

Nordnet AB (publ)

# Interim Report

January–June 2019



# Financial results in brief

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## April–June

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### Income

**SEK 371.2** million  
(316.6)

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

**SEK -289.1** million  
(-287.3)

### Operating profit

**SEK 82.1** million  
(29.4)

### New customers

**60,000**  
(19,500)

### Net savings

**SEK 2.4** billion  
(5.6)

### Number of trades

**6,582,800**  
(5,976,200)

## January–June

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### Income

**SEK 773.7** million  
(657.5)

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

**SEK -562.7** million  
(-586.2)

### Operating profit

**SEK 211.1** million  
(71.3)

### New customers

**89,700**  
(48,700)

### Net savings

**SEK 9.4** billion  
(17.2)

### Number of trades

**13,518,200** trades  
(12,721,400)

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

# The quarter in brief

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Next generation web service for savers launched in Norway

Higher income and cost control provide strongly improved operating profit

Over 850,000 customers and SEK 350 billion in savings capital

Functions for sustainable savings implemented

Lars-Åke Norling appointed new CEO, taking office on 1 September

## Nordnet 30 June

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### Savings capital

**SEK 354** billion  
(310)

### Lending<sup>1</sup>

**SEK 14.6** billion  
(13.1)

### Customers

**854,800**  
(718,000)

### Number of accounts

**1,134,000**  
(949,800)

<sup>1</sup> Excluding lending against pledged cash and cash equivalents

# This is Nordnet

Nordnet is a digital bank for savings and investments with operations in Sweden, Norway, Denmark and Finland. With user-friendliness, availability, a broad offering and low prices, we give our customers the opportunity to realize their savings ambitions.

## Vision

Our vision is for our customers to be the best investors they can be, whether they are experienced traders or beginners, are knowledgeable or need guidance, wish to spend hours on their investments every day or simply review their savings a few minutes a week.



## 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, Fund Advisor and Nordnet Smart Portfolios

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

### Pension

In Sweden, Norway and Denmark, we offer pension savings without fixed fees 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 – margin lending, personal loans (unsecured loans) and residential mortgages. 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. Personal loans are offered both through Nordnet's own brand and under the brand Konsumentkredit, and are directed at natural persons in Sweden. The credit risk in these lending operations is to be considered higher than in Nordnet's other operations, although this is matched by higher interest margins. Our residential mortgages target the Private Banking segment and are only offered to natural persons in Sweden, with a tenant-owner apartment or single-family home situated in Sweden as collateral. The maximum loan-to-value ratio permitted for a mortgage to be granted is 50 percent. The credit risk in this part of Nordnet's lending is considered to be lower than the credit risk within Nordnet's other lending products.

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

# Comments from the CEO

**“For some time, we have designed and developed the next generation web service for Nordic savers. A platform with high class digital financial tools is absolutely crucial to both Nordnet and the savers, and with our new platform, we have taken a major step towards our vision to make our customers the best investors they can be.”**

The second quarter of 2019 was a good period in Nordnet's history, and I feel a strong sense of pride about what my colleagues and I have accomplished.

From a financial perspective, we can report good cost control and increasing income. Our operating profit reached SEK 82 million, an increase by more than 180 percent compared with the same period last year, and the operating margin is 22 percent.

Customer growth remains high, and more and more private individuals in the Nordic region are discovering the enjoyment and rewards of taking control over their financial future with the help of Nordnet's platform. Our customer base grew by a strong 19 percent in the past 12 months, and we have now surpassed 850,000 customers. The savings capital entrusted to us by our customers amounted to SEK 354 billion, which is a new record.

The savers remain active, and the number of transactions increased by 10 percent compared with the second quarter of 2018. From the savers' perspective, the past three-month period was relatively turbulent, after a global share rally began 2019. Virtually every stock market saw strong declines in the middle of the period, followed by substantial recoveries in June. The end result for the Nordic stock exchanges was mixed, with Stockholm as the winner of the quarter with an increase of more than 4 percent. The Oslo Stock Exchange managed a few tenths of a percent gain, while the Danish and Finnish exchanges fell 1-2 percent.

For some time, we have designed and developed the next generation web service for Nordic savers. The development work takes place in dialogue with our

customers, and along the way, we have continuously implemented new functions for testing and feedback in all four of our markets. In June, it was finally time to present our new platform to the world, with Norway as the first market where our new service was launched as the “default” option, meaning that the Norwegian customers automatically land on our new website when they enter nordnet.no into their web browsers. A platform with high class digital financial tools is absolutely crucial to both Nordnet and the savers, and with our new platform, we have taken a major step towards our vision to make our customers the best investors they can be.

Launching a new website is a real milestone, but far from the only thing we have achieved during the quarter. The acquisition of the Norwegian bank Netfonds, which we announced in December of last year, was approved by the Financial Supervisory Authority of Norway at the end of March, and the merger of the companies was completed in the second quarter. We successfully integrated our operations with each other, and the customers have been using the same platform since June. From a product perspective, I also want to highlight that we in Sweden significantly improved our offering to entrepreneurs and early investors by enabling ownership of unlisted shares in the scope of endowment insurance. In this way, traditional capital gains tax is avoided on both gains and dividends. We also released several new versions of our much appreciated mobile app, which includes a new market overview and “dark mode” – a display mode where a light background is replaced with a dark one, and where characters and other graphic elements are inverted from dark to light.

Lastly, I would like to say a few words about our career network Power Women in Tech (PWIT). The initiative began in autumn 2018 with the aim of attracting more women to a career in fintech. We see PWIT as a meeting place for those who want to meet and be inspired by women colleagues in the industry, expand their networks and have an opportunity for valuable experience exchange. We regularly arrange network meetings where we have strong profiles present their views, and at the most recent meetings, we had the honour of

This will be my last report as the CEO of Nordnet. Lars-Åke Norling will take office as the new CEO on 1 September, and I wish him the best of luck in his new role. I took over this job on a temporary basis at the beginning of October last year, and I have learned an incredible amount in the past few months – both on a personal level and about what it means to lead a digital bank with operations in the Nordic region. I would like to say a huge thank you to our employees, customers, partners, Board of Directors, shareholders and everyone else who have made the past ten months a fantastically enjoyable and exciting period in my life.

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# Operations



# Operations

## Development of the stock market

The second quarter was a period marked by large fluctuations in the financial markets. An unexpected escalation of the trade war between the U.S. and China, customs tariff discussions between the U.S. and Mexico, Theresa May's resignation as the Prime Minister of the UK and subsequent uncertainty regarding Brexit put a damper on the trading mood in the middle of the second quarter. The dip was short-lived, however, and we saw strong increases towards the end of the period. For the quarter as a whole, the Swedish stock exchange developed best in the Nordic region, with an increase of more than 4 percent.

Concern for the effects of the U.S. trade conflicts remains, however. Following macro-figures indicating a cooling economy, the tone from both the U.S. Federal Reserve and the European Central Bank has indicated that a more expansive monetary policy may be on the horizon. The U.S. Federal Reserve made a complete turn-around and is now flagging for interest rate cuts during the year, which the market was quick to price in.

The Nordic region is extensively impacted by the political and financial unrest around the world, as the countries in the region are relatively small and have open economies that are dependent on global growth. A hard Brexit may have direct negative effects, especially on Norway, which has the largest share of exports to the UK.

Sweden still has low interest rates and the further interest rate hikes indicated seem to have been set aside. The housing market has again stabilized and the SEK continued to weaken during the quarter. Norway's economy is running at high-speed. Unemployment is dropping, growth is rising and inflation is above the target, which means that Norway is one of a few countries that will be increasing interest rates and is expected to continue to do so. The financial slowdown in Eu-

rope has not yet reached Denmark and exports have not yet been negatively impacted. Inflation is low and house prices are rising as a result of low interest rates. Altogether, this fuels private consumption. Finland's financial growth began to slow down after several years of impressive figures. Even if the country is not dependent on exports to the UK, a weaker Europe has lowered the export figures in general. Unemployment is dropping and wages continue to rise, which contributes to stronger private consumption.

## Customers, savings and lending

At 30 June, the number of active customers with Nordnet was 854,800 (718,000), corresponding to an increase of 19 percent compared with a year ago.

Our customers' collective savings capital totalled SEK 354 billion (310). Total savings capital increased by 14 percent compared with 30 June 2018. Net savings for the period January-June 2019 amounted to SEK 9.4 billion (17.2). Calculated in relation to savings capital at the end of June 2018, net savings for the past 12 months correspond to 5 percent.

Lending was up by 11 percent compared with 12 months ago, amounting to SEK 14.6 billion (13.1).

Nordnet's customers made an average of 113,100 trades (105,100) per day during the period January-June, an increase of 8 percent compared with the corresponding period in 2018.

During the quarter, the previously acquired Norwegian bank Netfonds' operations were integrated with Nordnet's. The integration resulted in around 32,000 gained active customers, SEK 15 billion in savings capital and SEK 700 million in margin lending for Nordnet.



Customers, savings and lending	30/06/2019	31/03/2019	31/12/2018	30/09/2018	30/06/2018
<b>Number of customers and accounts</b>					
Customers	854,800	794,800	765,200	741,800	718,000
Accounts	1,134,000	1,054,700	1,016,300	982,400	949,800
<b>Net savings and savings capital (SEK billion)</b>					
Net savings	2.4	7.0	1.4	4.9	5.6
Savings capital	353.7	323.5	285.5	323.9	310.5
<b>Number of trades</b>					
During the quarter	6,582,800	6,935,400	6,984,500	6,413,900	5,976,200
On average per day (quarter)	116,500	110,100	113,600	98,700	101,300
<b>Lending (SEK billion)</b>					
Margin lending <sup>1</sup>	6.3	6.1	5.6	5.7	5.6
Personal loans	4.0	4.0	4.0	4.0	3.9
Mortgage	4.3	4.3	4.2	4.0	3.6
<b>Total</b>	<b>14.6</b>	<b>14.4</b>	<b>13.7</b>	<b>13.6</b>	<b>13.1</b>

<sup>1</sup>Excluding borrowing against pledged cash and cash equivalents

## Net profit

### Group

#### April–June 2019

Operating income in the second quarter increased by 17 percent, amounting to SEK 371.2 million (316.6) compared with the second quarter of 2018. SEK 14.8 million is attributable to Netfonds. Net interest income increased by SEK 37.1 million, where the acquisition of Netfonds accounts for SEK 10.3 million and larger volumes in margin lending and residential mortgages are the main explanation of the increase. In addition, net interest income improved from income from Nordnet's stock lending program and higher returns on surplus liquidity. Net commission income increased by SEK 17.5 million, of which SEK 3.9 million is attributable to Netfonds and other transaction-related income.

