

RISK FACTORS

An investment in Notes is associated with different risks. Prior to any investment decision, it is important to carefully analyse the risk factors considered to be material. Set out below is a description of risks that are considered to be of importance for Nordnet and the Notes. Prospective investors should make an independent evaluation, with or without help from advisors, of the risks associated with an investment in the Notes. The risk factors mentioned below are limited to risks which are specific to Nordnet and/or to the Notes and which are assessed to be material for taking an informed investment decision. The description below is based on information available as of the date of the Prospectus. The risk factors are presented in five categories: "Risks related to the industry in which Nordnet operates", "Risks related to Nordnet's business and operations", "Risks related to Nordnet's financial situation", "Legal and regulatory risks" and "Risks related to the Notes". The most material risk factor in each category, based on Nordnet's assessment of the probability of its occurrence and the expected magnitude of its adverse impact, is presented first in that category. Subsequent risk factors in the same category are not ranked based on such assessment. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category.

Risks related to the industry in which Nordnet operates

A deterioration of the regional or global macroeconomic conditions could adversely affect Nordnet's business and results of operations

Nordnet is a leading pan-Nordic digital savings and investments platform with operations in Sweden, Norway, Denmark and Finland. Nordnet's performance is subject to global and, in particular, Nordic macroeconomic conditions, whereby such conditions affect the levels of savings and investments held by its customers. Nordnet's core offering is its digital platform, where customers are offered saving and investments products. The level of trading activity and savings by Nordnet's existing and new customers are impacted by a variety of factors related to the customers' personal economy. Such factors include, among others, the performance and volatility of capital markets, household disposable income, consumer confidence and spending, interest rates, unemployment and inflation. A deterioration in macroeconomic conditions for existing and potential customers in the countries in which Nordnet operates, including a decrease in asset values and negative investment returns, could reduce the demand for Nordnet's products and services as consumers may generally have less appetite for risk and less disposable income to invest in such circumstances. Whilst significant and rapid swings in the capital markets, such as those initially experienced by the outbreak of the COVID-19 pandemic, may have positive effects on trading activity (see "*Nordnet's revenue growth, including the recent step-up in growth, may prove difficult to maintain over time, depending on investor sentiment and market conditions*"), Nordnet has historically been adversely affected, and could in the future be adversely affected by a prolonged financial crisis where markets are less active and volatile, and present less investment opportunities for customers. As such, negative price developments on the Nordic and the non-Nordic stock markets may result in Nordic consumers being less interested in securities as a savings and investment alternative, which could have an adverse effect on Nordnet's business and its results of operations.

The markets for savings and investments as well as consumer lending is, and will continue to be, competitive and Nordnet may be unable to retain or grow its market share in the future

Nordnet operates in the Nordic savings, investments and consumer lending markets. These markets are competitive and characterised by a high degree of innovation. Nordnet and its competitors are increasingly taking advantage of new technologies to streamline and optimise their businesses and offer a digital customer experience. The Nordic financial sector, including the large, incumbent banks, is undergoing a digital transformation, which may make other competitors' customer offerings in the relevant areas increasingly competitive to, and comparable, with Nordnet's customer offering. There is also a risk that competitors which operate locally in Sweden, Norway, Denmark or Finland will expand their operations to other Nordic countries or that non-Nordic parties expand their businesses to one or more of the Nordic countries. This could increase competition and have adverse effects on Nordnet's market share and profitability in such countries. International platforms for savings and investments operating according to a business model similar to Nordnet's may enter the Nordic markets and further increase the competition. Existing or new competitors may also launch new products or price models, which could have price-

pressuring effects. There are also a growing number of financial technology companies that may offer competing niche digital products, such as saving accounts and personal finance management apps.

To achieve its strategic objectives and to remain competitive, Nordnet must continue to develop and enhance its platform and customer offering, including its product offering, costs of product, user experience and support services, and improve its positive reputation and customer satisfaction, which may require the development of IT solutions and systems, either internally or through independent consultants.

Nordnet operates within the broader financial services market and any actual or perceived deterioration of financial services or financial institutions could have an adverse effect on its business and results of operations

Due to the high level of interdependence between financial institutions, Nordnet is subject to the risk of deterioration of the actual or perceived commercial and financial soundness as well as the trust in financial institutions and capital markets in general. A default or financial difficulties of one financial institution may have negative consequences for other financial institutions and may lead to liquidity problems, losses, defaults or worsening of general economic climate across the markets in which Nordnet operates. Such developments may also negatively affect the trust in the financial system and the financial markets in general, which could adversely affect interest in savings and investments. Any of the above could have an adverse effect on Nordnet's business and its results of operations.

Risks related to Nordnet's business and operations

System failures, delays in services, catastrophic events and interruptions in the availability of Nordnet's products or services and loss or disclosure of customer data could harm Nordnet's business and brand and subject Nordnet to liability and sanctions

As its digital platform for savings and investments is at the core of its business, Nordnet's most significant operational risk relates to its information and communications technology ("ICT") systems. Nordnet's success is highly dependent on seamless operations and platform availability and relies heavily on software, technology systems and infrastructure to provide its products and services to its customers. Nordnet's ICT systems process large amounts of data and transactions, many of which are carried out in real time. The speed, quality and reliability of the ICT systems and infrastructure are fundamental to Nordnet's operations.

Nordnet's systems and operations are potentially vulnerable to damage, breakdown or interruption from events, some of which are beyond Nordnet's control, such as fire, flood and other natural disasters, power losses, telecommunications or data network failures, improper or negligent operation by Nordnet's service providers, or unauthorised physical or electronic access and different violations of system integrity (including as a result of cyber-attacks by computer hackers or viruses as further described below under "*Nordnet's operations are exposed to cyberattack threats and other external threats* " and other types of security incident). Modifications or upgrades to any information technology systems, including those provided by third parties, could result in an interruption to Nordnet's business. The continued growth of Nordnet and isolated events causing a spike in demand for Nordnet's services could result in a failure of Nordnet's systems to cope with the capacity pressures placed on them.

Insufficient or failed protection systems, technical error, fraud, or external events that cause interruptions to the business operations may, for example, also result in the loss of data. To retrieve or recreate a large amount of customer data would be expensive as well as time-consuming and such loss could potentially damage Nordnet's reputation. The interruption or failure of Nordnet's information technology and other systems may impair Nordnet's ability to provide its services effectively, resulting in direct financial loss which may compromise Nordnet's strategic objectives. Technological failure or underperformance could also increase Nordnet's litigation exposure or require it to incur higher administrative costs, including remediation costs.

Moreover, banks and insurance undertakings are subject to extensive requirements in relation to IT and information security, including the Swedish Financial Supervisory Authority's (the "**Swedish FSA**") (*Finansinspektionen*) regulations and general guidelines (FFFS 2014:5) regarding information security, IT operations and deposit systems, European Banking Authority (the "**EBA**") guidelines on ICT and security risk management (which came into force on 30 June 2020) and the Commission Delegated Regulation (EU) 2015/35. A failure to comply with EU regulations, EU guidelines and Swedish regulations could result in sanctions, including administrative fines, from the Swedish FSA and other regulatory authorities in markets

in which Nordnet operates, and have an adverse impact on Nordnet's brand, reputation, business and results of operations.

Nordnet's operations are exposed to cyberattack threats and other external threats

The cyber threat to the financial technology sector in general is extensive and Nordnet's operations are thus exposed to cyberattacks, insider attacks and fraud. Failure or circumvention of Nordnet's data and cyber security measures could result in infringements or a loss of data. Such losses could be the result of, for example, denial-of-service or other interruptions, viruses, spyware or other unauthorised access or damage to Nordnet's systems or data (including confidential or proprietary information about Nordnet, third parties with whom Nordnet does business and customers that use Nordnet's products, or investment holding data) as well as other malware in or sabotage of Nordnet's systems. Techniques used to obtain unauthorised access to, or sabotage, systems and data change frequently, are becoming ever more sophisticated and may not be known until launched against Nordnet or its third-party service providers. Nordnet may be unable to anticipate such incidents or may not have adequate preventative measures (including those which would enable it to recover from such an incident) in place. An incident could significantly disrupt Nordnet's operations, damage Nordnet's reputation, expose Nordnet to a risk of loss, administrative fines, sanction or litigation and expose Nordnet to the liability and loss suffered by customers. Any such incidents may also cause Nordnet to incur significant expenditure and may divert the attention of the Board and executive management team from the day-to-day management of Nordnet in order to resolve problems caused by such incidents.

Nordnet may be affected by mistakes and/or misconduct by its personnel, including non-compliance with internal and external rules and procedures

In addition to ICT and information security risks, Nordnet is exposed to operational risks related to human errors, employee misconduct, lack of efficient and adequate internal control procedures and insufficient knowledge and experience among its personnel. For example, Nordnet has previously, and may in the future, experience instances of human error and internal fraud. Its internal processes to detect such issues have in the past, and may again in the future, fail to detect and address such issues.

