

Take control of your savings.

Nordnet's Annual and Sustainability Report 2019



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The year in brief.

Quarter 1

- The highest inflow of new customers in Nordnet's history
- Equity was strengthened through the issue of an AT1 bond of SEK 500 million and a shareholders' contribution of SEK 250 million
- Frida Bratt new savings economist for the Swedish market

Quarter 2

- Surpassed 850,000 customers and SEK 350 billion in savings capital
- New web service launched in Norway
- Functions for sustainable savings implemented
- Netfond transaction completed

Quarter 3

- Lars-Åke Norling began as the new CEO in September
- Named "Stock Broker of the Year" in Finland
- New web service launched in Denmark and Finland

Quarter 4

- Nordnet the first Finnish bank to offer the new type of account "osakesäästötili" (share-savings account)
- Named "Small Business Bank of the Year" by Privata Affärer
- New web service launched in Sweden

The year in figures.

January-December 2019

(January-December 2018)

Income

SEK **1,573.4** million
(1,310.4)

Expenses¹

SEK **-1,195.9** million
(-1,169.2)

Profit before tax

SEK **377.4** million
(141.2)

New customers

148,500
(95,900)

Net savings

SEK **20.9** billion
(23.5)

Trades

28,422,400
(26,119,800)

31 December 2019

(31 December 2018)

Savings capital

SEK **394.5** billion
(285.5)

Lending²

SEK **15.6** billion
(13.7)

Customers

913,600
(765,200)

Accounts

1,213,400
(1,016,300)

¹Total expenses including credit losses

²Excluding lending against pledged cash and cash equivalents

This is Nordnet

Our operations

The overall objective of Nordnet's business is to democratize savings and investments. By this, we mean giving private savers access to the same information and tools as professional investors. This aim has driven us since the beginning in 1996 and is still our focus today. In the 1990s, the democratization idea was about offering readily available and inexpensive share trading over the Internet, and creating fund portals with products from a number of different distributors where the savers could easily compare return, risk and fees. Along the way, we have simplified and reduced prices on pension savings, index funds and private banking services, among others. In recent years, we have democratized the finance industry through, for example, the share-loan programme we launched over a year ago. In addition to value growth and dividends, we created a third kind of revenue stream for the private savers in the form of compensation for shares that are lent out to international asset managers and banks. We always stand by the savers' side and push issues concerning for example the free right of relocation of pension savings and a reasonable and predictable taxation of ownership in shares and funds.

Our vision is to become the Nordic private savers' first choice. In order to achieve this goal, we must constantly continue to challenge and think along new lines, and have user-friendliness and saver benefit at the top of the agenda. Only then can we achieve the high customer satisfaction and the strength in the brand required to become the Nordic leader in terms of attracting new customers and creating loyal ambassadors for Nordnet.

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. We offer a number of different interfaces in the form of the web, the app or more advanced applications. The less-active savers can also use our digital advisory services, including Robosave and Fund Advisor, or invest in one of our so-called smart funds. Nordnet operates the Nordic region's largest social investment network Shareville, with more than 200,000 members.

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



Investments and savings

✓

✓

✓

✓

Pensions

✓

✓

✓

Margin lending

✓

✓

✓

✓

Mortgages

✓

Personal loans

✓

Comments from the CEO

2019 was a really good year for both Nordnet and the savers. The exchange had a positive development globally, and the Nordic region was no exception. In Sweden and Denmark, the stock markets grew by more than 25 percent, and the stock markets in Norway and Finland yielded positive returns of around 15 percent. There was a high level of activity and our customers made more than 28 million transactions in total over the full-year, which is an increase of 9 percent compared with the year before.

From a financial perspective, we provide very strong earnings. Our income is up by 20 percent and for the first time surpassed SEK 1.5 billion. Operating profit ended up at SEK 377 million, an increase of more than 150 percent compared with 2018. The combination of a climbing stock exchange and a positive net savings has led to savings capital achieving new record levels. Our customer growth remains strong, and in 2019, we welcomed as many as 150,000 new savers to our bank. With more than 900,000 Nordic private individuals who use Nordnet as a platform for their investments, we



have a broad customer base and a strong position in all four of our markets.

Most of our figures are pointing in the right direction, but what I want to highlight from 2019 above all is that we took the user experience to the next level. Being relevant to the savers is our most important task, and during the year, we launched our new web service in all four markets, beginning with Norway at the start of the summer. We also delivered a large number of releases and continuously added new functions in our apps. Our offering in portfolio lending improved through an increase in the number of securities eligible as collateral, and we introduced a new model for the calculation of loan-to-value ratio where well-diversified portfolios provide greater borrowing room. In Sweden, we increased the loan-to-value ratio for our residential mortgages from 50 to 60 percent. Our updated offering combined with strong customer growth has given us good growth in the loan portfolio, which grew by 14 percent in 2019.

Nordnet is about democratizing savings and investments. When we began in 1996, it involved digitizing share trading and creating a marketplace for funds where the savers could easily compare various alternatives with each other. Along the way, we launched flexible pension solutions, cost-free index funds and modern private banking services. The share loan programme we launched at the end of 2018, which gives private savers access to a revenue stream that was previously reserved for institutions and large pension funds, we have now begun generating good values. For 2019, a total of SEK 27 million was paid to the Swedish savers, and the programme was also launched in Norway during the year.

The appearance of account types taxed on a standardized basis has made share trading even more accessible to private individuals. Fifteen years ago, we were pioneers in the market when it was about offering endowment insurance without being locked in and fixed fees, and in 2012, the investment savings account (ISK in Swedish) was launched, which has grown into the most popular account type for investments in shares and funds. At year-end, a share savings account was introduced in Finland, where gains, dividends and interest are not taxed continuously, but rather only when

money is withdrawn from the account. At the beginning of February, statistics were published by Euroclear Finland over the number of share savings accounts in the Finnish savings market, which show that the savers had opened a total of 60,000 share savings accounts. Nordnet is the clear market leader, and our share of the opened accounts amounts to 75 percent. The statistics from Euroclear also show that the Finnish shareholding was extensively broadened in the first month after the launch of the share savings account. In the first month of the year, nearly 19,000 completely new shareholders were added in Finland, equivalent to an increase of more than 2 percent of the total number of shareholders.

“In 2019, we took the customer experience to the next level. Being relevant to the savers is our most important task, and during the year, we launched our new web service in all four markets.”

During the year, we were pleased to receive a number of awards. In the autumn, we were named the “Best Stockbroker” by the Finnish shareholders’ association, and in Denmark, a survey by YouGov showed that Nordnet is Denmark’s fifth most recommended brand in all categories. At the end of the year, we were named “Small Business Bank of the Year” by Privata Affärer for our offering directed at entrepreneurs. The award is very pleasing, above all since Nordnet was founded by entrepreneurs and the target group is important to us and is close to our origins.

We also want to make an impression within sustainability, and have defined three areas within which we focus our activities – sustainable savings, digital learning and equality & diversity. Notable as an example of concrete initiatives is our women’s career network “Power Women in Tech”, where we regularly arrange network-

king meetings with successful women as speakers. The network now has around 900 members. In June, we implemented new functions for sustainable savings on our platforms among other things in the form of a filter function, where the savers can choose from a predefined list what kind of holdings they do not want in their fund or ETF. There is also a possibility to only search among funds that have a low carbon dioxide risk in their operations. We have long prepared a sustainability report, and compensate for our emissions. From 2019, we also compensate for more carbon dioxide than we emit.

Altogether, I am pleased with what we achieved in 2019 – we can show a high level of growth in new customers, strongly improved financial earnings, a more refined user experience and a business that is firmly rooted in four Nordic markets. However, none of this would have been possible without Nordnet's fantastic employees. I took over as the CEO in September and was immediately struck by the energy and know-how that were here. Committed employees are a prerequisite for a world-class user experience, which in turn is the foundation for profitable growth. In the autumn, we prepared the strategy for the direction moving forward, the Nordnet Way, and there is incredible strength in working together to simplify and improve matters for Nordic savers through the services we offer.

The beginning of 2020 has been characterized by a high level of energy and activity, with a generally large interest in savings and investments. This activity has been driven, among other things, by company reports, company-specific events and concern for the coronavirus' impact on the world economy. Where this ends is of course impossible to foresee at present. From our perspective, focus is on offering a service that is stable and available in all market climates, and on further strengthening the user experience. The basic platforms are in place in the form of new web services and apps, and we will now devote great effort to improving and automating what we call customer journeys, meaning specific functions and processes used extensively by our customers. We have achieved a great deal recently, but there is still much that can be made simpler and more user friendly for both you, as customers and us as a company.

Thank you for following Nordnet.



Lars-Åke Norling, CEO
@CEONordnet



Appointed Small Business Bank of the Year by Privata Affärer in Sweden



Appointed Broker of the Year by the Finnish Aktiespararna



Fifth most recommended brand in Denmark according to YouGov

Macro environment and market

The Stock Market in 2019

2018 was an unusually bad year for savings in shares and funds, but 2019 began with a strong return for the world's stock markets. Much of the year's initial rally can be explained by the central banks indicating that they were considering increasing stimulus rather than raising interest rates to keep continued economic growth alive. After raising interest rates four times in 2018, the U.S. Federal Reserve thereby chose to lower rates three times in 2019 and introduce powerful stimulus packages. The market was convinced and concern for an impending recession was mitigated considerably.

The strong positive trend held out until April when geopolitical concern gave investors reason for pause. The negotiations between the U.S. and China ended up in focus and became a story where the likelihood of a trade agreement between the superpowers varied from month to month. In the meantime, economic indicators began to turn downwards, which further dampened the trading fest. The market went sideways from April all the way to September. At the end of September, the global share index MSCI World rose 18 percent at the same time that the U.S. 20-year government bonds rose 20 percent. An unusual situation where both the optimists and pessimists received good returns.

The interest rate curve inverted in the middle of the year. Long-term interest instruments gave a lower return than short-term interest instruments, something that has not happened since 2007. This phenomenon is rare, but has occurred before all recessions in the past 50 years.

In the last quarter of the year, the market gained speed again when several of the major political risks disappeared. The raised U.S. customs duties against China were stopped at the last minute and the expected customs duties against Europe's auto industry were never realized. A trade war became a trade peace. The Conservative Party in the UK won a landslide victory that enabled a withdrawal from the EU and a negotiation on transitional rules.

The stock exchanges of virtually every developed country saw double-digit growth in 2019. The Swedish OMXS30 rose 26 percent, the Norwegian OSEBX rose 16 percent, the Finnish OMXH25 rose 14 percent and the Danish OMXC25 rose 25 percent. A fantastic year for the Nordic share savers. The global index MSCI World rose a full 28 percent with U.S. shares (+31 percent) and European shares (+27 percent) as positive contributors. The year was full of concern that was never realized, global growth that is beginning to slow down, risk of a trade war and central banks that change direction. Access to money and a strong technology sector drove up the share prices to record levels on par with the golden years of 2013 and 1997. During the year, we were also able to confirm that we are now in the longest growth phase in history. This was at the same time that the IMF in October downgraded the global growth prospects to the lowest levels since the financial crisis.

During the year, a clear sustainability trend was noted in the European fund flows. Morningstar reported that the capital in sustainable funds grew by almost 60 percent during the year and that the net inflow was three times higher than in 2018. Sustainable investments are hotter than ever and the alternatives are constantly increasing in number at the same time that the methods for sustainability evaluation are heavily debated. More than 300 new sustainability funds were launched in 2019 and many existing funds were converted to become sustainable, something that several large asset managers promised to do with their entire fund offering.

Among Nordnet's Swedish customers, the year's most net purchased share was Swedbank, among Norwegian customers it was Norwegian, among Danish customers it was Danske Bank and among Finnish customers it was Nordea.

Our markets

Nordnet has business activities in Sweden, Norway, Denmark and Finland. Our headquarters in Stockholm

house all of the Nordic functions such as IT, product development and administration. Stockholm is also home to the customer service and sales organization for the Swedish market. There are also local offices in Oslo, Copenhagen and Helsinki with responsibility for customer service, sales and marketing in each respective market. We mainly communicate with our customers through digital and social channels and have no banking offices. Our operational platform handles all four markets, which provides us with economies of scale and cost efficiency. In the Nordic countries, the savings markets are dominated by traditional banks and pension companies. In all four markets, we are considered an upstart, alongside one or two local competitors. Nordnet has a leading position among the online banks in Norway, Denmark and Finland and is number two in the Swedish market.

Sweden

In the Swedish market, we are one of several players who are challenging the traditional banks with greater freedom and lower prices. We offer investments and pension savings in a broad range of various products and kinds of savings for both private customers and corporate customers. In the Swedish market, we also offer personal loans and residential mortgages. We distinguish ourselves from our com-



petitors by offering a transparent investment service, advantageous loan terms, first-class digital advisory services and cost-effective share trading in Sweden and abroad. We are the only actor that provides index funds without fees in the four Nordic markets. With our share loan programme, we are alone in being able to give private savers in Sweden a third kind of return, in addition to value growth and dividends. On our social investment network Shareville, our customers share their actual investments in real time.

Important events:

- New web service
- Possibility introduced of owning unlisted shares in an endowment insurance
- Named “Small Business Bank of the Year” by the magazine Privata Affärer

During 2019, income increased by 15 percent in Nordnet's Swedish operations compared with the previous year, mainly related to a higher net interest income resulting from higher volumes in residential mortgages and income from the share loan programme. Higher returns on surplus liquidity also contributed positively to profit compared with the year-before period. Expenses decreased by 8 percent, due to lower expenses for marketing and a smaller sales force. The operating margin for the full-year was 33 percent (16). Nordnet in Sweden had 363,700 (326,000) active customers as at year-end, corresponding to an increase of 12 percent compared with 2018. Savings capital at the end of December amounted to SEK 171 billion (128). Net savings for the period January-December 2019 amounted to SEK 8,199 million (9,412). Calculated in relation to savings capital as at the end of December 2018, net savings for the past 12 months correspond to 6 percent.

Key figures Sweden	2019	2018
Income, SEK million	773.1	671.2
Operating profit, SEK million	252.8	104.4
Operating margin	33%	16%
Active customers	363,700	326,000
Savings capital, SEK billion	171.1	127.5
Net savings, SEK billion	8.2	9.4
Trades	13,591,700	13,547,500
Lending, SEK billion	11.1	10.2

A woman with dark, curly hair tied back, looking out over a city skyline. She is wearing a dark, textured jacket. The background is a blurred cityscape with a body of water and a bridge railing in the foreground.

Invest in yourself.

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

Margin lending increased by 24 percent compared with the previous year, amounting to SEK 2.5 billion (2.0) at 31 December 2019. Within personal loans (unsecured loans), there were 26,200 customers (27,000) at 31 December 2019, and the lending volume was SEK 4.1 billion (4.0). The lending volume in Nordnet's residential mortgages amounted to SEK 4.5 billion (4.2) at year-end. The number of trades during the period January-December 2019 is unchanged compared with 2018.

During the first quarter of the year, Nordnet's new savings economist Frida Bratt took office. Frida has been very visible in the media and in our own channels. A few examples are the issue of the free right of relocation of pension savings and the trending Twitter topic #svaraomisk (answer about ISK) as a response to the government's plans to raise the tax on investment savings accounts.

During the second 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 dividends. The endowment insurance was launched in cooperation with Kaptena, a company that appraises unlisted shares. The pension area received extensive attention during the year, where we continued to invest in the entrepreneur segment and occupational pensions. We have also had extensive focus on evoking opinion for more customer-friendly terms in pension savings. We have pushed a proposal that we call the 500:2 method, which means that a pension move should cost no more than SEK 500 and should take no more than two months to carry out. A clear proposal with fees set in SEK makes it easier for the savers and creates a transfer right that is based on the

savers' best interest instead of the industry's. We also presented a proposal on a new kind of pension savings, which we call the pension savings account (PSK). After the deduction right for IPS was rescinded, there is no good alternative for private pension savings, and it is very important that we put in place a new savings form that encourages long-term savings.

In the third quarter, we improved our residential mortgage offering with the ambition of it being the markets most favourable loan for customers with savings that exceed SEK 1 million. The loan-to-value ratio has been increased to 50 to 60 percent, which makes our residential mortgage available to more customers. A new discount level that begins to apply at SEK 1 million in savings capital was introduced, and interest rates were lowered by 0.10-0.15 percent.

One of the highlights during the last quarter of the year in our Swedish operations was when we launched our new web service in November. The update in digital experience has been in demand by our customers, and the receipt was positive. Another high point was when we were named the "Small Business Bank of the Year" by the magazine Privata Affärer. We received the award due to our offering to entrepreneurs. In the past year, we developed and improved our customer offering for the segment and today offer a comprehensive solution in terms of savings and investments for both the entrepreneur and the company and employees.

Norway

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

Key figures Norway	2019	2018
Income, SEK million	293.7	212.7
Operating profit, SEK million	16.0	9.9
Operating margin	5%	5%
Active customers	150,400	110,900
Savings capital, SEK billion	63.5	35.1
Net savings, SEK billion	4.0	3.3
Trades	5,226,500	4,211,100
Lending, SEK billion	1.7	0.7

a share loan programme with the possibility of a third type of return on shares, margin lending with securities as collateral at favourable terms, no-fee index funds, digital advice services and the social investment network Shareville.

Important events:

- Share loan programme launched
- New web service
- Purchase of Netfonds completed

In 2019, income increased for Nordnet in Norway by 38 percent compared with the previous year. A higher net interest income related to higher volumes in margin lending, increased transaction-related income and exchange-rate gains from international trade contributed positively to profit compared with 2018.



Expenses increased by 37 percent mainly related to non-recurring costs associated with the acquisition of Netfonds, but lower marketing expenses dampen the increase somewhat. The operating margin amounted to 5 percent (5) during the period January–December, also being negatively impacted by non-recurring costs for the acquisition of Netfonds. As at 31 December 2019, the number of active customers in Norway amounted to 150,400 (110,900), which corresponds to customer growth of 36 percent over the past 12-month period. Savings capital at the end of December amounted to SEK 63 billion (35). Net savings for the period January–December amounted to SEK 4,006 million (3,256). Calculated in relation to savings capital as at the end of December 2018, net savings for the past 12 months correspond to 11 percent. Growth for customers and savings capital was positively impacted by the acquisition of Netfonds. Margin lending amounted to SEK 1.7 billion (0.7), an increase of 132 percent in the past 12 months, partially as a result of the acquisition of Netfonds. The number of trades in the period January–December rose by 24

percent compared with full-year 2018.

In March, Nordnet's share loan programme was launched in the Norwegian market. Previously, the service was only accessible to Nordnet's Swedish customers, but from the end of the first quarter, our Norwegian customers also received the possibility of extra return on the shares they invested in.

In the first quarter, a digital signing tool was introduced and a possibility to use Mobile Bank-ID in the new customer process. These two initiatives contributed to a more friction-free process to become a new customer of Nordnet.

On 27 March 2019, the Financial Supervisory Authority of Norway approved Nordnet's purchase of all shares in Netfonds Bank AS and Netfonds Livsforsikring AS. At the same time, it was approved that the companies be merged, where Netfonds Bank AS is merged with Nordnet Bank AB, and Netfonds Livsforsikring AS is merged with Nordnet Livsforsikring AS. On 5 April, the deal between Nordnet and Netfonds was closed, and the companies were merged on 6 June. Netfonds closed its web platform for share trading in June 2019 and the former Netfonds customers thereafter had access to Nordnet's platform. One major focus during the first half of the year is the work to integrate the two operations with each other, where we took the best from Netfonds and combined it with the best from Nordnet.

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.

A new model for margin lending was launched during the second quarter. The possibility of borrowing on shares and funds was introduced for the investment account Zero account type (corresponding to endowment insurance in Sweden), 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.

From a product perspective, focus in the fourth quarter was on further developing our new website and improving our loan products. Among other things, we increased the collateral values on Norwegian shares, which contributed to the positive development of the loan volumes. Extensive focus was also on continued good integration of the acquisition of Netfonds, and making previous Netfonds customers feel at home with Nordnet's digital experience and product range.

Denmark

In Denmark, we have a leading position as a customer-focused bank with few, and low, fees and competitive tools for investments and savings. Our main competitors are the traditional banks. Our offering distinguishes itself through unique products, such as Nordnet Smart Portfolios, our cost-free index funds, argin lending and the social investment network Shareville. Even our pension offer with no fixed charges stands out in the market. Pension savings accounts for more than half of the savings in Denmark and many Danes are choosing to move their pensions to us.



Important events:

- Nordnet Smart Portfolios launched
- New web service
- The fifth most recommended brand in Denmark

In 2019, income increased for Nordnet in Denmark by 3 percent compared with the previous year. Transaction-related income and exchange-rate gains from foreign trading increased somewhat, but was held back by a decrease in net interest income related to negative return on surplus liquidity. Expenses decreased by 3 percent, mainly related to lower marketing expenses. The operating margin was 20 (15) percent. The number of active customers as at the end of December 2019 amounted to 119,800 (100,100), an increase of 20 percent over the past 12 months. The high customer growth in the Danish market is attributed in part to the strength of our brand. In November, Nordnet was named the fifth most recommended brand in Denmark in a survey done by YouGov. Our country manager Anne Buchardt was also named one of the 100 most influential women in Denmark by the leading daily newspaper Berlingske Tiden- de. Savings capital at the end of the year amounted to SEK 80 billion (61). Net savings for the period January-December 2019 amounted to SEK 4,388 million (7,573). Calculated in relation to savings capital as at the end of December 2018, net savings for the past 12 months correspond to 7 percent. Margin lending increased by 3 percent compared with the previous year, amounting to SEK 1.2 billion (1.2) at the end of December. The number of trades during the period January-December 2019 increased by 8 percent compared with the corresponding period the previous year.

In January, Nordnet Smart Portfolios were launched in the Danish market. The portfolios are based on modern capital management in cooperation with JP Morgan, combined with a digital advice model developed by Nordnet. Nordnet Smart Portfolios are made to perform better than traditional

Key figures Denmark	2019	2018
Income, SEK million	237.5	230.0
Operating profit, SEK million	46.4	33.8
Operating margin	20%	15%
Active customers	119,800	100,100
Savings capital, SEK billion	80.2	60.9
Net savings, SEK billion	4.4	7.6
Trades	4,324,400	4,009,500
Lending, SEK billion	1.2	1.2

Maksimoi kasvu.

Avaa osakesäästötili Nordnetiin ja anna osakesijoituksillesi parhaat mahdollisuudet kasvaa. Kauppaa käyt ilman minkäänlaisia kuukausi- tai säilytysmaksuja. Käytössäsi on myös striimaavat kurssit pohjoismaisille osakkeille maksutta. Saat pääsyn palkittuihin analyysihin suomalaisista pörssiyhtiöistä ja Sharevillestä osakevinkkejä reaaliajassa parhailta sijoittajilta. Valitse Suomen suosituin arvopaperivälittäjä ja löydä osakesäästötilin edut osoitteessa nordnet.fi/osakesaastotili

→ **Avaa osakesäästötili jo tänään**



funds through automatic adaptation to the market and advanced risk diversification over a number of different asset classes.

In the third quarter, our new web service was launched for our Danish customers. The new site is responsive and has a modern interface that provides a better overview, as well as a new design and navigation. Notable among the new functions are a screener for sustainable savings, which gives the savers the possibility to filter out undesirable holdings for funds, Morningstar's fund rating on all ETFs, a more advanced search function for exchange traded products and the service "Selected funds", where Nordnet in cooperation with the analyst firm Wassum has chosen the actively managed funds that are considered to have the greatest chance of performing the best in the respective category. The new site was generally well received, and in connection with the launch, our customers received cost-free real-time prices and an order depth of five levels for the Nordic stock exchanges to all customers for all of 2019.



Finland

Nordnet has a leading position in the Finnish savings market, and we are perceived as a modern and customer-friendly bank over our competition. We offer Fin-

land's largest range of funds, including our own index funds without fees. Other unique Nordnet products include the Superlån service and Shareville. In Finland, we offer services for investments, savings and loans, as well as digital advisory services through the concept Nordnet Smart Portfolios.

Important events:

- New web service
- Named the best stock broker in Finland by the Finnish shareholders' association, Suomen Osakesäästäjät
- The new savings form osakesäästötili (share savings account) was launched

In 2019, income increased in our Finnish operations by 3 percent compared with the previous year. Transaction-related income increased somewhat, but was held back by a decrease in net interest income related to negative return on surplus liquidity. Expenses increased by 2 percent. The operating margin was -2 (-3) percent. The number of active customers at year-end was 279,700 (228,200), corresponding to an increase of 23 percent compared with the end of December 2018. Savings capital at the end of December amounted to SEK 80 billion (62). Net savings for the period January–December 2019 amounted to SEK 4,330 million (3,256). Calculated in relation to savings capital as at the end of December 2018, net savings for the past 12 months correspond to 7 percent. Margin lending decreased by 3 percent compared with the period January–December 2018 and amounted to SEK 1.5 billion (1.6). The number of trades among Finnish customers during the period January–December increased by 21 percent compared with the corresponding period the previous year.

Key figures Finland	2019	2018
Income, SEK million	203.3	196.6
Operating profit, SEK million	-3.5	-7.0
Operating margin	-2%	-4%
Active customers	279,700	228,200
Savings capital, SEK billion	79.8	61.9
Net savings, SEK billion	4.3	3.3
Trades	5,279,700	4,351,800
Lending, SEK billion	1.5	1.6

At the end of September, we launched our new web service for the Finnish customers 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.

Nordnet Finland received several awards during the year. For the third time in a row, Nordnet was named the Best Stockbroker in Finland by the Finnish shareholders' association, Suomen Osakesäästäjät. The survey is conducted once every two years, and Nordnet also took home the title in 2015 and 2017. Nordnet's brand was also named "Rocket of the Year" in the Finnish market by the independent market analyst firm Taloustutkimus. The study is done annually and is based on appraisals and recommendations of 150 different online brands in Finland.

At the beginning of 2019, the Finnish government approved the new savings form "osakesäästötili", a share savings account with favourable tax conditions, with terms in line with the already existing savings forms of share savings accounts in Norway and investment savings accounts in Sweden. The regulations for the new account types entered into effect on 1 January 2020, but as early as November 2019, we were the first bank to offer customers the opportunity to open a share savings account with us at Nordnet. Interest exceeded all

expectations, and in the last few months of 2019 alone, we opened 35,000 accounts, which was more than 80 percent of all share savings accounts opened in the Finnish market.

Market share

In the area of share trading for private investors, Nordnet competes with a number of Internet-based players, as well as with the traditional banks. Nordnet's market shares for trading on the Nordic exchanges are 3-5 percent in terms of traded volumes, and 4-7 percent in terms of the number of transactions, depending on the market.

Nordnet's market share

2019	Sweden	Norway	Denmark	Finland
Volume	3.0%	4.9%	3.5%	3.3%
Number of trades	4.9%	7.4%	4.5%	6.7%
2018	Sweden	Norway	Denmark	Finland
Volume	3.2%	3.8%	3.0%	3.1%
Number of trades	5.0%	5.8%	4.1%	5.7%

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

Source: Market data from Nasdaq in Sweden, Denmark and Finland, and from the Oslo Stock Exchange in Norway.

Sustainability report.

Sustainability in figures.

Total energy consumption 2019 (2018)

1.7 GWh
(1.9 GWh)

Healthy workplace 2019 (2018)

3.6 percent sick leave
(2.2 percent)

Total greenhouse gas emissions 2019 (2018)

237 tonnes CO₂e
(254 tonnes CO₂e)

Equal-opportunity workplace 31 December 2019 (2018)

36 percent women
(38 percent)

Greenhouse gas emissions per trade 2019 (2018)

8.4 g CO₂e
(9.7 g CO₂e)

Investments in sustainable funds¹ 31 December 2019 (2018)

SEK **28.9** billion
(15.9)

Climate compensation 2019 (2018)

110 percent
(100 percent)

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

Nordnet in Society

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

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

Projects and activities in 2019

In 2019, a number of activities were carried out in the scope of Nordnet in Society, of which several are presented below. In addition to these, Nordnet worked in several ways to provide inspiration around and training in Nordnet in Society's focus areas. Including our climate compensation efforts, we invested SEK 406,669 in the projects and in other social contributions.

Sustainable savings

Save sustainably with Nordnet

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

Membership in Norsif and Swesif

Nordnet is a member of the trade associations Swesif and Norsif, both of which are counterparts to the European trade association Eurosif. Swesif and Norsif are independent networking forums for sustainable investments. Swesif provides a tool called the Sustainability Profile that allows fund savers to easily and accurately determine the specifics of how a particular fund works



During a breakfast event in September, nearly 200 women were gathered during a meeting with Nordnet's career network Power Women in Tech, an initiative in gender equality and diversity.

Savings at Nordnet, SEK billion	2019	2018	2017
Nordnet customer savings			
Net savings	21	23	17
Total savings capital	395	286	272

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

Investments in educations of the public, SEK thousand	2019	2018	2017
Cost for Nordnet's education activities			
Savings economists	-6,013	-6,982	-4,901
Nordnet Live Stockholm	-	-5,570	-5,000
Nordnet Live Oslo	-	-	-1,100
Women and finance event	-82	-	-
Nordnetbloggen	-459	-439	-445
Podcast	-834	-1,003	-510
Total	-7,388	-13,993	-11,956

The table shows the cost of education efforts for our customers and the public. The Nordnet blog is our inspiration platform for savings and investments in Sweden, Norway, Denmark and Finland. The cost for the Nordnet blog relates to web hotel costs and personnel costs in connection with managing the blog. Podcasts refer to production expenses to produce the podcasts in Sweden, Norway, Denmark and Finland, and the cost for equipment.

with sustainability criteria in its management. The Sustainability Profile tool is available at nordnet.se.

Education in savings

We educate the public in savings, both as part of our focus area in sustainable savings, but also in our daily operations. In our daily operations, we work with podcasts, in which our savings economists participate and represent the savers in our four markets. We arrange physical meetings, web-based courses and seminars in which we inspire the participants in savings and investments.

Sustainable funds

We offer over 2,250 (2,100) different funds in our respective mutual fund portals. The range consists of mutual funds from both large banks and smaller start-ups, and spans different types of asset classes, regions,

sectors and management styles. We allow customers to independently search for alternatives that suit them, but we point out the options that most benefit Nordnet. Each year, we report the extent to which our customers choose sustainable funds. Since 2016, we have used Morningstar's sustainability rating to define which funds are sustainable. We offer savings in 761 (579) mutual funds that are marked with four or five globes according to Morningstar's sustainability rating. The sustainability rating is based on the extent to which a company, in which a fund invests, works with sustainability issues. Total savings in funds with four to five sustainability globes amounted to 40 (31) percent of total fund savings at Nordnet as at the end of December 2019.

In 2019, we introduced multiple functions on our website so that our customers will easily find the sustainable

Savings in funds marked with the ESG profile at Nordnet, SEK billion	2019	2018	2017
Nordnet customer savings in funds classified with Morningstar's sustainability globes			
Total savings in funds with 4-5 sustainability globes	28.9	15.9	8.8
Share of mutual fund savings in funds with 4-5 sustainability globes	40%	31%	17%

The table shows total savings in mutual funds with either four or five globes in Morningstar's Sustainability Rating, and the percentage of the total fund savings that take place in these funds compared with Nordnet's total range of mutual funds. The increase is attributable to several factors – greater interest among savers in sustainable investments, greater interest among fund companies in sustainable management, changed comparison categories at Morningstar and value increase for shares.



Power Women in Tech welcomed guest speakers Alexandra Avli, Lisa Gunnarsson, Siri Wikander and Louise Andersson in the autumn. Here together with organizer Heidi Ershult (furthest to left) and Johan Tidestad (furthest to right).

funds in our fund offering. Through a filter function, the savers can actively filter out unwanted holdings, such as funds with investments in underlying businesses involved in activities in e.g. weapons, gambling, tobacco, coal or the like.

Funds with a low carbon dioxide risk and with a low level of fossil fuel exposure are assigned a green leaf by Morningstar. Of the fund's assets, at least 67 percent must also have been assigned a sustainability rating by the company Sustainalytics. On our website, one can now see which funds have been given a green leaf by Morningstar.

Equality & diversity

Kvinnekveld (Women's Evening), Norway

In September 2019, around 70 women gathered at Stratos in Oslo to learn more about the stock market and finance. The evening was targeted at beginners in savings and investments and aimed to inspire more women to begin saving. The speakers during the event included Laura McTravis from DNB on sustainable savings, Kristin Skaug from AksjeNorge on the stock market and savings, and Helene Hansteen from DNB on pension savings. The ambition is to carry out several

events in the future with the aim of contributing to greater gender equality and diversity in the finance industry.

Kvindelogen (Women's Lodge), Denmark

In the autumn, we participated in the annual member conference for one of our ambassador networks Kvindelogen (Women's Lodge) where 150 women participated. The event focused on increasing investing among women. Nordnet's Jakob Holck debunked classic investment myths, explained various portfolio strategies and emphasized the importance of low investment costs. Our participation in the conference was aimed at contributing to more women investors.