Operating expenses before credit losses are essentially unchanged compared with the second quarter last year and amounted to SEK 277.4 million (277.6).

Operating profit increased by 180 percent to SEK 82.1 million (29.4), and the operating margin was 22 percent (9). Profit after tax for the period rose by 175 percent to

SEK 73.4 million (26.7), resulting in a profit margin of 20 percent (8).

Operating income excluding transaction-related net commission income for the quarter rose by 18 percent compared with the same quarter in the preceding year. Cost coverage, i.e. operating income excluding transaction-related net commission in relation to expenses, amounted to 87 (75) percent.

#### January–June 2019

Operating income in January–June increased by 18 percent, amounting to SEK 773.7 million (657.5). Net interest income increased by SEK 45.7 million, with greater volumes in margin loans and residential mortgages contributing to increased net interest income. In addition, net interest income was improved from income from Nordnet's stock lending program and higher returns on surplus liquidity. Net commission income rose by SEK 11.0 million, mainly attributable transaction-related income and higher volumes in Nordnet Markets. The result for the period includes a revaluation of the shareholding in Tink AB of SEK 65.7 million. The shares were sold during the period.

Operating expenses before credit losses decreased by 4 percent compared with January-June 2018 and amounted to SEK 544.2 million (566.5). This is mainly attributable to lower expenses for personnel and marketing.

Operating profit increased by 196 percent to SEK 211.1 million (71.3), and the operating margin was 27 percent (11). Profit after tax for the period rose by 237 percent to SEK 192.4 million (57.0), resulting in a profit margin of 25 percent (9).

Operating income excluding transaction-related net commission income for the period rose by 25 percent compared with the period January-June 2018. Cost coverage, i.e. operating income excluding transaction-related net commission income in relation to expenses, amounted to 95 (73) percent.

## Parent Company

### January–June 2019

Nordnet AB (publ) is a holding company and conducts no operations beyond its role as the owner of Nordnet Bank AB, Nordnet Pensionsförsäkring AB and the Group's other companies. Operating income for January-June 2019 amounted to SEK 5.7 million (3.9) and relates to Group-internal administrative services. Profit from financial investments amounted to SEK 1.0 million (1.5) and consisted of interest expenses.

The Parent Company's loss after financial items for the period January-June 2019 amounted to SEK 5.4 million (2.1). The Parent Company's cash and cash equivalents amounted to SEK 119.3 million (4.4), and shareholders' equity to SEK 1,918.9 million (6,504.7). The change in equity is attributable to the merger between Nordnet AB (publ) and NNB Intressenter AB, and an issue of Tier 1 capital (AT1) of SEK 500 million. The bonds have an indefinite maturity, with the first redemption after five years and runs with interest of three-month Stibor + 6.75 percent. The bonds started trading at the market for corporate bonds at Nasdaq Stockholm on 25 June 2019. The change in equity is also attributable to a new share issue in Nordnet AB (publ) and an unconditional shareholder contribution from the majority shareholders in an amount of SEK 250 million, in connection with the completion of the transaction between Nordnet and Netfonds on 5 April. A revaluation of the

shareholding in Tink AB also affected equity. The entire shareholding in Tink AB has been divested in Q2 and the revaluation reserve that correspond to this shareholding was transferred from restricted to non-restricted equity. For more information, see the Parent Company's specification of equity on page 23 and notes on page 25.

## Development in our markets

### Sweden

During the period January-June, income increased by 8 percent compared with the same period last year, mainly related to a higher net interest income resulting from higher volumes in residential mortgages and income from the stock lending program. Higher returns on surplus liquidity also contributed positively to the operating profit compared with the same period last year. Expenses decreased by 11 percent, due to lower expenses for marketing and a smaller sales force. The operating margin was 30 percent (15) percent.

Nordnet in Sweden had 353,300 (316,500) active customers as at the end of June 2019, corresponding to an increase of 12 percent in the past 12-month period.

Savings capital at the end of June amounted to SEK 152 billion (138). Net savings for the period January–June amounted to SEK 4,172 million (9,055). Calculated in relation to savings capital at the end of June 2018, net savings for the past 12 months correspond to 3 percent.

Margin lending increased by 5 percent compared with the previous year, amounting to SEK 2.1 billion (2.0) on 30 June. Within personal loans (unsecured loans), there were 26,200 customers (27,700) at 30 June 2019, and the lending volume was SEK 4.0 billion (3.9). The lending volume in Nordnet's residential mortgages amounted to SEK 4.3 billion (3.6) at the end of June. The number of trades during the period January-June 2019 decreased by 1 percent compared with 2018.

During the quarter, Nordnet launched the possibility of owning unlisted shares in endowment insurance. By using this service, entrepreneurs and early investors in tech companies and other start-ups can avoid traditional capital gains taxation on both gains and divi-

dends. The endowment insurance was launched in co-operation with Kaptena, a company that values unlisted shares. During the quarter, Nordnet also introduced the possibility for a small number of customers to trade in options on investment savings accounts. The service will be launched to all customers in the Swedish market in the autumn.

The pension area received extensive attention during the quarter. It was reported that Nordnet Pensionsförsäkring was the life insurance company that grew the most in the Swedish life insurance market in 2018, according to the industry report by the insurance magazine Sak & Liv. Nordnet Pensionsförsäkring was the largest company in the deposit insurance market for occupational pensions, with a full 40 percent of the deposited pension capital. Some of the success factors were Nordnet's continued focus on the entrepreneur segment and on occupational pension, combined with a stronger distribution offering in cooperation with Söderberg & Partners. Under the leadership of our savings economist Frida Bratt, we also continued to inspire public opinion for more customer-friendly terms in pension savings. In April, we presented the 500:2 method, which means that a pension move should cost no more than SEK 500 and take maximum two months to carry out. The proposal is a response to the Swedish Government's proposal referred to the Council on Legislation for consideration for a more efficient transfer right that was presented this spring. We also submitted our own proposals to the Ministry of Finance on how to create an efficient transfer right in earnest – a transfer right that is based on the best interest of the savers, not the industry.

## Norway

During the period January-June, income increased for Nordnet in Norway by 28 percent. A higher net interest income related to higher volumes in margin lending and higher transaction-related income contributed positively to profit compared with the same period of 2018. Expenses increased by 17 percent related to expenses associated with the acquisition of Netfonds AS. The operating margin amounted to 9 percent (3) during January-June.

As per 30 June 2019, the number of active customers amounted to 138,700 (103,700), which corresponds to customer growth of 34 percent over the past 12-month period.

Savings capital at the end of June amounted to SEK 57 billion (40). Net savings for the period January-June amounted to SEK 1,483 million (1,956). Calculated in relation to savings capital at the end of June 2018, net savings for the past 12 months correspond to 7 percent.

Margin lending amounted to SEK 1.5 billion (0.8), an increase of 88 percent in 12 months. The number of trades during the January-June period rose by 13 percent compared with the year-earlier period.

On 5 April, the transaction between Nordnet and Netfonds was closed, and the companies were merged on 6 June. Netfonds closed its web platform for stock trading in June 2019 and the former Netfonds customers thereafter have access to Nordnet's platform. Together with Netfonds, Nordnet is forming Norway's largest digital bank for savings and investments

At the beginning of June, we launched our new web service with improved functionality and design. The new website is based on the same user-friendly design structure as the mobile app to create a uniform experience for our customers. The new web service will be launched in the other Nordic markets later this year.

A new model for margin lending was launched during the quarter. The possibility of borrowing on shares and funds was introduced for the account type Investeringskonto Zero (corresponding to a Swedish endowment insurance), and the Superlånet service was removed from the offering. At the same time, a model became effective with a low starting interest rate and dynamic loan-to-value ratios, where the diversification of the portfolio determines how high the loan-to-value ratio is on a specific security – the greater diversification, the higher the loan-to-value ratio.

## Denmark

During the period January-June, income decreased in our Danish business by 3 percent, mainly related to a lower net interest income related to negative returns on surplus liquidity. Expenses decreased by 6 percent, mainly related to lower Group-wide expenses. Market-making costs also decreased during the period. The operating margin was 22 percent (18) percent.

## Profit per country

January - June	Sweden		Norway		Denmark		Finland		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Operating income	365.1	336.8	131.9	103.0	115.9	119.3	95.1	98.3	773.7	657.5
Operating expenses	-240.5	-269.3	-116.4	-99.4	-90.5	-96.7	-96.7	-101.1	-544.2	-566.5
<b>Profit before credit losses</b>	<b>124.5</b>	<b>67.6</b>	<b>15.5</b>	<b>3.6</b>	<b>25.3</b>	<b>22.6</b>	<b>-1.6</b>	<b>-2.8</b>	<b>229.5</b>	<b>90.9</b>
Credit losses	-15.1	-18.2	-3.1	-0.5	-0.3	-0.5	0.1	-0.4	-18.5	-19.7
<b>Operating profit</b>	<b>109.4</b>	<b>49.3</b>	<b>12.4</b>	<b>3.2</b>	<b>25.1</b>	<b>22.0</b>	<b>-1.6</b>	<b>-3.3</b>	<b>211.1</b>	<b>71.3</b>
<b>Operating margin</b>	<b>30%</b>	<b>15%</b>	<b>9%</b>	<b>3%</b>	<b>22%</b>	<b>18%</b>	<b>-2%</b>	<b>-3%</b>	<b>27%</b>	<b>11%</b>
Number of customers	353,300	316,500	138,700	103,700	109,000	92,300	253,800	205,500	854,800	718,000
Number of accounts	514,000	455,100	198,000	142,900	138,600	118,600	283,400	233,200	1,134,000	949,800
Savings capital (SEK billion)	152	138	57	40	72	65	73	67	354	310
Number of trades	6,523,400	6,603,300	2,337,300	2,067,300	2,154,200	1,912,500	2,503,300	2,138,300	13,518,200	12,721,400
Net savings (SEK billion)	4,172	9,055	1,483	1,956	1,696	4,857	2,053	1,290	9,404	17,158
Margin lending <sup>1</sup> (SEK billion)	2.1	2.0	1.5	0.8	1.2	1.3	1.5	1.5	6.3	5.6
Personal Loans (SEK billion)	4.0	3.9							4.0	3.9
Mortgage (SEK billion)	4.3	3.6							4.3	3.6

<sup>1</sup>Lending excluding pledged cash and equivalents


The number of active customers at the end of June 2019 amounted to 109,000 (92,300), which is an increase of 18 percent over the past 12 months.

