

# Interim Report

January – September 2018



# Financial results in brief

## July-September

<b>Income</b> <b>SEK 305.4</b> million (290.3)	<b>Expenses<sup>1</sup></b> <b>SEK 275.0</b> million (239.8)	<b>Operating profit</b> <b>SEK 30.5</b> million (50.6)
<b>New customers</b> <b>23,800</b> (24,000)	<b>Net savings</b> <b>SEK 4.9</b> billion (4.1)	<b>Number of trades</b> <b>6,413,900</b> trades (6,350,300)

## January-September

<b>Income</b> <b>SEK 962.9</b> million (911.0)	<b>Expenses<sup>1</sup></b> <b>SEK 857.5</b> million (717.8)	<b>Operating profit</b> <b>SEK 105.4</b> million (193.3)
<b>New customers</b> <b>72,500</b> (73,400)	<b>Net savings</b> <b>SEK 22.1</b> billion (13.3)	<b>Number of trades</b> <b>19,135,300</b> trades (19,237,100)

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

# Highlights during the quarter

New mobile app for iPhone introduced - triples app store rating

Customer base grows by 16 percent on an annual basis.  
Savings capital increases by 21 percent

The social investment network Shareville reaches 200,000 members

Anders Danielsson acting CEO from October

## Nordnet, 30 September 2018

**Savings capital**  
**SEK 324** billion  
(267)

**Lending<sup>1</sup>**  
**SEK 13.6** billion  
(10.4)

**Customers**  
**741,800**  
(640,200)

**Number of accounts**  
**982,400**  
(837,700)

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

# This is Nordnet

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

## Vision

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



## Our business areas

### Savings and investments

Nordnet's core business is saving and investments. Our customers can save and invest in different types of securities at low fees in seven markets.

User-friendliness, stability and speed are important parameters as we develop our trading platforms, whether in the form of websites, mobile apps or more advanced applications. The less-active savers can also use our digital advisory services, including Robosave and Fund Advisor.

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

### Pensions

In Sweden, Norway and Denmark, we offer pension savings without fixed fees and with a wide range of investment opportunities. In Sweden, we have the most complete pension solution for individuals and companies.

### Loans

Nordnet offers three kinds of loans: personal loans (unsecured loans), margin lending, and residential mortgages. Personal loans are available on the Swedish market, both via Nordnet's own brand and under the trade name Konsumentkredit. Margin lending with securities as collateral is available in all four of our markets, gives our customers the possibility to borrow against their securities and increase their investments. Our residential mortgages target the Private Banking segment and are available in the Swedish market.

# Comments from the CEO

**”I believe in being responsive and inclusive, both internally and externally. Nordnet's success is not based on a secret algorithm or an exclusive patent. Our value lies in being able to translate the commitment and competence of our 500 coworkers into a user experience that our clients perceive as world-class, enabling them to realize their aspirations as savers”**

## A good period for shares and mutual funds

The third quarter of the year was a good period for savings in shares and mutual funds, and all of the Nordic exchanges rose during the period. Norway stands out as the winning stock market with an increase of more than 7 percent, driven by a higher demand for oil and gas. As usual, the quarter has been eventful and intensive in terms of news, including vigorous price fluctuations in H&M, Danske Bank and Finnair. There has been a good level of activity among Nordnet's customers, with the number of transactions being a little higher than in the third quarter of 2017.

## Financial results

Our operations are growing at a good pace, and both the quarter and 2018 to date have been strong periods in terms of income. For the period July-September, our income amounted to SEK 305 million, slightly more than 5 percent higher than in the third quarter of 2017. Over the past three months, we have welcomed 24,000 new Nordic savers to the platform, and we are approaching a total of 750,000 customers. Our customers' total savings capital amounts to SEK 324 billion, an increase of slightly more than 20 percent in the past year.

The ambition of building the world's best customer experience in savings and investment requires working on various fronts and testing a number of hypotheses.

For more than a year, Nordnet has been in an intensive investment phase, implementing many initiatives aimed at boosting growth and diversifying operations. As a consequence, our expenses have increased, ending up at SEK 275 million for the third quarter. Profit before tax amounted to more than SEK 30 million, which is lower than last year.

## Customer value in product development

We have now arrived at a point at which we are further developing the initiatives that have generated most customer value and phasing out those that have not generated the anticipated effects. The focus for the future will be on the core, with a higher degree of guidance and financial advisory services than previously, as a complement to share trading. Recently, the highest priority in product development has been on strengthening the quality of the mobile experience, and during the quarter we launched, throughout the Nordic region, a new Nordnet app for savings and investments. The app has been much appreciated by users and has, in a short time, tripled its rating in the app store.

