

Nordnet AB (publ)

Interim report

January-March 2020



The quarter in brief

90,000 new customers during the quarter, and now more than one million savers with Nordnet

High trading activity in all markets

Success for the new equity savings account in Finland

High net savings, but reduced savings capital as a result of a stock market decline

Take-over of online customers from Finnish S-Pankki

Record-breaking financial result

January-March 2020

(January-March 2019)

Income

SEK **644.2** million
(402.5)

Expenses¹

SEK **-277.1** million
(-273.5)

Operating profit

SEK **367.1** million
(129.0)

New customers

88,800
(29,600)

Net savings

SEK **23.8** million
(7.0)

Trades

14,126,900
(6,935,400)

Customers

1,002,400
(794,800)

Savings capital

SEK **354.9** million
(323.5)

Lending²

SEK **14.7** million
(14.4)

¹ Total expenses including credit losses

² Excluding lending against pledged cash and cash equivalents

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

This is Nordnet

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

The overarching purpose of Nordnet's operations is to democratize savings and investments. By that, we mean giving private savers access to the same information and tools as professional investors. This purpose has driven us since we started in 1996 and remains our direction to this day. In the 1990s, the idea of democratization entailed offering easily accessible and inexpensive share trading via internet, and building a fund supermarket with products from a number of different companies where savers could easily compare returns, risk and fees. During the journey, we have simplified matters and pressed down fees on, for example, pension savings, index funds and private banking services. In recent years, we have democratized the financial sector with, for example, the stock lending program that we launched just over a year ago. In addition to the value increase and dividend, we created a third type of income stream for private savers in the form of compensation for shares loaned to international asset managers and banks. We are always on the savers' side, and pursue issues of, for example, the right to transfer pension savings free of charge and reasonable and predictable taxation of holdings of shares and mutual funds.

Our vision is to become the Nordic private savers' first choice. To achieve this objective, we must always continue to challenge and innovate, keeping user-friendliness and savings benefit at the top of the agenda. Only then can we achieve the high level of customer satisfaction and brand strength required to become a leader in the Nordic region in terms of attracting new customers and producing loyal ambassadors for Nordnet.



Our business areas

Savings and investments

Nordnet's core business is saving 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, including the website, 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 index funds. Nordnet operates the Nordic region's largest social investment network Shareville, with more than 200,000 members.

Pensions

In Sweden, Norway and Denmark, we offer pension savings without fixed fees and with a wide range of

investment opportunities. In Sweden, we have the most complete pension solution for individuals and companies.

Loans

Nordnet offers three kinds of loans – margin lending, residential mortgages and personal loans (unsecured 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 residential mortgages target the Private Banking segment and are only offered to natural persons in Sweden. Personal loans are offered both through Nordnet's own brand and under the brand Konsumentkredit, and are directed at natural persons in Sweden.

Comments from the CEO

“In the first quarter, we welcomed nearly 90,000 new savers to Nordnet, and in March we achieved the milestone of one million customers.”

The spread of the coronavirus, with its dramatic consequences for the whole world, made the first quarter of 2020 a very special period. We are all affected on both a personal and a professional level. Besides the in many cases tragic human aspects, the corona crisis has led to an economy that has slammed on the brakes with high unemployment, lower GDP, sharply lower financial results for many companies and dramatically falling exchange rates. The fluctuations on the stock market mainly in March were strong, and overall, all of the Nordic stock markets declined in the first quarter. The Swedish stock exchange declined a total of 16 percent; although, after having reached a minimum of minus 27 percent after “Black Thursday” on 23 March.

In terms of the savings, private individuals have reacted to the development in the surrounding world through high activity. The effects of the corona crisis on our private finances are significant, and light has been shed on issues linked to the subject in many channels. We see an extensive willingness among private individuals to take charge of their savings, and our customer inflow in the first quarter was record high. In total, we welcomed nearly 90,000 new savers to Nordnet, and in March we achieved the milestone of one million customers. As late as February 2016, we had 500,000 customers, which means that our customer base has doubled in four years.

The private savers’ trading activity during the quarter is on a really high level. The number of transactions ends up at over 14 million, which is more than twice as much as the first quarter of 2019. We see a high level of activity from all kinds of savers. This involves people who feel that the large fluctuations do not match their personal risk propensity and want to stay out of the stock market. There are also many savers who see a

good buying situation when the market has dropped so much in such a short time. Then of course our trading customers were very active as the high volatility suits their strategies.

The savings capital has dropped in value as a result of the sharp market downturn, but the drop is counteracted by record net savings. In total, our customers’ net savings amounted to almost SEK 24 billion in the first quarter, which is more than for all of 2019. Loans with shares and funds as collateral decreased by 20 percent during the quarter, and the decrease is naturally related to the savers wanting to reduce their risk in the uncertain and volatile market climate. Personal loans increased somewhat, and our residential mortgage product had good growth of 8 percent in the first quarter. Altogether, the loan portfolio has increased marginally since the end of the first quarter of 2019, but decreased by 6 percent in January-March 2020.

From a financial perspective, the first quarter was a strong period for Nordnet. Total income ends up at around SEK 640 million, which is more than 60 percent higher than the same period in 2019. At the same time, our costs excluding credit losses are lower than they have been in a long time and amount to SEK 259 million. Credit losses increased during the quarter and amounted to SEK 18 million, compared with nearly SEK 7 million in the first quarter of 2019. The credit losses are primarily attributable to personal loans, and most of the higher level is due to increased reserves as a result of an anticipated rapidly higher unemployment due to the current corona crisis. The total costs are in line with the previous year, which means that earnings before tax for the period were a record SEK 367 million.



We are continuously launching improvements on our website and in the app. During the quarter, among other things, an entirely new search logic, more comparative indexes and increased information about your residential mortgage were added. In the app, you can now indicate the total amount you want to trade for and we work out how many shares this is equivalent to. The graphs have gained an updated and improved design and you can now also set up and manage standing transfers directly in the app. On 1 January, the equity savings account (osakesäästötili), with favourable tax conditions, was launched in Finland, and Nordnet was the first in the market to offer the new account type. The interest from savers has been incredible; in the first three months of the year, Nordnet opened the most equity savings accounts of all Finnish banks. During the quarter, we also took over the online customers in the broker part from the Finnish bank S-Pankki.

All in all, the first quarter was an intensive period for the savers, Nordnet and the world in general. I am proud to say that our organization has done a good job of managing the high level of activity in the first quarter, with the help of fantastic colleagues and a stable and accessible platform that made it possible for the savers to review their investments at all times.

The long-term effects of the corona crisis on the economy and our business are naturally difficult to predict at present. However, there will come a time after the coronavirus, and I am humble and thankful to work in an industry that engages in most times, at a company that has a digital business model. With continued updates to our interfaces, launches of new products, focus on stability, as well as service and coaching on savings, we ensure continued growth in Nordnet's business.

A million thanks to all of you who are customers of Nordnet and entrust us with your investments. Together with you, we are building the next generation digital savings experience.

Lars-Åke Norling, CEO
@CEONordnet

Operations.



SEK million	Q1 2020	Q1 2019	Change Q1 2020 from Q1 2019	Q4 2019	Change Q1 2020 from Q4 2019
Operating income	644.2	402.5	60%	428.2	50%
Operating expenses	-277.1	-273.5	1%	-354.1	-22%
<i>whereof credit losses</i>	-18.2	-6.7	172%	-9.7	88%
Operating profit	367.1	129.0	185%	74.1	395%
Profit after tax	301.3	118.9	153%	66.3	354%
Operating margin %	57%	32%	25%	17%	40%
Net savings (SEK billion)	23.8	7.0	241%	7.3	226%
New customers	88,800	56,674	57%	31,423	182%
Savings capital (SEK billion)	354.9	323.5	10%	394.5	-10%
Lending	14,636.5	14,392.0	2%	15,705.2	-7%

Operations

Development of the stock market

After last year's good stock market year, the market did a rapid turn and the first quarter of 2020 saw the strongest drop since the financial crisis. The coronavirus pandemic has ultimately put an end to the longest expansive growth market in history. Even if most analysts felt that we were already in the end phase of the economic cycle, nobody anticipated the turning point being so sharp and sudden. Last year's discussion on when we can expect a recession has now changed to how long and how deep the recession will be.

Strong support measures were presented in many countries. The UK and Germany have decided to compensate a large part of the wages in affected industries to combat mass unemployment. Several governments are issuing loans to both small and large companies and the US launched a fiscal stimulus package corresponding to 10 percent of the country's GDP, by far the largest ever. The central banks have lowered key interest rates from the already low levels and resumed support purchases of assets. The US Federal Reserve has said that it will buy all the government bonds it takes to maintain liquidity and keep the government's borrowing cost low, which is necessary considering the large support package. The Bank of England and the ECB have also promised to keep countries well-financed so that they will be able to make necessary investments and make it through the crisis.

The market has been driven by uncertainty and fear, which is apparent in a massive flight of capital to safety, quality and liquidity. Large flows were also created by institutional investors rebalancing in the portfolios as a result of the turbulence and coverage of issued options at the end of March.

