,345	-37,260
Other employees	-304,306	-247,662
<b>Total salaries and other remuneration</b>	<b>-340,651</b>	<b>-284,922</b>
<b>Social security expenses</b>		
Board members, Chief Executive Officer and corresponding officials	-10,762	-9,899
Other employees	-80,276	-67,527
<b>Total social security expenses</b>	<b>-91,038</b>	<b>-77,426</b>
<b>Pension expenses</b>		
Board members, Chief Executive Officer and corresponding officials	-9,581	-6,916
Other employees	-46,624	-39,053
<b>Total pension expenses</b>	<b>-56,205</b>	<b>-45,969</b>

## cont. Note 12 Group – general transaction expenses

2018	Fixed remuneration	Benefits	Pension expenses	Fees	Share-program	Social security contributions Shareprogram	Total
<b>Board Chairman</b>							
Hans Larsson	-	-	-	-725	-	-	-725
<b>Other board members</b>							
Christopher Ekdahl	-	-	-	-275	-	-	-275
Jan Dinkelspiel	-	-	-	-250	-	-	-250
Christian Frick	-	-	-	-225	-	-	-225
Tom Dinkelspiel	-	-	-	-225	-	-	-225
Per Widerström	-	-	-	-150	-	-	-150
Pierre Siri	-	-	-	-250	-	-	-250
<b>Chief Executive Officer</b>							
Peter Dahlgren until 30 Sept 2018	-6,250	-50	-2,758				-9,058
Anders Danielsson from 1 Oct 2018	-1,250	-2	-544				-1,796
<b>Other senior executives</b>							
14.2 people on average (whereof 1.2 consultants)	-29,522	-1,029	-6,280				-36,830
<b>Total</b>	<b>-37,022</b>	<b>-1,080</b>	<b>-9,581</b>	<b>-2,100</b>	<b>0</b>	<b>0</b>	<b>-49,783</b>

2017	Fixed remuneration	Benefits	Pension expenses	Fees	Share-program	Social security contributions Shareprogram	Total
<b>Board Chairman</b>							
Claes Dinkelspiel 1 Jan 2017- 21 Feb 2017	-	-	-	-93	-	-	-93
Hans Larsson 22 Feb 2017-31 Dec 2017	-	-	-	-622	-	-	-622
<b>Other board members</b>							
Anna Frick 1 Jan 2017- 21 Feb 2017	-	-	-	-43	-	-	-43
Anna Settmann 1 Jan 2017- 21 Feb 2017	-	-	-	-43	-	-	-43
Bo Mattsson 1 Jan 2017- 21 Feb 2017	-	-	-	-64	-	-	-64
Kjell Hedman 1 Jan 2017- 21 Feb 2017	-	-	-	-78	-	-	-78
Tom Dinkelspiel 1 Jan 2017- 31 Dec 2017	-	-	-	-271	-	-	-271
Ulf Dinkelspiel 1 Jan 2017- 21 Jan 2017	-	-	-	-57	-	-	-57
Jaana Rosendahl 1 Jan 2017- 21 Feb 2017	-	-	-	-43	-	-	-43
Christopher Ekdahl 22 Feb 2017- 31 Dec 2017	-	-	-	-236	-	-	-236
Christian Frick 22 Feb 2017- 31 Dec 2017	-	-	-	-193	-	-	-193
Pierre Siri 22 Feb 2017- 31 Dec 2017	-	-	-	-214	-	-	-214
Jan Dinkelspiel 22 Feb 2017- 31 Dec 2017	-	-	-	-214	-	-	-214
<b>Chief Executive Officer</b>							
Håkan Nyberg	-9,464	-397	-1,344	-	-	-	-11,205
Peter Dahlgren	-4,707	-50	-2,314	-	-	-	-7,071
<b>Other senior executives</b>							
12.7 people on average	-21,826	-816	-3,258	-	-	-	-25,899
<b>Total</b>	<b>-35,996</b>	<b>-1,263</b>	<b>-6,916</b>	<b>-2,171</b>	<b>0</b>	<b>0</b>	<b>-46,347</b>

## cont. Note 12 Group – general transaction expenses

### Chief Executive Officer

Fixed remuneration to former CEO Peter Dahlberg (PD) for 2018 amounted to SEK 416,667 (416,667) per month and compensation for a car SEK 8,250 per month. The provision for occupational pensions for 2018 amounts to 35 percent (35) of pensionable salary. Pensionable salary refers to the basic salary including holiday pay. PD received salary until 30 September 2018 with six months' severance pay from October.

Acting CEO Anders Danielsson (AD) had a salary of SEK 416,667 per month. The occupational pension for PD amounts to 35 percent of pensionable salary. The period of notice from the company to the CEO is one month, and the period of notice from the CEO to the company is one month.

The preparation and decision process applied with regard to remuneration and other terms for the CEO is a Board issue. The Board has appointed a Remuneration Committee for discussion of remuneration issues. The individuals included in the Remuneration Committee are noted in the section "Corporate Governance".

### Board of Directors

Remuneration of the Board members for 2018 was SEK 2,690,728. Fees to be paid for the period May 2018 to April 2019 are SEK 500,000 to the Chairman of the Board, SEK 250,000 to Pierre Siri and SEK 150,000 to the other members. Fees to be paid for work on the Board's committees are SEK 25,000 per committee in which a member is attending. A fee of SEK 50,000 will be paid to the chairman of the respective committees. No other remuneration has been paid to the Board apart from minor travel expenses. There are no other agreements concerning pensions or severance pay. Remuneration to the Board is decided on every year at the Annual General Meeting. The table Remuneration of senior executives above includes expenses for the Board fees during the 2018 financial year. These are paid out from Nordnet AB (publ).

The Board comprises 7 (6) men and 0 (0) women. The discussion and decision process applied with regard to remuneration to the Chairman of the Board takes place within the Board. Remuneration to the Board has been distributed in accordance with the Annual General Meeting's resolution.

For information on Board members' shareholdings, please see the section Board of Directors.

### Other senior executives

The Group management team has changed over the year, and as at 31 December 2018 it amounted to 13 (13) people excluding the CEO, of whom 9 (7) are men and 4 (6) are women. One person is employed in Nordnet Bank's Norwegian branch, one is employed in Nordnet Bank's Finnish branch and one is employed in Nordnet Bank's Danish branch. The others are employed in Sweden. Remuneration in the above table relates to the time each individual has been part of the management team. Any salary adjustments or other remuneration for the company's management is proposed by the CEO to the Remuneration Committee, which has been commissioned by the Board to discuss such issues. There are no special benefits for senior executives except for paid medical insurance. All employees have the opportunity to lease a car at cost.

### Pension policy

The Group's pension policy is a defined contribution plan applicable to all personnel within the Group. Pension expenses for the Group average approximately 16.5 (15.8) percent of pensionable salary, depending on age and salary.

### Audit

Audit services refer to the statutory audit, i.e. the reviewing of the Annual Report, the accounts and the administration by the Board of Directors and Managing Director. Audit services also include any other tasks that the company's auditor is required to perform. Activities beyond the audit assignment involve quality assurance measures, that is to say, in part, any review of management, the Articles of Association, statutes or agreements intended to result in a report, certificate or other document addressed to a party other than the principal and, in part, advice or other assistance occasioned by observations made during an audit. Reviews of interim financial reports are included in the audit assignment outside the assignment. Tax advice includes advice on income taxes and VAT.

Other services include advice on accounting issues, services in connection with corporate/business changes and operational efficiency.

## cont. Note 12 Group – general transaction expenses

### Auditing expenses

	2018	2017
<b>Audit services</b>		
Deloitte	-4,896	-3,435
	<b>-4,896</b>	<b>-3,435</b>
<b>Audit services outside the assignment</b>		
Deloitte	-465	-484
	<b>-465</b>	<b>-484</b>
<b>Tax advice</b>		
Deloitte	-466	-703
	<b>-466</b>	<b>-703</b>
<b>Other services</b>		
Deloitte	-16	-
	<b>-16</b>	<b>-</b>
<b>Total</b>	<b>-5,843</b>	<b>-4,622</b>

### Leasing

	2018	2017
<b>Operational leasing agreements</b>		
<b>Expenses during the period</b>		
Rent of premises	-33,418	-29,343
Operational leases of equipment	-2,830	-1,833
<b>Total operational leases</b>	<b>-36,248</b>	<b>-31,176</b>
<b>Agreed future charges</b>		
<b>Premises</b>		
Within one year	-32,114	-36,875
Between one and five years	-110,577	-113,723
Later than five years	-129,228	-155,017
<b>Future charges premises</b>	<b>-271,919</b>	<b>-305,615</b>
<b>Equipment</b>		
Within one year	-4,289	-2,095
Between one and five years	-2,018	-10
Later than five years	-	-
<b>Future charges equipment</b>	<b>-6,307</b>	<b>-2,105</b>
<b>Total future agreed leasing charges</b>	<b>-278,226</b>	<b>-307,720</b>

## Note 13 Group – amortization and depreciation of tangible and intangible assets

	2018	2017
Brands, amortization	-10	-10
Customer base, amortization	-29,051	-32,959
Capitalized expenditure on development work, depreciation	-46,722	-43,355
Capitalized expenditure on development work, write-downs	-8,075	-
Tangible assets, depreciation	-22,005	-14,134
<b>Total</b>	<b>-105,863</b>	<b>-90,458</b>

## Note 14 Group – other operating expenses

	2018	2017
Marketing and sales	-69,056	-44,377
Bank expenses	-7,438	-7,935
Corporate insurance	-1,243	-1,180
<b>Total</b>	<b>-77,737</b>	<b>-53,492</b>

## Note 15 Group – credit losses, net

Outcome 2018 according to IFRS 9	2018
<b>Provisions for credit losses</b>	
Loan receivables stage 1	-754
Loan receivables stage 2	-1,782
Loan receivables stage 3	-7,835
<b>Total</b>	<b>-10,371</b>
<b>Confirmed credit losses</b>	
Write-off for the period for confirmed losses	-25,630
Recoveries of previously confirmed losses	-
<b>Total</b>	<b>-25,630</b>
<b>Total net credit losses for the period</b>	<b>-36,002</b>

## cont. Note 15 Group – credit losses, net

Outcome 2017 according to IAS 39	2017
<b>A. Specific provision for individually valued loan receivables:</b>	
1. Year's write-off of stated bad debt loss	-28,565
2. Reversed provisions made previously for likely credit losses which are entered as confirmed losses in the accounts for the year	-3,051
3. Year's provision for likely credit losses	-7,822
4. Deposited for previous year's confirmed credit losses	-
5. Reversed, no longer required provisions for likely credit losses	4,204
<b>6. Net expenses for the year</b>	<b>-35,234</b>
<b>C. Homogeneous groups of loan receivables, valued group-wise, with limited value and similar credit risk:</b>	
1. Year's write-off of stated bad debts	-
2. Reversed provisions made previously for likely credit losses which are entered as confirmed losses in the accounts for the year	-
3. Year's provision for likely credit losses	-67
4. Deposited for previous year's confirmed credit losses	-
5. Reversed, no longer required provisions for likely credit losses	-
<b>6. Net expenses for the year</b>	<b>-67</b>
<b>Net expenses for the year for credit losses</b>	<b>-35,301</b>

All credit losses are attributable to receivables from the public and amount to 0.25 percent (0.30) of the carrying amount of loan receivables at year-end.

## Note 16 Group – taxes

Tax charged to income		2018	2017
Current tax expense (-)/ tax income (+)			
Adjustment current tax for previous years		1,402	936
Current tax		-33,394	-43,872
Deferred tax related to temporary differences		8,871	10,062
Tax on net income for the year		-23,121	-32,874
Reconciliation of effective tax		2018	2017
Profit before tax		141,173	200,207
Tax expense in the income statement	16.4%	-23,121	-32,874
Tax as per current tax rate for the Parent Company	22.0%	-31,058	-44,046
Difference	5.6%	7,937	11,172
The difference consists of the following items:			
Effect of profit charged with tax on returns	9.4%	13,239	11,748
Effect of non-deductible expenses/non-taxable income	-2.5%	-3,558	-4,389
Effect of corrected tax from previous years	-2.6%	-3,685	936
Effect of tax deficits	1.6%	2,219	2,390
Others	-0.2%	-278	487
Reported effective tax	5.6%	7,937	11,172

The current tax asset of SEK 89,094 (77,251) thousand is mainly attributable to Nordnet Bank AB.