Savings capital at the end of June amounted to SEK 72 billion (65). Net savings for the period January-June amounted to SEK 1,696 million (4,857). Calculated in relation to savings capital at the end of June 2018, net savings for the past 12 months corresponds to 7 percent.

Margin lending decreased by 5 percent compared with the previous year, amounting to SEK 1.2 billion (1.3) on 30 June. The number of trades during the period January-June 2019 increased by 13 percent compared with the corresponding period the previous year.

Denmark is the next market where our new web service will be introduced, following the launch in Norway in the current quarter. Several parts of the site have, however, been presented to our Danish customers, and in June, real-time prices were implemented for the Nordic markets at no cost to the users.



A woman with long dark hair and a young boy are lying in bed, reading a book together. They are under a white canopy that is tied back, revealing a blue curtain in the background. The scene is warmly lit, suggesting a cozy evening.

# 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**

## Finland

During the period January-June, income in our Finnish operations decreased by 3 percent, at the same time that expenses decreased by 4 percent. The operating margin was -2 percent (-3) percent.

The number of active customers on 30 June was 253,800 (205,500), corresponding to an increase of 22 percent compared with the end of June 2018.

Savings capital at the end of June amounted to SEK 73 billion (67). Net savings for the period January-June amounted to SEK 2,053 million (1,290). Calculated in relation to savings capital at the end of June 2018, net savings for the past 12 months corresponded to 6 percent.

Margin lending was unchanged compared with the period January-June 2018 and amounted to SEK 1.5 billion (1.5). The number of trades increased by 17 percent during the period January-June, compared with the corresponding period the previous year.

Earlier this year, the Finnish government approved the new account type "osakesäästötili", a stock savings account, with terms in line with the already existing account types "aksjesparkonto" (ASK) in Norway and "investeringsparkonto" (ISK) in Sweden. The regulations for the new type of account will apply beginning on 1 January 2020. According to a survey done by Nordnet during the quarter, 97 percent of Nordnet's customers were interested in the new account type. Of the respondents, 59 percent said that they plan to open an account directly after the end of the year, which compared to the total number of savers in the country corresponds to nearly half a million new accounts in the Finnish market.

## Financial position

Nordnet's deposit surplus is mainly invested in covered bonds, sovereign securities, the Swedish Riksbank, the Danish National Bank and the Nordic banking system. At the end of June, consolidated cash and cash equivalents amounted to SEK 804.6 million (1,756.4), of which frozen assets were SEK 101 million (90). In addition, interest-bearing investments were held with a total fair value of SEK 19,456.5 million (20,162.1).

Consolidated equity amounted to SEK 2,940.8 million (1,954.3). For more information, see the Group's specification of equity on page 20.

For the financial conglomerate in which Nordnet AB (publ) is the parent company, the asset base amounted to SEK 1,749.5 million (1,443.7) and total risk exposure amounts to SEK 9,585.0 million (8,701.3). As at the end of the period, the capital ratio was 18.3 percent, compared with 16.6 percent at the same time last year. For more information, see Note 7.

## Cash flow

In the second quarter, cash flow from operating activities was affected positively by increased liquidity on customer deposits of SEK 1.5 billion. Cash flow from operating activities was also affected by SEK 0.6 billion due to lower lending. During the quarter, cash flow in investing activities was negative due to purchases of bonds and other fixed-income securities for SEK 2.0 billion.

## Employees

As of 30 June 2019, Nordnet had 485 full-time employees (531). Full-time employees include temporary employees but not employees on parental or other leave. The average number of full-time positions for the period January-June was 496 (508).

On 17 June, Lars-Åke Norling was named the new CEO of Nordnet. Lars-Åke was previously the CEO of Telenor in Sweden and was most recently the Investment Director and sector head TMT at Kinnevik. He will take office at Nordnet on 1 September. In the meantime, Anders Danielsson will remain in his current role as the acting CEO.

## Events after 30 June 2018

No significant events have occurred after the end of the period.



# Signatures of the Board of Directors

The board and CEO provide their assurance that this interim report for the period January–June 2019 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.

This report has not been reviewed by the Company's auditors.

Stockholm 23 July 2019

**Tom Dinkelspiel**  
Chairman of the Board

**Jan Dinkelspiel**  
Board member

**Christopher Ekdahl**  
Board member

**Karitha Ericson**  
Board member

**Christian Frick**  
Board member

**Hans Larsson**  
Board member

**Per Widerström**  
Board member

**Anders Danielsson**  
Acting CEO

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## Upcoming report events

Interim report January–September	25 October 2019
Year-end report	31 January 2020
Annual and Sustainability Report	20 March 2020
Interim report January–March	24 April 2020

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# Financial statements



# Financial statements

## Consolidated income statement

SEK million	Note	3 months apr-jun 2019	3 months apr-jun 2018	6 months jan-jun 2019	6 months jan-jun 2018	12 months rolling jul-jun 2019	12 months jan-dec 2018
Interest income		164.6	107.0	301.8	215.6	578.7	492.4
Interest expenses		-31.6	-11.1	-65.0	-24.4	-155.4	-114.8
Commission income		256.2	227.7	509.2	475.9	1,017.2	983.9
Commission expenses		-77.8	-66.7	-156.4	-134.2	-310.2	-287.9
Net result of financial transactions		42.9	42.6	152.0	91.6	238.5	178.0
Other operating income		16.9	17.2	32.1	33.0	58.0	58.9
<b>Total operating income</b>		<b>371.2</b>	<b>316.6</b>	<b>773.7</b>	<b>657.5</b>	<b>1,426.8</b>	<b>1,310.4</b>
General administrative expenses		-227.6	-231.3	-447.4	-474.8	-922.2	-949.6
Depreciation, amortization and impairments of intangibles and equipment		-40.5	-29.0	-78.4	-53.2	-131.1	-105.9
Other operating expenses		-9.3	-17.3	-18.4	-38.5	-57.5	-77.7
<b>Total expenses before credit losses</b>		<b>-277.4</b>	<b>-277.6</b>	<b>-544.2</b>	<b>-566.5</b>	<b>-1,110.9</b>	<b>-1,133.2</b>
<b>Profit before credit losses</b>		<b>93.8</b>	<b>39.1</b>	<b>229.5</b>	<b>90.9</b>	<b>315.9</b>	<b>177.2</b>
Credit losses, net	2	-11.7	-9.7	-18.5	-19.7	-34.8	-36.0
<b>Operating profit</b>		<b>82.1</b>	<b>29.4</b>	<b>211.1</b>	<b>71.3</b>	<b>281.1</b>	<b>141.2</b>
Tax on profit for the period		-8.7	-2.7	-18.7	-14.3	-27.5	-23.1
<b>Profit for the period</b>		<b>73.4</b>	<b>26.7</b>	<b>192.4</b>	<b>57.0</b>	<b>253.6</b>	<b>118.1</b>
<b>Of which, attributable to:</b>							
Shareholders of the Parent Company		73.4	26.7	192.4	57.0	253.6	118.1

## Consolidated statement of other comprehensive income

SEK million	3 months apr-jun 2019	3 months apr-jun 2018	6 months jan-jun 2019	6 months jan-jun 2018	12 months rolling jul-jun 2019	12 months jan-dec 2018
<b>Profit for the period</b>	<b>73.4</b>	<b>26.7</b>	<b>192.4</b>	<b>57.0</b>	<b>253.6</b>	<b>118.1</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	3.5	-6.0	6.7	-12.8	-12.7	-32.2
Tax on changes in value of financial assets recognized at fair value through other comprehensive income	0.0	1.3	0.0	2.8	4.3	7.1
Translation of foreign operations	5.9	6.3	15.1	20.9	2.6	8.4
Tax on translation of foreign operations	-0.2	-0.9	-0.2	-0.4	-0.3	-0.4
<b>Total other comprehensive income after tax</b>	<b>9.2</b>	<b>0.7</b>	<b>21.6</b>	<b>10.5</b>	<b>-6.1</b>	<b>-17.1</b>
<b>Total profit or loss and other comprehensive income</b>	<b>82.6</b>	<b>27.4</b>	<b>213.9</b>	<b>67.5</b>	<b>247.5</b>	<b>100.9</b>
<b>Of which, attributable to:</b>						
Shareholders of the Parent Company	82.6	27.4	213.9	67.5	247.5	100.9

## Consolidated balance sheet

SEK million	Note	30/06/2019	30/06/2018	31/12/2018
<b>Assets</b>				
Cash and balances in Central banks		364.3	1,519.4	1,344.2
Treasury bills and other interest bearing securities eligible for refinancing		20,782.6	17,039.5	18,260.6
Loans to credit institutions		440.3	237.1	333.0
Loans to the general public	2	15,397.0	13,887.8	14,204.5
Bonds and other interest bearing securities		1,621.9	2,064.7	1,775.7
Shares and participations		19.0	47.2	59.6
Assets for which customers bear the investment risk		62,133.3	57,902.3	51,726.5
Intangible fixed assets		920.1	404.7	414.3
Tangible fixed assets		332.4	97.4	102.8
Deferred taxed assets		0.9	0.0	-
Current tax assets		133.2	137.9	89.1
Other assets		3,117.5	3,023.6	3,617.7
Prepaid expenses and accrued income		264.2	187.5	191.5
<b>Total assets</b>		<b>105,526.7</b>	<b>96,549.0</b>	<b>92,119.4</b>
<b>Liabilities</b>				
Deposits and borrowing from the general public		37,203.2	33,372.3	35,225.2
Liabilities for which customers bear the investment risk		62,133.3	57,902.3	51,726.5
Other liabilities		2,839.1	3,004.7	2,952.8
Current tax liabilities		164.0	91.3	42.1
Deferred tax liabilities		60.9	39.4	23.2
Accrued expenses and deferred income		185.4	184.7	161.4
<b>Total liabilities</b>		<b>102,585.9</b>	<b>94,594.6</b>	<b>90,131.2</b>
<b>Equity</b>				
Share capital		1.0	1.0	1.0
Other capital contributions		7,571.2	6,821.3	6,821.3
Other reserves		-63.4	-57.4	-85.0
Retained earnings including profit for the period		-4,568.0	-4,810.6	-4,749.0
<b>Total equity</b>		<b>2,940.8</b>	<b>1,954.3</b>	<b>1,988.2</b>
<b>Total liabilities and equity</b>		<b>105,526.7</b>	<b>96,549.0</b>	<b>92,119.4</b>