All global indices fell, mainly in March, and without support from the flows, buybacks and dividends, there will most probably be volatility for a good time to come. Developed markets, S&P 500 and MSCI Europe all backed around 20 percent, and emerging markets fell by 24 percent. The interest-rate market had a positive return, but did not meet expectation. Government bonds rose on interest rate cuts, but the correlation

between shares and interest did not hold during the most intensive days, which created a debate if interest rates are really a safe refuge in turbulent times. Corporate bonds plummeted due to uncertainty regarding the companies' future payment capacity, risk of bankruptcies and lowered credit ratings. The fall created a liquidity crisis and broad spreads, which caused many Nordic high-interest funds to temporarily close in March. Commodities also fell, with gold as the expected exception. When the world shuts down, the demand for raw materials drops strongly. The price of oil fell 60 percent due to reduced demand and an increased supply when OPEC+ and Russia failed to agree on production limitations.

The Nordic stock markets all fell during the quarter – Norwegian OBX dropped 23 percent, Swedish OMXS30 fell 16 percent, Danish OMXC25 dropped 10 percent and Finnish OMXH25 declined by 20 percent. The Nordic countries are generally well prepared for a long recession, with strong government finances and relatively large room for an expansive finance policy. Large public sectors compared with the rest of Europe mean that the decline in GDP and the increase in unemployment can be expected to be less. Industries such as restaurants, hotels and culture have, however, been hit hard, and Norway has also been negatively impacted by the strongly reduced oil price. However, the central bank of Sweden has been able to reduce the interest rate markedly, which has had a positive effect. On the other hand, Denmark was forced to raise the interest rate to defend its currency, which is pegged against the EUR. The increase led to the DKK appreciating against the EUR while SEK and NOK depreciated. However, Denmark has implemented the largest fiscal measures of the Nordic countries and several large sectors in the country, such as agriculture, food production and pharmaceuticals are well prepared for a pandemic. Finland risks extensive consequences of the pandemic as economic growth already began slowing before the corona crisis and a large part of the growth is based on domestic consumption, something that has now declined sharply. In Sweden, there is concern about high unemployment and deflation, which puts pressure on the central bank of Sweden to lower the key interest rate.

Impact on Nordnet's business due to the spread of the coronavirus

As a result of the spread of the corona virus, with continuous high stock market volatility, the interest from the savers to review their investments has been at a historically high level. Some want to stand outside the stock market, while others see a good opportunity to buy. Our trading customers have been very active, as the big fluctuations fit their strategies. In total, our customers made over 14 million trades, more than twice as much as in the first quarter 2019.

We see an increased inflow of new savers to Nordnet. Net savings are also high, and the first quarter exceed the level for the whole of 2019. On the other hand, savings capital has been adversely affected by stock market drops and decreased by ten percent, to SEK 355 billion, despite net savings of SEK 24 billion. However, the savings capital is still higher than March 31, 2019.

Portfolio lending with equities and mutual funds as collateral fell by almost 20 percent during the quarter. The volume has been adversely affected both by the reduced risk appetite caused by the corona crisis and the fact that a lower value of shares and funds has led to many customers being forced to regulate their loan. Growth in mortgage continues to be good, while the volume in personal loans is basically unchanged. Overall, the loan portfolio decreased by six percent during the quarter.

To date, we have not noted higher credit losses in any of our credit areas, margin lending, mortgages and personal loans, or a significant transfer of loans from Stage 1 to Stage 2, or from Stage 2 to Stage 3, in accordance with the rules of IFRS 9. We have also not listed any major increase in the request for amortization or other deferred payments.

With regard to personal loans, possibly increased unemployment may be a risk factor, but the effects of the current situation are only expected to be seen in the coming months. Given the uncertainty surrounding customers' future returns, however, Nordnet has adjusted the weighting between the different scenarios used to calculate loan loss provision. In the first place, this has resulted in an increase in Stage 2 in accordance with the rules in IFRS 9.

When stock markets decline, the risk of loan losses within margin lending increases. Nordnet has managed these risks through well-developed processes for credit granting and monitoring of outstanding loans and collateral, as well as an active dialogue with customers, thereby minimizing credit losses.

No major risks of increased credit losses have been observed for the liquidity portfolio. However, credit spreads have increased, not only on unsecured bonds but also on covered bonds and government securities, which has negatively affected the value of these assets. The change in value of the securities that are not intended to be held to maturity is reported in Other comprehensive income and affects equity, while securities to be held to maturity are not revalued in the accounts.

The fact that many of our customers have sold parts of their holdings has led to increased deposits and thus also a greater balance sheet total. The liquid funds have largely been invested with various central banks, both to limit credit risk and to ensure that funds are available to our customers.

From an operational perspective, Nordnet has worked actively to manage the effects of the current situation. The crisis management work is managed by a crisis management group and has generally worked well. The entire organization has actively participated in the work to adapt to the situation and minimize the risks. Employees who have a role that is suitable for remote work do so from home. In addition, we have activated a backup office, located in another part of Stockholm, which has enabled us to divide those of our employees who need to work from the office into two different groups.

In general, the uncertainty in the market leads to an increased risk of a negative impact on revenue, however the effects of it are currently difficult to assess. We follow the development closely to be able to quickly adapt the business if there is reason to do so. A more specific risk is increased unemployment that could affect the repayment ability of our customers, primarily in the case of personal loans.

Customers, savings and lending	31/03/2020	31/12/2019	30/09/2019	30/06/2019	31/03/2019
Number of customers and accounts					
Customers	1,002,400	913,600	882,200	854,800	794,800
Accounts	1,356,700	1,213,400	1,169,100	1,134,000	1,054,700
Net savings and savings capital (SEK billion)					
Net savings	23.8	7.3	4.2	2.4	7.0
Savings capital	354.9	394.5	365.2	353.7	323.5
Number of trades					
During the quarter	14,126,900	7,587,900	7,316,300	6,582,800	6,935,400
On average per day during the quarter	224,200	123,400	110,900	116,500	110,100
Lending (SEK billion)					
Margin lending ¹	5.6	7.0	6.6	6.3	6.1
Personal loans	4.1	4.1	4.1	4.0	4.0
Mortgage	4.9	4.5	4.3	4.3	4.3
Total	14.7	15.6	14.9	14.6	14.4

¹Excluding borrowing against pledged cash and cash equivalents

Customers, savings and lending

Figures in parentheses refer to the corresponding date/period one year earlier.

The number of active customers with Nordnet as at 31 March was 1,002,400 (794,800), corresponding to an increase of 26 percent compared with a year ago.

Our customers' collective savings capital totalled SEK 355 billion (324). Total savings capital increased by 10 percent compared with 31 March 2019. Net savings for the January-March 2020 period totalled SEK 23.8 billion (7.0). Calculated in relation to savings capital at the end of March 2019, net savings for the past 12 months correspond to 12 percent.

Lending was up by 2 percent compared with 12 months ago, amounting to SEK 14.7 billion (14.4). Nordnet's customers made an average of 224,200 (110,100) trades per day during the period January–March, an increase of 104 percent compared with January–March 2019.

Net profit

Group

January – March 2020

(January–March 2019)

Operating income in the first quarter increased by 60 percent, amounting to SEK 644.2 million (402.5) compared with the first quarter of 2019. Net interest income increased by SEK 43.1 million, where higher volumes in margin lending and higher returns on excess liquidity are the main explanations of the increase. In addition, net interest income was improved by income from Nordnet's stock lending programme. Net commission income increased by SEK 206.9 million, attributable to higher transaction-related income.

Mutual fund commissions also increased somewhat. Net result from financial transactions fell by SEK 4.3 million compared with the year-earlier period. The result from the previous year was affected by a revaluation of the shareholding in Tink AB while the result this year was affected by strongly increased trading in foreign securities.

Operating expenses before credit losses was 3 percent lower than the first quarter last year and amounted to SEK 258.9 million (266.8). Primarily reduced costs for external services during the quarter. For the first quarter, credit losses amounted to SEK 18 million, compared with nearly SEK 7 million in the first quarter of 2019. The increase is mainly related to provisions for expected future credit losses in personal loans, as a result of the worsened economic situation with a rapidly weakened labour market and financial problems for many companies.

Operating profit increased by 185 percent to SEK 367.1 million (129.0) and the operating margin was 57 percent (32). Profit after tax for the period rose by 153 percent to SEK 301.3 million (118.9), resulting in a profit margin of 47 percent (30).

Cost coverage, i.e. operating income excluding transaction-related net commission in relation to expenses, amounted to 120 (103) percent. Operating income excluding transaction-related net commission income for the quarter rose by 17 percent compared with the same quarter in the preceding year.