Current tax liabilities of SEK 42,105 (8,017) are mainly attributable to Nordnet Pensionsförsäkring AB. These taxes will be paid during 2019.

## Note 17 Group – segments

<b>2018</b>					
<b>Market (SEK million)</b>	<b>Sweden</b>	<b>Norway</b>	<b>Denmark</b>	<b>Finland</b>	<b>Total</b>
Net interest income	291.3	60.1	12.3	13.9	<b>377.6</b>
Net commission income	287.0	119.8	147.7	141.5	<b>696.0</b>
Net result of financial transactions	65.0	26.6	61.6	24.7	<b>178.0</b>
Other operating income	27.9	6.2	8.4	16.5	<b>58.9</b>
<b>Total operating income</b>	<b>671.2</b>	<b>212.7</b>	<b>230.0</b>	<b>196.6</b>	<b>1,310.4</b>
Expenses	-476.6	-189.2	-183.1	-178.4	<b>-1,027.4</b>
Depreciations	-55.6	-13.1	-12.4	-24.8	<b>-105.9</b>
<b>Total expenses before credit losses</b>	<b>-532.2</b>	<b>-202.3</b>	<b>-195.5</b>	<b>-203.2</b>	<b>-1,133.2</b>
<b>Profit before credit losses</b>	<b>138.9</b>	<b>10.4</b>	<b>34.5</b>	<b>-6.6</b>	<b>177.2</b>
Net credit losses	-34.6	-0.5	-0.7	-0.3	<b>-36.0</b>
<b>Operating profit</b>	<b>104.4</b>	<b>9.9</b>	<b>33.8</b>	<b>-6.9</b>	<b>141.2</b>
Tax	-7.3	-9.5	-4.1	-2.2	<b>-23.1</b>
<b>Profit for the year</b>	<b>97.1</b>	<b>0.4</b>	<b>29.6</b>	<b>-9.1</b>	<b>118.1</b>
Fixed assets	391.0	101.6	0.5	23.9	<b>517.0</b>
Operating margin	16%	5%	15%	-3%	<b>11%</b>
Number of active customers	326,000	110,900	100,100	228,200	<b>765,200</b>
Number of active accounts	473,100	158,400	128,100	256,700	<b>1,016,300</b>
Net savings (SEK million)	9,412	3,256	7,573	3,256	<b>23,497</b>
Savings capital (SEK billion)	128	35	61	62	<b>286</b>
Number of trades	13,547,400	4,211,100	4,009,500	4,351,800	<b>26,119,800</b>
Average number of employees <sup>1</sup>	429	26	27	29	<b>512</b>

<sup>1</sup>Nordic functions are included in Sweden.



## cont. Note 17 Group – segments





2017					
Market (SEK million)	Sweden	Norway	Denmark	Finland	Total
Net interest income	296.7	48.2	25.8	15.5	386.2
Net commission income	271.2	106.2	142.3	120.8	640.5
Net result of financial transactions	48.9	26.1	67.5	19.9	162.4
Other operating income	29.1	6.4	3.7	15.7	54.9
<b>Total operating income</b>	<b>645.9</b>	<b>186.9</b>	<b>239.3</b>	<b>171.9</b>	<b>1,244.0</b>
Expenses	-461.6	-161.2	-147.1	-148.0	-917.9
Depreciations	-47.7	-9.4	-9.3	-24.1	-90.5
<b>Total expenses before credit losses</b>	<b>-509.3</b>	<b>-170.6</b>	<b>-156.4</b>	<b>-172.1</b>	<b>-1,008.4</b>
<b>Profit before credit losses</b>	<b>136.6</b>	<b>16.3</b>	<b>82.9</b>	<b>-0.2</b>	<b>235.6</b>
Net credit losses	-35.3	-0.2	0.2	-0.1	-35.4
<b>Operating profit</b>	<b>101.3</b>	<b>16.1</b>	<b>83.1</b>	<b>-0.3</b>	<b>200.2</b>
Tax	-3.9	-5.2	-20.9	-2.9	-32.9
<b>Profit for the year</b>	<b>97.4</b>	<b>10.9</b>	<b>62.2</b>	<b>-3.2</b>	<b>167.3</b>
Fixed assets	290.0	101.8	0.0	32.2	424.0
Operating margin	23%	9%	35%	0%	16%
Number of active customers	302,700	97,900	84,900	183,800	669,300
Number of active accounts	431,500	132,800	109,800	210,400	884,500
Net savings (SEK million)	1,193	5,326	8,797	2,015	17,332
Savings capital (SEK billion)	122	34	57	59	272
Number of trades	13,711,200	3,978,100	4,245,400	4,246,600	26,181,300
Average number of employees <sup>1</sup>	348	22	26	30	426

<sup>1</sup>Nordic functions are included in Sweden.

The management follows up on the development of the business in each country in terms of income items. The allocation of balance items per country is not reported.

Nordnet has operations in Sweden, Norway, Denmark and Finland, and operations are divided into three areas: Investments and savings, Pensions and Loans. Group-wide functions, such as Administration, IT, HR, Product Development, Analysis and Communication, brokers for the Swedish, Norwegian and Danish markets and the Swedish sales and service organization are located at the Stockholm office. The average number of employees was 512 as at 31 December 2018. The Nor-

wegian sales and service organization is located in Oslo and the average number of employees was 27 as at 31 December. The Danish sales and service organization is located in Copenhagen and the average number of employees was 27 as at 31 December. The Finnish sales and service organization and Finnish brokers are located in Helsinki and the average number of employees was 29 as at 31 December.

				
Investments and savings	✓	✓	✓	✓
Pensions	✓	✓	✓	
Margin lending	✓	✓	✓	✓
Residential mortgages	✓			
Personal loans	✓			

## Note 18 Group – Treasury bills and other eligible bills, etc.

	2018	2017
Treasury bills	3,237,170	988,537
Other interest bearing securities eligible for refinancing	15,023,442	14,914,657
<b>Total</b>	<b>18,260,611</b>	<b>15,903,194</b>
<b>Remaining term</b>		
Up to one month	4,467,710	312,634
One to three months	2,094,188	645,256
More than three months but no more than one year	6,851,632	6,991,801
More than one but no more than five years	2,920,656	7,815,609
More than five years	-	-
<b>Total</b>	<b>16,334,186</b>	<b>15,765,300</b>
<b>Average remaining term (years)</b>	<b>1</b>	<b>2</b>

Loss provisions in step 1 are included in an amount of SEK 21 thousand in the table above.

## Note 19 Group – lending to credit institutions

	2018	2017
Liquid assets	1,693,983	2,170,558
<b>Contains of</b>		
Loans to credit institutions	333,024	275,591
Assets in the insurance business	1,360,959	1,894,967
<b>Remaining term</b>		
Payable on demand	1,693,983	2,170,558
Up to one month	-	-
<b>Total, loans to credit institutions</b>	<b>1,693,983</b>	<b>2,170,558</b>
<b>Average remaining term (years)</b>	<b>0.0</b>	<b>0.0</b>

## Note 20 Group – lending to the public

2018 according to IFRS 9	Stage 1	Stage 2	Stage 3	2018
Amortized cost	12,581,917	1,638,026	80,369	14,300,312
Provisions for expected credit losses	-21,360	-27,476	-46,988	-95,824
<b>Total lending to the public</b>	<b>12,560,557</b>	<b>1,610,550</b>	<b>33,381</b>	<b>14,204,488</b>
<b>Unsecured loans</b>				
Amortized cost	3,690,095	280,986	57,578	4,028,659
Provisions for expected credit losses	-21,234	-25,852	-28,480	-75,566
<b>Total</b>	<b>3,668,861</b>	<b>255,134</b>	<b>29,098</b>	<b>3,953,093</b>
<b>Margin lending</b>				
Amortized cost	5,869,601	201,275	22,791	6,093,667
Provisions for expected credit losses	-126	-1,620	-18,508	-20,254
<b>Total</b>	<b>5,869,475</b>	<b>199,656</b>	<b>4,283</b>	<b>6,073,414</b>
<b>Mortgage</b>				
Amortized cost	3,022,221	1,155,765	0	4,177,986
Provisions for expected credit losses	0	-5	0	-5
<b>Total</b>	<b>3,022,221</b>	<b>1,155,760</b>	<b>0</b>	<b>4,177,981</b>

As IFRS 9 entered into effect 1 January 2018 and restatement of 2017 was not made, the comparative figures are not entire comparative.

Consolidated credit loss reserve	Stage 1	Stage 2	Stage 3	Total
<i>Initial classification applying IFRS 9</i>				
<b>Opening balance January 1, 2018</b>	<b>20,420</b>	<b>25,694</b>	<b>39,153</b>	<b>85,267</b>
Currency effects and other	2	52	939	992
Write-downs recognized credit losses	-310	-6,779	-1,293	-8,383
New financial assets	8,047	4,542	1,693	14,282
Transfers:	0	0	0	0
-to 12-month expected credit losses	721	-6,373	-163	-5,815
-to expected maturity credit losses (no default)	-1,464	13,720	-62	12,194
-to expected maturity credit losses (default)	-174	-678	7,510	6,659
Removed financial assets	-5,881	-2,702	-789	-9,372
Changes in models/parameters	0	0	0	0
<b>Closing balance December 31, 2018</b>	<b>21,360</b>	<b>27,476</b>	<b>46,988</b>	<b>95,824</b>

2017 according to IAS 39	2017
<b>Loan receivables per category of borrower</b>	
<b>Loan receivables, gross</b>	<b>11,889,080</b>
Of which unregulated loan receivables included in uncertain loan receivables	37,034
Of which unregulated loan receivables not included in uncertain loan receivables	19,326
Of which uncertain loan receivables	37,034
Less specific provisions for individually valued loan receivables	-35,092
Less provisions for homogeneous groups of loan receivables, valued group-wise	-1,942
<b>Loan receivables, net book value</b>	<b>11,852,046</b>

## cont. Note 20 Group – lending to the public

Remaining term	2018	2017
Up to one month	6,098,109	5,834,839
One to three months	45,267	42,414
More than three months but no more than one year	235,365	222,991
More than one but no more than five years	1,426,846	1,343,368
More than five years	6,398,901	4,408,434
<b>Total</b>	<b>14,204,488</b>	<b>11,852,046</b>
<b>Average remaining term (years)</b>	<b>7.0</b>	<b>6.0</b>
<b>Given borrowers' places of domicile, the company's loan receivables are attributable to</b>		
Sweden	75.1%	72.5%
Norway	5.3%	5.7%
Finland	11.1%	11.6%
Denmark	8.5%	10.2%
Total	100.0%	100.0%
<b>Loan receivables are distributed as follows</b>		
Entrepreneurial households	3	3
Other households	10,295,206	8,246,024
General public overseas	3,540,743	3,305,725
Non-financial corporate sector	367,709	297,411
Other	827	2,883
<b>Total</b>	<b>14,204,488</b>	<b>11,852,046</b>
<b>Given borrowers' places of domicile, the company's reserve for anticipated credit losses is attributable to</b>		
Sweden	-83,168	-27,882
Norway	-6,084	-5,922
Finland	-3,098	-2,471
Denmark	-3,474	-759
<b>Total</b>	<b>-95,824</b>	<b>-37,034</b>

As IFRS 9 entered into effect 1 January 2018 and restatement of 2017 was not made, the comparative figures are not entire comparative.

Of lending to the public, SEK 474.4 million (414.5) involves account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans and investment savings accounts (ISKs), the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

Unsecured loans comprise SEK 3,953 million (3,682) of lending to the public. The remainder of lending to the public is secured by collateral in the form of securities.

## Note 21 Group – bonds and other interest-bearing securities

	2018	2017
Issued by government bodies	1,775,715	510,769
Issued by other borrowers	0	1,438,239
<b>Total</b>	<b>1,775,715</b>	<b>1,949,008</b>

Interest-bearing securities entail investments of the company's surplus deposits – primarily in bonds.