Nordnet's reputation is one of its most important assets of the Group. Its relationships with its customers, financial institutions, counterparties, investors and other significant market participants are of significant importance to its business. Nordnet operates in a heavily regulated industry where integrity, trust and confidence of customers are paramount. Nordnet's personnel have in the past, and may in the future, make errors or omissions during the course of providing Nordnet's services, make misrepresentations, breach applicable laws or regulations in the course of their duties or engage in other improper acts. While Nordnet is a digital platform, certain of its operations require manual input and in the past Nordnet employees have, occasionally, made errors related to such procedures. Similar acts or omissions by Nordnet's personnel could lead to financial losses for customers, litigation, sanctions and thereby reputational damage.

The COVID-19 pandemic has resulted in Nordnet modifying its operational practices in 2020 and throughout the first nine months of 2021, including implementing remote work for a significant portion of the Group's employees. These temporary changes in operational practices may increase the risk for manual errors and those could, particularly if they were to occur recurrently, adversely affect Nordnet's customers and Nordnet's reputation, and could also, as such, adversely affect Nordnet's business and results of operations.

Nordnet's revenue growth, including the recent step-up in growth, may prove difficult to maintain over time, depending on investor sentiment and market conditions

During the nine months ended 30 September 2021 the total operating income and operating profit increased by 43% and 75%, respectively, compared to the nine months ended 30 September 2020. The increased total operating income, operating profit and income in relation to savings capital during the nine months ended 30 September 2021 are attributable to, *inter alia*, increased trading activity among existing customers, the acquisition of new customers and increased net savings. Increased trading activity and customer behaviour is likely the result of many different contributing factors, whereof one is that digital business models have, in general, benefitted from the specific conditions following the outbreak of the COVID-19 pandemic. The appeal of online trading and the stock market conditions may decline in the future, which may have a negative effect on Nordnet's commission income and operating profit. A longer period of negative price developments on the Nordic stock markets may also result in less interest among Nordic consumers in

securities as a savings and investment alternative and thus have a negative impact on Nordnet's future growth, see also *"A deterioration of the regional or global macroeconomic conditions could adversely affect Nordnet's business and results of operations"*.

Nordnet is dependent on key employees and sufficient personnel with necessary competence

Nordnet's operations are, to a large extent, dependent upon the experience, skills and knowledge of its key employees who are the architects and implementers of Nordnet's strategy. Such employees are also important to its ability to attract and retain its customers, business and staff. Nordnet has in the past and may continue in the future to face high staff turnover, which could impact Nordnet's corporate culture. The loss of a significant number of key employees, or the inability to recruit experienced, qualified and trained staff, as needed, may cause disruption to Nordnet's business, which could have an adverse effect on Nordnet's development and growth, and in turn on the results of operations.

The increasingly complex regulatory environment places heavy demands on compliance and competence which requires adequate knowledge and experience in various areas of expertise (see *"Nordnet operates in a regulated industry and may be subject to supervisory investigations or enforcement actions in the countries in which it operates. Changes in the legal and regulatory environment in which Nordnet operates could have an adverse effect on its business"*). The complex regulatory environment also entails a high demand for trained and experienced personnel throughout the organisation to ensure compliance with applicable external and internal rules and respond to changes in such regulations. Should Nordnet be unable to retain or attract suitable and sufficient personnel it could increase the risk of human errors, misconduct and non-compliance with applicable regulations (see also *"Nordnet may be affected by mistakes and/or misconduct by its personnel, including non-compliance with internal and external rules and procedures"*).

Nordnet relies on third party services, licences and agreements for a variety of Nordnet's services and products, and these parties' failure to perform these services, provide these licences and adequately adhere to these agreements could adversely affect Nordnet's business

Nordnet uses third-party systems and solutions to operate its business and provide its products and services to its customers. For example, Nordnet is dependent on third-party systems, services and solutions in relation to its back office function, sale of credits, electronic identification of customers, certain trading facilities, data centres for running the website, cloud services and connectivity to exchanges, among others. Failures by such parties to perform and provide their services may result in Nordnet failing to provide its services and products to its customers or expose Nordnet to legal and financial risks. Nordnet has previously experienced such failures among its service providers and some of these failures have caused significant interruptions to Nordnet's provision of services. Consequently, Nordnet has taken measures in order to avoid similar failures going forward, including by replacing the third party provider in question or enhancing its diligence in relation to third party services. However, there are no assurances that such new third party providers, or other existing third party providers, will not fail in their provision of services or make other mistakes or omissions that cause new interruptions or other errors for Nordnet and its customers.

Moreover, Nordnet collaborates with third parties in its product offering, such as J.P. Morgan and E. Öhman J:or Fonder AB ("**Öhman Fonder**") (subsidiary of E. Öhman J:or AB) in its fund offering (see *"The performance of Nordnet branded funds may adversely affect Nordnet's brand and reputation, the commission received by Nordnet, its growth and ability to attract future customers and investments"*), ISEC in relation to launching a fund company, Citigroup in relation to the securities lending programme, the insurance company Bliwa for its risk insurance offering, Nordea in relation to the provision of Nordnet branded ETPs, and SEB for currency exchanges. How well these products function or perform will depend, in part, on the performance of the third party with which Nordnet collaborates. It may be difficult for Nordnet to replace these relationships or seek alternative relationships on commercially reasonable terms and any need to do so may be time consuming and result in interruptions to Nordnet's business. Nordnet's use of business outsourcing partners also exposes Nordnet to reputational risks. The failure of Nordnet's third party providers to perform their services according to Nordnet's standards, as well as any potential deterioration in, or loss of, any key relationships may have an adverse effect on Nordnet's business, results of operations and financial condition. Furthermore, the businesses Nordnet partners with could fail to comply with applicable laws and regulations or fail to otherwise provide their agreed services to Nordnet. To the extent these third parties violate laws, other regulatory requirements or their contractual obligations

to Nordnet, or otherwise act inappropriately in conducting their business, Nordnet's business and reputation may be negatively affected or penalties could be imposed on Nordnet directly.

Furthermore, there is a risk that Nordnet's methods and procedures for reviewing and overseeing its outsourcing partners and other third parties, including how they operate their businesses, may prove to be insufficient and therefore does not detect the occurrence of any violations for a substantial period of time, which could exacerbate the effect of such violations. Where outsourcing is subject to regulatory requirements, Nordnet also needs to comply with several different regulations, including new guidelines from EBA (entered into force in September 2019), which entail additional requirements regarding, *inter alia*, pre-outsourcing analysis, register of contracts or exit strategies, among others. Non-compliance with applicable regulations related to outsourcing, loss of third-party relationships, or the third parties' failure to adhere to regulatory or contractual requirements, could have an adverse effect on Nordnet's business, results of operations and financial condition.

The performance of Nordnet branded funds may adversely affect Nordnet's brand and reputation, the commission received by Nordnet, its growth and ability to attract future customers and investments

Nordnet offers its customers a wide range of funds that are managed by a great variety of mutual fund companies. Customers may select their own funds from approximately 2,500 passive or actively managed funds. Some of these funds are provided by third parties but offered to Nordnet's customers under Nordnet's brand such as Nordnet's index funds. In the event that Nordnet branded funds were to perform unsatisfactorily, in particular in relation to the relevant index, this may make it difficult for such funds to attract further investments. Poor performance by Nordnet branded funds, failure to track the price development in a certain industry or among comparable products or to otherwise perform according to customers' expectations may deteriorate Nordnet's brand among customers and other investors or cause criticism of Nordnet, see also "*Nordnet is exposed to complaints, claims and negative publicity*". Performance of Nordnet branded funds is also regularly ranked such as by Morningstar and measured against the performance of competitors' funds and where these perform comparably better, this may have an adverse effect on Nordnet's brand, business and reputation, and in turn on its growth.

Political decisions and changes in the legislative environments in which Nordnet operates may affect the demand for Nordnet's products and services

Nordnet's business is dependent on customers' willingness to save and invest in shares, funds and other products offered by Nordnet, including its offering within pensions, as well as customers' willingness and ability to use Nordnet's products generally and specifically for their pension savings. Customers' behaviour in relation to investments will depend on how favourably tax policy treats such investments, among other factors. Tax treatment of savings, investments and pensions may vary over time and may differ in the countries in which Nordnet operates. For example, in 2012 the savings account type referred to as investment savings account (*investeringssparkonto*) (ISK) was launched in Sweden (with similar account types offered in Norway and Finland since 2017 and 2019, respectively). The ISK has simplified and made the buying and selling of shares and other securities more tax efficient, which has had a positive impact on Nordnet's business and growth. However, a limitation of saving amounts on ISK in Sweden as indicated by certain political parties would, if actually implemented, have a negative impact on Nordnet's business and growth. If the current tax treatment or transfer rights regarding pensions are revised or new regulations affecting investments and savings in general are imposed, Nordnet may lose customers or struggle to attract new customers to its product offering, which could have an adverse effect on Nordnet's future growth and operational profit.