For the future, the focus will be on completing the web service build and on launching services that, to a greater extent than previously, guide savers towards good investment decisions. Keep an eye out for news within that area soon.



### **The way forward**

Finally - at the beginning of October, it was announced that the Board of Directors and former CEO Peter Dahlgren had agreed that the next phase in Nordnet's development requires a different type of leadership. I am proud to have been asked to take over as acting CEO. The recruitment process for a permanent solution is ongoing, but I can assure you that Nordnet will not dial down the pace in the meantime.

I believe in being responsive and inclusive, both internally and externally. Nordnet's success is not based on a secret algorithm or an exclusive patent. Our value lies

in being able to translate the commitment and competence of our 500 employees into a user experience that our clients perceive as world-class, enabling them to realize their aspirations as savers.

Best regards

A handwritten signature in black ink, appearing to read "A. Danielsson".

Anders Danielsson, acting CEO  
@CEO\_Nordnet

# Operations

# Operations

## The Market

Despite further escalation in the US-China trade war, the uncertain outcome of the Brexit negotiations and Italy's threat of breaking the EU budget rules, global growth continues chugging along. During the quarter, unemployment has fallen in most markets, including the US, Japan, Germany and the UK, to levels we have not seen in decades. During the quarter, low unemployment, expansive fiscal policy in many key economies have, combined with the economic upswing, carried greater weight than political unrest and cautious interest rate hikes by the Federal Reserve ("the Fed"), among others. The World Share Index rose by five percent over the quarter and by 15 percent since the start of the year.

### Strong exchange in Stockholm

The Swedish economy continues to grow, thanks largely to stronger exports, which can be explained by the weak SEK. An expansive financial policy and increased investment in the industrial sector are offsetting, by some margin, the slump in the construction industry, with an increasing number of people beginning to believe there will be a soft landing for housing prices rather than a crash. The Riksbank (Swedish central bank) continues to keep its repo rate unchanged, surprising the international community and weakening the SEK. The stock market as a whole rose by seven percent over the quarter.

Among Nordnet's Swedish customers, the net most purchased share was Intrum, which climbed 11 percent over the quarter. The net most sold share was H&M, which took its revenge during the quarter, climbing a total 22 percent.

### Continued strong upswing on the Oslo exchange

Norway's growth is being driven by increased demand and sharply rising oil prices. The Norwegian business sector is expanding, mainly in oil and gas, and related services. Moving forward, ongoing trade conflicts could affect Norway's exports of aluminium as a potential US

import tax on cars reduces demand for base metals among European manufacturers. The Norwegian exchange rose more than 7 percent during the quarter.

The net most purchased share among Nordnet's Norwegian customers was Norsk Hydro, which developed sideways during the quarter. The net most sold share was Norwegian Finans Holding, the owner of Bank Norwegian, which increased by 10 percent during the period.

### Copenhagen recovers

The Danish economy continues to grow, mainly due to continued growth in income and increased private consumption, which is firing up the market. Earlier concerns regarding stricter terms for private loans have calmed down and house prices are therefore continuing to rise. The main index rose by 2 percent over the quarter.

Despite headlines and audits by public authorities, Danske Bank is the net most purchased share among our Danish customers. Since the start of the quarter, the share has, however, fallen 15 percent. The net most sold share was Novo Nordisk.

### Helsinki on top in the euro zone

Finland has coped better than many other countries in the euro zone and, during the quarter, experienced its best economic growth for a very long time. GDP is reaching new record levels, surpassing its peak level from before the financial crisis. Manufacturing capacity and domestic demand have risen, the labour market continues to strengthen and private consumption is increasing. The main index rose 4 percent during the quarter.

In Finland, customers have net purchased shares in Finnair, which fell 24 percent over the quarter. The net most sold share was Orion Oyj, which performed strongly, increasing in value by 40 percent over the period.

## Customers and savings

At 30 September, the number of active customers with Nordnet was 741,800 (640,200), corresponding to an increase of 16 percent compared with a year ago.

Our customers' total savings capital amounted to SEK 324 billion (267), an increase of 21 percent compared with the end of September in the previous year.

Net savings for the period January–September 2018 amounted to SEK 22.1 billion (13.3). Calculated in relation to savings capital at the end of September

2017, net savings for the past 12 months correspond to 10 percent.

Nordnet's customers made an average of 102,900 (103,100) trades per day during the period January–September, a decrease of 0.3 percent compared with January–September 2017.