FinanceLab, Denmark

Financelab Aarhus is run by volunteering students at Aarhus University and seeks to provide a network for students in corporate finance and investments. We participated in a network meeting to make the students more aware of investments, portfolio thinking and risk management. Interest in the event was extensive where many young people participated to learn more about the financial market.

Power Women in Tech, Sweden

Power Women in Tech is Nordnet's career network for women in fintech that was founded in 2018 and has around 900 members. The network was created with the aim of attracting more women to a career in fintech, an industry that is still male dominated. In 2019, we arranged two well-visited networking meetings with such guests as H       Barnekow, President of Microsoft Sweden, Lisa Gunnarsson, Nordics Manager at LinkedIn, Isabella J        , Nordic Marketing Director at Uber and Aleksandra Avli, CEO and founder of the women's network HER and the app HON.

Girls Invest, Finland

In our partnership with the influencer duo "Girls Invest" ("Mimmit sijoittaa"), we arrange lectures and networking meetings for young women interested in shares. To-date, more than 20 fully booked events have been held and many more are planned for 2020. The participants get to learn more about the stock market, the importance of diversifying the portfolio and the advantages of the interest on interest effect and long-term savings. The ambition for these events has been to create a more gender equal stock market.

Digital learning

Kodcentrum, Sweden

Through cooperation with Kodcentrum, we contribute to the development of young people into tomorrow's programmers – a professional category on which we will always be dependent to continue strengthening our customer offering. Kodcentrum is an organization that gives children aged 9-13 the possibility of learning to program in their free time. The Kodcentrum collaboration began in 2015 and continued in 2019. We contribute both financial support and arrange a so-called kid hackathon. In autumn 2019, we hosted a kid hackathon where 39 children visited our head office in Stockholm. Over an afternoon, the children had an opportunity to develop their knowledge in programming and digital creation.

Koodikerho, Finland

We collaborate with the volunteer organization Koodikerho in Finland, which organizes programming camps for children ages 9 and up. Our cooperation with Koodikerho began at the end of 2017. In 2019, we continued to support Koodikerho's work to inspire children to digital creativity. Together with Koodikerho, we can contribute to digital development and lower the barrier to children to pursue a future career in programming.

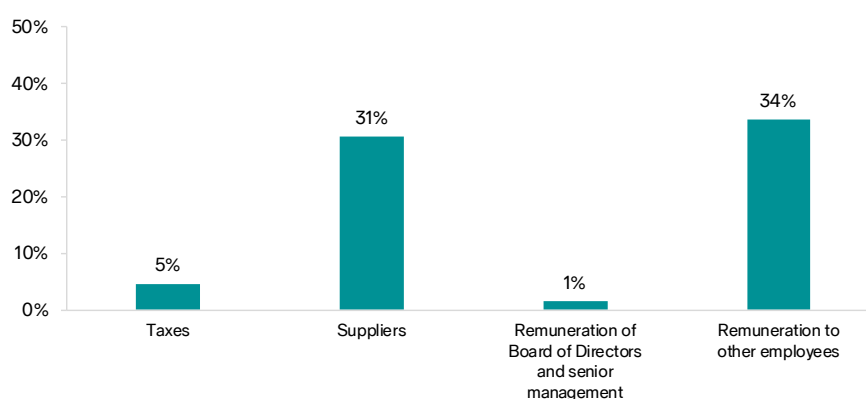


Together with Kodcentrum, we arranged the kid hackathon at our head office in Stockholm in the autumn.

Our actions

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

Nordnet's financial impact on various stakeholder groups



The graph shows Nordnet's distributed economic value, reported in accordance with GRI 202-1, which has benefited our stakeholders in 2019.

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

Values and ethical guidelines

All employees are presented with the company's ethical guidelines and values and expected to act in accordance with them. This is particularly important for promoting justice, integrity, trust and responsibility in Nordnet's business operations. The responsibility for ensuring that Nordnet's ethical guidelines are updated annually rests on the Board. In order for all employees

to be familiar with the guidelines and rules regarding ethics, privacy and money laundering, they receive training in these areas every year. In addition, training is provided in other areas, such as disclosures, complaint management and market abuse for the employees who are particularly concerned with these areas.

Some employees in the Swedish operations, such as our brokers, require a Swedsec licence. We also encourage other employees to educate themselves to meet the requirements for obtaining this licence, and therefore improve their skills and enhance the quality of our customer contact. Corresponding licencing requirements also exist for certain roles in Nordnet's Danish, Finnish and Norwegian operations. At the end of 2019, 103 of our employees were licensed by Swedsec, which is more than one-fifth of our employees in Sweden.

Financial sector players are at greater risk of being affected by certain financial crime such as money laundering, fraud, unfair market impact or insider trading.

The occurrence of such crimes and infractions may harm Nordnet's brand and our stakeholders' perception of us as an organization. Nordnet works long-term to ensure good business ethics, transparency and trust in our relationships with customers, employees, owners, suppliers and other stakeholders. Nordnet arranges compulsory courses on an annual basis for all employees, in such topics as money laundering, ethics and regulatory frameworks. Nordnet's control functions regularly follow up the business and review internal policies and steering documents. All employees are expected to monitor existing anti-corruption rules and guidelines. No company-wide training in anti-corruption was done during the year and no external communication towards business partners was carried out.

Promoting good business ethics

Nordnet is a member of the Swedish Securities Dealers Association and the Swedish Bankers' Association and adheres to the latest guidelines for dealing with ethical issues in banks. Nordnet's operations depend largely on trust from customers, supervisory authorities and other stakeholders. Circumstances that may damage this trust can also potentially harm Nordnet's operations. Therefore, it is extremely important that Nordnet identifies and manages all potential conflicts of interest. Nordnet regularly follows up on all internal policies and governance documents to ensure compliance. Nordnet also conducts annual workshops and training in conflicts of interest.

In order to identify potential or actual events that violate Nordnet's rules of business ethics, Nordnet has a whistleblower function by which employees can anonymously report violations. In 2019, no violations were reported through this function.

Preventing financial crime

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

mandatory training on money laundering and terrorist financing every year.

Information and IT security

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

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

In order to further strengthen Nordnet's information and data security, a number of improvement measures were implemented in 2019. For example, we structured the responsibility for systems and trained our systems owners, verified that our critical systems have an appropriate security level and examined our primary suppliers. In 2020, we will work to further improve our monitoring and security for our staff.

Personal integrity

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

Employees

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

A culture of development

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

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

At least twice a year, all our employees have talks with their immediate manager to review their performance and discuss their development. The work in teams and

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

Nordnet is dependent on attracting, developing and retaining the talent to achieve our goals as an organization. As a digital bank, there is a particular need for personnel in attractive areas of expertise, such as technology and digital marketing. There is extensive demand for labour in these areas, which is why there is a risk of not being able to recruit the right personnel at the rate we would like, as well as the risk of good employees leaving. Finance and tech are areas predominantly dominated by male employees, and the risk



is that the gender distribution at Nordnet may become two one-sided. We work to prevent these risks by increasing the attractiveness of Nordnet as a potential employer, focusing on our employees through personal development and increasing the number of women in our recruitment processes. One example of this is our women's career network Power Women in Tech, the purpose of which is to make the industry more equal and inspire women to choose a career in fintech.

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

Personnel turnover was 34 (30) percent for the Group in 2019, including temporary workers and hourly employees. We measure personnel turnover by calculating: the number of departures divided by the average number of employees during the period. Personnel turnover seen solely permanent employees and pro-

bationary employees were 26 (34) percent during the year, where the comparative figure from 2018 is based on the definition of personnel turnover of the Key Ratio Institute. There has been a great deal of new talent at Nordnet during the year at the same time as there was a reorganization into different teams that also affected the outcome.

Personal development

Nordnet works long term to create an attractive and developing working environment to be able to be strengthened as an organization and deliver value to our customers. We do this primarily by offering exciting work assignments and individual development for our employees.

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

Staff turnover	2019		2018		2017	
	Employees (no)	Women (%)	Employees (no)	Women (%)	Employees (no)	Women (%)
New hires						
Under 30 years	105	33%	113	41%	150	31%
30 - 50 years	75	32%	89	37%	79	39%
Over 50 years	20	60%	8	50%	4	25%
New hires during the year	200	36%	210	40%	233	34%
Rate of new employee hires	33%		35%		41%	
Departures						
Under 30 years	99	32%	82	35%	64	30%
30 - 50 years	93	42%	89	36%	73	41%
Over 50 years	14	50%	7	57%	8	50%
Departures during the year	206	38%	178	37%	145	37%
Rate of employee turnover	34%		30%		26%	

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



A paddle tournament was arranged in Sweden in the autumn for which all employees could register.

A healthy workplace

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

To ensure a good working environment, every six months, we send out a work environment survey where all employees can anonymously provide their opinions of the workplace. We also have an occupational health and safety representative who cooperates with HR in a work environment committee. The committee meets once a quarter, and their work is continuously under way.

Health at Nordnet	2019	2018	2017
Employee sick leave, by country			
Sweden	3.7%	2.0%	2.8%
Norway	2.7%	2.2%	1.5%
Denmark	5.4%	5.2%	4.7%
Finland	2.2%	2.3%	2.3%
Average Nordnet	3.6%	2.2%	2.9%

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

Better through diversity and equality

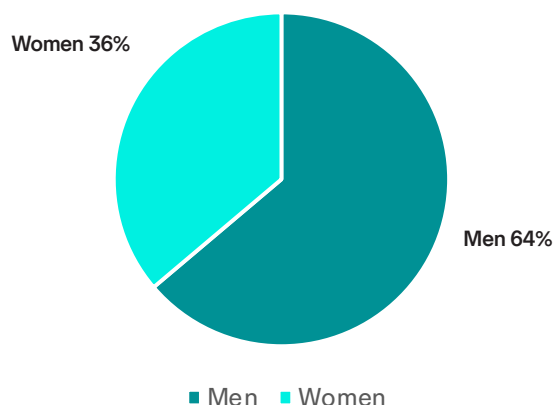
We strive to ensure all employees have the same opportunities, rights and obligations. We continue to work strategically and consciously with diversity and equality, which includes focusing on the issues in our different management teams. Nordnet's business is concentrated to the Nordic countries and the risks we see in the business for human rights primarily exist within gender equality and discrimination. Nordnet's stated objective is for the workplace to be characterized by diversity and equality, and we work actively to prevent discrimination. No cases of discrimination were reported in 2019. We review the wage differences from a gender equality perspective at every salary review and place specific emphasis on equal salaries for equal work.

The circle diagram shows the gender distribution and age distribution at Nordnet. At 31 December 2019, 64 percent (62) of the employees were men and 36 percent (38) were women. The gender distribution varies between different employee categories. Administrative functions have a higher proportion of women, while the proportion of men is higher among, for example, IT personnel. The majority of the employees, 54 percent (54), are in the 30-50-year age range.

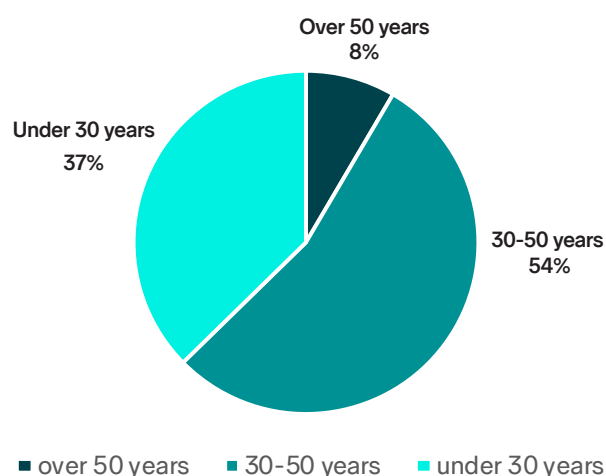
The share of women in management positions decreased by 13 percentage points since 2018. As at December 2019, 34 percent of our managers with employee responsibility were women, compared with 47 percent in 2018 and 40 percent in 2017.

The share of women in the management team is 30 percent, which is a slight increase from the previous year when it was 29 percent. At 31 December 2019, Nordnet's management team consisted of seven men and three women, and the Board of Directors consisted of six men and one woman. The share of women in new recruitment

Gender distribution



Age distribution



Ratio of basic salary of women to men at Nordnet	2019	2018	2017
Women's salaries as a percentage of men's			
Management (excluding the CEO and 2 consultant in Group management)	111%	107%	97%
All employees (excluding management)	88%	88%	89%

The table shows women's average salary as a percentage of the average wage of men in different personnel categories as at 31 December 2019. The calculation includes severance pay. We actively work according to our equality plan and equality policy to reduce the differences.

Collective bargaining agreements	2019	2018	2017
Employees covered by collective bargaining agreements (%)			
Share of employees with collective bargaining agreement	86%	85%	85%

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

has decreased by 4 percentage points compared with 2018.

We strive to even out the gender balance of the entire company, and we work for greater diversity in the workforce. To achieve this, we work to broaden the basis for selection by proactively recruiting potential candidates. Since our corporate language is English, the majority of those we recruit are not required to master any of the Nordic languages, which increases our potential to find the right candidates. In recruitment for certain local positions, such as customer service, knowledge is required in the local language. We strive to have a larger proportion of the under-represented gender in the various stages of the recruitment process – ranging from the first selection to the final candidates. Our

procedures help us avoid unconscious decisions linked to both gender and cultural background. We continue to believe that an increased proportion of women in recruiting positions promotes long-term improvement in gender equality.

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



Environment

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

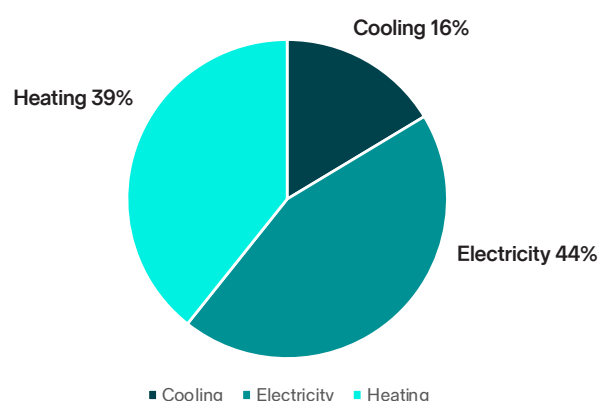
To reduce our direct impact on the environment, we strive to operate our office spaces with renewable energy, reduce our use of paper and recycle waste. Our business model does not require physical banking offices, and contact with our customers is mainly online and by telephone. This means that we are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

Energy efficient banking services

Nordnet's greatest environmental impact derives from the energy consumed by the servers that deliver our services around the clock. In 2019, we consumed approximately 1,710 MWh (1,864) for the operation of our IT infrastructure and for our consumption of electricity, heating and cooling at our offices. That's about as much as 68 (75) average single-family homes in Sweden consume over a year.

Nordnet's energy intensity amounted to 0.06 kWh (0.07) per trade – a decline of 14 percent compared to last year. In 2018, we moved our head office to larger premises at Alströmergatan in Stockholm. At the new office, we have installed energy efficient lighting, such as LEDs and sensors in selected

Energy consumption by energy type



locations, which have enabled higher energy savings. In connection with the move of the head office, one of the server halls was closed, which contributed to our electricity consumption decreasing from 2018. As the new head office is significantly larger than the previous head office, our consumption of district heating and district cooling increased significantly since the move. In 2018, our energy consumption was calculated for both the old and new office, in the months we spent in the respective premises. 2019 is the first full year in our new premises, which is reflected in our energy consumption, where our electricity consumption decreased further at the same time that our consumption of district cooling and heating increased.

Nordnet's energy consumption	2019	2018	2017
Indirect energy consumption, MWh			
Electricity, whereof 85% renewable energy	758	1025	1720
District heating, whereof 85% renewable energy	672	570	450
District cooling, whereof 98% renewable energy	279	270	20
Total	1 710	1 864	2 190

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



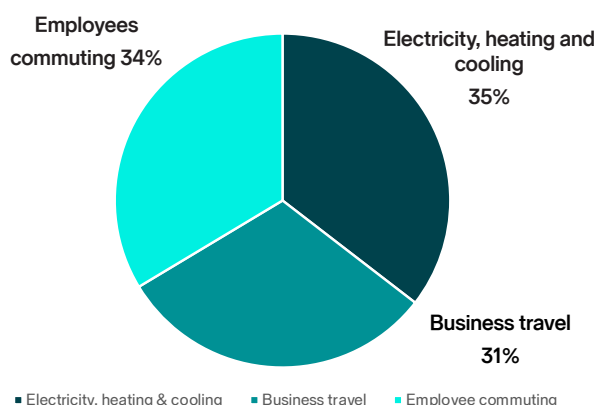
Our climate impact

We strive to have as little negative impact on the environment as possible, and every year we climate compensate for our greenhouse gas emissions, including the employees' commutes. For 2019, we are compensating for the first time for more than we emit, 110 percent, and have a positive impact on the climate in relation to our direct emissions. This is offset by planting trees in collaboration with small-scale farmers in Bolivia. The project, called ArBolivia, is certified in accordance with Plan Vivo. In addition to climate benefits, the project adds valuable social and ecological value.

Each year, we report our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol, the most common international framework for voluntary reporting of greenhouse gas emissions. Nordnet's greenhouse gas emissions primarily come from the employees' travel to and from work and from electricity consumption at our offices. In 2019, Nordnet's total greenhouse gas emissions amounted to 237 tonnes (254) of CO₂e, which is a decrease of 7 percent (14) compared with 2018. Emissions from our employees' commuting to and from work decreased by 4 percent (24) and commuting by public transport, walking and cycling increased by 11 percent compared with the previous year. Since we moved our head office in 2018 to Stockholm's inner-city, we have seen a change in the employees' commuting where more and more choose to take public transport to work instead of driving. Greenhouse gas emissions per trade on our platform was 8.4 (9.7) g CO₂ which is a decrease by 13 percent (13) since last year

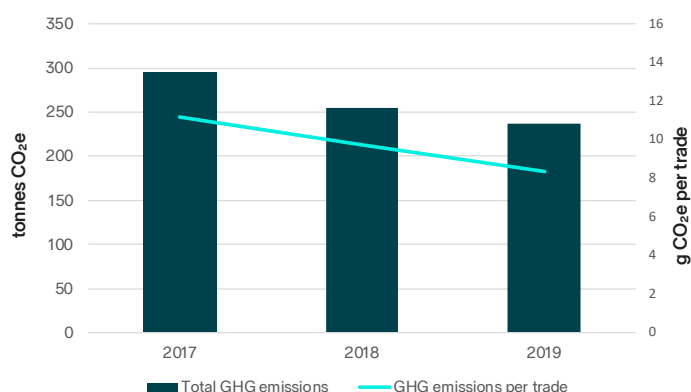
Nordnet's policy is to first and foremost communicate between the Nordic offices by phone, digital tools and video conferencing instead of meeting physically. Emissions from business travel decreased by 12 percent in 2019, which is due to our employees having made fewer journeys during the year.

Greenhouse gas emissions by activity



Nordnet's greenhouse gas emissions are relatively evenly distributed between business travels, employee commuting and energy use in our offices.

Greenhouse gas emissions



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

Auditor's opinion regarding the statutory sustainability report

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

Mission and division of responsibility

The Board of Directors is responsible for the sustainability report for 2019 on pages 18-33 and pages 136-141 and for its preparation in accordance with the Annual Accounts Act.

Audit focus and scope

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

Opinions

A sustainability report has been prepared.

Stockholm, 19 March 2019

Patrick Honeth
Authorized Public Accountant

Nordnet AB (publ)

Annual report.

Board of Directors' report

Introduction

The Board and Chief Executive Officer of Nordnet AB (publ), company registration number 559073-6681, headquartered in Stockholm, hereby submit the Annual Report and principles of consolidation for the 2019 financial year. The annual report was approved for publication by the Board on 19 March 2020. Income statements and balance sheets are subject to adoption at the Annual General Meeting (AGM) planned for 23 April 2020.

Ownership

Nordnet AB (publ) is owned, directly and indirectly, by Cidron Danube S.à.r.l. a company in the Nordic Capital Group with 39 percent, the Öhman Group through the holding company E. Öhman J:or Intressenter AB with 29 percent, members of the Dinkelspiel family (personally and through companies) with 31 percent and by Board members and employees in the Nordnet Group with 1%.

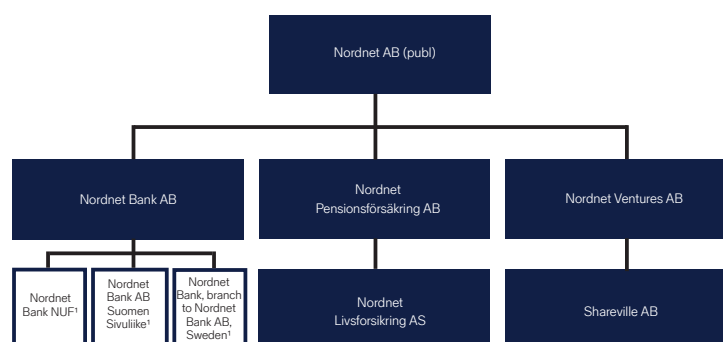
Operations

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

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

Group overview

The illustration to the right shows the Nordnet Group chart as at 31 December 2019.



¹Branch of Nordnet Bank

red. In Norway, Denmark and Finland, bank operations are run via branch offices. Through the subsidiary Konsumentkredit in Sweden, consumer loans are provided to private individuals on the Swedish market.

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

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

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.

Significant events during the year

- The customer base continues to increase at a steady pace. The number of customers as at the end of the year was 913,600 (765,200), corresponding to an increase of 19 percent compared with one year earlier.
- The next generation of web services was launched

in all of Nordnet's markets during the year for an improved customer experience and with multiple new functions.

- 2019 was an eventful year in the stock market, which together with high customer growth resulted in high trading activity. The number of trades among Nordnet's customers amounted to 28.4 million trades (26.1).
- In December 2018, Nordnet announced the acquisition of the Norwegian bank Netfonds. In the first half of 2019, integration work was carried out that entailed a migration of all customers to Nordnet's systems.

First quarter

- Higher income and lower expenses provide strong earnings. Operating profit rose by 208 percent compared with the same period last year and amounted to SEK 129.0 million.
- The share loan programme was launched in Norway, which provides extra return on the shares Nordnet's customers have invested in.
- Tier 1 capital is strengthened by SEK 500 million through an issue of an AT1 bond and by SEK 250 million through a shareholders' contribution.
- Frida Bratt took office as the new savings economist for the Swedish market.

Second quarter

- Increased income and cost control provide a strongly improved operating profit that amounts to SEK 211.1 million for the period, which is an increase by 196 percent compared with the same period of the previous year.
- We surpassed 850,000 customers and SEK 350 billion in savings capital.
- Functions for sustainable savings were implemented, which help customers actively invest in sustainable funds and sort out unwanted holdings.
- The acquisition of Netfonds was completed in April. In June, Netfonds Bank AS and Netfonds Livsforsikring AS were merged with the companies Nordnet Bank AB and Nordnet Livsforsikring AS, respectively.

Third quarter

- Lars-Åke Norling began as the new CEO in September.
- An improved residential mortgage offering with a higher 60-percent loan-to-value ratio and lower

interest rate. Our lowest list rate is 0.79 percent and we have the lowest average interest rate of all Swedish banks at 1.06 percent.

- Named "Stock Broker of the Year" by the Finnish shareholders' association, Soumen Osakesäästäjät.

Fourth quarter

- Nordnet becomes the first Finnish bank to offer the new account type osakesäästötili, equivalent to the Swedish share savings account.
- A new model for portfolio lending was introduced where well-diversified portfolios provide greater borrowing room.
- Named "Small Business Bank of the Year" by Privata Affärer for our offering directed at entrepreneurs.
- Non-recurring expenses of more than SEK 50 million were charged to profit, of which around SEK 20 million is attributable to the completion of the integration of Netfonds, and around SEK 30 million is a consequence of a new assessment regarding the Nordnet Group's deduction right for input VAT in earlier years.
- The strong growth and high activity mean that we can present income of more than SEK 400 million for the quarter, a growth of 23 percent compared with the same period in the year before.

Profits and financial review, Group

Operating income for the financial year rose by 20 percent to SEK 1,573.4 million (1,310.4). The operating income improved across all revenue streams where net interest income increased the most. Of operating income, SEK 762.9 million (696.0) was net commission income; SEK 497.7 million (377.6) was net interest income; SEK 69.7 million (58.9) was other income; and SEK 243.0 million (178.0) was net result from financial transactions. Of the increase from the previous year in net result from financial transactions, SEK 65.7 million is attributable to sales of shares in Tink.

Net interest income increased by SEK 120.2 million. Larger volumes in residential mortgages and portfolio margin loans are positive contributing factors to the net interest income. Net interest income also improved from income from Nordnet's share loan programme and higher return on excess liquidity. Net commission income rose by SEK 67.0 million, mainly attributable transaction-related income and higher volumes in Nordnet Markets.

Operating expenses before credit losses rose by 3 percent to SEK -1,162.3 million (-1,133.2). Expenses for marketing and external services decreased while expenses for personnel increased. Expenses for depreciation and amortization increased and were related to the acquisition of Netfonds. Non-recurring expenses for SEK 35 million for the acquisition were charged to earnings during the period. In addition, an expense of SEK 30 million was charged to earnings as a consequence of a new assessment being made by an on-going question regarding the Nordnet Group's deduction right for input VAT.

Operating profit for the financial year increased by 167 percent to SEK 377.4 million (141.2), and the operating margin was 24 percent (11). Profit after tax for the year rose by 187 percent to SEK 339.5 million (118.1), resulting in a profit margin of 22 percent (9). Lending to credit institutions amounted to SEK 505.2

million (333.0). The Group's cash and equivalents amounted to SEK 914.7 million (1,677.2), of which cash and holdings central banks amounted to SEK 409.5 million (1,334.2). The Group's cash and cash equivalents, including cash and cash equivalents in the insurance business, amounted to SEK 2,691.2 million (3,038.2), as at the end of the period, of which frozen assets amounted to SEK 103 million (91). Consolidated equity at year-end amounted to SEK 3,057.8 million (1,988.2). For the financial conglomerate in which Nordnet AB (publ) is the parent company, the asset base amounted to SEK 1,990.6 million (1,455.7) and total risk exposure amounts to SEK 10,090.3 million (8,510.5). At the end of the period, the capital ratio amounted to 19.7 percent (17.1).

At year-end, goodwill and brands amounted to SEK 429.2 million (190.0). The increase in goodwill and brands during the year is attributable to the acquisi-

Group	2019 ¹	2018 ¹	2017 ¹	2016 ²	2015 ²
Income statements, SEK thousands					
Net interest income	497,733	377,563	386,269	403,174	406,572
Net commission	762,937	695,954	640,504	589,845	624,653
Net result of financial transactions	243,034	177,981	162,360	151,518	147,193
Other income	69,655	58,916	54,903	51,486	59,641
Total operating income	1,573,359	1,310,414	1,244,036	1,196,023	1,238,059
Operating expenses	-1,162,296	-1,133,239	-1,008,528	-799,191	-748,079
Credit losses	-33,645	-36,002	-35,301	-29,098	-41,333
Operating result	377,418	141,173	200,207	367,734	448,647
Tax	-37,924	-23,121	-32,874	-70,688	-91,506
Income for the year	339,494	118,052	167,333	297,046	357,141
Balance sheets, SEK thousands					
Interest-bearing securities	23,599,547	20,036,326	17,852,202	15,485,339	13,562,861
Lending to credit institutions	505,193	333,024	275,591	329,045	294,691
Loans to the general public	16,127,777	14,204,488	11,852,046	9,516,392	7,278,083
Assests for which customers bear the investment risk	70,089,225	51,726,480	46,515,739	41,684,655	35,995,138
Other assests	5,281,581	5,819,098	3,844,984	3,434,812	3,082,521
Total assets	115,603,323	92,119,416	80,340,562	70,450,243	60,213,294
Liabilities to credit institutions	-	-	-	-	396,529
Deposits and borrowing from the general public	38,572,145	35,225,181	29,063,690	24,426,599	19,605,376
Liabilities for which customers bear the investment risk	70,091,081	51,726,480	46,515,739	41,685,918	35,996,211
Other liabilities	3,882,315	3,179,516	2,736,480	2,358,841	2,341,211
Total liabilities	112,545,541	90,131,177	78,315,909	68,471,358	58,339,327
Total equity	3,057,783	1,988,239	2,024,653	1,978,885	1,873,967
Total equity and liabilities	115,603,324	92,119,416	80,340,562	70,450,243	60,213,294

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

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

tion of Netfonds Bank AS and Netfonds Livsforsikring AS. The value of the customer base and the brand with a limited useful life amounts to SEK 259.7 million and goodwill with an indefinite useful life amounts to SEK 236.6 million. For more information, see Note 46. Investments in tangible fixed assets during the year amounted to SEK 19.9 million (84.0). Investments in intangible assets during the year, such as capitalized expenditure for development work, amounted to SEK 91.3 million (112.1), of which SEK 37.8 million (32.5) was in personnel-related expenditure for product development. A consolidated multi-year overview is above and key figures are after the notes.

Profits and financial review, Parent Company

The Parent Company's operating income for 2019 amounted to SEK 18.7 million (8.2) and relates to internal administrative services within the Group. The profit from financial investments totalled SEK 260.1 million (17.6) and comprises interest expenses, dividends from subsidiaries and capital gains from the sale of shares in Tink. The Parent Company's profit after financial items amounted to SEK 250.5 million (7.2). The Parent Company's cash and cash equivalents amounted to SEK 69.4 million (1.7), and shareholders' equity to SEK 2,158.1 million (6,512.6). The proposed dividend to the owners from the Parent Company amounted to SEK 135.8 million (0).

Future prospects

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

Nordnet's ambition is to become more relevant for a larger customer group through digital advisory services, such as Nordnet Smart Portfolios and the Fund Advisor. However, we will never leave the ambition to be the number one choice for people who have a significant interest in savings and want to make independent investment decisions.

In Nordnet's assessment, the Nordic savings market is

growing. One factor making a strong contribution is the restructuring of the pension system that is in progress, where the individual is expected to assume greater responsibility for his/her pension. The Nordic pension market is varied and complex. In Denmark, with clear rules for transfers and reporting of fees, our pension business is growing at a rapid pace; a trend we expect to continue. An introduction of rules on a more efficient relocation right in the Swedish market would be favourable for Nordnet, and during the year, large steps were made towards more consumer-oriented and customer-friendly legislation in the area.

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

Employees

The average number of full-time positions for the period was 495 (522). The number of full-time positions at year-end was 497 (526), consisting of 415 (430) in Sweden, 30 (32) in Norway, 23 (32) in Denmark and 29 (33) in Finland. Nordnet strives for balanced gender distribution. At the end of 2019, the proportion of women in the Group is 36 percent, and the proportion of women managers is 34 percent. The proportion of women in the management team is now 30 percent.

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

Risks and uncertainty factors

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

alongside any opportunities for profit growth.

The risks in Nordnet's operations are determined by:

- Credit risk including concentration risk
- Market risk
- Financing risk/Liquidity risk
- Operational risk
- Risks in the insurance operations

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

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

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

Official supervision

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

mation on the intranet.

Authorizations received

The subsidiary, Nordnet Bank AB, which is subject to supervision by the Swedish Financial Supervisory Authority, is licensed to run banking operations in accordance with the Banking and Financing Business Act (2004:297), licensed to run securities operations in accordance with the Securities Market Act (2007:528), licensed to conduct insurance distribution under the Insurance Distribution Act (2018:1231) and licensed to run pension savings operations in accordance with the Individual Pension Savings Act (1993:931). The subsidiary, Nordnet Pensionsförsäkring AB, which is also subject to supervision by the Swedish Financial Supervisory Authority, is licensed to run insurance business in accordance with the Insurance Business Act (2010:2043). Nordnet Livsförsäkring AS is a wholly owned subsidiary of Nordnet Pensionsförsäkring AB and is subject to the supervision of the Financial Supervisory Authority of Norway. Nordnet Livsförsäkring AS is licensed to conduct insurance business in accordance with the Norwegian Insurance Act (10 June 2005 no. 44).

Sustainability

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

Nordnet has prepared a sustainability report in accordance with GRI Standards. In accordance with Chapter 6 Section 11 of the Annual Accounts Act, Nordnet has chosen to prepare the statutory sustainability report as a separate report from the annual report. The sustainability report is on pages 18-33 and pages 142-147 in this document.

Corporate governance report.

Corporate Governance Report

Introduction

Nordnet is a privately owned Swedish limited company, headquartered in Stockholm. In 2019, the Group pursued operations in Sweden, Norway, Denmark and Finland.

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

Governance of the Group in 2019 was based in part on the Articles of Association and the Swedish Companies Act. The corporate governance report was prepared in accordance with the Annual Accounts Act. As Nordnet's share is not currently listed for trade in a regulated market, no corporate governance code is applied.

