

Nordnet AB (publ)

# Interim report

January-June 2020



# Financial summary

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## April-June 2020

(April-June 2019)

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### Income

SEK **650.3** million  
(371.2)

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

SEK **-281.2** million  
(-289.1)

### Operating profit

SEK **369.1** million  
(82.1)

### New customers

**66,800**  
(60,000)

### Net savings

SEK **13.4** billion  
(2.4)

### Number of trades

**14,474,600**  
(6,582,800)

## January-June 2020

(January-June 2019)

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### Income

SEK **1,294.5** million  
(773.7)

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

SEK **-558.3** million  
(-562.7)

### Operating profit

SEK **736.2** million  
(211.1)

### New customers

**155,600**  
(89,700)

### Net savings

SEK **37.2** billion  
(9.4)

### Number of trades

**28,601,500**  
(13,518,200)

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

*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.*

# The quarter in brief

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Considerable interest in private finance and savings leads to elevated customer growth

Highest number of transactions in an individual quarter – Nordnet is Norway's largest broker

Rising stock markets and strong net savings provide a new upper level for savings capital

Launch of four proprietary international index funds and sustainability data for ETFs

Record-breaking financial results as a consequence of increased income and scalable business model

## 30 June 2020

(30 June 2019)

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### Savings capital

SEK **424.6** billion  
(353.7)

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

SEK **16.1** billion  
(14.6)

### Customers

**1,069,200**  
(854,800)

### Accounts

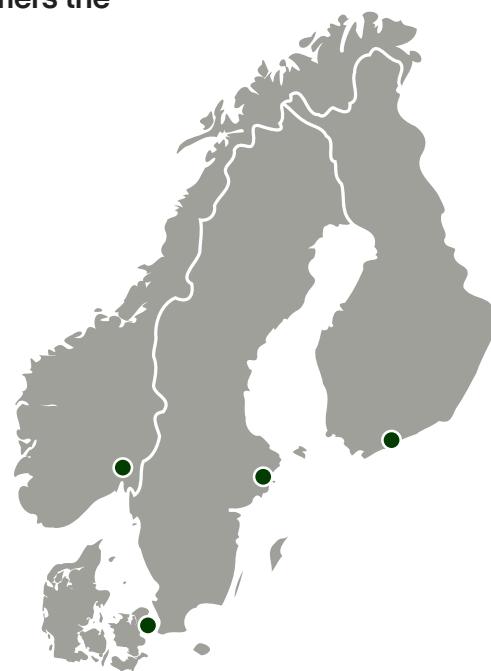
**1,451,900**  
(1,134,000)

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

# 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 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

During the second quarter, the coronavirus situation continued to have a major impact on the world in general, as well as on Nordnet's operations. Social distancing and working from home have become natural phenomena in our everyday lives. Many consumer behaviours have fundamentally changed, with some sectors gaining a major boost while others have seen sharply reduced sales. Naturally, it remains to be seen how permanent this impact will be, although it is clear that the digitization of society has been accentuated and that activities that are in line with this trend are well positioned for the future. In general, there remains considerable interest in savings in shares and mutual funds via digital interfaces, and I see a bright future for the industry in which we operate.

On a global basis, the stock markets have made a remarkable comeback in the hope that the contagion will be stemmed and that societies and economies will reopen. From its lowest point on 23 March, the Swedish stock market rose by almost 30 percent by the end of June. The high level of activity that we saw in the first three months of the year persisted through the second quarter, with optimism and strong fluctuations in the stock market having resulted in a high level of trading activity on our platform, as well as a large influx of savings and new customers. During the quarter, 14.5 million transactions were made through Nordnet, up 130 percent on the corresponding period in 2019. Growth in customer numbers over the past 12 months was 25 percent, while net savings grew by 14 percent. Rising stock markets and strong net savings meant that our customers' savings capital reached a record figure of SEK 425 billion. Lending with equities and mutual funds as collateral fell sharply over the preceding quarter due to reduced risk appetite and falling share prices, to then rebound by 20 percent in just three months, in line with increased optimism, recovering most of year's decline. Our residential mortgages are also growing rapidly, with lending increasing by 24 percent over the past year.

In financial terms, the period can be summed up as a really strong one. Our income was 75 percent higher than in the second quarter of 2019, while the cost level

remained unchanged. Profit before tax landed at SEK 369 million, the highest in Nordnet's history. The simple explanation is a large influx of new customers, a high level of net savings, intensive trading activity and scalable business model. All of our markets are showing good profitability and healthy growth. Among the highlights seen from our Nordic horizon, we have passed 150,000 clients in Denmark, we have grown to become Norway's largest broker in terms of both transactions and turnover, and we have maintained the high market share for our new equity savings account in Finland, with more than half of all new accounts of this new type being opened at Nordnet.

**“We maintain a continuous focus on improving our product offering and our long-term ambition is to offer the world's best platform for savings and investments. We continued to build in that direction over the quarter, implementing a number of updates and improvements. It is a matter of both how our digital store is structured, as well as what we put on the shelves.”**

Our mutual fund offering has been strengthened on a number of points. At the end of June, we launched four proprietary international index funds that track broad and well-known indexes and are attractively priced. The new family of index funds complements our existing range well, and we have many exciting ideas as to how we can further broaden our range of proprietary mutual funds in the future. We have also launched a new information page for exchange-traded funds (ETFs), which have been increasing in popularity among savers for a long time. Among other things, the new page includes key figures for risk and return, inspiration regarding similar products and substantial sustainability data. I am particularly proud of this last aspect.



We are the first bank in the Nordic region to be able to present a wealth of ESG information, enabling sustainable savings in exchange-traded funds. We have also reviewed our distribution model for mutual funds in Norway and Denmark, and introduced a partly amended pricing model.

Our mobile channels are growing in importance, and the proportion of transactions conducted via the mobile app is increasing steadily. To date in 2020, we have conducted 14 app releases, with new functions for winners & losers, improved history in monitoring lists, shortcuts to popular functions, and simpler monthly savings. Finally, we are continuing our efforts to move all functions to our new site, which was launched in all countries in 2019. Among other things, we launched an updated function for currency transactions associated with foreign business during the quarter, as well as the highly sought-after stock exchange ticker, showing streaming real-time prices for indexes, currencies and commodities at the top of each page in logged-in mode.

We have continued to push savers' interests in the general debate, including the issue of free transfer of pension savings. At the end of June/beginning of July, to support more savings-friendly future legislation in the area, we launched a digital transfer process allowing savers who want to transfer their pensions to Nordnet

to monitor the status of the transfer process. Through an external collaboration, we have managed to automate the collection of data regarding the customer's various pensions with information on transfer options, current value, fees and other basic data. Although this may appear to be a rather basic service, pensions are generally entangled in protracted processes, complicated language, poor insight and numerous paper forms. In addition to making life easier for savers in practical terms and supporting Nordnet's pension business, I consider our new digital transfer portal important in terms of principles – if the Swedish Riksdag (parliament) and central government do their part to get new legislation in place, as members of the industry, we should also do ours.

All in all, the quarter now being summarized was an incredibly intensive one, with much activity on all fronts. Thank you for following Nordnet, and continuously providing feedback on how we can improve our service. Together with you, we are building the world's best platform for savings and investments.

Lars-Åke Norling  
CEO, Nordnet

# Operations



# Operations

## The financial markets

Following the dramatic turbulence of the year's first quarter, the second quarter offered a sharp and record-breaking global recovery. Developed markets climbed 20 percent driven by the US, although emerging markets and assets normally correlating negatively with equities, such as gold and bonds, also showed favourable development. The market appears to have experienced a V-shaped recovery, which is best explained by the huge support packages and monetary measures that were introduced quickly and efficiently. All major central banks are dedicated to conducting continued support purchases of bonds, which generates demand and allows governments to finance their support packages inexpensively. Everything suggests that the central banks are resilient and will continue for as long as required, although the risk naturally remains that the stimuli will be rolled back too soon. Globally, the number of Covid-19 infections is still rising, with no vaccine reaching the market yet. In addition, political risks have increased markedly with an upcoming presidential election in the United States, the as yet unresolved Brexit situation, increased tension between China and the rest of the world, and the risk that the deep debt crisis in the EU will be repeated.