## Consolidated statement of changes in equity

SEK million	Share capital	Additional Tier 1 (AT1) capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Attributed to the owners of the parent company	Total equity
<b>Equity brought forward 1 January 2019</b>	<b>1.0</b>	<b>-</b>	<b>6,821.3</b>	<b>-85.0</b>	<b>-4,749.0</b>	<b>1,988.2</b>	<b>1,988.2</b>
Profit after tax reported in the income statement	-	-	-	-	192.4	192.4	<b>192.4</b>
Other comprehensive income after tax	-	-	-	21.6	-	21.6	<b>21.6</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21.6</b>	<b>192.4</b>	<b>214.0</b>	<b>214.0</b>
<b>Transactions reported directly in equity</b>							
Shareholder contribution <sup>1</sup>	-	-	250.0	-	-	250.0	<b>250.0</b>
Issue of Tier 1 capital <sup>2</sup>	-	500.0	-	-	-	500.0	<b>500.0</b>
Transaction costs in connection with issue of Tier 1 capital	-	-	-	-	-2.9	-2.9	<b>-2.9</b>
Tax on transaction cost with issue of Tier 1 capital	-	-	-	-	0.6	0.6	<b>0.6</b>
Interest on Tier 1 capital	-	-	-	-	-9.1	-9.1	<b>-9.1</b>
<b>Total transactions reported directly in equity</b>	<b>-</b>	<b>500.0</b>	<b>250.0</b>	<b>-</b>	<b>-11.4</b>	<b>738.6</b>	<b>738.6</b>
<b>Equity carried forward 30 June 2019</b>	<b>1.0</b>	<b>500.0</b>	<b>7,071.2</b>	<b>-63.4</b>	<b>-4,568.0</b>	<b>2,940.8</b>	<b>2,940.8</b>

<sup>1</sup> The shareholder contribution is unconditional.

<sup>2</sup> Issue of Tier 1 capital of SEK 500 million. The bonds have an indefinite maturity, with the first redemption after five years and runs with interest of three-month Stibor + 6,75 percent. The bonds are listed on Nasdaq Stockholm.

SEK million	Share capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Attributed to the owners of the parent company	Total equity
<b>Equity brought forward 1 January 2018</b>	<b>1.0</b>	<b>6,821.3</b>	<b>-67.9</b>	<b>-4,729.7</b>	<b>2,024.7</b>	<b>2,024.7</b>
Profit after tax reported in the income statement	-	-	-	57.0	<b>57.0</b>	<b>57.0</b>
Other comprehensive income after tax	-	-	10.5	-	<b>10.5</b>	<b>10.5</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>10.5</b>	<b>57.0</b>	<b>67.5</b>	<b>67.5</b>
<b>Transactions reported directly in equity</b>						
Effect of changed principles IFRS 9 as of January 1, 2018	-	-	-	-37.8	-37.8	<b>-37.8</b>
Dividend issued	-	-	-	-100.0	-100.0	<b>-100.0</b>
<b>Total transactions reported directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-137.8</b>	<b>-137.8</b>	<b>-137.8</b>
<b>Equity carried forward 30 June 2018</b>	<b>1.0</b>	<b>6,821.3</b>	<b>-57.4</b>	<b>-4,810.6</b>	<b>1,954.3</b>	<b>1,954.3</b>



## cont. Consolidated statement of changes in equity

SEK million	Share capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Attributed to the owners of the parent company	Total equity
<b>Equity brought forward 1 January 2018</b>	<b>1.0</b>	<b>6,821.3</b>	<b>-67.9</b>	<b>-4,729.7</b>	<b>2,024.7</b>	<b>2,024.7</b>
Profit after tax reported in the income statement	-	-	-	118.1	118.1	<b>118.1</b>
Comprehensive income after tax	-	-	-17.1	-	-17.1	<b>-17.1</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-17.1</b>	<b>118.1</b>	<b>100.9</b>	<b>100.9</b>
<b>Transactions reported directly in equity</b>						
Effect of changed principles IFRS 9 as of January 1, 2018	-	-	-	-37.8	-37.8	<b>-37.8</b>
Dividend issued	-	-	-	-100.0	-100.0	<b>-100.0</b>
Effect of changed tax rate untaxed reserves	-	-	-	0.5	0.5	<b>0.5</b>
<b>Total transactions reported directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-137.3</b>	<b>-137.3</b>	<b>-137.3</b>
<b>Equity carried forward 31 December 2018</b>	<b>1.0</b>	<b>6,821.3</b>	<b>-85.0</b>	<b>-4,749.0</b>	<b>1,988.2</b>	<b>1,988.2</b>

## Consolidated cash flow

SEK million	3 months apr-jun 2019	3 months apr-jun 2018	6 months jan-jun 2019	6 months jan-jun 2018	12 months rolling jul-jun 2019	12 months jan-dec 2018
<b>Operating activities</b>						
Cash flow from operating activities before changes in working capital	117.3	-52.2	85.9	169.2	188.1	271.4
Cash flow from changes in working capital	1,326.9	2,929.4	562.0	2,378.5	1,424.7	3,241.3
<b>Cash flow from operating activities</b>	<b>1,444.1</b>	<b>2,877.2</b>	<b>647.8</b>	<b>2,547.7</b>	<b>1,612.8</b>	<b>3,512.7</b>
<b>Investing activities</b>						
Purchases and disposals of intangible and tangible fixed assets	-512.8	-48.5	-549.0	-119.5	-625.7	-196.2
Net investments in financial instruments	-1,972.5	-1,797.0	-1,728.6	-1,247.3	-2,690.0	-2,208.7
<b>Cash flow from investing activities</b>	<b>-2,485.3</b>	<b>-1,845.5</b>	<b>-2,277.6</b>	<b>-1,366.8</b>	<b>-3,315.7</b>	<b>-2,404.8</b>
<b>Financing activities</b>						
Cash flow from financing activities	260.3	-100.0	748.3	-100.0	748.3	-100.0
<b>Cash flow for the period</b>	<b>-780.9</b>	<b>931.7</b>	<b>-881.5</b>	<b>1,080.9</b>	<b>-954.5</b>	<b>1,007.8</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>1,580.9</b>	<b>821.9</b>	<b>1,677.2</b>	<b>667.9</b>	<b>1,756.4</b>	<b>667.9</b>
Exchange rate difference for cash and cash equivalents	4.6	2.8	8.9	7.6	2.8	1.5
<b>Cash and cash equivalents at the end of the period</b>	<b>804.6</b>	<b>1,756.4</b>	<b>804.6</b>	<b>1,756.4</b>	<b>804.6</b>	<b>1,677.2</b>
whereof cash and cash equivalents in Central Banks	364.3	1,519.4	364.3	1,519.4	364.3	1,344.2
whereof loans to credit institutions	440.3	237.1	440.3	237.1	440.3	333.0

## Parent Company income statement

	3 months	3 months	6 months	6 months	12 months rolling	12 months
SEK million	apr-jun 2019	apr-jun 2018	jan-jun 2019	jan-jun 2018	jul-jun 2019	jan-dec 2018
Net sales	3.6	2.0	5.7	3.9	10.0	8.2
<b>Total operating income</b>	<b>3.6</b>	<b>2.0</b>	<b>5.7</b>	<b>3.9</b>	<b>10.0</b>	<b>8.2</b>
Other external costs	-4.0	-1.6	-6.1	-2.8	-7.5	-4.1
Personnel costs	-2.5	-2.6	-5.2	-4.7	-14.9	-14.4
Other operating expenses	-0.4	0.0	-0.8	0.0	-0.7	0.0
<b>Operating profit</b>	<b>-3.2</b>	<b>-2.2</b>	<b>-6.4</b>	<b>-3.6</b>	<b>-13.1</b>	<b>-18.6</b>
<b>Result from financial investments:</b>						
Result from participations in Group companies	-	1.5	-	1.5	16.0	17.6
Interest expense and similar items	1.4	0.0	1.0	0.0	1.0	0.0
<b>Result from financial investments</b>	<b>1.4</b>	<b>1.5</b>	<b>1.0</b>	<b>1.5</b>	<b>17.1</b>	<b>17.6</b>
<b>Profit after financial items</b>	<b>-1.8</b>	<b>-0.7</b>	<b>-5.4</b>	<b>-2.1</b>	<b>3.9</b>	<b>7.2</b>
Tax on profit for the year	0.3	-0.4	0.9	-0.2	-0.5	-1.6
<b>Profit for the period</b>	<b>-1.5</b>	<b>-1.1</b>	<b>-4.5</b>	<b>-2.3</b>	<b>3.5</b>	<b>5.6</b>

## Parent Company statement of other comprehensive income

	3 months	3 months	6 months	6 months	12 months rolling	12 months
SEK million	apr-jun 2019	apr-jun 2018	jan-jun 2019	jan-jun 2018	jul-jun 2019	jan-dec 2018
<b>Profit for the period</b>	<b>-1.5</b>	<b>-1.1</b>	<b>-4.5</b>	<b>-2.3</b>	<b>3.5</b>	<b>5.6</b>
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total profit or loss and other comprehensive income</b>	<b>-1.5</b>	<b>-1.1</b>	<b>-4.5</b>	<b>-2.3</b>	<b>3.5</b>	<b>5.6</b>

## Parent Company's balance sheet

SEK million	30/06/2019	30/06/2018	31/12/2018
<b>Assets</b>			
Financial fixed assets	1,989.1	6,503.9	6,503.9
Current assets	17.0	2.5	16.7
Cash and bank balances	119.3	4.4	1.7
<b>Total assets</b>	<b>2,125.4</b>	<b>6,510.9</b>	<b>6,522.3</b>
<b>Equity and liabilities</b>			
Restricted equity	1.0	1.0	1.0
Non-restricted equity	1,917.9	6,503.7	6,511.6
Current liabilities	206.5	6.2	9.7
<b>Total equity and total liabilities</b>	<b>2,125.4</b>	<b>6,510.9</b>	<b>6,522.3</b>

## Parent Company's statement of changes in equity

SEK million	Share capital	Other restricted equity	Share premium reserve	Additional Tier 1 (AT1) capital	Retained earnings	Profit for the year	Total
<b>Equity brought forward 1 January 2019</b>	<b>1.0</b>	<b>-</b>	<b>6,340.2</b>	<b>-</b>	<b>165.9</b>	<b>5.6</b>	<b>6,512.6</b>
Reallocation of last year's profit	-	-	-	-	5.6	-5.6	-
Profit after tax reported in the income statement	-	-	-	-	-	-4.5	-4.5
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.6</b>	<b>-10.1</b>	<b>-4.5</b>
<b>Transactions reported directly in equity</b>							
Shareholder contribution	-	-	-	-	250.0	-	250.0
Revaluation reserve <sup>1</sup>	-	-	-	-	65.8	-	65.8
Issue of Tier 1 capital <sup>2</sup>	-	-	-	500.0	-	-	500.0
Transaction costs in connection with issue of Tier 1 capital	-	-	-	-	-2.9	-	-2.9
Tax on transaction cost in connection with issue of Tier 1 capital	-	-	-	-	0.6	-	0.6
Interest on Tier 1 capital	-	-	-	-	-9.1	-	-9.1
Result of merger	-	-	-	-	-5,393.5	-	-5,393.5
<b>Equity carried forward 30 June 2019</b>	<b>1.0</b>	<b>-</b>	<b>6,340.2</b>	<b>500.0</b>	<b>-4,917.7</b>	<b>-4.5</b>	<b>1,918.9</b>

<sup>1</sup> The revaluation of the shares in Tink AB were made during the first quarter through a revaluation reserve. The shares has been sold during the second quarter and the revaluation reserve was transferred to retained earnings.