Bodies and regulations

Shareholder

At the end of 2019, Nordnet had 23 shareholders.

Annual General Meeting

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

Board of Directors

Responsibility of the Board of Directors 2019

Nordnet's Board of Directors has the overall responsibility for the company's organization and management of the company's affairs in accordance with the Swedish Companies Act, as well as for having a well-functioning

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

Chairman of the Board

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

Composition of the Board

At the 2019 Annual General Meeting, it was decided that the Board would consist of seven regular members and no deputies. The CEO does not sit on the Board but presents the reports. The company's General Counsel presides as secretary at the Board meetings. Where necessary, other company officials also present reports. The table below shows the composition of the Board as at 31 December 2019 and includes the Board's dependence in relation to the company and the

company's owners. The Articles of Association state that Board members are elected annually by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association include no specific regulations on dismissing Board members and amending the Articles of Association.

Promoting diversity in the Board

Diversity entails a variety of characteristics and skills among individuals. This may apply, for example, to formal skills in the form of education, experience in different sectors, experience from activities in different countries or other background factors such as gender, ethnicity or age. Nordnet strives to have a Board with equal gender distribution, composed of members of varying ages, with varied education, experience and expertise, and with varying geographical backgrounds. Nordnet's Board currently has a diversified composition in terms of expertise, experience and specialist areas, and it is well-adapted in this respect to Nordnet's priority development areas. The age distribution of the Board is relatively broad. In 2019, the Board of Directors had one woman member, and a more even gender distribution is desirable.

The Board's rules of procedure

The rules of procedure are set annually at the Board meeting following election. The rules of procedure are reviewed when necessary. The rules of procedure include the Board's responsibilities and duties, the duties of the Chairman, composition of the Board, and audit issues, and state which reports and financial information are to be received by the Board prior to each ordinary Board meeting. Furthermore, the rules of procedure include instructions to the CEO complemented by CEO terms of reference. The rules of procedure

also stipulate that Remuneration, Audit, Risk and Compliance and IT Committees will be established and what their tasks will be. The Board's rules of procedure were established 21 March 2019. In addition to these committees, there is a bank-specific Credit Committee.

Evaluation of the work of the Board

The procedures state that an annual evaluation of the work of the Board should take place by means of a systematic and structured process. For 2019, the Chairman has ensured that the work of the Board has been evaluated through self-evaluation.

Committees

The Board's overall responsibilities cannot be delegated, but the Board has established certain preparatory committees as follows:

Remuneration Committee

The Board has established a Remuneration Committee tasked with preparing issues relating to salaries, remuneration and other terms of employment for the CEO, Group management and others, plus bonuses for Group employees where applicable. The Committee shall also analyse and present to the Board the risks associated with the company's remuneration system and, on the basis of this analysis, identify and present the employees who should be considered to have a substantial impact on the company's risk profile. Reporting to the Board takes place regularly.

Audit Committee

The Board has also established an Audit Committee tasked with preparing the work of the Board with regard to monitoring and assuring the quality

Board members 2019

Board member	Elected	Position	Dependent position ¹	Remuneration committee	Credit committee	Audit committee	Risk & compliance committee	IT committee
Tom Dinkelspiel	2007	Chairman of the Board	Yes	Member		Member	Member	
Jan Dinkelspiel	2017	Board member	Yes		Member		Member	Member
Christopher Ekdahl	2017	Board member	Yes		Chairman		Member	
Christian Frick	2017	Board member	Yes	Chairman		Member		
Hans Larsson	2017	Board member		Member	Member	Chairman	Chairman	
Per Widerström	2017	Board member						Chairman
Karitha Ericson	2019	Board member						

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

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

Risk and Compliance Committee

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

IT Committee

The Board has established an IT Committee for the preparation of strategic IT issues for Nordnet and its operating subsidiaries.

Credit Committee

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

CEO and Group management

The CEO manages operations within the guidelines and instructions established by the Board. The most recently established instructions were set by the Board on 21 March 2019. The CEO is responsible for compliance with the objectives, policies and strategic plans for the Group by the Board. The CEO also produces the requisite information for following the Group's position,

earnings, liquidity and development in general, necessary information and decision basis prior to Board meetings, presents issues and justifies proposals for decisions. The CEO leads the work of the Group Management team and makes decisions in consultation with other members of management. Group Management holds regular meetings at which both strategic and operational issues are discussed. In addition, Group management produces business plans each year, which are followed up via monthly reports. Group management consists of managers of essential business areas within the Nordnet Group, see pages 51-52.

Auditors

At the 2019 Annual General Meeting, accounting firm Deloitte AB was re-elected as the auditor of Nordnet AB (publ) and all subsidiaries until the end of the Annual General Meeting 2020. The auditors' task is to review the annual accounts, consolidated accounts and accounting, plus the administration of the Board and CEO. The auditors report back on their findings on a number of occasions during the year and are present at the Board meetings that deal with annual accounts. The auditors also have continuous contact with the Audit Committee.

Internal audit

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

Board control of financial reporting

The Board monitors the quality of financial reporting in a number of ways. One method is by issuing instructions to the CEO. According to these instructions, the CEO is responsible for reviewing and ensuring the quality of all financial reporting, and for ensuring that the Board in general receives the reports required in order for it to continually assess the Group's financial position.

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

The Group works with internal control in accordance with the principles associated with the three lines of defence. The first line of defence is the activity. The second line of defence is comprised of the risk control and regulatory compliance functions and, insofar as pertains to Nordnet AB's subsidiary Nordnet Pensionsförsäkring AB, its actuary function, while the third is comprised of internal audit, which reports directly to the Board (and only to the Board). The assessment of the efficiency of internal control is largely conducted by the independent control functions. These consist of the function for Risk Control, Compliance and internal audit, which monitor adherence to internal and external regulations and risk limits. The tasks performed by the Audit Committee ensure that the financial reports maintain a high standard. The Board follows up and assesses this quality assurance by receiving monthly reports on the company's earnings trend, credit and risk exposure and relevant sector data and by addressing the Group's financial situation at each Board meeting.

In 2019, two interim reports were subject to review by the company's auditors, namely the third and fourth quarterly reports. The Group's auditors report their findings to the Board in connection with the review of the annual accounts. In addition, the Board meets the company's auditors at least once a year – without the presence of the executive management team – to learn about the focus and scope of the audit, and to discuss coordination between the external and internal audits and views of the company's risks. The auditor issues a presentation and receives feedback from the Board regarding the focus and scope of the audit.

Work over the year

Annual Report 2019

Nordnet's 2019 Annual General Meeting was held on

21 March 2019. Nordnet's General Counsel Carl Dahlborg was elected the Chairman of the Meeting. The resolutions of the Annual General Meeting included:

- No dividend was to be paid to the shareholders for 2018.
- The Board shall have seven regular members and no deputies.

Attendance at the AGM

2019	100%
2018	100%
2017	98,4%

Percent of votes and capital.

Board of Directors

The Board held 13 meetings over the year, of which three were conducted by letter or e-mail. The tables on page 46 show attendance of meetings in 2019.

The work of the Board takes place at an intensive pace in order to support the CEO and other members of Group management. At each meeting, the Board discussed a number of issues relating to strategic and business-related areas. During the year, Nordnet officials have also taken part in Board meetings by presenting reports. Every month, the Board receives a report on the company's earnings trend, credit and risk exposure and relevant industry data. See the table of Board meetings for decisions made in 2019 on page 46. For information about Board members, see the section Board of Directors and auditors on page 50.

Remuneration Committee

As at 31 December 2019, the Remuneration Committee consists of Christian Frick (Chairman), Tom Dinkelspiel and Hans Larsson. The Committee has conventionally handled matters as wages, compensation, incentive compensation and other employment terms for the CEO and the company's top management and incentive programmes for key employees. The committee held four meetings in 2019, two of which were per capsulam.

Audit Committee

As at 31 December 2019, the Audit Committee consists of Hans Larsson (Chairman), Christian Frick and Tom

Attendance Board meetings and committee meetings 2019

	Board meetings	Remuneration committee	Credit committee¹	Audit committee	Risk and compliance committee	IT committee
Tom Dinkelspiel	13 of 13	4 of 4		7 of 7		
Jan Dinkelspiel	13 of 13		13 of 13		12 of 13	10 of 11
Christopher Ekdahl	13 of 13		13 of 13		12 of 13	
Karitha Ericson	13 of 13					
Christian Frick	13 of 13	4 of 4		3 of 7		
Hans Larsson	13 of 13	4 of 4	13 of 13	7 of 7	13 of 13	
Per Widerström	13 of 13					11 of 11

¹The committee is only in Nordnet Bank AB

Dinkelspiel. Among other matters, the committee has prepared the work of the Board regarding quality assurance of financial reporting and maintained constant contact with the external auditor. The committee held seven meetings during 2019.

Risk and Compliance Committee

The Risk and Compliance Committee consists of Tom Dinkelspiel (chair), Hans Larsson, Jan Dinkelspiel and Christopher Ekdahl at 31 December 2019. The commit-

tee is tasked with monitoring and providing the Board with greater access to information concerning compliance, risk and incident reporting of the organization and its operations. During the year, the committee held 13 meetings, of which one was per capsulam.

Credit Committee (committee in Nordnet Bank AB)

The Credit Committee consists of Christopher Ekdahl (chair), Hans Larsson and Jan Dinkelspiel at the end of

Board meetings 2019¹

Meeting	Topics discussed
January	Customary matters. Year-end report for the past year. Dividend proposal. Budget.
March	Customary matters. Reporting from the auditor regarding the review of the annual accounts 2018. Proposed annual report. Internal capital and liquidity adequacy assessment.
April ^{2,3}	Customary matters. Training ("Marketing of financial services"). First quarter profit.
June	Customary matters. Training ("Prospectus responsibility, etc.") Strategy.
July	Mid-year profit January-June.
September	Customary matters. Training ("Framework for operational risks").
October	Customary matters. Third quarter profit. Update of ICAAP and ORSA. Acquisition analysis Netfonds. Question regarding entering assignment agreement with Google Ireland Ltd.
December	Customary matters. Budget and forecast for 2020. Discussion of dividend 2019. Plan for Board training 2020. Annual presentation of major credit engagements. Corporate insurance.

¹ In addition to the above meetings, three meetings were held per capsulam, one extra session, and one statutory meeting on 21 March 2019.

² Tom Dinkelspiel was elected to be a member of the Risk and Compliance Committee only at the statutory Board meeting on 21 March 2019.

³ Questions regarding new share issue.

2019. The Committee has determined and prepared the annual report of the Board's limits and limits on the company's Board of Directors in accordance with the applicable credit policy and credit instruction at all times. During the year, the committee held 13 meetings, of which seven were per capsulam.

IT Committee

At 31 December 2019, the IT Committee consisted of Per Widerström (chair) and Jan Dinkelspiel.¹ The committee prepared issues concerning IT operation and IT development. In 2019, the Committee held 11 meetings.

¹ Former Board member, Pierre Siri, also participates in the practical committee work on a consulting basis.

CEO

Since 1 September 2019, Lars-Åke Norling has been the CEO of Nordnet. He succeeded former acting CEO Anders Danielsson. More information is available under Management on page 51.

Group management

As at 31 December 2019, Group management consisted of 10 people: Lars-Åke Norling, Anders Skar, Anne Buchardt, Carina Tovi, Johan Tidestad, Martin Ringberg, Rasmus Järborg, Ronnie Bodinger, Suvi Tuppurainen and Lennart Krän.

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

Audits and auditors

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

Remunerations

Remuneration to the Board of Directors

The Annual General Meeting of 2019 resolved that total remuneration of the Board members for the current year would amount to SEK 2,250,000 (2,100,000), of which SEK 250,000 was paid to each of Hans Larsson, Karitha Ericson and Per Widerström and SEK 150,000 to each of the other members. In addition, fees for work in the Board's committees include SEK 25,000 per committee in which the member participates. A fee of

SEK 50,000 is paid to the chairman of the respective committees. Fees for work in the Risk and Compliance Committee, however, amount to SEK 225,000 to the chairman and SEK 75,000 to the other members of the Committee. SEK 125,000 is payable to the chair of the Audit Committee. For more information, please see Note 12.

Remuneration to the CEO and Group Management

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

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

Fixed remuneration of the current CEO Lars-Åke Norling amounted to SEK 437,500 per month as of 1 September 2019. Lars-Åke Norling also received remuneration in the form of a one-time amount of SEK 5,000,000 in connection with the beginning of employment. Fixed remuneration of the former Acting CEO Anders Danielsson amounted to SEK 416,667 per month (416,667) until 31 August 2019. For more information, see Note 12.

With the exception of the CEO, Nordnet has the same pension policy for senior executives as for other employees. The pension plan is premium-based, and the premium for service pension insurance is based on age, salary and the base amount that appears for each applicable premium plan. For members of Group management not residing in Sweden, local rules are applied that lead to a pension under equivalent terms. The same policy is to be applied regarding future pension obligations. Pension payments to Lars-Åke Norling correspond to 35 percent of the fixed salary in 2019.

Remuneration to CEO and corporate executives 2019

SEK thousands	Year	Fixed	Benefits	Pension expenses	Total
Acting CEO Anders Danielsson	2019	3,750	-	1,657	5,407
	2018	1,250	2	544	1,796
CEO Lars-Åke Norling	2019	1,750	22	749	2,521
Other corporate executives ¹	2019	22,554	367	-	22,921
	2018	29,522	1 029	6,280	36,830

¹ During 2019, the average number of persons in the management team was 12.3 (whereof 1.8 consultants) compared to 14.2 during 2018.

Former acting CEO Anders Danielsson had equivalent pension terms.

The period of notice for former acting CEO Anders Danielsson was a mutual period of one month by both the company and Anders Danielsson. The period of notice for current CEO Lars-Åke Norling is 12 months' notice by the company and six months' notice by the CEO. The other members of the Group management team have between three and nine months' notice. There are no special benefits for senior executives except for paid medical insurance. All employees have the opportunity to lease a car at cost.

Remuneration to auditors

A total of SEK 7,216 thousand (5,843) was paid to auditors and audit firms in 2019. This amount relates to audits, advice and other review work linked with auditing. Remuneration has also been paid for other advice, of which most relates to consultation concerning accounting and tax issues. For more information, please see Note 12.

Internal control

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

Monitoring and control

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

The operations constitute the first line of defence against risks in the organization. Risk Control and Compliance, and insofar as Nordnet AB's subsidiary, Nordnet Pensionsförsäkring AB, is concerned, the Actuary function constitute the second line of defence, and Internal Audit is the third line of defence, which on behalf of the Board monitors both the first and second line of defence.

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

Risk assessment and control activities

Nordnet constantly assesses the risks in its financial reporting; i.e. it identifies, analyses and assesses the principal risks of misstatement in the financial reports.

The identification, analysis and assessment takes into account the complexity of business operations, the level of systems support and the quality of procedures and controls. Review and analysis play a central role, in which cumulative effects are also analysed. The control activities serve to detect, guard against and limit risks and the assumption of risks in operations while also preventing deviations and errors in financial reporting.

Information and communication

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

Board of Directors and auditors



Tom Dinkelspiel, Chairman of the Board

Born: 1967

Elected: 2007

Current position and other significant assignments: Chairman of the Boards of E. Öhman J:or AB and Premiefinans K. Bolin AB. Member of the Boards of Öhman Bank SA, Öhman Alternative Investments, Kogmot AB and MPS Holding AB.

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



Jan Dinkelspiel, Board member

Born: 1977

Elected: 2017

Current position and other significant assignments: Founder and CEO of 10Xrecruit. **Previous positions:** Chief Innovation Officer, Sweden and Finland Country Manager Nordnet, SEB Acquisition Finance and Hi3G AB Trainee & Head of Online Sales



Christopher Ekdahl, Board member

Born: 1980

Elected: 2017

Current position and other significant assignments: Principal at Nordic Capital Advisors, advisor to Nordic Capital Funds, and member of the Board of Nordax Bank AB and Stabelo Group AB.

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



Karitha Ericson, Board member

Born: 1973

Elected: 2019

Current position and other significant assignments: Chief Operating Officer and Deputy CEO of Grant Thornton.

Previous positions: Senior positions in HR at EQT and for various divisions in SEB.



Christian Frick, Board member

Born: 1976

Elected: 2017

Current position and other significant assignments: Partner at Nordic Capital Advisors, advisor to Nordic Capital Funds, and a member of the Boards of the Nordax Group and MFEX Mutual Funds Exchange AB.

Previous positions: Worked in Investment Banking at Morgan Stanley.



Hans Larsson, Board member

Born: 1961

Elected: 2017

Current position and other significant assignments: Member of the Boards of Intrum Justitia AB and Svensk Exportkredit (SEK). CEO of Linderyd Advisory.

Previous positions: Member of the Boards of Nordax AB and Nordax Bank AB, Deputy CEO and member of the Board of Lindorff Group, as well as senior position in SEB.



Per Widerström, Board member

Born: 1966

Elected: 2017

Current position and other significant assignments: CEO and Chairman of the Management Board for the gaming company Fortuna Entertainment Group and Non-Exec Board Director for Catena Media.

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

Auditors

The company's auditor has been Deloitte AB since 2017. The Auditor-in-Charge is Patrick Honeth, born in 1973 and an Authorized Public Accountant and licensed auditor for financial companies.

Management



Lars-Åke Norling, CEO

Born: 1968

Employed at Nordnet since: 2019

Background: Lars-Åke has a MSc in Engineering

Physics from Uppsala University

and has extensive experience in telecom.

Among other positions, he was the CEO for Telenor Sweden and most recently comes from Kinnevik.



Anders Skar, Country Manager Norway

Born: 1976

Employed at Nordnet since: 2005

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



Anne Buchardt, Country Manager Denmark

Born: 1969

Employed at Nordnet since: 2018

Background: Anne has an MSc in Economics from the University of Copenhagen.

She previously worked in asset management at Nordea.



Carina Tovi, Chief Operations Officer

Born: 1965

Employed at Nordnet since: 2011

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



Johan Tidestad, Chief Communications Officer

Born: 1968

Employed at Nordnet since: 2007

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



Lennart Krän, Chief Financial Officer

Born: 1965

Employed at Nordnet since: 2019

Background: Lennart holds a MSc in Economics and has previous experience from SBAB, SalusAnsvar and HSBC, among others.

Management



Martin Ringberg, Country Manager Sweden

Born: 1976

Employed at Nordnet since: 2017

Background: Martin holds a bachelor's degree in Business Administration from Stockholm University and has previously worked at SEB where he held several roles in savings and investments with a focus on sales.



Rasmus Järborg, Chief Product Officer

Born: 1976

Employed at Nordnet since: 2018

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



Ronnie Bodinger, Chief Technology Officer

Born: 1973

Employed at Nordnet since: 2018

Background: Ronnie holds a Master of Engineering degree from KTH. He has extensive experience from digital banking operations and has previously worked as the CTO at Avanza and as the CIO at MTG and Cabonline.



Suvi Tuppurainen, Country Manager Finland

Born: 1976

Employed at Nordnet since: 2010

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

Proposed distribution of profits

The following profits are at the disposal of the Annual General Meeting (SEK):	
Share premium reserve	6,340,175,920
Non-restricted reserve	-4,435,226,677
Profit brought forward	252,103,369
Total	2,157,052,612
The Board proposes the following allocation:	
To shareholders, a dividend of SEK 130.63 per share, in total	135,795,736
Carried forward to next year	2,021,256,876
Total	2,157,052,612

The Board of Directors for Nordnet AB (publ) proposes that the Annual General Meeting on 23 April 2020 resolve that the retained earnings including the profit for the year according to the adopted balance sheet shall be appropriated such that SEK 130.63 per share is paid in dividend to the shareholders and that the remainder be carried forward. This corresponds to a dividend totalling SEK 135.8 million and a dividend rate of 40 percent. Also refer to Note 46 Proposed appropriation of profits.

The Board of Directors deems that an assessment of the company's and the Group's financial position justifies the proposed dividend with reference to the requirements such as the nature, scope and risks of the business with regard to the scope of the company's and the Group's equity and the company's and Group

operations' consolidation needs, liquidity and position in general.

In light of the recent turbulence in the financial markets a special review has been undertaken to ensure that the company's and the Group's financial position is not jeopardized by the proposed dividend. Outcome of the review is that the current situation does not cause any changed assessment regarding the financial position. Both the capital adequacy and the liquidity are still satisfactory. Furthermore, the assessment is that the situation does not or will not entail a significant increase in credit losses that would have a material adverse effect on equity.

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

Financial statements.

Financial statements

Consolidated Income Statement

Group, SEK thousands	Note	2019	2018
Interest income	8	620,244	492,410
Interest expenses	8	-122,511	-114,847
Commission income	9	1,070,129	983,895
Commission expenses	9	-307,192	-287,941
Net result of financial transactions	10	243,034	177,981
Other operating income	11	69,655	58,916
Total operating income		1,573,359	1,310,414
General administrative expenses	12	-947,684	-949,639
Depreciation, amortization and impairments of intangibles and equipment	13	-174,334	-105,863
Other operating expenses	14	-40,278	-77,737
Total expenses before credit losses		-1,162,296	-1,133,239
Profit before credit losses		411,063	177,175
Credit losses, net	15	-33,645	-36,002
Operating profit		377,418	141,173
Tax on profit for the year	16	-37,924	-23,121
Profit for the year		339,494	118,052
Of which, attributable to:			
Shareholders of the Parent Company		339,494	118,052

Consolidated statement of other comprehensive income

Group, SEK thousands	Note	2019	2018
Profit for the year		339,494	118,052
Items that will be reversed to the income statement			
Changes in value of financial assets recognized at fair value through other comprehensive income	31	218	-32,221
Tax on changes in value of financial assets recognized at fair value through other comprehensive income	31	-47	7,089
Translation of foreign operations	31	9,618	8,401
Tax on translation of foreign operations		-917	-416
Total other comprehensive income after tax		8,872	-17,147
Total profit or loss and other comprehensive income		348,366	100,905
Of which, attributable to:			
Shareholders of the Parent Company		348,366	100,905

Balance Sheet

Group, SEK thousands	Note	2019	2018
Assets			
Cash and balances in Central banks		409,538	1,344,200
Treasury bills and other interest bearing securities eligible for refinancing	18	22,035,855	18,260,611
Loans to credit institutions	19	505,193	333,024
Loans to the general public	20	16,127,777	14,204,488
Bonds and other interest bearing securities	21	1,563,692	1,775,715
Shares and participations	22	6,575	59,593
Assets for which customers bear the investment risk	23	70,089,225	51,726,480
Intangible fixed assets	24	917,100	414,259
Tangible fixed assets	25	306,824	102,763
Deferred taxed assets	16	2,798	-
Current tax assets	16	63,597	89,094
Other assets	26	3,368,502	3,617,698
Prepaid expenses and accrued income	27	206,647	191,491
Total assets		115,603,323	92,119,416
Liabilities			
Deposits and borrowing from the general public	28	38,572,145	35,225,181
Liabilities for which customers bear the investment risk	23	70,091,081	51,726,480
Other liabilities	29	3,547,717	2,952,826
Current tax liabilities	16	92,178	42,105
Deferred tax liabilities	16	82,554	23,187
Accrued expenses and deferred income	30	159,866	161,398
Total liabilities		112,545,541	90,131,177
Equity	31		
Share capital		1,039	1,000
Other capital contributions		7,571,216	6,821,256
Other reserves		-76,142	-85,014
Retained earnings including profit for the year		-4,438,331	-4,749,002
Total equity		3,057,782	1,988,239
Total liabilities and equity		115,603,323	92,119,416

Consolidated changes in equity

Group, SEK thousands	Share capital	Other contributed capital	Other reserves ¹	Retained earnings including profit for the year	Attributed to the owners of the parent company	Total equity
Equity brought forward 1 January 2018	1,000	6,821,256	-67,867	-4,729,736	2,024,653	2,024,653
Profit after tax reported in the income statement	-	-	-	118,052	118,052	118,052
Comprehensive income after tax	-	-	-17,147	-	-17,147	-17,147
Total comprehensive income	-	-	-17,147	118,052	100,905	100,905
Transactions reported directly in equity:						
Effect of changed accounting principles IFRS 9 as of January 1, 2018	-	-	-	-37,830	-37,830	-37,830
Dividend issued	-	-	-	-100,000	-100,000	-100,000
Effect of changed tax rate untaxed reserves	-	-	-	513	513	513
Total	-	-	-	-137,317	-137,317	-137,317
Equity carried forward 31 December 2018	1,000	6,821,256	-85,014	-4,749,002	1,988,239	1,988,239

Group, SEK thousands	Share capital	Additional Tier 1 (AT1) capital	Other contributed capital	Other reserves ¹	Retained earnings including profit for the year	Attributed to the owners of the parent company	Total equity
Equity brought forward 1 January 2019	1,000	-	6,821,256	-85,014	-4,749,002	1,988,239	1,988,239
Profit after tax reported in the income statement	-	-	-	-	339,494	339,494	339,494
Comprehensive income after tax	-	-	-	8,872	-	8,872	8,872
Total comprehensive income	-	-	-	8,872	339,494	348,366	348,366
Transactions reported directly in equity:							
Issue new share capital	39	-	-	-	-	39	39
Unconditional shareholders' contribution ²	-	-	249,960	-	-	249,960	249,960
Issue of Tier 1 capital ³	-	500,000	-	-	-	500,000	500,000
Transaction cost with issue of Tier 1 capital	-	-	-	-	-3,241	-3,241	-3,241
Tax on transaction costs in connection with issue of Tier 1 capital	-	-	-	-	723	723	723
Interest on Tier 1 capital	-	-	-	-	-26,305	-26,305	-26,305
Total	1,039	500,000	249,960	-	-28,823	721,176	721,176
Equity carried forward 31 December 2019	1,039	500,000	7,071,216	-76,142	-4,438,331	3,057,781	3,057,782

¹ See Note 31

² The shareholders' contribution is unconditional.

³ 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 the Nasdaq Stockholm exchange.

Consolidated cash flow statement (direct method)

Group, SEK thousands	Note	2019	2018
Current operations			
Interest received		638,488	377,377
Interest paid		-181,583	-63,611
Provisions received		1,070,129	983,895
Provisions paid		-307,192	-287,941
Net received from financial transactions		113,580	182,569
Other operating payments		75,346	60,045
Dividend received		240	176
Payments to suppliers and employees		-945,078	-981,098
		463,930	271,412
Increase/decrease of assets of current operations			
Increase (-)/decrease (+) of lending to the general public		-1,903,560	-2,353,194
Increase (-)/decrease (+) of other assets		565,053	-412,296
Increase/decrease of liabilities of current operations			
Increase (+)/decrease (-) of deposits and borrowing among the general public		2,990,326	5,538,817
Increase (+)/decrease (-) of liabilities		395,689	505,888
Income taxes paid		24,566	-37,963
Cash flow from current operations		2,536,004	3,512,664
Investing activities			
Acquisition of intangible assets	24	-614,369	-112,144
Acquisition of tangible assets	25	-19,909	-84,016
Investments in securities		-9,460,845	-12,894,554
Sales of securities		6,082,127	10,685,869
Cash flow from investing activities		-4,012,996	-2,404,845
Financing activities			
Amortization of leasing		-34,634	-
Shareholders' contribution		250,000	-
Issue of Tier 1 capital		500,000	-
Dividend paid		-	-100,000
Cash flow from financing activities		715,366	-100,000
Cash flow for the year		-761,626	1,007,819
Cash and cash equivalents, January 1		1,677,224	667,895
Exchange rate differences in cash and cash equivalents		-867	1,510
Cash and cash equivalents at year-end		914,731	1,677,224
Cash and cash equivalents include: ¹			
Cash and balances in Central Banks		409,538	1,344,200
Loans to credit institutions (bank deposits) ²	19	505,193	333,024
		914,731	1,677,224

¹ This amount includes blocked funds amounting to SEK 103 (91) million.

² Only investments with a maturity less than 3 months are included in lending to credit institutions (bank deposits).

Parent company's income statement

Parent Company, SEK thousands	Note	2019	2018
Net sales	35	18,689	8,184
Total operating income		18,689	8,184
Other external expenses	36	-6,334	-4,147
Personnel expenses	37	-20,490	-14,448
Other operating expenses		-1,449	36
Total operating expenses		-28,273	-18,559
Operating profit		-9,584	-10,375
Result from financial investments			
Profit from shares in Group companies	38	260,000	17,553
Interest expenses and similar expense items		53	-3
Result from financial investments		260,053	17,550
Profit after financial items		250,469	7,175
Tax on profit for the year	39	1,634	-1,633
Profit for the year ¹		252,103	5,542

¹ In accordance with comprehensive income, as there are no other comprehensive income.

Parent company's balance sheet

Parent Company, SEK thousands	Note	2019	2018
Assets			
Fixed assets			
Financial fixed assets			
Shares in Group companies	40	1,989,101	6,503,933
		1,989,101	6,503,933
Current assets			
Current receivables from Group companies		200,372	16,037
Deferred tax asset		1,642	-
Current tax receivables		1,653	445
Other receivables		1,069	225
Prepaid expenses and accrued income	41	266	-
		205,002	16,707
Cash and cash equivalents		69,374	1,655
Current assets, total		274,376	18,362
Total assets		2,263,477	6,522,295
Equity	42		
Restricted equity			
Share capital		1,039	1,000
		1,039	1,000
Non-restricted equity			
Share premium reserve		6,340,176	6,340,176
Issue of Tier 1 capital		500,000	-
Retained earnings		-4,935,225	165,855
Profit for the year		252,103	5,542
		2,157,054	6,511,573
Total equity		2,158,093	6,512,573
Liabilities			
Liabilities to Group companies		98,251	4,478
Other liabilities	43	3,713	994
Accrued expenses and deferred income	44	3,420	4,250
Total liabilities		105,384	9,722
Total equity and liabilities		2,263,477	6,522,295

Parent company's changes in shareholders' equity

Parent Company, SEK thousands	Share capital	Share premium reserve	Additional Tier 1 (AT1) capital	Retained earnings	Profit for the year	Total
Equity brought forward 1 January 2018	1,000	6,340,176	-	3	265,852	6,607,031
Reallocation of last year's profit	-	-	-	265,852	-265,852	-
Profit after tax reported in the income statement	-	-	-	-	5,542	5,542
Total comprehensive income	-	-	-	-	5,542	5,542
Transactions with the owners						
Dividend issued	-	-	-	-100,000	-	-100,000
Equity carried forward 31 December 2018	1,000	6,340,176	-	165,855	5,542	6,512,573
Equity brought forward 1 January 2019	1,000	6,340,176	-	165,855	5,542	6,512,573
Reallocation of last year's profit	-	-	-	5,542	-5,542	-
Profit after tax reported in the income statement	-	-	-	-	252,103	252,103
Total comprehensive income	-	-	-	-	252,103	252,103
Transactions reported directly in equity						
Issue new share capital	39	-	-	-	-	39
Unconditional shareholders' contribution	-	-	-	249,960	-	249,960
Revaluation reserve ¹	-	-	-	65,774	-	65,774
Issue of Tier 1 capital ²	-	-	500,000	-	-	500,000
Transaction cost with issue of Tier 1 capital	-	-	-	-3,241	-	-3,241
Tax on transaction costs in connection with issue of Tier 1 capital	-	-	-	723	-	723
Interest on Tier 1 capital	-	-	-	-26,305	-	-26,305
Result of merger	-	-	-	-5,393,533	-	-5,393,533
Equity carried forward 31 December 2019	1,039	6,340,176	500,000	-4,935,225	252,103	2,158,093

¹ The write-up of the value of the shares in Tink AB was done in the first quarter in a revaluation reserve. The shares were divested during the second quarter, and the fund was transferred from restricted to non-restricted equity.

² Issue of Tier 1 capital of SEK 500 million. The bonds have an indefinite maturity, with the first redemption possible on 21 March 2024 and runs with interest of three-month Stibor + 6.75 percent. The bonds are listed on the Nasdaq Stockholm exchange.

Parent company's cash flow statement (direct method)

KSEK	Not	2019	2018
Cash flow from current operations			
Interest paid		-28,122	-
Net received from financial transactions		1,871	-3
Other operating payments		278,625	9,700
Payments to suppliers and employees		-135,849	4,892
Cash flow from current operations before changes in working capital		116,525	14,589
Cash flow from changes in working capital			
Decrease (+)/increase (-) of other receivables		-161,654	-16,262
Increase (+)/decrease (-) of liabilities		707	333
Paid income taxes		2,585	-40
Cash flow from current operations		-41,837	-1,380
Investing activities			
Acquisition of subsidiary company		109,556	-
Cash flow from investing activities		109,556	-
Financing activities			
Cash issue		500,000	-
Shareholders' contribution		-750,000	-
Dividend received		250,000	100,000
Dividend paid to shareholders		-	-100,000
Cash flow from financing activities		-	-
Cash flow for the year		67,719	-1,380
Cash and cash equivalents, January 1		1,655	3,035
Cash and cash equivalents at year-end		69,374	1,655

Cash and cash equivalents relate to the company's bank deposits.