The Nordic countries were all affected by the market turbulence and experienced major stock market falls in February and March as a result of the coronavirus crisis. However, the countries coped relatively well compared with other European countries, thanks to their strong economies and a strong capacity to adapt to new conditions. All of the Nordic markets climbed in the second quarter. The Swedish OMXS30 climbed 13 percent, the Norwegian OBX 11 percent, the Finnish OMXH25 19 percent, and the Danish OMXC25 climbed fully 21 percent. The markets still have some way to go before recovering fully following their collapse, with the exception of Denmark, which both sank less and rose more sharply than its Nordic neighbours.

## Development of Nordnet's operations

Nordnet maintains operations in four Nordic countries – Sweden, Norway, Denmark and Finland – where the second quarter has generally been a very strong period with a high level of activity and strong growth in number of customers and savings capital.

The total number of transactions was the highest ever for an individual quarter, amounting to almost 14.5 million. All of our markets are growing significantly, with Norway standing out with 180 percent more transactions compared with the same period last year. In June, we also became the largest broker on the Oslo Stock Exchange, measured both in volumes as well as value, completing more transactions than Nordea, Pareto, SEB and Carnegie combined. In Finland, we took second place in the number of transactions for full-year 2020 and, in Denmark and Sweden, we are among the top five largest brokers.

The number of new savers on Nordnet's platform continues to increase rapidly, and our customer base is 25 percent larger than it was 12 months ago. Denmark and Norway stand out strongly with gains of more than 40 percent each. Although savings capital decreased by 10 percent in the first quarter of 2020, during the second quarter, we witnessed a robust recovery among equity markets globally, which, combined with strong net savings, resulted in savings capital increasing by 20 percent to now be at a record high of SEK 425 billion. In the period April–June, net savings were positive in all of our markets and, on a Nordic basis, the savings ratio amounted to 14 percent, with Denmark and Finland as best in class with a savings ratio of almost 20 percent.

Our financial results are improving significantly across the board. All of our markets are profitable, with operating margins above 50 percent. For the period January–June, costs are generally at a slightly lower level than for 2019, while income has increased by more

**Nordnet's market share January-June**

2020	Sweden	Norway	Denmark	Finland
Volume	3.5%	7.8%	4.6%	5.7%
Number of trades	4.9%	11.3%	5.8%	11.3%

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.

than 80 percent, with Finland and Denmark leading, with increases in income of well over 100 percent. The strong net profit is attributable to a high level of trading activity, a very good influx of customers and a high level of savings. Good cost control is made possible by our scalable and efficient business model, the principal components of which are digital interfaces and automated processes.

We continue to develop our customer experience on a Nordic basis and attach great importance to the stability of our platforms. During the quarter, several updates and new functions were implemented in our app and on our website, receiving a positive response from customers. We also invest considerable commitment to producing engaging content involving savings and distributing this, both through our own channels and others. We run our own blogs and podcasts in all markets, and our Finnish podcast #rahapodi has been voted Finland's best podcast in the "Business" category. During the quarter, we held our flagship event, Nordnet Live, for the seventh time, on this occasion in digital form, where, in addition to hosting a large number of interesting savings personalities, we welcomed guests including Nasdaq's new CEO Fredrik Ekström, Andra "Börshajen" Farhad, the Swedish Liberal Party's economic-political spokesman Mats Persson, the Swedish Moderate Party's Elisabeth Svantesson, and Mellby Gård's CEO Johan Andersson.

## Impact on Nordnet's business from the spread of the coronavirus

During the second quarter, the coronavirus situation continued to make a major impact on the world at large and on the financial markets. For Nordnet's operations, the following consequences are worth foregrounding:

- A great general interest in savings, with strong growth in customer numbers and high levels of net savings in all countries in which we operate.
- Record-high trading activity supported by a vigorous rebound in the world's stock markets in the hope of diminished contagion and reopened economies.
- Regained risk appetite, with margin lending increasing substantially.
- A working model, under which most employees work from home rather than from our offices. Gradual reopening in Norway and Denmark towards the end of the quarter.
- Continued uncertainty regarding future credit losses. No indication of impaired repayment capacity among customers, although, due to the risk of higher unemployment in the future, we have reinforced our credit loss provisions. A sharp increase in stock market volatility could entail an increased risk of credit losses in margin lending.
- Continued higher deposits than normal, with Nordnet's increased liquidity being invested in low-risk assets.



## Consolidated net profit

### April – June 2020

*(April – June 2019)*

Operating income in the second quarter of the year increased by 75 percent, compared with the second quarter of 2019, amounting to SEK 650.3 million (371.2). Net interest income increased by SEK 23.2 million, with income from Nordnet's stock lending program being a contributing factor. Net interest income improved due to increased volumes in residential mortgages and increased deposits.

A high level of trading activity and a strong interest in investments in foreign markets have led to an increase in transaction-related income. Combined with increased mutual fund volumes, this has contributed to net commission income increasing by SEK 180.4 million and to the net result of financial transactions increasing by SEK 74.5 million compared with the same period last year.

Operating expenses before credit losses were 2 percent lower than in the second quarter last year and amounted to SEK -271.2 million (-277.4). This derives mainly from decreased expenses for consultants and other external services. Net profit for the second quarter of 2020 was burdened with non-recurring expenses of slightly more than SEK 11 million, attributable to an adjusted assessment regarding the Nordnet Group's right to deduct opening VAT.

Credit losses are in line with previous years, although credit loss provisions have been reinforced somewhat due to the increased risk caused by the ongoing coronavirus pandemic. The total expense for credit losses in the second quarter amounted to SEK 10.0 million (11.7).

Operating profit increased by 350 percent to SEK 369.1 million (82.1), and the operating margin was 57 percent (22). Profit after tax for the period rose by 311 percent to SEK 302.0 million (73.4), resulting in a profit margin of 46 percent (20).

Operating income excluding transaction-related net commission income for the quarter rose by 43 percent compared with the same quarter in the preceding year.

Cost coverage, i.e. operating income excluding transaction-related net commission in relation to expenses, amounted to 128 (87) percent.

### January – June 2020

*(January – June 2019)*

Operating income in January–June increased by 67 percent, amounting to SEK 1,294.5 million (773.7). Net interest income increased by SEK 66.4 million, attributable to increased income from excess liquidity and income from Nordnet's stock lending program. Larger volumes of residential mortgages and margin lending have also contributed to an improvement in net interest income.

Net commission income rose by SEK 387.2 million, attributable to increased transaction-related income and higher volumes in Nordnet Markets. In addition, increased fund savings improved commission income.

Operating expenses before credit losses fell by 3 percent compared with January–June 2019 and amounted to SEK -530.1 million (-544.2). Expenses for consultants, marketing and other external services decreased compared with the same period last year. In addition, net profit was burdened by non-recurring expenses of SEK 11 million resulting from an adjusted assessment regarding the right to deduct opening VAT.

In the first half of 2020, credit losses amounted to SEK -28.2 million (-18.5). The increase is due to a reinforcement of reserves based on a more negative macroeconomic scenario. Nordnet has not confirmed any increase in realized credit losses in the first half of 2020.

Operating profit increased by 249 percent to SEK 736.2 million (211.1), and the operating margin was 57 percent (27). Profit after tax for the period rose by 214 percent to SEK 603.3 million (192.4), resulting in a profit margin of 47 percent (25).

Operating income excluding transaction-related net commission income for the period rose by 29 percent compared with the period January–June 2019. Cost coverage, i.e. operating income excluding transaction-related net commission in relation to expenses, amounted to 124 (95) percent.