## Lending

Lending, excluding lending against pledged cash and cash equivalents, was up by 31 percent compared with

Number of customers and accounts	30/9/2018	30/6/2017	31/3/2017	31/12/2017	30/9/2017
Customers	741,800	718,000	698,500	669,300	640,200
<i>Whereof personal loans</i>	27,400	27,700	27,600	27,700	27,600
Accounts	982,400	949,800	923,300	884,500	837,700

Net savings and savings capital (SEK billion)	30/9/2018	30/6/2017	31/3/2017	31/12/2017	30/9/2017
Net savings	4.9	5.6	11.5	4.0	4.1
Savings capital	323.9	310.5	287.2	272.4	267.5

Number of trades	30/9/2018	30/6/2017	31/3/2017	31/12/2017	30/9/2017
During the period (quarter)	6,413,900	5,976,200	6,745,200	6,944,200	6,350,300
On average per day	98,700	101,300	108,800	111,100	97,700

Lending (SEK billion)	30/9/2018	30/6/2017	31/3/2017	31/12/2017	30/9/2017
Margin lending <sup>1</sup>	5.7	5.6	5.6	5.4	5.1
Personal loans	4.0	3.9	3.8	3.7	3.5
Mortgage	4.0	3.6	3.2	2.4	1.8
<b>Total</b>	<b>13.6</b>	<b>13.1</b>	<b>12.6</b>	<b>11.4</b>	<b>10.4</b>

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

12 months ago, amounting to SEK 13.6 billion (10.4). Nordnet offers three types of lending: lending with securities as collateral (margin loans), personal loans and residential mortgages. Nordnet has well-developed procedures for managing credit risk in these products.

Residential mortgages are offered only to natural persons in Sweden, with a tenant-owner apartment or single-family home situated in Sweden as collateral. The maximum loan-to-value ratio permitted for a mortgage to be granted is 50 percent. The credit risk in this part of Nordnet's lending is considered to be lower than the credit risk within Nordnet's other lending products.

Similar to residential mortgages, personal loans are offered only to natural persons in Sweden. Nordnet applies a tried and tested scoring model to assess the credit risk of private individuals applying for credit. The model assesses the risk associated with each loan application and provides the basis for approval and pricing. The credit risk in these lending operations is to be considered higher than in Nordnet's other operations, although this is matched by higher interest margins.

## Net profit

### Group

#### July – September 2018

Operating income in the third quarter of the year increased by 5 percent, amounting to SEK 305.4 million (290.3). Net interest income decreased by SEK 4.4 million, with greater volumes in residential mortgages and margin loans contributing to increased net interest income although this was offset by a lower return on surplus liquidity due to zero and negative interest rates in several currencies. Net commission income rose by SEK 15.0 million with non-transaction-related income rising due to increased mutual fund savings and greater volumes in Nordnet Markets.

Operating expenses before credit losses rose by 14 percent compared with the third quarter last year and amounted to SEK 263.3 million (230.6). This is mainly attributable to initiatives in IT development, digital presence and increased marketing expenses. The sales force also increased compared with the third quarter of the preceding year.

Operating profit decreased by 40 percent to SEK 30.5 million (50.6), and the operating margin was 10 percent (17). Profit after tax for the period decreased by 38 percent to SEK 26.7 million (43.4), resulting in a profit margin of 9 percent (15).

Operating income excluding transaction-related net commission income for the quarter rose by 7 percent compared with the same quarter in the preceding year. Cost coverage, i.e. operating income excluding transaction-related net commission income in relation to expenses, amounted to 71 (76) percent.

#### January – September 2018

Operating income for the period January–September increased by 6 percent, amounting to SEK 962.9 million (911.0). Net interest income decreased by SEK 9.7 million, with greater volumes in residential mortgages and margin loans contributing to increased net interest income, although this was offset by a lower return on surplus liquidity due to zero and negative interest rates in several currencies. Net commission income rose by SEK 44.5 million, which is explained by non-transaction-related income rising due to increased mutual fund savings and greater volumes in Nordnet Markets.

Operating expenses before credit losses rose by 20 percent compared with January–September 2017 and amounted to SEK 826.2 million (689.9). This is mainly explained by increased investments in IT development, CRM and digital presence in various channels. Expenses for marketing and sales personnel also increased compared to the first three quarters of the preceding year. Expenses for amortization, depreciation and impairment rose over the period as a result of the new headquarters starting to be depreciated and impairment associated with the termination of the collaboration with IPsoft.