Result by country

January - March	Sweden		Norway		Denmark		Finland		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	276.5	176.0	124.0	52.7	124.1	56.0	119.5	52.1	644.2	402.5
Operating expenses	-110.5	-120.1	-55.8	-53.2	-44.3	-45.8	-48.3	-47.7	-258.9	-266.8
Profit before credit losses	166.0	55.9	68.2	-0.6	79.8	10.2	71.3	4.4	385.3	135.7
Credit losses	-15.5	-6.6	-1.1	-0.3	-1.1	0.1	-0.5	0.1	-18.2	-6.7
Operating profit	150.5	49.4	67.1	-0.9	78.7	10.2	70.7	4.5	367.1	129.0
Operating margin	54%	28%	54%	-2%	63%	18%	59%	9%	57%	32%
Number of customers	372,600	332,300	174,900	115,000	138,900	104,300	316,000	243,200	1,002,400	794,800
Number of accounts	549,700	484,400	252,400	164,700	173,600	133,000	381,000	272,600	1,356,700	1,054,700
Savings capital (SEK billion)	152.1	142.4	49.5	40.8	77.5	70.3	75.7	70.0	354.9	323.5
Number of trades	5,930,100	3,400,100	2,797,700	1,063,800	2,232,100	1,173,400	3,167,000	1,298,100	14,126,900	6,935,400
Net savings (SEK million)	4,747	2,274	4,956	1,065	5,962	1,763	8,170	1,887	23,834	6,988
Margin lending* (SEK billion)	2.3	2.1	0.8	0.9	1.2	1.3	1.4	1.7	5.6	6.1
Personal Loans (SEK billion)	4.1	4.0	-	-	-	-	-	-	4.1	4.0
Mortgage (SEK billion)	4.9	4.3	-	-	-	-	-	-	4.9	4.3

¹ Lending excluding pledged cash and equivalents

Development in our markets

Sweden

The corona crisis has had a major impact on all markets in the past quarter, including the Swedish market. Trading activity as well as customer inflow and net savings were at high levels. We are continuing to develop our services, and in the first quarter, both the app and web were updated with a focus on improving the customer experience. Our mission to democratize savings and investments is expressed in our fight for better terms for long-term savings. In March, we were nominated to Stora Kommunikationspriset 2020 for our efforts to strengthen the free transfer right for the Swedish pension savers.

Income for the period January-March rose by 58 percent compared with the year-earlier period, mainly related to increased transaction-related income. Net interest income contributed positively to earnings mainly as a result of higher volumes in mortgages and margin lending and higher income from the stock lending programme. Expenses decreased by 8 percent, due mainly to lower expenses for personnel and Group-wide costs. The operating margin was 54 percent (28).

Nordnet in Sweden had 372,600 (332,300) active customers as at the end of March 2020, corresponding to an increase of 12 percent in the past 12-month period.

Savings capital at the end of March amounted to SEK 152 billion (142). Net savings for the period January-March amounted to SEK 4,747 million (2,274). Calculated in relation to savings capital at the end of March 2019, net savings for the past 12 months correspond to 7 percent. Margin lending increased by 5 percent compared with the previous year, amounting to SEK 2.3 billion (2.1) at 31 March 2020. Within personal loans (unsecured loans), there were 26,200 customers (26,500) at 31 March 2020, and the lending volume was SEK 4.1 billion (4.0). The lending volume in Nordnet's mortgages amounted to SEK 4.9 billion (4.3) at the end of March. The number of trades during the period January-March 2020 increased by 74 percent compared with the year-earlier period.

Norway

Despite an extremely tough situation, our Norwegian business saw strong growth in the first quarter, with a very large inflow of new customers and high net savings. As in the other markets, we are continuing to develop our platforms and launching continuous improvements in the app and on the web.

Income for the period January-March rose by 136 percent compared with the year-earlier period, mainly related to increased transaction-related income. Net interest income contributed positively to earnings mainly as a result of higher volumes in margin lending and higher return on surplus liquidity. A part of the higher earnings can be attributed to Netfonds, which was not included in the earnings in the same period of the preceding year. Expenses increased by 5 percent mainly related to higher expenses for depreciation and amortization through the acquisition of Netfonds. The operating margin amounted to 54 percent (-2) during the period January-March.

At the end of March 2020, the number of active customers in Norway amounted to 174,900 (115,000), corresponding to customer growth of 52 percent over the past 12-month period.

Savings capital at the end of March amounted to SEK 50 billion (41). Net savings for the period January-March amounted to SEK 4,956 million (1,065). Calculated in relation to savings capital at the end of March 2019, net savings for the past 12 months correspond to 19 percent. Margin lending amounted to SEK 0.8 billion (0.9), an increase of 5 percent in 12 months. The number of trades during the period January-March 2020 increased by 163 percent compared with the year-earlier period.

Denmark

As in the other markets, customer inflow, trading activity and net savings in Denmark reached new heights in the first quarter. Both interfaces and customer offerings were updated, and in February, we introduced a discount model for the funds we have on our platform, where Nordnet repays to the savers between 25-100 percent of the management fee.



Urolige tider krever fornuftige beslutninger.

Nå skjelver verdensøkonomien, og påvirkes av krefter langt større enn noen av oss kan navigere i med sikkerhet. Men, det er i slike urolige tider at det er viktig å være bevisst på hvilke valg du tar. Har du en kort- eller langsiktig investeringshorisont? Bør du sitte stille i båten eller selge? Eller er tiden inne for å kjøpe mer? Vi har ikke alle svarene, men vi hjelper deg med smarte spare- og investeringsverktøy, inspirasjon til investeringer og ved å dele kunnskap om børser og finans. Uansett om du er en kortsiktig investor, sparer langsiktig til pensjon, eller ønsker Private Banking-tjenester uten unødvendige avgifter.

**Ta kontroll over pengene dine og få mer å leve for.
Invester i deg selv.**

During the quarter, under the leadership of our investment economist Per Hansen, we launched the new “Investing podcast”, which quickly became popular among Danish savers.

Income for the period January–March rose by 122 percent compared with the year-earlier period, mainly attributable to increased transaction-related income. Net interest income was positively impacted as the result of higher volumes in margin lending, but was dampened as a result of lower income on surplus liquidity. Expenses decreased by 3 percent, mainly related to lower Group-wide expenses. The operating margin amounted to 63 percent (18) during the period January–March.

The number of active customers at the end of March 2020 amounted to 138,900 (104,300), which is an increase of 33 percent over the past 12-month period.

Savings capital at the end of March amounted to SEK 78 billion (70). Net savings for the period January–March amounted to SEK 5,962 million (1,763). Calculated in relation to savings capital as at the end of March 2019, net savings for the past 12 months correspond to 12 percent. Margin lending decreased by 13 percent compared with the previous year, amounting to SEK 1.2 billion (1.3) at the end of March. The number of trades during the period January–March 2020 increased by 90 percent compared with the corresponding period the previous year.

Finland

During the first quarter of the year, we had both a very strong organic customer growth, and also took over a majority of S-Pankki’s online customers. In total, we surpassed the milestone of 300,000 active customers. Trading activity was high, and at the beginning of January, the new equity savings account, osakesäästötili, could begin being used for trading.

Interest in opening a equity savings account with Nordnet was extensive, and in the middle of March, we had more than 75 percent market share in terms of the total number of accounts. Our podcast #rahopodi was named one of the ten best podcasts in Finland, and Nordnet’s event for active customers “LIVEtrading” was nominated to “Mesoaja 2020” as one of the year’s foremost events.

Income for the period January–March rose by 129 percent compared with the year-earlier period, mainly related to increased transaction-related income. Net interest income had a negative impact on earnings as a result of lower income on surplus liquidity. Expenses rose by 1 percent, related to increased personnel expenses. The operating margin amounted to 59 percent (9) during the period January–March. The number of active customers as at the end of March was 316,000 (243,200), corresponding to an increase of 30 percent compared with the end of March 2019.



Bell ringing ceremony in Finland to celebrate the start of trading with the new account type osakesäästötili.

Savings capital at the end of March amounted to SEK 76 billion (70). Net savings for the period January-March amounted to SEK 8,170 million (1,887). Calculated in relation to savings capital as at the end of March 2019, net savings for the past 12 months correspond to 15 percent.

Margin lending decreased by 20 percent compared with the period January-March 2019 and amounted to SEK 1.4 billion (1.7). The number of trades during the period January-March increased by 144 percent compared with the year-earlier period.

Financial position as of 31 March 2020 (31 March 2019)

Consolidated cash and cash equivalents at the end of March amounted to SEK 4,156.2 million (1,581.0), of which frozen assets amounted to SEK 186 million (94). In addition, interest-bearing investments were held with a total fair value of SEK 19,449.6 million (13,967.5). Nordnet's liquidity is mainly invested in covered bonds, sovereign securities, the Swedish Riksbank, the Danish National Bank and the Nordic banking system.

Consolidated equity amounted to SEK 3,293.2 million (2,615.1). For more information, see the Group's specification of equity on page 19. For the financial conglomerate in which Nordnet AB (publ) is the parent company, the asset base amounted to SEK 2,118.8 million (1,946.1) and total risk exposure amounts to SEK 11,450.5 million (8,983.8). As at the end of the period, the capital ratio was 18.5 percent, compared with 21.7 percent at the same time last year. For more information, see Note 7.

Cash flow

In the first quarter, cash flow from operating activities was affected positively by increased liquidity on customer deposits of SEK 16.2 million. Cash flow from operating activities was also positively affected by SEK 0.2 million due to lower lending. During the quarter, cash flow in investing activities was negative due to purchases of bonds and other fixed-income securities for SEK 17.0 billion.