## Key figures - Group

SEK million	Q2 2020	Q2 2019	Change Q2 2020 from Q2 2019	Q1 2020	Change Q2 2020 from Q1 2020
Operating income	650.3	371.2	75%	644.2	1%
Operating expenses	-281.2	-289.1	-3%	-277.1	1%
whereof credit losses	-10.0	-11.7	-15%	-18.2	-45%
Operating profit	369.1	82.1	350%	367.1	1%
Profit after tax	302.0	73.4	311%	301.3	0.2%
Operating margin %	57%	22%	35%	57%	-0.2%
Net savings (SEK billion)	13.4	2.4	458%	23.8	-44%
Savings ratio %	14%	5%	-	12%	-
New customers	66,800	60,000	11%	88,800	-25%
Yearly customer growth %	25%	19%	-	26%	-
Savings capital (SEK billion)	424.6	353.7	20%	354.9	20%
Lending	16,139.8	14,602.6	11%	14,636.5	10%

## Result by country

January - June	Sweden		Norway		Denmark		Finland		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	536.1	365.1	260.5	131.9	268.0	115.9	229.9	95.1	1,294.5	773.7
Operating expenses	-220.0	-240.7	-112.8	-116.4	-93.2	-90.6	-104.0	-96.7	-530.1	-544.3
<b>Profit before credit losses</b>	<b>316.1</b>	124.4	<b>147.7</b>	15.5	<b>174.8</b>	25.3	<b>125.9</b>	-1.6	<b>764.4</b>	229.5
Credit losses	-27.8	-15.1	-0.4	-3.1	0.0	-0.3	0.0	0.1	-28.2	-18.4
<b>Operating profit</b>	<b>288.2</b>	109.3	<b>147.2</b>	12.4	<b>174.8</b>	25.0	<b>125.9</b>	-1.6	<b>736.2</b>	211.1
<b>Operating margin</b>	<b>54%</b>	30%	<b>57%</b>	9%	<b>65%</b>	22%	<b>55%</b>	-2%	<b>57%</b>	27%
Number of customers	381,200	353,300	194,900	138,700	158,600	109,000	334,500	253,800	1,069,200	854,800
Number of accounts	564,900	514,000	283,300	198,000	196,100	138,600	407,600	283,400	1,451,900	1,134,000
Savings capital (SEK billion)	180.9	152.5	63	57	91.5	71.7	89.0	72.7	424.6	353.7
Number of trades	11,519,600	6,523,400	6,332,300	2,337,300	4,682,900	2,154,200	6,066,700	2,503,300	28,601,500	13,518,200
Net savings (SEK million)	6,843	4,172	8,469	1,483	10,442	1,696	11,453	2,053	37,207	9,404
Margin lending* (SEK billion)	2.5	2.1	1.3	1.5	1.3	1.2	1.6	1.5	6.7	6.4
Personal Loans (SEK billion)	4.1	4.0	-	-	-	-	-	-	4.1	4.0
Mortgage (SEK billion)	5.3	4.3	-	-	-	-	-	-	5.3	4.3

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



# Prova en ny ingrediens i ditt sparande.

Nu lanserar vi en helt ny familj fonder: Indexfond USA, Indexfond Europa, Indexfond Global och Indexfond Tillväxtmarknad. Alla fonderna har riktigt låga avgifter och handlas i svenska kronor så att du slipper kostnader för valutaväxling. Helt enkelt en fond som inte äts upp av onödiga avgifter. Fungerar lika bra som en krydda i ditt långsiktiga sparande, som en bas när du ska röra ihop en helt ny portfölj.

Läs mer på [nordnet.se/indexfonder](https://nordnet.se/indexfonder)



## Financial position as at 30 June 2020 (30 June 2019)

Consolidated cash and cash equivalents at the end of June amounted to SEK 2,737.0 million (804.6), of which restricted assets amounted to SEK 150 million (101). In addition, interest-bearing investments were held with a total fair value of SEK 20,781.7 million (19,456.5). 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 3,596.8 million (2,940.8). The bonds for SEK 500 million issued by the Group (AT1) have an indefinite maturity with the first opportunity for redemption after five years, in the first quarter of 2024, and run with interest of three-month Stibor +6.75 percent. The bonds are listed on Nasdaq Stockholm. For more information, see the Group's specification of equity on pages 18-19.

For the consolidated situation in which Nordnet AB (publ) is the parent company, the capital base amounted to SEK 2,128.0 million (1,749.5) and the total risk exposure amounted to SEK 11,844.8 million (9,585.0). At the end of the period, the capital ratio was 18.0 percent, compared with 18.3 percent at the same time last year. For more information, see Note 7.

### Cash flow

In the second quarter, cash flow from operating activities was affected negatively by a reduction in the liquidity of customer deposits by SEK -2.2 million, as well as an increase in lending of SEK -1.5 million. In addition, cash flow from operating activities decreased by a further SEK -3.2 million, with a great many transactions approaching settlement towards the end of the preceding quarter. During the quarter, cash flow in

investing activities was a positive SEK 5.6 billion due to reduced purchases and increased sales of bonds and other fixed-income securities.

## Parent Company

### January – June 2020

(January – June 2019)

Nordnet AB (publ) is a holding company and conducts no operations beyond its role as the owner of Nordnet Bank AB, Nordnet Pensionsförsäkring AB and the Group's other companies. Operating income for January–June 2020 amounted to SEK 7.9 million (5.7) and relates to Group-internal administrative services.

The loss from financial investments amounted to SEK -0.6 million (profit 1.0) and consisted of interest expenses. The Parent Company's loss after financial items for the period January–June 2020 amounted to SEK -3.6 million (-5.4). The Parent Company's cash and cash equivalents amounted to SEK 194.0 million (119.3), and its equity to SEK 2,137.5 million (1,918.9).

At Nordnet's Annual General Meeting on 24 April, Anna Bäck was elected as a new member of the Board of Directors of Nordnet AB (publ).

## Employees

As of 30 June 2020, the company had 543 (485) full-time employees. Full-time employees include temporary employees but not employees on parental or other leave. The average number of employees during the period January–June was 520 (496).

## Events after 30 June 2020

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



# Financial statements



# Financial statements

## Consolidated income statement

SEK million	Note	3 months Apr-Jun 2020	3 months Apr-Jun 2019	6 months Jan-Jun 2020	6 months Jan-Jun 2019	12 months rolling Jul-Jun 2020	12 months Jan-Dec 2019
Interest income		201.7	164.6	393.3	301.8	711.7	620.2
Interest expenses		-45.5	-31.6	-90.1	-65.0	-147.6	-122.5
Commission income		498.0	256.2	1,013.7	509.2	1,574.7	1,070.1
Commission expenses		-139.2	-77.8	-273.7	-156.4	-424.5	-307.2
Net result of financial transactions		117.4	42.9	222.2	152.0	313.1	243.0
Other operating income		17.9	16.9	29.1	32.1	66.7	69.7
<b>Total operating income</b>		<b>650.3</b>	<b>371.2</b>	<b>1,294.5</b>	<b>773.7</b>	<b>2,094.1</b>	<b>1,573.4</b>
General administrative expenses		-225.5	-227.6	-435.7	-447.4	-936.0	-947.7
Depreciation, amortization and impairments of intangibles and equipment		-39.3	-40.5	-77.8	-78.4	-173.6	-174.3
Other operating expenses		-6.4	-9.3	-16.6	-18.4	-38.5	-40.3
<b>Total expenses before credit losses</b>		<b>-271.2</b>	<b>-277.4</b>	<b>-530.1</b>	<b>-544.2</b>	<b>-1,148.1</b>	<b>-1,162.3</b>
<b>Profit before credit losses</b>		<b>379.1</b>	<b>93.8</b>	<b>764.4</b>	<b>229.5</b>	<b>945.9</b>	<b>411.1</b>
Credit losses, net	2	-10.0	-11.7	-28.2	-18.5	-43.4	-33.6
<b>Operating profit</b>		<b>369.1</b>	<b>82.1</b>	<b>736.2</b>	<b>211.1</b>	<b>902.6</b>	<b>377.4</b>
Tax on profit for the period		-67.1	-8.7	-132.9	-18.7	-152.1	-37.9
<b>Profit for the period</b>		<b>302.0</b>	<b>73.4</b>	<b>603.3</b>	<b>192.4</b>	<b>750.5</b>	<b>339.5</b>
<b>Of which, attributable to:</b>							
Shareholders of the Parent Company		302.0	73.4	603.3	192.4	750.5	339.5