Nordnet may fail to reach its targets

Nordnet has set a business plan for the period from 2021 to 2023 and established new targets for that period and strategies to reach the targets. The targets focus on customer satisfaction, customer growth, operating expenses, pay-out ratio and also address income in relation to savings capital and savings capital per customer. Nordnet's ability to reach its targets will depend on a variety of factors which are to some degree within its control, such as its ability to continue to grow its customer base, quality of digital channels, price levels, customer support and corporate culture, as well as factors outside of its control, see for example "*A deterioration of the regional or global macroeconomic conditions could adversely affect Nordnet's business and results of operations*". Further, these objectives and targets have been established on the basis of certain assumptions in respect of the future impact. These include expansion of the Nordnet's current

market, retention of customers and customer acquisition, development of its platform, interest rate development, regulatory development, access to financial markets, key partner relationships, relative revenue contribution, new product and service launches, personnel and IT software and equipment needs, marketing and customer acquisition costs and competitive landscape. In addition, Nordnet's estimates and assumptions regarding the pace and direction of the savings and investment markets may be flawed or based upon incorrect projections of sustained customer behaviour and demand. Failure by Nordnet to implement the required strategies to reach its targets in a timely and effective manner may adversely affect its business and results of operations. Moreover, Nordnet's targets contain forward looking statements. Such forward looking statements are not guarantees of future financial performance and Nordnet's actual results could differ materially from those expressed or implied by these forward looking statements as a result of many factors, including but not limited to those described above. Investors are recommended not to place undue reliance on any of these statements.

Nordnet is exposed to complaints, claims and negative publicity

The provision of financial services is heavily regulated in all countries in which Nordnet operates (see "*Nordnet operates in a regulated industry and may be subject to supervisory investigations or enforcement actions in the countries in which it operates. Changes in the legal and regulatory environment in which Nordnet operates could have an adverse effect on its business*"). Nordnet has in the past and may in the future be subject to complaints or claims from customers in the ordinary course of business. If a large number of complaints involving substantial losses for customers were upheld against Nordnet, finding that Nordnet did not discharge its duties properly or otherwise not provided its products or services in accordance with applicable rules and regulations, it could have an adverse effect on Nordnet's business and results of operations.

Nordnet's reputation among, and relationship with, its customers and other market participants is crucial to its business. Nordnet has experienced negative publicity in newspapers and on social media platforms, such as Twitter, in relation to, *inter alia*, certain products and services. Such publicity, even if unfounded, exposes Nordnet to reputational risk not only in relation to the criticised products and services but also in relation to Nordnet as a brand. Such negative publicity could be detrimental to the attractiveness of Nordnet's products and services and could have an adverse effect on Nordnet's revenues and future growth.

Risks related to Nordnet's financial situation

Nordnet is subject to capital and liquidity ratio requirements and must have adequate capital and liquidity buffers

Nordnet Bank AB ("**Nordnet Bank**"), Nordnet Consolidated Situation, Nordnet Pensionsförsäkring AB ("**Nordnet Pension**"), Nordnet Livsförsäkring AS ("**Nordnet Livsförsäkring**") and Nordnet's insurance group are subject to capital adequacy and liquidity regulations, which aim to put in place a comprehensive and risk-sensitive legal framework to ensure enhanced risk management among financial institutions and insurance companies.

Regulations which have impacted Nordnet and are expected to continue to impact the Nordnet include, among others, the Basel III framework, the EU Capital Requirements Directive 2013/36/EU ("**CRD IV**"), as amended by Directive (EU) 2019/878 ("**CRD V**"), and the EU Capital Requirements Regulation (EU) No. 575/2013 ("**CRR**"), as amended by Regulation (EU) 2019/876 ("**CRR II**"), the Solvency 2 Directive 2009/138/EC and the Solvency 2 Regulation (EU) 2015/35 (collectively, "**S2**").

Nordnet must at all times meet the capital requirements set out in CRD IV, CRR, and S2. CRD IV, CRR and S2 are supported by a set of binding technical standards developed by the EBA and the EIOPA, respectively. The regulatory framework will continue to evolve and any changes could have a material impact on Nordnet's business.

The capital adequacy framework includes, *inter alia*, minimum capital requirements for the components in the capital base with the highest quality, common equity tier 1 ("**CET1**") capital, additional tier 1 capital and tier 2 capital. CRR II also includes a binding leverage ratio requirement (i.e. a capital requirement independent from the riskiness of the exposures, as a backstop to risk-weighted capital requirements) for all institutions subject to the CRR. In addition to the minimum capital requirements, CRD IV provides for

further capital buffer requirements that are required to be satisfied with CET1 capital. Certain buffers may be applicable to Nordnet as determined by the Swedish FSA.

The countercyclical buffer rate is a capital requirement which varies over time and is to be used to support credit supply in adverse market conditions. On 16 March 2020 the countercyclical capital buffer for Sweden was lowered from the previous 2.5 per cent. to 0 per cent. as a pre-emptive measure to avoid a credit crunch due to the developments surrounding the coronavirus pandemic and the spread of the coronavirus and their impact on the economy. On 29 September 2021, the Swedish FSA communicated that they will increase countercyclical buffer to 1 per cent, which will apply from the 29 September 2022. The countercyclical buffers in Norway and Denmark will also be increased during 2022, to 1.5 per cent and 1 per cent respectively, which will increase Nordnet's overall capital requirement since a portion of Nordnet Bank's exposures is originated in these Nordic countries. A breach of the combined buffer requirements is likely to result in restrictions on certain discretionary capital distributions by Nordnet, for example, dividends on CET1 and coupon payments on tier 1 capital instruments. The Swedish FSA has decided that Nordnet shall have a Pillar 2 Guidance for Leverage Ratio of 0.9 per cent. This is not to be compared with the minimum requirement of 3 per cent, and a violation of the Pillar 2 Guidance does not automatically lead to consequences such as restrictions in dividends. The Swedish FSA has the possibility to intensify its follow-up or decide on a Pillar 2 requirement if the Pillar 2 Guidance is violated on multiple occasions. This relates primarily to the introduction of leverage ratio requirements and changes in the application of Pillar 2 requirements, as well as the implementation of Pillar 2 guidance and the application of the capital buffers.

The conditions of Nordnet's business as well as external conditions are constantly changing and the full set of capital adequacy rules applicable continues to evolve. For the foregoing reasons, Nordnet and/or its consolidated situation or insurance group can potentially be required to raise additional capital in the future. Such capital, whether in the form of debt financing, hybrid capital or additional equity, is not always available on attractive terms, or at all. If Nordnet is required to make additional provisions, increase its reserves or capital, or exit or change its approach to certain operations as a result of, for example, the initiatives to strengthen the regulation of credit institutions, this would adversely affect its results of operations or financial condition or increase its costs, all of which may adversely affect the Nordnet's ability to raise additional capital and make payments under instruments such as the Notes.

Serious or systematic deviations by Nordnet from the above regulations would most likely lead intervention by regulators or the imposition of sanctions. Further, any increase in the capital and liquidity requirements could have a negative effect on Nordnet's liquidity (should its revenue streams not cover continuous payment to be made under its issued capital), funding (should it not be able to raise capital on attractive terms, or at all), financial condition (should liquidity and funding be negatively affected) and results of operations (should its costs increase). The degree to which regulatory capital and liquidity requirements risks may affect Nordnet is uncertain and presents a highly significant risk to Nordnet's funding and liquidity position.

Nordnet is exposed to interest rate risks

Interest rate risk is the risk that the fair value of, or future cash flows emanating from, a financial instrument will vary as a result of changes in market interest rates. Nordnet is exposed to interest rate risk in the form of price and cash flow risk arising from maturity imbalances between assets and liabilities and in changes in the value of assets due to market interest rate fluctuations. Nordnet offers its customers credits at variable interest rates, and these credits are mainly financed by deposits from customers at variable interest rates. A deterioration of Nordnet's net interest position due to an unfavourable change in the market could have an adverse effect on Nordnet's results of operations where Nordnet's strategies to reduce the interest rate risk, such as hedging, prove to be inefficient or insufficient.

Nordnet is exposed to the risk that the fair value of the liquidity portfolio is affected by changes in the credit spread. The liquidity portfolio is actively managed by Nordnet's treasury team, where surplus liquidity primarily is invested in municipal bonds, covered bonds and investment grade papers. The excess liquidity creates interest rate risks, since a change of market rates may lead to losses from these investments.

Based on the interest bearing assets in Nordnet as of 30 of September 2021 which are re-evaluated to fair value, a negative one (1) percentage point change in the market interest rate would have a SEK 51 million impact on the Company's equity. With a liquidity of SEK 51 billion, a negative one (1) percentage point change in the market interest rate, could have an annual effect of SEK 510 million on operating profit, not taking into account any corresponding changes to the interest rate made in relation to the deposit customers.

Nordnet is exposed to currency risk

Currency risk is the risk that the fair value of, or future cash flows emanating from, a financial instrument fluctuates from changes in foreign exchange rates. Nordnet's functional currency is SEK and Nordnet's primary currency exposure is to NOK, DKK and EUR. Currency-based earnings arise primarily from customers' currency exchange in connection with cross-border trading. Unfavourable exchange rate movements could have an adverse effect on Nordnet's results of operations. The exposure typically arises intra-day, as Nordnet only holds minor flow-related currency positions over more than one banking day. As of 30 September 2021, the Group's total net exposure in foreign currency amounted to SEK 695 million. An unfavourable exchange rate development of 10% in each currency entails an effect of approximately SEK 69 million, which would be charged against operating profit by SEK 69 million.