Parent Company

January – March 2020

(January-March 2019)

Nordnet AB (publ) is a holding company and conducts no operations beyond its role as the owner of Nordnet Bank AB, Nordnet Pensionsförsäkring AB and the Group's other companies. Operating income for January–March 2020 amounted to SEK 3.4 million (2.1) and relates to intra-Group administrative services. The loss from financial investments amounted to SEK 0.4 million (0.4) and consisted of interest expenses. The Parent Company's loss after financial items for the period January-March 2020 amounted to SEK 1.6 million (3.5).

The Parent Company's cash and cash equivalents amounted to SEK 204.3 million (526.2), and shareholders' equity to SEK 2,148.0 million (1,677.5).

Employees

As of 31 March 2020, Nordnet had 510 full-time employees (494). Full-time employees include temporary employees but not employees on parental or other leave. The average number of employees for the period January-March was 497 (505).

As a result of the spread of the coronavirus and its negative financial impact on many companies, the government has decided on a time-limited reduction in social security contributions for up to 30 employees per company. However, the corona situation is not considered to have any significant negative impact on Nordnet's operations as a whole, and we have therefore decided that the companies within the Nordnet Group will not use the opportunity to apply for reduced social security contributions.

Events after 31 March 2020

The Board of Directors of Nordnet AB decided to withdraw the dividend proposal previously submitted to the 2020 annual general meeting and the annual general meeting decided accordingly on 23 April 2020.

The background is the significant uncertainty in the market caused by the spread of the corona virus. At present, it is impossible to overlook the full consequences of the development, but it is already clear that aside from the health aspects, many will be affected financially.

Nordnet is a strong and secure bank, with a solid capital base and good liquidity. The Board makes the assessment that there is room for a dividend, but at the same time obeys the Swedish Financial Supervisory Authority and therefore withdraws its proposal for a dividend to the shareholders, to make a new evaluation at a later date.

The Board intends to summon to an additional general meeting once the external and market conditions have stabilized in order to decide on a dividend.

Financial statements.



Financial statements

Consolidated income statement

SEK million	Note	3 months Jan-Mar 2020	3 months Jan-Mar 2019	12 months rolling Apr-Mar 2020	12 months Jan-Dec 2019
Interest income		191.6	137.3	674.5	620.2
Interest expenses		-44.6	-33.4	-133.7	-122.5
Commission income		515.7	252.9	1,332.9	1,070.1
Commission expenses		-134.6	-78.7	-363.1	-307.2
Net result of financial transactions		104.8	109.1	238.7	243.0
Other operating income		11.3	15.2	65.8	69.7
Total operating income		644.2	402.5	1,815.1	1,573.4
General administrative expenses		-210.2	-219.8	-938.1	-947.7
Depreciation, amortization and impairments of intangibles and equipment		-38.5	-38.0	-174.8	-174.3
Other operating expenses		-10.2	-9.1	-41.4	-40.3
Total expenses before credit losses		-258.9	-266.8	-1,154.3	-1,162.3
Profit before credit losses		385.3	135.7	660.8	411.1
Credit losses, net	2	-18.2	-6.7	-45.1	-33.6
Operating profit		367.1	129.0	615.7	377.4
Tax on profit for the period		-65.7	-10.0	-93.6	-37.9
Profit for the period		301.3	118.9	522.0	339.5
Of which, attributable to:					
Shareholders of the Parent Company		301.3	118.9	522.0	339.5

Statement of other comprehensive income

SEK million	3 months Jan-Mar 2020	3 months Jan-Mar 2019	12 months rolling Apr-Mar 2020	12 months Jan-Dec 2019
Profit for the period	301.3	118.9	522.0	339.5
Items that will be reversed to the income statement				
Changes in value of financial assets recognized at fair value through other comprehensive income	-28.5	3.2	-31.5	0.2
Tax on changes in value of financial assets recognized at fair value through other comprehensive income	6.1	0.0	6.1	0.0
Translation of foreign operations	-30.5	9.2	-30.1	9.6
Tax on translation of foreign operations	-4.6	0.0	-5.5	-0.9
Total other comprehensive income after tax	-57.5	12.4	-61.0	8.9
Total profit or loss and other comprehensive income	243.9	131.3	461.0	348.3
Of which, attributable to:				
Shareholders of the Parent Company	243.9	131.3	461.0	348.3

Consolidated balance sheet

SEK million	Note	31/03/2020	31/03/2019	31/12/2019
Assets				
Cash and balances in Central banks		3,667.2	772.8	409.5
Treasury bills and other interest bearing securities eligible for refinancing		35,652.4	17,882.4	22,035.8
Loans to credit institutions		489.0	808.2	505.2
Loans to the general public	2	15,941.2	15,008.8	16,127.8
Bonds and other interest bearing securities		4,947.1	1,923.4	1,563.7
Shares and participations		1.3	115.8	6.6
Assets for which customers bear the investment risk		62,887.2	58,234.1	70,089.2
Intangible fixed assets		869.7	427.4	917.1
Tangible fixed assets		312.2	333.3	306.8
Deferred taxed assets		2.7	-	2.8
Current tax assets		70.9	105.3	63.6
Other assets		8,508.7	3,990.9	3,368.5
Prepaid expenses and accrued income		264.6	257.1	206.6
Total assets		133,614.3	99,859.3	115,603.2
Liabilities				
Deposits and borrowing from the general public		55,501.9	33,964.7	38,572.1
Liabilities for which customers bear the investment risk		62,889.0	58,234.1	70,091.0
Other liabilities		11,439.0	4,657.2	3,547.7
Current tax liabilities		238.0	178.1	92.2
Deferred tax liabilities		72.9	25.0	82.6
Accrued expenses and deferred income		180.4	185.1	159.9
Total liabilities		130,321.2	97,244.2	112,545.4
Equity				
Share capital		1.0	1.0	1.0
Other capital contributions		7,571.3	7,321.3	7,571.3
Other reserves		-133.6	-72.6	-76.1
Retained earnings including profit for the period		-4,145.6	-4,634.5	-4,438.4
Total equity		3,293.2	2,615.1	3,057.8
Total liabilities and equity		133,614.3	99,859.3	115,603.2

Consolidated statement of changes in equity

SEK million	Share capital	Additional Tier 1 (AT1) capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Total equity
Equity brought forward 1 January 2020	1.0	500.0	7,071.3	-76.1	-4,438.4	3,057.8
Profit after tax reported in the income statement	-	-	-	-	301.3	301.3
Other comprehensive income after tax	-	-	-	-57.5	-	-57.5
Total comprehensive income	-	-	-	-57.5	301.3	243.8
Transactions reported directly in equity						
Interest on Tier 1 capital	-	-	-	-	-8.5	-8.5
Total transactions reported directly in equity	-	-	-	-	-8.5	-8.5
Equity carried forward 31 March 2020	1.0	500.0	7,071.3	-133.6	-4,145.6	3,293.2

SEK million	Share capital	Additional Tier 1 (AT1) capital ¹	Other contributed capital	Other reserves	Retained earnings including profit for the year	Total equity
Equity brought forward 1 January 2019	1.0	-	6,821.3	-85.0	-4,749.0	1,988.2
Profit after tax reported in the income statement	-	-	-	-	118.9	118.9
Other comprehensive income after tax	-	-	-	12.4	-	12.4
Total comprehensive income	-	-	-	12.4	118.9	131.3
Transactions reported directly in equity						
Issue of Tier 1 capital	-	500.0	-	-	-	500.0
Transaction costs in connection with issue of Tier 1 capital	-	-	-	-	-2.9	-2.9
Interest on Tier 1 capital	-	-	-	-	-1.5	-1.5
Total transactions reported directly in equity	-	500.0	-	-	-4.4	495.6
Equity carried forward 31 March 2019	1.0	500.0	6,821.3	-72.6	-4,634.5	2,615.1

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

Cont. Consolidated statement of changes in equity

SEK million	Share capital	Additional Tier 1 (AT1) capital ²	Other contributed capital	Other reserves	Retained earnings including profit for the year	Total equity
Equity brought forward 1 January 2019	1.0	-	6,821.3	-85.0	-4,749.0	1,988.2
Profit after tax reported in the income statement	-	-	-	-	339.5	339.5
Comprehensive income after tax	-	-	-	8.9	-	8.9
Total comprehensive income	-	-	-	8.9	339.5	348.4
Transactions reported directly in equity						
Shareholder contribution ¹	-	-	250.0	-	-	250.0
Issue of Tier 1 capital	-	500.0	-	-	-	500.0
Transaction costs in connection with issue of Tier 1 capital	-	-	-	-	-3.2	-3.2
Tax on transaction cost with issue of Tier 1 capital	-	-	-	-	0.7	0.7
Interest on Tier 1 capital	-	-	-	-	-26.3	-26.3
Total transactions reported directly in equity	-	500.0	250.0	-	-28.9	721.2
Equity carried forward 31 December 2019	1.0	500.0	7,071.3	-76.1	-4,438.4	3,057.8

¹ The shareholders' contribution is unconditional.