## Statement of other comprehensive income

SEK million	3 months Apr-Jun 2020	3 months Apr-Jun 2019	6 months Jan-Jun 2020	6 months Jan-Jun 2019	12 months rolling Jul-Jun 2020	12 months Jan-Dec 2019
<b>Profit for the period</b>	<b>302.0</b>	<b>73.4</b>	<b>603.3</b>	<b>192.4</b>	<b>750.5</b>	<b>339.5</b>
<b>Items that will be reversed to the income statement</b>						
Changes in value of financial assets recognized at fair value through other comprehensive income	26.4	3.5	-2.1	6.7	-8.6	0.2
Tax on changes in value of financial assets recognized at fair value through other comprehensive income	-5.7	-	0.4	-	0.4	-
Translation of foreign operations	-8.4	5.9	-38.9	15.1	-44.4	9.6
Tax on translation of foreign operations	-2.1	-0.2	-6.7	-0.2	-7.4	-0.9
<b>Total other comprehensive income after tax</b>	<b>10.2</b>	<b>9.2</b>	<b>-47.3</b>	<b>21.6</b>	<b>-60.0</b>	<b>8.9</b>
<b>Total profit or loss and other comprehensive income</b>	<b>312.1</b>	<b>82.6</b>	<b>556.0</b>	<b>213.9</b>	<b>690.5</b>	<b>348.3</b>
<b>Of which, attributable to:</b>						
Shareholders of the Parent Company	312.1	82.6	556.0	213.9	690.5	348.3

## Consolidated balance sheet

SEK million	Note	30/06/2020	30/06/2019	31/12/2019
<b>Assets</b>				
Cash and balances in Central banks		2,192.0	364.3	409.5
Treasury bills and other interest bearing securities eligible for refinancing		32,194.0	20,782.6	22,035.8
Loans to credit institutions		545.1	440.3	505.2
Loans to the general public	2	17,283.7	15,397.0	16,127.8
Bonds and other interest bearing securities		2,835.6	1,621.9	1,563.7
Shares and participations		3.4	19.0	6.6
Assets for which customers bear the investment risk		77,240.1	62,133.3	70,089.2
Intangible fixed assets		869.1	920.1	917.1
Tangible fixed assets		298.9	332.4	306.8
Deferred taxed assets		2.7	0.9	2.8
Current tax assets		48.2	133.2	63.6
Other assets		4,891.2	3,117.5	3,368.5
Prepaid expenses and accrued income		230.1	264.2	206.6
<b>Total assets</b>		<b>138,634.0</b>	<b>105,526.7</b>	<b>115,603.2</b>
<b>Liabilities</b>				
Deposits and borrowing from the general public		51,957.7	37,203.2	38,572.1
Liabilities for which customers bear the investment risk		77,242.0	62,133.3	70,091.0
Other liabilities		5,323.0	2,839.1	3,547.7
Current tax liabilities		243.0	164.0	92.2
Deferred tax liabilities		71.7	60.9	82.6
Accrued expenses and deferred income		200.0	185.4	159.9
<b>Total liabilities</b>		<b>135,037.3</b>	<b>102,585.9</b>	<b>112,545.4</b>
<b>Equity</b>				
Share capital		1.0	1.0	1.0
Other capital contributions		7,571.3	7,571.2	7,571.3
Other reserves		-123.4	-63.4	-76.1
Retained earnings including profit for the period		-3,852.2	-4,568.0	-4,438.4
<b>Total equity</b>		<b>3,596.8</b>	<b>2,940.8</b>	<b>3,057.8</b>
<b>Total liabilities and equity</b>		<b>138,634.0</b>	<b>105,526.7</b>	<b>115,603.2</b>

## Consolidated statement of changes in equity

SEK million	Share capital	Additional Tier 1 (AT1) capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Total equity
<b>Equity brought forward 1 January 2020</b>	<b>1.0</b>	<b>500.0</b>	<b>7,071.3</b>	<b>-76.1</b>	<b>-4,438.4</b>	<b>3,057.8</b>
Profit after tax reported in the income statement	-	-	-	-	603.3	<b>603.3</b>
Other comprehensive income after tax	-	-	-	-47.3	-	<b>-47.3</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-47.3</b>	<b>603.3</b>	<b>556.0</b>
<b>Transactions reported directly in equity</b>						
Interest on Tier 1 capital	-	-	-	-	-17.1	<b>-17.1</b>
<b>Total transactions reported directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-17.1</b>	<b>-17.1</b>
<b>Equity carried forward 30 June 2020</b>	<b>1.0</b>	<b>500.0</b>	<b>7,071.3</b>	<b>-123.4</b>	<b>-3,852.2</b>	<b>3,596.8</b>

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

## Cont. 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
<b>Equity brought forward 1 January 2019</b>	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
<b>Total comprehensive income</b>	-	-	-	8.9	339.5	348.4
<b>Transactions reported directly in equity</b>						
Shareholder contribution, unconditional	-	-	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
<b>Total transactions reported directly in equity</b>	-	500.0	250.0	-	-28.9	721.2
<b>Equity carried forward 31 December 2019</b>	1.0	500.0	7,071.3	-76.1	-4,438.4	3,057.8

## Cash Flow Statement

SEK million	3 months Apr-Jun 2020	3 months Apr-Jun 2019	6 months Jan-Jun 2020	6 months Jan-Jun 2019	12 months rolling Jul-Jun 2020	12 months Jan-Dec 2019
<b>Operating activities</b>						
Cash flow from operating activities before changes in working capital	232.4	117.3	642.3	85.9	974.6	418.2
Cash flow from changes in working capital	-7,199.9	1,326.9	12,705.1	562.0	14,187.3	2,044.2
<b>Cash flow from operating activities</b>	<b>-6,967.5</b>	<b>1,444.1</b>	<b>13,347.4</b>	<b>647.8</b>	<b>15,162.0</b>	<b>2,462.4</b>
<b>Investing activities</b>						
Purchases and disposals of intangible and tangible fixed assets	-27.6	-512.8	-45.4	-549.0	-60.4	-564.0
Net investments in financial instruments	5,590.0	-1,972.5	-11,436.9	-1,728.6	-13,087.0	-3,378.7
<b>Cash flow from investing activities</b>	<b>5,562.4</b>	<b>-2,485.3</b>	<b>-11,482.4</b>	<b>-2,277.6</b>	<b>-13,147.4</b>	<b>-3,942.7</b>
<b>Financing activities</b>						
Cash flow from financing activities	-8.8	260.3	-17.1	748.3	-46.8	718.7
<b>Cash flow for the period</b>	<b>-1,413.9</b>	<b>-780.9</b>	<b>1,847.9</b>	<b>-881.5</b>	<b>1,967.7</b>	<b>-761.6</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>4,156.2</b>	<b>1,580.9</b>	<b>914.7</b>	<b>1,677.2</b>	<b>804.6</b>	<b>1,677.2</b>
Exchange rate difference for cash and cash equivalents	-5.2	4.6	-25.6	8.9	-35.3	-0.9
<b>Cash and cash equivalents at the end of the period</b>	<b>2,737.0</b>	<b>804.6</b>	<b>2,737.0</b>	<b>804.6</b>	<b>2,737.0</b>	<b>914.7</b>
<i>whereof cash and cash equivalents in Central Banks</i>	2,192.0	364.3	2,192.0	364.3	2,192.0	409.5
<i>whereof loans to credit institutions</i>	545.1	440.3	545.1	440.3	545.1	505.2

## Parent company's income statement

SEK million	3 months Apr-Jun 2020	3 months Apr-Jun 2019	6 months Jan-Jun 2020	6 months Jan-Jun 2019	12 months rolling Jul-Jun 2020	12 months Jan-Dec 2019
Net sales	4.5	3.6	7.9	5.7	20.9	18.7
<b>Total operating income</b>	<b>4.5</b>	<b>3.6</b>	<b>7.9</b>	<b>5.7</b>	<b>20.9</b>	<b>18.7</b>
Other external costs	-2.6	-4.0	-4.1	-6.1	-7.4	-9.5
Personnel costs	-3.4	-2.5	-6.2	-5.2	-18.3	-17.4
Other operating expenses	-0.3	-0.4	-0.7	-0.8	-1.4	-1.4
<b>Operating profit</b>	<b>-1.8</b>	<b>-3.2</b>	<b>-3.0</b>	<b>-6.4</b>	<b>-6.2</b>	<b>-9.6</b>
<b>Result from financial investments:</b>						
Result from participations in Group companies	-	-	-	-	260.0	260.0
Interest expense and similar items	-0.2	1.4	-0.6	1.0	-1.5	0.1
<b>Result from financial investments</b>	<b>-0.2</b>	<b>1.4</b>	<b>-0.6</b>	<b>1.0</b>	<b>258.5</b>	<b>260.1</b>
<b>Profit after financial items</b>	<b>-2.0</b>	<b>-1.8</b>	<b>-3.6</b>	<b>-5.4</b>	<b>252.3</b>	<b>250.5</b>
Tax on profit for the year	-	0.3	-	0.9	0.7	1.6
<b>Profit for the period</b>	<b>-2.0</b>	<b>-1.5</b>	<b>-3.6</b>	<b>-4.5</b>	<b>252.9</b>	<b>252.1</b>

The result for the period corresponds to the total result.