Nordnet is exposed to credit risk and risks relating to counterparties and adverse changes in the credit quality of Nordnet's customers

Credit risk is the risk of financial loss to Nordnet if a customer or counterparty to a financial instrument or otherwise fails to meet its contractual obligations. Nordnet's exposure to credit risk arises primarily in the granting of credit to bond issuers and to Nordnet's customers. Nordnet could incur losses if the borrowers are not able to meet their payment obligations and where any securities provided as collateral do not cover Nordnet's claims against borrowers. Nordnet's granting of credit in the form loans consists of margin lending across its four geographic markets, as well as mortgages and personal loans in Sweden. Margin lending consists of lending against collateral in market-listed shares and fund units. As of 30 September 2021, the total provisions for expected credit losses amounted to SEK 110.4 million and during the nine month ended 30 September 2021, Nordnet's net credit losses amounted to SEK 23.9 million. There is a risk that the total provisions for expected credit losses and actual credit losses will increase as a result of a depressed job market.

Nordnet's credit risk exposure also comprises counterparty risks. Counterparty risks, defined as the risk that a counterparty in a financial transaction is unable to fulfil its commitments and thereby causes a loss for the other party, primarily arise in the handling of Nordnet's liquidity portfolio, but also occur in the customers' securities trading.

Adverse changes in the credit quality of Nordnet's customers, counterparties or any security that has been provided as collateral could affect the recovery and value of Nordnet's assets, which may in turn require an increase in provisions made for bad and doubtful debts and other provisions, and result in adverse effects on Nordnet's results and financial position.

Nordnet is subject to risks relating to its insurance products, including the actuarial calculations

Nordnet is subject to risks relating to its insurance products by way of, for example, risk for losses as a result of unexpected changes in operational costs, customer behaviour and demographical changes. The risks may be realised if the cost of satisfying its insurance obligations were to increase more than expected or if policyholders transfer or repurchase their insurance to a greater extent than expected. Further, the insurance portfolio is to some extent exposed to mortality risks. This is mainly relevant for endowment insurances, as 101% of the insured capital is paid to the survivor the event of death. The total risk amount is limited in this sense, but individual mortality insurance payments can give rise to differentiating risk results for each specific year.

Insurance products have an indirect exposure to market risks as Nordnet's revenue is in part related to the savings capital. However, Nordnet's products consist of fund- and custodian insurances where the policyholder or the insured bears the risk for the investment and the direct exposure to market risk is therefore limited.

Nordnet is subject to rules regarding, *inter alia*, the calculation of technical provisions, including the underlying assumptions and methods, data quality and the documentation of the actuarial calculations (*Försäkringstekniskt beräkningsunderlag*). A failure to comply with these rules may lead to sanctions and have a negative impact on Nordnet's reputation.

Uncertainties regarding the transition away from or possible discontinuance of the London Inter-Bank Offered Rate ("LIBOR") or other interest rate benchmark could have adverse consequences for market participants, including Nordnet

LIBOR is extensively used as a "benchmark" or "reference rate" across various financial products and markets globally. The U.K. Financial Conduct Authority (the "FCA") has raised questions about the future sustainability of LIBOR, and, as a result, the FCA obtained voluntary panel bank support to sustain LIBOR only until 2021, and LIBOR is expected to be discontinued as early as 1 January 2022. In addition, following guidance provided by the Financial Stability Board, other regulators have suggested reforming or replacing other benchmark rates with alternative reference rates. For example, the Swedish Bankers' Association (*Bankföreningen*) has published a consultation on STIBOR fallbacks and the Swedish National Bank (*Riksbanken*) has recommended that market participants should switch to using the transaction-based SWESTR (Swedish krona Short Term Rate) instead of STIBOR at its shortest maturity. Also, in May 2021 the EUR Working Group issued its recommendations on trigger events for fallbacks in EURIBOR-related contracts and €STR-based fallback rates that could be used if a EURIBOR fallback is triggered.

Accordingly, the transition away from and discontinuance of LIBOR or any other benchmark rate may cause various uncertainties, risks and challenges to financial markets and institutions, including Nordnet. These include, *inter alia*, the pricing, liquidity, value of, return on and market for financial instruments and contracts that reference LIBOR or any other applicable benchmark rate.

Nordnet holds various securities or products using different reference rates, including, *inter alia*, EURIBOR, STIBOR, NIBOR, CIBO, LIBOR and CITA, in its liquidity portfolio. The transition away from and discontinuation of LIBOR, or any other applicable reference rate, presents operational, financial and other risks to Nordnet. For example, a LIBOR transition can entail various challenges related to the contractual mechanics of existing floating rate financial instruments and contracts that reference any such reference rate as a benchmark. Many, but not all of these instruments and contracts, provide for fall-back structures with alternative benchmark rates, which may make it unclear what the future benchmark rates would be after the cessation of LIBOR, or any other reference rate, in relation to these instruments. Even if the instruments and contracts provide for a transition to alternative benchmark rates, the new benchmark rates may differ from the prior rates. As a result, Nordnet may need to proactively address any contractual uncertainties or rate differences in such instruments and contracts, which would likely be both time consuming and costly.

Changes in the value of Nordnet's goodwill could adversely impact Nordnet's results of operations

As of 30 September 2021, Nordnet's goodwill amounted to SEK 637,0 million, of which SEK 436,1 million related to the acquisition of Netfonds Bank AS and Netfonds Livsforsikring AS in 2019. Goodwill represents the surplus between the acquisition value, the business combination and the net fair value of an acquired entity. Goodwill has an indefinite tenor and the value of the recognised goodwill is therefore tested at least once a year to determine whether the asset may be impaired. Deviations from Nordnet's assumptions of future growth and profitability may lead to impairment in conjunction with future tests concerning changes in goodwill values, which could adversely affect Nordnet's results of operations and financial condition.

Legal and regulatory risks**Nordnet operates in a regulated industry and may be subject to supervisory investigations or enforcement actions in the countries in which it operates. Changes in the legal and regulatory environment in which Nordnet operates could have an adverse effect on its business**

Nordnet's operations are subject to legislation, regulations and codes of conduct, among others, in all the countries in which it operates (Sweden, Norway, Denmark and Finland), whether through a subsidiary or a subsidiary branch and in relation to the products it markets and sells. Three of Nordnet's subsidiaries, Nordnet Bank, Nordnet Pension and Nordnet Livsforsikring, conduct highly regulated activities and are supervised by the Swedish FSA or the Norwegian Financial Supervisory Authority (*Finanstilsynet*) (the "Norwegian FSA"), as applicable. During the nine months ended 30 September 2021 36.1% of

Nordnet's operating income related to the business in Sweden, 20.6% to the business in Norway, 23.8% to be business in Denmark and 19.6% to the business in Finland. Therefore, Nordnet's business is dependent on the regulatory environment in these countries.

Nordnet Bank, as a Swedish bank and investment firm, Nordnet Pension, as a Swedish insurance company, as well as the consolidated Group, including, the insurance group and the financial conglomerate as a whole, are subject to supervision by the Swedish FSA with regard to, *inter alia*, solvency and capital adequacy, as well as rules on internal governance and control. At the end of March, it was announced that the Swedish FSA decided to conduct an investigation of Nordnet Bank AB regarding internal governance and control in relation to the Regulation (EU) 236/2012 on short selling and certain aspects of credit default swaps. The background of the investigation is short-selling transactions that were conducted by customers in Nordnet Bank in a listed company in February 2021. Due to those short-selling transactions, the Swedish FSA wants to review Nordnet's internal procedures and processes for short selling and their application. Nordnet has sent the Swedish FSA the material requested, and a meeting has been held between the parties. The review is ongoing and to the date of this Prospectus the outcome is not known.

As a result of conducting consumer operations on a cross-border basis in various countries, consumer agencies, financial supervisory authorities, and other authorities in these countries have jurisdiction over many aspects of Nordnet's business, including marketing and selling practices, remuneration models, advertising, general terms of business and legal debt collection operations. Nordnet is also subject to EU regulations with direct applicability and EU directives that are implemented through local legislation. In the event of a failure to comply with the applicable rules for the regulated businesses, the licences for Nordnet's subsidiaries granted by the Swedish FSA and Norwegian FSA may ultimately be revoked and such subsidiaries would therefore be required to discontinue all its regulated business operations. Operating in a highly regulated environment not only exposes Nordnet to the risk of monetary fines and other penalties, but also entails significant costs and resources to implement, adapt, monitor and otherwise manage the operations in accordance with applicable rules as they evolve, including but not limited to the General Data Protection Regulation ("GDPR"), anti-money laundering regulations and EU Directive 2014/65/EU on markets in financial instruments ("MiFID II").

In recent years, partly as a response to the 2008 financial crisis, banking, investment and insurance businesses have become subject to increased regulation on an EU level and the regulatory landscape is continuously evolving. New, amended or repealed laws and regulations, regulatory ordinances, guidelines and codes of conduct could, in addition to leading to increased complexity and higher demands on Nordnet's legal and control functions and the business in general, also impose restrictions on how Nordnet operates its business, which could have an adverse effect on Nordnet's earnings. Nordnet is unable to predict what regulatory changes will be imposed in the future as a result of regulatory initiatives in the EU, by the Swedish FSA, the Norwegian FSA, the EBA, the European Securities Market Authority (ESMA), the European Insurance and Occupational Pension Authority (the "EIOPA"), or by any other authorities and agencies. Failure to comply with applicable laws and regulations or adapt to changes in the legal and regulatory environment may subject Nordnet or its subsidiaries to administrative fines and other penalties, which could have an adverse effect on Nordnet's reputation, business, financial condition and results, and ultimately result in the revocation of licences held by Nordnet's subsidiaries.