<b>Remaining term</b>		
Up to one month	22,398	259,278
One to three months	865,685	83,032
More than three months but no more than one year	335,383	485,675
More than one but no more than five years	560,467	966,113
<b>Total</b>	<b>1,783,933</b>	<b>1,794,098</b>
<b>Average remaining term (years)</b>	<b>1.1</b>	<b>1.8</b>

## Note 22 Group – Shares and participations

	2018	2017
Shares and participations, listed	15,201	14,341
Shares and participations, unlisted	44,392	44,843
<b>Total</b>	<b>59,593</b>	<b>59,184</b>

## Note 23 Group – assets and liabilities in the insurance business

	2018	2017
<b>Financial assets where the policyholder bears the risk of investments</b>		
Shares and participations	42,646,121	39,797,974
Interest-bearing securities	1,109,130	1,076,976
Derivatives	173,564	363,225
Cash and cash equivalents <sup>1</sup>	7,797,665	5,277,564
<b>Total assets in the insurance business</b>	<b>51,726,480</b>	<b>46,515,739</b>
<b>Liabilities in the insurance business</b>		
Life insurance provision	18,866	17,828
Claims outstanding	1,387	-
Fund insurance obligations	1,902,523	1,615,725
Conditional bonus	49,803,704	44,882,186
<b>Total liabilities in the insurance business</b>	<b>51,726,480</b>	<b>46,515,739</b>
Of which liabilities relating to investment contracts	51,726,480	46,515,739
of which liabilities relating to insurance contracts	-	-

<sup>1</sup> Allocated to loans to credit institutions SEK 1,360,959 thousand (1,894,967) and assets held for sale SEK 6,436,706 thousand (3,382,576).

## cont. Note 23 Group – assets and liabilities in the insurance business

All assets in the insurance business entail assets for which the policyholders bear the direct investment risk. For liabilities in the insurance business pertaining to investment contracts, the policyholders bear the direct risk. This entails that the policyholders receive a return but are also responsible for the risk that assets and liabilities in the insurance business incur. The Group is not entitled to cash flow attributable to the invested funds.

Both the assets and the liabilities are assessed according to the category financial assets and liabilities valued at fair value via the income statement. The net effect on earnings of acquired securities, unrealized changes in value, realized changes in value, interest and dividends received and changes in value of the debt is zero.

## Note 24 Group – intangible fixed assets

Group, SEK thousands	Goodwill		Brands		Customer base		Capitalized expenditure on development work		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>Accumulated costs</b>										
On 1 January	220,336	224,542	12,050	12,050	339,997	339,033	435,699	347,772	1,008,082	923,397
Acquisition	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	112,144	87,981	112,144	87,981
Conversion differences for the year	1,846	-4,206	-	-	7,503	964	22	-54	9,371	-3,296
	<b>222,182</b>	<b>220,336</b>	<b>12,050</b>	<b>12,050</b>	<b>347,500</b>	<b>339,997</b>	<b>547,865</b>	<b>435,699</b>	<b>1,129,597</b>	<b>1,008,082</b>
<b>Accumulated amortization and impairments</b>										
On 1 January	-32,210	-32,210	-12,030	-12,020	-260,136	-226,122	-321,555	-278,250	-625,931	-548,602
Amortization for the year	-	-	-10	-10	-29,051	-32,959	-46,722	-43,355	-75,783	-76,324
Write-downs for the year	-	-	-	-	-	-	-8,075	-	-8,075	-
Conversion differences for the year	-	-	-	-	-5,542	-1,055	-7	50	-5,549	-1,005
	<b>-32,210</b>	<b>-32,210</b>	<b>-12,040</b>	<b>-12,030</b>	<b>-294,729</b>	<b>-260,136</b>	<b>-376,359</b>	<b>-321,555</b>	<b>-715,338</b>	<b>-625,931</b>
<b>Carrying amount at the end of the year</b>	<b>189,972</b>	<b>188,126</b>	<b>10</b>	<b>20</b>	<b>52,771</b>	<b>79,861</b>	<b>171,506</b>	<b>114,144</b>	<b>414,259</b>	<b>382,151</b>

### Goodwill and acquisition-related intangible assets

Nordnet has carried out a number of strategic acquisitions during the years that have resulted in intangible assets with indefinite useful lives. A useful life is determined as indeterminate in the event an asset's expected ability to contribute financial benefits cannot be determined.

Goodwill represents the positive difference between acquisition cost and fair value of the Group's share of the acquired company's net assets on the acquisition date and is recognized at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (CGU) and is tested annually to identify any impairment need using a valuation model based on discounted future cash flows. Other acquisition-related

## cont. Note 24 Group – intangible fixed assets

intangible assets consist mainly of brands and customer relationships, which are recognized at fair value on the acquisition date and subsequently at cost less accumulated impairment losses. Acquisition-related intangible assets with an indefinite useful life are tested annually for impairment in the same way as goodwill.

Goodwill and intangible assets with indefinite useful lives are allocated to a CGU comprising the respective countries in which Nordnet operates. Each year, the Group examines if there is any impairment need for goodwill and intangible assets with indefinite useful lives. The recovery value for CGUs has been set by calculating utility value. These calculations are based on estimated future cash flows based on financial projections approved by management and covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate.

The main assumptions in the three-year plan are management's assessment of net profit, including credit losses, growth in each economy and development of risk-weighted assets.

In order to extrapolate cash flows beyond the budget period, a growth rate of 2 percent has been used. Due to the long-term nature of the investments, an assess-

ment has been made for perpetual cash flow. The use of perpetual cash flow is motivated by the fact that all cash-generating units are part of the Group's domestic markets, for which there are no intentions to leave. The long-term growth assumption is based on external assessments as well as the Group's experience and assessment of growth in the banking sector in relation to GDP growth and inflation.

In addition, an average discount rate in local currency before tax has been used. The discount rate has been determined by calculating the weighted capital cost (WACC) for each country, which is based on the market's risk-free interest rate, the market's return requirement and the specific risk of the asset. The discount rate is in the range 7.33-12.13 (7.78-12.02) percent before tax, which corresponds to the calculated return requirement for each country. The same interest rate is used for internally developed intangible assets. Net cash flow refers to the amount theoretically available as a dividend or alternatively contributed as a capital contribution taking into account that capital adequacy rules or solvency rules are met.

The value of the customer base predominantly entails that in Konsumentkredit. In connection with the acqui-

	Goodwill		Brands		Customer base	
SEK thousands	2018	2017	2018	2017	2018	2017
<b>Sweden</b>						
AD Aktiedirekt AB	29,697	29,697	-	-	-	-
Deriva Financial Services AB	6,876	6,876	-	-	-	-
Konsumentkredit	63,749	63,749	10	20	12,629	29,644
Operations acquired from Öhman	5,899	5,899	-	-	-	-
Customers acquired from Öhman	-	-	-	-	-	-
Shareville	2,312	2,312	-	-	-	-
<b>Total Sweden</b>	<b>108,533</b>	<b>108,533</b>	<b>10</b>	<b>20</b>	<b>12,629</b>	<b>29,644</b>
<b>Finland</b>						
eQ	-	-	-	-	22,812	29,895
Finska provinsbankerna (POP)	-	-	-	-	0	462
<b>Total Finland</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,812</b>	<b>30,357</b>
<b>Norway</b>						
Stocknet Securities AS	81,439	79,593	-	-	17,330	19,860
<b>Total Norge</b>	<b>81,439</b>	<b>79,593</b>	<b>-</b>	<b>-</b>	<b>17,330</b>	<b>19,860</b>
<b>Total</b>	<b>189,972</b>	<b>188,126</b>	<b>10</b>	<b>20</b>	<b>52,771</b>	<b>79,861</b>



## cont. Note 24 Group – intangible fixed assets

sition, this was calculated at SEK 152.0 million. This value is amortised over a period of nine years. The carrying amount is SEK 12.6 million (29.6) with a remaining period of amortization of 0.8 years.

The Finnish customer base is attributable to the acquisition of eQ and POP. The customer base in the acquisition of eQ was originally valued at EUR 148.0 million (EUR 14.1). This is amortized over an average of 11 years, reflecting the estimated useful life. The carrying amount is SEK 22.8 million (EUR 2.8 million), with a remaining period of amortization of 1.6 years.

The customer base value referring to Stocknet was identified in connection with the acquisition of Stocknet Securities ASA. The carrying amount is SEK 17.3 million (NOK 16.9 million). The amortization period is 20 years, reflecting the estimated useful life with a remaining period of amortization of 5.8 years.

All development costs that meet the criteria of IAS 38 are capitalized in the form of capitalized development costs for development work. Costs for improvements are expensed on a continual basis in the income statement. The most significant items relating to capitalized development costs comprise implementation costs for MiFID II, project costs related to Next Nordnet, New Mobile Application and ODDS. The carrying amount for MiFID II amounts to SEK 20.3 million; for Next Nordnet, SEK 40.5 million; for the New Mobile Application, SEK 22.3 million and for ODDS, SEK 14.6 million. Development is ongoing and the depreciation period is on straight-line basis over three years. Balanced personnel-related expenses amount to SEK million 32.5 (23.1).

## Note 25 Group – tangible fixed assets

	2018	2017
<b>Accumulated cost</b>		
On 1 January	232,673	211,512
Acquisitions	84,016	29,134
Divestments and disposals	-9,346	-8,044
Conversion differences for the year	794	71
<b>Total</b>	<b>308,137</b>	<b>232,673</b>
<b>Accumulated depreciation</b>		
On 1 January	-190,817	-184,532
Depreciation for the year	-22,005	-14,134
Divestments and disposals	8,159	8,044
Conversion differences for the year	-711	-195
<b>Total</b>	<b>-205,374</b>	<b>-190,817</b>
<b>Carrying amount at the end of the year</b>	<b>102,763</b>	<b>41,856</b>

Accumulated acquisition values include fees for improvement of someone else's property, amounting to SEK 81,608 thousand (53,152), which relates to subsidiary Nordnet Bank AB. The depreciation plan is based on a useful life of 60 months, and the residual value according to plan amounts to SEK 42,762 thousand (18,367). A linear method is used when depreciating tangible fixed assets.

## Note 26 Group – other assets

Other assets	2018	2017
Liquid fund receivables regarding unsettled transactions	3,392,281	2,687,719
Other assets	225,417	61,937
<b>Total</b>	<b>3,617,698</b>	<b>2,749,656</b>

Gross liquid fund receivables amount to SEK 3,450,975 thousand (2,692,154).

Other assets are made up entirely of current receivables due within a year.

The table below describes the balance sheet items that are the basis for net recognition. Other items are reported gross in the balance sheet

31/12/2018			
SEK million	Gross amount for assets	Gross amount for liabilities set off against assets	Net amount in the Balance Sheet
<b>Other assets</b>			
Unsettled transactions	3,451.0	-58.7	3,392.3
<b>Total</b>	<b>3,451.0</b>	<b>-58.7</b>	<b>3,392.3</b>
SEK million	Gross amount for liabilities	Gross amount for assets set off against liabilities	Net amount in the Balance Sheet
<b>Other liabilities</b>			
Unsettled transactions	2,898.7	-58.7	2,840.0
<b>Total</b>	<b>2,898.7</b>	<b>-58.7</b>	<b>2,840.0</b>

31/12/2017			
SEK million	Gross amount for assets	Gross amount for liabilities set off against assets	Net amount in the Balance Sheet
<b>Other assets</b>			
Unsettled transactions	2,692.2	-4.4	2,687.8
<b>Total</b>	<b>2,692.2</b>	<b>-4.4</b>	<b>2,687.8</b>
31/12/2017	Gross amount for liabilities	Gross amount for assets set off against liabilities	Net amount in the Balance Sheet
<b>Other liabilities</b>			
Unsettled transactions	2,475.8	-4.4	2,471.4
<b>Total</b>	<b>2,475.8</b>	<b>-4.4</b>	<b>2,471.4</b>

## Note 27 Group – prepaid expenses and accrued income

<b>Prepaid expenses and accrued income</b>	<b>2018</b>	<b>2017</b>
Prepaid expenses	44,497	55,974
Accrued interest income	78,505	32,253
Other accrued income	68,489	52,722
<b>Total</b>	<b>191,491</b>	<b>140,949</b>

## Note 28 Group – deposits and borrowing by the public

These amounts relate to borrowing and are defined as the balances of the accounts covered by the depositor guarantee and the Norwegian equivalent. These amounts relate to the entire balance of the accounts without taking into account the amount restriction

applicable to the depositor guarantee. Borrowing from the general public is in Nordnet Bank AB payable in its entirety upon request.

## Note 29 Group – other liabilities

<b>Other liabilities</b>	<b>2018</b>	<b>2017</b>
Liquid fund liabilities regarding unsettled transactions	2,839,960	2,471,354
Accounts payable	48,015	44,263
Other liabilities	64,851	29,076
<b>Total</b>	<b>2,952,826</b>	<b>2,544,693</b>

Gross liquid fund liabilities for the year amount to SEK 2,898,653 thousand (2,475,789).