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

Cash Flow Statement

	3 months Jan-Mar 2020	3 months Jan-Mar 2019	12 months rolling Apr-Mar 2020	12 months Jan-Dec 2019
SEK million				
Operating activities				
Cash flow from operating activities before changes in working capital	409.9	-31.4	859.5	418.2
Cash flow from changes in working capital	19,905.0	-764.9	22,714.1	2,044.2
Cash flow from operating activities	20,314.9	-796.3	23,573.6	2,462.4
Investing activities				
Purchases and disposals of intangible and tangible fixed assets	-17.8	-36.2	-545.6	-564.0
Net investments in financial instruments	-17,026.9	243.9	-20,649.5	-3,378.7
Cash flow from investing activities	-17,044.7	207.7	-21,195.1	-3,942.7
Financing activities				
Cash flow from financing activities	-8.3	488.0	222.4	718.7
Cash flow for the period	3,261.8	-100.7	2,600.9	-761.6
Cash and cash equivalents at the start of the period	914.7	1,677.2	1,581.0	1,677.2
Exchange rate difference for cash and cash equivalents	-20.4	4.4	-25.7	-0.9
Cash and cash equivalents at the end of the period	4,156.2	1,581.0	4,156.2	914.7
<i>whereof cash and cash equivalents in Central Banks</i>	3,667.2	772.8	3,667.2	409.5
<i>whereof loans to credit institutions</i>	489.0	808.2	489.0	505.2

Parent company's income statement

SEK million	3 months Jan-Mar 2020	3 months Jan-Mar 2019	12 months rolling Apr-Mar 2020	12 months Jan-Dec 2019
Net sales	3.4	2.1	20.0	18.7
Total operating income	3.4	2.1	20.0	18.7
Other external costs	-1.5	-2.2	-8.8	-9.5
Personnel costs	-2.8	-2.7	-17.5	-17.4
Other operating expenses	-0.4	-0.4	-1.4	-1.4
Operating profit	-1.2	-3.1	-7.7	-9.6
Result from financial investments:				
Result from participations in Group companies	-	-	260.0	260.0
Interest expense and similar items	-0.4	-0.4	0.1	0.1
Result from financial investments	-0.4	-0.4	260.1	260.1
Profit after financial items	-1.6	-3.5	252.4	250.5
Tax on profit for the year	0.0	0.6	1.0	1.6
Profit for the period	-1.6	-2.9	253.4	252.1

The result for the period corresponds to the total result

Parent company's Balance Sheet

SEK million	31/03/2020	31/03/2019	31/12/2019
Assets			
Financial fixed assets	1,989.1	1,348.7	1,989.1
Current assets	6.5	7.6	205.0
Cash and bank balances	204.3	526.2	69.4
Total assets	2,199.9	1,882.5	2,263.5
Equity and liabilities			
Restricted equity	1.0	66.8	1.0
Non-restricted equity	2,147.0	1,610.7	2,157.1
Current liabilities	51.9	205.0	105.4
Total equity and total liabilities	2,199.9	1,882.5	2,263.5

Parent company's statement of changes in equity

SEK million	Share capital	Share premium reserve	Additional Tier 1 (AT1) capital	Retained earnings	Profit for the year	Total
Equity brought forward 1 January 2020	1.0	6,340.2	500.0	-4,935.1	252.1	2,158.1
Reallocation of last year's profit	-	-	-	252.1	-252.1	-
Profit after tax reported in the income statement	-	-	-	-	-1.6	-1.6
Total comprehensive income	-	-	-	252.1	-253.7	-1.6
Transactions reported directly in equity						
Interest on Tier 1 capital	-	-	-	-8.5	-	-8.5
Equity carried forward 31 March 2020	1.0	6,340.2	500.0	-4,691.5	-1.6	2,148.0

SEK million	Share capital	Other restricted equity	Share premium reserve	Additional Tier 1 (AT1) capital ¹	Retained earnings	Profit for the year	Total
Equity brought forward 1 January 2019	1.0	-	6,340.2	-	165.9	5.6	6,512.6
Reallocation of last year's profit	-	-	-	-	5.6	-5.6	-
Profit after tax reported in the income statement	-	-	-	-	-	-2.9	-2.9
Total comprehensive income	-	-	-	-	5.6	-8.5	-2.9
Transactions reported directly in equity							
Revaluation reserve	-	65.8	-	-	-	-	65.8
Issue of Tier 1 capital	-	-	-	500.0	-	-	500.0
Transaction costs in connection with issue of Tier 1 capital	-	-	-	-	-2.9	-	-2.9
Interest on Tier 1 capital	-	-	-	-	-1.5	-	-1.5
Result of merger	-	-	-	-	-5,393.5	-	-5,393.5
Equity carried forward 31 March 2019	1.0	65.8	6,340.2	500.0	-5,226.4	-2.9	1,677.5

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

Cont. Parent company's statement of changes in equity

SEK million	Share capital	Share premium reserve	Additional Tier 1 (AT1) capital ²	Retained earnings	Profit for the year	Total
Equity brought forward 1 January 2019	1.0	6,340.2	-	165.9	5.6	6,512.6
Reallocation of last year's profit	-	-	-	5.6	-5.6	-
Profit after tax reported in the income statement	-	-	-	-	252.1	252.1
Total comprehensive income	-	-	-	5.6	246.5	252.1
Transactions reported directly in equity						
Shareholders contribution	-	-	-	250.0	-	250.0
Revaluation reserve ¹	-	-	-	65.8	-	65.8
Issue of Tier 1 capital	-	-	500.0	-	-	500.0
Transaction costs in connection with issue of Tier 1 capital	-	-	-	-3.2	-	-3.2
Tax on transaction costs with issue of Tier 1 capital	-	-	-	0.7	-	0.7
Interest on Tier 1 capital	-	-	-	-26.3	-	-26.3
Result of merger	-	-	-	-5,393.5	-	-5,393.5
Equity carried forward 31 December 2019	1.0	6,340.2	500.0	-4,935.1	252.1	2,158.1

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

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

Notes

Note 1 Accounting principles

This interim report for the Group has been compiled in accordance with IAS 34, Interim Financial Reporting. In addition, the Group adheres to the Annual Accounts Act of Credit Institutions and Securities Companies and the Financial Supervisory Authority's regulations (FFFS 2008:25) and RFR 1 Supplementary Accounting Rules for Groups. The Parent Company's Interim Report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and with application of the Swedish Financial Reporting Boards RFR 2 Accounting for legal entities.

The accounting principles applied in this Interim Report are those described in the 2019 Nordnet Annual Report, Note 5, the section entitled "Accounting principles applied". The accounting principles and bases of calculation applied remain unchanged compared with the 2019 Annual Report, except for the following amendments.

New and amended standards from 1 January 2020

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

As of 1 January 2020, amendments to IAS 39, IFRS 9 and IFRS 7 brought about by the ongoing reform of current benchmark rates (IBOR) shall be applied. 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 handle if the benchmark rate on which hedged cash flows and cash flows from hedging instruments are based change as a result of uncertainties in the benchmark interest rate reforms.

Due to the uncertainty of how the benchmark interest rate reform will be handled for interest rates in Sweden,

Norway, Denmark and Finland, it is not possible to say exactly how securities in the liquidity portfolio will be affected. Nordnet has begun a review of how the transition to new benchmark interest rates shall be handled. The review is focused on the liquidity portfolio as no products are linked to benchmark interest rates, except Nordnet's bond, which is listed on Nasdaq that runs with STIBOR interest. The issues concern practical aspects of systems, as well as risk and return issues linked to the actual transition for placements that were previously quoted at one benchmark rate and then shift to another one.

Standards that will come into force in 2021 and beyond

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 2023. The Swedish Financial Supervisory Authority will publish a preliminary timetable for its regulatory work in summer 2020.

Note 2 Loans to the general public

As at 31 March 2020, SEK 1,288.3 million (650.5) of lending to the public involves account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans and investment savings accounts (ISAs), the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

Unsecured loans comprise SEK 4,089 million (3,931) of lending to the public. Of lending to the public, SEK 6,965 million (6,768) is secured by collateral in the form of securities and SEK 4,887 million (4,307) pertains to Residential mortgages.

Lending to the general public is reported after deduction of realized and anticipated credit losses. At the end of the period, the provision for impaired credit losses amounted to SEK 105.0 million (94.7).

Nordnet reports reserves for credit losses on financial assets valued at amortized cost. For all credit products, 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 are complex and include the use of models that are based on the probability of default, exposure at default and loss given default.

Due to the current uncertainty surrounding the economic situation and customers' future repayment capacity, Nordnet has chosen to adjust the weighting between the various scenarios for the calculation of credit loss provision for personal loans and portfolio margin lending.

The model for residential mortgages has also been calculated with stressed scenarios, but as the effect of this is very low, the ordinary model is used to calculate the provision requirement for the lending in this product.

The effect of the new weighting provides a larger number of loans in stage 2, specifically for the personal loan

product, which is due to a higher risk on an individual level as no change in late payments was registered.

Note 3 Transactions with related parties

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

Nordnet Bank AB regularly enters into business relations with Öhman Group in the same way as is regularly done with other financial players. Nordnet's no-fee index funds are managed by E. Öhman J:or Fonder AB, a company within the Öhman Group. The agreement has been entered into on market terms. For additional information, please refer to Note 6 in the 2019 Annual Report.