Nordnet's business is subject to anti-money laundering and terrorist financing ("AML"/"CTF") regulations and Nordnet or its subsidiaries may fail to comply with these and be exposed to risk of substantial sanctions

Nordnet's business is subject to AML and CTF laws as well as other regulations in each of the Nordic countries it operates in, which requires subsidiaries of Nordnet to take actions in order to counteract money laundering and terrorist financing. In order to comply with the framework, Nordnet needs to establish and maintain substantial procedures, internal control functions and guidelines to identify and counteract money laundering and terrorist financing. Nordnet has been operating its business since 1996 and as of 30 September 2021 Nordnet had approximately 1,537,200 customers in Sweden, Norway, Denmark and Finland combined. Nordnet's legacy from operating a regulated financial business for a long time combined with having a substantial number of private persons as customers in different countries enhances the exposure to compliance risk for Nordnet. These exposures to compliance risk relate to, *inter alia*, know-your-customer ("KYC") procedures as Nordnet has both a large amount of passive customers who have not been active in a long time, and also a large inflow of new customers where Nordnet needs to have efficient KYC procedures in place. Operating in various countries also increases the risk of failure to

comply with applicable AML/CFT regulations as KYC procedures may not be tailored in the exact same way in all jurisdictions due to technical, customer behavioural and regulatory differences between the countries. Consequently, Nordnet's business is subject to heavy demands on KYC-processes, transaction monitoring, terrorist financing screening and other related activities and assessments by Nordnet. As a result, it is both costly and time-consuming for Nordnet to comply with the applicable AML/CFT regulations and requires Nordnet to have competent, experienced and sufficient personnel resources and adequate internal control procedures, see also "*Nordnet is dependent on key employees and sufficient personnel with necessary competence*" and "*Nordnet may be affected by mistakes and/or misconduct by its personnel, including non-compliance with internal and external rules and procedures*". The demands referred to above have become even stricter over the past years, which has gradually led to increased complexity.

Nordnet may fail, currently or in the future, to be compliant with applicable laws and regulations on money laundering and terrorist financing due to, among other things, failures within internal processes, human errors and failure by third parties to which Nordnet have outsourced certain processes. Failure to comply with the applicable laws and regulations could result in sanctions, remarks or warnings, fines or other punitive measures and ultimately lead to Nordnet's subsidiaries' licences being revoked. There is also a risk that business relationships and Nordnet's reputation would be damaged. Accordingly, failure to comply with AML and terrorist financing legislation and regulations could have an adverse impact on Nordnet's business, results of operations and financial condition.

Nordnet processes a large amount of personal data and may fail to comply with the EU General Data Protection Regulation and thereby be exposed to the risk of substantial monetary sanctions

As part of Nordnet's business operations, Nordnet processes large amounts of personal data on a daily basis, primarily in relation to the customers' use of Nordnet's services. The EU has adopted the GDPR, which regulates the protection of natural persons with regard to the processing of personal data and on the free movement of such data. GDPR governs Nordnet's ability to obtain, retain, share and otherwise process customer data. Nordnet's compliance with GDPR is subject to supervision by national data protection authorities. These authorities may, from time to time, review or audit Nordnet's data protection practices. Nordnet may not be compliant with the GDPR due to, among other things, shortcomings in internal processes, human errors and failures related to Nordnet's IT systems. Failure to comply with GDPR could subject Nordnet to a substantial monetary fine, including administrative fines up to the greater of EUR 20 million or 4.0% of the Group's total global annual turnover, which could lead to Nordnet having to make sizable provisions to cover such potential penalties and may damage Nordnet's market standing and financial position, as well as negative publicity in the media.

On 16 July 2020, the European Court of Justice announced its judgment in case C-311/18 (the "*Schrems II case*") concerning the permissibility of transferring personal data from parties established within the EU to so-called "third countries" (countries outside the EU). The decision means that the certification that companies have previously been able to rely on when transferring personal data to the US, the so-called "Privacy Shield" was declared void with immediate effect. The ruling also states that EU standard contractual clauses approved by the European Commission constitute an appropriate safeguard measure for the processing of personal data in third countries, provided that in combination with other safeguard measures it is possible to ensure that the legal regime does not stand in the way of an adequate level of protection. Nordnet has continuously monitored the legal situation and evaluated the need for supplementary measures in connection with the ruling.

Nordnet relies on its licence to conduct banking and financing business and its licence to conduct securities business; a loss of these licences could adversely affect Nordnet's business

The Swedish Banking and Financing Business Act (2004:297) (*lagen om bank- och finansieringsrörelse*) (the "**BFBA**") and the Swedish Securities Markets Act (2007:528) (*lagen om värdepappersmarknaden*) (the "**SMA**") requires all Swedish companies that conduct banking and financing business or securities business to hold a valid licence granted by the Swedish FSA. Nordnet Bank's banking licence has an indefinite duration, but may under certain circumstances be revoked by the Swedish FSA. Pursuant to the BFBA and SMA, the Swedish FSA must intervene if Nordnet Bank violates its obligations under the BFBA and SMA, other regulations governing its business, its articles of association or other policy documents issued pursuant to provisions governing Nordnet Bank's banking operations. The Swedish FSA may then

issue an order to limit or reduce the risks of the operations in some respect and in cases of material violations, the Swedish FSA can, as an ultimate measure, revoke the licences, following which the banking business will have to be wound up. A decision to revoke the licenses may be combined with an order to immediately cease to conduct the business. If deemed sufficient, taking into consideration, *inter alia*, the nature, gravity, duration and potential effects of the violation on the financial system, the Swedish FSA can, instead of revoking Nordnet Bank's banking licences, issue a warning. Remarks and warnings may be combined with monetary fines, the maximum of which shall be the highest of EUR 5 million, 10% of the company's or the Group's annual turnover or two times the cost avoided or profit realised from the violation, where such amount can be ascertained. Nordnet's operations are contingent upon the banking licence issued to Nordnet Bank. The loss of the licences will require Nordnet Bank to cease its banking operations which would jeopardise Nordnet's future existence. If Nordnet Bank is subject to sanctions, remarks or warnings and/or fines imposed by the Swedish FSA, it could cause significant, and potentially irreparable, damage to the reputation of Nordnet and, as a result could have an adverse effect on Nordnet's business, results of operations and financial condition.

Nordnet relies on a Swedish insurance business licence to conduct certain operations and loss of this licence could adversely affect Nordnet's business

The Swedish Insurance Business Act (*försäkringsrörelselagen* (2010:2043) (the "IBA") stipulates that an insurance business may only be conducted pursuant to a licence granted by the Swedish FSA. Nordnet Pension's insurance licence has an indefinite duration, but may under certain circumstances be revoked by the Swedish FSA. Pursuant to the IBA, the Swedish FSA must intervene if Nordnet Pension violates its obligations under the IBA, other regulations governing its business, its articles of association or bylaws, technical guidelines, guidelines for technical provisions, guidelines for the handling of conflicts of interest or other policy documents issued pursuant to provisions governing Nordnet Pension's business. Furthermore, the Swedish FSA must intervene if the articles of association, technical provisions, guidelines for handling of conflicts of interest or the other policy documents are no longer satisfactory with regards to the nature and scope of Nordnet Pension's business. The Swedish FSA may then order Nordnet Pension to rectify the issue within a specified period of time, prohibit its execution of decisions or issue a remark. The Swedish FSA may also, under some circumstances, restrict Nordnet Pension's right of disposition or prohibit it from disposing of its assets in Sweden. If a violation is severe, Nordnet Pension's licence could be revoked or, if deemed adequate, a warning could be issued by the Swedish FSA. If the licence is revoked, the insurance business will have to be wound up. The Swedish FSA may combine any order or prohibition with a conditional fine and any remark or a warning with a financial penalty of up to SEK 50 million (and not more than 10% of the annual turnover for the previous year). Nordnet's operations are contingent upon the insurance licence issued to Nordnet Pension by the Swedish FSA. The loss of the licence will require Nordnet Pension to cease its insurance operations which could jeopardise Nordnet's future existence. If Nordnet Pension would be subject to sanctions, remarks or warnings or fines imposed by the Swedish FSA, this would cause significant, and potentially irreparable, damage to the reputation of Nordnet and, as a result, this could have an adverse effect on Nordnet's business, results of operations and financial condition.