Other liabilities are current liabilities – that is, they fall due for payment within 12 months of the balance sheet date.

For information on settlement of fund cash and equivalents, receivables and liabilities, see Note 26.

## Note 30 Group – accrued expenses and deferred income

<b>Accrued expenses and deferred income</b>	<b>2018</b>	<b>2017</b>
Holiday pay liability	21,957	19,858
Accrued social expenses	13,657	11,916
Accrued special payroll tax	9,567	7,672
Other accrued payroll expenses	3,992	5,224
Other accrued expenses	112,225	104,612
Deferred income	-	73
<b>Total accrued expenses and deferred income</b>	<b>161,398</b>	<b>149,355</b>

Accrued expenses and deferred income are current liabilities in their entirety; i.e. they fall due for payment within 12 months of the balance sheet date.

## Note 31 Group – equity

Equity	2018	2017
<b>Translation reserve</b>		
Opening balance	-87,863	-83,328
Translation difference, foreign subsidiary	8,401	-2,994
Tax on taxable part of translation difference, foreign subsidiaries	-416	-1,541
<b>Closing balance</b>	<b>-79,878</b>	<b>-87,863</b>
<b>Fair value reserve</b>		
Opening balance	19,996	23,952
Change in value, financial assets at fair value through other comprehensive income, net after tax	-25,132	-
Change in value, available-for-sale assets, net after tax	-	-3,956
<b>Closing balance</b>	<b>-5,136</b>	<b>19,996</b>
<b>Total</b>		
Opening balance	-67,867	-59,376
Translation difference, foreign subsidiary	7,985	-4,535
Change in value, financial assets at fair value through other comprehensive income	-25,132	-
Change in value, available-for-sale assets	-	-3,956
<b>Closing balance</b>	<b>-85,014</b>	<b>-67,867</b>

A summary of changes in equity can be found in the Group's statement of changes in equity.

During the year, market value changes on assets measured at fair value through other comprehensive income above affected equity (net after tax) negatively by SEK 25.1 million (4.0).

### Reserve for translation differences

The reserve for translation differences comprises all foreign exchange differences arising on translation of the financial statements of foreign operations that prepare their financial statements in a currency other than that applied in the consolidated accounts.

### Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of holdings in the category of financial assets measured at fair value through other comprehensive income until the asset is removed from the statement of financial position. Any impairment is recognized in the income statement.

## Note 32 Group – categorization of financial instruments

2018	Fair value through consolidated income statement			Fair value through other comprehensive income	Non financial instruments	Total
	Amortized cost	Held for trading	Other business models			
<b>Assets</b>						
Cash and balances in Central banks	1,344,200	-	-	-	-	1,344,200
Treasury bills and other interest bearing securities eligible for refinancing	6,283,005 <sup>1</sup>	-	-	11,977,607	-	18,260,611
Loans to credit institutions	333,024	-	-	-	-	333,024
Loans to the general public	14,204,488	-	-	-	-	14,204,488
Bonds and other interest bearing securities	28,208	-	-	1,747,506	-	1,775,715
Shares and participations, listed	-	15,201	-	-	-	15,201
Shares and participations, non-listed	-	44,392	-	-	-	44,392
Assets for which customers bear the investment risk	1,360,959	-	43,928,815	6,436,706	-	51,726,480
Other assets	3,617,698	-	-	-	89,094	3,706,792
Accrued income	191,491	-	-	-	-	191,491
<b>Total assets</b>	<b>27,363,073</b>	<b>59,593</b>	<b>43,928,815</b>	<b>20,161,819</b>	<b>89,094</b>	<b>91,602,394</b>
<b>Liabilities</b>						
Deposits and borrowing from the general public	35,225,181	-	-	-	-	35,225,181
Liabilities for which customers bear the investment risk	-	-	51,726,480	-	-	51,726,480
Other liabilities	2,952,826	-	-	-	65,292	3,018,118
Accrued expenses	161,398	-	-	-	-	161,398
<b>Total liabilities</b>	<b>38,339,405</b>	<b>-</b>	<b>51,726,480</b>	<b>-</b>	<b>65,292</b>	<b>90,131,177</b>

<sup>1</sup> Market value SEK 6,316,609 thousands

2017	Loans and accounts receivable	Financial assets at fair value		Financial assets held to maturity	Available-for-sale financial assets	Reported value	Fair value
		Held for trading	Through P&L				
<b>Assets</b>							
Treasury bills and other interest bearing securities eligible for refinancing	-	-	-	6,562,322	9,340,874	15,903,196	15,919,482
Loans to credit institutions	275,591	-	-	-	-	275,591	275,591
Loans to the general public	11,852,046	-	-	-	-	11,852,046	11,852,046
Bonds and other interest bearing securities	-	-	-	717,173	1,231,835	1,949,008	1,949,008
Shares and participations, listed	-	-	14,341	-	-	14,341	14,341
Shares and participations, non-listed	-	-	44,843	-	-	44,843	44,843
Assets for which customers bear the investment risk	1,894,988	363,225	40,874,950	-	3,382,576	46,515,739	46,515,739
Other assets	2,749,656	-	-	-	-	2,749,656	2,749,656
Accrued income	140,949	-	-	-	-	140,949	140,949
<b>Total assets</b>	<b>16,913,230</b>	<b>363,225</b>	<b>40,934,134</b>	<b>7,279,495</b>	<b>13,955,285</b>	<b>79,445,369</b>	<b>79,461,655</b>

2017	Financial liabilities at fair value		Other financial liabilities	Reported value	Fair value
	Held for trading	Through P&L			
<b>Liabilities</b>					
Deposits and borrowing from the general public	-	-	29,063,690	29,063,690	29,063,690
Liabilities for which customers bear the investment risk	-	46,515,739	-	46,515,739	46,515,739
Other liabilities	-	-	2,529,057	2,529,057	2,529,057
Accrued expenses	-	-	149,355	149,355	149,355
<b>Total liabilities</b>	<b>-</b>	<b>46,515,739</b>	<b>31,742,102</b>	<b>78,257,841</b>	<b>78,257,841</b>

## cont. Note 32 Group – categorization of financial instruments

### Determination of fair value of financial instruments

When the Group determines fair values for financial instruments, different methods are used depending on the degree of observability of market data in the valuation and the market activity. An active market is considered either a regulated or reliable trading venue where quoted prices are easily accessible with regularity. An ongoing assessment of the activity is done by analysing factors such as differences in buying and selling prices.

The methods are divided into three different levels:

Level 1 – Financial assets and financial liabilities measured on the basis of unadjusted listed prices from an active market for identical assets or liabilities.

Level 2 – Financial assets and financial liabilities measured on the basis of input data other than that included in Level 1, either directly (prices) or indirectly (derived from prices) observable. \ Instruments in this category are measured applying:

- a) Quoted prices for similar assets or liabilities, or identical assets or liabilities from markets not deemed to be active, or
- b) Valuation models based primarily on observable market data.

Level 3 – Financial assets and financial liabilities measured on the basis of observable market data.

The level of the fair value hierarchy to which a financial instrument is classified is determined based on the lowest level of input data that is significant for the fair value in its entirety.

In cases where there is no active market, fair value is determined using established valuation methods and models. In these cases, assumptions that cannot be directly derived from a market can be applied. These assumptions are then based on experience and knowledge about valuation in the financial markets. However, the goal is always to maximize the use of data from

an active market. In cases when deemed necessary, relevant adjustments are made to reflect a fair value, in order to correctly reflect the parameters contained in the financial instruments and to be reflected in its valuation.

For financial instruments recognized at fair value through the income statement, mainly assets where the customer bears the investment risk, fair value is determined based on quoted purchase prices on the balance sheet date for the assets. Liabilities where the customer bears the investment risk receive an indirect asset valuation, which classifies them as Level 2 instruments, with the exception of liabilities relating to insurance contracts not classified as a financial liability.

Forward rate agreements are valued at fair value by discounting the difference between the contracted forward rate and the forward rate available on the balance sheet date for the remaining contract period. The discount rate is the risk-free rate based on government bonds.

The fair value of interest-bearing securities has been calculated by discounting anticipated future cash flows, with the discount rate being set based on the current market interest rate.

Fund units not considered to be traded in an active market at listed prices are measured at fair value based on NAV (net asset value).

For lending and deposits with flexible interest rates, including lending with financial instruments or housing as collateral, which are reported at amortized cost, the carrying amount is considered to be fair value. For assets and liabilities in the balance sheet with a remaining maturity of less than six months, the carrying amount is considered to reflect the fair value.

## cont. Note 32 Group – categorization of financial instruments

### Level distribution in accordance with IFRS 9

2018	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	11,977,607	-	-	11,977,607
Bonds and other interest bearing securities	1,747,506	-	-	1,747,506
Shares and participations <sup>1</sup>	14,455	-	45,138	59,593
Assets for which customers bear the investment risk <sup>2</sup>	50,919,389	807,091	-	51,726,480
<b>Subtotal</b>	<b>64,658,957</b>	<b>807,091</b>	<b>45,138</b>	<b>65,511,186</b>
<b>Financial assets where fair value is given for information purposes</b>				
Cash and balances in Central banks	1,344,200	-	-	1,344,200
Loans to credit institutions	-	333,024	-	333,024
Loans to the general public	-	14,204,488	-	14,204,488
Treasury bills and other interest bearing securities eligible for refinancing	-	6,283,005	-	6,283,005
Bonds and other interest bearing securities	-	28,208	-	28,208
Other assets	3,617,698	-	-	3,617,698
Accrued income	191,491	-	-	191,491
<b>Subtotal</b>	<b>5,153,389</b>	<b>20,848,725</b>	<b>-</b>	<b>26,002,114</b>
<b>Total</b>	<b>69,812,346</b>	<b>21,655,816</b>	<b>45,138</b>	<b>91,513,300</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which customers bear the investment risk	-	51,726,480	-	51,726,480
<b>Total</b>	<b>-</b>	<b>51,726,480</b>	<b>-</b>	<b>51,726,480</b>

<sup>1</sup> Shares and participations in Level 3 refers to unlisted shares.

<sup>2</sup> SEK 6,436,706 thousand relates to re-investments in bonds and SEK 1,360,959 thousand relates to cash and cash equivalents. These items are included in level 1.

Level 3 securities can be valued at 0.

## cont. Note 32 Group – categorization of financial instruments

2017	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	9,340,874	-	-	<b>9,340,874</b>
Bonds and other interest bearing securities	1,231,835	-	-	<b>1,231,835</b>
Shares and participations <sup>1</sup>	14,341	-	44,843	<b>59,184</b>
Assets for which customers bear the investment risk <sup>2</sup>	46,216,382	299,357	-	<b>46,515,739</b>
<b>Subtotal</b>	<b>56,803,432</b>	<b>299,357</b>	<b>44,843</b>	<b>57,147,632</b>
<b>Financial assets where fair value is given for information purposes</b>				
Loans to credit institutions	-	275,591	-	<b>275,591</b>
Loans to the general public	-	11,852,046	-	<b>11,852,046</b>
Financial assets held to maturity	-	7,279,492	-	<b>7,279,492</b>
<b>Subtotal</b>	<b>-</b>	<b>19,407,129</b>	<b>-</b>	<b>19,407,129</b>
<b>Total</b>	<b>56,803,432</b>	<b>19,706,486</b>	<b>44,843</b>	<b>76,554,761</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which customers bear the investment risk	-	46,515,739	-	<b>46,515,739</b>
<b>Total</b>	<b>-</b>	<b>46,515,739</b>	<b>-</b>	<b>46,515,739</b>

<sup>1</sup> Shares and participations in Level 3 refer to unlisted shares.

<sup>2</sup> SEK 3,382,576 relates to re-investments in bonds and SEK 1,894,967 relates to cash and cash equivalents.

### Description of valuation levels

Level 1 mainly contains shares, mutual funds, bonds, treasury bills and standardized derivatives where the quoted price has been used in the valuation.

Level 2 contains substantially less liquid bonds valued on curves and liabilities in the insurance business, the value of which is indirectly linked to a specific asset value valued based on observable input data. For less liquid bond holdings, credit spread adjustments are based on observable market data such as the credit derivatives market. This category includes mutual funds, derivatives and certain interest-bearing securities.