Note 4 Significant risks and uncertainties

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

Credit loss reserve 31/03/2020	Stage 1	Stage 2	Stage 3	Total
Amortized cost	14,123.1	1,826.9	96.2	16,046.2
Provisions for expected credit losses	-22.9	-27.2	-54.9	-105.0
Total lending to the public	14,100.2	1,799.7	41.3	15,941.2

Credit loss reserve 31/03/2019	Stage 1	Stage 2	Stage 3	Total
Amortized cost	13,472.8	1,547.7	83.0	15,103.5
Provisions for expected credit losses	-20.7	-24.8	-49.1	-94.7
Total lending to the public	13,452.1	1,522.9	33.9	15,008.8

Credit loss reserve 31/12/2019	Stage 1	Stage 2	Stage 3	Total
Amortized cost	14,623.4	1,508.1	94.7	16,226.2
Provisions for expected credit losses	-21.8	-24.4	-52.1	-98.4
Total lending to the public	14,601.6	1,483.7	42.6	16,127.8

How risk management is conducted is described in the risk management framework. The framework describes the strategies, processes, procedures, internal regulations, limits, controls and reporting procedures related to risk management. Combined, these are intended to ensure that Nordnet can, on an on-going basis, identify, measure, guide, internally report and maintain control over the risks to which Nordnet is, or is likely to be, exposed. A detailed description of Nordnet's exposure to risk and handling of risks can be found under Note 7 in the 2019 Annual Report.

Due to the coronavirus pandemic, Nordnet has had reason to adjust the weighting of models for credit loss provisions.

Nordnet has also seen a change in the liquidity portfolio as a result of the uneasy situation, but thanks to strong liquidity, the provision model for the liquidity portfolio has not changed.

The valuation of the item Assets where the customer bears the investment risk has followed the stock market's movement. The unlisted participations that are in this item are valued by the company Kaptena; these participations are revalued corresponding to the stock market's decline for the period.

Nordnet has not registered any change in the customers' payment capacity in the first quarter. Due to the current uncertainty in the market, Nordnet forecasts that effects in payment capacity will be noted in the upcoming months.

The risks ahead that can currently be identified are increased unemployment. It could affect the repayment ability of our customers, mainly regarding the unsecured loans, loans without collateral. The concern and uncertainty in the market means an increased risk of revenue but that risk is difficult to assess at present. We are closely following the trend to be able to quickly adapt the business if there is a reason for that.

Not 5 Group - Financial instruments

Categorization of financial instruments

31/03/2020	Fair value through consolidated income statement			Fair value through other comprehensive income	Non financial instruments	Total
	Amortized cost	Held for trading	Other business model			
Assets						
Cash and balances in Central banks	3,667.2	-	-	-	-	3,667.2
Treasury bills and other interest bearing securities eligible for refinancing	18,836.1	-	-	16,816.3	-	35,652.4
Loans to credit institutions	489.0	-	-	-	-	489.0
Loans to the general public	15,941.2	-	-	-	-	15,941.2
Bonds and other interest bearing securities	2,313.8	-	-	2,633.3	-	4,947.1
Shares and participations, listed	-	0.7	-	-	-	0.7
Shares and participations, non-listed	-	0.6	-	-	-	0.6
Assets for which customers bear the investment risk ¹	1,749.3	-	51,357.8	9,780.1	-	62,887.2
Other assets	8,508.7	-	-	-	70.9	8,579.7
Prepaid expenses and accrued income	264.6	-	-	-	-	264.6
Total assets	51,770.0	1.3	51,357.8	29,229.7	70.9	132,429.7
Liabilities						
Deposits and borrowing from the general public	55,501.9	-	-	-	-	55,501.9
Liabilities for which customers bear the investment risk	-	-	62,889.0	-	-	62,889.0
Other liabilities	11,439.0	-	-	-	310.9	11,749.9
Accrued expenses and deferred income	180.4	-	-	-	-	180.4
Total liabilities	67,121.3	-	62,889.0	-	310.9	130,321.2

¹ SEK 9,780.1 million refers to reinvestments in bonds and SEK 1,749.3 million refers to liquid assets.

31/03/2019	Fair value through consolidated income statement			Fair value through other comprehensive income	Non financial instruments	Total
	Amortized cost	Held for trading	Other business model			
Assets						
Cash and balances in Central Banks	772.8	-	-	-	-	772.8
Treasury bills and other interest bearing securities	5,838.3	-	-	12,044.1	-	17,882.4
Loans to credit institutions	808.2	-	-	-	-	808.2
Loans to the general public	15,008.8	-	-	-	-	15,008.8
Bonds and other interest bearing securities	-	-	-	1,923.4	-	1,923.4
Shares and participations, listed	-	5.6	-	-	-	5.6
Shares and participations, non-listed	-	110.2	-	-	-	110.2
Assets for which customers bear the investment risk ¹	1,242.8	-	50,949.0	6,042.3	-	58,234.1
Other assets	3,990.9	-	-	-	105.3	4,096.2
Accrued income	257.1	-	-	-	-	257.1
Total assets	27,918.9	115.8	50,949.0	20,009.8	105.3	99,098.7
Liabilities						
Deposits and borrowing from the general public	33,964.7	-	-	-	-	33,964.7
Liabilities in the insurance business	-	-	58,234.1	-	-	58,234.1
Other liabilities	4,426.3	-	-	-	203.1	4,629.4
Accrued expenses and deferred income	185.1	-	-	-	-	185.1
Total liabilities	38,576.1	-	58,234.1	-	203.1	97,013.3

¹ SEK 6,042.3 million refers to reinvestments in bonds and SEK 1,242.8 million refers to liquid assets.

cont. Note 5 Group - Financial instruments

31/12/2019	Fair value through consolidated income statement			Fair value through other comprehensive income	Non financial instrument	Total
Assets	Amortized cost	Held for trading	Other business models			
Cash and balances in Central Banks	409.5	-	-	-	-	409.5
Treasury bills and other interest bearing securities	8,845.4	-	-	13,190.4	-	22,035.8
Loans to credit institutions	505.2	-	-	-	-	505.2
Loans to the general public	16,127.8	-	-	-	-	16,127.8
Bonds and other interest bearing securities	740.6	-	-	823.1	-	1,563.7
Shares and participations, listed	-	6.0	-	-	-	6.0
Shares and participations, non-listed	-	0.6	-	-	-	0.6
Assets for which customers bear the investment risk ¹	1,776.4	-	63,649.7	4,663.1	-	70,089.2
Other assets	3,368.5	-	-	-	63.6	3,432.1
Accrued income	206.6	-	-	-	-	206.6
Total assets	31,980.1	6.6	63,649.7	18,676.6	63.6	114,376.6
Liabilities						
Deposits and borrowing from the general public	38,572.1	-	-	-	-	38,572.1
Liabilities for which customers bear the investment risk	-	-	70,091.0	-	-	70,091.0
Other liabilities	3,547.7	-	-	-	174.7	3,722.4
Accrued expenses	159.9	-	-	-	-	159.9
Total liabilities	42,279.7	-	70,091.0	-	174.7	112,545.4

¹ SEK 4,663.1 million refers to reinvestments in bonds and SEK 1,776.4 million refers to liquid assets.

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.

Financial instruments are recognized at fair value

31/03/2020				
SEK million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Treasury bills and other interest bearing securities eligible for refinancing	16,816.3	-	-	16,816.3
Bonds and other interest bearing securities	2,633.3	-	-	2,633.3
Shares and participations ¹	0.7	-	0.6	1.3
Assets for which customers bear the investment risk	62,041.1	575.1	271.0	62,887.2
Subtotal	81,491.4	575.1	271.6	82,338.1
Financial assets where fair value is given for information purposes				
Cash and balances in Central Banks	3,667.2	-	-	3,667.2
Loans to credit institutions	-	489.0	-	489.0
Loans to the general public	-	15,941.2	-	15,941.2
Treasury bills and other interest bearing securities eligible for refinancing	-	18,804.1	-	18,804.1
Bonds and other interest bearing securities	-	2,311.0	-	2,311.0
Other assets	8,508.7	-	-	8,508.7
Accrued income	264.6	-	-	264.6
Subtotal	12,440.6	37,545.3	-	49,985.9
Total	93,932.0	38,120.4	271.6	132,323.9
Financial liabilities at fair value				
Liabilities for which customers bear the investment risk	-	62,889.0	-	62,889.0
Total	-	62,889.0	-	62,889.0

¹ Shares and participations at level 3 refers to unlisted shares

31/03/2019				
SEK million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Treasury bills and other interest bearing securities eligible for refinancing	12,044.1	-	-	12,044.1
Bonds and other interest bearing securities	1,923.4	-	-	1,923.4
Shares and participations ¹	5.6	-	110.2	115.8
Assets for which customers bear the investment risk	57,433.1	801.0	-	58,234.1
Subtotal	71,406.2	801.0	110.2	72,317.4
Financial assets where fair value is given for information purposes				
Cash and balances in Central Banks	772.8	-	-	772.8
Loans to credit institutions	-	808.2	-	808.2
Loans to the general public	-	15,008.8	-	15,008.8
Treasury bills and other interest bearing securities eligible for refinancing	-	5,845.5	-	5,845.5
Bonds and other interest bearing securities	-	-	-	-
Other assets	-	3,990.9	-	3,990.9
Accrued income	-	257.1	-	257.1
Subtotal	772.8	25,910.5	-	26,683.3
Total	72,179.0	26,711.5	110.2	99,000.7
Financial liabilities at fair value				
Liabilities for which customers bear the investment risk	-	58,234.1	-	58,234.1
Total	-	58,234.1	-	58,234.1