<sup>2</sup> Issue of Tier 1 capital of SEK 500 million. The bonds have an indefinite maturity, with the first redemption after five years and runs with interest of three-month Stibor + 6,75 percent. The bonds are listed on Nasdaq Stockholm in the second quarter.

## cont. Parent Company's statement of changes in equity

SEK million	Share capital	Share premium reserve	Retained earnings	Profit for the year	Total
<b>Equity brought forward 1 January 2018</b>	<b>1.0</b>	<b>6,340.2</b>	<b>0.0</b>	<b>265.9</b>	<b>6,607.0</b>
Reallocation of last year's profit	-	-	265.9	-265.9	-
Profit after tax reported in the income statement	-	-	-	-2.3	<b>-2.3</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>265.9</b>	<b>-268.2</b>	<b>-2.3</b>
<b>Transactions reported directly in equity</b>					
Dividend	-	-	-100.0	-	<b>-100.0</b>
<b>Equity carried forward 30 June 2018</b>	<b>1.0</b>	<b>6,340.2</b>	<b>165.9</b>	<b>-2.3</b>	<b>6,504.7</b>

SEK million	Share capital	Share premium reserve	Retained earnings	Profit for the year	Total
<b>Equity brought forward 1 January 2018</b>	<b>1.0</b>	<b>6,340.2</b>	<b>0.0</b>	<b>265.9</b>	<b>6,607.0</b>
Reallocation of last year's profit	-	-	265.9	-265.9	-
Profit after tax reported in the income statement	-	-	-	5.6	<b>5.6</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>265.9</b>	<b>-260.3</b>	<b>5.6</b>
<b>Transactions reported directly in equity</b>					
Dividend	-	-	-100.0	-	<b>-100.0</b>
<b>Equity carried forward 31 December 2018</b>	<b>1.0</b>	<b>6,340.2</b>	<b>165.9</b>	<b>5.6</b>	<b>6,512.6</b>

# Notes

On 1 March 2019, NNB Intressenter AB, org. reg. no. 559073-6681 was merged with the wholly owned subsidiary Nordnet AB (publ), org. reg. no. 556249-1687, whereby NNB Intressenter AB absorbed Nordnet AB (publ), which was dissolved without liquidation. NNB Intressenter AB thereby took over all assets and liabilities in Nordnet AB (publ). In connection with the merger, NNB Intressenter AB changed its company name to Nordnet AB (publ) and changed the company category from a private to a public company. For further information, see Note 46 – Events after the balance-sheet date in the Nordnet AB (publ) annual report 2018. On 5 April 2019, the acquisition of Netfonds' operations in Norway was completed; for more information, refer to Note 8.

## Note 1 Accounting principles

This Interim Report for the Group has been compiled in accordance with IAS 34, Interim Financial Reporting. In addition, the Group adheres to the Annual Accounts Act of Credit Institutions and Securities Companies and the Financial Supervisory Authority's regulations (FFFS 2008:25) and RFR 1 Supplementary Accounting Rules for Groups. The Parent Company's Interim Report has been 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.

The accounting principles applied in this Interim Report are those described in the 2018 Nordnet Annual Report, Note 5, the section entitled "Accounting principles applied". The accounting principles and bases of calculation applied remain unchanged compared with the 2018 Annual Report, except for the following amendments.

As of 1 January 2019, Nordnet applies IFRS 16 Leases in its consolidated financial statements. This standard replaced IAS 17 Leases and establishes principles for recognition, measurement, presentation of and dis-

closures regarding leases. Note 3 "New and amended standards" in the Nordnet AB (publ) 2018 Annual Report provides a brief presentation of the effects upon the implementation of IFRS 16.

## Accounting principles as of 1 January 2019 IFRS 16 Leases

The application of IFRS 16 Leases means that all leases that meet the definition of leases will be reported as an asset with the right of use and as a corresponding liability in the lessee's balance sheet. The standard allows exceptions to the recognition of leases with a leasing period of less than 12 months (short-term leases) and leases for assets with a low value. These are recognized as an expense directly in the income statement. The right of use (ROU) and the liability are initially measured at the present value of future leasing payments. 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). The lessor's report will essentially remain unchanged.

The application of the new standard entails more assets and interest-bearing liabilities on the balance sheet. A need is also added for new estimates and assumptions that affect the valuation of leasing liabilities. A discount rate must be assumed to calculate the present value and the leasing liability may be revalued depending on, e.g., an assessment of the likelihood that an option will be used. This will increase the volatility of the financial reporting.

In the income statement, an expense is recognised for the depreciation of the leased asset and an interest expense for the financial liability. In the cash flow statement, the leasing payments are divided between interest paid in the cash flow from operating activities and repayment of leasing liabilities in financing activities. This entails a positive effect on the cash flow from operating activities.

The table below presents a bridge between the operating leases under IAS 17 as of 31 December 2018 and leasing liabilities under IFRS 16 as of 1 January 2019.

Commitments for operational leases as of 31st December 2018	
SEK Million	278.2
Financial leasing liabilities	5.2
Short term lease (expensed)	-2.1
Lease with low value (expensed)	-4.8
Effects of reclassification	-37.1
Discount-rate effect	-0.1
<b>Reported leasing liabilities opening balance as of 1st of January 2019</b>	<b>239.3</b>

<sup>1</sup> Mainly refers to the effect of non-deductible VAT and property tax.

## Estimates and assessments

In 2018, Nordnet appointed a project group to prepare the implementation of IFRS 16. In the measurement of future leasing payments, Nordnet went through all leases to ensure completeness with regard to the agreements. For Nordnet, rental contracts for premises and leases for cars are included, but Nordnet does not consider other contracts to be material.

Nordnet applies IFRS 16 Leases in the consolidated financial statements. In accordance with RFR2, the standard is not applied in the Parent Company. Nordnet has applied the simplified transition method, which means that the asset in the transition period was equal with the liability, which means that no effect of the transition was presented in equity. No comparative figures have been restated.

Contracts with a shorter duration than 12 months were exempted. All leases include a rental period and terms for extension. The contracts for leasing cars extend over three years. If stipulated durations are missing in

our contracts, the following durations are assumed for the respective category. Premises contracts five years, Leasing vehicles three years.

Nordnet has chosen to use the rate that corresponds to a Swedish five-year government bond, +2 percent, for our premises leases. In the contracts for leased vehicles, a variable interest rate is given.

At the transition to IFRS 16 on 1 January 2019, assets increased by SEK 239.3 million in right of use assets, which in the balance sheet are recognized as Tangible fixed assets and allocated as follows: right of use to premises and buildings SEK 234.1 million, right of use to vehicles SEK 5.2 million. An interest-bearing leasing liability is recognized in the consolidated balance sheet under Other liabilities. The costs of these leases are recognized in the consolidated income statement as depreciation or interest expense. The standard has no significant impact on the Group's cash flow. Key performance indicators for capital effect and indebtedness are negatively impacted when recognized assets and interest-bearing liabilities increase. Nordnet's weighted average marginal borrowing rate is 0.05 percent as at 1 January 2019.

Since 1 March 2019, Nordnet is also the lessor through subletting of a part of office premises.

## Note 2 Loans to the general public

As at 30 June 2019, SEK 794.4 million (658.8) of lending to the public involves account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans and the account type "investeringssparkonto" (ISK), the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

Credit loss reserve 30/06/2019	Stage 1	Stage 2	Stage 3	Total
Amortized cost	13,701.0	1,705.9	88.7	15,495.6
Provisions for expected credit losses	-20.7	-24.7	-53.2	-98.6
<b>Total lending to the public</b>	<b>13,680.3</b>	<b>1,681.2</b>	<b>35.5</b>	<b>15,397.0</b>

Credit loss reserve 30/06/2018	Stage 1	Stage 2	Stage 3	Total
Amortized cost	12,664.6	1,242.3	71.0	13,977.9
Provisions for expected credit losses	-20.9	-26.0	-43.2	-90.1
<b>Total lending to the public</b>	<b>12,643.7</b>	<b>1,216.3</b>	<b>27.8</b>	<b>13,887.8</b>



<b>Credit loss reserve 31/12/2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Amortized cost	12,581.9	1,638.0	80.4	14,300.3
Provisions for expected credit losses	-21.4	-27.5	-47.0	-95.8
<b>Total lending to the public</b>	<b>12,560.6</b>	<b>1,610.5</b>	<b>33.4</b>	<b>14,204.5</b>

Unsecured loans comprise SEK 3,951 million of lending to the public. Of lending to the public, SEK 7,177 million is secured by collateral in the form of securities and SEK 4,269 million pertains to Residential mortgages.

Lending to the general public is reported after deduction of realized and anticipated credit losses. At the end of the period, the provision for impaired credit losses amounted to SEK 98.6 million (90.1).

### Note 3 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, "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. For additional information, please refer to Note 6 in the 2018 Annual Report.

### Note 4 Significant risks and uncertainties

Risk taking is an essential part of Nordnet's business. Nordnet's profitability is directly dependent on its capacity to identify, analyse, control and price risk. Risk management in Nordnet serves several purposes. Partly to achieve desired profitability and growth, given a deliberately accepted level of risk and to maintain a high level of trust from customers and the external community. A trust that is essential for Nordnet's long-term profitability and existence.