Nordnet Livsforsikring's relies on a Norwegian insurance licence to conduct its operations and loss of this licence could have an adverse impact on Nordnet's business

The Norwegian Financial Institutions Act (*finansforetaksloven*) (the "FIA") and the Norwegian Insurance Act (*forsikringsvirksomhetsloven*) (the "IA"), stipulate that insurance business may only be conducted pursuant to a licence granted by the Norwegian FSA. Nordnet Livsforsikring's insurance licence has an indefinite duration, but may under certain circumstances be revoked by the Norwegian FSA. Pursuant to the FIA and IA, the Norwegian FSA must intervene if Nordnet Livsforsikring violates its obligations under the FIA and IA, other regulations governing its business, its articles of association or bylaws, technical guidelines, guidelines for technical provisions, guidelines for the handling of conflicts of interest or other policy documents issued pursuant to provisions governing Nordnet Livsforsikring's business. The Norwegian FSA may then, for example, order Nordnet Livsforsikring to rectify the violation within a specified period of time, prohibit its execution of decisions or issue a remark. The Norwegian FSA may also, under some circumstances, restrict Nordnet Livsforsikring's right of disposition or prohibit it from disposing of its assets in Norway. If a violation is severe, Nordnet Livsforsikring's licence could be revoked or, if deemed adequate, a warning could be issued by the Norwegian FSA. If the licence is revoked the insurance business will have to be wound up. If Nordnet Livsforsikring were subject to remarks or warnings by the Norwegian FSA this would cause significant, and potentially irreparable, damage to the reputation

of Nordnet and, as a result, Nordnet's business, financial position and results of operations could be adversely affected. Nordnet's operations are contingent upon the insurance licence issued to Nordnet Livsforsikring by the Norwegian FSA. The loss of the licence will require Nordnet Livsforsikring to cease its insurance operations and this could have an adverse effect on Nordnet's business, results of operations and financial condition.

Nordnet may fail to comply with MiFID II in all countries in which it operates and thereby be exposed to the risk of sanctions

MiFID II entered into force in 2018 and has been implemented in Sweden through, *inter alia*, the SMA, the Commission Delegated Regulation (EU) 2017/565 and the Swedish FSA's regulations regarding investment services and activities (FFFS 2017:2) (*Finansinspektionens föreskrifter om värdepappersrörelse*). MiFID II is also applicable to Nordnet's investment services and activities in Norway, Denmark and Finland under local rules, regulators and regulations. Under MiFID II related rules and regulations Nordnet is subject to comprehensive requirements when providing investment services, including requirements related to the process for producing and distributing financial instruments as well as restrictions on when Nordnet may receive or pay commissions to third parties. The rules also obligate Nordnet to identify and manage all potential conflicts of interest associated with its investment services and to provide adequate information to its customers in relation to the investment services, such as detailed information on all costs and charges associated with the investment services offered and provided. The implementation of MiFID II in the countries in which Nordnet operates has brought additional compliance demands upon Nordnet and further increased the complexity of the regulatory framework applicable to Nordnet and its business. It has also caused Nordnet to adapt its business, for example by altering its fee model in Norway and Denmark, and may require Nordnet to make future adjustments to its business model in different ways in the countries in which it operates, which could potentially have an impact on Nordnet's business as well as its earnings. The Swedish FSA and other relevant regulators may provide further guidance and interpretations of the rules and requirements, and Nordnet, as well as the investment services industry in general, may differ in their interpretations of the rules and requirements from the views of the applicable regulator, which could expose Nordnet to the risk of potential sanctions.

Nordnet's insurance distribution business is regulated by the Insurance Distribution Directive and violation of this directive may result in monetary fines, an order to cease conduct or a withdrawal of the licence

Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (the "IDD") regulates how insurance products may be designed and sold both by insurance intermediaries and directly by insurance undertakings. As such the IDD is applicable both to Nordnet Bank (as intermediary) and Nordnet Pension (as insurance undertaking). IDD was implemented in Sweden in October 2018 and it is anticipated that corresponding legislation will be adopted in Norway in 2022, which would be applicable to Nordnet Livsforsikring. The IDD sets forth the information that should be provided to customers before the signing of an insurance contract, imposes extensive rules on business conduct and transparency on distributors, clarifies procedures and rules for cross-border business and contains rules for the supervision and sanctioning of insurance distributors in case of a breach of the provisions of the directive.

The rules apply to the sale of all insurance products, but stipulate more prescriptive rules to those distributors that sell insurance products with an investment element such as unit-linked life insurance contracts. As the legislation on insurance distribution (formerly insurance mediation) affects not only insurance mediators but also insurance undertakings, which creates requirements for Nordnet Pension as it needs to ensure that its policies and procedures are compliant with the IDD. Failure to comply with the IDD exposes the distributor, and where applicable its members of management, to sanctions in the form of monetary fines, an order to cease the conduct and ultimately, the licence being revoked.

The transition to sustainable finance raises new risks for Nordnet's business that may impact its profitability and success

The transition to sustainable finance raises new risks for Nordnet's business that may impact its profitability and success. In particular, environmental, social and governance ("ESG") matters have been the subject of increased focus by regulators in the EU. Failure to keep pace with the general transition toward sustainability could impact Nordnet's competitiveness in the market and damage its reputation resulting in an adverse effect on its business. In addition, failure to comply with applicable legal and regulatory changes

in relation to ESG matters may attract increased regulatory scrutiny of Nordnet's business, and could result in fines and/or other sanctions being levied against Nordnet.

The European Commission has proposed legislative reforms, which include, without limitation: (a) Regulation 2019/2088 regarding the introduction of transparency and disclosure obligations for investors, funds and asset managers in relation to ESG factors; (b) Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment; and (c) amendments to existing regulations including MiFID II and AIFMD to embed ESG requirements. As a result of these legislative initiatives, Nordnet may be required to provide additional disclosure to Nordnet's portfolio management customers with respect to ESG matters. This exposes Nordnet to increased disclosure risks, for example due to a lack of available or credible data, and the potential for conflicting disclosures may also expose Nordnet to an increased risk of misstatement litigation or mis-selling allegations. Failure to manage these risks could result in an adverse effect on Nordnet's business and results of operations.

Nordnet is subject to the Recovery and Resolution Directive which provides the authorities with certain powers and resolution measures in relation to Nordnet

Nordnet is subject to the Bank Recovery and Resolution Directive ("**BRRD**") (which was amended by Directive (EU) 2019/879 ("**BRRD II**") on 27 June 2019 where most of the new rules in BRRD II will start to apply mid-2021). The BRRD legislative package establishes a framework for the recovery and resolution of credit institutions and, *inter alia*, requires EU credit institutions to produce and maintain recovery plans setting out the arrangements that are to be taken to restore the long-term viability of the institution in the event of a material deterioration of its financial condition. Accordingly, the requirements under the BRRD are comprehensive, and require Nordnet to take extensive measures to ensure compliance.

The BRRD contains a number of resolution tools and powers which may be applied by the resolution authority (in Sweden, the Swedish National Debt Office (*Riksgäldskontoret*)) upon certain conditions for resolution being fulfilled. These tools and powers (used alone or in combination) include, *inter alia*, a general power to write-down all or a portion of the principal amount of, or interest on, certain eligible liabilities, whether subordinated or unsubordinated, of the institution in resolution and/or to convert certain unsecured debt claims including senior notes and subordinated notes into other securities, including CET1 instruments of the surviving entity, which equity could also be subject to any further application of the general bail-in tool. This means that most of such failing institution's debt (including, in the case of Nordnet, the Notes) could be subject to bail-in, except for certain classes of debt, such as certain deposits and secured liabilities. In addition to the general bail-in tool, the BRRD provides for relevant authorities to have the power, before any other resolution action is taken, to permanently write-down or convert into equity relevant capital instruments (such as the Notes) at the point of non-viability (see the risk factor "*Loss absorption at the point of non-viability of Nordnet Bank*" below for further information). Ultimately, the Swedish National Debt Office has the power to take control of a failing institution and, for example, transfer the institution to a private purchaser or to a publicly controlled entity pending a private sector arrangement. All these actions can be taken without any prior shareholder approval.

In order to, among other things, ensure the effectiveness of bail-in and other resolution tools, all in-scope institutions must have sufficient own funds and eligible liabilities available to absorb losses and contribute to recapitalisation if the bail-in tool were to be applied. Each institution must meet an individual minimum requirement for own funds and eligible liabilities ("**MREL**"), calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities (the Swedish National Debt Office for Sweden) on a case by case basis. However, the National Debt Office announced on 16 December 2020 that Nordnet Bank is not a systemically important institution. For institutions which are not so deemed, the MREL requirements will remain at the level of the institution's applicable capital requirements.

There can, however, be no certainty that Nordnet Bank will not be designated a systemically important institution and subject to a higher MREL requirement in the future. In addition, it is not possible to predict exactly how the powers and tools of the National Debt Office described in the BRRD and the Resolution Act (*Lag 2015:1016 om resolution*) will affect Nordnet Bank. The powers and tools given to the National Debt Office are numerous and may have a material adverse effect on Nordnet Bank. Accordingly, the degree to which amendments to BRRD or application of BRRD may affect Nordnet Bank is uncertain and presents a significant risk to Nordnet Bank's funding and compliance costs.

Changes in accounting standards could adversely affect Nordnet

In addition to the anticipated legislative changes outlined above, legislation, regulations, regulatory ordinances and other rules can affect the business conducted by Nordnet. New or amended regulations could call for unexpected costs or restrict the development of Nordnet's business operations, which could have an adverse effect on Nordnet's results of operations and financial condition.

From time to time, the International Accounting Standards Board (the "IASB"), the EU and other regulatory bodies change the financial accounting and reporting standards that govern the preparation of Nordnet's financial statements. These changes may impact how Nordnet records and reports its business, financial condition and results of operations.