## Parent company's Balance Sheet

SEK million	30/06/2020	30/06/2019	31/12/2019
<b>Assets</b>			
Financial fixed assets	1,989.1	1,989.1	1,989.1
Current assets	6.0	17.0	205.0
Cash and bank balances	194.0	119.3	69.4
<b>Total assets</b>	<b>2,189.1</b>	<b>2,125.4</b>	<b>2,263.5</b>
<b>Equity and liabilities</b>			
Restricted equity	1.0	1.0	1.0
Non-restricted equity	2,136.5	1,917.9	2,157.1
Current liabilities	51.6	206.5	105.4
<b>Total equity and total liabilities</b>	<b>2,189.1</b>	<b>2,125.4</b>	<b>2,263.5</b>

## 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
<b>Equity brought forward 1 January 2020</b>	<b>1.0</b>	<b>6,340.2</b>	<b>500.0</b>	<b>-4,935.1</b>	<b>252.1</b>	<b>2,158.1</b>
Reallocation of last year's profit	-	-	-	252.1	-252.1	-
Profit after tax reported in the Income statement	-	-	-	-	-3.6	-3.6
<b>Total comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>252.1</b>	<b>-255.7</b>	<b>-3.6</b>
<b>Transactions reported directly in equity</b>						
Interest on Tier 1 capital	-	-	-	-17.1	-	-17.1
<b>Equity carried forward 30 June 2020</b>	<b>1.0</b>	<b>6,340.2</b>	<b>500.0</b>	<b>-4,700.0</b>	<b>-3.6</b>	<b>2,137.5</b>

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

<sup>1</sup> The revaluation of the shares in Tink AB were made during the first quarter 2019 through a revaluation reserve. The shares has been sold during the second quarter and the revaluation reserve was transferred to retained earnings.

## Cont. 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
<b>Equity brought forward 1 January 2019</b>	<b>1.0</b>	<b>6,340.2</b>	<b>-</b>	<b>165.9</b>	<b>5.6</b>	<b>6,512.6</b>
Reallocation of last year's profit	-	-	-	5.6	-5.6	-
Profit after tax reported in the income statement	-	-	-	-	252.1	<b>252.1</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.6</b>	<b>246.5</b>	<b>252.1</b>
<b>Transactions reported directly in equity</b>						
Shareholders contribution, unconditional	-	-	-	250.0	-	<b>250.0</b>
Revaluation reserve <sup>1</sup>	-	-	-	65.8	-	<b>65.8</b>
Issue of Tier 1 capital	-	-	500.0	-	-	<b>500.0</b>
Transaction costs in connection with issue of Tier 1 capital	-	-	-	-3.2	-	<b>-3.2</b>
Tax on transaction costs with issue of Tier 1 capital	-	-	-	0.7	-	<b>0.7</b>
Interest on Tier 1 capital	-	-	-	-26.3	-	<b>-26.3</b>
Result of merger	-	-	-	-5,393.5	-	<b>-5,393.5</b>
<b>Equity carried forward 31 December 2019</b>	<b>1.0</b>	<b>6,340.2</b>	<b>500.0</b>	<b>-4,935.1</b>	<b>252.1</b>	<b>2,158.1</b>

<sup>1</sup> The revaluation of the shares in Tink AB were made during the first quarter 2019 through a revaluation reserve. The shares has been sold during the second quarter and the revaulation reserve was transferred to retained earnings.

# 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.

### Provisions for credit losses on financial assets

#### 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 unsecured personal loans, default is defined either as a receivable having been due for payment for more than 90 days, or other indications that borrowers will encounter difficulties meeting their obligations. Receivables exceeding 100 days past default are sold on to debt collection companies. Receivables with other indications of default, such as debt restructuring, bankruptcy, death, fraud or emigration, are not resold to debt collection companies. This definition diverges from previously applied principles, with Nordnet previously applying a definition whereby a receivable is considered to be in default when payment is 100 days past due. The reason for Nordnet having chosen to change the definition of default is that it now better reflects the actual credit risk and the Group's current procedures and processes.

## 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 includes an upcoming 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.

### Amendments to IFRS 16 Leasing

The International Accounting Standards Board (IASB) has recently approved an amendment to IFRS 16 as a result of Covid-19, Covid-19-Related Rent Concessions. The purpose of the adopted amendments is to simplify the practical handling of the reporting of, for example, discounts, rent reductions and other concessions related to leases. The amendment applies to financial years commencing on or after 1 June 2020. Premature application is permitted. The EU has not yet approved the amendments and final approval is not currently expected until around the third or fourth quarter of 2020.

For Nordnet, the aforementioned amendments to IFRS 16 are not expected to have any significant impact on the financial statements if applied prematurely.

## Standards that will come into force in 2021 and beyond

### IFRS 17 Insurance Contracts and IFRS 4 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. In June 2020, the International Accounting Standards Board (IASB) adopted amendments to the insurance standard IFRS 17 Insurance Contracts and IFRS 4 Insurance Contracts. The purpose of the amendments is to reduce the expense of applying IFRS 17 by introducing certain simplifications of the standard's requirements and making it easier for companies to explain their results when applying the standard. The purpose is also to simplify the transition for companies so that they can start applying the standard by postponing mandatory application by two years, from 2021 to 2023. The standard is scheduled for adoption by the EU in 2021.

## Note 2 Loans to the general public

Total lending amounts to SEK 17,284 million (15,397). As at 30 June 2020, SEK 1,143.9 million (794.4) 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 (ISKs), the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

Lending to the general public is reported after deduction of realized and anticipated credit losses. At the end of the period, the provision for feared credit losses amounted to SEK 109.6 (98.6) million, including an additional provision of SEK 2.0 (0.0) million, taking the prevailing uncertainty attributable to Covid-19 into account.

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 maintain, in the second quarter, the adjusted weighting implemented in the first quarter, when calculating credit loss provisions for personal and margin lending. The forecasts for the three scenarios – medium, positive and negative are based on different assumptions regarding future unemployment and economic recovery.

Credit loss reserve 30/06/2020	Stage 1	Stage 2	Stage 3	Total
Amortized cost	15,273.7	2,002.1	115.5	17,391.3
Provisions for expected credit losses	-23.4	-24.5	-59.7	-107.6
<b>Total lending to the public</b>	<b>15,250.3</b>	<b>1,977.6</b>	<b>55.8</b>	<b>17,283.7</b>

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

Credit loss reserve 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
<b>Total lending to the public</b>	<b>14,601.6</b>	<b>1,483.7</b>	<b>42.6</b>	<b>16,127.8</b>

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 adjusted weighting provides a larger number of loans in stage 2, particularly for the personal loan product, which is due to a higher risk on an individual level as no change in late payments was registered.

As a consequence of the new definition of default on personal loans, from 100 to 90 days past due, SEK 4 million of the provisions will be moved from stage 2 to stage 3. The amendment has had only a marginal effect on the Group's estimated credit provisions. For more information, please see Note 1 Accounting principles.

Of lending to the public, SEK 7,950 million (7,177) is secured by collateral in the form of securities and SEK 5,300 million (4,269) pertains to Residential mortgages. Unsecured loans comprise SEK 4,034 million (3,951) of lending to the public.