Operating profit decreased by 45 percent to SEK 105.4 million (193.3), and the operating margin was 11 percent (21). Profit after tax for the period decreased by 46 percent to SEK 87.6 million (161.7), resulting in a profit margin of 9 percent (18).

Operating income excluding transaction-related net commission income for the period rose by 10 percent compared with the period January–September 2017. Cost coverage, i.e. operating income excluding trans-

saction-related net commission income in relation to expenses, amounted to 73 (79) percent.

## Parent Company

### January – September 2018

The Parent Company is a holding company and conducts no operations beyond its role as the owner of Nordnet Bank AB, Nordnet Pensionsförsäkring AB and the Group's other companies. Operating income for January–September 2018 amounted to SEK 2.6 million (17.9) and relates to Group-internal administrative services. The loss from financial investments amounted to SEK 0.7 million (0.5) and consisted primarily of interest expenses.

The Parent Company's loss after financial items for the period January–September 2018 amounted to SEK 4.4 million (5.8). The Parent Company's cash and cash equivalents amounted to SEK 22.9 million (25.4), and its equity to SEK 1,107.0 million (1,083.8).

## Development in our markets

### Sweden

During the period January–September, income in our Swedish operations increased by 5 percent compared with the same period last year, mainly attributable to commission from increased mutual fund savings and income from Nordnet Markets. Expenses increased by 16 percent, due to expanded initiatives in IT development, CRM, digital presence in various channels and an expanded sales force. Marketing expenses also increased. The operating margin was 16 percent (24).

Nordnet in Sweden had 322,400 (293,400) active customers as at the end of September 2018, corresponding to an increase of 10 percent in the past 12-month period.

Net savings for the period January–September amounted to SEK 10.6 billion (1.9). Calculated in relation to savings capital at the end of September 2017, net savings for the past 12 months correspond to 8 percent. The number of trades among Swedish customers during the period January–September increased by 0.4 percent compared with the corresponding period last year.

Nordnet's social network for savings and investments, Shareville, grew beyond 200,000 members in the third quarter. The network was launched in the autumn of 2014 in all of Nordnet's four markets and the number of influencers on the platform has increased by 30 percent over the past year alone. On Shareville, members can easily share equities tips and investment ideas with one another.

During the quarter, Nordnet introduced its new visual identity in all Nordic markets. The new platform includes an updated logo, new colours, new imagery and a new font.

Demand for Nordnet's residential mortgages, focused on the private banking segment, remains high and amounted to SEK 4.0 billion (1.8) at the end of September. At the end of September, margin lending amounted to SEK 2.0 billion (2.0). In the Swedish market, Nordnet also offers personal loans (unsecured loans) under the product names Nordnet Toppenlånet and Konsumentkredit. At the end of September 2018, 27,400 customers (27,600) were using this product. The total lending volume was SEK 4.0 billion (3.5), with an interest income of about 5.8 percent after adjustment for loan brokering. During the year, the lending volume for personal loans to Nordnet's customers increased by 7 percent compared with the start of the year.

In August, Nordnet launched a new mobile app for iPhone, which is available in all Nordic markets. The app has been received very well by Nordnet's customers and its rating in the app store has tripled in a brief period of time. Major changes to the app include a completely new design, logging in with Touch ID, being able to make deposits via Swish, a personalized news flow and smart features that make it easy to monitor development over different periods of time.

During the quarter, Nordnet started a career network for women in fintech in Sweden - Power Women in Tech. More than 150 women visited the first and fully-attended networking event in September. Guests on the stage included Elsa Bernadotte, co-founder of Karma, Susanne Birgersdotter, serial entrepreneur, and Josefin Landgård, co-founder of Kry.

# Invest in yourself.

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



## Norway

During the period January–September, income for Nordnet in Norway rose by 12 percent, mainly due to increased commission income from savings capital in mutual funds and improved net interest income related to increased lending and positive returns on surplus liquidity. Expenses increased by 23 percent, due to expanded initiatives in automation, IT development, digital presence in various channels and an expanded sales force. Marketing expenses also increased. The operating margin amounted to 3 percent (13) during the period January–September.

At the end of September 2018, the number of active customers in Norway amounted to 107,600 (93,400), corresponding to customer growth of 15 percent over the past 12-month period.

The Oslo Stock Exchange continues to be one of the world's most strongly growing exchanges in 2018, helping increase interest in investing among Norwegian savers. The number of trades in the period January–September rose by 5 percent compared with the corresponding period in 2017.