How risk management is conducted is described in the risk management framework. The framework describes the strategies, processes, procedures, internal regulations, limits, controls and reporting procedures related to risk management. Combined, these are intended to ensure that Nordnet can, on an on-going basis, identify, measure, guide, internally report and maintain control over the risks to which Nordnet is, or is likely to be, exposed. A detailed description of Nordnet's exposure to risk and handling of risks can be found under Note 7 in the 2018 Annual Report.

The companies Netfonds Bank AS and Nordnet Bank AB, as well as Netfonds Livsforsikring AS and Nordnet Livsforsikring AS were merged on 6 June 2019, and Nordnet focused extensively during the quarter on integrating the two operations with each other. For more information, see Note 8.

## Note 5 Group – Financial instruments

### Categorization of financial instruments

30/06/2019	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	364.3	-	-	-	-	364.3
Treasury bills and other interest bearing securities eligible for refinancing	8,518.9	-	-	12,263.6	-	20,782.5
Loans to credit institutions	440.3	-	-	-	-	440.3
Loans to the general public	15,397.0	-	-	-	-	15,397.0
Bonds and other interest bearing securities	374.0	-	-	1,247.9	-	1,621.9
Shares and participations, listed	-	18.4	-	-	-	18.4
Shares and participations, non-listed	-	0.6	-	-	-	0.6
Assets for which customers bear the investment risk	1,267.7	-	54,920.6	5,945.0	-	62,133.3
Other assets	3,117.5	-	-	-	133.2	3,250.7
Accrued income	264.2	-	-	-	-	264.2
<b>Total assets</b>	<b>29,743.9</b>	<b>19.0</b>	<b>54,920.6</b>	<b>19,456.5</b>	<b>133.2</b>	<b>104,273.2</b>
<b>Liabilities</b>						
Deposits and borrowing from the general public	37,203.2	-	-	-	-	37,203.2
Liabilities for which customers bear the investment risk	-	-	62,133.3	-	-	62,133.3
Other liabilities	-	-	-	-	224.8	224.8
Accrued expenses	185.4	-	-	-	-	185.4
<b>Total liabilities</b>	<b>37,388.6</b>	<b>-</b>	<b>62,133.3</b>	<b>-</b>	<b>224.8</b>	<b>99,746.8</b>

30/06/2018	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	1,519.4	-	-	-	-	1,519.4
Treasury bills and other interest bearing securities eligible for refinancing	6,958.3	-	-	10,081.2	-	17,039.5
Loans to credit institutions	237.1	-	-	-	-	237.1
Loans to the general public	13,887.8	-	-	-	-	13,887.8
Bonds and other interest bearing securities	501.4	-	-	1,563.5	-	2,064.9
Shares and participations, listed	-	2.3	-	-	-	2.3
Shares and participations, non-listed	-	44.9	-	-	-	44.9
Assets for which customers bear the investment risk	1,462.0	-	50,720.9	5,719.4	-	57,902.3
Other assets	3,023.6	-	-	-	137.9	3,161.5
Accrued income	187.5	-	-	-	-	187.5
<b>Total assets</b>	<b>27,776.9</b>	<b>47.2</b>	<b>50,720.9</b>	<b>17,364.1</b>	<b>137.9</b>	<b>96,047.0</b>
<b>Liabilities</b>						
Deposits and borrowing from the general public	33,372.3	-	-	-	-	33,372.3
Liabilities for which customers bear the investment risk	-	-	57,902.3	-	-	57,902.3
Other liabilities	3,004.7	-	-	-	130.6	3,135.3
Accrued expenses	184.7	-	-	-	-	184.7
<b>Total liabilities</b>	<b>36,561.7</b>	<b>-</b>	<b>57,902.3</b>	<b>-</b>	<b>130.6</b>	<b>94,594.6</b>

## cont. Note 5 Group – Financial instruments

31/12/2018	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	1,344.2	-	-	-	-	<b>1,344.2</b>
Treasury bills and other interest bearing securities eligible for refinancing	6,283.0	-	-	11,977.6	-	<b>18,260.6</b>
Loans to credit institutions	333.0	-	-	-	-	<b>333.0</b>
Loans to the general public	14,204.5	-	-	-	-	<b>14,204.5</b>
Bonds and other interest bearing securities	28.2	-	-	1,747.5	-	<b>1,775.7</b>
Shares and participations, listed	-	15.2	-	-	-	<b>15.2</b>
Shares and participations, non-listed	-	44.4	-	-	-	<b>44.4</b>
Assets for which customers bear the investment risk	1,361.0	-	43,928.8	6,436.7	-	<b>51,726.5</b>
Other assets	3,617.7	-	-	-	89.1	<b>3,706.8</b>
Accrued income	191.5	-	-	-	-	<b>191.5</b>
<b>Total assets</b>	<b>27,363.1</b>	<b>59.6</b>	<b>43,928.8</b>	<b>20,161.8</b>	<b>89.1</b>	<b>91,602.4</b>
<b>Liabilities</b>						
Deposits and borrowing from the general public	35,225.2	-	-	-	-	<b>35,225.2</b>
Liabilities for which customers bear the investment risk	-	-	51,726.5	-	-	<b>51,726.5</b>
Other liabilities	2,952.8	-	-	-	65.3	<b>3,018.1</b>
Accrued expenses	161.4	-	-	-	-	<b>161.4</b>
<b>Total liabilities</b>	<b>38,339.4</b>	<b>-</b>	<b>51,726.5</b>	<b>-</b>	<b>65.3</b>	<b>90,131.2</b>

### 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:

- Quoted prices for similar assets or liabilities, or identical assets or liabilities from markets not deemed to be active, or
- 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

## cont. Note 5 Group – Financial instruments

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.

## Financial instruments are recognized at fair value

30/06/2019				
SEK million	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	12,263.6	-	-	12,263.6
Bonds and other interest bearing securities	1,247.9	-	-	1,247.9
Shares and participations <sup>1</sup>	18.4	-	0.6	19.0
Assets for which customers bear the investment risk <sup>2</sup>	61,222.3	901.8	9.2	62,133.3
<b>Subtotal</b>	<b>74,752.2</b>	<b>901.8</b>	<b>9.8</b>	<b>75,663.8</b>
<b>Financial assets where fair value is given for information purposes</b>				
Cash and balances in Central Banks	364.3	-	-	364.3
Loans to credit institutions	-	440.3	-	440.3
Loans to the general public	-	15,397.0	-	15,397.0
Treasury bills and other interest bearing securities eligible for refinancing	-	8,510.4	-	8,510.4
Bonds and other interest bearing securities	-	374.0	-	374.0
Other assets	3,117.5	-	-	3,117.5
Accrued income	264.2	-	-	264.2
<b>Subtotal</b>	<b>3,746.0</b>	<b>24,721.7</b>	<b>-</b>	<b>28,467.7</b>
<b>Total</b>	<b>78,498.1</b>	<b>25,623.5</b>	<b>9.8</b>	<b>104,131.5</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which customers bear the investment risk	-	62,133.3	-	62,133.3
<b>Total</b>	<b>-</b>	<b>62,133.3</b>	<b>-</b>	<b>62,133.3</b>

<sup>1</sup> Shares and participations at level 3 refers to unlisted shares.

<sup>2</sup> SEK 5,945 million refers to reinvestments in bonds and SEK 1,267 million refers to liquid assets.

## cont. Note 5 Group – Financial instruments

30/06/2018	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	10,081.2	-	-	10,081.2
Bonds and other interest bearing securities	1,563.5	-	-	1,563.5
Shares and participations <sup>1</sup>	2.3	-	44.9	47.2
Assets for which the customers bear the investment risk <sup>2</sup>	57,901.3	1.0	-	57,902.3
<b>Subtotal</b>	<b>69,548.3</b>	<b>1.0</b>	<b>44.9</b>	<b>69,594.2</b>
<b>Financial assets where fair value is given for information purposes</b>				
Cash and balances in Central Banks	1,519.4	-	-	1,519.4
Loans to credit institutions	-	237.1	-	237.1
Loans to the general public	-	13,887.8	-	13,887.8
Treasury bills and other interest bearing securities eligible for refinancing	-	6,973.1	-	6,973.1
Bonds and other interest bearing securities	-	501.4	-	501.4
Other assets	3,023.6	-	-	3,023.6
Accrued income	187.5	-	-	187.5
<b>Subtotal</b>	<b>4,730.5</b>	<b>21,599.4</b>	<b>-</b>	<b>26,329.9</b>
<b>Total</b>	<b>74,278.8</b>	<b>21,600.4</b>	<b>44.9</b>	<b>95,924.1</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which the customers bear the investment risk	-	57,902.3	-	57,902.3
<b>Total</b>	<b>-</b>	<b>57,902.3</b>	<b>-</b>	<b>57,902.3</b>

<sup>1</sup> Shares and participations at level 3 refers to unlisted shares.

<sup>2</sup> SEK 5,719 million refers to reinvestments in bonds and SEK 1,462 million refers to liquid assets. Level 3 securities are valued at 0.

31/12/2018	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	11,977.6	-	-	11,977.6
Bonds and other interest bearing securities	1,747.5	-	-	1,747.5
Shares and participations <sup>1</sup>	14.5	-	45.1	59.6
Assets for which customers bear the investment risk <sup>2</sup>	50,919.4	807.1	-	51,726.5
<b>Subtotal</b>	<b>64,659.0</b>	<b>807.1</b>	<b>45.1</b>	<b>65,511.2</b>
<b>Financial assets where fair value is given for information purposes</b>				
Cash and balances in Central Banks	1,344.2	-	-	1,344.2
Loans to credit institutions	-	333.0	-	333.0
Loans to the general public	-	14,204.5	-	14,204.5
Treasury bills and other interest bearing securities eligible for refinancing	-	6,288.4	-	6,288.4
Bonds and other interest bearing securities	-	28.2	-	28.2
Other assets	3,617.7	-	-	3,617.7
Accrued income	191.5	-	-	191.5
<b>Subtotal</b>	<b>5,153.4</b>	<b>20,854.1</b>	<b>-</b>	<b>26,007.5</b>
<b>Total</b>	<b>69,812.3</b>	<b>21,661.2</b>	<b>45.1</b>	<b>91,518.7</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which customers bear the investment risk	-	51,726.5	-	51,726.5
<b>Total</b>	<b>-</b>	<b>51,726.5</b>	<b>-</b>	<b>51,726.5</b>

<sup>1</sup> Shares and participations at level 3 refers to unlisted shares.