Notes.

Noter

Note 1 Company information

The consolidated accounts for Nordnet AB (Parent Company) for the financial year ending 31 December 2019 have been approved by the Board of Directors and CEO for publication on 20 March 2020 and will be presented for adoption by the Annual General Meeting on 23 April 2020. The registered office of the Parent Company, Nordnet AB (publ), is Alströmergatan 39, Box 30099, 104 25 Stockholm, Sweden. The Group offers financial services and products, preferably in savings and investments, in the home markets Sweden, Norway, Denmark and Finland. The activities are further described in the Board of Directors' Report.

Conditions for consolidation

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. 5562491687, 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.

NNB Intressenter was the company through which the current main owners the Öhman Group and Nordic Capital bought out Nordnet AB from the stock market. Öhman Group consists of E. Öhman J:or AB with subsidiaries (Öhman), companies controlled by family members of the owners of Öhman and direct ownership by family members). In January 2017, the Öhman Group and Nordic Capital contributed all of their existing shares in Nordnet to NNB Intressenter in the form of a non-cash issue. NNB Intressenter controlled 72.3 percent of Nordnet after the transaction and thereafter submitted a public buy-out offer for all outstanding shares. At the end of the acceptance period, they controlled 93.4 percent of Nordnet. A decision was made to delist from Nasdaq Stockholm and a request for compulsory redemption of the remaining shares.

The Öhman Group controls approximately 60 percent of Nordnet and thereby held the controlling influence both before and after the transaction. IFRS contains no guidance regarding reporting in business combinations of companies that are under the same controlling influence. Lacking an IFRS that is particularly suitable for a transaction, the company management shall use its best judgement according to IAS 8 in the development and application of an accounting principle that leads to information that is relevant and reliable. The transaction was deemed to constitute a Group restructuring that did not change control or have a financial implication, whereby assumed values were based on the values before the acquisition, meaning the transaction gave rise to no adjustments in fair value.

The NNB Intressenter Group was viewed as a continuation of the Nordnet Group. The consolidated accounts were restated in terms of periods before the transaction to reflect the transaction as if it had occurred at the beginning of the earliest period presented in the annual report, independent of the actual transaction date. The practical implication was that the prepared consolidated accounts including history in NNB Intressenter are based on previously prepared consolidated accounts in Nordnet AB (which was dissolved in connection with the merger, see above).

Note 2 Basis for compilation of accounts

Statement of compliance with applied regulations

The financial statements and the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and interpretative statements from the IFRS Interpretations Committee as approved by the EU. In addition, the Swedish Annual Accounts Act (1995:1559) for Credit Institutions and Securities Companies; the Financial Supervisory Authority's Regulations and General Advice on Annual Accounts of Credit Institutions and

Securities Companies (FFFS 2008:25) including applicable amendments; the Swedish Financial Reporting Recommendations RFR 1 Supplementary Accounting Rules for Groups are applied.

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

Recognition is based on different valuation bases. Financial assets and liabilities are measured at amortized cost, with the exception of certain financial assets and liabilities that are recognized at fair value. Non-monetary items are recognized based on their historical cost. Pension provisions are recognized based on the undiscounted value of future pension obligations. Assets and liabilities in the insurance business in which the policyholder bears the investment risk are measured at fair value.

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

Note 3 New and amended standards

The following standards are applied for the first time for the financial year beginning on 1 January 2019.

IFRS 16 Leases

The standard replaced IAS 17 Leases and related interpretations. The application of IFRS 16 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 reporting requirements for lessors are essentially unchanged. This application means that assets and interest-bearing liabilities increase in the balance sheet. A need is also added for 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 increases the volatility of the financial reporting.

The transition is recognized in accordance with the simplified transition method, which means application without restatement of comparative figures. In the transition on 1 January 2019, the ROU assets increased the total assets in the Group by SEK 239.3 million. The ROU assets were equal to the liabilities at the transition date. No effect on equity is thereby recognized upon the transition. In accordance with RFR 2, the Parent Company has chosen to not apply the standard whereby recognition of leasing in the Parent Company is unchanged.

The effect of the transition to IFRS 16 from IAS 17 is shown below.

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 ¹	-37.1
Discount-rate effect	-0.1
Reported leasing liabilities opening balance as of 1st of January 2019	239.3

Other changes

IFRIC 23 Recognition of uncertainty over income tax treatments specifies how the effects of uncertainty in recognition of income taxes shall be reflected. IAS 28 Investments in Associates and Joint Ventures has been updated such that IFRS 9 Financial Instruments shall be applied to long-term holdings in associates or joint ventures that constitute a part of the net investment in the associate or joint venture. IFRS 9 Financial Instru-

ments has been updated regarding advance payment with negative compensation. IAS 19 Employee Benefits has been updated regarding changes, reductions and regulations of a pension plan that occurs during a reporting period. IAS 23 Borrowing Costs, IAS 12 Income Taxes, IFRS 3 Business Combinations and IFRS 11 Joint Arrangements were updated in the scope of the annual improvements of IFRSs in 2015-2017.

The amendments have not materially impacted the Group's financial statements or capital adequacy and have not had any impact on any recognized amounts. Nor are they expected to have any material effect on the current or upcoming periods.

Standards that will come into force in 2020 and beyond

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

IFRS 17 Insurance Contracts

The standard will replace IFRS 4 Insurance Contracts and aims at creating a uniform method of accounting for all types of insurance contracts, a higher degree of transparency of insurance companies' earnings and increased comparability between companies and countries. Provided that IFRS 17 is adopted by the EU as per the date of proposed by the IASB, the standard will apply from the financial year 2022. The Swedish Financial Supervisory Authority (SFSA) conducted a preliminary study for their upcoming work on the amendment of the reporting regulations for the new standard. This regulation work is expected to begin in 2020. However, the SFSA has made a statement that they are considering introducing a two-year implementation period for legal entities and unlisted insurance companies' consolidated accounts. This means that the SFSA's regulations would begin to be applied no later than the 2024 financial year. The Group is currently analysing the financial impact of the new standard.

No other IFRS or IFRIC interpretations that have not

yet entered into force are expected to have a significant impact on the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

In September 2019, IASB published amendments to IAS 39, IFRS 9 and IFRS 7 brought about by the ongoing reform of current benchmark rates (IBOR). The amendments have been adopted for compulsory application in the EU and the changes are to apply as of 1 January 2020.

The amendment is an effect of reforms of benchmark interest rates that include a replacement of commonly used benchmark rates (such as STIBOR, EURIBOR, LIBOR) with alternative, risk-free interest rates. IASB has provided relief in the criteria for hedge accounting so that companies that apply hedge accounting can assume that the benchmark rate on which hedged cash flows and cash flows from hedging instruments are based do not change as a result of uncertainties in the benchmark interest rate reforms. The amendments also entail new disclosure requirements in the form of disclosures on the company's exposure to benchmark rates and their scope; handling upon transition to new alternative benchmark rates; material assumptions or assessments in the application; and nominal amount of hedging relationships to which the relief rules are applied. The Group is currently analysing the financial impact of the new standard.

Note 4 Critical accounting estimates and assumptions

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

Actual outcomes may deviate from these estimates and assessments.

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

Financial instruments

In the determination of fair values for the Group's financial instruments, different methods are used depending on the degree of observability of data and the market activity. Listed prices on active markets are primarily used. Upon the lack of listed prices, valuation models are used instead. Company management assesses when the markets are considered inactive and a valuation model needs to be used. An active market is considered either a regulated or reliable trading venue where quoted prices are easily accessible with regularity. As some of these criteria are not met, the market is considered to be inactive. Company management then makes an assessment of what valuation model is considered the most relevant for the individual instrument. The basis is that listed prices from as similar financial instruments as possible shall be used. As such prices or components of prices cannot be identified, company management is required to make its own assumptions.

In Note 32, financial instruments measured at fair value are recognized over three different valuation levels. As of year-end, the value of financial instruments measured with own assumptions is significant and amounted to SEK 221, 622 thousand, of which SEK 616 thousand pertained to unlisted shares. Valuation models applied are generally accepted and are subject to independent risk control.

Credit losses

Methods and models for calculation and recognition of expected credit losses include assumptions, methods and input data that means a high degree of assessment. The Group uses both quantitative and qualitative indicators to assess a significant increase in credit risk. A different decision on how large such a change needs to be would have affected the size of the loss reserve. Future-oriented information is included in the assessment of a significant increase in credit risk. From analyses of historical data, macroeconomic factors that affect credit risk and credit losses are identified. These

analyses take into account internal and external information and agree with the future-oriented information used for other purposes, such as financial planning and forecast work.

Impairment testing of goodwill

The value of recognized goodwill is tested at least once a year to determine whether the asset may be impaired. This testing requires an assessment to identify the cash-generating units and an assessment of the value in use of the cash-generating unit to which the goodwill value relates. This in turn requires the anticipated future cash flow from the cash generating unit to be estimated and a relevant discount rate to be established for calculation of the present value of the cash flow. For more information on the assessments made as at 31 December 2019, see Note 24.

Contractual charges

In determining the rate at which recognized contractual charges are to be amortized, assumptions are made among other things of the expected buyback and death rate. In addition, the assessment of the fee charge on the unit-linked insurance policies affects the assessment of a potential impairment requirement. At year-end, the Group has a carrying amount of contractual charges that amounts to SEK 12,035 thousand (2,512).

Note 5 Accounting principles applied

Consolidated accounts

The consolidated accounts comprise the Parent Company and its subsidiaries where controlling influence is held. The financial reports of the Parent Company and subsidiaries included in the consolidated accounts relate to the same period and have been compiled in accordance with the accounting principles applicable to the Group. The Parent Company has controlling influence when it has the influence and ability to exert its influence over the other company's relevant operations and is exposed to variable returns and has the ability to use its influence to affect returns. Controlling influence exists when the Parent Company directly, or indirectly through subsidiaries, holds over half of the voting rights in a company. A subsidiary is included in the consolidated accounts from the time of acquisition, which is the date on which the Parent Company takes on controlling influence and is included in the consolidated accounts

until the date on which the controlling interest ceases. The acquisition method entails that acquired identifiable assets, liabilities and contingent liabilities that meet the accounting conditions are reported and valued at fair value at the acquisition date. A surplus between the acquisition value and the business combination and the fair value of the acquired participation is reported as goodwill. If the amount is less than fair value, the difference is recognized directly in the income statement in other income. Acquisition-related costs are reported as expenses when incurred. No provisions are made for expenses for planned restructuring measures resulting from the acquisition.

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

Translation of foreign currency

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

Assets and liabilities in subsidiaries and associated companies with a functional currency other than SEK are translated into the reporting currency at the exchange rate on the balance sheet date. For recalculation of the income statement, an average price for the period is usually used for practical reasons. Translation differences that occur are reported in other comprehensive income.

Income recognition

Net interest

Interest income on receivables and interest expenses on liabilities are calculated and recognized using the effective interest rate method. The effective interest rate is the interest rate that discounts all estimated future payments and receipts during the expected fixed-interest period to the recognized gross value of the receivable or liability, which entails an even return over the term of the loan. The calculation includes transaction costs, premiums or discounts and paid or received fees that constitute an integrated part of the return. An exception to the above is financial assets measured at amortized cost, which have become doubtful after initial recognition (financial assets in stage 3). For these, the interest income is calculated by applying the effective interest rate to the recognized gross value less provisions for credit losses. If such financial assets are no longer doubtful, the calculation of interest income returned to being based on recognized gross value.

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

Net commission income and other operating income

Income from contracts with customers is recognized as commission income, which consists of compensation for services rendered. A commission income is recognized when the performance commitment is fulfilled, which is when the control of the good or service is transferred to the customer who thereby uses the service. The customer is the party that enters a contract with Nordnet to obtain the services offered by the ordinary operations. The income reflects the compensation expected to be received in exchange for these services. For variable compensation, such as discounts provided or performance-based compensation, the income is recognized when it is likely that no repayment will be made. Total compensation is distributed for each service and depends on whether the services are fulfilled at a specific time or over time. Service assignments particularly refer to brokerage and

commissions. Brokerage is recognized as an income on the transaction date. Commission is comprised partly of brokering securities in connection with issues, sales of structured products and guaranteed issues. These commissions are recognized as income in connection with completion of the transaction. Commissions from the fund operations are made up partly of entry commissions, which are recognized in connection with fund purchases, and partly of commissions based on fund volume, which is recognized monthly on the basis of actual volume.

Commission expenses are transaction-dependent and are most often directly related to transactions recognized as income within Commission income. Commitment expenses consist of expenses for services received, insofar as they are not considered to be interest, which primarily refers to the expenses of stock exchanges, clearing houses and sharing to partners in connection with the purchase and sale of securities. Commission expenses for fund management operations comprise management fees consisting of fixed expenses and expenses based on actual volumes, which are reported monthly.

Other operating income relates to income from agreements with customers, such as custodial services, information services, software and service and support fees from partners. Other operating income also includes capital gains upon divestment of ownership interests in subsidiaries and associates and capital gains upon the divestment of tangible assets.

Net result from financial transactions

The gains and losses that arise as a result of value changes on financial assets and financial liabilities measured at fair value through profit or loss are recognized continuously under the item net result from financial transactions. This item also refers to dividends received, currency exchange fees and exchange rate fluctuations.

Financial instruments

Recognition, removal and modification

A financial asset or financial liability is recognized on the transaction date when Nordnet becomes a party under the instrument's contractual terms, except for financial assets classified as measured at amortized cost, which are recognized on the settlement date. Fi-

ancial assets recognized in the balance sheet include, on the asset side, Cash and balances in central banks, treasury bills eligible for refinancing, etc. Assets where the customer bears the investment risk, Loans, Bonds and other interest-bearing securities, Shares and participations and Accrued income. On the liability side, there are Deposits, Liabilities where the customer bears the investment risk and Accrued expenses. Currency derivatives are reported as either assets or liabilities, depending on whether the fair value is positive or negative.

When a financial instrument is reported for the first time, it is valued at fair value plus, regarding financial liability not belonging to the category of financial assets or liabilities valued at fair value through profit or loss, transaction expenses directly attributable to the acquisition or issue of the financial instrument. When valuing a financial instrument after initial recognition, the financial asset is recognized according to the valuation category of the financial instrument.

A financial asset is de-recognized from the balance sheet once the obligations in the contract have been realized, have matured or if the company has lost control of it. Financial liabilities are de-recognized when the liability has been terminated by the completion, cancellation or termination of the agreement. The same applies to parts of financial assets and financial liabilities.

In a modification of a loan, an assessment is done of whether this results in a removal from the balance sheet. A loan is considered to be modified when terms that control the loan's cash flows have changed compared with the original contract. Examples may be respite, changed market conditions, measures to retain the customer and other factors that are not related to a borrower's deteriorated credit rating. Modified loans are removed from the balance sheet and a new loan is recognized when the existing loan is cancelled and a new contract is entered into with different conditions or if the conditions in an existing contract are materially modified. Only modifications due to financial difficulties at the borrower are not considered to be material on their own.

Offset

Financial assets and financial liabilities are recognized in the balance sheet on a net basis when there is a legally enforceable right to offset the carrying amounts and if the intention is to settle on a net basis or to simultaneously realize the asset and settle the liability.

Repurchase agreements

A repurchase agreement refers to an agreement where the parties have agreed on the sale of securities and a subsequent repurchase of equivalent assets at a predetermined price. A sold security is recognized in the balance sheet when the Group is exposed to the security's value change risk during the duration of the transaction. Payments made are recognized as financial liability based on the counter-party. Securities sold are recognized under the item "Pledged assets for own liabilities". Payments made for acquired securities, so-called reverse repurchase agreements, are recognized as lending to the selling party. Securities that have been provided according to buy-back agreements are also recognized. Cash and cash equivalents received under a buy-back agreement are recognized in the balance sheet as "Liabilities to credit institutions".

Margin loans

A margin loan refers to secured lending or deposits of securities. A loaned out security is recognized in the balance sheet when the Group is exposed to the security's value change risk. Securities loaned out are recognized on the transaction date as a pledged asset, while deposited securities are not taken up as an asset. Securities lent out are valued in the same manner as other securities of the same class. Upon divestment of deposited securities (short selling), an amount is booked as a liability equivalent to the securities' fair value in Other liabilities.

Classification and measurement

Financial assets are classified in one of the following categories: financial assets measured at fair value through profit or loss, fair value through other comprehensive income and amortized cost based on the company's business model for the management of financial assets and the assets' contractual terms. The classification also depends on whether the instrument is a debt instrument, equity instrument or a derivative. Financial liabilities are classified as measured at either amortized cost or fair value through profit or loss.

The business model reflects how the Group manages portfolio as of financial assets to generate cash flows. When the business model is determined for a group of financial assets, consideration is taken to factors such as previous experiences of how the cash flows are received, how the financial assets' results are evaluated and reported to management, how risks are assessed and managed, and how compensation is linked to performance. The contractual terms form the basis of identifying whether or not cash flows only express payments of principal and interest. Principal is defined as the fair value of the debt instrument at initial recognition, which can change over the duration if there are repayments or capitalization of interest. Interest is defined as compensation for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement. If there are contractual terms that introduce exposure to other risks or volatility, it means that the cash flows do not meet the criteria for only payments of principal and interest.

Financial assets measured at amortized cost

Financial assets held within the framework of a business model the objective of which is to hold financial assets with the aim of obtaining contractual cash flows that are only payments of principal and interest on the outstanding principal amount are measured at amortized cost.

Assets in this category are recognized at initial recognition at fair value plus transaction costs and at amortized cost at the subsequent valuation calculated according to the effective interest method. Fair value usually consists of the amount paid, including fees and commissions. The effective interest rate corresponds to the interest rate used to discount contractual future cash flows to the carrying amount of the financial asset or liability adjusted with regard to a potential loss reserve.

Financial liabilities measured at fair value via other comprehensive income

Financial assets managed within the scope of a business model, the objective of which is to collect contractual cash flows only consisting of principal and interest through holdings or through sales measured at fair value through other comprehensive income.

At initial recognition, recognition is at fair value plus

transaction costs and at subsequent measurement at fair value with unrealised changes in value in other comprehensive income, which are accumulated against a fair value reserve in equity. The changes in fair value are transferred from other comprehensive income to Net result from financial transactions in the income statement when the asset is realized. Impairments are recognized in the income statement under the heading Net result from financial transactions and as a change in the fair value reserve in equity via other comprehensive income. Value changes attributable to exchange-rate changes are recognized directly in the income statement.

Financial liabilities measured at fair value through the income statement

This category is comprised of financial assets that at initial recognition were identified as measured at fair value via profit or loss to eliminate inconsistencies in measurement and recognition. The category also includes equity instruments and derivative instruments that are not used in hedge accounting. The classification also comprises debt instruments held within the framework of a different business model than being held solely to obtain contractual cash flows, including debt instruments held for trade or managed and the results of which are evaluated based on fair value and debt instruments the cash flows of which do not solely consist of payments of principal and interest. Assets in this category are recognized at fair value both at initial recognition and subsequent measurements. Transaction costs are expensed in profit or loss. Fair value is determined based on listed prices on active markets. When such prices are unavailable, generally accepted valuation models are used, which are based on observable market data, such as listed prices on active markets for similar instruments or listed prices for identical instruments on inactive markets. Changes in fair value are recognized in Net results of financial transactions, as is value change as a result of changed exchange rates.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost comprise those that are not measured at fair value through profit or loss. On the transaction date, they are recognized at fair value, which is normally the borrowed amount, and at subsequent measurement at amortized cost according to the effective interest method. The

measurement is done analogously to that applied to financial assets at amortized cost, although without adjustment for credit loss reservations.

Financial assets measured at fair value via the income statement

The category of financial liabilities valued at fair value through profit or loss is comprised of financial liabilities held for trading and financial liabilities the Group at initial recognition chose to add to this category according to the so-called fair value option.

Liabilities in this category are recognized at fair value both at initial recognition and subsequent measurements. The determination of fair value and recognition of gains and losses is made in an analogous manner as with financial assets valued at fair value through profit or loss. Changes in fair value are recognized in the income statement in Net results of financial transactions except for changes in fair value depending on changes in the Group's own credit risk. Such changes are presented in other comprehensive income without subsequent reclassification to profit or loss.

Reclassification of financial assets and liabilities

Financial assets are reclassified only if the business model for the financial assets changes, which is expected to be very unusual. Financial liabilities are never reclassified.

Credit losses

Reserves for credit losses are recognized for financial assets that are measured at amortized cost and for irrevocable loan commitments and contractual assets. The recognition builds on a model if a significant increase in the credit risk occurred compared with initial recognition. The reserve is comprised of a probability-weighted amount that takes into consideration all reasonable and verifiable information that is available without unreasonable expense or effort.

- Stage 1 – financial instruments where no significant increase in the credit risk occurred since the first recognition and counterparties that are covered by the Group's definition for low credit risk.
- Stage 2 – financial instruments where a significant increase in credit risk occurred since initial recognition, but where there is a lack of objective evidence that the receivable is doubtful.

- Stage 3 – financial instruments for which objective evidence has been identified that the receivable is doubtful.

For financial instruments in stage 1, the reserve corresponds to the credit loss expected to occur within 12 months. In stage 2 and stage 3, the reserve corresponds to the total expected credit losses during the instrument's remaining duration.

Measurement

Expected credit losses are calculated as the discounted product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD). PD corresponds to the probability that a borrower will default at a given point in time during the remaining duration. EAD corresponds to expected exposure at the time of default after taking contractual payments into consideration. LGD corresponds to the expected loss on a defaulted exposure taking into consideration characteristics at the counterparty, collateral and product type.

PD, LGD and EAD are calculated monthly until the end of the expected duration. The expected credit losses are then discounted by the original discount rate. A summation of the expected credit losses until the end of the expected duration provides the expected credit losses for the asset's remaining duration. The sum of the credit losses that are expected to occur within 12 months provides the expected credit losses for the upcoming 12 months.

In the calculation, consideration is taken to three scenarios (base, positive and negative) with relevant economic factors, such as GDP, housing prices and unemployment. The risk parameters used to calculate expected credit losses incorporate the effects of macroeconomic forecasts. Every scenario is assigned a probability and the expected credit losses are obtained as a probability-weighted average.

Material doubtful credit exposures are assessed individually without the use of input data from models.

Significant increase of credit risk

Changes in credit risk are assessed through a combination of individual and collective information and will reflect the increase in credit risk at an individual instru-

ment level to the furthest extent possible. Change in the future-oriented probability of default during the remaining duration will primarily be used as an indicator. It incorporates effects both from historical events and forecast economic conditions. Secondly, changes in the internal credit rating will be used.

Qualitative indicators will also be taken into account, such as when the borrower has overdue unpaid amounts older than 30 days and if the borrower is on a monitoring list or has been granted an extended respite.

An instrument is not considered to have been subjected to a significantly increased credit risk when all indicators are no longer met.

Financial assets with low credit risk are not deemed to have been subjected to a significantly increased credit risk. The Group applies this solely to instruments with counterparties that are states and financial institutions and for intra-Group receivables.

Default and doubtful receivables

The following is defined as default and thereby a doubtful receivable: unpaid amounts older than 90 days, borrower has been declared bankrupt or the like, respite measures or an assessment that it is unlikely that the borrower will pay as agreed, and margin lending exceeding pledged assets more than two days. In the assessment of whether it is unlikely that a borrower will pay its loan obligations, consideration is taken to both qualitative and quantitative factors including status at maturity, unmade payments on other loan obligations with the same lender, expected relief in loan terms, expected bankruptcy or violations of loan terms.

An instrument is no longer considered to be in default or doubtful when all overdue amounts are repaid, adequate evidence exists to show that the risk that payments of future cash flows will not be made has decreased substantially and that there are no other indicators of default.

Expected duration

In general, expected duration is limited to the maximal contractual period that the Group is subjected to credit risk even if a longer period is in line with business prac-

tice. All contractual terms are taken into account when expected duration is determined, including repayment, extension and transfer options that are binding.

Modification

When a loan is modified, but not removed from the balance sheet, an assessment is made of significant increases in the credit risk compared with the original credit risk for impairment purposes. Modifications do not automatically result in a decrease in the credit risk and all qualitative and quantitative indicators will continue to be assessed. In addition, a modification gain or loss will be recognized in the income statement regarding the difference in the present value of the contractual cash flows discounted by the original effective interest rate.

When a loan is modified and removed from the balance sheet, the date the modification was made is considered to be the initial recognition for the new loan for the purpose of assessing impairment requirements, including the assessment of significant increases in credit risk.

Presentation

Reserves for credit losses for financial assets measured at amortized cost are presented as a decrease in the recognized gross value for the asset. Reserves for loan commitments are recognized as a liability within the line Other liabilities [and provisions].

In the income statement, reserves and write-offs are presented in the line credit losses, net. Write-offs are made when the loss is considered to be ultimately established. Repayments of write-offs as well as recoveries of reserves are recognized as income in the same line.

Hedge accounting

The Group uses various kinds of derivative instruments to hedge the risks of interest rate and exchange rate exposures that the Group is subjected to. At present, the Group does not apply hedge accounting according to IFRS 9 Financial Instruments. Derivatives that are not a part of the hedging relationship are recognized at fair value through the income statement.

Tangible assets

Tangible assets are recognized in the balance sheet if the company is likely to derive future economic benefits from them and the acquisition value of the assets

can be reliably estimated. The asset is reported at cost less accumulated depreciation and impairment. Depreciation is made on a straight-line basis over the estimated useful life of the asset. A recoverable amount is calculated when there is a persistent decline in value. If this is less than the carrying amount, an impairment is recognized.

The tangible asset is de-recognized from the balance sheet upon scrapping or disposal, or when no future economic benefits are expected to remain. Profit and loss are determined by the difference between sales income and the asset's carrying amount.

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

Intangible assets

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

Goodwill

Goodwill arising in a business combination is recognized as the acquisition value on the acquisition date. Goodwill constitutes the part of the acquisition value that exceeds the net fair value of the acquired participation, of the acquired entity's identifiable assets, liabilities

ties and contingent liabilities. After its initial recognition, any goodwill that has arisen is valued at the acquisition value less any accumulated impairments.

Brands

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

Customer base

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

Capitalized expenditure for development work

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

Impairment

At each reporting date, an assessment is made of whether there are indications that assets may have decreased in value. If this is the case, an estimate is made of the asset's recoverable amount. For goodwill with an indefinite useful life, the recoverable amount is calculated at least annually. The recoverable amount of an asset is the fair value minus sales expenses for an asset or cash-generating unit and its value in use, whichever is greater. If the carrying amount exceeds the recoverable amount, impairment is made to the recoverable amount. In calculating the recoverable amount, future cash flows are estimated which are discounted at present value with a discount rate before tax which takes into account market assessments of the time value of money and the risks related to the specific asset. For an

asset that does not generate cash flows, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. Impairment is recognized in the income statement separately for tangible and intangible assets.

At each reporting date, an assessment is made of whether there are indications that a previous impairment, complete or partial, is no longer justified. If there are any such indications, the recoverable amount of the asset is calculated. A previous impairment is reversed only if there has been a change in the assumptions used to assess the asset's recoverable amount when the impairment was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. This increase is recognized in the income statement as a reversal of an impairment loss. Impairment of goodwill is never reversed. Impairment is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the carrying amount that the asset would have had, less depreciation, if no impairment was recognized. A reversal is recognized in the income statement. Once an impairment loss has been reversed, future depreciation is adjusted to allocate the assets revised carrying amount, less any residual value, over its remaining useful life.

Leasing

As described above in Note 3, the Group has changed accounting principle for leasing where the Group is the lessee. The new accounting principle is described below and the transition effect at 1 January 2019 is described above in Note 3.

Applied principles until the end of 31 December 2018

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

Financial leases are recognized in the balance sheet as tangible assets, and the obligation to pay lease payments in the future as a financial liability. The assets are depreciated straight-line over the shorter of the useful

life or lease period. Minimum lease charges allocated between the amortization and interest of the debt outstanding. The interest is allocated over the period by an amount corresponding to a fixed interest rate for the debt recognized during the period.

Leasing where the material part of the risks and benefits of ownership are kept by the lessor are classified as operating leases and are not recognized in the balance sheet. Leasing fees are expensed on a straight-line basis over the period of the lease. The Group only reports operating leases.

Applied principles from 1 January 2019

For all leases where the Group serves as a lessee, a right of use (ROU) and a leasing liability are recognized in the balance sheet, from the date that the leased asset is available for use by the Group. The leasing liabilities are calculated at the present value of future leasing payments, discounted using the marginal loan interest rate and initially recognized at the calculated present value. The leasing liabilities are recognized in subsequent periods by the liability being increased to reflect the effect of interest and reduced to reflect the effect of paid leasing charges.

The ROU is initially recognized at a value equivalent to the leasing liability, adjusted for any prepaid or accrued leasing charges. In subsequent periods, the ROU asset is recognized at cost less depreciation and impairment.

Leasing charges that are included in the valuation of lease liabilities comprise the following:

- fixed fees (including substantively fixed fees), less any benefits in connection with signing of the lease,
- variable leasing fees that depend on an index or a rate, initially measured at the start date,
- amounts expected to be paid by the lessee according to residual value guarantees,
- the redemption price for an option to buy if it is reasonably certain that the option will be exercised, and
- fees upon termination, if the leasing period reflects that the lessee will exercise a possibility to terminate the lease.

Variable leasing charges that do not depend on an index or price are not included in the measurement of the leasing liabilities and ROU assets, but rather recognized as an expense in operating profit in the period they arise.

Contracts with shorter terms than 12 months or where the underlying asset is of little value are expensed straight-line. Agreements of minor value include IT equipment and small office furnishings. These are recognized as an expense directly in the income statement. All leases include a rental period and terms for extension.

In the consolidated balance sheet, ROU assets are recognized as tangible assets and interest-bearing leasing liabilities are included in Other liabilities. In the income statement, an expense is recognised for the depreciation of the leased asset and an interest expense for the financial liability. Interest expense is distributed over the term of the lease so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognised in each period. If a lease transfers ownership at the end of the leasing period or if the cost includes a probable exercise of a purchase option, the ROU asset is depreciated over the useful life. Depreciation begins as of the start date for the lease.

In the cash flow statement, the leasing payments are divided between interest paid in operating activities and repayment of leasing liabilities in financing activities.

The Group's leases are primarily comprised of rental contracts for premises and leases for vehicles. The contracts for leasing cars extend over three years. If there is a lack of stipulated durations in the contracts, a duration of five years is assumed for premises contracts and three years for vehicle leases.

Insurance business

IFRS differentiates between insurance contracts and investment contracts. Insurance contracts constitute agreements under which significant insurance risk is transferred from the policyholder to the insurer. Investment contracts constitute financial instruments that are not defined as insurance contracts, as they do not transfer any significant insurance risk. Risk products

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

Nordnet's management forms in the insurance business are primarily comprised of unit-linked insurance or traditional insurance with conditional bonus. For unit-linked insurance, the value of the insurance is entirely dependent on the investments made by the policyholder. For traditional insurance, the value of the insurance consists entirely of a conditional bonus, which means that the insurance has no guaranteed insurance capital. The products Kapitalpension (Capital Pension), Tjänstepension (Occupational Pension) and Privat Pension (Private Pension) may be converted into unit-linked insurance when they are paid out. If the insurance remains as a traditional policy, a sum amounting to 3 percent of the insurance value is estimated at the first payment occasion. Payment is made as fixed annual amount spread over five years. The amount payable is guaranteed over the first five years.

Insurance contracts and investment contracts

Assets in the insurance business consist of policyholders' investments in securities in endowment insurance, capital pension, private pension and occupational pension. All contracts have conditional bonuses where the policyholder bears the investment risk in a change in value, whereby they are classified as investment contracts and the commitment is recognized in accordance with IFRS 9. Only a small part of the Group's unit-linked insurance operations are classified as insurance agreements. The contracts classified as insurance contracts are recognized as liabilities to policyholders. The recognition is limited to damage reserves that are not reported (IBNR). Liability for unknown claims is calculated on an actuarial basis and recognized as outstanding claims, which are guaranteed by the insurance company.

The investment contracts are dependent on the fair value of the underlying financial assets, with the exception of any guaranteed amount in a traditional insurance that pays out. The liability is directly related to the value development of the underlying financial assets, as well as deposits and withdrawals. The underlying assets are measured at fair value through profit or loss and the associated liabilities are identified to be measured at fair

value via profit or loss according to the fair value option. The choice of using the fair value option is made to eliminate inconsistencies in recognition. The substance of the transaction is that the changes in value belong entirely to the policyholders. The fair value of the financial liabilities is accordingly determined using the fair value of the financial assets to which the financial liabilities are attributable on the balance-sheet date.