## Profit per country

January-September	Sweden		Norway		Denmark		Finland		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating income	500.6	477.5	152.2	136.3	170.8	175.7	139.3	121.5	962.9	911.0
Operating expenses	-388.9	-334.6	-146.3	-118.9	-144.5	-112.2	-146.5	-124.2	-826.2	-689.9
<b>Profit before credit losses</b>	<b>111.7</b>	<b>142.9</b>	<b>5.9</b>	<b>17.4</b>	<b>26.3</b>	<b>63.5</b>	<b>-7.2</b>	<b>-2.7</b>	<b>136.7</b>	<b>221.2</b>
Credit losses	-30.0	-27.9	-0.6	-0.1	-0.5	0.2	-0.1	-0.1	-31.3	-27.9
<b>Operating profit</b>	<b>81.7</b>	<b>115.0</b>	<b>5.3</b>	<b>17.3</b>	<b>25.8</b>	<b>63.7</b>	<b>-7.3</b>	<b>-2.7</b>	<b>105.4</b>	<b>193.3</b>
<b>Operating margin</b>	<b>16%</b>	<b>24%</b>	<b>3%</b>	<b>13%</b>	<b>15%</b>	<b>36%</b>	<b>-5%</b>	<b>-2%</b>	<b>11%</b>	<b>21%</b>
Number of customers	322,400	293,400	107,600	93,400	95,800	79,700	216,000	173,700	741,800	640,200
Number of accounts	465,600	414,500	243,900	121,500	150,000	102,500	122,900	199,200	982,400	837,700
Net savings (SEK billion)	10.6	1.9	3.0	3.3	6.4	6.9	2.1	1.2	22.1	13.3
Savings capital (SEK billion)	145.9	124.2	42.1	31.2	67.0	55.2	68.9	56.9	323.9	267.5
Number of trades	10,022,800	9,978,800	3,089,000	2,944,300	2,923,800	3,134,200	3,099,700	3,179,800	19,135,300	19,237,100
Margin lending <sup>1</sup> (SEK billion)	2.0	2.0	0.9	0.7	1.3	1.2	1.5	1.2	5.7	5.1
Personal Loans (SEK billion)	4.0	3.5	-	-	-	-	-	-	4.0	3.5
Mortgage (SEK billion)	4.0	1.8	-	-	-	-	-	-	4.0	1.8

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

Net savings for the period January–September amounted to SEK 3.0 billion (3.3). Calculated in relation to savings capital at the end of September 2017, net savings for the past 12 months correspond to 16 percent.

During the quarter, a new investment economist was recruited to Nordnet Norway, Mads Johannessen, who will focus on disseminating knowledge on investments and the stock market to the more active savers. Mads will work in close cooperation with Nordnet's savings economist Bjørn Erik Sættem, who focuses on long-term savings and pension savings.

Margin lending amounted to SEK 0.9 billion (0.7), an increase of 31 percent in 12 months.

## Denmark

During the period January–September, income in our Danish operations decreased by 3 percent. Although Nordnet Markets is contributing positively to earnings, overall income growth is being hampered by poorer net interest income related to a negative return on surplus liquidity.

Expenses increased by 29 percent. The increase in expenses was due to expanded initiatives in automation, IT development, digital presence in various channels and an expanded sales force. Marketing expenses also increased. The operating margin was 15 percent (36).

The number of active customers at the end of September 2018 amounted to 95,800 (79,700), which is an increase of 20 percent over the past 12 months. Private Banking is a priority area in Denmark, and efforts to expand the offer in this customer segment have been intensified during the quarter, including by broadening customer support.

Net savings for the period January–September amounted to SEK 6.4 billion (6.9). Calculated in relation to savings capital at the end of September 2017, net savings for the past 12 months corresponded to 15 percent.

Although the Copenhagen exchange has been pervaded by challenging conditions in 2018, it recovered somewhat in the third quarter. The number of trades

during the period January–September 2018 decreased by 7 percent compared with the corresponding period the previous year.

Margin lending increased by 6 percent compared with the previous year, amounting to SEK 1.3 billion (1.2) at the end of September.

## Finland

During the period January–September, income in our Finnish operations increased by 15 percent, mainly due to increased transaction-related commission income and increased income from currency exchange related to trading in foreign securities. Income from Nordnet Markets and increased mutual fund savings contribute further, while lower interest rates, with a negative return on surplus liquidity, are holding back income.

Expenses increased by 18 percent. The increase in expenses was due to expanded initiatives in IT development, CRM and digital presence in various channels. Marketing expenses also increased. The operating margin was a negative 5 percent (-2).

The customer base in the Finnish market continues to increase at a high pace. At the end of September, the number of active customers was 216,000 (173,700), corresponding to an increase of 24 percent compared with the end of September 2017.