Level 3 contains other financial instruments for which own internal assumptions have a significant effect on the calculation of fair value. Level 3 contains mainly unlisted equity instruments. When valuation models are used to determine fair value of financial instruments in Level 3, the consideration paid or received is consid-

ered to be the best assessment of fair value on initial recognition.

When the Group determines the level at which financial instruments are to be recognized, each one is individually assessed in its entirety.

Financial instruments are transferred to or from Level 3 depending on whether internal assumptions have changed for the valuation.



## Note 33 Group – pledged assets, contingent liabilities and commitments

	2018	2017
<b>Pledges and equivalent collateral to secure own liabilities</b>	none	none
<b>Other pledged assets and equivalent securities</b>		
Obligations and other interest-bearing stock <sup>1</sup>	2,197,070	1,968,483
<i>of which Deposits with credit institutions</i>	1,925,954	1,692,232
<i>of which Deposits with clearing houses</i>	271,115	276,251
<b>Contingent liabilities</b>	none	none
<b>Commitments</b>		
Credit granted but not yet paid, unsecured loans	368,096	907,008
<b>Funds managed on behalf of third parties</b>		
Client funds account	131,703	189,635

<sup>1</sup>This amount includes blocked funds of SEK 91 million (82)

Pledged assets for own liabilities comprise securities pledged in connection with buy-back agreements. The transactions are carried out in accordance with standard agreements used by the parties on the financial market and counterparties in these transactions are credit institutions. The transactions are primarily short-term with a duration of less than three months.

Other pledged assets consist partly of bonds and other fixed-interest securities that have been provided as security for the customer's margin lending, and for payment to clearing institutions. Counterparties in securities-based lending transactions are other credit institutions.

As both repurchase agreements and other pledged assets entail that the securities are returned to Nordnet, all risks and rewards associated with the transferred instruments at Nordnet remain, even if they are not available to Nordnet during the period in which they are transferred. The other party to the transaction holds securities as collateral but has no right to any other assets in Nordnet. The securities are still recognized in the balance sheet and reported, as well as related liabilities, at fair value.

As at the balance sheet date of 31 December 2018, the insurance operations held registered assets amounting to SEK 51,726 million (46,516) to which the policyholders have priority rights.

In addition to the commitments specified in the table above, SEK 7,687.7 million (7,021) of a credit facility related to possible securities-collateralized borrowing remained unutilized at the end of the period. For each customer, the credit size is restricted by the minimum amount of credit limit, which is set individually per customer by the company, and the collateral value of security holdings. Credit agreements can be terminated with 60 days' notice. The leverage value of a security can be changed instantly.

## Note 34 Group - capital adequacy information

The rules on capital adequacy are the legislator's requirement for how much capital in the form of a capital base an institution must have in relation to the level of risk it takes. The regulations aim to strengthen the link between risk taking and capital requirements in the Group's operations. The legal capital requirements are calculated in accordance with Regulation 575/2013 of the European Parliament and of the Council (CRR), as well as the 2013/36 EU (CRD IV) Directive.

Information in this note is provided in accordance with Regulation (EU) 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and investment firms ("the supervisory regulation") and regulations supplementing the supervisory regulation, the Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) on the annual accounts of credit institutions and securities companies and the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12) on supervisory requirements and capital buffers. Other required information is provided in a separate pillar 3 report available on Nordnet's website, see [www.nordnetab.com](http://www.nordnetab.com).

### Capital base and capital requirement of the financial conglomerate

The financial conglomerate comprises NNB Intressenter AB, Nordnet AB (publ) and all its subsidiaries. As a consequence of the solvency rules, the item Solvency capital, which refers to the estimated future present value of the insurance companies (Nordnet Pensionsförsäkring AB including the subsidiary Nordnet Livsförsäkring AS) includes cash flows generated by the policyholders' capital.

The capital requirement for units in the insurance business is affected by the policyholders' assets. The capital requirements for the banking operations vary primarily in terms of the size and credit quality of the bank's exposures. Nordnet Pension Insurance's solvency capital requirements and capital base are calculated according to the standard model under Solvency II. The model requires assumptions that are determined by both the authorities and the Board of the insurance company.

The conglomerate's capital base shall cover the minimum capital requirements under the Supervision

### The financial conglomerate

SEK million	31/12/2018	31/12/2017
Total equity	1,988.2	2,024.7
Less demands on prudent valuation	-20.3	-14.0
Less proposed/assumed dividend	0.0	-100.0
<b>Total equity financial conglomerates</b>	<b>1,968.0</b>	<b>1,910.7</b>
Less intangible fixed assets and deferred tax receivables	-414.3	-382.2
Solvency capital (VIF)	622.7	679.9
Less risk margin	-121.8	-122.2
<b>Capital base</b>	<b>2,054.6</b>	<b>2,086.2</b>
<b>Capital requirement per sector</b>		
Exposure regulated entities, insurance sector	411.5	480.9
Exposure regulated entities, the banking and securities sector	1,315.2	944.1
<b>Capital requirement</b>	<b>1,726.7</b>	<b>1,424.9</b>
<b>Excess capital</b>	<b>328.0</b>	<b>661.3</b>
<b>Capital base/capital ratio</b>	<b>1.2</b>	<b>1.5</b>

## cont. Note 34 Group – capital adequacy information

regulation and the Solvency Requirement under the Insurance Companies Act. The rules contribute to strengthening the Group's resilience to financial losses and thereby protecting customers. For the determination of the financial conglomerate's regulatory capital requirement, Law (2006:531) on special supervision of financial conglomerates and the Swedish Financial Supervisory Authority's regulations and general advice (FFFS 2011:26) on the special supervision of financial conglomerates are applicable. The capital base and capital requirement have been calculated in accordance with the consolidation method. The Group-based accounts have been compiled in accordance with the same accounting principles as the consolidated accounts.

### Capital base and capital requirements for the consolidated situation

The consolidated situation consists of NNB Intressenter AB, Nordnet AB (publ) and Nordnet Bank AB. Consequently, the difference between the financial conglomerate and the consolidated situation is that the financial conglomerate also consolidates the insurance business.

In order to establish statutory capital requirements for the consolidated situation, the Special Supervision of Credit Institutions and Investment Firms Act (2014:968); the Capital Requirements Regulation (EU) 575/2013 of the European Parliament and of the Council; the Capital Buffers Act (2014:966), and the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12) on supervisory requirements and capital buffers all apply.

The capital base shall cover minimum capital requirements for credit, settlement, market and operative risk, and the combined buffer requirement (capital conservation and countercyclical buffer) and additional Pillar 2 requirements (interest rate risk in the bankbook, concentration and pension risk).

Nordnet applies the standard method for calculating capital requirements for credit risk, which entails seventeen exposure classes with a variety of risk weights within each class. Credit risk is calculated on all asset items in the balance sheet not deducted from the capital base. Capital base requirement for exchange rate risk comprises all items in and outside the balance sheet measured at current market value and converted to Swedish kronor at the balance sheet date. Capital base requirements for operational risk are calculated according to the base method, which implies that the capital requirement amounts to 15 percent of the average operating income for the last three financial years.

The combined buffer requirement amounts to 4.3 percent of risk-weighted exposure amounts and consists of a capital conservation buffer (2.5 percent) and a countercyclical buffer (1.8 percent).

Core Tier 1 capital consists of equity reduced for items not included in the capital base, such as intangible assets, deferred tax assets and value adjustments. Deductions for value adjustments are made using the simplified method for financial instruments valued at fair value as regulated by Regulation (EU) 2016/101 on prudent valuation. Profit for the period or year is included in the event that external auditors have verified the profit and permission has been obtained from the Swedish Financial Supervisory Authority. Deductions are made for foreseeable costs and possible dividends under Commission Delegated Regulation (EU) 241/2014.

## cont. Note 34 Group – capital adequacy information

### The consolidated situation

SEK million	31/12/2018	31/12/2017
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	6,628.8	6,628.8
Retained earnings	-5,037.1	-5,002.4
Accumulated other comprehensive income (and other reserves)	234.4	223.1
Independently reviewed interim profits net of any foreseeable charge or dividend	51.4	37.3
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>1,877.5</b>	<b>1,886.8</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
Additional value adjustments (negative amount)	-20.3	-14.0
Intangible assets (net of related tax liability) (negative amount)	-401.5	-368.1
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-421.7</b>	<b>-382.0</b>
<b>Common Equity Tier 1 (CET1) Capital</b>	<b>1,455.7</b>	<b>1,504.7</b>
<b>Additional Tier 1 (AT1) capital</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>1,455.7</b>	<b>1,504.7</b>
<b>Tier 2 (T2) capital</b>	<b>-</b>	<b>-</b>
<b>Total capital (TC = T1 + T2)</b>	<b>1,455.7</b>	<b>1,504.7</b>
<b>Total risk weighted assets</b>	<b>8,510.5</b>	<b>8,648.2</b>
<b>Capital ratios and buffers</b>		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.1%	17.4%
Tier 1 (as a percentage of total risk exposure amount)	17.1%	17.4%
Total capital (as a percentage of total risk exposure amount)	17.1%	17.4%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	8.8%	8.7%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	1.8%	1.7%
of which: systemic risk buffer requirement	-	-
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.1%	9.4%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	126.5	126.5

## cont. Note 34 Group – capital adequacy information

MSEK	31/12/2018	31/12/2017
<b>Risk weighted exposures</b>		
Exposure to credit risk according to the standardized method	6,291.5	6,543.3
of which exposures to institutions	334.7	732.5
of which exposures to corporates	104.2	66.2
of which retail exposures	3,451.3	3,337.4
of which exposures secured by mortgages on immovable property	971.9	502.2
of which exposures in default	32.9	55.5
of which exposures in the form of covered bonds	600.1	1,292.2
of which equity exposures	453.0	406.7
of which other items	343.4	150.5
Exposures market risk	73.6	6.6
Exposure operational risk	2,145.4	2,098.3
<b>Total risk weighted exposures</b>	<b>8,510.5</b>	<b>8,648.2</b>
<b>Capital requirement</b>		
Credit risk according to the standardized method	503.3	523.5
Market risk	5.9	0.5
Operational risk	171.6	167.9
<b>Capital requirement Pillar 1</b>	<b>680.8</b>	<b>691.9</b>
<b>Capital requirement Pillar 2</b>	<b>267.6</b>	<b>252.2</b>
<b>Total capital requirement</b>	<b>948.4</b>	<b>944.1</b>

### Internally assessed capital requirement

The minimum requirement for capital under Pillar 1 amounts to 8 percent. In addition to the minimum requirement, Nordnet maintains capital to meet the combined buffer requirement as well as to cover the total capital requirement resulting from the Bank's annual internal capital and liquidity assessment (IKLU) carried out under Pillar 2. This is governed by EU directive on capital adequacy 2013/36/EU Article 73 and the Financial Supervisory Authority's Regulations (FFFS 2014: Chapter 12 10). The capital evaluation aims at analysing and highlighting risks that may be underestimated in calculating capital base requirements under Pillar 1 and identifying other significant risks to which the bank is exposed. ICAAP also includes an assessment of the liquidity requirement in relation to future developments under both normal and stressed circumstances.

The internal capital evaluation is based on Nordnet's business plan, current and future regulatory require-

ments as well as different scenario analyses. The process and a summary of the results shall be reported annually to the Board and provide the basis for the Board's decisions on the conglomerate's capital planning. The Financial Supervisory Authority reviews and evaluates Nordnet's risk management and as regards sufficient capital is kept for the significant risks to which the bank is exposed.

In addition to the minimum capital requirement and the buffer requirements, Nordnet has calculated the internal capital requirement for the consolidated situation to be SEK 267.6 million (252.2). This is considered to be a satisfactory capital situation with regard to the activities that Nordnet conducts. Capital ratio is monitored continuously and, if necessary, results are reviewed during the current financial year by the company's external auditors, to be included in the capital base.

## Note 35 Parent Company – net sales

Net sales are made up entirely of internal Group invoicing, referring to administrative services.