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

- The life insurance provision consists of the capital value of future insurance benefits guaranteed to the policyholders. The provision is calculated individually for each insurance policy and refers to guaranteed commitments during a five-year disbursement.
- The unit-linked insurance provision is calculated individually for each insurance. The provision corresponds to the total market value of the holdings in the policyholders' deposits.
- The provision for claims outstanding relates to claims incurred but not reported. The provision is calculated collectively for the insured population, corresponding to a certain percentage of the gross risk premium income for the year when the claim arose.
- The conditional provision is calculated individually for each insurance. It corresponds to the total market value of the holdings in the policyholder's deposit less provisions for guaranteed commitment.

Income recognition

Amounts received from and paid to the holders are entered in the balance sheet as deposits or withdrawals. Fees for administration of the investment agreements are recognized as income evenly distributed over the term of the agreements.

Recognition of expenses

Additional charges for obtaining an agreement with a customer are recognized as of the second quarter of 2018 as an asset in the balance sheet if they can be expected to be recovered. This is comprised of direct charges for obtaining an agreement with a customer that the Group would not otherwise have undertaken if the agreement had not been obtained, such as a sales

commission to obtain the investment agreement. The charges are largely variable. They are expected to be recouped from commission income earned on the investment agreements. Prepaid acquisition costs are allocated to periods and recognized as income over ten years when related income is recognized.

The assets are tested for impairment at each closing date to ensure that the contracts' anticipated future economic benefits exceed their carrying amount. All other expenses, such as fixed acquisition costs and continuous administrative expenses, e.g. commissions to own personnel who serve as salespeople and continuous administrative expenses that are paid during the term of the investment agreements are recognized during the accounting period in which they occur.

Stock lending

Lending takes place against provided collateral amounting to 105 percent of the lent value. The policy holder's investment right in the insurance is not affected by the stock lending programme.

The risks and return on lent securities stay in the Group and are recognized according to IFRS 9. The securities are taken up in their entirety under the item "assets where the customer bears the investment risk" and equivalent amount in the item "liabilities where the customer bears the investment risk". The income is classified as an interest income and the compensation to the customer as an interest expense. At 31 December 2019, lent securities amounted to SEK 1,748 million and we received collateral as of the same date in an amount of SEK 1,835 million.

Employee benefits

Short-term employee benefits

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

A provision for performance-related pay is reported when the Group has a legal or informal obligation to make such payments as a consequence of the services

in question having been received from the employees and the provision amount can be calculated reliably.

Post-employment benefits

Post-employment benefits include pensions. The Group has defined contribution plans (see Note 12) entailing that the Group pays a fixed fee to a separate legal entity and has no legal or informal obligation to pay additional fees if the legal entity does not have sufficient assets to pay all employee benefits related to employees' service during the current period and prior. The size of the pension for the individual employee depends on the amount of money paid in and the size of the returns on the funds, unlike defined benefit pension plans, under which the employee is guaranteed a specific, predetermined pension by the employer. The Group's obligations regarding contributions to defined contribution plans are recognized as an expense in the income statement as they are earned by the employees performing services for the Group over a period.

Termination benefits

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

Provisions

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

Pledged assets

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

Contingent liabilities

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

Commitments

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

Taxes

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

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

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

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

Yield tax

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

Segment reporting

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

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

Cash flow statement

The cash flow statement is prepared using the direct

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

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

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

Cash and cash equivalents

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

Parent Company's accounting policies

The Parent Company generally adheres to IFRS and the accounting principles applied in the consolidated financial statements. In addition, the Parent Company needs to take into account and prepare annual reports in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Recommendation RFR 2 Accounting for Legal Entities. The Parent Company's annual report has therefore been prepared in accordance with IFRS as long as it is compatible with ÅRL and RFR 2. The most significant principal differences between the Parent Company and the Group's accounting policies are shown below.

Shares in subsidiaries

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

Intangible assets

The Parent Company systematically amortizes goodwill based on the assessed useful life. All expenses attributable to internally developed intangible assets are recognized in the income statement as expenses.

Leasing objects

In accordance with RFR 2, the Parent Company has chosen to not apply IFRS 16 Leases. The Parent Company recognizes finance leases as operating leases. This means that the leasing fees are expensed in the income statement.

Untaxed reserves and group contributions

Due to the relationship between accounting and taxation, the Parent Company does not disclose the deferred tax liability attributable to the untaxed reserves. These are recognized gross in the balance sheet and income statement. Group contributions received from subsidiaries are recognized as financial income. Group contributions paid by the Parent Company to a subsidiary are recognized as an increase in participations in Group companies.

Note 6 Transactions with related parties

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

Nordnet Bank AB regularly enters into business relations with Öhman Group in the same way as is regularly done with other financial players. Nordnet's no-fee index funds, the Superfonderna, are managed by E. Öhman J:or Fonder AB, a company within the Öhman Group. The agreement has been entered into on market terms. During the period, Nordnet Bank received commission income and other income amounting to a total of SEK 12,114 thousand (8,833) and paid commission expenses and other expenses of SEK 9,668 thousand (10,297). The Öhman Group has entered into an occupational pension agreement with Nordnet Pensionsförsäkring AB.

Nordnet Bank offers personnel credits to all Group employees. The company has granted credit for margin lending to Board members of SEK 8 million, of which SEK 25 thousand is utilized. In addition to this, one Board member has a residential mortgage of SEK 10 million. The credits were granted on market terms. As

at 31 December 2019, the company had margin lending and unsecured credit to senior executives totalling SEK 8,161 thousand (8,717), of which utilized credits amounted to SEK 1,940 thousand (1,669). Interest on unutilized credits resulted in no tax imposed on fringe benefits. No provisions relating to bad debts or expenses relating to bad debts to related parties have been reported during the financial year.

For information regarding the salaries and other remuneration, expenses and obligations relating to pensions and similar benefits and contracts in respect of severance pay for the Board, the CEO and other senior executives, see Note 12.

Note 7 Risks

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

Nordnet's risk exposures shall be based on:

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

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

The core of the risk framework is the risk appetite that expresses the aggregated level and the types of risks that Nordnet is willing to expose itself to in the risk capacity, and in accordance with the business model, to achieve strategic objectives. The risk appetite indicates

the maximal accepted risk exposure on a general level and for specific risks. It is adapted to Nordnet's business strategy, and the limits shall be approved by the Board and evaluated and updated regularly.

Risk culture is defined as the norms, attitudes and behaviours around risk awareness, risk-taking and risk management and the controls that form decisions on risks. The risk culture affects the decisions the management and employees make in the daily activities and affects what risks they take. Nordnet shall have a sound risk culture that ensures a common view of risk-taking based on risk awareness and understanding of the specific risks and the risk appetite. The resources and competencies in the business organization and the control functions shall be adapted to the scope of the work done in the respective units.

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

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

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

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

perspective or risk based.

The internal capital and liquidity assessment process (ICLAAP) is a continuous process that evaluates capital and liquidity requirements in relation to Nordnet's risk profile, plans and global factors. As part of the ICLAAP work, a comprehensive study and analysis is conducted of the risks in the operations. Nordnet is working for the entire organization to be involved in risk analysis. All employees are responsible for identifying risks and increasing their knowledge about these. The ICLAAP process is part of the organization's work with risk and requires the active participation of risk owners and the employees concerned. For the insurance group, a risk and solvency assessment or ORSA (Own Risk and Solvency Assessment) is made, which is a continuous process that evaluates the capital requirement in relation to the Group's risk profile and business plan. ORSA covers all material risks that the Group is exposed to.

Credit risk

Credit risk is the risk of Nordnet not receiving payment as agreed and/or making a loss due to a counterparty's inability to fulfil its obligations, and where any securities do not cover Nordnet's receivables.

Nordnet's exposure to credit risks arises primarily in the granting of credit, which entails the risk of incurring losses due to borrowers not being able to meet their payment obligations for various reasons. Loans to the public are comprised of margin lending against collateral in market-listed shares and fund units. In Sweden, Nordnet also offers consumer credits without collateral and residential mortgages.

Nordnet's lending shall be characterized by good ethics, high quality and control and therefore takes place based on the policies set by the Board of Directors that stipulate the framework for credit assessment, credit risk management, credit risk reporting and the risk appetite. The CEO is responsible for more detailed credit instructions being set. It is in the Group's interest that lending does not entail that borrowers take unnecessary risks. All credits are assessed in a separate department that is placed centrally in the Group. As support, internally developed risk classification tools are used. Before granting credit, all credits must be identified and assessed based on the individual borrower's financial circumstances and repayment ability both short and long term. The Group continuously monitors the borrowers' repayment capacity. This is especially important for unsecured credits.

The credit assessment is based on scoring and rating models developed in-house, paired with using the customary credit information services. The scoring model predicts the risk of default based on the information registered upon application, credit check and internal conscientiousness. A credit decision shall be made on current information, which is why an application may not be older than 30 days.

Nordnet strives for a well-diversified credit portfolio priced based on its risk exposure with a good balance between risk and return. The internal risk rating systems used form a central component in the Group's processes for lending operations, credit review and the quantification of the credit risk in the portfolio. Nordnet can thereby estimate the risk of default and future losses. This also affects pricing in the form of the interest offered to the customer. The credit risk and the dynamics of the credit portfolio are continuously assessed and are

Stages lending to the public 2019	Amortized cost	Provision for expected credit losses	Total lending to the public
Stage 1	14,623,778	-21,984	14,601,794
Stage 2	1,507,942	-24,450	1,483,492
Stage 3	94,722	-52,231	42,491
			16,127,777

Stages lending to the public 2018	Amortized cost	Provision for expected credit losses	Total lending to the public
Stage 1	12,581,917	-21,360	12,560,557
Stage 2	1,638,026	-27,476	1,610,550
Stage 3	80,369	-46,988	33,381
			14,204,488

Margin lending

Market	Credit utilized (SEK million)		Percentage of total credit volume (%)	
	2019	2018	2019	2018
Sweden	3,100	2,538	41%	42%
Norway	1,729	746	23%	12%
Denmark	1,221	1,205	16%	20%
Finland	1,510	1,584	20%	26%
Total	7,561	6,073	100%	100%

Range	Total, net (SEK million)		Percentage of total (%)	
	2019	2018	2019	2018
<10 SEK thousands	28	25	0%	0%
10-500 SEK thousands	1,582	1,423	21%	23%
501-2 000 SEK thousands	2,099	1,796	28%	30%
>2 000 SEK thousands	3,852	2,829	51%	47%
Total	7,561	6,073	100%	100%

31/12/2019	
Nordea	2,7%
Sampo	1,7%
Nokia	1,6%
Novo Nordisk	1,2%
Vestas Wind Systems	1,1%

31/12/2018	
Nordea	3,8%
Nokia	3,4%
Sampo	1,8%
Novo Nordisk	1,6%
Fortum	1,4%

aimed at monitoring the risk level's compliance with the risk appetite approved by the Board. The models are reviewed and validated regularly by independent risk control.

At the end of the year, lending to the public amounted to SEK 16,128 million (14,204) including lending backed by collateral in the form of cash and cash equivalents in foreign currencies of SEK 402 million (372). The total reserve for expected credit losses amounted to SEK 99 million (96).

The Group's credit risk exposure also comprises counterparty risks and concentration risks. Counterparty risks, defined as the risk that a counterparty in a financial transaction does not manage to fulfil its commitments and thereby causes a loss for the other party, primarily arise in the handling of the Group's liquidity portfolio, but also occur in the customers' securities trading. Concentration risks can arise from exposures to individual counterparties/customers, industries and regions. In the table above, "Stadges lending to the public", all lending has been defined based on IFRS 9 stage 1 to 3.

Margin lending

For margin lending, the crucial assessment criteria for Nordnet are the value of the collateral in the form of securities eligible as collateral in the customer's custody account, the customer's balances in various currencies and the customer's credit rating. The loan value of securities is evaluated in accordance with an internal model based on the liquidity and volatility of individual securities. Based on this and the repayment capacity, the customer is assigned a credit limit. The highest permitted loan-to-value ratio for an individual security is 90 percent, but is often lower. Nordnet's credit department continuously monitors the loan-to-value ratio on both an individual and an aggregated level. There were approximately 16,000 (15,900) accounts utilizing credit as at year-end.

In a situation where the collateral value of the collateral exceeds the loan-to-value ratio, so-called overlending occurs. The customer then has the possibility to make up the shortfall, either by selling securities and/or adding further liquid funds. If this is not addressed within the given time frame, Nordnet has the option of selling securities to the extent required to rectify the overlending. However, Nordnet always has the possibility of

	Market value (SEK million)		Lending (SEK million)		Average loan to value ratio %	
Collateral for mortgage loans	2019	2018	2019	2018	2019	2018
Houses	8,418	7,878	2,994	2700	35.6%	34.3%
Tenant-owner's right	3,978	3,914	1,522	1478	38.3%	37.8%
Total	12,396	11,792	4,516	4,178	36.4%	35.4%

resolving overlending directly. At 31 December 2019, overlending totalled SEK 6 million (8), which corresponds to 0.08 percent of the total margin lending. In a situation where a negative balance has arisen on a custody account where there is no approved loan agreement, a so-called overdraft arises. Overdrafts amounted to SEK 16 million (21) at 31 December 2019.

Nordnet conducts continuous stress tests in the form of the risk of losses that may arise due to concentrations in various dimensions, as well as due to the liquidity and volatility in individual securities.

At year-end, margin lending amounted to SEK 7,560 million (6,073) and the market value of the collateral amounted to SEK 32,387 million (25,677), which results in an average loan-to-value ratio of 23 percent. The reserve for anticipated credit losses amounted to SEK 20 million (20).

Personal unsecured loans

Nordnet offers credit up to SEK 500,000 without requiring collateral to private individuals in Sweden. Because of this, this kind of lending has a higher inherent credit risk than Nordnet's other lending. For these loans, an individual pricing is applied that reflects the risk.

In an analysis of the credit risk, a stressed level of forecast unemployment is used to measure how set reserves and future credit losses may increase. A sensitivity analysis shows that in a doubling of forecast unemployment in the next few years compared with the current forecast, total credit loss reserves will go from SEK 78 million to SEK 90 million, meaning an increase of SEK 12 million.

At year-end, lending amounted to SEK 4,129 million (4,029) under the brands Konsumentkredit and Toppenlånet distributed across around 26,288 customers (27,064). The reserve for anticipated credit losses amounted to SEK 78 million (76).

Residential mortgages

Nordnet offers residential mortgages on the Swedish market with a maximum LTV of 60 percent. All lending is secured with mortgages in villas and tenant-owner apartments with Nordnet as the sole holder of the pledge. The mortgage value is calculated based on a statistical valuation with data from an external party. Reappraisals take place annually or more often when necessary.

Nordnet only grants residential mortgages following completion of a customary credit check, which includes a KALP (left to live on calculation), in which all income and expenditure of the borrower's household is taken into consideration to ensure that the borrower can handle a scenario with the current interest rate plus 5 percent. All loans are covered by regulatory requirements regarding repayment. If the value of the property were to decline so that the loan-to-value ratio exceeds 70 percent, Nordnet has the right to request that an individual repayment plan be created. The interest rate follows an interest ladder that can change if the conditions change in the form of reduced assets that qualify a certain discount or that the value of the property decreases.

The results of stress tests of the pledged collateral with a price drop of up to 30 percent provide no expected credit losses, which is a result of low loan-to-value ratios and supplemental collateral in securities in the customers' custody accounts.

At the end of the year, lending totalled SEK 4,515 million (4,178). 86 percent (86) of lending is to borrowers residing in Stockholm, Gothenburg and Malmö. The average loan-to-value ratio amounted to 36 percent (35). The reserve for anticipated credit losses amounted to SEK 5 thousand (5).

Liquidity portfolio

Liquidity management in Nordnet is comprised of the regulatory liquidity reserve and all other liquidity in the liquidity portfolio. The liquidity reserve constitutes a

31/12/2019	Rating according to Standard & Poor's													
	Up to 12 months					More than 12 months								
Group SEK million	A-1+	A-1	A-2	A-3	no rating	AAA	AA+	AA	AA-	A+	A	A-	no rating	Total
Assets														
Loans to credit institutions ¹	434	1,789	29	-	30	-	-	-	-	-	-	-	-	2,281
Loans to the general public	-	-	-	-	16,128	-	-	-	-	-	-	-	-	16,128
Fincial assets at fair value	-	-	-	-	-	-	-	-	-	-	-	-	7	7
Treasury bills and other interest bearing securities ²	-	-	-	-	-	16,314	4,891	-	-	-	-	-	831	22,036
Bonds and other intererst bearing securities	-	209	39	-	40	716	338	-	22	76	89	35	-	1,564
Reinvested assets in the insurande business	-	-	-	-	-	4,354	309	-	-	-	-	-	-	4,663
Total	434	1,998	68	-	16,198	21,384	5,537	-	22	76	89	35	837	46,678

¹ Of which SEK 1,776 million is reported as actuarial assets in the consolidated balance sheet.

² Parts of the liquid assets in the insurance business were reinvested in bonds.

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

¹ Of which SEK 1,361 million is reported as actuarial assets in the consolidated balance sheet.

² Parts of the liquid assets in the insurance business were reinvested in bonds.

separate reserve of high-quality liquid assets, bank balances (excluding client funds), balances with central banks and investments in interest-bearing securities.

Procedures for investments in financial instruments follow set policies and instructions. These regulate the type of investment, limits per counterparty, permitted issuers, maximal fixed-interest term and procedures for ensuring the quality of counterparties and pledged assets. Holdings in securities are comprised of certificates, bonds and treasury bills with a rating of no less than BBB- issued by banks, companies, states, municipalities and county councils.

Nordnet's holdings in interest-bearing securities amounted to SEK 23,600 million (20,036) on 31 December 2019. Other surplus liquidity totalled SEK 915 million (1,677). Reserves for interest-bearing securities amount to SEK 139 thousand (21).

Counterparty risk

Counterparty risk arises in the form of issuer risks in the liquidity portfolio, risks towards account holders for the bank deposits, shutdown risks, and risks towards clearing institutes and CCPs. Shutdown risk is comprised of the risk that the counterparty in a transaction cannot fulfil its commitments to pay for or deliver agreed securities and that the price of the financial instrument has changed when the transaction must be redone with a new counterparty.

As a result, part of Nordnet's business, a large part of the counterparty risk is related to the transaction flows from the stock markets in the Nordic countries. The risks are limited through the use of established clearing organizations, such as Euroclear and Nasdaq OMX. Counterparty risks also arise in the placement of Nordnet's excess liquidity and when the Group hed-

ges its currency risk exposures. The excess liquidity is placed in bank accounts and in treasury bills or other interest-bearing assets. Counterparty risks are limited through deliberate selection of counterparties with high credit quality and that agreements on derivative instruments are entered with multiple different financial counterparties. Trading in derivative instruments is governed by ISDA agreements and their collateral by CSA agreements.

The table on page 85 shows credit ratings for the Group's holdings in financial instruments. According to the Group's finance policy, holdings in interest-bearing instruments may have a minimum rating of BBB-. For covered bonds, the ratings of the bonds have been used; for others, the issuer's ratings have been used. Nordnet permits investments in unrated assets issued by a state, municipality or county council.

Concentration risk

Concentration risk arises in engagements that are concentrated to e.g. a few customers, a certain sector, securities issued by a certain issuer, or a specific geographic area. Credit-related concentration risks may also arise when groups of exposures exhibit a significant degree of covariance.

Nordnet has a broad range of services and products aimed at a broad spectrum of customers throughout the Nordic region with a relatively low exposure amount per customer, good geographical spread and considerable variation in their trading behaviour. Nordnet has established procedures and approaches that aim to avoid concentrations to individual issuers. The credit portfolios show limited exposures to individual borrowers and are well spread over the geographic markets. The residential mortgage portfolio has a large concentration to the three metropolitan areas in Sweden. Nordnet monitors the concentration risks continuously.

At 31 December 2019, the ten largest credits accounted for 10 percent (10) of the total margin lending. The table on page 84 presents the total collateral value of the individual securities in relation to the total collateral value of all securities. This does not necessarily mean that these collateral values are fully utilized.

Calculation of expected credit losses

Assumptions and techniques for assessing impairment requirements

Nordnet reports reserves for credit losses on financial assets valued at amortized cost and for irrevocable loan commitments. For all credit products and for the liquidity portfolio, Nordnet has developed statistical models that consist of a combination of historical, current, future-oriented and macroeconomic data and benchmarks deemed relevant by Nordnet, as well as external data from multiple sources to be able to measure the credit risk and assess the potential risk of default.

Measurement of credit exposure and calculation of expected credit losses (ECL) are complex and include the use of models that are based on the probability of default (PD), exposure at default (EAD) and loss given default (LGD).

12-month and lifelong PD represents Nordnet's assessment of the probability of default in the next 12 months and, respectively, in the contract's remaining duration at a given point in time based on circumstances on the balance sheet date and the future financial conditions that affect the credit risk. EAD refers to the expected exposure at default considering repayments of principal and interest from the balance sheet date to the time of default. LGD is comprised of the expected loss at default considering mitigating factors, such as collateral and the value of it. PD, LGD and EAD are calculated monthly until the end of the expected duration. ECL is comprised of the product of PD, LGD and EAD discounted with the original effective interest rate. A summation of the expected credit losses until the end of the expected duration provides the expected credit losses for the asset's remaining duration. The sum of the credit losses that are expected to occur within 12 months provides the expected credit losses for the upcoming 12 months. For Margin lending, a "loss rate" model is used where PD and LGD are calculated combined.

In the calculation, consideration is taken to three scenarios (base, positive and negative) with relevant economic factors, such as GDP, housing prices and unemployment. The risk parameters incorporate the effects of macroeconomic forecasts. Every scenario is assigned a probability and the expected credit losses are obtained as a probability-weighted average.

Relocation between steps, margin lending

	Probability-weighted against positive or base scenario	Probability-weighted against negative scenario
Stage 1	Loans exceed collateral 0 days, overlending ≤ 3 days	Loans exceed collateral 0 days, overlending ≤ 1 day
Stage 2	Loans exceed collateral 0 days, overlending ≥ 4 days	Loans exceed collateral 0 days, overlending ≥ 2 day
Stage 2	1 day \leq Loans exceed collateral ≤ 3 days	1 day $<$ Loans exceed collateral ≤ 2 days
Stage 3	Loans exceed collateral ≥ 4 days	Loans exceed collateral ≥ 3 days

Material doubtful credit exposures are assessed individually without the use of input data from models.

Significant increase of credit risk

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

In margin lending, a significant increase in the credit risk is considered to have occurred once the credit exceeds the value of the collateral and is considered to be doubtful if the loan amount has exceeded the collateral for more than three days. Also refer to the table above.

For granting of unsecured loans, a significant increase in credit risk is considered to have occurred if the invoice is unpaid 17 days after the due date. The claim then goes on to collection, which handles the claim moving forward. Nordnet has chosen to deviate from the standard's backstop as Nordnet believes that this model provides a more accurate picture of customers that are at risk of insolvency.

A significant increase in credit risk has occurred for residential mortgages at an estimated PD of 0.2 and in an individual assessment of claims overdue by 30 days. Also refer to the table.

Nordnet's finance policy stipulates regarding the liquidity portfolio that an asset must be divested if the issuer's credit rating drops below BBB- (Standard & Poor's and Fitch/Moody's). If the asset refers to a secured bond, the credit rating may not fall below AA-/Aa3. Nordnet assesses these assets according to the exception for holdings with a low credit risk as the asset will be divested before the credit risk is considered to have increased significantly.

Collective assessment

The assessment of a significant increase in credit risk for exposures for all lending products and the liquidity portfolio is initially based on a collective assessment based on common risk parameters in the form of a product category and credit risk rating.

Relocation between steps, residential mortgages

	Probability of default (PD) 12 months	Payments
Stage 1	PD $< 0,20$ %	< 30 days overdue
Stage 1	PD $<$ PD at start	< 30 days overdue
Stage 2	PD $>$ PD at start $> 0,20$ %	< 89 days overdue
Stage 2		31 $<$ days overdue < 89
Stage 3		> 90 days overdue

Modified loans

Modification of a loan can be due to the borrower contacting Nordnet due to financial difficulties, Nordnet having taken steps to keep the customer or changes in the market conditions. A modified loan that does not lead to removal from the balance sheet, which is due to the customer's repayment capacity, is categorized as a credit under monitoring. This gives rise to a relocation between steps. The loan must then pass at least 12 months without remark or a new modification to be moved back to an earlier step again.

Default and doubtful receivables

Default is defined in accordance with the Group's credit policy as a combination of both quantitative and qualitative factors. For margin lending, a custody account is considered to be in default if the credit amount exceeds the value of collateral for at least three days.

For personal unsecured loans, default is defined as a claim overdue more than 100 days. Claims exceeding 100 days are sold on to collection companies. Credits categorized as in default (stage 3), but not possible to sell on are comprised e.g. of customers who are undergoing debt restructuring, have declared bankruptcy, are deceased, are subject to fraud or emigrated from

the country. Nordnet has chosen to deviate from the standard's backstop as Nordnet estimates that the proportion of credits that would be cured (and go back to step 2) during the period between 90-100 days to be immaterial.

For Residential mortgages, default is defined as a receivable overdue more than 90 days and when the process to collect payment has begun. If a receivable is overdue for 90 days, but it is deemed that the customer will be able to fulfil his/her obligations, there is a possibility to not define the receivable as in default. If a residential mortgage were to lead to 90-day overdue payment, Nordnet's model permits deviating from the standard to classify the receivable as step 3. Nordnet offers a maximum loan-to-value ratio of 60 percent whereby the general risk is considered to be low.

The liquidity portfolio and lending to credit institutions are assessed according to the exception for holdings

Unemployment

Year	Average %	Low %	High %
2019	6.7	6.1	7.0
2020	6.9	5.5	7.8
2021	6.8	5.1	7.3

with low credit risk. In accordance with Nordnet's finance policy, only bonds and treasury bills with a rating of no less than BBB- according to Standard & Poor's, Moody's or Fitch are permitted. All bank deposits are placed in the Nordic banking system with institutes with a rating and with central banks.

For other financial instruments measured at amortized cost, such as accounts receivable, default is defined as receivables that are overdue for payment more than 90 days or if there are other indicators (bankruptcy) that make it likely that the debtor will not pay his or her credit obligations in full.

Use of prospective information

Nordnet includes future-oriented information in the assessment of a significant increase in credit risk. From analyses of historical data, macroeconomic factors that affect credit risk and credit losses are identified. These analyses take into account internal and external information that is based on country, borrower and product type and agree with the future-oriented information used for other purposes, such

as financial planning and forecast work. These are comprised of reasonable and verifiable factors, such as unemployment, interest rate levels, gross domestic product and the price index for housing. The impact of future-oriented macroeconomic factors is simulated through the use of scenarios. Methodology and assumptions in the models are reviewed regularly.

For margin lending, GDP is deemed to be a relevant variable in the calculation of expected credit losses. Years with negative growth in GDP show a correlation with the development in the stock market, which leads to the credit losses increasing. As forecast data, information from Bloomberg on the Swedish GDP growth is used. The probabilities are approximated and revised monthly.

Nordnet uses the unemployment level as a parameter to forecast expected credit losses for unsecured loans. In the calculation, consideration is taken to three scenarios: average, low and high [see table]. Each scenario comprises unemployment and a forecast probability. The forecast extends over two years and is based on data from Bloomberg (more than 10 forecasts from Swedish and international banks), where the average is the median value of the forecasts. Low corresponds to the lowest forecast and high the highest forecast based on reported data. As the duration on this product category is 20 months, a two-year forecast provides satisfactory data to forecast expected credit losses.

In the calculation of expected credit losses on residential mortgages, the housing price index over the development in the Swedish property market in the past 40 years is used, but is conservative compared with the actual historical price trend. The probability weighting for the three different scenarios is evaluated continuously and based on the monthly development and historical price fluctuations. Historical data is obtained from Statistics Sweden's FASTPI index and monthly data is gathered from Valueguard HOX Sweden price index.

Changes in the market rate are used to forecast the risk of credit losses in the liquidity portfolio. The interest rate affects the financing costs for states, banks and institutions that borrow money on the capital markets. The interest rate thereby has an impact on the creditors' credit quality in the form of refinancing possibilities, interest payments and financing costs. Macro-economic factors are reflected in the credit ra-

tings for creditors and instruments in the portfolio. Each credit rating is also given a forecast (positive/stable/negative). Forecast credit losses are based on three different scenarios. Base, all credit ratings are unchanged. Negative, credit ratings with negative outlooks are downgraded one level. Positive, where credit ratings with positive outlooks are upgraded one level.

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

Sensitivity analysis prospective information

Expert assessments are used to assess the effects of the prospective information in granting of unsecured loans. A sensitivity analysis shows that in a doubling of forecast unemployment in the next few years compared with the current forecast, the share of contracts in stage 2 will go from 8 percent to 11 percent of all contracts. The table below illustrates the number of agreements classified as stage 2 with and without the aforementioned stressed scenario. Nordnet has only prepared a sensitivity analysis for Granting of unsecured loans since it is for this category of lending that the majority of the credit losses are found.

Step 2 - Comparison portfolios with stress and without stress

Portfolio	Stress	Without stress
Konsumentlånet (consumer loan)	1,991	1,460
Flexlånet (flexible loan)	555	466
Toppenlånet (top loan)	267	171
Total	2,813	2,097

Compliance measures

Nordnet's contractually outstanding amounts for financial assets that are written off, but still covered by compliance measures in the form of payment plans amounted to SEK 7.1 million (7.1) at 31 December 2019.

Market risk

Market risk derives from the risk that the fair value or future cash flow from a financial instrument is affected by changes in market prices. Nordnet is exposed to

market risks in the form of interest risk, liquidity risk, and share price risk. As Nordnet's business is built around customer trading and it does not conduct any trading on its own account, the interest-rate risks are primarily attributable to the bankbook. Exchange rate risks arise in differences between assets and liabilities in different currencies.

The risk appetite for market risk is low whereby the strategy is to match assets and liabilities regarding currencies, interest rate index and fixed-rate periods.

Interest rate risks

Interest rate risk is the risk that the fair value of, or future cash flows emanating from, a financial instrument fluctuates from changes in market interest rates. Interest rate risks occur in the form of price risk and cash flow risk arising in an imbalance in terms of maturity between assets and liabilities and in changes in the value of assets due to market interest rate fluctuations.

Nordnet preferably gives credit at flexible interest rates, and this credit is mainly financed by deposits at flexible interest rates. The interest-rate risk is deemed to be limited as the credit turnover rate is relatively high, and the credit agreements permit interest rate adjustments with relatively short periodicity. The Board of Directors has set limits for maximal interest-rate risk level and interest sensitivity is measured and reported daily to Risk Control and the CFO. In addition, at the end of each quarter, the sensitivity of the portfolio is assessed in conjunction with the finance function's interest report to Finansinspektionen (the Swedish Financial Supervisory Authority).

At year-end, the interest rate risk amounted to approximately SEK 79.7 million (59.5) in the event of a negative 1-percentage point change in the market interest rate, which will be charged against net profit after tax and reduce equity by SEK 62.6 million (46.4). A list of Nordnet's fixed-interest terms is provided in the table below.