Net savings for the period January–September amounted to SEK 2.1 billion (1.2). Calculated in relation to savings capital at the end of September 2017, net savings for the past 12 months corresponded to 5 percent. The number of trades during the period January–September fell by 3 percent compared with the year-earlier period.

During the quarter, Nordnet Finland attended several major investment events, including SuomiAreena, the Finnish equivalent of Almedalsveckan in Sweden, an informal summertime gathering of political parties and special interest groups. The theme of this year's SuomiAreena was sustainable investments, with Nordnet's established investment economist Jukka Oksaharju playing a prominent role.

Margin lending amounted to SEK 1.5 billion (1.2), an increase of 29 percent in 12 months.

## Financial position

Nordnet's deposit surplus is mainly invested in covered bonds, sovereign securities, the Swedish Riksbank, the Danish National Bank and the Nordic banking system. Consolidated cash and cash equivalents at the end of September amounted to SEK 1,430.4 million (293.1), of which blocked funds were SEK 88 million (80). In addition, interest-bearing investments were held with a total fair value of SEK 17,911.2 million (14,597.1).

Consolidated equity amounted to SEK 1,972.6 million (1,959.8).

For the financial conglomerate in which NNB Intressenter AB<sup>1</sup> is the parent company, the asset base amounted to SEK 1,432.5 million (1,399.4) and total risk exposure amounts to SEK 8,766.6 million (8,351.7). At the end of the period, the capital ratio was 16.3 percent, compared with 16.8 percent at the same time last year.

## Cash flow

In the third quarter, cash flow from operating activities was affected positively by increased liquidity on customer deposits of SEK 0.6 billion. Cash flow from operating activities was also negatively affected by SEK 0.6 billion due to higher lending. During the quarter, cash flow in investing activities was positive due to purchases of bonds and other fixed-income securities for SEK 0.2 billion.

## Employees

As of 30 September 2018, Nordnet had 535 full-time employees (451). Full-time employees include temporary employees but not employees on parental or other leave. The average number of full-time positions for the period January–September was 509 (418).

In the third quarter, Ronnie Bodinger took up the position as permanent CTO, having been the Acting CTO since June. Anne Buchardt was recruited to Nordnet as the new Country Manager for Denmark and as a member of Nordnet's management team. Anne joins Nordnet from Nordea, where she has held several leading roles in the wealth management unit, most recently as the Nordic manager for financial advisory services for private individuals. Anne will take up the position in October.

## Events after 30 September 2018

On 2 October, Peter Dahlgren stepped down as CEO of Nordnet. He will be paid severance in accordance with his agreement. Anders Danielsson, former Chief Commercial Officer, has stepped in as acting CEO. A process to recruit a permanent CEO has been initiated.

<sup>1</sup> For more information, see Note 7

# CEO's signature

The CEO provide his assurance that this interim report for the period January–September 2018 provides an accurate overview of the operations, position and earnings of the Group and the Parent Company, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and the companies within the Group.

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

Stockholm, 25 October 2018



Anders Danielsson  
Acting CEO

# Financial statements

# Financial statements

## Consolidated income statement

SEK million	Note	3 months	3 months	9 months	9 months	12 months rolling	12 months
		jul-sep 2018	jul-sep 2017	jan-sep 2018	jan-sep 2017	okt-sep 2018	jan-dec 2017
Interest income		105.2	105.5	320.8	323.4	429.1	431.7
Interest expenses		-13.8	-9.7	-38.2	-31.1	-52.5	-45.4
Commission income		242.8	216.0	718.7	659.3	964.5	905.1
Commission expenses		-76.7	-64.8	-210.8	-195.9	-279.5	-264.6
Net result of financial transactions		42.9	34.4	134.4	116.5	180.3	162.4
Other operating income		5.0	8.8	38.0	38.9	54.0	54.9
<b>Total operating income</b>		<b>305.4</b>	<b>290.3</b>	<b>962.9</b>	<b>911.0</b>	<b>1,295.9</b>	<b>1,244.1</b>
General administrative expenses		-217.8	-193.6	-689.0	-580.8	-927.0	-818.8
Depreciation, amortization and impairments of intangibles and equipment		-24.5	-24.2	-77.7	-70.1	-98.1	-90.5
Other operating expenses		-21.0	-12.8	-59.5	-39.0	-72.7	-52.2
<b>Total expenses before credit losses</b>		<b>-263.3</b>	<b>-230.6</b>	<b>-826.2</b>	<b>-689.9</b>	<b>-1,097.8</b>	<b>-961.5</b>
<b>Profit before credit losses</b>		<b>42.1</b>	<b>59.7</b>	<b>136.7</b>	<b>221.2</b>	<b>198.1</b>	<b>282.6</b>
Credit losses, net	2	-11.6	-9.2	-31.3	-27.9	-38.7	-35.3
<b>Operating profit</b>		<b>30.5</b>	<b>50.6</b>	<b>105.4</b>	<b>193.3</b>	<b>159.4</b>	<b>247.3</b>
Tax on profit for the period		-3.7	-7.2	-17.8	-31.6	-20.7	-34.5
<b>Profit for the period</b>		<b>26.7</b>	<b>43.4</b>	<b>87.6</b>	<b>161.7</b>	<b>138.7</b>	<b>212.8</b>
<b>Of which, attributable to:</b>							
Shareholders of the Parent Company		26.7	43.4	87.6	161.7	138.7	212.8