## Note 36 Parent Company – administrative expenses

	2018	2017
<b>Deloitte</b>	<b>270</b>	<b>200</b>
<b>Audit services beyond the assignment</b>		
Deloitte	-	-
<b>Tax services</b>		
Deloitte	-	-
<b>Other services</b>		
Deloitte	-	-
<b>Total audit services</b>	<b>270</b>	<b>200</b>

## Note 37 Parent Company – personnel expenses

	2018	2017
<b>Salaries and other remuneration</b>		
Board members, Chief Executive Officer and corresponding officials <sup>1</sup>	-8,880	-1,655
<b>Total salaries and other remuneration</b>	<b>-8,880</b>	<b>-1,655</b>
<b>Social security expenses</b>		
Board members, Chief Executive Officer and corresponding officials	-2,723	-794
<b>Total social securities expenses</b>	<b>-2,723</b>	<b>-794</b>
<b>Pension expenses</b>		
Board members, Chief Executive Officer and corresponding officials	-2,795	-1,083
<b>Total pension expenses</b>	<b>-2,795</b>	<b>-1,083</b>
<b>Other payroll expenses</b>	<b>-50</b>	<b>-</b>
<b>Total personnel expenses</b>	<b>-14,448</b>	<b>-3,532</b>

<sup>1</sup> For other disclosures regarding personnel expenses and remuneration of the Board, CEO and other senior executives, please see Note 12.

## cont. Note 37 Parent Company – personnel expenses

Average number of employees	2018	2017
<b>Total</b>	<b>1</b>	<b>1</b>
of whom women	-	-
of whom men	1	1

Employees within the Parent Company are located in Sweden.

## Note 38 Parent Company – profit from participations in Group companies

Income from participations in group companies	2018	2017
Dividend from subsidiaries	1,516	172,283
Anticipated dividend from subsidiaries	-	100,000
Group contributions received	16,037	-
	<b>17,553</b>	<b>272,283</b>

## Note 39 Parent Company – taxes

Tax charged to income	2018	2017
<b>Current tax expense (-)/ tax income (+)</b>		
Adjustment current tax for previous years	-	-
Current tax	-	-
Deferred tax related to temporary differences	-1,633	1,633
<b>Tax on net income for the year</b>	<b>-1,633</b>	<b>1,633</b>

Reconciliation of effective tax		2018	2017
<b>Profit before tax</b>		<b>7,175</b>	<b>264,219</b>
Tax expense in the income statement	-22.8%	-1,633	1,633
Tax as per current tax rate for the Parent Company	-22.0%	-1,579	-58,128
<b>Difference</b>	<b>-0.8%</b>	<b>-54</b>	<b>59,761</b>
<b>The difference consists of the following items:</b>			
Effect of dividend from subsidiaries	4.8%	334	59,902
Effect of non-deductible expenses/non-taxable income	-5.4%	-388	-141
<b>Reported effective tax</b>	<b>-0.8%</b>	<b>-54</b>	<b>59,761</b>

## Note 40 Parent Company – participations in Group companies

Name	Corporate ID	Headquarters	% of share capital	% of votes	Number of shares	Book value
Nordnet AB (publ) <sup>1</sup>	556249-1687	Stockholm	100.00%	100.00%	175,027,886	6,503,933
<b>Total</b>						<b>6,503,933</b>

<sup>1</sup> For further information, see note 46 - events after the balance sheet date

## cont. Note 40 Parent Company – participations in Group companies

	2018	2017
<b>Accumulated acquisition value</b>		
On 1 January	6,503,933	-
Non-cash issue	-	4,472,498
Acquisition	-	1,859,152
Revaluation	-	172,283
<b>Total</b>	<b>6,503,933</b>	<b>6,503,933</b>
<b>Accumulated impairments</b>		
On 1 January	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>	<b>6,503,933</b>	<b>6,503,933</b>

## Note 41 Parent Company – prepaid expenses and accrued income

	2018	2017
<b>Prepaid expenses and accrued income</b>		
Prepaid insurance expenses	-	-
Other prepaid expenses	-	148
<b>Total</b>	<b>-</b>	<b>148</b>

## Note 42 Parent Company – equity

Details of changes in equity are given in the statement of changes in Parent Company equity.

As at 31 December 2018, registered share capital amounted to 1,000,000 (1,000,000) shares with a quoted value of SEK 1.00 (1.00) per share.

Restricted equity pertains to share capital of SEK 1,000 thousand (1,000).



## Note 43 Parent Company – other current liabilities

Other short-term liabilities	2018	2017
Accounts payable	-	-
Other liabilities	994	661
<b>Total</b>	<b>994</b>	<b>661</b>

Other liabilities are current liabilities – that is, they fall due for payment within 12 months of the balance sheet date.

## Note 44 Parent Company – accrued expenses and deferred income

Accrued expenses and prepaid income	2018	2017
Accrued social security contributions	502	126
Accrued holiday pay	700	-
Other accrued personnel costs	1,879	-
Accrued payroll tax	538	263
Accrued consultancy costs	115	873
Accrued auditors fee	200	200
Other accrued expenses	316	-
<b>Total</b>	<b>4,250</b>	<b>1,462</b>

## Note 45 Parent Company – details of purchases and sales between Group companies

Of the Parent Company's total purchases and sales in terms of SEK, – percent (–) of purchases and 100 percent (100) of sales pertain to other Group companies.

Intra-Group interest income amounted to SEK 0 million (0) and intra-Group interest expenses amounted to SEK 0.0 million (0.0).

## Note 46 Group – events after the balance sheet date

On 1 March 2019, a merger was made between NNB Intressenter AB, org. reg. no. 559073-6681 and its wholly owned subsidiary Nordnet AB (publ), org. reg. no. 556249-1687, whereby NNB Intressenter AB absorbed Nordnet AB (publ) and Nordnet AB (publ) was dissolved without liquidation. NNB Intressenter AB thereby took over all assets and liabilities in Nordnet AB (publ) as of 1 March 2019. In connection with the execution of the merger, the overtaking company NNB Intressenter AB changed its company name to Nordnet AB (publ) and changed the company category from

a private to a public company. This annual report was prepared after the execution of the merger and registration of name changes. Nordnet AB (publ), org. reg. no. 559073-6681 is now the Parent Company of the Group. The assets and liabilities have been taken over at the consolidated values. The transferring company's operating income of SEK -148 million and operating profit of SEK -923 million are included in the overtaking company's income statement for the time before the merger was registered. Furthermore, the surplus value of the shares in the subsidiary Nordnet AB

## cont. Note 46 Group – events after the balance sheet date

(556249-1687) will be eliminated against the parent company's non-restricted equity as of March 1, 2019. The preliminary non-restricted equity in the parent company after the merger will amount to SEK 1,182 million.

In the first quarter of 2019, Tink AB made a new share issue of shares equivalent to EUR 32.7 million (3.4 million shares). This transaction means that the value of Nordnet's holdings in Tink increased from SEK 43.8 million to SEK 109.6 million. Given that 10 percent

of Tink's shares have been converted at market terms, we believe that the value increase is to be considered lasting. Nordnet AB will move the value increase of SEK 65.8 million to profit or loss in the first quarter of 2019.

Nordnet AB (publ) has on March 14 2019, issued Additional Tier 1 Capital (AT1) amounting to SEK 500 million. The transaction has been made to optimize our capital structure and to facilitate continued growth of the business.

### Summary balance sheet - transferring company (SEK thousands) 01/03/2019

Shares in Group companies	1,239,102
Shares in associated companies	109,556
Other assets	27,059
<b>Total assets</b>	<b>1,375,717</b>
Restricted equity	175,028
Non-restricted equity	1,000,421
<b>Total equity</b>	<b>1,175,449</b>
<b>Total liabilities</b>	<b>200,268</b>
<b>Total equity and liabilities</b>	<b>1,375,717</b>

## Note 47 – Proposed distribution of profits

### The following profits are at the disposal of the Annual General Meeting (SEK):

Share premium reserve	6,340,175,920
Non-restricted reserve	-
Profit brought forward	165,855,314
Profit of the year	5,542,031
<b>Total</b>	<b>6,511,573,265</b>

### The Board proposes the following allocation:

Carried forward to next year	6,511,573,265
<b>Total</b>	<b>6,511,573,265</b>

The Board of Directors and the CEO provide their assurance that the annual accounts have been prepared in accordance with generally accepted accounting practices in Sweden and that the consolidated accounts have been prepared in accordance with the international accounting standards as stipulated by the European Parliament and Council's regulation (EC) No. 1606/2002 of 19 July 2002 on the application of international accounting standards and give a fair account of the Parent Company and Group's position and earnings. Furthermore, assurance is given that the Board of Directors' report for the Parent Company and Group, respectively, provides an accurate overview of the development of operations, position and earnings of the Parent Company and the Group, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and the companies within the Group.

# Signatures of the Board of Directors

The Board of Directors and CEO provide their assurance that the 2018 Annual Report provides an accurate overview of the operations, position and earnings of the Group and the Parent Company, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and the companies within the Group.

Stockholm 21 March 2019

**Hans Larsson**  
Chairman of the Board

**Jan Dinkelspiel**  
Board member

**Tom Dinkelspiel**  
Board member

**Christopher Ekdahl**  
Board member

**Christian Frick**  
Board member

**Pierre Siri**  
Board member

**Per Widerström**  
Board member

**Anders Danielsson**  
Acting CEO

Our auditor's report was submitted on 21 March 2019.

**Deloitte AB**  
**Jan Palmqvist**  
Authorized Public Accountant

# Key figures

Group	2018 <sup>1</sup>	2017 <sup>1</sup>	2016 <sup>2</sup>	2015 <sup>2</sup>	2014 <sup>2</sup>
Operating margin (%)	11%	16%	31%	36%	31%
Profit margin (%)	9%	13%	25%	29%	26%
Cost/income ratio	89%	84%	69%	64%	69%
Return on shareholders' equity (%)	6%	8%	15%	20%	16%
Return on assets (%)	0.1%	0.2%	0.5%	0.6%	0.6%
Shareholders' equity, SEK million	1,988.2	2,024.7	1,978.9	1,870.1	1,747.6
Capital base consolidated situation, SEK million	1,455.7	1,504.7	1,295.4	1,140.6	1,270.3
Capital coverage ratio, consolidated situation	17.1%	17.4%	16.7%	15.4%	16.0%
Investments in tangible assets, SEK million <sup>3</sup>	84.0	29.1	9.9	11.1	15.2
Investments in intangible assets, SEK million <sup>3</sup>	112.1	88.0	42.6	30.1	40.4
Of which, internal development expenses, SEK million	32.5	23.1	21.6	8.1	7.4
Number of full-time employees at end of period	526	474	405	427	385
<b>Customer-related key figures:</b>					
Number of active customers	765,200	669,300	566,800	490,400	432,600
Number of active accounts at end of the period	1,016,300	884,500	735,000	627,500	544,600
Net savings, SEK billion	23.5	17.3	14.3	12.9	16.3
Total savings capital at end of period, SEK billion	286	272	235	200	166
Average savings capital per active account at end of period, SEK	280,900	308,000	319,300	318,800	305,200
Cash deposits at end of period, SEK millions	43,022.8	34,341.2	29,131.5	23,726.7	19,725.6
Lending including pledged cash and cash equivalents at end of period, SEK millions	14,204.5	11,852.0	9,516.4	7,278.1	5,806.2
Lending excluding pledged cash and cash equivalents at end of period, SEK millions	13,730.1	11,437.5	9,210.8	7,086.4	5,619.6
Lending/deposits, %	33%	35%	33%	31%	29%
Number of trades for the year	26,119,800	26,181,300	22,931,500	19,831,700	14,642,500
Number of trades per day	105,600	105,100	91,400	80,000	59,300
Number of trades per active account per year	29.3	35.2	37.2	37.4	32.0
Number of trades per active account per month	2.5	2.9	3.1	3.1	2.7
Average net commission revenue per trade, SEK	18	18	20	24	25
Average net commission per trading day, SEK	2,727,300	2,685,100	2,562,100	2,716,400	2,146,000
Annual average income/savings capital (%)	0.4%	0.5%	0.6%	0.6%	0.7%
Average yearly income per account, SEK	1,368	1,535	1,755	2,112	2,099
Average yearly operating expenses per account, SEK	-1,172	-1,186	-1,173	-1,262	-1,348
Average yearly profit per account, SEK	196	349	582	850	751

<sup>1</sup> Refers to Nordnet AB (publ), changed name from NNB Intressenter AB, org. reg. no.: 559073-6681

<sup>2</sup> Refers to Nordnet AB (publ), org. reg. no.: 556249-1687

<sup>3</sup> Excluding acquisitions

# Auditor's report

To the general meeting of the shareholders of Nordnet AB (publ), corporate identity number 559073-6681.