### 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, analyze, control and price risk. Risk management in Nordnet serves several purposes. Partly to achieve desired profitability and growth, given a deliberately accepted level of risk and to maintain a high level of trust from customers and the external community. A trust that is essential for Nordnet's long-term profitability and existence.

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

Developments in the Covid-19 situation represent an uncertainty factor that could affect risk in Nordnet. Increased unemployment in particular could negatively impact customers' repayment capacity, resulting in increased credit losses. Although Nordnet has not noted any changed payment capacity, it has nonetheless chosen to reinforce its credit loss provisions. Nordnet has also taken measures to limit its risk in issuing new personal loans, which are unsecured.

Continued concerns surrounding Covid-19, resulting in increased stock markets volatility, could affect credit losses on margin lending.

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 with the help of the company Kaptena; these participations are revalued in accordance with the stock market's increase for the period.

## Note 5 Group –Financial instruments

### Categorization of financial instruments

30/06/2020	Fair value through consolidated income statement			Fair value through other comprehensive income	Non financial instruments	Total
	Amortized cost	Held for trading	Other business models			
<b>Assets</b>						
Cash and balances in Central banks	2,192.0	-	-	-	-	2,192.0
Treasury bills and other interest bearing securities eligible for refinancing	21,138.3	-	-	11,055.7	-	32,194.0
Loans to credit institutions	545.1	-	-	-	-	545.1
Loans to the general public	17,283.7	-	-	-	-	17,283.7
Bonds and other interest bearing securities	1,021.8	-	-	1,813.8	-	2,835.6
Shares and participations, listed	-	2.8	-	-	-	2.8
Shares and participations, non-listed	-	0.6	-	-	-	0.6
Assets for which customers bear the investment risk <sup>1</sup>	1,919.8	-	67,408.1	7,912.2	-	77,240.1
Other assets	4,891.2	-	-	-	48.2	4,939.4
Accrued income	230.1	-	-	-	-	230.1
<b>Total assets</b>	<b>49,222.0</b>	<b>3.4</b>	<b>67,408.1</b>	<b>20,781.7</b>	<b>48.2</b>	<b>137,463.4</b>
<b>Liabilities</b>						
Deposits and borrowing from the general public	51,957.7	-	-	-	-	51,957.7
Liabilities for which customers bear the investment risk	-	-	77,242.0	-	-	77,242.0
Other liabilities	5,323.0	-	-	-	314.7	5,637.7
Accrued expenses	200.0	-	-	-	-	200.0
<b>Total liabilities</b>	<b>57,480.6</b>	<b>-</b>	<b>77,242.0</b>	<b>-</b>	<b>314.7</b>	<b>135,037.4</b>

<sup>1</sup> SEK 7,912.2 million refers to reinvestments in bonds and SEK 1,919.8 million refers to liquid assets.

## cont. Note 5 Group - Financial instruments

30/06/2019	Fair value through consolidated income statement			Fair value through other comprehensive income	Non financial instruments	Total
	Amortized cost	Held for trading	Other business models			
<b>Assets</b>						
Cash and balances in Central banks	364.3	-	-	-	-	<b>364.3</b>
Treasury bills and other interest bearing securities eligible for refinancing	8,518.9	-	-	12,263.6	-	<b>20,782.5</b>
Loans to credit institutions	440.3	-	-	-	-	<b>440.3</b>
Loans to the general public	15,397.0	-	-	-	-	<b>15,397.0</b>
Bonds and other interest bearing securities	374.0	-	-	1,247.9	-	<b>1,621.9</b>
Shares and participations, listed	-	18.4	-	-	-	<b>18.4</b>
Shares and participations, non-listed	-	0.6	-	-	-	<b>0.6</b>
Assets for which customers bear the investment risk <sup>1)</sup>	1,267.7	-	54,920.6	5,945.0	-	<b>62,133.3</b>
Other assets	3,117.5	-	-	-	133.2	<b>3,250.7</b>
Accrued income	264.2	-	-	-	-	<b>264.2</b>
<b>Total assets</b>	<b>29,743.9</b>	<b>19.0</b>	<b>54,920.6</b>	<b>19,456.5</b>	<b>133.2</b>	<b>104,273.2</b>
<b>Liabilities</b>						
Deposits and borrowing from the general public	37,203.2	-	-	-	-	<b>37,203.2</b>
Liabilities for which customers bear the investment risk	-	-	62,133.3	-	-	<b>62,133.3</b>
Other liabilities	-	-	-	-	224.8	<b>224.8</b>
Accrued expenses	185.4	-	-	-	-	<b>185.4</b>
<b>Total liabilities</b>	<b>37,388.7</b>	<b>-</b>	<b>62,133.3</b>	<b>-</b>	<b>224.8</b>	<b>99,746.8</b>

<sup>1</sup> SEK 5,945.0 million refers to reinvestments in bonds and SEK 1,267.7 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 instruments	Total
	Amortized cost	Held for trading	Other business models			
<b>Assets</b>						
Cash and balances in Central banks	409.5	-	-	-	-	<b>409.5</b>
Treasury bills and other interest bearing securities eligible for refinancing	8,845.4	-	-	13,190.4	-	<b>22,035.8</b>
Loans to credit institutions	505.2	-	-	-	-	<b>505.2</b>
Loans to the general public	16,127.8	-	-	-	-	<b>16,127.8</b>
Bonds and other interest bearing securities	740.6	-	-	823.1	-	<b>1,563.7</b>
Shares and participations, listed	-	6.0	-	-	-	<b>6.0</b>
Shares and participations, non-listed	-	0.6	-	-	-	<b>0.6</b>
Assets for which customers bear the investment risk <sup>1</sup>	1,776.4	-	63,649.7	4,663.1	-	<b>70,089.2</b>
Other assets	3,368.5	-	-	-	63.6	<b>3,432.1</b>
Accrued income	206.6	-	-	-	-	<b>206.6</b>
<b>Total assets</b>	<b>31,980.1</b>	<b>6.6</b>	<b>63,649.7</b>	<b>18,676.6</b>	<b>63.6</b>	<b>114,376.6</b>
<b>Liabilities</b>						
Deposits and borrowing from the general public	38,572.1	-	-	-	-	<b>38,572.1</b>
Liabilities for which customers bear the investment risk	-	-	70,091.0	-	-	<b>70,091.0</b>
Other liabilities	3,547.7	-	-	-	174.7	<b>3,722.4</b>
Accrued expenses	159.9	-	-	-	-	<b>159.9</b>
<b>Total liabilities</b>	<b>42,279.7</b>	<b>-</b>	<b>70,091.0</b>	<b>-</b>	<b>174.7</b>	<b>112,545.4</b>

<sup>1</sup> 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 analyzing 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 measured applying:

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

Level 3 – Financial assets and financial liabilities 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 recognized at fair value

30/06/2020				
SEK million	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	11,055.7	-	-	11,055.7
Bonds and other interest bearing securities	1,813.8	-	-	1,813.8
Shares and participations <sup>1</sup>	2.8	-	0.6	3.4
Assets for which customers bear the investment risk	76,191.4	669.5	379.2	77,240.1
<b>Subtotal</b>	<b>89,063.7</b>	<b>669.5</b>	<b>379.8</b>	<b>90,113.0</b>
<b>Financial assets where fair value is given for information purposes</b>				
Cash and balances in Central Banks	2,192.0	-	-	2,192.0
Loans to credit institutions	-	545.1	-	545.1
Loans to the general public	-	17,283.7	-	17,283.7
Treasury bills and other interest bearing securities eligible for refinancing	-	21,168.0	-	21,168.0
Bonds and other interest bearing securities	-	1,023.0	-	1,023.0
Other assets	4,891.2	-	-	4,891.2
Accrued income	230.1	-	-	230.1
<b>Subtotal</b>	<b>7,313.3</b>	<b>40,019.8</b>	<b>-</b>	<b>47,333.1</b>
<b>Total</b>	<b>96,377.0</b>	<b>40,689.3</b>	<b>379.8</b>	<b>137,446.1</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which customers bear the investment risk	-	77,242.0	-	77,242.0
<b>Total</b>	<b>-</b>	<b>77,242.0</b>	<b>-</b>	<b>77,242.0</b>