<sup>2</sup> SEK 6,437 million refers to reinvestments in bonds and SEK 1,361 million refers to liquid assets. Level 3 securities are valued at 0.

## cont. Note 5 Group – Financial instruments

### 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 operations, 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 considered 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.

### Relocation between levels

Financial instruments that moved during the year from level 1 to level 2 amounted to SEK 5 million, from level 2 to level 3 amounted to SEK 5 million and from level 2 to level 1 were SEK 72 million. All are within Assets where the customer bears the investment risk.

## Note 6 Pledged assets, contingent liabilities and commitments

SEK million	30/06/2019	30/06/2018	31/12/2018
<b>Pledged assets and comparable collateral for own liabilities</b>	<b>none</b>	<b>none</b>	<b>none</b>
<b>Other pledged assets and comparable collateral</b>			
Bonds and other interest bearing securities <sup>1</sup>	1,899.4	2,171.7	2,197.1
<i>of which deposits with credit institutions</i>	1,587.9	1,880.9	1,926.0
<i>of which deposits with clearing organisations</i>	311.5	290.8	271.1
<b>Contingent liabilities</b>	<b>none</b>	<b>none</b>	<b>none</b>
<b>Commitments</b>			
Credit granted but not yet paid, unsecured loans	223.2	642.6	368.1
<b>Funds managed on behalf of third parties</b>			
Client funds	127.8	135.3	131.7

<sup>1</sup> The amount includes restricted cash of SEK 101 (90) million.

As per the balance sheet date of 30 June 2019, the insurance business held registered assets amounting to SEK 62,068 (57,902) million to which the policyholders have priority rights.



## Note 7 Capital adequacy information

Disclosures in this note are provided in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) regarding annual reports in credit institutions and securities companies and the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12) regarding supervisory requirements and capital buffers. Other required disclosures 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 are provided on the Nordnet website; see [www.nordnetab.com](http://www.nordnetab.com).

### Capital base and capital requirement of the financial conglomerate

The financial conglomerate comprises Nordnet AB (publ) and all its subsidiaries. The capital base and capital requirement have been calculated in accordance with the consolidation method.

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. Solvency capital requirements and capital base are calculated according to the standard model under Solvency II. 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 financial conglomerate

SEK million	30/06/2019	30/06/2018	31/12/2018
Total equity incl. Additional Tier 1 (AT1) capital	2,940.8	1,954.4	1,988.2
Less, profit that have not been subject to audit	-192.4	-57.0	-
Less demands on prudent valuation	-19.6	-17.4	-20.3
Less proposed/assumed dividend	-	-	-
<b>Total equity financial conglomerates</b>	<b>2,728.8</b>	<b>1,880.0</b>	<b>1,968.0</b>
Less intangible fixed assets and deferred tax receivables	-884.8	-404.7	-414.3
Solvency capital (VIF)	660.6	746.3	622.7
Less risk margin	-133.7	-128.9	-121.8
Less Solvency surplus	-59.3	-	-
<b>Capital base</b>	<b>2,311.6</b>	<b>2,092.7</b>	<b>2,054.6</b>
<b>Capital requirement per sector</b>			
Exposure regulated entities, insurance sector	467.6	515.9	411.5
Exposure regulated entities, the banking and securities sector	1,578.8	948.2	1,315.2
Theoretical solvency requirement for non-regulated entities	0.4	-	-
Other adjustments	-48.4	-	-
<b>Capital requirement</b>	<b>1,998.3</b>	<b>1,464.1</b>	<b>1,726.7</b>
<b>Excess capital</b>	<b>313.3</b>	<b>628.7</b>	<b>328.0</b>
<b>Capital base/capital ratio</b>	<b>1.2</b>	<b>1.4</b>	<b>1.2</b>

As of 30 June 2019, Solvency II information figures are reported with a one-quarter delay.

## cont. Note 7 Capital adequacy information

the subsidiary Nordnet Livsforsikring AS) includes cash flows generated by the policyholders' capital.

### Capital base and capital requirements for the consolidated situation

The consolidated situation consists of 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.

Nordnet applies the standard method for calculating capital requirements for credit risk. 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 capital base shall cover minimum capital requirements and the combined buffer requirement, as well as supplemental Pillar 2 requirements. Profit for the period is included in the event that external auditors have verified the profit and permission has been obtained from the Swedish Financial Supervisory Authority.

### Internally assessed capital requirement

In accordance with the EU directive on capital adequacy 2013/36/EU Article 73 and the Swedish Financial Supervisory Authority regulations (FFFS 2014:12) regarding supervisory requirements and capital buffers, Nordnet evaluates the total capital requirements that were the result of the bank's annual internal capital adequacy assessment (ICAAP) with the aim of identifying significant risks to which the bank is exposed and to ensure that the bank has adequate capital.

The ICAAP is based on Nordnet's business plan, current and future regulatory requirements and scenario-based simulations and stress tests. The results are reported to the Board annually and form the basis of the Board's capital planning.

Nordnet has calculated the internal capital requirement for the consolidated situation to be SEK 398.8 million (239.4). This is considered to be a satisfactory capital situation with regard to the activities that Nordnet conducts. Nordnet's internal assessment of the capital requirement is not entirely comparable with the estimated capital requirement that the Swedish Financial Supervisory Authority publishes quarterly.

In addition to that stated by this interim report, Nordnet's risk management and capital adequacy is described in more detail in Nordnet's annual report for 2018 and on the Nordnet website; see [www.nordnetab.com](http://www.nordnetab.com).

## cont. Note 7 Capital adequacy information

### The consolidated situation

SEK million	30/06/2019	30/06/2018	31/12/2018
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	6,690.9	6,628.8	6,628.8
Retained earnings	-4,817.1	-5,031.4	-5,037.1
Accumulated other comprehensive income (and other reserves)	258.7	254.9	234.4
Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	51.4
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>2,132.6</b>	<b>1,852.2</b>	<b>1,877.5</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-19.6	-17.4	-20.3
Intangible assets (net of related tax liability) (negative amount)	-862.7	-391.2	-401.5
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)	-	-	-
Deferred tax assets arising from temporary differences	-0.9	-	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-883.1</b>	<b>-408.6</b>	<b>-421.7</b>
<b>Common Equity Tier 1 (CET1) Capital</b>	<b>1,249.5</b>	<b>1,443.7</b>	<b>1,455.7</b>
<b>Additional Tier 1 (AT1) capital: instruments</b>			
Capital instruments and the related share premium accounts	500.0	-	-
of which: classified as equity under applicable accounting standards	500.0	-	-
<b>Additional Tier 1 (AT1) capital</b>	<b>500.0</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>1,749.5</b>	<b>1,443.7</b>	<b>1,455.7</b>
<b>Tier 2 (T2) capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital (TC = T1 + T2)</b>	<b>1,749.5</b>	<b>1,443.7</b>	<b>1,455.7</b>
<b>Total risk weighted assets</b>	<b>9,585.0</b>	<b>8,701.5</b>	<b>8,510.5</b>
<b>Capital ratios and buffers</b>			
Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.0%	16.6%	17.1%
Tier 1 (as a percentage of total risk exposure amount)	18.3%	16.6%	17.1%
Total capital (as a percentage of total risk exposure amount)	18.3%	16.6%	17.1%
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%	8.8%	8.8%
of which: capital conservation buffer requirement	2.5%	2.5%	2.5%
of which: countercyclical buffer requirement	1.8%	1.8%	1.8%
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)	8.5%	8.6%	9.1%
<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	126.5

Information is provided only for the buffer requirements that have come into effect.

## cont. Note 7 Capital adequacy information

## Consolidated situation

SEK million	2019-06-30		2018-06-30		2018-12-31	
Risk weighted exposures						
Exposure to credit risk according to the standardized method	7,365.9		6,500.4		6,291.5	
Exposures market risk	86.2		55.6		73.6	
Exposure operational risk	2,132.9		2,145.4		2,145.4	
<b>Total risk weighted exposures</b>	<b>9,585.0</b>		<b>8,701.3</b>		<b>8,510.5</b>	
<b>Capital requirement</b>						
Credit risk according to the standardized method	589.3	6.1%	520.0	6.0%	503.3	5.9%
Market risk	6.9	0.1%	4.4	0.1%	5.9	0.1%
Operational risk	170.6	1.8%	171.6	2.0%	171.6	2.0%
<b>Capital requirement Pillar 1</b>	<b>766.8</b>	<b>8.0%</b>	<b>696.1</b>	<b>8.0%</b>	<b>680.8</b>	<b>8.0%</b>
Concentration risk	79.4	0.8%	72.4	0.8%	72.1	0.8%
Market risk excluding interest rate risk	124.9	1.3%	60.4	0.7%	58.0	0.7%
Interest rate risk	154.5	1.6%	106.6	1.2%	137.5	1.6%
Other	-	-	-	-	-	-
Capital planning buffer	40.0	0.4%	-	-	-	-
<b>Capital requirement Pillar 2</b>	<b>398.8</b>	<b>4.2%</b>	<b>239.4</b>	<b>2.8%</b>	<b>267.6</b>	<b>3.1%</b>
<b>Buffer requirement</b>	<b>413.2</b>	<b>4.3%</b>	<b>374.2</b>	<b>4.3%</b>	<b>366.7</b>	<b>4.3%</b>
<b>Total capital requirement, incl. buffer requirement</b>	<b>1,578.8</b>	<b>16.5%</b>	<b>1,309.7</b>	<b>15.0%</b>	<b>1,315.2</b>	<b>15.5%</b>

This table shows the capital requirement expressed both in SEK million and as a percentage of the risk-weighted exposure amount.

## Note 8 Acquisition and merger

On 5 April 2019, the acquisition of Netfonds' operations in Norway previously communicated by Nordnet was completed. Netfonds is one of the leading players in the Norwegian market for online securities trading and offers trading in a wide range of securities to customers in Norway and Sweden. With this deal, Nordnet solidifies and develops its position in the Norwegian savings market with the goal of building Norway's best user experience in savings and investments, with Nordnet's web service and brand as a base.

The transaction was implemented in two steps where Nordnet Bank AB acquired 100 percent of the shares in Netfonds Bank A/S, org. reg. no. 976546180 and where Nordnet Pensionsförsäkring AB's Norwegian subsidiary Nordnet Livförsäkring A/S acquired 100

percent of the shares in Netfonds Livförsäkring A/S, org. reg. no. 991008144. Thereafter, both of the companies were merged with Nordnet Bank AB and Nordnet Livförsäkring A/S, respectively, with 6 June 2019 as the merger date.