¹ Shares and participations at level 3 refers to unlisted shares.

cont. Financial instruments are recognized at fair value

31/12/2019				
SEK million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Treasury bills and other interest bearing securities eligible for refinancing	13,190.4	-	-	13,190.4
Bonds and other interest bearing securities	823.1	-	-	823.1
Shares and participations ¹	6.0	-	0.6	6.6
Assets for which customers bear the investment risk	69,170.4	697.8	221.0	70,089.2
Subtotal	83,189.9	697.8	221.6	84,109.3
Financial assets where fair value is given for information purposes				
Cash and balances in Central Banks	409.5	-	-	409.5
Loans to credit institutions	-	505.2	-	505.2
Loans to the general public	-	16,127.8	-	16,127.8
Treasury bills and other interest bearing securities eligible for refinancing	-	8,840.8	-	8,840.8
Bonds and other interest bearing securities	-	740.7	-	740.7
Other assets	3,368.5	-	-	3,368.5
Accrued income	206.6	-	-	206.6
Subtotal	3,984.7	26,214.5	-	30,199.2
Total	87,174.6	26,912.3	221.6	114,308.5
Financial liabilities at fair value				
Liabilities for which customers bear the investment risk	-	70,091.0	-	70,091.0
Total	-	70,091.0	-	70,091.0

¹ Shares and participations at level 3 refers to unlisted shares.

Cont. Note 5 Group – Financial instruments

Description of valuation levels

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

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

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

When the Group determines the level at which financial instruments are to be 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 24 million, from level 1 to level 3 amounted to SEK 17 million, from level 2 to level 1 amounted to SEK 6 million, from level 3 to level 2 amounted to SEK 0.1 million and from level 3 to level 1 amounted to SEK 8 million. All are within assets where the customer bears the investment risk.

Note 6 Pledged assets, contingent liabilities and commitments

SEK million	31/03/2020	31/03/2019	31/12/2019
Pledged assets and comparable collateral for own liabilities	none	none	none
Other pledged assets and comparable collateral			
Bonds and other interest bearing securities ¹	3,123.4	2,343.7	2,224.5
<i>of which deposits with credit institutions</i>	2,551.6	1,971.3	1,842.0
<i>of which deposits with clearing organisations</i>	571.8	372.4	382.6
Contingent liabilities	none	none	none
Commitments			
Credit granted but not yet paid, unsecured loans	633.5	235.9	426.5
Funds managed on behalf of third parties			
Client funds	209.1	157.5	148.5

¹ The amount includes restricted cash of SEK 186 (94) million.

As of 31 March 2020, the insurance business held registered assets amounting to SEK 62,887 million (58,234) to which the policyholders have priority rights.

Note 7 Capital adequacy information

Disclosures in this note are provided in accordance with the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2008:25) regarding annual reports in credit institutions and securities companies and the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12) regarding supervisory requirements and capital buffers. Other required disclosures in accordance with Regulation (EU) 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and investment firms ("the supervisory regulation") and regulations supplementing the supervisory regulation are provided on the Nordnet website; see www.nordnetab.com.

The capital requirement for units in the insurance business is affected by the policyholders' assets. The capital requirements for the banking operations vary primarily in terms of the size and credit quality of the bank's exposures. Solvency capital requirements and capital base are calculated according to the standard model under Solvency II. As a consequence of the solvency rules, the item Solvency capital, which refers to the estimated future present value of the insurance companies (Nordnet Pensionsförsäkring AB) including the subsidiary Nordnet Livsförsäkring AS) includes cash flows generated by the policyholders' capital.

Capital base and capital requirement of the financial conglomerate

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

The financial conglomerate

SEK million	31/03/2020	31/03/2019	31/12/2019
Capital base after regulatory adjustments	2,650.4	2,576.0	2,538.5
Capital requirement	2,160.7	1,829.8	2,160.8
Excess capital	489.7	746.2	377.1
Capital ratio	1.2	1.4	1.2

From June 30, 2019, Solvency II figures are reported with one quarter delay.

cont. Note 7 Capital adequacy information

Capital base and capital requirements for the consolidated situation

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

Nordnet applies the standard method for calculating capital requirements for credit risk. Capital base requirement for exchange rate risk comprises all items in and outside the balance sheet measured at current market value and converted to Swedish kronor at the balance sheet date. Capital base requirements for operational risk are calculated according to the base method, which implies that the capital requirement amounts to 15 percent of the average operating income for the last three financial years.

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

As a consequence of the corona pandemic, the supervisory authority in the respective Nordic countries where Nordnet conducts business has decided to lower the requirement for the countercyclical capital buffer and to suspend previously announced increases. Sweden decided to lower the requirement to 0,0 (2,5) percent, Denmark to 0,0 (1,0) percent and Norway to 1,0 (2,5) percent. Finland remains on 0,0 percent. For Nordnet, the following reductions result in a weighted countercyclical capital buffer requirement of 0,11 (1,85) percent for the consolidated situation and 0,12 (1,83) percent for Nordnet Bank AB.

Internally assessed capital requirement

In accordance with the EU directive on capital adequacy 2013/36/EU Article 73 and the Swedish Financial Supervisory Authority regulations (FFFS 2014:12) regarding supervisory requirements and capital buffers, Nordnet evaluates the total capital requirements that

were the result of the bank's annual internal capital adequacy assessment (ICAAP) with the aim of identifying significant risks to which the bank is exposed and to ensure that the bank has adequate capital.

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

Nordnet has calculated the internal capital requirement for the consolidated situation to be SEK 469.9 million (271.3). This is considered to be a satisfactory capital situation with regard to the activities that Nordnet conducts. Nordnet's internal assessment of the capital requirement is not entirely comparable with the estimated capital requirement that the Swedish Financial Supervisory Authority publishes quarterly.

In addition to that stated by this interim report, Nordnet's risk management and capital adequacy is described in more detail in Nordnet's annual report for 2019 and on the Nordnet website; see www.nordnetab.com.

cont. Note 7 Capital adequacy information

Capital requirements consolidated situation

SEK million	31/03/2020	31/03/2019	31/12/2019
Common Equity Tier 1 (CET1) capital: instruments and reserves			
Capital instruments and the related share premium accounts	6,690.9	6,440.9	6,690.9
Retained earnings	-4382.4	-4806.0	-4766.2
Accumulated other comprehensive income (and other reserves)	175.8	246.6	180.4
Independently reviewed interim profits net of any foreseeable charge or dividend	-42.6	-	236.3
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,441.7	1,881.6	2,341.5
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Additional value adjustments (negative amount)	-29.3	-20.2	-18.7
Intangible assets (net of related tax liability) (negative amount)	-793.7	-415.2	-832.2
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	-	-
Deferred tax assets arising from temporary differences	-	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-823.0	-435.5	-850.9
Common Equity Tier 1 (CET1) Capital	1,618.8	1,446.1	1,490.6
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	500.0	500.0	500.0
of which: classified as equity under applicable accounting standards	500.0	500.0	500.0
Additional Tier 1 (AT1) capital	500.0	500.0	500.0
Tier 1 capital (T1 = CET1 + AT1)	2,118.8	1,946.1	1,990.6
Tier 2 (T2) capital	-	-	-
Total capital (TC = T1 + T2)	2,118.8	1,946.1	1,990.6
Total risk weighted assets	11,450.5	8,983.8	10,090.3
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.1%	16.1%	14.8%
Tier 1 (as a percentage of total risk exposure amount)	18.5%	21.7%	19.7%
Total capital (as a percentage of total risk exposure amount)	18.5%	21.7%	19.7%
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)	7.1%	8.9%	9.3%
of which: capital conservation buffer requirement	2.5%	2.5%	2.5%
of which: countercyclical buffer requirement	0.1%	1.9%	2.3%
of which: systemic risk buffer requirement	-	-	-
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.6%	8.1%	10.3%
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	126.5