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Nordnet AB (publ) for the financial year 2018 except for the corporate governance statement on pages 41–53. The annual accounts and consolidated accounts of the company are included on pages 35–40 and pages 54–128 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of December 31, 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 41–53. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group. Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

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

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

### Key Audit Matters

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

### Commission income recognition

Commission income is an integral part of the Group's income. These consist of a number of different revenue streams such as commission in connection with the purchase and sale of securities, commission for the transfer of securities in connection with issuance of debt securities, sales of structured products and guaranteed issues and commissions from fund operations.

Income recognition includes several risks, primarily regarding the interpretation and application of accounting principles, which include management's judgement regarding when income is to be reported as well as risks related to completeness and valuation. IT systems

and applications are used for debiting income, and a large amount of data is generated in these systems and applications when customers use Nordnet's services and networks. Therefore, we consider the recognition of commission income to be a key audit matter. For the year 2018, the Group reported net sales related to commission income of SEK 983.9 million. The reporting item is thus essential from a financial reporting perspective. Revenue recognition is deemed a particularly important area due to the large transaction volumes which makes completeness critical for a significant error in the financial reporting not to arise.

Refer to the related information on accounting principles in note 5 and net commission income in note 9.

Our audit procedures included testing and evaluation of design and effectiveness in controls for commission income recognition. This includes the evaluation of essential procedures and controls for income recognition, including relevant IT systems and applications used for accounting and related controls. We have also conducted analytical and detailed procedures for a selection of income reported.

Our substance review has been conducted by comparing data from the source system with the accounts to ensure proper transfer. In order to ensure correct data in the source system, we have, based on random selection, examined whether individual transactions have been registered based on specified parameters.

### **Valuation of financial instruments at fair value**

Financial instruments valued at fair value both in the insurance and banking operations are mostly financial instruments that are actively traded and for which quoted market prices are available. To a lesser extent, there are holdings in financial instruments for which the valuation is based on market data other than quoted prices in the same instrument.

As at December 31, 2018, financial instruments measured at fair value comprised of assets of SEK 65 511 million and liabilities of SEK 51 726 million.

For financial instruments that are actively traded and for which quoted market prices are available, there is a higher degree of objectivity in determining the market price (level 1). When observable and liquid market

prices are not available, the fair value of financial instruments are subject to significant estimation uncertainty (level 2 and 3 instruments). The valuation of such instruments is determined through different valuation techniques, which often include significant judgements and estimates made by management.

These instruments constitute a key audit matter in our audit due to the significant proportion of financial instruments measured at fair value and the impact of the inherent uncertainty and subjectivity in the assessment of level 2 and 3 financial instruments.

Refer to disclosures of financial instruments at fair value in note 32.

Our audit procedures included, but were not limited to:

- We obtained an understanding of the key controls in the valuation process, and designed tests to verify if the controls operated effectively during the year, which included controls over data inputs into valuation models and independent valuation.
- For level 1 instruments, we have compared reported fair values with available quoted market prices. Similar procedures have been performed for level 2 instruments since Nordnet's level 2 financial assets primarily consist of market traded instruments, but where the market is not considered active.
- For level 3 instruments, we have assessed the appropriateness of valuation methods and input data used for a majority of reported financial instruments in level 3.

### **IT-systems that support complete and accurate financial reporting**

Nordnet relies on IT systems to (1) serve customers, (2) support business processes, (3) ensure proper financial transaction processing, and (4) support the overall internal control framework. The financial reporting is dependent on several systems. Many of Nordnet's internal controls over financial reporting are dependent on automated system controls with regard to completeness and integrity in reports generated by IT systems.

Given the high dependence on IT, we consider this a key audit in our audit. It is essential that permissions and access rights to systems and program modifications are adequately managed to ensure proper financial reporting.

Refer to the related information on Operational risks in note 7.

Our audit has included review of general IT controls and judgement of whether Nordnet has satisfactory procedures for achieving the required IT security and environment needed to ensure financial reporting. Our review has focused on significant systems with a direct impact on the financial reports. Our tests have included reviewing access to programs and data, managing program changes and reviewing access restrictions.

### Valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IFRS 9 is a complex area with significant impact on Nordnet's business and financial reporting. IFRS 9 is a new and complex accounting standard that requires significant judgement to determine the loan loss provision.

Key areas of judgment include:

- The interpretation of the requirements to determine loan loss provisions under application of IFRS 9, which is reflected in Nordnet's expected credit loss model.
- The identification of exposures with a significant deterioration in credit quality.
- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices).

At December 31, 2018, loans to the public amounted to SEK 14 204.5 million, with loan loss provisions of SEK 95.8 million.

Given the significance of loans to the public, the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, as well as the extensive disclosures required under IFRS 9, we consider this a key audit matter for our audit.

Refer to critical judgments and estimates in note 4, disclosures of credit risk in note 7 and related disclosures of credit risk in note 15.

Our audit procedures included, but were not limited to:

- We evaluated key controls within the loan loss provision process to verify if they are appropriately designed and operated effectively during the year; including key controls for approval, recording and monitoring of loans, input data, accuracy and completeness of loan loss provision.
- We assessed, supported by our credit risk modelling specialists, the modelling techniques and model methodologies against the requirements of IFRS 9. We assessed the sufficiency the underlying models developed for loan loss provisions. We involved our credit risk modelling specialists in the consideration of principal credit risk modelling decisions against requirements of IFRS 9 and industry practice. We evaluated key assumptions, evaluated the calculation methodology and ensured the completeness of source data in the models.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-34 and pages 134-141. The Board of Directors and the Managing Director are responsible for this other information.

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

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

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report

that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and the Managing Director**

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

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

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

### **Auditor's responsibility**

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

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website:

[www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description forms part of the auditor's report".

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

#### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordnet AB (publ) for the financial year 2018 and the proposed appropriations of the company's profit or loss.

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

#### **Basis for Opinions**

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

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

### **Responsibilities of the Board of Directors and the Managing Director**

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



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

### Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website:

[www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description forms part of the auditor's report.

### The Auditor's Examination of the Corporate Governance Statement

The Board of Directors is responsible for that the corporate governance statement on pages 40-54 has been prepared in accordance with the Annual Accounts Act.

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

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

Deloitte AB, was appointed auditor of Nordnet AB (publ) by the general meeting of the shareholders on the on April 18, 2018 and has been the company's auditor since prior to June 26, 2017.

Stockholm March 21, 2019  
Deloitte AB

Jan Palmqvist  
Authorised public accountant

# Definitions

## Active account<sup>1</sup>

Account with a value of > SEK 0 or a credit commitment.

## Active customer<sup>1</sup>

Physical person or legal entity holding at least one active account.

## Amount traded<sup>1</sup>

Amount traded refers to our customers' trade in shares, warrants, ETFs, certificates, bonds and similar instruments.

## Cash market<sup>1</sup>

Cash market refers to trade in shares, warrants, ETFs, certificates, bonds and similar instruments.

## Capital base<sup>2</sup>

The sum of Core Tier 1 capital and Tier 2 capital.

## Capital ratio<sup>2</sup>

Capital base in relation to total risk-weighted exposure amount.

## Client funds<sup>1</sup>

Cash and cash equivalents at Nordnet held on behalf of a third party.

## Core Tier 1 capital<sup>2</sup>

Equity excluding proposed dividend, deferred taxes and intangible assets and some further adjustments in accordance with the EU's capital requirement regulation no. 575/2013 (CRR) and EU 241/2014.

## Core Tier I ratio<sup>2</sup>

Core Tier 1 capital divided by total risk-weighted exposure amount.

<sup>1</sup> Alternative performance measures

<sup>2</sup> Definitions in accordance with IFRS and the EU's capital requirement regulation no. 575/2013 (CRR) and the EU's Solvency II directive 2015/35

## Cost coverage<sup>1</sup>

Non-transaction-related income relative to expenses.

## Deposits<sup>1</sup>

Deposits including deposits attributable to liabilities in the insurance operations.

## Lending<sup>1</sup>

Lending to the general public, excluding lending through "account credits" that are fully covered by pledged cash and cash equivalents on endowment insurance plans and investment savings accounts (ISKs), where the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents

## Net commission income<sup>1</sup>

Commission income less commission expenses and non-transaction-related net commission income.

## Net commission per trade<sup>1</sup>

Total net commission income divided by total number of trades during the period.

## Net savings<sup>1</sup>

Deposits of cash and cash equivalents and securities, less withdrawals of cash and cash equivalents and securities.

## Operating expenses<sup>2</sup>

Expenses for operations, excluding credit losses and impairment of goodwill.

## Operating margin<sup>1</sup>

Operating profit in relation to operating income.

# Definitions

## Personal loans<sup>1</sup>

Unsecured loans.

## Profit margin<sup>1</sup>

Profit for the period in relation to operating income.

## Return on assets<sup>1</sup>

12-month rolling profit for the period in relation to average total assets.

## Return on equity<sup>1</sup>

12-month rolling profit for the year in relation to average equity.

## Risk exposure amounts<sup>2</sup>

Assets on and commitments outside of the balance sheet, risk-weighted according to the capital adequacy rules for credit risk and market risk. For operational risks, a capital requirement is calculated that is then expressed as risk-weighted assets. This only applies to the consolidated situation, i.e. excluding insurance operations, and not to exposures that have been directly deducted from the capital base.

## Solvency capital (NPV)<sup>2</sup>

The estimated present value of expected profits in the existing insurance business.

## Solvency capital requirements (SCR)<sup>2</sup>

Estimated capital requirements as per Solvency II regulations.

## Total savings capital<sup>1</sup>

Total of cash and cash equivalents and value of securities for all active accounts.

## Trade<sup>1</sup>

A registered transaction on the stock exchange or in the marketplace. Orders sometimes involve several trades.

## Turnover rate<sup>1</sup>

The number of shares bought or sold during the year divided by the number of shares outstanding at year-end.

<sup>1</sup> Alternative performance measures

<sup>2</sup> Definitions in accordance with IFRS and the EU's capital requirement regulation no. 575/2013 (CRR) and the EU's Solvency II directive 2015/35

## Alternative key figures

Alternative Performance Measures (APM) are financial measures of historical or future earnings development, financial position or cash flow that are not defined in applicable reporting regulations (IFRS) or in the fourth capital requirement directive (CRD IV) or in the EU capital requirement regulation no. 575/2013 (CRR) or the EU's Solvency II directive 2015/35. Nordnet uses alternative key performance measures when it is relevant to describe our operations and monitor our financial situation. These measures are not directly comparable with similar key figures presented by other companies.

# Other sustainability information

The reporting of our sustainability work has been in accordance the guidelines of the Global Reporting Initiative (GRI) since 2010. The sustainability report for the 2018 calendar year follows GRI Standards 2016, Core level. The sustainability report has been prepared in compliance with statutory sustainability reporting requirements in the Annual Accounts Act. The report covers Nordnet AB (publ) and its subsidiaries. Nordnet's sustainability report 2018 is not reviewed by the company's auditors.