The purchase consideration totalled SEK 663 million, which was paid in cash upon takeover. Transaction costs of SEK 21 million related to the acquisition were recognized as an expense in the income statement.

The assets and liabilities were taken over at the consolidated values in the merger. The acquisition analysis is preliminary and is expected to be completed in the third quarter of 2019.

<b>Netfonds Bank A/S</b>	
Net sales	36.5 (22.4)
Operating profit	10.2 (12.8)
<b>Assets</b>	
Loans to the general public	864.3
Bonds and other interest bearing securities	379.8
Other assets	529.4
<b>Liabilities</b>	
Deposits and borrowing from the general public	1,586.0
Other liabilities	30.0

Net sales and operating profit pertains to the period 1 January up to the merger. The time before the acquisition is referred to within parentheses.

<b>Netfonds Livförsäkring A/S</b>	
Net sales	1.3 (0.9)
Operating profit	0.7 (0.5)
<b>Assets</b>	
Assets for which customers bear the investment risk	552.8
Other assets	51.2
<b>Liabilities</b>	
Liabilities for which customers bear the investment risk	552.8
Other liabilities	2.7

Net sales and operating profit pertains to the period 1 January up to the merger. The time before the acquisition is referred to within parentheses.

<b>Preliminary acquisition analysis (SEK Million)</b>	
Purchase price	663.2
<b>Reported amounts of acquired assets and liabilities</b>	
Acquired equity	208.4
Intangible assets	146.3
Goodwill	345.1
Deferred tax	-36.6

# Financial development per quarter

Group, SEK million	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17
Net interest	132.9	103.9	95.0	91.4	95.9	95.3	94.0	95.8
Net commission - not trade related	59.6	54.8	62.4	56.2	58.6	52.4	49.2	43.0
Net commission - trade related	118.9	119.5	125.6	110.0	102.4	128.3	127.9	108.2
Net result of financial transactions	42.9	109.1	43.5	42.9	42.6	48.9	45.9	34.4
Other income	16.9	15.2	20.9	5.0	17.2	15.8	16.0	8.8
<b>Operating income</b>	<b>371.2</b>	<b>402.5</b>	<b>347.4</b>	<b>305.5</b>	<b>316.7</b>	<b>340.8</b>	<b>333.0</b>	<b>290.3</b>
General administrative expenses	-227.6	-219.8	-255.4	-219.4	-231.3	-243.5	-239.3	-190.4
Depreciation	-40.5	-38.0	-28.1	-24.5	-29.0	-24.2	-20.4	-24.2
Other operating expenses	-9.3	-9.1	-18.3	-21.0	-17.3	-21.2	-13.3	-13.9
Net credit losses	-11.7	-6.7	-4.7	-11.6	-9.7	-10.0	-7.4	-9.2
<b>Expenses</b>	<b>-289.1</b>	<b>-273.6</b>	<b>-306.6</b>	<b>-276.5</b>	<b>-287.3</b>	<b>-298.9</b>	<b>-280.4</b>	<b>-237.7</b>
<b>Operating profit</b>	<b>82.1</b>	<b>129.0</b>	<b>40.8</b>	<b>29.0</b>	<b>29.4</b>	<b>41.9</b>	<b>52.6</b>	<b>52.6</b>
Operating margin %	22%	32%	12%	9%	9%	12%	16%	16%
Cost coverage	87%	103%	72%	71%	75%	71%	73%	77%
Return on shareholders' equity	9%	9%	6%	7%	7%	7%	8%	10%
Quarterly statistics	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17
Number of active customers at end of the period	854,800	794,800	765,200	741,800	718,000	698,500	669,300	640,200
Number of active accounts at end of the period	1,134,000	1,054,700	1,016,300	982,400	949,800	923,300	884,500	837,700
Net savings (SEK billion)	2.4	7.0	1.4	4.9	5.6	11.5	4.0	4.1
Total savings capital (SEK billion)	354	323	286	324	310	287	272	267
Average savings capital per active account (SEK)	311,800	306,700	280,900	329,700	326,900	311,000	308,000	319,300
Number of trades	6,582,800	6,935,400	6,984,500	6,413,900	5,976,200	6,745,200	6,944,200	6,350,300
Traded value cash market, SEK million <sup>1</sup>	185,630	199,900	202,400	183,000	183,900	205,500	201,300	178,400
Number of trading days	57	63	62	65	59	62	63	64
Number of trades per day	116,500	110,100	113,600	98,700	101,300	108,800	111,100	99,200
Average net commission revenue per transaction (SEK)	18	17	19	17	17	19	18	17
Number of trades per active trading account	6.4	7.1	7.4	7.1	6.8	8.0	8.7	8.4
Number of trades per active trading account and month	2.1	2.4	2.5	2.4	2.3	2.7	2.9	2.8
Cash deposits at end of period, SEK million	44,415.9	41,249.8	43,022.8	40,919.8	40,553.6	35,980.2	34,341.2	33,773.1
Managed Client Funds, SEK million	127.8	157.4	131.6	125.5	135.1	159.8	182.7	174.9
Lending at end of period, SEK million	15,397.0	15,008.8	14,204.5	14,474.3	13,887.8	13,211.2	11,852.1	11,295.5
Lending excluding pledged cash and cash equivalents	14,602.6	14,358.3	13,730.1	13,682.4	13,147.5	12,552.7	11,437.6	10,380.9
Lending/deposits	35%	36%	33%	35%	34%	37%	35%	33%

<sup>1</sup> Cash market refers to trade in shares, warrants, ETFs, certificates, bonds and similar instruments.

# Key figures

Key figures - Group	30/06/2019	30/06/2018	31/12/2018
Operating margin (%)	27%	11%	11%
Profit margin (%)	25%	9%	9%
Cost/income ratio	73%	89%	89%
Return on shareholders' equity (%)	8%	7%	6%
Return on assets (%)	0.2%	0.2%	0.1%
Shareholders' equity, SEK million	2,940.8	1,954.3	1,988.2
Capital base, SEK million	1,749.5	1,443.7	1,455.7
Capital coverage ratio	18.3%	16.6%	17.1%
Investments in tangible assets, SEK million	40.6	64.9	84.0
Investments in intangible assets excl. company acquisitions, SEK million	51.8	54.6	112.1
Of which, internal development expenses, SEK million	18.3	15.3	32.5
Number of full-time employees at end of period	496	531	526
Customer related key financial figures	30/06/2019	30/06/2018	31/12/2018
Number of active customers	854,800	718,000	765,200
Number of active accounts at end of the period	1,134,000	949,800	1,016,300
Net savings, SEK billion	2.4	17.2	23.5
Total savings capital at end of period, SEK billion	354	310	286
Average savings capital per active account at end of period, SEK	311,800	326,900	280,900
Number of trades for the period	13,518,200	12,721,400	26,119,800
Number of trades per day	113,100	105,100	105,600
Average net commission revenue per trade, SEK	18	18	18
Annual average income/savings capital (%)	0.5%	0.5%	0.4%
Annual average cost/savings capital (%)	0.5%	0.5%	0.4%
Average yearly income per account, SEK	1,505	1,484	1,368
Average yearly operating expenses per account, SEK	-1,059	-1,270	-1,172
Average yearly profit per account, SEK	446	213	196

# Definitions

Alternative Performance Measures (APM) are financial measures of historical or future financial position, performance or cash flow that are not defined in applicable reporting regulations (IFRS) or in the fourth capital requirement directive (CRD IV) and 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 indicators presented by other companies.

## Active account

Account with a value of > SEK 0 or a credit commitment.

## Active customer

Physical person or legal entity holding at least one active account.

## Amount traded

Amount traded refers to our customers' trade in shares, warrants, ETFs, certificates, bonds and similar instruments.

## Cash market

Cash market refers to trade in shares, warrants, ETFs, certificates, bonds and similar instruments.

## Capital base<sup>1</sup>

The sum of Core Tier 1 capital and Tier 2 capital.

## Capital ratio<sup>1</sup>

Capital base in relation to total risk-weighted exposure amount.

## Client funds

Cash and cash equivalents at Nordnet held on behalf of a third party.

## Core Tier 1 capital<sup>1</sup>

Equity excluding proposed dividend, deferred taxes and intangible assets and some further adjustments in accordance with the EU capital requirements regulation no. 575/2013 (CRR) and EU 241/2014.

## Core Tier 1 ratio<sup>1</sup>

Core Tier 1 capital divided by total risk-weighted exposure amount.

## Cost coverage

Non-transaction-related income relative to expenses.

## Deposits

Deposits including deposits attributable to liabilities in the insurance business.

## Lending

Lending to the public, excluding lending through "account credits" that are fully covered by pledged cash and cash equivalents on endowment insurance plans and investment savings accounts (ISAs), where the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

## Net commission income

Commission income less commission expenses and non-transaction-related net commission income.

## Net commission per trade

Total net commission income divided by total number of trades during the period.

## Net savings

Deposits of cash and cash equivalents and securities, less withdrawals of cash and cash equivalents and securities.

<sup>1</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



# Definitions

## Operating expenses<sup>1</sup>

Expenses for operations, excluding credit losses and impairment of goodwill.

## Operating margin

Operating profit in relation to operating income.

## Personal loans

Unsecured loans.

## Primary capital contributions<sup>1</sup>

Capital instruments and associated share premium reserves that meets the requirements set out in Regulation (EU) No 575/2013 and may thereby be included in Tier 1 capital.

## Profit margin

Profit for the period in relation to operating income.

## Return on assets

12-month rolling profit for the period in relation to average total assets.

## Return on equity

12-month rolling profit for the year in relation to average equity.

## Risk exposure amounts<sup>1</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 business, and not to exposures that have been directly deducted from the capital base.

## Solvency capital (NPV)<sup>1</sup>

The estimated present value of expected profits in the existing insurance business.

## Solvency capital requirements (SCR)<sup>1</sup>

Estimated capital requirements as per Solvency II regulations.

## Tier 1 capital<sup>1</sup>

The sum of Core Tier 1 capital and primary capital contributions.

## Tier 1 capital ratio<sup>1</sup>

Tier 1 capital divided by total risk-weighted exposure amount.

## Total savings capital

Total of cash and cash equivalents and value of securities for all active accounts.

## Trades

A registered transaction on the stock exchange or in the marketplace. Orders sometimes involve several trades.

<sup>1</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

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