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

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

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

## cont. Financial instruments are recognized at fair value

<b>31/12/2019</b>				
<b>SEK million</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	13,190.4	-	-	<b>13,190.4</b>
Bonds and other interest bearing securities	823.1	-	-	<b>823.1</b>
Shares and participations <sup>1</sup>	6.0	-	0.6	<b>6.6</b>
Assets for which customers bear the investment risk	69,170.4	697.8	221	<b>70,089.2</b>
<b>Subtotal</b>	<b>83,189.9</b>	<b>697.8</b>	<b>221.6</b>	<b>84,109.3</b>
<b>Financial assets where fair value is given for information purposes</b>				
Cash and balances in Central Banks	409.5	-	-	<b>409.5</b>
Loans to credit institutions	-	505.2	-	<b>505.2</b>
Loans to the general public	-	16,127.8	-	<b>16,127.8</b>
Treasury bills and other interest bearing securities eligible for refinancing	-	8,840.8	-	<b>8,840.8</b>
Bonds and other interest bearing securities	-	740.7	-	<b>740.7</b>
Other assets	3,368.5	-	-	<b>3,368.5</b>
Accrued income	206.6	-	-	<b>206.6</b>
<b>Subtotal</b>	<b>3,984.7</b>	<b>26,214.5</b>	<b>-</b>	<b>30,199.2</b>
<b>Total</b>	<b>87,174.6</b>	<b>26,912.3</b>	<b>221.6</b>	<b>114,308.5</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which customers bear the investment risk	-	70,091.0	-	<b>70,091.0</b>
<b>Total</b>	<b>-</b>	<b>70,091.0</b>	<b>-</b>	<b>70,091.0</b>

<sup>1</sup> 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 have been transferred from level 1 to level 2 during the period amounts to SEK 40 million and pertain primarily to bonds and other interest-bearing securities of SEK 38 million and derivatives of SEK 1 million. The main reason for the transfers from level 1 to level 2 was that the instruments ceased being actively traded during the period, with fair value now being calculated applying valuation methods based on observable market data. Shares and participations of SEK 24 million have been transferred from level 1 to level 3, with the principal reason for the transfers being that the shares have been de-listed and no active market share price is therefore available.

Bonds and other interest-bearing securities of SEK 24 million have been transferred from level 2 to level 1, with the principal reason for the transfers being that the instruments were actively traded during the period and reliable price quotations are now therefore available in the market. Bonds and other interest-bearing securities of SEK 3 million have been transferred from level 2 to level 3, with the principal reason for the transfers being a lack of reliable data, for which reason an independent counterparty's theoretical valuation has been used for these instruments.

Shares and participations of SEK 8 million have been transferred from level 3 to level 1, with the principal reason for the transfers being that the instruments, which were not previously listed, are now listed. All instruments transferred pertain to assets where the customer bears the investment risk.

## Note 6 Pledged assets, contingent liabilities and commitments

SEK million	30/06/2020	30/06/2019	31/12/2019
<b>Pledged assets and comparable collateral for own liabilities</b>	none	none	none
<b>Other pledged assets and comparable collateral</b>			
Bonds and other interest bearing securities <sup>1</sup>	3,251.7	1,899.4	2,224.5
<i>of which deposits with credit institutions</i>	2,638.0	1,587.9	1,842.0
<i>of which deposits with clearing organisations</i>	613.7	311.5	382.6
<b>Contingent liabilities</b>	none	none	none
<b>Commitments</b>			
Credit granted but not yet paid, unsecured loans	794.3	223.2	426.5
<b>Funds managed on behalf of third parties</b>			
Client funds	180.3	127.8	148.5

<sup>1</sup> The amount includes restricted cash of SEK 150 million (101).

As of 30 June 2020, the insurance business held registered assets amounting to SEK 77,240 million (62,068) to which the policyholders have priority rights.

## Note 7 Capital adequacy information

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

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

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

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

For the insurance sector, a review was carried out in the spring of 2020 and changes were made in the assumptions on which the calculations of insurance technical provisions and capital requirements are based, resulting in an increased contribution to both the capital base and the capital requirement for the insurance operations. Because the relationship between the key figures is largely unchanged, the capital adequacy ratio is not affected.

## The financial conglomerate

SEK million	30/06/2020	30/06/2019	31/12/2019
Capital base after regulatory adjustments	3,092.7	2,311.6	2,538.5
Capital requirement	2,637.6	1,998.3	2,160.8
Excess capital	455.1	313.3	377.1
Capital ratio	1.2	1.2	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. The profit from the first quarter 2020 is included in the calculation as the external auditors have verified the profit and permission has been obtained from Swedish Financial Supervisory Authority.

### Internally assessed capital requirement

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

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

Nordnet has calculated the internal capital requirement for the consolidated situation to be SEK 470.5 million (398.8). 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](http://www.nordnetab.com).

## cont. Note 7 Capital adequacy information

### Capital requirements consolidated situation

SEK million	30/06/2020	30/06/2019	31/12/2019
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
Capital instruments and the related share premium accounts	6,690.9	6,690.9	6,690.9
Retained earnings	-4,358.4	-4,817.1	-4,766.2
Accumulated other comprehensive income (and other reserves)	153.4	258.7	180.4
Independently reviewed interim profits net of any foreseeable charge or dividend	-42.6	-	236.3
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>2,443.4</b>	<b>2,132.6</b>	<b>2,341.5</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
Additional value adjustments (negative amount)	-20.8	-19.6	-18.7
Intangible assets (net of related tax liability) (negative amount)	-794.6	-862.7	-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	-	-0.9	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-815.4</b>	<b>-883.1</b>	<b>-850.9</b>
<b>Common Equity Tier 1 (CET1) Capital</b>	<b>1,628.0</b>	<b>1,249.5</b>	<b>1,490.6</b>
<b>Additional Tier 1 (AT1) capital: instruments</b>			
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
<b>Additional Tier 1 (AT1) capital</b>	<b>500.0</b>	<b>500.0</b>	<b>500.0</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>2,128.0</b>	<b>1,749.5</b>	<b>1,990.6</b>
<b>Tier 2 (T2) capital</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital (TC = T1 + T2)</b>	<b>2,128.0</b>	<b>1,749.5</b>	<b>1,990.6</b>
<b>Total risk weighted assets</b>	<b>11,844.8</b>	<b>9,585.0</b>	<b>10,090.3</b>
<b>Capital ratios and buffers</b>			
Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.7%	13.0%	14.8%
Tier 1 (as a percentage of total risk exposure amount)	18.0%	18.3%	19.7%
Total capital (as a percentage of total risk exposure amount)	18.0%	18.3%	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%	8.8%	9.3%
of which: capital conservation buffer requirement	2.5%	2.5%	2.5%
of which: countercyclical buffer requirement	0.1%	1.8%	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)	9.2%	8.5%	10.3%
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	126.5	126.5	126.5