## Consolidated statement of other comprehensive income

SEK million	3 months	3 months	9 months	9 months	12 months	12 months
	jul-sep 2018	jul-sep 2017	jan-sep 2018	jan-sep 2017	okt-sep 2018	jan-dec 2017
<b>Profit for the period</b>	<b>26.7</b>	<b>43.4</b>	<b>87.6</b>	<b>161.7</b>	<b>138.7</b>	<b>212.8</b>
<b>Items that will be reversed to the income statement</b>						
Changes in value of financial assets recognized at fair value through other comprehensive income	-5.4	-	-18.2	-	-18.2	-
Tax on changes in value of financial assets recognized at fair value through other comprehensive income	1.2	-	4.0	-	4.0	-
Changes in value of available-for-sale assets	-	-0.6	-	7.8	-12.8	-5.0
Tax on changes in value of available-for-sale assets	-	-0.2	-	-1.7	2.8	1.1
Translation of foreign operations	-3.7	0.1	17.2	-4.5	18.7	-3.0
Tax on translation of foreign operations	0.2	0.4	-0.2	-0.5	-1.2	-1.5
<b>Total other comprehensive income after tax</b>	<b>-7.7</b>	<b>-0.3</b>	<b>2.8</b>	<b>1.1</b>	<b>-6.7</b>	<b>-8.4</b>
<b>Total profit or loss and other comprehensive income</b>	<b>19.0</b>	<b>43.1</b>	<b>90.4</b>	<b>162.8</b>	<b>132.0</b>	<b>204.4</b>
<b>Of which, attributable to:</b>						
Shareholders of the Parent Company	19.0	43.1	90.4	162.8	132.0	204.4

## Consolidated balance sheet

SEK million	Note	30/09/2018	30/09/2017	31/12/2017
<b>Assets</b>				
Cash and balances in Central banks		1,139.0	96.4	392.3
Treasury bills and other interest bearing securities eligible for refinancing		16,429.2	14,779.3	15,903.2
Loans to credit institutions		291.4	196.7	272.6
Loans to the general public	2	14,474.3	11,295.5	11,852.1
Bonds and other interest bearing securities		2,468.5	2,353.8	1,949.0
Shares and participations		48.8	59.3	59.2
Assets in the insurance business		60,774.9	47,063.7	46,515.7
Intangible fixed assets		408.5	363.6	382.2
Tangible fixed assets		101.4	31.0	41.9
Current tax assets		161.5	98.0	76.8
Other assets		3,505.1	3,458.9	2,749.7
Prepaid expenses and accrued income		190.1	134.8	140.8
<b>Total assets</b>		<b>99,992.6</b>	<b>79,931.0</b>	<b>80,335.4</b>
<b>Liabilities</b>				
Deposits and borrowing from the general public		33,649.9	27,684.5	29,063.7
Liabilities in the insurance business		60,774.9	47,065.1	46,515.7
Other liabilities		3,299.1	2,984.2	2,544.0
Current tax liabilities		62.1	34.0	8.0
Deferred tax liabilities		39.3	42.3	34.4
Accrued expenses and deferred income		194.7	161.1	147.9
<b>Total liabilities</b>		<b>98,020.0</b>	<b>77,971.2</b>	<b>78,313.8</b>
<b>Equity</b>				
Share capital		175.0	175.0	175.0
Other capital contributions		481.1	481.1	481.1
Other reserves		-65.1	-57.9	-67.9
Retained earnings including profit for the period		1,381.6	1,361.6	1,433.4
<b>Total equity</b>		<b>1,972.6</b>	<b>1,959.8</b>	<b>2,021.6</b>
<b>Total liabilities and equity</b>		<b>99,992.6</b>	<b>79,931.0</b>	<b>80,335.4</b>