Foreign exchange risks

Exchange rate risk is the risk that the fair value of, or future cash flows emanating from, a financial instrument fluctuates from changes in exchange rates. Nordnet's domestic market is the Nordic region whereby currency exposure mainly arises in SEK, NOK, DKK and EUR,

2019 Group - Interest period										
Assets	0-1 month	2-3 months	4-6 months	7-12 months	1-2 years	2-3 years	3-4 years	4-5 years	No fixed rates	Total
Cash and balances in Central banks	409,538	-	-	-	-	-	-	-	-	409,538
Loans to credit institutions	2,281,612	-	-	-	-	-	-	-	-	2,281,612
Loans to the general public	11,612,327	4,515,450	-	-	-	-	-	-	-	16,127,777
Financial assets at fair value	-	-	-	-	-	-	-	-	6,575	6,575
Treasury bills and other interest bearing securities	7,643,310	6,877,467	4,707,086	892,016	1,469,767	362,980	83,229	-	-	22,035,855
Bonds and other interest bearing securities	715,664	754,654	93,374	-	-	-	-	-	-	1,563,692
Reinvested assets in the insurance business	1,617,438	1,455,374	996,089	188,764	311,024	76,812	17,612	-	-	4,663,113
Other assets	-	-	-	-	-	-	-	-	74,954,693	74,954,693
Total assets	24,279,889	13,602,945	5,796,549	1,080,780	1,780,791	439,792	100,841	-	74,961,268	122,042,855
Liabilities										Total
Deposits and borrowing from the general public	45,011,677	-	-	-	-	-	-	-	-	45,011,677
Other liabilities	-	-	-	-	-	-	-	-	73,973,396	73,973,396
Total liabilities	45,011,677	-	-	-	-	-	-	-	73,973,396	118,985,073
Difference between assets and liabilities	-20,731,788	13,602,945	5,796,549	1,080,780	1,780,791	439,792	100,841	-	987,872	3,057,782
Adopted remaining interest period, year (present value)	0.04	0.16	0.36	0.71	1.39	2.25	3.07	3.85		
Adopted interest rate change, %	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%		
Risk weight	0.04%	0.16%	0.36%	0.71%	1.39%	2.25%	3.07%	3.85%		
Total net interest risk	-8,293	21,765	20,868	7,717	24,664	9,873	3,096	-		79,689
2018 Group - Interest period										
Assets	0-1 month	2-3 months	4-6 months	7-12 months	1-2 years	2-3 years	3-4 years	4-5 years	No fixed rates	Total
Cash and balances in Central banks	1,344,200	-	-	-	-	-	-	-	-	1,344,200
Loans to credit institutions	1,693,983	-	-	-	-	-	-	-	-	1,693,983
Loans to the general public	10,026,502	4,177,986	-	-	-	-	-	-	-	14,204,488
Financial assets at fair value	-	-	-	-	-	-	-	-	59,593	59,593
Treasury bills and other interest bearing securities	5,107,403	7,051,277	3,817,360	2,083,627	200,944	-	-	-	-	18,260,611
Bonds and other interest bearing securities	419,148	941,032	260,987	74,027	80,521	-	-	-	-	1,775,715
Reinvested assets in the insurance business	1,800,315	2,485,514	1,345,586	734,460	70,831	-	-	-	-	6,436,706
Other assets	-	-	-	-	-	-	-	-	56,141,785	56,141,785
Total assets	20,391,551	14,655,809	5,423,933	2,892,114	352,296	-	-	-	56,201,378	99,917,081
Liabilities										Total
Deposits and borrowing from the general public	43,022,846	-	-	-	-	-	-	-	-	43,022,846
Other liabilities	-	-	-	-	-	-	-	-	54,905,996	54,905,996
Total liabilities	43,022,846	-	-	-	-	-	-	-	54,905,996	97,928,842
Difference between assets and liabilities	-22,631,295	14,655,809	5,423,933	2,892,114	352,296	-	-	-	1,295,382	1,988,239
Adopted remaining interest period, year (present value)	0.04	0.16	0.36	0.71	1.39	2.25	3.07	3.85		
Adopted interest rate change, %	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%		
Risk weight	0.04%	0.16%	0.36%	0.71%	1.39%	2.25%	3.07%	3.85%		
Total net interest risk	-9,053	23,449	19,526	20,650	4,879	-	-	-		59,452

Maturity review							
In the maturity review, non-discounted cash flows are allocated based on the remaining maturity.							
Remaining maturity 2019	Payable on request	max 3 months	3 months-1 year	1-5 years	5-10 years	Without maturity	Total
Assets							
Cash and balances in Central banks	-	-	-	-	-	409,538	409,538
Treasury bills and other interest bearing securities	-	5,383,760	4,672,149	11,979,946	-	-	22,035,855
Loans to credit institutions	505,193	-	-	-	-	-	505,193
Loans to the general public	7,529,132	46,493	239,322	1,471,181	6,841,649	-	16,127,777
Bonds and other interest bearing securities	-	1,031,294	347,038	185,360	-	-	1,563,692
Shares and participations	-	-	-	-	-	6,575	6,575
Assets for which customers bear the investment risk	70,089,225						70,089,225
Other assets	-	3,079,689	-	-	-	1,785,779	4,865,468
Total assets	78,123,550	9,541,236	5,258,509	13,636,487	6,841,649	2,201,892	115,603,323
Liabilities							
Deposits and borrowing from the general public	38,572,145	-	-	-	-	-	38,572,145
Liabilities for which customers bear the investment risk	70,091,081	-	-	-	-	-	70,091,081
Lease liability	-	15,083	19,860	115,006	64,491	-	214,440
Other liabilities and equity	-	3,298,481	-	-	-	3,427,176	6,725,657
Total liabilities	108,663,226	3,313,564	19,860	115,006	64,491	3,427,176	115,603,323

Maturity review							
In the maturity review, non-discounted cash flows are allocated based on the remaining maturity.							
Remaining maturity 2018	Payable on request	max 3 months	3 months-1 year	1-5 years	5-10 years	Without maturity	Total
Assets							
Cash and balances in Central banks	-	-	-	-	-	1,344,200	1,344,200
Treasury bills and other interest bearing securities	-	12,158,680	5,900,987	200,943	-	-	18,260,610
Loans to credit institutions	333,024	-	-	-	-	-	333,024
Loans to the general public	6,098,109	45,267	235,365	1,426,846	6,398,901	-	14,204,488
Bonds and other interest bearing securities	-	1,360,181	335,014	80,520	-	-	1,775,715
Shares and participations	-	-	-	-	-	59,593	59,593
Assets for which customers bear the investment risk	51,726,480	-	-	-	-	-	51,726,480
Other assets	-	2,898,653	-	-	-	1,516,653	4,415,306
Total assets	58,157,613	16,462,781	6,471,366	1,708,309	6,398,901	2,920,446	92,119,416
Liabilities							
Deposits and borrowing from the general public	35,225,181	-	-	-	-	-	35,225,181
Liabilities for which customers bear the investment risk	51,726,480	-	-	-	-	-	51,726,480
Other liabilities and equity	-	2,898,653	-	-	-	2,269,102	5,167,755
Total liabilities	86,951,661	2,898,653	-	-	-	2,269,102	92,119,416

Group - valuation of assets and liabilities in foreign currency		
	2019	2018
Assets		
Loans to credit institutions	1,891,280	1,344,189
Loans to the general public	4,438,633	3,523,188
Shares and participations	2,538	2,134
Treasury bills and other interest bearing securities	19,394,744	16,999,698
Other assets	1,803,025	2,133,940
Total	27,530,220	24,003,149
Liabilities		
Deposits and borrowing from the general public	25,489,159	22,149,369
Other liabilities	1,955,602	1,788,853
Total	27,444,761	23,938,222

2019	Assets	Liabilities	Net exposure	Exchange rate risk ¹
NOK	6,424,231	6,582,714	-158,483	15,848
DKK	9,594,526	9,527,202	67,324	-
USD	1,440,544	1,427,645	12,899	1,290
EUR	9,970,814	9,808,101	162,713	9,539
Other	100,106	99,099	1,007	101
Total	27,530,220	27,444,761	85,459	26,778

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

¹ Shows the exchange rate risk in the case of an unfavourable exchange rate fluctuation of 10%. The Danish krone has a fixed exchange rate against the euro and the currency risks can offset each other.

but there are also currency flows in e.g. GBP, CHF and USD.

Nordnet conducts daily currency exchanges to limit the exchange-rate risk and only holds minor flow-related currency positions over more than one banking day. According to the Board's set policy, Nordnet measures and reports its exchange-rate risk continuously. The policy includes limits for maximum permitted net exposure in foreign currency.

At year-end, total net exposure in foreign currency amounted to SEK 85.5 million (64.9). An unfavourable exchange rate development of 10 percent in each currency entails a risk of approximately SEK 26.8 million

(13.5), which will be charged against profit after tax by SEK 21.1 million (10.6). This includes net assets from foreign operations that are not hedged. For a more detailed description of assets and liabilities in foreign currency, refer to the table below.

Currency-based earnings arises primarily from customers' currency exchange in connection with cross-border trading. The table on page 92 presents the total countervalue, in SEK thousands, of the assets and liabilities by currency.

Share price risk

Share price risk is the risk that the fair value of, or future

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

At the year-end, the company's own total exposure to share price risk amounted to SEK 6.6 million (59.6). A sudden negative market development for all the shares of 10 percent entails a risk of approximately SEK 0.7 million (6.0), which would be charged against profit after tax and reduce equity by SEK 0.5 million. In connection with Nordnet's participation as a distributor in new share issues and spread offers, Nordnet can also opt to participate as a guarantor for part of the issue. No such guarantees were issued over the turn of the year.

Financing risk/liquidity risk

Liquidity risk refers to the risk that Nordnet would be unable to finance existing assets or meet its payment obligations, or only be able to do so at significant expense. Liquidity risk can be divided into two components. The first part is the risk of Nordnet having insufficient cash and cash equivalents to fund its operations, and the other part is the risk of being unable to convert investments into cash without significant expense increases.

The Board has set policies for limits, division of responsibility, follow-up and preparedness plans. Nordnet's preparedness plan includes risk indicators, division of responsibility and liquidity-generating action plans and action plans for serious disruptions. Treasury is responsible for continuously monitoring, analysing, forecasting, managing and reporting liquidity risks. Liquidity forecasts and various risk measurements are continuously reported to the Board. Regular stress tests ensure liquidity preparedness under conditions that deviate from the normal, such as significant outflows of deposits from the public, disruptions in the capital market and deteriorated repayment behaviours. The Board of Directors has decided that Nordnet shall have a low risk appetite for liquidity risk.

Nordnet shall always have liquid funds available to manage the daily flows in the business. There must also be a preparedness to handle disruptions in the form of liquidity quickly being redistributed or investments being put at risk. The liquidity portfolio shall be comprised of placements with good credit and liquidity quality. The main part of Nordnet's lending operations is short by nature, except for the residential mortgage product

in Sweden. As Nordnet's financing mainly consists of equity, the customers' deposits and an issued bond, the structural liquidity risk is low. In the maturity table (see page 90), deposits from the public are categorized as payable upon demand, but the behavioural flow differs from the contractual as deposits from the public have historically constituted a long-term and stable source of financing.

Loans to credit institutions amounted to SEK 505.2 million (333.0). Cash and cash equivalents including holdings in central banks amounted to SEK 914.7 million (1,677.2). Cash and cash equivalents, including assets in the insurance business, amounted to SEK 2,691.2 million (3,038.2). Of cash and cash equivalents, SEK 103 million (91) consisted of blocked funds, which is why immediately available cash and cash equivalents in the Group, including that in the insurance business, amounted to SEK 2,588.2 million (2,947.2) at year-end. Borrowing from the general public (households and companies) is Nordnet's most important source of finance. All deposits are affiliated with the deposits guarantee in the respective market. Loans to the public in relation to deposits from the public amount to 36 percent (33) per balance-sheet date. During the year, Nordnet also issued a so-called AT1 bond loan of SEK 500 million in Sweden to optimize the capital structure and create space for continued growth. Nordnet's liquidity risk is reduced by the spreading of its financing over many customers and several geographical markets, and its payment readiness is deemed to be very good.

Liquidity reserve

Norden has a liquidity reserve in accordance with the Swedish Financial Supervisory Authority's regulations regarding the handling of liquidity risks (FFFS 2010:7) and a liquidity portfolio for the handling of other excess liquidity. An internal model is used to calculate the size of the liquidity reserve. The Board of Directors has established that the liquidity reserve shall as a minimum constitute 10 percent of the customers' deposits in the Nordic currencies, which corresponds to SEK 4,501 million (4,302). At the closing date, the liquidity reserve amounted to SEK 24,450 million (25,171). The liquidity portfolio otherwise mainly consists of balances with other banks and interest-bearing securities with a high rating that can normally be converted within a few days. These total assets amount to 24,514 (21,714). There are also other liquidity requirements that govern and control the operations.

Operational risk

Operational risk consists of the risk of losses due to inappropriate or failed processes, human error, faulty systems or external events. The definition includes legal risk, compliance risk and HR risk. In addition to all of the risks that can be associated with human error and mistakes, typical examples of operational risks include: computer failure, dependence on key individuals, fraud, inadequate compliance with legislation and internal regulations, or external events, such as fire, natural disasters, sabotage or changes in laws and regulations.

To maintain good internal control of operational risks, Nordnet has well-functioning systems and procedures, as well as ongoing training of personnel. The principal responsibility for the management of operational risks lies with the individual departments and functions in the organization. The self-evaluation process comprises identification and evaluation of operational risks in all significant processes. The self-evaluation is based on a common model and is documented in a common system support. The results are reported annually to the Board and CEO. Based on the self-evaluation and occurred incidents, Nordnet identifies operational risks in its products, services, functions, processes and IT systems. The risk control function supports and guides departments in their risk work and carries out the independent follow-up of the handling of operational risks and reports to the CEO and the Board.

Given Nordnet's operations, IT risks and information security are of major significance. The rapid technical development not only creates opportunities, but also threats in the form of cyber attacks, insider attacks, IT disruptions and online fraud. It also causes a risk of the IT infrastructure becoming unmodern and outdated.

The cyberthreat to the Swedish financial sector is extensive and hacking can result in operating outages in key systems and information leaks of sensitive data. For Nordnet, maintaining a high level of cybersecurity is fundamental in the form of a strong, digital perimeter protection with high levels of security. In the past two years, Nordnet has also carried out an extensive project to upgrade and replace the IT platforms to be able to offer a world-class user experience regarding interfaces, products and stability. The project is planned

to continue in 2020. Development and outcome are carefully followed up by both company management and the Board. A special IT security function works on the identification, prevention and control of risks related to Nordnet's IT systems.

Insurance risk

Insurance risk refers to the risk of a change in value due to the difference between actual and expected insurance claims costs, that is, actual outcomes differing from expected outcomes, for example, life expectancy, mortality, morbidity or injury rate. However, the insurance risks in the operations are limited, as deaths, survivors' pensions, premiums and sickness insurance are communicated to external parties and the risks are therefore not borne by Nordnet. Premium and fee levels in Nordnet are based on product calculations and are reviewed each year.

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

Insurance provisions for guaranteed commitments amount to SEK 25 million (19), corresponding to 0.04 percent (0.04) of total insurance technical provisions.

Note 8 Group - Net interest

	2019	2018
Interest income		
Interest income on loans to credit institutions	67,434	1,911
Interest income on interest-bearing securities	59,333	52,089
Interest income on loans to the general public	488,818	433,901
Other interest income	4,659	4,509
Total interest income	620,244	492,410
Interest expenses		
Interest expenses for liabilities to credit institutions	-6,293	-10,285
Interest expenses on interest-bearing securities	-41,913	-61,545
Interest expenses for deposits and loans to the general public	-11,907	-12,438
Other interest expenses	-62,398	-30,579
Total interest expenses	-122,511	-114,847
Net interest income	497,733	377,563
Of which attributable to financial assets and liabilities valued at fair value via the income statement		
Interest income	38,271	45,923
Interest expense	-37,934	-48,617

Average interest on loans to the general public over the year was 1,47 (1,65%). Average interest on deposits and lending from the general public over the year was 0,03% (0,04%). Over the year, average interest on lending, excluding so-called account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans, was 1,55 (1,74 %).

Note 9 Group - Net commission

	2019	2018
Commission income		
Securities commission	1,070,129	983,895
Total commission income	1,070,129	983,895
Commission expenses		
Securities commission	-307,192	-287,941
Total commission expenses	-307,192	-287,941
Net commission	762,937	695,954
Of which attributable to financial assets and liabilities valued at fair value via the income statement	-	-

Note 10 Group - Net result from financial transactions

	2019	2018
Capital gains/losses, shares and participations	66,962	-1,135
Unrealized value changes, shares and participations	-560	-340
Capital gains/losses, interest-bearing securities	-762	2,627
Exchange income	177,394	176,829
Total net result from financial transactions	243,034	177,981
Net profit/Net loss per category		
Fair value through profit and loss	66,402	-1,475
Fair value through other comprehensive income	-762	2,627
Exchange income	177,394	176,829
Total net profit/net loss per category	243,034	177,981

Note 11 Group - Other operating revenues

	2019	2018
Other account-related side-income	8,573	9,828
Fees from customers private loans	4,431	5,938
Revenues from market activities	13,516	13,814
Rental income	2,183	-
Fee for unlisted shares	4,102	-
Revenues related to IPOs	19,036	19,076
Other operating income	17,814	10,259
Total other operating revenues	69,655	58,916

Note 12 Group – General administrative expense

General administration expenses	2019	2018
Personnel expenses	-505,880	-483,304
Rental and property expenses	-24,112	-41,331
Other operational leasing expenses	-1,858	-2,830
Information expenses	-61,261	-61,899
System and communication expenses	-154,279	-151,710
Purchased services	-117,807	-170,520
Other general administration expenses	-82,487	-38,045
Total general administration expenses	-947,684	-949,639

Cont. Note 12 Group - General administrative expenses

Average number of employees covers the following geographical markets	2019	2018
Sweden	413	429
- of whom women	155	162
- of whom men	258	267
Norway	30	27
- of whom women	7	6
- of whom men	23	21
Finland	29	29
- of whom women	12	12
- of whom men	17	17
Denmark	23	27
- of whom women	13	15
- of whom men	10	12
Total	495	512
- of whom women	187	195
- of whom men	308	317
Number of full-time employees at year-end	497	526
Distribution of personnel expenses	2019	2018
Salaries and other remuneration	-365,730	-340,651
Social insurance contributions	-95,931	-91,038
Pension expenses	-57,938	-56,205
Other personnel expenses	-24,099	-27,893
Total personnel expenses	-543,698	-515,787
Of which capitalized personnel expenses	37,818	32,483
Total expensed personnel expenses	-505,880	-483,304
Salaries and other remuneration		
Board members, Chief Executive Officer and corresponding officials	-33,648	-36,345
Other employees	-332,082	-304,379
Total salaries and other remuneration	-365,730	-340,651
Social security expenses		
Board members, Chief Executive Officer and corresponding officials	-10,572	-10,762
Other employees	-85,359	-80,276
Total social security expenses	-95,931	-91,038
Pension expenses		
Board members, Chief Executive Officer and corresponding officials	-7,086	-9,581
Other employees	-50,852	-46,624
Total pension expenses	-57,938	-56,205

Cont. Note 12 Group - General administrative expenses

2019	Fixed remuneration	Benefits	Pension expenses	Fees	Total
Board Chairman					
Tom Dinkelspiel	-	-	-	-225	-225
Other board members					
Christopher Ekdahl	-	-	-	-275	-275
Jan Dinkelspiel	-	-	-	-267	-267
Christian Frick	-	-	-	-225	-225
Hans Larsson	-	-	-	-725	-725
Per Widerström	-	-	-	-283	-283
Pierre Siri	-	-	-	-267	-267
Karitha Ericsson	-	-	-	-63	-63
Chief Executive Officer					
Anders Danielsson until 190830	-3,750		-1,656		-5,406
Lars-Åke Norling from 190902	-6,750	-22	-749		-7,521
Other senior executives					
12 people on average (whereof 1 consultant)	-22,554	-367	-4,681		-27,602
Total	-33,054	-389	-7,086	-2,330	-42,859

The Board fees pertain to the period March 2018 to March 2019. Hans Larsson resigned as Chariman of the Board and Tom Dinkelspiel became the Chairman of the Board on 21 March 2019.

2018	Fixed remuneration	Benefits	Pension expenses	Fees	Total
Board Chairman					
Hans Larsson	-	-	-	-725	-725
Other board members					
Christopher Ekdahl	-	-	-	-275	-275
Jan Dinkelspiel	-	-	-	-250	-250
Christian Frick	-	-	-	-225	-225
Tom Dinkelspiel	-	-	-	-225	-225
Per Widerström	-	-	-	-150	-150
Pierre Siri	-	-	-	-250	-250
Chief Executive Officer					
Peter Dahlgren until 180930	-6,250	-50	-2,758		-9,058
Anders Danielsson from 181001	-1,250	-2	-544		-1,796
Other senior executives					
14,2 people on average (whereof 1,2 consultants)	-29,522	-1,029	-6,280		-36,830
Total	-37,022	-1,080	-9,581	-2,100	-49,783

Cont. Note 12 Group – general transaction expenses

Board of Directors

Remuneration of Board members is payable according to resolution by the 2019 General Meeting. Remuneration paid to the Board members for 2019 was SEK 2,329,167 (2,690,728). Fees to be paid for the period May 2019 to April 2020 are SEK 500,000 to the Chairman of the Board, SEK 250,000 to Pierre Siri and SEK 150,000 to the other members. Fees to be paid for work on the Board's committees are SEK 25,000 per committee in which a member is attending. A fee of SEK 50,000 will be paid to the chairman of the respective committees. For work in the Risk and Compliance Committee, SEK 150,000 is payable to the chair and SEK 75,000 to members. No other remuneration has been paid to the Board apart from minor travel expenses. There are no other agreements concerning pensions or severance pay.

The table Remuneration of senior executives above includes expenses for the Board fees during the 2019 financial year. These are paid from Nordnet AB (publ). The Board comprises 7 (7) men and 1 (0) women. The discussion and decision process applied with regard to remuneration to the Chairman of the Board takes place within the Board. Remuneration to the Board has been distributed in accordance with the Annual General Meeting's resolution. For information on Board members' shareholdings, please see the section Board of Directors on page 42 and forward in the Corporate Governance Report.

CEO

Acting CEO Anders Danielsson (AD) had a salary of SEK 416,667 per month. The occupational pension for AD amounts to 35 percent of pensionable salary. AD received salary until 30 August 2019.

The fixed remuneration to CEO Lars-Åke Norling (LN) in 2019 amounted to SEK 437,500 per month. The provision for occupational pensions for 2019 amounts to 35 percent of pensionable salary. Pensionable salary refers to the basic salary including holiday pay. LN received salary from 2 September 2019. The period of notice from the company to the CEO is one month, and the period of notice from the CEO to the company is one month.

The preparation and decision process applied with

regard to remuneration and other terms for the CEO is a Board issue. The Board's preparation of remuneration issues is handled in the Remuneration Committee. Information on the Remuneration Committee is presented in the Corporate Governance Report.

Other senior executives

Other senior executives are defined as members of Group management excluding the CEO. The Group management team has changed over the year, and as at 31 December 2019 it amounted to 9 (13) people besides the CEO, of whom 6 (9) are men and 3 (4) are women. One person is employed in Nordnet Bank's Norwegian branch, one is employed in Nordnet Bank's Finnish branch and one is employed in Nordnet Bank's Danish branch. The others are employed in Sweden. Remuneration in the above table relates to the time each individual has been part of the management team. Any salary adjustments or other remuneration for the company's management is proposed by the CEO to the Remuneration Committee, which has been commissioned by the Board to discuss such issues. There are no special benefits for senior executives except for paid medical insurance. All employees have the opportunity to lease a car at cost.

Remuneration policy

The Group has adopted a Remuneration Policy that regulates the remuneration system for the employees. The objective of this policy is to establish a remuneration system for the Group that promotes a healthy and effective risk management and does not encourage exaggerated risk taking. The policy states that the Group has a general principle that employees have fixed remuneration based on responsibility and duties. Employees in the independent functions only receive fixed remuneration.

The Board members in all Boards receive a fixed remuneration for their assignments on the Board. Employees in Nordnet that hold assignments in a Board receive no remuneration.

A presentation of the company's remuneration system and analysis of risks linked with the remuneration system will be available on Nordnet's website in connection with the publication of the Annual Report.

Cont. Note 12 Group – general transaction expenses

Pension policy

The Group's pension policy is a defined contribution plan applicable to all personnel within the Group. Pension expenses for the Group average approximately 16.4 (15.8) percent of pensionable salary, depending on age and salary.

Through the acquisition of Netfonds, Nordnet has accepted the responsibility for defined-benefit pension plans. The obligations are recognized as an accrued expense of SEK 2.7 million and the five remaining defined-benefit pension plans will be concluded in the first quarter of 2020. These pension plans are administered externally by Storebrand Pensionstjänster AS. According to information from Storebrand, the discount interest rate was stable during the year.

Audit

Audit services refer to the statutory audit, i.e. the reviewing of the Annual Report, the accounts and the administration by the Board of Directors and Managing Director. Audit services also include any other tasks that the company's auditor is required to perform.

Activities beyond the audit assignment involve quality assurance measures, that is to say, in part, any review of management, the Articles of Association, statutes or agreements intended to result in a report, certificate or other document addressed to a party other than the principal and, in part, advice or other assistance occa-

sioned by observations made during an audit. Reviews of interim financial reports are included in the audit assignment outside the assignment.

Tax advice includes advice on income taxes and VAT. Other services include advice on accounting issues, services in connection with corporate/business changes and operational efficiency.

Leasing

For information on transition effect, see Note 3.

Nordnet leases office premises and cars. The leases are normally prepared for fixed periods between three to five years, but there may be a possibility for extension. The conditions are negotiated separately for each lease and contain a large number of different contractual terms. The leases contain no special conditions that would mean that the leases could be cancelled if the terms were not met, but the leased assets may not be used as collateral for loans.

The leasing payments are discounted with the marginal loan interest rate. Nordnet has chosen to use the rate that corresponds to a Swedish five-year government bond + 2 percent as an approximation for the loan interest rate for premises leases. In 2019, Nordnet increased the interest rate by 2 percentage points. Nordnet's weighted average marginal borrowing rate is 1.6 percent as at 31 December 2019. In the contracts for leased vehicles, a variable interest rate is given.

Auditing cost

Deloitte	2019	2018
Audit services	-4,137	-4,849
Audit services outside the assignment	-1,643	-465
Tax advice	-277	-466
Other services	-1,159	-16
Total	-7,216	-5,843

Cont. Note 12 Group – General administrative expense

Balance sheet, IFRS 16 2019	
Assets with rights of use, within "tangible fixed assets"	
Premises	209,502
Vehicles	3,430
Total	212,932
Leasing liabilities, within "other liabilities"	
Short-term	50,772
Long-term	163,668
Total	214,440
Depreciation on rights of use assets	
Premises	35,126
Vehicles	1,020
Total	36,146
Interest expense	3,324
Expenses attributable to short-term contracts	5,862
Expenses attributable to low value leasing contracts	2,605
Expenses attributable to variable lease payments that are not included in lease liabilities	12,707
Revenue from the releasing of premises	2,183
Cash-flow attributable to lease agreements	34,633
Operational leasing agreements	
	2018
Expenses during the period	
Rent of premises	-33,418
Operational leases of equipment	-2,830
Total operational leases	-36,248
Agreed future charges	
Premises	
Within one year	-32,114
Between one and five years	-110,577
Later than five years	-129,228
Future charges premises	-271,919
Equipment	
Within one year	-4,289
Between one and five years	-2,018
Later than five years	-
Future charges equipment	-6,307
Total future agreed leasing charges	-278,226

Note 13 Group – Amortization and depreciation of tangible and intangible assets

	2019	2018
Brands, amortization	-5,780	-10
Customer base, amortization	-37,233	-29,051
Capitalized expenditure on development work, depreciation	-57,064	-46,722
Capitalized expenditure on development work, write-downs	-9,002	-8,075
Tangible assets, depreciation	-29,109	-22,005
Right-of-use assets	-36,146	-
Total	-174,334	-105,863

Note 14 Group – Other operating expenses

	2019	2018
Marketing and sales	-31,589	-69,056
Bank expenses	-7,189	-7,438
Corporate insurance	-1,500	-1,243
Total	-40,278	-77,737

Note 15 Group – Credit losses, net

	2019	2018
Change of the year, stages		
Provisions for credit losses		
Loan receivables stage 1	-624	-754
Loan receivables stage 2	3,026	-1,782
Loan receivables stage 3	-5,244	-7,835
Total	-2,842	-10,371
Confirmed credit losses		
Write-off for the period for confirmed losses	-30,869	-25,630
Recoveries of previously confirmed losses	66	-
Total	-30,803	-25,630
Total net credit losses for the period	-33,645	-36,002

All credit losses are attributable to lending to the public and amount to 0.22 percent (0.25) of the carrying amount of loan receivables at year-end.

Note 16 Group – Taxes

Tax charged to income	2019	2018
Current tax expense (-)/ tax income (+)		
Adjustment current tax for previous years	1,389	1,402
Current tax	-52,005	-33,394
Deferred tax expense (-)/ tax income (+)		
Deferred tax related to temporary differences	12,692	8,871
Tax on net income for the year	-37,924	-23,121

Reconciliation of effective tax		2019		2018
Profit before tax		377,418		141,173
Tax expense in the income statement	10.0%	-37,924	16.4%	-23,121
Tax as per current tax rate for the Parent Company	21.4%	-80,767	22.0%	-31,058
Difference	11.4%	42,843	5.6%	7,937
The difference consists of the following items:				
Effect of profit charged with yield tax	8.4%	31,540	9.4%	13,239
Effect of non-deductible expenses/non-taxable income	2.9%	11,055	-2.5%	-3,558
Effect of non-deductible foreign tax	-0.5%	-1,994		-
Effect of corrected tax from previous years	0.3%	1,389	-2.6%	-3,685
Effect of implementation of IFRS 16	0.1%	317		
Effect of tax deficits	0.3%	1,124	1.6%	2,219
Others	-0.1%	-588	-0.2%	-278
Reported effective tax	11.4%	42,843	5.6%	7,937

Cont. Note 16 Group – Taxes

Deferred tax, recognized in the balance sheet	2019	2018
Deferred tax asset, 1st January 2019	-	-
Recognized in the income statement	1,958	-
Recognized in equity	840	-
Closing balance, deferred tax asset	2,798	-
Deferred tax is attributable to:		
Financial lease	316	-
Acquisition	840	-
Tax deficits	1,642	-
	2,798	
Opening balance, deferred tax assets	-23,187	-32,782
Recognized in the income statement	10,733	8,871
Untaxed reserves	-	931
Recognized in equity, Netfonds goodwill	-70,082	-
Conversion differences for the year	-18	-207
Closing balance, deferred tax liabilities	-82,554	-23,187
Deferred tax is attributable to:		
Untaxed reserves	-	-18,310
Tax deficit	-11,145	-
Acquired intangible assets	-64,946	-
Other provisions	-6,463	-4,877
	-82,554	-23,187

The current tax asset of SEK 63,597 thousand (89,094) is mainly attributable to Nordnet Bank AB.

Current tax liabilities of SEK 92,178 thousand (42,105) are mainly attributable to Nordnet Pensionsförsäkring AB. These taxes will be paid during 2020. The reduction of corporate tax to 20,6 from the financial year beginning in 2021 will not have any material impact on the nordic financial position.

Note 17 Group - Segments

2019					
Market (SEK million)	Sweden	Norway	Denmark	Finland	Total
Net interest income	360.6	120.3	4.9	12.0	497.7
Net commission income	322.9	134.7	157.9	147.5	762.9
Net result of financial transactions	73.2	47.0	84.2	38.7	243.0
Other operating income	32.8	8.2	7.0	21.6	69.7
Total operating income	789.5	310.2	253.9	219.8	1,573.4
Expenses	-386.1	-243.2	-175.9	-182.7	-988.0
Depreciations	-101.9	-34.0	-14.1	-24.3	-174.3
Total expenses before credit losses	-488.0	-277.2	-190.0	-207.0	-1,162.3
Profit before credit losses	301.5	33.0	63.8	12.7	411.1
Net credit losses	-32.2	-0.6	-1.0	0.2	-33.6
Operating profit	269.3	32.4	62.8	12.9	377.4
Tax	-5.6	-16.3	-13.2	-2.8	-37.9
Profit for the year	263.7	16.1	49.6	10.1	339.5
Fixed assets	685.0	499.4	1.2	38.3	1,223.9
Operating margin	34%	10%	25%	6%	24%
Number of active customers	363,700	150,400	119,800	279,700	913,600
Number of active accounts	532,600	310,800	218,200	151,800	1,213,400
Net savings (SEKmn)	8,199	4,006	4,388	4,330	20,923
Savings capital (SEKbn)	171	63	80	80	395
Number of trades	13,591,700	5,226,500	4,324,400	5,279,700	28,422,300
Average number of employees ¹	413	30	23	29	495

¹ Nordic functions is included in the segment Sweden

Cont. Note 17 Group - Segments




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

¹ Nordic functions is included in the segment Sweden

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

Nordnet has operations in Sweden, Norway, Denmark and Finland, and operations are divided into three areas: Investments and savings, Pensions and Loans. Group-wide functions, such as Administration, IT, HR, Product Development, Analysis and Communication, brokers for the Swedish, Norwegian and Danish markets and the Swedish sales and service organization are located at the Stockholm office. The average number of employees was 495 as at 31 December 2019. The Norwegian sales and service organization is located in Oslo

and the average number of employees was 30 as at 31 December. The Danish sales and service organization is located in Copenhagen and the average number of employees was 23 as at 31 December. The Finnish sales and service organization and Finnish brokers are located in Helsinki and the average number of employees was 29 as at 31 December.

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

Note 18 Group -Treasury bills and other interest bearing securities eligible for refinancing

	2019	2018
Treasury bills	722,578	3,237,170
Other interest bearing securities eligible for refinancing	21,313,277	15,023,442
Total	22,035,855	18,260,611

Loss provision in stage 1 are included with amount SEK 139 thousand (21) in the table above.