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

## cont. Note 7 Capital adequacy information

## Consolidated situation

SEK million	30/06/2020		30/06/2019		31/12/2019	
<b>Risk weighted exposures</b>						
Exposure to credit risk according to the standardized method	9,238.5		7,365.9		7,498.4	
of which exposures to institutions	606.8		642.5		518.8	
of which exposures to corporates	227.9		183.1		186.1	
of which retail exposures	3,560.3		3,354.0		3,506.2	
of which exposures secured by mortgages on immovable property	1,232.9		957.3		1,033.5	
of which in default	68.0		57.0		68.5	
of which exposures in the form of covered bonds	2,599.7		1,109.8		1,297.0	
of which equity exposures	397.3		425.8		401.9	
of which regional governments or local authorities	2.9		-		-	
of which other items	542.7		636.4		486.4	
Exposures market risk	26.0		86.2		11.6	
Exposure operational risk	2,580.3		2,132.9		2,580.3	
<b>Total risk weighted exposures</b>	<b>11,844.8</b>		<b>9,585.0</b>		<b>10,090.3</b>	
<b>Capital requirement</b>						
Credit risk according to the standardized method	739.1	6.2%	589.3	6.1%	599.9	5.9%
Market risk	2.1	0.0%	6.9	0.1%	0.9	0.0%
Operational risk	206.4	1.7%	170.6	1.8%	206.4	2.0%
<b>Capital requirement Pillar 1</b>	<b>947.6</b>	<b>8.0%</b>	<b>766.8</b>	<b>8.0%</b>	<b>807.2</b>	<b>8.0%</b>
Concentration risk	91.9	0.8%	79.4	0.8%	81.8	0.8%
Market risk excluding interest rate risk	153.9	1.3%	124.9	1.3%	117.2	1.2%
Interest rate risk	224.3	1.9%	154.5	1.6%	190.5	1.9%
Credit risk in government exposures	0.4	0.0%	-	-	0.3	0.0%
Other	-	-	-	-	-	-
Capital planning buffer	-	-	40.0	0.4%	40.0	0.4%
<b>Capital requirement Pillar 2</b>	<b>470.5</b>	<b>4.0%</b>	<b>398.8</b>	<b>4.2%</b>	<b>429.8</b>	<b>4.3%</b>
<b>Buffer requirement</b>	<b>311.1</b>	<b>2.6%</b>	<b>413.2</b>	<b>4.3%</b>	<b>485.8</b>	<b>4.8%</b>
<b>Total capital requirement, incl. buffer requirement</b>	<b>1,729.2</b>	<b>14.6%</b>	<b>1,578.8</b>	<b>16.5%</b>	<b>1,722.9</b>	<b>17.1%</b>

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

# Financial development per quarter

Group, SEK million	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18
Net interest	156.3	147.0	132.1	128.8	132.9	103.9	95.0	91.4
Net commission - not trade related	69.0	69.0	78.2	62.5	59.6	54.8	62.4	56.2
Net commission - trade related	289.9	312.1	146.1	123.4	118.9	119.5	125.6	110.0
Net result of financial transactions	117.4	104.8	48.6	42.4	42.9	109.1	43.5	42.9
Other income	17.9	11.3	23.1	14.4	16.9	15.2	20.9	5.0
<b>Operating income</b>	<b>650.3</b>	<b>644.2</b>	<b>428.2</b>	<b>371.4</b>	<b>371.2</b>	<b>402.5</b> <sup>2</sup>	<b>347.4</b>	<b>305.5</b>
General administrative expenses	-225.5	-210.2	-283.6	-216.6	-227.6	-219.8	-255.4	-219.4
Depreciation	-39.3	-38.5	-48.4	-47.5	-40.5	-38.0	-28.1	-24.5
Other operating expenses	-6.4	-10.2	-12.4	-9.6	-9.3	-9.1	-18.3	-21.0
Net credit losses	-10.0	-18.2	-9.7	-5.5	-11.7	-6.7	-4.7	-11.6
<b>Expenses</b>	<b>-281.2</b> <sup>4</sup>	<b>-277.1</b>	<b>-354.1</b> <sup>3</sup>	<b>-279.2</b>	<b>-289.1</b>	<b>-273.6</b>	<b>-306.6</b>	<b>-276.5</b>
<b>Operating profit</b>	<b>369.1</b>	<b>367.1</b>	<b>74.1</b>	<b>92.3</b>	<b>82.1</b>	<b>129.0</b>	<b>40.8</b>	<b>29.0</b>
Operating margin %	57%	57%	17%	25%	22%	32%	12%	9%
Cost coverage	128%	120%	80%	89%	87%	103%	72%	71%
Return on shareholders' equity	21%	16%	11%	10%	9%	8%	6%	7%
Quarterly statistics	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18
Number of active customers at end of the period	1,069,200	1,002,400	913,600	882,200	854,800	794,800	765,200	741,800
Number of active accounts at end of the period	1,451,900	1,356,700	1,213,400	1,169,100	1,134,000	1,054,700	1,016,300	982,400
Net savings (SEK billion)	13.4	23.8	7.3	4.2	2.4	7.0	1.4	4.9
Total savings capital (SEK billion)	425	355	394	365	354	323	286	324
Average savings capital per active account (SEK)	292,300	261,400	325,000	312,300	311,800	306,700	280,900	329,700
Number of trades	14,474,600	14,126,900	7,587,900	7,316,300	6,582,800	6,935,400	6,984,500	6,413,900
Traded value cash market, SEK million <sup>1</sup>	371,700	410,700	211,700	192,800	185,600	199,900	202,400	183,000
Number of trading days	58.5	63	62	66	57	63	62	65
Number of trades per day	247,400	224,200	122,400	110,900	116,500	110,100	113,600	98,700
Average net commission revenue per transaction (SEK)	20	22	19	17	18	17	19	17
Number of trades per active trading account	10.8	11.5	6.7	6.7	6.4	7.1	7.4	7.1
Number of trades per active trading account and month	3.6	3.8	2.2	2.2	2.1	2.4	2.5	2.4
Cash deposits at end of period, SEK million	61,789.7	67,031.3	45,011.7	45,029.8	44,415.9	41,249.8	43,022.8	40,919.8
Managed Client Funds, SEK million	180.2	209.0	148.5	131.7	127.8	157.4	131.6	125.5
Lending at end of period, SEK million	17,283.7	15,941.2	16,127.8	15,711.0	15,397.0	15,008.8	14,204.5	14,474.3
Lending excluding pledged cash and cash equivalents (see Note 2)	16,139.8	14,652.9	15,645.1	14,910.5	14,602.6	14,358.3	13,730.1	13,682.4
Lending/deposits %	28%	24%	36%	35%	35%	36%	33%	35%

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

<sup>2</sup> The positive revaluation of Tink AB by SEK 65.8 million has affected the income

<sup>3</sup> 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.

<sup>4</sup> Non-recurring expenses of SEK 11 million associated with a changed assessment of the right to deduct opening VAT were charged against the period.

# Key figures

Key figures	30/06/2020	30/06/2019	31/12/2019
Operating margin (%)	57%	27%	24%
Profit margin (%)	47%	25%	22%
Cost/income ratio	43%	73%	76%
Return on shareholders' equity (%)	23%	10%	13%
Return on assets (%)	0.6%	0.3%	0.3%
Shareholders' equity, SEK million	3,596.8	2,940.8	3,057.8
Capital base, SEK million	2,128.0	1,749.5	1,990.6
Capital coverage ratio	18.0%	18.3%	19.7%
Investments in tangible assets, SEK million	4.6	40.6	46.1
Investments in intangible assets excl. company acquisitions, SEK million	43.8	51.8	91.3
Of which, internal development expenses, SEK million	29.9	18.3	37.8
Number of full-time employees at end of period	543	496	497
Annual average income/savings capital (%)	0.7%	0.5%	0.4%
Average yearly income per account, SEK	2,042	1,505	1,404
Average yearly operating expenses per account, SEK	-836	-1,059	-1,037
Average yearly profit per account, SEK	1,206	446	367

# Signatures of the Board of Directors

The Board and CEO provide their assurance that this interim report for the period January – June 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 July 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-September	23 October 2020
Year-end report	5 February 2021
Annual and Sustainability Report	2 April 2021
Interim report January-March	29 April 2021

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This information is information that Nordnet AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.00 a.m. CET on 24 July 2020.

# Definitions

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

## Active account

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

## Active customer

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

## Amount traded

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

## Cash market

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

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

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

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

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

## Client funds

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

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

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

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

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

## Cost coverage

Non-transaction-related income relative to expenses.

## Deposits

Deposits including deposits attributable to liabilities in the insurance business.

## Lending

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

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

# Definitions

## 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 expenses<sup>1</sup>

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

## Operating margin

Operating profit in relation to operating income.

## Personal loans

Unsecured loans.

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

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

## Profit margin

Profit for the period in relation to operating income.

## Return on assets

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

## Return on equity

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

## Risk exposure amounts<sup>1</sup>

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

## Savings ratio

Net savings over the past 12 months as a percentage of savings capital 12 months ago.

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

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

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

Estimated capital requirements as per Solvency II regulations.

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

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

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

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

## Total savings capital

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

## Trades

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

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