Figures are only published for those buffer requirements which have gained legal force

cont. Note 7 Capital adequacy information

Consolidated situation

SEK million	31/03/2020		31/03/2019		31/12/2019	
Risk weighted exposures						
Exposure to credit risk according to the standardized method	8,763.0		6,636.5		7,498.4	
of which exposures to institutions	570.7		440.3		518.8	
of which exposures to corporates	164.3		130.8		186.1	
of which retail exposures	3,448.8		3,375.0		3,506.2	
of which exposures secured by mortgages on immovable property	1,146.7		997.4		1,033.5	
of which in default	67.4		76.3		68.5	
of which exposures in the form of covered bonds	2,437.2		610.6		1,297.0	
of which equity exposures	397.7		509.6		401.9	
of which other items	530.2		496.5		486.4	
Exposures market risk	107.1		214.4		11.6	
Exposure operational risk	2,580.3		2,132.9		2,580.3	
Total risk weighted exposures	11,450.5		8,983.8		10,090.3	
Capital requirement						
Credit risk according to the standardized method	701.0	6.1%	530.9	5.9%	599.9	5.9%
Market risk	8.6	0.1%	17.2	0.2%	0.9	0.0%
Operational risk	206.4	1.8%	170.6	1.9%	206.4	2.0%
Capital requirement Pillar 1	916.0	8.0%	718.7	8.0%	807.2	8.0%
Concentration risk	92.4	0.8%	83.7	0.9%	81.8	0.8%
Market risk excluding interest rate risk	133.1	1.2%	59.1	0.7%	117.2	1.2%
Interest rate risk	243.9	2.1%	117.6	1.3%	190.5	1.9%
Credit risk in government exposures	0.5	0.0%	-	-	0.3	0.0%
Other	-	-	-	-	-	-
Capital planning buffer	-	-	10.9	0.1%	40.0	0.4%
Capital requirement Pillar 2	469.9	4.1%	271.3	3.0%	429.8	4.3%
Buffer requirement	299.3	2.6%	390.9	4.4%	485.8	4.8%
Total capital requirement, incl. buffer requirement	1,685.3	14.7%	1,380.9	15.4%	1,722.9	17.1%

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

Financial development per quarter

Group, SEK million	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18
Net interest	147.0	132.1	128.8	132.9	103.9	95.0	91.4	95.9
Net commission - non-trading related	69.0	78.2	62.5	59.6	54.8	62.4	56.2	58.6
Net commission - trading related	312.1	146.1	123.4	118.9	119.5	125.6	110.0	102.4
Net result of financial transactions	104.8	48.6	42.4	42.9	109.1	43.5	42.9	42.6
Other income	11.3	23.1	14.4	16.9	15.2	20.9	5.0	17.2
Operating income	644.2	428.2	371.4	371.2	402.5²	347.4	305.5	316.7
General administrative expenses	-210.2	-283.6	-216.6	-227.6	-219.8	-255.4	-219.4	-231.3
Depreciation	-38.5	-48.4	-47.5	-40.5	-38.0	-28.1	-24.5	-29.0
Other operating expenses	-10.2	-12.4	-9.6	-9.3	-9.1	-18.3	-21.0	-17.3
Net credit losses	-18.2	-9.7	-5.5	-11.7	-6.7	-4.7	-11.6	-9.7
Expenses	-277.1	-354.1³	-279.2	-289.1	-273.6	-306.6	-276.5	-287.3
Operating profit	367.1	74.1	92.3	82.1	129.0	40.8	29.0	29.4
Operating margin %	57%	17%	25%	22%	32%	12%	9%	9%
Cost coverage	120%	80%	89%	87%	103%	72%	71%	75%
Return on shareholders' equity	16%	11%	10%	9%	8%	6%	7%	7%
Quarterly statistics	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18	Q2 18
Number of active customers at end of the period	1,002,400	913,600	882,200	854,800	794,800	765,200	741,800	718,000
Number of active accounts at end of the period	1,356,700	1,213,400	1,169,100	1,134,000	1,054,700	1,016,300	982,400	949,800
Net savings (SEK billion)	23.8	7.3	4.2	2.4	7.0	1.4	4.9	5.6
Total savings capital (SEK billion)	355	394	365	354	323	286	324	310
Average savings capital per active account (SEK)	261,400	325,000	312,300	311,800	306,700	280,900	329,700	326,900
Number of trades	14,126,900	7,587,900	7,316,300	6,582,800	6,935,400	6,984,500	6,413,900	5,976,200
Traded value cash market, SEK million ¹	410,700	211,700	192,800	185,600	199,900	202,400	183,000	183,900
Number of trading days	63	62	66	57	63	62	65	59
Number of trades per day	224,200	122,400	110,900	116,500	110,100	113,600	98,700	101,300
Average net commission revenue per transaction (SEK)	22	19	17	18	17	19	17	17
Number of trades per active trading account	11.5	6.7	6.7	6.4	7.1	7.4	7.1	6.8
Number of trades per active trading account and month	3.8	2.2	2.2	2.1	2.4	2.5	2.4	2.3
Cash deposits at end of period, SEK million	67,031.3	45,011.7	45,029.8	44,415.9	41,249.8	43,022.8	40,919.8	40,553.6
Managed Client Funds, SEK million	209.0	148.5	131.7	127.8	157.4	131.6	125.5	135.1
Lending at end of period, SEK million	15,941.2	16,127.8	15,711.0	15,397.0	15,008.8	14,204.5	14,474.3	13,887.8
Lending excluding pledged cash and cash equivalents (see Note 2)	14,652.9	15,645.1	14,910.5	14,602.6	14,358.3	13,730.1	13,682.4	13,147.5
Lending/deposits	24%	36%	35%	35%	36%	33%	35%	34%

¹ Cash market to trade in shares, warrants, ETFs, certificates, bonds and similar instruments.

² The positive revaluation of Tink AB by SEK 65.8 million has affected the income

³ Non-recurring expenses of SEK 19 million associated with the acquisition of Netfonds and the right to deduct opening VAT of SEK 30 million were charged against the period.

Key figures

Key figures	31/03/2020	31/03/2019	31/12/2019
Operating margin (%)	57%	32%	24%
Profit margin (%)	47%	30%	22%
Cost/income ratio	43%	68%	76%
Return on shareholders' equity (%)	16%	9%	13%
Return on assets (%)	0.1%	0.2%	0.3%
Shareholders' equity, SEK million	3,293.2	2,615.1	3,057.8
Capital base, SEK million	2,118.8	1,946.1	1,990.6
Capital coverage ratio	18.5%	21.7%	19.7%
Investments in tangible assets, SEK million	0.9	5.8	46.1
Investments in intangible assets excl. company acquisitions, SEK million	20.0	30.4	91.3
Of which, internal development expenses, SEK million	14.2	9.5	37.8
Number of full-time employees at end of period	510	494	497
Number of active customers	1,002,400	794,800	913,600
Number of active accounts at end of the period	1,356,700	1,054,700	1,213,400
Net savings, SEK billion	23.8	7.0	20.9
Total savings capital at end of period, SEK billion	355	323	394
Average savings capital per active account at end of period, SEK	261,400	306,700	325,000
Number of trades for the period	14,126,900	6,935,400	28,422,400
Number of trades per day	224,200	110,100	114,800
Average net commission revenue per trade, SEK	22	17	18
Annual average income/savings capital (%)	0.7%	0.5%	0.4%
Average yearly income per account, SEK	2,175	1,626	1,404
Average yearly operating expenses per account, SEK	-874	-1,078	-1,037
Average yearly profit per account, SEK	1,301	548	367

Signatures of the Board of Directors

The Board and CEO provide their assurance that this interim report for the period January – March 2020 provides an accurate overview of the operations, position and earnings of the Group and the Parent Company, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and the companies within the Group.

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

Stockholm, 23 April 2020

Tom Dinkelspiel
Chairman of the Board

Anna Bäck
Board member

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

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Upcoming report events

Interim Report January – June	24 July 2020
Interim Report January – September	23 October 2020
Year-end report	5 February 2021
Annual and Sustainability Report	2 April 2021

Address and contact details

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Become a customer: nordnet.se, nordnet.no, nordnet.dk, nordnet.fi

This information is information that Nordnet AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.00 CET on April 24.

Definitions

Alternative Performance Measures (APM) are financial measures of historical or future financial position, performance or cash flow that are not defined in applicable reporting regulations (IFRS) or in the fourth capital requirement directive (CRD IV) and in the EU capital requirement regulation no. 575/2013 (CRR) or the EU's Solvency II directive 2015/35. Nordnet uses alternative key performance measures when it is relevant to describe our operations and monitor our financial situation. These measures are not directly comparable with similar key indicators presented by other companies.

Active account

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

Active customer

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

Amount traded

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

Cash market

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

Capital base¹

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

Capital ratio¹

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

Client funds

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

Core Tier 1 capital¹

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 ratio¹

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

Cost coverage

Non-transaction-related income relative to expenses.

Deposits

Deposits including deposits attributable to liabilities in the insurance business.

Lending

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

Net commission income

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

¹ Definitions in accordance with IFRS and the EU's capital requirement regulation no. 575/2013 (CRR) and the EU's Solvency II directive 2015/35

Definitions

Net commission per trade

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

Net savings

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

Operating expenses¹

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

Operating margin

Operating profit in relation to operating income.

Personal loans

Unsecured loans.

Primary capital contributions¹

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

Profit margin

Profit for the period in relation to operating income.

Return on assets

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

Return on equity

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

Risk exposure amounts¹

Assets on and commitments outside of the balance sheet, risk-weighted according to the capital adequacy rules for credit risk and market risk. For operational risks, a capital requirement is calculated that is then expressed as risk-weighted assets. This only applies to the consolidated situation, i.e. excluding insurance business, and not to exposures that have been directly deducted from the capital base.

Solvency capital (NPV)¹

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

Solvency capital requirements (SCR)¹

Estimated capital requirements as per Solvency II regulations.

Tier 1 capital¹

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

Tier 1 capital ratio¹

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

Total savings capital

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

Trades

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

¹ 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