For example, IFRS 17, which may be implemented from 1 January 2023 onwards, is likely to introduce additional requirements for insurance companies in terms of minimum capital requirements, supervisory review of insurance companies' assessment of risk and enhanced disclosure requirements. All these further requirements may have an adverse effect on Nordnet's insurance business and results of operations and financial condition.

In July 2014, the IASB issued a new accounting standard, International Financial Reporting Standard 9 (Financial Instruments) ("IFRS 9"), which became effective from 1 January 2018 and replaced IAS 39. IFRS 9 provides principles for classification of financial instruments, and provisioning for expected credit losses which are mandatory, and therefore implemented by Nordnet, as of 1 January 2018.

Nordnet is exposed to tax risks both relating to incorrect interpretations of tax regulations and changes in the tax regimes in the jurisdictions in which Nordnet operates

Nordnet's business and transactions are conducted in accordance with Nordnet's interpretation of applicable laws, tax treaties, regulations, case law and requirements of tax authorities. There is a risk, enhanced by Nordnet's cross-border operations whereby it deals with multiple tax jurisdictions and different regulators, that Nordnet's or its advisors' interpretation and application of laws, provisions and judicial practice has been, or will at some point be, incorrect or that such laws, provisions and practice will be changed, potentially with retroactive effect. Asset classifications, branch structures and hybrid entity rules, transfer pricing and VAT recovery are some examples of tax areas that generally are associated with complexity within the industry.

The transfer pricing allocation model applied between Nordnet Bank AB and its branches, where revenue and expenses are allocated to the country in which the customer is located, is commonly used in the financial services industry. It cannot be excluded that tax authorities could deem a different model more appropriate.

Further, a memorandum with a proposal to introduce a new tax for larger banks and other credit institutions was presented by the Ministry of Finance on 17 September 2020. The proposal suggests that a so-called risk tax shall be introduced for banks and credit institutions with debts exceeding a certain threshold. The tax rate is set at 0.06% of a certain tax basis for financial years commencing on or after 1 January 2022 and is suggested to increase to 0.07% for financial years commencing on or after 1 January 2023. The proposal is expected to be adopted into law on 1 January 2022. The Danish government has announced that they plan to finance a new pension reform partly by increasing tax rates for financial institutions in Denmark, and a majority of the Danish parliament has voted for introducing the new pension reform, but no proposal of new tax law has yet been presented. There are also general political discussions around introducing tax on financial transactions (Tobin tax) in a number of EU countries, including Denmark. Further, a future potential change of the capital yield tax could potentially burden the Group's insurance business. In December 2019, the Swedish Tax Authority proposed that the Finance Department should initiate an investigation regarding the tax rules for life insurance companies which would entail an increased taxation of the Group, but it remains unclear whether the current rules will change. Nordnet's tax situation for previous, current and future years may change as a result of legislative changes, such as the potential changes described above, decisions made by the tax authorities or as a result of changed tax treaties, regulations, case law or requirements of the tax authorities. Such decisions or changes could have an adverse effect on Nordnet's results of operations and financial condition.

Nordnet may not be able to protect or enforce its intellectual property rights

Nordnet does not currently have any registered intellectual property protection in respect of technology or products that it has developed. Nordnet currently relies upon laws and clauses in employment, consultancy

and other agreements relating to trade secrets, confidential information and non-compete to limit the ability of others to compete with Nordnet using its proprietary technology. These rights only afford limited protection and may not adequately protect Nordnet's intellectual property to the extent necessary to sustain any competitive advantage Nordnet currently may have. Nordnet has trademark protection for its brand name and symbol and has processes in place to monitor their use. These processes may be insufficient to detect unfair use of Nordnet's intellectual property and such unfair use could have an adverse impact on Nordnet's reputation and business.

Nordnet is exposed to risks related to changes to the Swedish Deposit Insurance Scheme

The Swedish Deposit Insurance Scheme ("SDIS") guarantees deposits in the event that Nordnet Bank is declared bankrupt or if the Swedish FSA determines that the SDIS should be activated in a given situation. The SDIS is administered by the Swedish National Debt Office. If activated, each customer is guaranteed compensation amounting to the total value of the total funds in their account(s) with Nordnet Bank, including accrued interest, until the time of bankruptcy or the Swedish FSA's activation decision. The maximum compensation is currently SEK 1,050,000 (for branches, the compensation is according to the locally applied limits). Nordnet is exposed to the risk of changes in the SDIS framework such as a change in what account types that are covered by the guarantee or a change in the fees payable to the Swedish National Debt Office. Such changes could have an adverse effect on the amount of customer savings deposits held by Nordnet or entail higher costs for Nordnet.

Risks related to the Notes

Nordnet's obligations under the Notes are deeply subordinated

The Notes are intended to constitute unsecured, deeply subordinated obligations of the Nordnet Consolidated Situation (as defined in the Terms and Conditions). In the event of the voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer, the rights of the Noteholders to payments on or in respect of (including any damages awarded for breach of any obligations under) the Notes (which in the case of any payment of principal shall be to payment of the then Nominal Amount only) shall at all times rank:

- (a) *pari passu* without any preference among themselves;
- (b) *pari passu with* (i) any liabilities or capital instruments of the Issuer which constitute Additional Tier 1 Capital and (ii) any other liabilities or capital instruments of the Issuer that rank, or are expressed to rank, equally with the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;
- (c) senior to the claims of holders of all classes of the Issuer's shares in their capacity as such holders and any other liabilities or capital instruments of the Issuer that rank, or are expressed to rank, junior to the Notes, in each case as regards the right to receive periodic payments (to the extent any such periodic payment has not been cancelled) on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and
- (d) junior to any present and future claims of (i) depositors of the Issuer, (ii) any other unsubordinated creditors of the Issuer, (iii) except as expressly stated in (b) above, any subordinated creditors, including for the avoidance of doubt holders of any instruments which as at their respective issue dates constitute or constituted Tier 2 Capital, and (iv) any non-preferred creditors falling within the scope of 18 §, first paragraph of the Swedish Rights of Priority Act (*förmånsrättslagen (1970:979)*).

In the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, there is a risk that the Issuer does not have enough assets remaining after payments to senior ranking creditors to pay amounts due under the Notes.

No Noteholder who is indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of Notes held by such Noteholder.

As a result of the above, there is a risk that the Noteholders will lose some or all of their investment in the Notes. Although the Notes may pay a higher rate of interest than comparable notes which are not subordinated or which are subordinated but not so deeply, there is a significant risk that an investor in the Notes will lose all or some of its investment in the event of a voluntary or involuntary liquidation or bankruptcy of the Issuer. Accordingly, in a worst case scenario, the value of the Notes may be reduced to zero.

As noted in the risk factors “*Nordnet is subject to the Recovery and Resolution Directive which provides the authorities with certain powers and resolution measures in relation to Nordnet*” and “*Loss absorption at the point of non-viability of Nordnet Bank*” above, there is a risk of the Notes being written-down or converted into other securities in a resolution scenario or at the point of non-viability of the Issuer.

Interest payments on the Notes may be cancelled by the Issuer

Any payment of Interest in respect of the Notes shall be payable only out of the Issuer’s Distributable Items and (i) may be cancelled, at any time, in whole or in part, at the option of the Issuer in its sole discretion and notwithstanding that it has Distributable Items or that it may make any distributions pursuant to the Applicable Banking Regulations; or (ii) will be mandatorily cancelled if and to the extent so required by the Applicable Banking Regulations, including the applicable criteria for Additional Tier 1 Capital instruments.

Any cancellation of Interest (in whole or in part thereof) shall in no way limit or restrict the Issuer from making any payment of interest or equivalent payment or other distribution in connection with any instrument ranking junior to the Notes, any CET1 capital of the Issuer or in respect of any other Additional Tier 1 Capital instruments. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

As a result of the above, there is a risk that the payment of Interest is cancelled, which would adversely affect the Noteholders. Following any cancellation of interest as described above, Noteholders shall have no right thereto or to receive additional interest or compensation. Furthermore, no cancellation of interest in accordance with the terms of the respective Notes shall constitute a default in payment or otherwise under the Notes or entitle Noteholders to take any action to cause the Issuer to be declared bankrupt or for the liquidation, winding-up or dissolution of the Issuer. Accordingly, in a worst case scenario, the amount of any Interest may be reduced to zero.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes is likely to be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and also more sensitive generally to adverse changes in the Issuer’s financial condition.

Loss absorption following a Trigger Event

If at any time the CET1 ratio has fallen below 7.00 per cent of Nordnet Consolidated Situation, this constitutes a Trigger Event and the Total Nominal Amount of the Notes shall be written down by an amount sufficient to restore the CET1 ratio of Nordnet Consolidated Situation to at least 7.00 per cent., provided that the Nominal Amount of each Note may not be written down below SEK 1. The write down of the Notes is likely to result in a holder of Notes losing some or all of its investment. Following any such reduction of the Total Nominal Amount, the Issuer may, at its discretion, reinstate in whole or in part the principal amount of the Notes, if certain conditions are met. The Issuer will not in any circumstances be obliged to reinstate in whole or in part the principal amount of the Notes (and any such reinstatement is likely to require unanimous approval at a shareholders’ meeting of the Issuer).