Note 19 Group – Loans to credit institutions

	2019	2018
Liquid assets	2,281,612	1,693,983
Where of		
Assets in the insurance business	1,776,419	1,360,959

Note 20 Group – Lending to the public

2019	Steg 1	Steg 2	Steg 3	2019
Amortized cost	14,623,778	1,507,942	94,722	16,226,442
Provisions for expected credit losses	-21,984	-24,450	-52,231	-98,665
Total lending to the public	14,601,794	1,483,492	42,491	16,127,777
Unsecured loans				
Amortized cost	3,822,194	236,424	70,194	4,128,812
Provisions for expected credit losses	-21,702	-23,943	-32,573	-78,218
Total	3,800,492	212,481	37,621	4,050,594
Margin lending				
Amortized cost	7,506,709	50,935	24,528	7,582,172
Provisions for expected credit losses	-145	-501	-19,796	-20,442
Total	7,506,564	50,434	4,732	7,561,730
Mortgage				
Amortized cost	3,294,872	1,220,583	-	4,515,455
Provisions for expected credit losses	-	-5	-	-5
Total	3,294,872	1,220,578	-	4,515,450

Cont. Note 20 Group – Lending to the public

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

Consolidated credit loss reserve	Stage 1	Stage 2	Stage 3	Total
Opening balance January 1, 2019	21,360	27,476	46,988	95,824
Currency effects and other	-24	-247	-852	-1,123
Write-downs recognized credit losses	-363	-6,453	-2,667	-9,483
New financial assets	7,489	4,008	1,953	13,450
Transfers:				
-to 12-month expected credit losses	-220	-8,725	-284	-9,229
-to expected maturity credit losses (no default)	-1,109	11,077	-105	9,863
-to expected maturity credit losses (default)	-143	-457	7,611	7,011
Repayment	-5,006	-2,229	-413	-7,648
Changes in models/parameters	-	-	-	-
Closing balance December 31, 2019	21,984	24,450	52,231	98,665

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

Cont. Note 20 Group – Lending to the public

Given borrowers' places of domicile, the company's loan receivables are attributable to		
Sweden	11,666,171	10,667,571
Norway	1,728,641	752,838
Finland	1,512,002	1,576,698
Denmark	1,220,962	1,207,381
Total	16,127,777	14,204,488
Loan receivables are distributed as follows		
Households in Scandinavia	15,550,136	13,835,952
Non-financial corporate sector	575,912	367,709
Other	1,729	827
Total	16,127,777	14,204,488
Given borrowers' places of domicile, the company's reserve for anticipated credit losses is attributable to		
Sweden	-85,165	-83,168
Norway	-6,768	-6,084
Finland	-3,965	-3,098
Denmark	-2,767	-3,474
Total	-98,665	-95,824

Of lending to the public, SEK 482.6 million (474.4) involves account credits that are fully covered by pledged liquid funds in endowment insurance plans and investment savings accounts (ISKs), and the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

Unsecured loans comprise SEK 4,051 million (3,953) of lending to the public. The remainder of lending to the public is secured by collateral in the form of securities.

Note 21 Group - Bonds and other interest bearing securities

	2019	2018
Issued by government bodies	992,473	1,775,715
Issued by other borrowers	571,219	-
Total	1,563,692	1,775,715

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

Note 22 Group - Shares and participation

	2019	2018
Shares and participations, listed	5,959	15,201
Shares and participations, unlisted	616	44,392
Total	6,575	59,593

Note 23 – Assets and liabilities in the insurance business

	2019	2018
Financial assets where the policyholder bears the risk of investments		
Shares and participations	61,945,426	42,646,121
Interest-bearing securities	1,226,892	1,109,130
Derivatives	477,375	173,564
Cash and cash equivalents ¹	6,439,532	7,797,665
Total assets in the insurance business	70,089,225	51,726,480
Liabilities in the insurance business		
Life insurance provision	24,425	18,866
Claims outstanding	1,856	1,387
Fund insurance obligations	2,985,164	1,902,523
Conditional bonus	67,079,636	49,803,704
Total liabilities in the insurance business	70,091,081	51,726,480
Of which liabilities relating to investment contracts	70,091,081	51,726,480
Of which liabilities relating to insurance contracts	-	-

¹ Allocated to loans to credit institutions SEK 1,776,419 thousand (1,360,959) and assets held for sale SEK 4,663,113 thousand (6,436,706).

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

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

The liabilities are assessed according to the category financial assets and liabilities measured at fair value via the income statement. The equivalent applies to the assets in addition to the part that pertains to cash and cash equivalents that are measured at amortized cost. The net effect on earnings of acquired securities, unrealized changes in value, realized changes in value, interest and dividends received and value changes in the debt is zero.

Note 24 Group – Intangible fixed assets

Group, SEK thousands	Goodwill		Brands		Customer base		Capitalized expenditure on development work		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated costs										
On 1 January	222,182	220,336	12,050	12,050	347,500	339,997	547,865	435,699	1,129,597	1,008,082
Acquisition	238,626	-	13,343	-	271,107	-	-	-	523,076	-
Additions	-	-	-	-	-	-	91,293	112,144	91,293	112,144
Conversion differences for the year	542	1,846	-	-	-132	7,503	31	22	441	9,371
	461,350	222,182	25,393	12,050	618,475	347,500	639,189	547,865	1,744,407	1,129,597
Accumulated amortization and impairments										
On 1 January	-32,210	-32,210	-12,040	-12,030	-294,729	-260,136	-376,359	-321,555	-715,338	-625,931
Amortization for the year	-	-	-5,780	-10	-37,233	-29,051	-57,063	-46,722	-100,076	-75,783
Write-downs for the year	-	-	-	-	-	-	-9,002	-8,075	-9,002	-8,075
Conversion differences for the year	53	-	-	-	-2,913	-5,542	-31	-7	-2,891	-5,549
	-32,157	-32,210	-17,820	-12,040	-334,875	-294,729	-442,455	-376,359	-827,307	-715,338
Carrying amount at the end of the year	429,193	189,972	7,573	10	283,600	52,771	196,734	171,506	917,100	414,259

Goodwill and acquisition-related intangible assets

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

Goodwill represents the positive difference between acquisition cost and fair value of the Group's share of the acquired company's net assets on the acquisition date and is recognized at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (CGU) and is tested annually to identify any impairment need using a valuation model based on discounted future cash flows. Other acquisition-related intangible assets consist mainly of brands and customer relationships, which are recognized at fair value on the acquisition date and subsequently at cost less accumulated impairment losses. Acquisition-related intangible assets with an indefinite useful life are tested annually for impairment in the same way as goodwill. Goodwill and intangible assets with indefinite useful lives are allocated to a CGU comprising the respective

tion date and is recognized at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (CGU) and is tested annually to identify any impairment need using a valuation model based on discounted future cash flows. Other acquisition-related intangible assets consist mainly of brands and customer relationships, which are recognized at fair value on the acquisition date and subsequently at cost less accumulated impairment losses. Acquisition-related intangible assets with an indefinite useful life are tested annually for impairment in the same way as goodwill. Goodwill and intangible assets with indefinite useful lives are allocated to a CGU comprising the respective

Cont. Note 24 Group – Intangible fixed assets

	Goodwill		Brands		Customer base	
SEK thousands	2019	2018	2019	2018	2019	2018
Sweden						
AD Aktiedirekt AB	29,697	29,697	-	-	-	-
Deriva Financial Services AB	6,876	6,876	-	-	-	-
Konsumentkredit	63,749	63,749	-	10	-	12,629
Operations acquired from Öhman	5,899	5,899	-	-	-	-
Shareville	2,312	2,312	-	-	-	-
Total Sweden	108,533	108,533	-	10	-	12,629
Finland	-	-	-	-	-	-
eQ	-	-	-	-	16,626	22,812
Total Finland	-	-	-	-	16,626	22,812
Norway	-	-	-	-	-	-
Stocknet Securities AS	84,092	81,439	-	-	14,763	17,330
Netfonds Bank AS	227,275	-	7,573	-	252,211	-
Netfonds Liv AS	9,293	-	-	-	-	-
Total Norge	320,660	81,439	7,573	-	266,974	17,330
Total	429,193	189,972	7,573	10	283,600	52,771

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

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

In order to extrapolate cash flows beyond the budget period, a growth rate of 2 percent has been used. Due to the long-term nature of the investments, an assessment has been made for perpetual cash flow. The use of perpetual cash flow is motivated by the fact that all cash-generating units are part of the Group's domestic markets, for which there are no intentions to leave. The long-term growth assumption is based on external assessments as well as the Group's experience and assessment of growth in the banking sector in relation

to GDP growth and inflation.

In addition, an average discount rate in local currency before tax has been used. The discount rate has been determined by calculating the weighted capital cost (CAPM) for each country, which is based on the market's risk-free interest rate, the market's return requirement and the specific risk of the asset. The discount rate is in the range 9.40-9.75 (7.33-12.13) percent before tax, which corresponds to the calculated return requirement for each country. Net cash flow refers to the amount theoretically available as a dividend or alternatively contributed as a capital contribution.

The value of the customer base predominantly entails that in Konsumentkredit. In connection with the acquisition, this was calculated at SEK 152.0 million. This value is amortized over a period of nine years. The carrying amount is SEK 0 million 12.6. The customer base is fully amortized with this year's amortization. The Finnish customer base is attributable to the acquisition of eQ and POP. The customer base in the acquisition of eQ was originally valued at EUR 148.0 million (EUR 14.1). This is amortized over an average of 11 years, reflecting the estimated useful life. The carrying amount is SEK 16.6 million (EUR 1.6 million), with a

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remaining period of amortization of 0.6 years.

The customer base value referring to Stocknet was identified in connection with the acquisition of Stocknet Securities ASA. The carrying amount is SEK 14.7 million (NOK 13.7 million). The amortization period is 20 years, reflecting the estimated useful life. The remaining period of amortization is 4.8 years.

The Norwegian customer base referring to Netfonds was identified in connection with the acquisition of Netfonds Bank AS. The carrying amount is SEK 252.2 million. The amortization period is 15 years, reflecting the estimated useful life. The remaining period of amortization is 14.4 years.

All development costs that meet the criteria of IAS 38 are capitalized in the form of capitalized development costs for development work. Costs for improvements are expensed on a continual basis in the income statement. The most significant items relating to capitalized development costs comprise implementation costs for MiFID II, project costs related to Next Nordnet, New Mobile Application and ODDS. The carrying amount for MiFID II amounts to SEK 11.8 million; for Next Nordnet, SEK 79.3 million; for the New Mobile Application, SEK 32.0 million and for ODDS, SEK 7.8 million. Development is ongoing and the depreciation period is on straight-line basis over three years. Balanced personnel-related expenses amount to SEK million 37.8 (31.9).

Not 25 Group - tangible fixed assets

Group, SEK thousands	2019	2018
Accumulated cost		
On 1 January	308,137	232,673
Additions	13,387	84,016
Acquisitions	32,666	-
Right of use assets, lease	249,078	-
Divestments and disposals	-24,300	-9,346
Conversion differences for the year	846	794
Total	579,814	308,137
Accumulated depreciation		
On 1 January	-205,374	-190,817
Depreciation for the year	-29,109	-22,005
Acquisitions	-26,144	-
Right of use assets, lease	-36,146	-
Divestments and disposals	24,300	8,159
Conversion differences for the year	-517	-711
Total	-272,990	-205,374
Carrying amount at the end of the year	306,824	102,763

Accumulated acquisition values include fees for improvement of someone else's property, amounting to SEK 81,721 thousand (81,608), which relates to subsidiary Nordnet Bank AB. The depreciation plan is based on a useful life of 60 months, and the residual value according to plan amounts to SEK 37,803 thousand (42,762). A linear method is used when depreciating tangible fixed assets.

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. For more information, please see Note 12.

Note 26 Group – Other assets

Other assets	2019	2018
Liquid fund receivables regarding unsettled transactions	3,066,849	3,392,281
Other assets	301,653	225,417
Total	3,368,502	3,617,698

Gross liquid fund receivables amount to SEK 3,079,966 thousand (3,450,975).

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

31/12/2019			
SEK million	Gross amount for assets	Gross amount for liabilities set off against assets	Net amount in the Balance Sheet
Other assets			
Unsettled transactions	3,080.0	-13.1	3,066.9
Total	3,080.0	-13.1	3,066.9
SEK million	Gross amount for liabilities	Gross amount for assets set off against liabilities	Net amount in the Balance Sheet
Other liabilities			
Unsettled transactions	3,298.5	-13.1	3,285.4
Total	3,298.5	-13.1	3,285.4

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

Note 27 Group - Prepayments and accrued income

Prepaid expenses and accrued income	2019	2018
Prepaid expenses	52,101	44,497
Accrued interest income	58,744	78,505
Other accrued income	95,802	68,489
Total	206,647	191,491

Note 28 Group – Deposits and borrowing by the public

	2019	2018
Sweden	20,019,499	21,382,645
Norway	5,326,309	4,324,212
Finland	9,563,626	7,999,876
Denmark	10,102,243	9,316,113
Deposits in Nordnet Pensionsförsäkring AB and Nordnet Livsförsäkring AS ¹	-6,439,532	-7,797,665
Total	38,572,145	35,225,181

¹ Reported as technical liabilities in the consolidated balance sheet

Note 29 Group – Other liabilities

Other liabilities	2019	2018
Liquid fund liabilities regarding unsettled transactions	3,285,364	2,839,960
Accounts payable	34,430	48,015
Lease liability	214,440	-
Other liabilities	13,483	64,851
Total	3,547,717	2,952,826

Gross liquid fund liabilities for the year amount to SEK 3,298,481 thousand (2,898,653).

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

Note 30 Group – Accrued expenses and deferred income

Accrued expenses and deferred income	2019	2018
Accrued holiday pay	24,333	21,957
Accrued social expenses	13,820	13,657
Accrued special payroll tax	11,074	9,567
Other accrued payroll expenses	48	3,992
Other accrued expenses	110,591	112,225
Total accrued expenses and deferred income	159,866	161,398

Note 31 Group – Equity

Equity	2019	2018
Translation reserve		
Opening balance	-79,878	-87,863
Translation difference, foreign subsidiary	9,618	8,401
Tax on taxable part of translation difference, foreign subsidiaries	-917	-416
Closing balance	-71,177	-79,878
Fair value reserve		
Opening balance	-5,136	19,996
Change in value, financial assets at fair value through other comprehensive income, net after tax	171	-25,132
Closing balance	-4,965	-5,136
Total		
Opening balance	-85,014	-67,867
Translation difference, foreign subsidiary	8,701	7,985
Change in value, financial assets at fair value through other comprehensive income	171	-25,132
Closing balance	-76,142	-85,014

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

Share capital

The total number of fully paid shares amounts to 1,039,545 (1,000,000) with a par value of SEK 1.00 (1.00). The par value is defined as share capital divided by the number of shares. Holders of ordinary shares are entitled to a dividend set at the Annual General Meeting and the shareholding entitles to one vote per share at the Annual General Meeting.

An Extraordinary General Meeting in Nordnet AB resolved to approve the Board's decision on a new share issue at the par value, i.e. SEK 1 per share, of SEK 39,545 with preferential rights for Nordnet's shareholders.

Other capital contributions

Comprised of unconditional shareholders' contributions and issue proceeds in the form of non-cash issues and cash issues.

Tier 1 capital instruments

Issued Tier 1 capital instruments are deemed to fulfil the conditions for an equity instrument as the instrument according to the terms does not have any set time for maturity, which means that the issuer has an unconditional right to refrain from making a repayment, and that the issuer of the instrument has full discretion regarding the interest payment, i.e. no obligation to pay interest.

In the first quarter of 2019, Nordnet issued a Tier 1 capital contribution (AT1) of SEK 500 million. The instruments have an indefinite maturity, with the first redemption after five years and runs with interest of th-

ree-month Stibor + 6.75 percent. The bonds are listed on the Nasdaq Stockholm exchange.

Other provisions

Fair value reserve

The fair value reserve presents the cumulative value change of holdings in the category of financial debt instruments measured at fair value through other comprehensive income until the asset is removed from the statement of financial position. Upon divestment, unrealised changes in value are reclassified to the income statement. Any impairment is recognized in the income statement.

Reserve for translation differences

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

For the year's change in other reserves, see table above.

Retained earnings

Comprised of previous year's non-restricted equity after a potential dividend has been paid. Together with the profit for the year and the fair value reserve, as well as Tier 1 capital instruments, constitutes the sum of non-restricted equity, meaning the amount that is available for dividend to shareholders.

Dividend

No dividend has been paid for 2018, as per resolution at the Annual General Meeting on 21 March 2019.

Note 32 Group - Categories of financial assets and liabilities at their fair value

2019	Fair value through consolidated income statement					Total
	Amortized cost	Held for trading	Other business models	Fair value through other comprehensive income	Non financial instruments	
Assets						
Cash and balances in Central banks	409,538	-	-	-	-	409,538
Treasury bills and other interest bearing securities eligible for refinancing	8,845,447	-	-	13,190,408	-	22,035,855
Loans to credit institutions	505,193	-	-	-	-	505,193
Loans to the general public	16,127,777	-	-	-	-	16,127,777
Bonds and other interest bearing securities	740,636	-	-	823,056	-	1,563,692
Shares and participations, listed	-	5,959	-	-	-	5,959
Shares and participations, non-listed	-	616	-	-	-	616
Assets for which customers bear the investment risk	1,776,419	-	63,649,693	4,663,113	-	70,089,225
Other assets	3,368,502	-	-	-	63,597	3,432,099
Prepaid expenses and accrued income	206,647	-	-	-	-	206,647
Total assets	31,980,159	6,575	63,649,693	18,676,577	63,597	114,376,601
Liabilities						
Deposits and borrowing from the general public	38,572,145	-	-	-	-	38,572,145
Liabilities for which customers bear the investment risk	-	-	70,091,081	-	-	70,091,081
Other liabilities	3,547,717	-	-	-	174,732	3,722,449
Accrued expenses	159,866	-	-	-	-	159,866
Total liabilities	42,279,728	-	70,091,081	-	174,732	112,545,541

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

Cont. Note 32 Group – categorization of financial instruments

Determination of fair value of financial instruments

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

The methods are divided into three different levels:

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

Level 2 – Financial assets and financial liabilities valued 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 valued applying:

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

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

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

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

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

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

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

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

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

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

Cont. Note 32 Group - Categories of financial assets and liabilities at their fair value

Level distribution in accordance with IFRS 9

2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Treasury bills and other interest bearing securities eligible for refinancing	13,190,433	-	-	13,190,433
Bonds and other interest bearing securities	823,057	-	-	823,057
Shares and participations	5,959	-	616	6,575
Assets for which customers bear the investment risk ¹	69,170,374	697,845	221,006	70,089,225
Subtotal	83,189,823	697,845	221,622	84,109,290
Financial assets where fair value is given for information purposes				
Cash and balances in Central banks	409,538	-	-	409,538
Loans to credit institutions	-	505,193	-	505,193
Loans to the general public	-	16,127,777	-	16,127,777
Treasury bills and other interest bearing securities eligible for refinancing	-	8,841,605	-	8,841,605
Bonds and other interest bearing securities	-	740,735	-	740,735
Other assets	3,368,502	-	-	3,368,502
Accrued income	206,647	-	-	206,647
Subtotal	3,984,687	26,215,310	-	30,199,997
Total	87,174,510	26,913,155	221,622	114,309,287
Financial liabilities at fair value				
Liabilities for which customers bear the investment risk	-	70,091,081	-	70,091,081
Total	-	70,091,081	-	70,091,081

¹ SEK 4,663,113 thousand refers to reinvestments in bonds and SEK 1,776,419 thousand refers to cash and cash equivalents.

Cont. Note 32 Group – categorization of financial instruments

2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Treasury bills and other interest bearing securities eligible for refinancing	11,977,607	-	-	11,977,607
Bonds and other interest bearing securities	1,747,506	-	-	1,747,506
Shares and participations ¹	14,455	-	45,138	59,593
Assets for which customers bear the investment risk ²	50,919,389	807,091	-	51,726,480
Subtotal	64,658,957	807,091	45,138	65,511,186
Financial assets where fair value is given for information purposes				
Cash and balances in Central banks	1,344,200	-	-	1,344,200
Loans to credit institutions	-	333,024	-	333,024
Loans to the general public	-	14,204,488	-	14,204,488
Treasury bills and other interest bearing securities eligible for refinancing	-	6,283,005	-	6,283,005
Bonds and other interest bearing securities	-	28,208	-	28,208
Other assets	3,617,698	-	-	3,617,698
Accrued income	191,491	-	-	191,491
Subtotal	5,153,389	20,854,114	-	26,002,114
Total	69,812,346	21,661,205	45,138	91,513,300
Financial liabilities at fair value				
Liabilities for which customers bear the investment risk	-	51,726,480	-	51,726,480
Total	-	51,726,480	-	51,726,480

¹ Shares and participations level 3 refers to un-listed shares.

² SEK 6,436,706 thousand refers to reinvestments in bonds and SEK 1,360,959 thousand refers to cash and cash equivalents.

Description of valuation levels

Level 1 mainly contains shares, mutual funds, bonds, treasury bills and standardized derivatives where the quoted price has been used in the valuation.

Level 2 contains substantially less liquid bonds valued on curves and liabilities in the insurance business, the value of which is indirectly linked to a specific asset value valued based on observable input data. For less liquid bond holdings, credit spread adjustments are based on observable market data such as the credit derivatives market. This category includes mutual funds, derivatives and certain interest-bearing securities.

Level 3 contains other financial instruments for which own internal assumptions have a significant effect on the calculation of fair value. Level 3 contains mainly unlisted equity instruments. When valuation models are used to determine fair value of financial instruments in Level 3, the consideration paid or received is consi-

dered to be the best assessment of fair value on initial recognition.

When the Group determines the level at which financial instruments are to be reported, 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 8 million, from level 2 to level 1 amounted to SEK 80 million, from level 3 to level 2 amounted to SEK 3 million and from level 3 to level 1 amounted to SEK 17 million. All are within assets where the customer bears the investment risk.

Note 33 Group - Contingent liabilities

	2019	2018
Pledged assets and comparable collateral for own liabilities	none	none
Other pledged assets and comparable collateral		
Bonds and other interest bearing securities ¹	22,224,549	2,197,070
<i>of which deposits with credit institutions</i>	1,841,973	1,925,954
<i>of which deposits with clearing houses</i>	382,576	271,115
Contingent liabilities	none	none
Commitments		
Credit granted but not yet paid, unsecured loans	426,444	368,096
Funds managed on behalf of third parties		
Client funds	148,524	131,703

¹ The amount includes restricted cash of SEK 103 (91) million.

As of 31 December 2019, the insurance business held registered assets amounting to SEK 70,090 million (51,726) to which the policyholders have priority rights.

Pledged assets for own liabilities comprise securities pledged in connection with buy-back agreements. The transactions are carried out in accordance with standard agreements used by the parties on the financial market and counterparties in these transactions are credit institutions. The transactions are primarily short-term with a duration of less than three months.

Other pledged assets consist partly of bonds and other fixed-interest securities that have been provided as security for the customer's margin lending, and for payment to clearing institutions. Counterparties in securities-based lending transactions are other credit institutions.

As both repurchase agreements and other pledged assets entail that the securities are returned to Nordnet, all risks and rewards associated with the transferred instruments at Nordnet remain, even if they are not available to Nordnet during the period in which they are transferred. The other party to the transaction holds se-

curities as collateral but has no right to any other assets in Nordnet. The securities are still recognized in the balance sheet and reported, as well as related liabilities, at fair value.

As at the balance sheet date of 31 December 2019, the insurance business held registered assets amounting to SEK 70,089 million (51,726) to which the policyholders have priority rights.

In addition to the commitments specified in the table above, SEK 10,868 million (7,687.7) of a credit facility related to possible securities-collateralized borrowing remained unutilized at the end of the period. For each customer, the credit size is restricted by the minimum amount of credit limit, which is set individually per customer by the company, and the collateral value of security holdings. Credit agreements can be terminated with 60 days' notice. The leverage value of a security can be changed instantly.

Note 34 Group – capital adequacy information

The rules on capital adequacy are the legislator's requirement for how much capital in the form of a capital base an institution must have in relation to the level of risk it takes. The regulations aim to strengthen the link

between risk taking and capital requirements in the Group's operations. The legal capital requirements are calculated in accordance with Regulation 575/2013 of the European Parliament and of the Council (CRR), as

Cont. Note 34 Group – capital adequacy information

well as the 2013/36 EU (CRD IV) Directive. Information in this note is provided in accordance with Regulation (EU) 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and investment firms (“the supervisory regulation”) and regulations supplementing the supervisory regulation, the Financial Supervisory Authority’s regulations and general guidelines (FFFS 2008:25) on the annual accounts of credit institutions and securities companies and the Swedish Financial Supervisory Authority’s regulations (FFFS 2014:12) on supervisory requirements and capital buffers. Other required information is provided in a separate pillar 3 report available on Nordnet’s website, see www.nordnetab.com.

Capital base and capital requirement of the financial conglomerate

The financial conglomerate comprises Nordnet AB (publ) and all its subsidiaries. As a consequence of the solvency rules, the item Solvency capital, which refers to the estimated future present value of the insurance companies (Nordnet Pensionsförsäkring AB including the subsidiary Nordnet Livsförsäkring AS) includes cash flows generated by the policyholders’ capital.

The capital requirement for units in the insurance business is affected by the policyholders’ assets. The capital requirements for the banking operations vary primarily in terms of the size and credit quality of the bank’s exposures. Nordnet Pension Insurance’s solvency capital requirements and capital base are calculated according to the standard model under Solvency II.

The model requires assumptions that are determined by both the authorities and the Board of the insurance company.

The conglomerate’s capital base shall cover the minimum capital requirements under the Supervision regulation and the Solvency Requirement under the Insurance Companies Act. The rules contribute to strengthening the Group’s resilience to financial losses and thereby protecting customers. For the determination of the financial conglomerate’s regulatory capital requirement, Law (2006:531) on special supervision of financial conglomerates and the Swedish Financial Supervisory Authority’s regulations and general advice (FFFS 2011:26) on the special supervision of financial conglomerates are applicable. The capital base and capital requirement have been calculated in accordance with the consolidation method. The Group-based accounts have been compiled in accordance with the same accounting principles as the consolidated accounts.

Capital base and capital requirements for the consolidated situation

The consolidated situation consists of Nordnet AB (publ) and Nordnet Bank AB. Consequently, the difference between the financial conglomerate and the consolidated situation is that the financial conglomerate also consolidates the insurance business.

In order to establish statutory capital requirements for the consolidated situation, the Special Supervi-

Capital requirements financial conglomerate

SEK million	31/12/2019	31/12/2018
Capital base after regulatory adjustments	2,538.5	2,054.6
Capital requirement	2,160.8	1,726.7
Excess capital	377.7	328.0
Capital ratio	1.2	1.2

Cont. Note 34 Group – capital adequacy information

sion of Credit Institutions and Investment Firms Act (2014:968); the Capital Requirements Regulation (EU) 575/2013 of the European Parliament and of the Council; the Capital Buffers Act (2014:966), and the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12) on supervisory requirements and capital buffers all apply.

The capital base shall cover minimum capital requirements for credit, settlement, market and operative risk, and the combined buffer requirement (capital conservation and countercyclical buffer) and additional Pillar 2 requirements (interest rate risk in the bankbook, concentration and pension risk, capital planning buffer and credit risk in government exposures).

Nordnet applies the standard method for calculating capital requirements for credit risk, which entails seventeen exposure classes with a variety of risk weights within each class. Credit risk is calculated on all asset items in the balance sheet not deducted from the capital base. Capital base requirement for exchange rate risk comprises all items in and outside the balance sheet valued at current market value and converted to Swedish kronor at the balance sheet date. Capital base requirements for operational risk are calculated according to the base method, which implies that the capital requirement amounts to 15 percent of the average operating income for the last three financial years.

The combined buffer requirement amounts to 4.8 percent of risk-weighted exposure amounts and consists of a capital conservation buffer (2.5 percent) and a countercyclical buffer (2.3 percent).

Core Tier 1 capital consists of equity reduced for items not included in the capital base, such as intangible assets, deferred tax assets and value adjustments. Deductions for value adjustments are made using the simplified method for financial instruments valued at fair value as regulated by Regulation (EU) 2016/101 on prudent valuation. Profit for the period or year is included in the event that external auditors have verified the profit and permission has been obtained from the Swedish Financial Supervisory Authority. Deductions are made for foreseeable costs and possible dividends under Commission Delegated Regulation (EU) 241/2014.

Internally assessed capital requirement

The minimum requirement for capital under Pillar 1 amounts to 8 percent. In addition to the minimum requirement, Nordnet maintains capital to meet the combined buffer requirement as well as to cover the total capital requirement resulting from the Bank's annual internal capital and liquidity assessment (IKLU) carried out under Pillar 2. This is governed by EU directive on capital adequacy 2013/36/EU Article 73 and the Financial Supervisory Authority's Regulations (FFFS 2014: Chapter 12 10). The capital evaluation aims at analysing and highlighting risks that may be underestimated in calculating capital base requirements under Pillar 1 and identifying other significant risks to which the bank is exposed. ICLAAP also includes an assessment of the liquidity requirement in relation to future developments under both normal and stressed circumstances.

The internal capital evaluation is based on Nordnet's business plan, current and future regulatory requirements as well as different scenario analyses. The process and a summary of the results shall be reported annually to the Board and provide the basis for the Board's decisions on the conglomerate's capital planning. The Financial Supervisory Authority reviews and evaluates Nordnet's risk management and as regards sufficient capital is kept for the significant risks to which the bank is exposed.

In addition to the minimum capital requirement and the buffer requirements, Nordnet has calculated the internal capital requirement for the consolidated situation to be SEK 429.8 million (267.6). This is considered to be a satisfactory capital situation with regard to the activities that Nordnet conducts. Capital ratio is monitored continuously and, if necessary, results are reviewed during the current financial year by the company's external auditors, to be included in the capital base.

Cont. Note 34 Capital requirements - financial conglomerates and the consolidated situation

Capital requirements consolidated situation

SEK million	31/12/2019	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
Retained earnings	-4,766.2	-5,037.1
Accumulated other comprehensive income (and other reserves)	180.4	234.4
Independently reviewed interim profits net of any foreseeable charge or dividend	236.3	51.4
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,341.5	1,877.5
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-18.7	-20.3
Intangible assets (net of related tax liability) (negative amount)	-832.2	-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)	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-850.9	-421.7
Common Equity Tier 1 (CET1) Capital	1,490.6	1,455.7
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts	500.0	-
of which: classified as equity under applicable accounting standards	500.0	-
Additional Tier 1 (AT1) capital	500.0	-
Tier 1 capital (T1 = CET1 + AT1)	1,990.6	1,455.7
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	1,990.6	1,455.7
Total risk weighted assets	10,090.3	8,510.5
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.8%	17.1%
Tier 1 (as a percentage of total risk exposure amount)	19.7%	17.1%
Total capital (as a percentage of total risk exposure amount)	19.7%	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)	9.3%	8.8%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	2.3%	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)	10.3%	9.1%
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	126.5	126.5

Cont. Note 34 Capital requirements - financial conglomerates and the consolidated situation

SEK million	31/12/2019		31/12/2018	
Risk weighted exposures				
Exposure to credit risk according to the standardized method	7,498.4		6,291.5	
of which exposures to institutions	518.8		334.7	
of which exposures to corporates	186.1		104.2	
of which retail exposures	3,506.2		3,451.3	
of which exposures secured by mortgages on immovable property	1,033.5		971.9	
of which in default	68.5		32.9	
of which exposures in the form of covered bonds	1,297.0		600.1	
of which equity exposures	401.9		453.0	
of which other items	486.4		343.4	
Exposures market risk	11.6		73.6	
Exposure operational risk	2,580.3		2,145.4	
Total risk weighted exposures	10,090.3		8,510.5	
Capital requirement				
Credit risk according to the standardized method	599.9	5.9%	503.3	5.9%
Market risk	0.9	0.0%	5.9	0.1%
Operational risk	206.4	2.0%	171.6	2.0%
Capital requirement Pillar 1	807.2	8.0%	680.8	8.0%
Concentration risk	81.8	0.8%	72.1	0.8%
Market risk excluding interest rate risk	117.2	1.2%	58.0	0.7%
Interest rate risk	190.5	1.9%	137.5	1.6%
Credit risk in government exposures	0.3	0.0%	-	-
Other	-	-	-	-
Capital planning buffer	40.0	0.4%	-	-
Capital requirement Pillar 2	429.8	4.3%	267.6	3.1%
Buffer requirement	485.8	4.8%	366.7	4.3%
Total capital requirement, incl. buffer requirement	1,722.9	17.1%	1,315.2	15.5%

This table shows capital requirement in MSEK and as a percentage of risk weighted exposures

Note 35 Parent Company - Net sales

Net sales are made up entirely of internal Group invoicing, referring to administrative services.

Note 36 Parent Company - Other external expenses

Deloitte	2019	2018
Audit	856	270
Audit services beyond the assignment	1,541	-
Other services	1,038	-
Total audit services	3,435	270

Note 37 Parent Company - Personnel costs

	2019	2018
Salaries and other remuneration ¹	-12,692	-8,880
Social securities expenses	-3,888	-2,723
Pension expenses	-2,971	-2,795
Other personnel expenses	-939	-50
Total personnel expenses	-20,490	-14,448

¹ For other disclosures regarding personnel expenses and remuneration to the Board, CEO and other senior executives, please see Note 12.