General Standard Information		References/comments
<b>GRI 102: General standard information</b>		
102-1	Name of the organization	page 36
102-2	Main products and services	page 5
102-3	Location of the organization's headquarters	page 9, 65
102-4	Countries where activities are conducted	page 5, 102
102-5	Ownership structure and corporate form	page 42
102-6	Markets in which the organization operates	page 5
102-7	Size of organization	page 4-5, 57, 60, 139
102-8	Total employees	page 139
102-9	Descriptions of the organization's value chain	page 24
102-10	Significant changes during the accounting period	page 36-37
102-11	The organization's adherence to the precautionary principle	page 140
102-12	Externally developed initiatives that the organization follows	page 20-23
102-13	Associations in which the organization is a member	page 20-23, 25
102-14	Statement by CEO on the organization's sustainability strategy	page 8
102-16	Values, principles, standards and norms for performances	page 24-25
102-18	Statement of the company's corporate governance	page 41-53
102-40	Interest groups with which the organization is in contact	page 138
102-41	Proportion of employees covered by collective agreements	page 30
102-42	Identification and selection of stakeholders	page 138
102-43	Procedures for communication with stakeholders	page 138
102-44	Issues raised through communication with stakeholders and management of these	page 138
102-45	Entities included in the report	page 136
102-46	Process for the definition of report's content	page 138
102-47	Identified essential sustainability areas	page 138
102-48	Effects of changes in previously reported information	No significant changes
102-49	Significant changes from previous reporting	Move of head office in Sweden
102-50	Reporting period	page 136
102-51	Publication of most recent report	March 2018
102-52	Reporting Cycle	page 136
102-53	Contact person for questions regarding the report	See contact details on nordnetab.com
102-54	Statement on the report's compliance with GRI standards	page 40, 136
120-55	GRI Index	page 136-137
102-56	External review	page 136

Subject-specific information		Reference/comments
<b>GRI 201: Economic performance</b>		
103-1, 103-2, 103-3	Governance	page 24-25
201-1	Generated and distributed financial value	page 24
<b>GRI 203: Indirect economic impact</b>		
103-1, 103-2, 103-3	Governance	page 20
203-1	Investments in infrastructure and services	page 20-23
203-2	Indirect economic effects	page 20
<b>GRI 205: Anti-corruption</b>		
103-1, 103-2, 103-3	Governance	page 24-25
205-2	Communication of guidelines on anti-corruption	page 24-25
<b>GRI 302: Energy</b>		
103-1, 103-2, 103-3	Governance	page 31, 140
302-1	The organization's energy consumption	page 31, 140
302-3	Energy intensity	page 31
<b>GRI 305: Emissions</b>		
103-1, 103-2, 103-3	Governance	page 33, 140-141
305-1	Direct greenhouse gas emissions	page 33, 140-141
305-2	Indirect greenhouse gas emissions from energy consumption	page 33, 140-141
305-3	Other indirect greenhouse gas emissions	page 33, 140-141
305-4	Greenhouse gas emissions intensity	page 33, 140-141
<b>GRI 401: Employment conditions and Working conditions</b>		
103-1, 103-2, 103-3	Governance	page 26-27
401-1	Personnel turnover	page 27
<b>GRI 403: Health and Safety</b>		
103-1, 103-2, 103-3	Governance	page 28
403-2	Sick leave and work-related injuries	page 28
<b>GRI 404: Education</b>		
103-1, 103-2, 103-3	Governance	page 26-27
404-3	Development interview	page 26
<b>GRI 405: Diversity &amp; Equality</b>		
103-1, 103-2, 103-3	Governance	page 28-30
405-1	Composition of the company	page 139
405-2	Salary differences between genders	page 29
<b>GRI 406: Non-discrimination</b>		
103-1, 103-2, 103-3	Governance	page 28-30
406-1	Number of cases of discrimination	page 28
<b>GRI 418: Customer integrity</b>		
103-1, 103-2, 103-3	Governance	page 25
418-1	Number of cases of loss of customer data	1 reported complaint regarding customer integrity. The complaint has been investigated and answered, no outstanding issues need to be addressed.

## Dialogue with stakeholders

Nordnet has a continuous dialogue on sustainability issues with these stakeholder groups:

- Customers
- Employees
- Owner
- Suppliers

Every year since 2011, we have sent out a survey on sustainability to all employees at Nordnet. The survey allows employees to evaluate our sustainability work and provide development proposals. In the survey, employees can also indicate how they commute to and from the workplace, and these statistics are then used when calculating the all of Nordnet's greenhouse gas emissions. We also sent out sustainability surveys to selected customers in 2017 and to owners and suppliers when we began sustainability reporting according to GRI at year-end 2010. Based on the survey results with these stakeholder groups, the following priority areas were identified:

Stakeholder groups	Priority areas in sustainability
Employees	<ul style="list-style-type: none"> <li>• Well-being among employees and possibilities of development</li> <li>• Customer service and support</li> <li>• Protection of customer data and privacy</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Protection of customer data and privacy</li> <li>• Preventing money laundering</li> </ul>
Owner	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Providing ethical funds</li> <li>• Social sponsorship</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Customer service and support</li> <li>• Offering transparent financial products</li> <li>• Protection of customer data and privacy</li> </ul>

In addition to the stakeholder groups listed above, we also see the media, government agencies, competitors, and the public as key stakeholders who, in a broader sense, affect our operations.

## Materiality analysis

The stakeholder dialogue with our primary stakeholders lays the foundation for our impact analysis and se-

lection of essential sustainability aspects on which to focus. In 2016, we redefined our focus areas based on the results of the stakeholder dialogue we conducted with our employees that year, when they requested a sustainability strategy with a clearer link to Nordnet's operations. Since 2017, we have worked with three focus areas: sustainable savings, equality & diversity and digital learning. In addition to our focus areas, we have defined a number of priority areas and sustainability aspects as essential for Nordnet to focus on in our sustainability report (see table below).

Prioritized areas	GRI standards
Customers	Customer privacy, indirect financial impact
Employees	Diversity and equality, equal compensation for women and men, non-discrimination, terms of employment and employment conditions, health and safety
Society	Economic performance, anti-corruption
Environment	Energy, emissions

All Nordnet's identified sustainability aspects are relevant in the context of our own operations. Some aspects also have a direct impact outside the organization's limits, for example, with our customers and suppliers. Nordnet reports regularly on each significant sustainability aspect where it has an impact.

## Background data for GRI indicators

In this section, we describe the methods, assumptions, and conversion factors used to develop Nordnet's GRI indicators. In addition, supplementary tables and information are included in the Annual Report.

### Employees

Employee key figures are based on the actual number of employees as at the end of December and the year, respectively, and are therefore not converted to full-time equivalents or such.

Employees per 31 December						
	2018		2017		2016	
<b>Sweden</b>	<b>Women (%)</b>		<b>Women (%)</b>		<b>Women (%)</b>	
Total number of employees	475	39%	446	36%	364	36%
Number of permanent employees	417	39%	394	36%	324	36%
- Whereof full-time	411	38%	377	34%	311	35%
- Whereof part-time	6	83%	17	65%	13	62%
Number of temporary employees	58	38%	52	38%	40	35%
<b>Finland</b>						
Total number of employees	37	43%	39	44%	43	44%
Number of permanent employees	30	40%	30	43%	33	45%
- Whereof full-time	29	38%	29	41%	29	41%
- Whereof part-time	1	100%	1	100%	4	75%
Number of temporary employees	7	57%	9	44%	10	40%
<b>Norge</b>						
Total number of employees	42	19%	34	21%	31	19%
Number of permanent employees	29	17%	22	23%	22	27%
- Whereof full-time	29	17%	22	23%	22	27%
- Whereof part-time	0	0%	0	0%	0	0%
Number of temporary employees	13	23%	12	17%	9	0%
<b>Danmark</b>						
Total number of employees	45	40%	49	35%	41	44%
Number of permanent employees	32	47%	28	54%	27	52%
- Whereof full-time	31	45%	25	48%	21	43%
- Whereof part-time	1	100%	3	100%	6	83%
Number of temporary employees	13	23%	21	10%	14	29%
	<b>599</b>		<b>568</b>		<b>479</b>	

The table shows how many employees Nordnet has broken down by type of employment, region and gender.

Composition of the company						
	2018		2017		2016	
<b>Employees at different levels at the company</b>	<b>Number (no.)</b>	<b>Women (%)</b>	<b>Number (no.)</b>	<b>Women (%)</b>	<b>Number (no.)</b>	<b>Women (%)</b>
<b>Board of Directors</b>	<b>7</b>	<b>0%</b>	<b>7</b>	<b>0%</b>	<b>8</b>	<b>38%</b>
Under 30 years	0	0%	0	0%	0	0%
30 - 50 years	4	0%	5	0%	3	67%
Over 50 years	3	0%	2	0%	5	20%
<b>Management</b>	<b>14</b>	<b>29%</b>	<b>14</b>	<b>43%</b>	<b>11</b>	<b>55%</b>
Under 30 years	0	0%	0	0%	0	0%
30 - 50 years	13	23%	13	38%	9	56%
Over 50 years	1	100%	1	100%	2	50%
<b>Employees with staff responsibility</b>	<b>55</b>	<b>47%</b>	<b>55</b>	<b>40%</b>	<b>58</b>	<b>41%</b>
Under 30 years	4	75%	4	25%	7	43%
30 - 50 years	44	48%	45	44%	44	43%
Over 50 years	7	29%	6	17%	7	29%
<b>Other employees</b>	<b>531</b>	<b>36%</b>	<b>499</b>	<b>35%</b>	<b>410</b>	<b>35%</b>
Under 30 years	234	33%	234	30%	170	28%
30 - 50 years	266	38%	235	38%	209	39%
Over 50 years	31	42%	30	43%	31	48%

The table shows the composition of the company by gender and age for different levels of the company.

## Environment

### Energy

To recalculate the energy consumption from MWh to GJ, use the conversion factor 3.6.

### Greenhouse gas emissions

Nordnet has a small environmental impact and we do not express ourselves in terms of compliance with the precautionary principle when dealing with the environmental impact that our business causes.

To calculate our greenhouse gas emissions, we use, to the extent possible, conversion factors that include all relevant greenhouse gases, i.e. CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub> and NF<sub>3</sub>. We do not implement our own conversions from other greenhouse gases to CO<sub>2</sub>e and therefore have no overall value for Global Warming Potential (GWP).

Just like fossil fuels, combustion of renewable fuels causes greenhouse gas emissions, but as these emissions are part of a cycle we do not report emissions. The conversion factors related to the consumption of renewable fuels are the part of the fuel that is fossil fuel. However, we report fossil greenhouse gas emissions that arise in the production of fossil and renewable fuels.

Nordnets greenhouse gas emissions, tonnes CO <sub>2</sub> e	2018	2017	2016
Scope 1, direct GHG emissions	0	0	0
Scope 2, indirect GHG emissions	87	88	88
Scope 3, other indirect GHG emissions	167	206	219
<b>Total GHG emissions</b>	<b>254</b>	<b>294</b>	<b>307</b>

The table describes Nordnet's greenhouse gas emissions by Scope according to the Greenhouse Gas Protocol. Nordnet's carbon dioxide emissions for electricity consumption in geographic valuation (location based): 101 tonnes CO<sub>2</sub>e.



Activity	Activity data	Conversion factor
<b>Electricity consumption</b>	Data for each office and data centre.	Conversion factor consists of specific contracts or residual-mix: 350.5 g CO <sub>2</sub> e/kWh Source: IEA
<b>District heating</b>	Data for each office	Statistics from each supplier Stockholm: 65.7 g CO <sub>2</sub> e/kWh (2017) Copenhagen: 78 g CO <sub>2</sub> e/kWh (2017) Oslo: 19 g CO <sub>2</sub> e/kWh (2017) Helsinki: 96 g CO <sub>2</sub> e/kWh (2014)
<b>District cooling</b>	Data for each office and data centre	Statistics from supplier Stockholm: 0 g CO <sub>2</sub> e/kWh (2018)
<b>Business-related travel, company vehicle</b>	Driving distance in company cars is based on employee reporting to receive mileage compensation for business-related travel	The result refers to driving distance and average consumption for mixed driving for each car in combination with the following conversion factors: Petrol: 2,300 g CO <sub>2</sub> e/litre Source: The Network for Transport Measures (NTM)
<b>Business-related travel, private car</b>	Driving distance in company cars is based on employee reporting to receive mileage compensation for business-related travel	Assumptions on petrol car travel: Consumption: 0.81 l/mil Emissions: 194 g CO <sub>2</sub> e/km Source: NTM
<b>Business-related travel, taxi</b>	The statistics consist of booked taxi costs	Assumptions on travel with average Taxi Stockholm: 3.2 g CO <sub>2</sub> e/SEK Source: Taxi Stockholm
<b>Business-related travel, air travel</b>	The statistics consist of booked airline tickets.	Emissions report from travel agency is used as a template for calculating all air travel expenses
<b>Employee commuting</b>	Average travel distance with different forms of transportation, calculated from responses in employee survey sent to all employees.	Petrol vehicle: 194 g CO <sub>2</sub> e/km Diesel vehicle: 165 g CO <sub>2</sub> e/km Ethanol vehicle: 91 g CO <sub>2</sub> e/km Gas vehicle: 73 g CO <sub>2</sub> e/km Hybrid vehicle: 120 g CO <sub>2</sub> e/km Motorcycle/moped: 92 g CO <sub>2</sub> e/km Rail transport: 2 g CO <sub>2</sub> e/pkm Buses: 44 g CO <sub>2</sub> e/pkm Source: NTM, miljofordon.se, SL

The table shows which activities, assumptions and conversion factors are the basis for Nordnet's reporting of greenhouse gas emissions.

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For more information on Nordnet and financial reports, go to [nordnetab.com](http://nordnetab.com)

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