The Issuer and/or the Swedish FSA may determine that a Trigger Event has occurred on more than one occasion and the reduced Nominal Amount of each Note may be written down on more than one occasion. Further, during any period when the then Nominal Amount of a Note is less than the initial Nominal Amount, interest will accrue on and the Notes will be redeemed at the reduced Nominal Amount of the Notes.

The Issuer’s and/or the Swedish FSA’s calculation of the CET1 ratio of Nordnet Consolidated Situation, and therefore its determination of whether a Trigger Event has occurred, shall be binding on the Noteholders, who shall have no right to challenge the published figures detailing the CET1 ratio of Nordnet Consolidated Situation.

Loss absorption at the point of non-viability of Nordnet Bank

The holders of Notes are subject to the risk that the Notes may be required to absorb losses as a result of statutory powers conferred on resolution and competent authorities in Sweden (the Swedish National Debt Office and the Swedish FSA). As noted above in the risk factor “*Nordnet is subject to the Recovery and Resolution Directive which provides the authorities with certain powers and resolution measures in relation to Nordnet*”, the powers provided to resolution and competent authorities in the BRRD include write-down/conversion powers to ensure that relevant capital instruments (such as the Notes) fully absorb losses at the point of non-viability of the issuing institution in order to allow it to continue as a going concern subject to appropriate restructuring and without entering resolution. As a result, the BRRD contemplates that resolution authorities have the power to require the permanent write-down of such capital instruments (which write-down may be in full) or the conversion of them into CET1 instruments at the point of non-viability and before any other bail-in or resolution tool can be used. Accordingly, in a worst case scenario, the capital instruments may be written down and the value of the Notes may be reduced to zero.

There is a risk that the application of any non-viability loss absorption measure results in the Noteholders losing some or all of their investment. Any such conversion to equity or write-off of all or part of an investor’s principal (including accrued but unpaid interest) shall not constitute an event of default and any affected holder of Notes will have no further claims in respect of any amount so converted or written off. The exercise of any such power is inherently unpredictable and depends on a number of factors which are outside the Issuer’s control. Any such exercise, or any suggestion that the Notes could be subject to such exercise, would, therefore, materially adversely affect the value of Notes.

The Issuer may redeem the Notes on the occurrence of a Capital Event or Tax Event

The Issuer may in certain circumstances, at its option, but in each case subject to obtaining the prior consent of the Swedish FSA, redeem the Notes upon the occurrence of a Capital Event or Tax Event at par together with accrued Interest on any Interest Payment Date.

It should also be noted that the Issuer may redeem the Notes as described above even if (i) the Total Nominal Amount of the Notes has been reduced by means of a write-down in accordance with the Terms and Conditions and (ii) the principal amount of the Notes has not been fully reinstated to the initial Nominal Amount of the Notes.

There is a risk that the Noteholders will not be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Notes.

The Notes have no maturity and call options are subject to the prior consent of the Swedish FSA

The Issuer has the option to, at its own discretion, redeem the Notes five years after they have been issued at any time within the Initial Call Period or any Interest Payment Date falling after the Initial Call Period. If the Issuer considers it favourable to exercise such a call option, the Issuer must obtain the prior consent of the Swedish FSA.

The Notes, however, have no fixed final redemption date and the Noteholders have no rights to call for the redemption of the Notes, and the Noteholders should not invest in the Notes with the expectation that such a call will be exercised by the Issuer. The Swedish FSA must agree to permit such a call, based upon its evaluation of the regulatory capital position of the Issuer and certain other factors at the relevant time. There is a risk that the Swedish FSA will not permit such a call or that the Issuer will not exercise such a call. The Noteholders should be aware that they may be required to bear the financial risks of an investment in the Notes for a period of time in excess of the minimum period.

Substitution or variation of the Notes

Subject to Clause 12.4 (*Early redemption, substitution or variation upon the occurrence of a Capital Event or Tax Event*) of the Terms and Conditions and the prior written permission of the Swedish FSA, the Issuer may, at its option and without the permission or approval of the relevant Noteholders, elect to substitute or vary the terms of all (but not some only) outstanding Notes for, or so that they become or remain, as applicable, Qualifying Securities if a Capital Event or Tax Event occurs.

There is a risk that, due to the particular circumstances of each Noteholder, any Qualifying Securities will be less favourable to each Noteholder in all respects or that a particular Noteholder would not make the

same determination as the Issuer as to whether the terms of the relevant Qualifying Securities are not materially less favourable to Noteholders than the terms of the relevant Notes. The substitution or variation of the Notes may thus lead to changes in the Notes that have effects that are less favourable to the Noteholders. The Issuer bears no responsibility towards the Noteholders for any adverse effects of such substitution or variation (including, without limitation, with respect to any adverse tax consequence suffered by any Noteholder). The degree to which the Notes may be substituted or varied is uncertain and presents a highly significant risk to the return of the Notes.

Structural subordination and dependence on upstreaming of funds

The Issuer is a holding company and the proceeds from the issue of the Notes will be contributed to Nordnet Bank as an unconditional shareholders' contribution. Nordnet's business is conducted by the Issuer's subsidiaries and the Issuer is reliant on the financial performance of these subsidiaries and their ability to make dividend distributions and other payments, to enable it to meet its payment obligations (including making payments under Notes). All subsidiaries are legally separate and distinct from the Issuer and have no obligation to pay amounts due with respect to the Issuer's obligations and commitments or to make funds available for such payments. No present or future subsidiary, or other member of the Group will guarantee or provide any security for the Issuer's obligations under Notes.

The Issuer is not (and nor is any other Group Company) prohibited from issuing further debt, which may rank *pari passu* with or senior to the Notes

There is no restriction on the amount or type of debt that the Issuer, or another company within the Group, may issue or incur that ranks senior to, or *pari passu* with, the Notes. There is a risk that the incurrence of any such debt reduces the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer, limits the ability of the Issuer to meet its obligations in respect of the Notes and results in Noteholders losing all or some of their investment in the Notes. The degree to which other debt that ranks senior to, or *pari passu* with, the Notes may be issued is uncertain and presents a highly significant risk to the amount recoverable by Noteholders.

The Issuer is not (and nor is any other Group Company) prohibited from pledging assets for other debt

There is no restriction on the amount or type of assets that the Issuer or any other Group Company can pledge, or otherwise use as security, for other debt. If the Issuer chooses to do so, there is a risk that this reduces the amount recoverable by Noteholders in the event of the voluntary or involuntary liquidation or bankruptcy of the Issuer and result in Noteholders losing all or some of their investment in the Notes.

The degree to which any other asset pledged may affect the Noteholders is uncertain and presents a highly significant risk to the amount recoverable by Noteholders.

Noteholder representation and majority decisions by the Noteholders

Under the Terms and Conditions, the Agent represents each Noteholder in all matters relating to the Notes. The Terms and Conditions contain provisions to the effect that a Noteholder is prohibited from taking actions on its own against the Issuer. To enable the Agent to represent the Noteholders in court, the Noteholders can submit a written power of attorney for legal proceedings. The failure of all Noteholders to submit such a power of attorney is likely to negatively impact the enforcement options available to the Agent on behalf of the Noteholders. Further, under the Terms and Conditions the Agent is entitled in some cases to make decisions and take measures that bind all Noteholders without first obtaining the prior consent of the Noteholders.

Additionally, under the Terms and Conditions certain majorities of Noteholders are entitled to make decisions and take measures that bind all Noteholders, including those who vote in a manner contrary to the majority. Therefore, the actions of the majority and the Agent in such matters impact the Noteholders' rights under the Finance Documents in a manner that is possibly undesirable for some of the Noteholders. The degree to which any such decisions may affect the Noteholders is uncertain and presents a highly significant risk that the actions of the majority and the Agent in such matters can impact the Noteholders' rights under the Finance Documents in a manner that can be undesirable for some of the Noteholders.

European Benchmarks Regulation

In order to ensure the reliability of reference rates (such as STIBOR), legislative action at EU level has been taken. Hence, the so-called Benchmarks Regulation (Regulation (EU) 2016/1011 of the European

Parliament and of the Council of 8 June 2016 on indexes used as reference values for financial instruments and financial agreements or for measuring investment fund results and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014) were added and entered into force on 1 January 2018. The Benchmark Regulation regulates the provision of reference values, reporting of data bases for reference values and use of reference values within the EU. Since the benchmark regulation has only been applied for a short period of time, the effects of it so far are difficult to assess. However, there are future risks that the benchmark regulation affects how certain reference rates are determined and how they are developed. This in conjunction with increased administrative requirements is likely to lead to a reduced number of entities involved in the determination of reference rates, which, in such case, would lead to a certain reference interest ceasing to be published.

The Terms and Conditions provide that the interest rate benchmark STIBOR, which applies for the Notes, can be replaced as set out therein, upon the occurrence of a Base Rate Event which includes if STIBOR ceases to be calculated or administered. Such replacement shall be made in good faith and in a commercially reasonable manner and is always subject to the Applicable Banking Regulations and the prior written consent of the Swedish FSA. However, there is a risk that such replacement is not made in an effective manner and consequently, if STIBOR ceases to be calculated or administered, an investor in the Notes would be adversely affected. The degree to which amendments to and application of the European Benchmarks Regulation may affect the Noteholders is uncertain and presents a highly significant risk to the return on the Noteholder's investment.