Cont. Note 37 Parent Company - Personnel costs

Average number of employees	2019	2018
Total	1	1
of whom women	-	-
of whom men	1	1

Employees within the Parent Company are located in Sweden.

Note 38 Parent Company - Profit from shares in group companies

Income from participations in group companies	2019	2018
Dividend from subsidiaries	60,000	1,516
Impairment of shares in subsidiaries	200,000	-
Group contributions received	-	16,037
	260,000	17,553

Note 39 Parent company - Taxes

Tax charged to income	2019	2018
Current tax expense (-)/ tax income (+)		
Deferred tax related to temporary differences	1,642	-1,633
Adjustment current tax for previous years	-8	-
Tax on net income for the year	1,634	-1,633

Reconciliation of effective tax	2019	2018
Profit before tax	250,469	7,175
Tax expense in the income statement	0.7% 1,634	-22.8% -1,633
Tax as per current tax rate for the Parent Company	-21.4% -53,600	22.0% -1,579
Difference	-22.1% 55,234	-0.8% -54
The difference consists of the following items:		
Effect of dividend from subsidiaries	-22.2% 55,640	4.8% 334
Effect of non-deductible expenses/non-taxable income	0.0% -8	
Effect of tax deficit	0.1% -398	-5.4% -388
Reported effective tax	-22.1% 55,234	-0.8% -54

Note 40 Parent company - Shares in group companies

Name	Corporate ID	Headquarters	% of share capital	Number of shares	Book value
Nordnet Bank AB	516406-0021	Stockholm	100.00%	480,001	1,785,940
Nordnet Pensionsförsäkring AB	516406-0286	Stockholm	100.00%	285,000	126,507
Nordnet Ventures AB	556541-9057	Stockholm	100.00%	3,200,000	76,655
Total					1,989,101

Cont. Note 40 Parent company - Shares in group companies

	2019	2018
Accumulated acquisition value		
On 1 January	6,503,933	6,503,933
Acquisition	1,328,465	-
Stock elimination thru merger	-6,503,934	-
Shareholders contribution	846,507	-
Total	2,174,971	6,503,933
Accumulated impairments		
On 1 January	-	-
Merger of subsidiaries	-185,870	-
Total	-185,870	-
Carrying amount	1,989,101	6,503,933

Note 41 Parent company - Prepaid expenses and accrued income

	2019	2018
Prepaid expenses and accrued income		
Other prepaid expenses	266	-
Total	266	-

Note 42 Parent company - Equity

Details of changes in equity are given in the statement of changes in Parent Company equity.

As per 31 December 2019, registered share capital amounted to 1,039,545 (1 000 000) shares with a quoted value of SEK 1.00 per share (1.00). Restricted equity pertains to share capital of SEK 1,039 thousand (1,000).

Note 43 Parent company - Other short-term liabilities

	2019	2018
Accounts payable	1,933	-
Other liabilities	1,780	994
	3,713	994

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

Note 44 Parent - Company expenses and deferred income

Accrued expenses and prepaid income	2019	2018
Accrued social security contributions	192	502
Accrued holiday pay	147	700
Other accrued personell costs	-	1,879
Accrued payroll tax	1,106	538
Accrued consultancy costs	-	115
Accrued auditors fee	1,139	200
Other accrued expenses	836	316
	3,420	4,250

Note 45 Parent company - Information concerning purchases and sales between group companies

Of the Parent Company's total purchases and sales measured in SEK 11 percent (-) of purchases and 100 percent (100) of sales to other companies in the group.

Intra-Group interest income amounted to SEK 1,9 (0) million and intra-Group interest expenses amounted to SEK 1,4 million (0).

Note 46 Acquisition and merger of Netfonds

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 the electronic securities trade and offers trade in a broad selection 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 AS, org. reg. no. 976546180 and where Nordnet Pensionsförsäkring AB's Norwegian subsidi-

ary Nordnet Livförsäkring AS acquired 100 percent of the shares in Netfonds Livförsäkring AS, org. reg. no. 991008144. Thereafter, both of the companies were merged with Nordnet Bank AB and Nordnet Livförsäkring AS, 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 was completed in the third quarter of 2019.

Netfonds Bank AS	
Net sales	37,500 (22,170)
Operating profit	10,534 (12,762)
Assets	
Loans to the general public	864,321
Bonds and other interest bearing securities	379,773
Other assets	529,416
Liabilities	
Deposits and borrowing from the general public	1,586,026
Other liabilities	30,002

Inom parantes anges den del av nettoomsättning och resultat som avser tid före förvärvet.

Netfonds Livförsäkring AS	
Net sales	1,334 (880)
Operating profit	659 (510)
Assets	
Assets for which customers bear the investment risk	552,792
Other assets	51,213
Liabilities	
Liabilities for which customers bear the investment risk	552,792
Other liabilities	2,725

Net sales and operating profit refer to the period 1st of January until the merger. Within parentheses refers to the period before the acquisition.

Acquisition analysis, thousands	
Purchase price	663,241
Reported amounts of acquired assets and liabilities	
Acquired equity	208,453
Intangible assets	215,242
Goodwill	239,546

Note 47 Group – events after the balance sheet date

During the first quarter, the spread of the corona virus had significant negative impact on financial markets. As market turbulence increased, many of our customers liquidate large portions of their holdings. This has increased deposits and increased the total balance sheet. The excess liquidity has primarily been invested with various central banks to make the funds available to our customers. At this point in time we have not recognized any increase credit losses.

Note 48 Proposed distribution of profits

The following profits are at the disposal of the Annual General Meeting (SEK):	
Share premium reserve	6,340,175,920
Non-restricted reserve	-4,435,226,677
Profit brought forward	252,103,369
Total	2,157,052,612
The Board proposes the following allocation:	
To shareholders, a dividend of SEK 130,63 per share, in total	135,795,736
Carried forward to next year	2,021,256,876
Total	2,157,052,612

The Board of Directors for Nordnet AB (publ) proposes that the Annual General Meeting on 23 April 2020 resolve that the retained earnings including the profit for the year according to the adopted balance sheet shall be appropriated such that SEK 130.63 per share is paid in dividend to the shareholders and that the remainder be carried forward. This corresponds to a dividend totalling SEK 135.8 million and a dividend rate of 40 percent.

The Board of Directors deems that an assessment of the company's and the Group's financial position justifies the proposed dividend with reference to the requirements such as the nature, scope and risks of the business with regard to the scope of the company's

and the Group's equity and the company's and Group operations' consolidation needs, liquidity and position in general.

In light of the recent turbulence in the financial markets a special review has been undertaken to ensure that the company's and the Group's financial position is not jeopardized by the proposed dividend. Outcome of the review is that the current situation does not cause any changed assessment regarding the financial position. Both the capital adequacy and the liquidity are still satisfactory. Furthermore, the assessment is that the situation does not or will not entail a significant increase in credit losses that would have a material adverse effect on equity.

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

Signatures of the Board of Directors

The Board of Directors and CEO provide their assurance that the 2019 Annual Report provides an accurate overview of the operations, position and earnings of the Group and the Parent Company, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and the companies within the Group.

Stockholm, 19 March 2020

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

Lars-Åke Norling
CEO

Our auditor's report was submitted on 19 March 2020.

Deloitte AB
Patrick Honeth
Authorized Public Accountant

Key figures

Group	2019 ¹	2018 ¹	2017 ¹	2016 ²	2015 ²
Operating margin (%)	24%	11%	16%	31%	36%
Profit margin (%)	22%	9%	13%	25%	29%
Cost/income ratio	76%	89%	84%	69%	64%
Return on shareholders' equity (%)	13%	6%	8%	15%	20%
Return on assets (%)	0.2%	0.1%	0.2%	0.5%	0.6%
Shareholders' equity, SEK million	3,057.8	1,988.2	2,024.7	1,978.9	1,870.1
Capital base consolidated situation, SEK million	1,990.6	1,455.7	1,504.7	1,295.4	1,140.6
Capital coverage ratio, consolidated situation	19.7%	17.1%	17.4%	16.7%	15.4%
Investments in tangible assets, SEK million ¹	19.9	84.0	29.1	9.9	11.1
Investments in intangible assets, SEK million ¹	91.3	112.1	88.0	42.6	30.1
Of which, internal development expenses, SEK million	37.8	32.5	23.1	21.6	8.1
Number of full-time employees at end of period	497	526	474	405	427
Customer-related key figures:					
Number of active customers	913,600	765,200	669,300	566,800	490,400
Number of active accounts at end of the period	1,213,400	1,016,300	884,500	735,000	627,500
Net savings, SEK billion	20.9	23.5	17.3	14.3	12.9
Total savings capital at end of period, SEK billion	394	286	272	235	200
Average savings capital per active account at end of period, SEK	325,000	280,900	308,000	319,300	318,800
Cash deposits at end of period, SEK millions	45,011.7	43,022.8	34,341.2	29,131.5	23,726.7
Lending including pledged cash and cash equivalents at end of period, SEK millions	16,127.8	14,204.5	11,852.0	9,516.4	7,278.1
Lending excluding pledged cash and cash equivalents at end of period, SEK millions	15,645.1	13,730.1	11,437.5	9,210.8	7,086.4
Lending/deposits, %	36%	33%	35%	33%	31%
Number of trades for the year	28,422,400	26,119,800	26,181,300	22,931,500	19,831,700
Number of trades per day	114,800	105,600	105,100	91,400	80,000
Number of trades per active account per year	26.5	29.3	35.2	37.2	37.4
Number of trades per active account per month	2.2	2.5	2.9	3.1	3.1
Average net commission revenue per trade, SEK	19	18	18	20	24
Average net commission per trading day, SEK	2,943,300	2,727,300	2,685,100	2,562,100	2,716,400
Annual average income/savings capital (%)	0.4%	0.4%	0.5%	0.6%	0.6%
Average yearly income per account, SEK	1,404	1,368	1,535	1,755	2,112
Average yearly operating expenses per account, SEK	-1,037	-1,172	-1,186	-1,173	-1,262
Average yearly profit per account, SEK	367	196	349	582	850

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

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

³ Excluding acquisitions

Auditor's report

To the general meeting of the shareholders of Nordnet AB (publ)
corp. ID no. 559073-6681.

in accordance with the Audit Regulation (537/2014)
Article 11.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nordnet AB (publ) for the year 2018, except for the corporate governance statement on pages 41-53. The annual accounts and consolidated accounts of the company are included on pages 35-40 and pages 54-128 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as at 31 December 2018 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the Group as at 31 December 2018 and of its financial performance and cash flows for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 41-53. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual Meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Our statements in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company's Audit Committee

Basis for opinions

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

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

Key audit matters

Key audit matters for the audit are those areas which, according to our professional assessment, were the most important for the audit of the annual report and consolidated accounts for the current period. These areas were treated in the context of the examination of, and our opinions on, the annual accounts and consolidated accounts as a whole, but we do not make separate statements on these areas.

Commission income recognition

Commission income is an integral part of the Group's income. These consist of a number of different revenue streams such as commission in connection with the purchase and sale of securities, commission for the transfer of securities in connection with issues, sales of structured products and guaranteed issues and commissions from fund management operations.

Income recognition includes several risks, among other things regarding the interpretation and application of accounting principles, which include management's estimates of when income is to be reported as well as risks related to completeness and valuation. IT systems and applications are used for charging income, and a large amount of data is generated in these systems and applications when customers use Nordnet's services. Therefore, we consider the recognition of commission income to be a key audit matter. For 2018, the Group presents net sales related to commission income of SEK 983.9 million. This item is accordingly material based on a financial reporting perspective. Revenue recognition is deemed to be an especially significant area as the large transaction volume means that completeness is critical in order for no material misstatement to arise in the financial statements.

See related disclosures on the accounting principles in Note 5 and information on net commission in Note 9.

Our audit has included testing and evaluation of design and effectiveness in controls for commission income recognition. This includes the evaluation of essential procedures and controls for income recognition, including relevant IT systems and applications used for accounting and follow-up. We have also conducted analytical and detailed examinations for a selection of reported income.

Our substantive examination has been conducted by comparing the pre-system with the accounts to ensure proper transfer. In order to ensure correct data in the pre-system, we have, on the basis of random selection, examined whether individual transactions have been registered based on the specified parameters.

Valuation of financial instruments at fair value

Financial investment assets in both the insurance operations and banking operations are mostly financial instruments in an active market with quoted prices. To a lesser extent, there are holdings in financial instruments for which the valuation is based on market data other than quoted prices in the same instrument.

As at 31 December 2018, financial instruments measured at the fair value of the assets amounted to SEK 65,511 million and liabilities amounted to SEK 51,726 million. For financial instruments that are actively tra-

ded in a market and where market prices are available, there is a higher degree of objectivity in determining market price (level 1). When observable and liquid market prices are not available, the fair value of financial instruments is subject to material uncertainty in the estimate (levels 2 and 3). The valuation of such instruments is determined by different valuation techniques, which often include significant estimates and estimates by management.

These instruments constitute a key audit matter in our audit due to the significant proportion of financial instruments valued at fair value and subjectivity in the assessment of the fair value of financial instruments.

See related disclosures regarding financial instruments at fair value in Note 32.

Our audit measures have comprised, but not consisted solely of:

- An examination of the valuation process for identification of key controls and preparation of an audit approach to test the effectiveness during the year of identified key controls, which included controls for data input to valuation models.
- For level 1 instruments, we have examined fair value by comparing reported fair value with available public market data. Likewise, we did this for level 2 instruments as Nordnet's assets in level 2 are primarily comprised of assets traded on a listed market, but where the market is not deemed to be active.
- For level 3 instruments, we assessed the suitability in the used valuation method and input data for a majority of reported financial instruments in level 3.

IT systems with a direct impact on financial reporting

Nordnet is dependent on IT systems to (1) serve customers, (2) support business processes, (3) ensure proper processing of financial transactions, and (4) support the overall framework for internal control. Financial reporting depends on multiple systems. Many of Nordnet's internal controls for financial reporting are dependent on automated system controls with respect to completeness and integrity in reports generated by IT systems.

Considering the high dependence on IT, we consider

this to be a key audit matter. It is essential that permissions and accesses in systems and program changes are controlled to ensure proper financial reporting.

See section on Operational risks in Note 7.

Our audit has included examination of general IT controls as well as assessment of whether Nordnet has satisfactory procedures for achieving the required IT security and environment to ensure financial reporting. Our examination has focused on essential systems with direct impact on the financial statements. Our tests have included examination of access to programs and data, management of program changes, and examination of permissions.

Valuation of loan receivables

The recognition and measurement of financial instruments according to applicable regulations in IFRS 9 is a complex area with a large impact on Nordnet's operations and financial reporting. IFRS 9 is a new and complex accounting framework that requires material assessments to determine the size of the reserve for expected credit losses.

Material assessments include:

- Interpretation of the requirements to establish the size of the reserve for expected credit losses according to IFRS 9, which is reflected in the model for calculation of expected credit losses.
- Identification of exposures with a significant deterioration of credit quality.
- Assumptions applied in the model for the calculation of expected credit losses, such as the counterparty's financial position, expected future cash flows and prospective macroeconomic factors (e.g. unemployment, interest rates, gross domestic product, property prices).

As at 31 December 2018, lending to the public amounted to SEK 14,204.5 million, with a provision for probable losses of SEK 95.8 million.

Given the material portion of the Group's financial position as well as the impact of the inherent uncertainty and subjectivity in the assessment of credit provision needs and since disclosure requirements under IFRS 9 are significant, we consider this a key audit matter in our audit.

See section on significant assessments and estimates in Note 4, disclosure of credit risk in Note 7, and related disclosures on loan losses, net, in Note 15.

Our audit measures have comprised, but not consisted solely of:

- We evaluated if key controls in the credit reserve process were appropriately formulated and effective during the year; including key controls for approval, registration and follow-up of loan receivables, input data, accuracy and completeness of the reserve for expected credit losses.
- We evaluated, with support of our specialists for credit risk modelling, the modelling techniques and model methods against the requirements in IFRS 9. We examined the suitability of the underlying models developed for the calculation of the reserve for expected credit losses. We involved our specialists in credit risk modelling in the assessment of whether fundamental credit risk modelling decisions are consistent with the requirements in IFRS 9 and industry practice. We have evaluated material assumptions and calculation methods and ensured the completeness of input data for the models.
- Lastly, we also examined the completeness and reliability of the disclosures attributable to the reserve for expected credit losses to assess compliance to the disclosure requirements as per IFRS.

Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts, found on pages 1-34 and pages 136-141. The Board of Directors and CEO are responsible for this other information.

Our statement regarding the annual accounts and the consolidated accounts does not include this information and we do not make a statement attesting to this other information.

In connection with our audit of the annual report and the consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is to a significant extent incompatible with the annual report and the consolidated accounts. In this examination, we also take into account the knowledge we have acquired during the audit, as

well as assess whether the information in general contains any material misstatement.

If, based on this work conducted regarding this information, we conclude that the other information contains any material misstatement, we are required to report this. We have nothing to report in that regard.

Responsibilities of the Board of Directors and the CEO

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

When preparing the annual accounts and the consolidated accounts, the Board of Directors and the CEO are responsible for assessing the company's and the Group's ability to continue operations. They indicate, where applicable, conditions that may affect the ability to continue operations and to use the assumption of continued operation.

However, the assumption of continued operation is not applicable if the Board of Directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative but to do so.

The Board of directors' Audit Committee shall, without prejudice to the Board of directors' responsibilities and duties, among other things monitor the company's financial reporting.

Auditor's responsibility

Our objective is to obtain reasonable assurance as to whether the annual accounts and the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error and to submit an audit report containing our statements. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA's and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for auditing the annual accounts and the consolidated accounts is available on the Auditor's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the audit report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also reviewed the Board of Directors and the CEO's management of Nordnet AB (publ) for the financial year 2018 and the proposed disposition of the company's profit or loss.

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

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in more detail in the section Auditor's responsibility. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed disposition of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements that the company's and the group's type

of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

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

Auditor's responsibility

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

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

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for auditing

the annual accounts and the consolidated accounts is available on the Auditor's website: www.revisorsinspektionen.se/revisornsansvar.

This description is part of the audit report.

Auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance statement on pages 41-53 has been prepared in accordance with the Annual Accounts Act.

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

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

Deloitte AB was appointed Nordnet AB (publ)'s auditor by the Annual General Meeting on 18 April 2018 and has been the company's auditor since 25 April 2017.

Stockholm, 19 March 2020
Deloitte AB

Patrick Honeth
Authorized Public Accountant

Definitions

Alternative Performance Measures (APM) are financial measures of historical or future earnings development, financial position or cash flow that are not defined in applicable reporting regulations (IFRS) or in the fourth capital requirement directive (CRD IV) or in the EU capital requirement regulation no. 575/2013 (CRR) or the EU's Solvency II directive 2015/35. Nordnet uses alternative key performance measures when it is relevant to describe our operations and monitor our financial situation. These measures are not directly comparable with similar key figures presented by other companies.

Active customer¹

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

Active account¹

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

Return on equity¹

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

Return on assets¹

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

Trade¹

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

Cash market¹

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

Deposits¹

Deposits including deposits attributable to liabilities in the insurance business.

Capital base²

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

Capital ratio²

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

Client funds¹

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

Cost coverage¹

Non-transaction-related income relative to expenses.

Core Tier 1 capital²

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 I ratio²

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

Net commission income¹

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

Net commission per trade¹

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

¹ Alternative performance measures

² 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

Definitioner

Net savings¹

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

Amount traded¹

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

Turnover rate¹

The number of shares bought or sold during the year divided by the number of shares outstanding at year-end.

Personal loans¹

Unsecured loans.

Risk exposure amounts²

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.

Operating expenses²

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

Operating margin¹

Operating profit in relation to operating income.

Solvency capital (NPV)²

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

Solvency capital requirements (SCR)²

Estimated capital requirements as per Solvency II regulations.

Total savings capital¹

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

Lending¹

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 (ISKs), where the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

Profit margin¹

Profit for the period in relation to operating income.

¹ Alternative performance measures

² 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

Other sustainability information

The reporting of our sustainability work has been in accordance the guidelines of the Global Reporting Initiative (GRI) since 2010. The sustainability report for the 2019 calendar year follows GRI Standards 2016, Core level. The sustainability report has been prepared in compliance with statutory sustainability reporting requirements in the Annual Accounts Act. The report covers Nordnet AB (publ) and its subsidiaries. Nordnet's sustainability report 2019 is not reviewed by the company's auditors.

General Standard Information		Reference/comment
GRI 102: General Standard Information		
102-1	Name of organization	p.36
102-2	Main products and services	p.5
102-3	Location of the organization's headquarters	p.65
102-4	Countries where activities are conducted	p.5, 105
102-5	Ownership structure and corporate form	p.42
102-6	Markets in which the organization operates	p.5
102-7	Size of organization	p.4-5, 57, 60, 146
102-8	Total employees	p.146
102-9	Descriptions of the organization's value chain.	p.5
102-10	Significant changes during the accounting period	p.36-37
102-11	The organization's adherence to the precautionary principle.	p.146
102-12	Externally developed initiatives that the organization follows	p.20-23
102-13	Associations in which the organization is a member	p.20-23, 25
102-14	Statement by CEO on the organization's sustainability strategy	p.7-8
102-16	Values, principles, standards and norms for performances	p.24-25
102-18	Statement of the company's corporate governance	p.41-53
102-40	Interest groups with which the organization is in contact	p.144
102-41	Proportion of employees covered by collective agreements	p.30
102-42	Identification and selection of stakeholders	p.144
102-43	Procedures for communication with stakeholders	p.144
102-44	Issues raised through communication with stakeholders and management of these	p.144
102-45	Entities included in the report	p.142
102-46	Process for the definition of report contents	p.144
102-47	Identified essential sustainability areas	p.144
102-48	Effects of changes in previously reported information	p. 37
102-49	Significant changes from previous reporting	No significant changes
102-50	Reporting period	p.142
102-51	Publication of most recent report	March 2019
102-52	Reporting Cycle	p.142
102-53	Contact person for questions regarding the report	See contact information at nordnetab.com
102-54	Statement on the report's compliance with GRI standards.	p.142
120-55	GRI index	p.142-144
102-56	External review	p.142

Subject-specific standard disclosures		Reference/comment
GRI 201: Economic performance		
103-1, 103-2, 103-3	Governance	p.24-25
201-1	Generated and distributed financial value	p.24
GRI 203: Indirect economic impact		
103-1, 103-2, 103-3	Governance	p.20
203-1	Investments in infrastructure and services	p.20-23
203-2	Indirect economic effects	p.20
GRI 205: Anti-corruption		
103-1, 103-2, 103-3	Governance	p.24-25
205-2	Communication of guidelines on anti-corruption	p.24-25
GRI 302: Energy		
103-1, 103-2, 103-3	Governance	p.31
302-1	The organization's energy consumption	p.31
302-3	Energy intensity	p.31
GRI 305: Emissions		
103-1, 103-2, 103-3	Governance	p.33, 146-147
305-1	Direct greenhouse gas emissions	p.33, 146-147
305-2	Indirect greenhouse gas emissions	p.33, 146-147
305-3	Other indirect greenhouse gas emissions	p.33, 146-147
305-4	Greenhouse gas emissions intensity	p.33, 146-147
GRI 401: Employment conditions and Working conditions		
103-1, 103-2, 103-3	Governance	p.26-27
401-1	Personnel turnover	p.27
GRI 403: Health and Safety		
103-1, 103-2, 103-3	Governance	p.28
403-2	Sick leave and work-related injuries	p.28
GRI 404: Education		
103-1, 103-2, 103-3	Governance	p.26-27
404-3	Development interview	p.26
GRI 405: Diversity and Equality		
103-1, 103-2, 103-3	Governance	p.28-30
405-1	Composition of the company	p.144
405-2	Salary differences between genders	p.29
GRI 406: Non-discrimination		
103-1, 103-2, 103-3	Governance	p.28-30
406-1	Number of cases of discrimination	p.28
GRI 418: Customer integrity		
103-1, 103-2, 103-3	Governance	p.25
418-1	Number of cases of loss of customer data	No reported complaints or cases of losses of customer data during the year.

Dialogue with stakeholders

Nordnet has a continuous dialogue on sustainability issues with these stakeholder groups:

- Customers
- Employees
- Owner
- Suppliers

Every year since 2011, we have sent out a survey on sustainability to all employees at Nordnet. The survey allows employees to evaluate our sustainability work and provide development proposals. In the survey, employees can also indicate how they commute to and from the workplace, and these statistics are then used when calculating the all of Nordnet's greenhouse gas emissions. We also sent out sustainability surveys to selected customers in 2017 and to owners and suppliers when we began sustainability reporting according to GRI at year-end 2010. Based on the survey results with these stakeholder groups, the following priority areas were identified:

Stakeholder groups	Priority areas in sustainability
Employees	<ul style="list-style-type: none"> • Well-being among employees and possibilities of development • Customer service and support • Protection of customer data and privacy
Customers	<ul style="list-style-type: none"> • Anti-corruption • Protection of customer data and privacy • Preventing money laundering
Owner	<ul style="list-style-type: none"> • Anti-corruption • Providing ethical funds • Social sponsorship
Suppliers	<ul style="list-style-type: none"> • Customer service and support • Offering transparent financial products • Protection of customer data and privacy

In addition to the stakeholder groups listed above, we also see the media, government agencies, competitors, and the public as key stakeholders who, in a broader sense, affect our operations.

Materiality analysis

The stakeholder dialogue with our primary stakeholders lays the foundation for our impact analysis and

selection of essential sustainability aspects on which to focus. In 2016, we redefined our focus areas based on the results of the stakeholder dialogue we conducted with our employees that year, when they requested a sustainability strategy with a clearer link to Nordnet's operations. Since 2017, we have worked with three focus areas: sustainable savings, equality & diversity and digital learning. In addition to our focus areas, we have identified a number of priority areas and sustainability aspects as essential for Nordnet to focus on in our sustainability report (see table below).

Prioritized areas	GRI standards
Customers	Customer privacy, indirect financial impact
Employees	Diversity and equality, equal compensation for women and men, non-discrimination, terms of employment and employment conditions, health and safety
Society	Economic performance, anti-corruption
Environment	Energy, emissions

All Nordnet's identified sustainability aspects are relevant in the context of our own operations. Some aspects also have a direct impact outside the organization's limits, for example, with our customers and suppliers. Nordnet reports regularly on each significant sustainability aspect where it has an impact.

Background data for GRI indicators

In this section, we describe the methods, assumptions, and conversion factors used to develop Nordnet's GRI indicators. In addition, supplementary tables and information are included in the Annual Report.

Employees

Employee key figures are based on the actual number of employees as at the end of December and the year, respectively, and are therefore not converted to full-time equivalents or such.

Employees per 31 December		2019		2018		2017	
Sweden	Number (no.)	Women (%)	Number (no.)	Women (%)	Number (no.)	Women (%)	
Total number of employees	483	37%	475	39%	446	36%	
Number of permanent employees	419	32%	417	39%	394	36%	
- Whereof full-time	414	37%	411	38%	377	34%	
- Whereof part-time	5	40%	6	83%	17	65%	
Number of temporary employees	64	38%	58	38%	52	38%	
Finland							
Total number of employees	38	45%	37	43%	39	44%	
Number of permanent employees	31	45%	30	40%	30	43%	
- Whereof full-time	30	43%	29	38%	29	41%	
- Whereof part-time	1	100%	1	100%	1	100%	
Number of temporary employees	7	43%	7	57%	9	44%	
Norge							
Total number of employees	46	20%	42	19%	34	21%	
Number of permanent employees	33	24%	29	17%	22	23%	
- Whereof full-time	33	24%	29	17%	22	23%	
- Whereof part-time	0	0%	0	0%	0	0%	
Number of temporary employees	13	8%	13	23%	12	17%	
Danmark							
Total number of employees	38	39%	45	40%	49	35%	
Number of permanent employees	27	48%	32	47%	28	54%	
- Whereof full-time	24	46%	31	45%	25	48%	
- Whereof part-time	3	67%	1	100%	3	100%	
Number of temporary employees	11	18%	13	23%	21	10%	
	605		599		568		

The table shows how many employees Nordnet has broken down by type of employment, region and gender.

Composition of the company		2019		2018		2017	
Employees at different levels at the company	Number (no.)	Women (%)	Number (no.)	Women (%)	Number (no.)	Women (%)	
Board of Directors	7	14%	7	0%	7	0%	
Under 30 years	0	0%	0	0%	0	0%	
30 - 50 years	5	20%	4	0%	5	0%	
Over 50 years	2	0%	3	0%	2	0%	
Management	10	38%	14	29%	14	43%	
Under 30 years	0	0%	0	0%	0	0%	
30 - 50 years	6	40%	13	23%	13	38%	
Over 50 years	4	33%	1	100%	1	100%	
Employees with staff responsibility	56	34%	55	47%	55	40%	
Under 30 years	5	40%	4	75%	4	25%	
30 - 50 years	45	31%	44	48%	45	44%	
Over 50 years	6	50%	7	29%	6	17%	
Other employees	541	36%	531	36%	499	35%	
Under 30 years	221	34%	234	33%	234	30%	
30 - 50 years	278	37%	266	38%	235	38%	
Over 50 years	42	43%	31	42%	30	43%	

The table shows the composition of the company by gender and age for different levels of the company.

Environment

Energy

To recalculate the energy consumption from MWh to GJ, the conversion factor 3.6 is used.

Greenhouse gas emissions

Nordnet has a small environmental impact and we do not express ourselves in terms of compliance with the precautionary principle when dealing with the environmental impact that our business causes.

To calculate our greenhouse gas emissions, we use, to the extent possible, conversion factors that include all relevant greenhouse gases, i.e. CO₂, CH₄, N₂O, HFCs, PFCs, SF₆ and NF₃. We do not implement our own conversions from other greenhouse gases to CO₂e and therefore have no overall value for Global Warming Potential (GWP).

Just like fossil fuels, combustion of renewable fuels causes greenhouse gas emissions, but as these emissions are part of a cycle we do not report emissions. The conversion factors related to the consumption of renewable fuels are the part of the fuel that is fossil fuel. However, we report fossil greenhouse gas emissions that arise in the production of fossil and renewable fuels.

Nordnets greenhouse gas emissions, tonnes CO ₂ e	2019	2018	2017
Scope 1, direct GHG emissions	0	0	0
Scope 2, indirect GHG emissions	84	87	88
Scope 3, other indirect GHG emissions	153	167	206
Total GHG emissions	237	254	294

The table describes Nordnet's greenhouse gas emissions by Scope according to the Greenhouse Gas Protocol. Nordnet's carbon dioxide emissions for electricity consumption in geographic valuation (location based): 47 tonnes CO₂e.

Activity	Activity data	Conversion factor
Electricity consumption	Data for each office and data centre	Conversion factor consists of specific contracts or residual-mix: 250.76 g CO ₂ e/kWh. Source: Reliable disclosure systems for Europe
District heating	Data for each office	Statistics from each supplier Stockholm: 77 g CO ₂ e/kWh (2018) Copenhagen: 80 g CO ₂ e/kWh (2018) Oslo: 6 g CO ₂ e/kWh (2018) Helsinki: 158 g CO ₂ e/kWh (2018)
District cooling	Data for each office and data centre	Statistics from supplier. Stockholm: 0 g CO ₂ e/kWh (2018)
Business-related travel, company vehicle	Driving distance in company cars is based on employee reporting to receive mileage compensation for business-related travel.	The result refers to driving distance and average consumption for mixed driving for each car in combination with the following conversion factors: Petrol: 3000 g CO ₂ /litre Source: Climate legislation
Business-related travel, private car	Driving distance in company cars is based on employee reporting to receive mileage compensation for business-related travel.	Assumptions on petrol car travel: Consumption: 0.58 l/10km Emissions: 128.49 gram CO ₂ e/km Source: Swedish Environmental Protection Agency, Swedish Transport Agency
Business-related travel, taxi	The statistics consist of booked taxi costs.	Assumptions on travel with average Taxi Stockholm: 8 g CO ₂ e/SEK. Source: Taxi Stockholm
Business-related travel, air travel	The statistics consist of booked airline tickets.	Emissions report from travel agency is used as a template for calculating all air travel expenses.
Employee commuting	Average travel distance with different forms of transportation, calculated from responses in employee survey sent to all employees.	Petrol vehicle: 128.49 g CO ₂ e/km Diesel vehicle: 133.10 g CO ₂ e/km Ethanol vehicle: 121.37 g CO ₂ e/km Gas vehicle: 103 g CO ₂ e/km Hybrid vehicle: 48 g CO ₂ e/km Motorcycle/moped: 92 g CO ₂ e/km Rail transport: 0.0033 g CO ₂ e/pkm Buses: 70 g CO ₂ e/pkm Source: Swedish Transport Agency, NTM and SJ

The table shows which activities, assumptions and conversion factors are the basis for Nordnet's reporting of greenhouse gas emissions.

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