## Consolidated statement of changes in equity

SEK million	30/09/2018	30/09/2017	31/12/2017
<b>Opening equity</b>	<b>2,021.6</b>	<b>1,978.9</b>	<b>1,978.9</b>
Profit for the period	87.6	161.7	212.8
Total other comprehensive income	2.8	1.0	-8.4
Effect of changed accounting principles IFRS 9	-37.9	-	-
Dividend	-101.5	-174.7	-174.5
Equity provided, share programme	-	-7.1	-9.2
Repurchase of own shares	-	-	22.0
<b>Closing equity</b>	<b>1,972.6</b>	<b>1,959.8</b>	<b>2,021.6</b>

## Consolidated cash flow

SEK million	3 months	3 months	9 months	9 months	12 months	12 months
	jul-sep 2018	jul-sep 2017	jan-sep 2018	jan-sep 2017	okt-sep 2018	
<b>Operating activities</b>						
Cash flow from operating activities before changes in working capital	-0.4	65.4	173.9	292.9	184.9	303.9
Cash flow from changes in working capital	-486.3	-156.7	1,887.2	2,708.2	1,467.0	2,288.0
<b>Cash flow from operating activities</b>	<b>-486.8</b>	<b>-91.3</b>	<b>2,061.1</b>	<b>3,001.2</b>	<b>1,651.9</b>	<b>2,591.9</b>
<b>Investing activities</b>						
Shares and participations	-34.0	-19.6	-153.6	-64.3	-206.4	-117.1
Net investments in financial instruments	200.4	95.8	-1,046.9	-3,232.4	-270.5	-2,456.0
<b>Cash flow from investing activities</b>	<b>166.3</b>	<b>76.2</b>	<b>-1,200.5</b>	<b>-3,296.7</b>	<b>-476.9</b>	<b>-2,573.1</b>
<b>Financing activities</b>						
Cash flow from financing activities	-0.1	-0.2	-101.6	-174.7	-42.7	-115.8
<b>Cash flow for the period</b>	<b>-320.6</b>	<b>-15.4</b>	<b>759.0</b>	<b>-470.2</b>	<b>1,132.3</b>	<b>-97.1</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>1,752.1</b>	<b>307.9</b>	<b>664.9</b>	<b>765.5</b>	<b>293.0</b>	<b>765.5</b>
Exchange rate difference for cash and cash equivalents	-1.1	0.6	6.5	-2.2	5.1	-3.6
<b>Cash and cash equivalents at the end of the period</b>	<b>1,430.4</b>	<b>293.1</b>	<b>1,430.4</b>	<b>293.1</b>	<b>1,430.4</b>	<b>664.9</b>
whereof cash and cash equivalents in Central Banks	1,139.0	96.4	1,139.0	96.4	1,139.0	392.3
whereof loans to credit institutions	291.4	196.7	291.4	196.7	291.4	272.6

## Parent Company income statement

SEK million	3 months	3 months	9 months	9 months	12 months rolling	12 months
	jul-sep 2018	jul-sep 2017	jan-sep 2018	jan-sep 2017	okt-sep 2018	jan-dec 2017
Net sales	0.4	10.6	2.6	17.9	3.9	19.2
<b>Total operating income</b>	<b>0.4</b>	<b>10.6</b>	<b>2.6</b>	<b>17.9</b>	<b>3.9</b>	<b>19.2</b>
Other external costs	-1.6	-1.2	-4.9	-4.4	-5.8	-5.3
Personnel costs	0.0	-1.7	-0.3	-17.8	-0.9	-18.4
Other operating expenses	-0.3	-0.3	-1.2	-1.0	-1.5	-1.3
<b>Operating profit</b>	<b>-1.5</b>	<b>7.3</b>	<b>-3.7</b>	<b>-5.3</b>	<b>-4.3</b>	<b>-5.7</b>
<b>Result from financial investments:</b>						
Result from participations in Group companies	-	-	-	-	108.4	108.4
Interest expense and similar items	-0.2	-0.2	-0.7	-0.5	-1.0	-0.8
<b>Result from financial investments</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.7</b>	<b>-0.5</b>	<b>107.4</b>	<b>107.7</b>
<b>Profit after financial items</b>	<b>-1.7</b>	<b>7.1</b>	<b>-4.4</b>	<b>-5.8</b>	<b>103.1</b>	<b>101.9</b>
Tax on profit for the year	0.4	-1.8	0.9	1.3	-0.5	-
<b>Profit for the period</b>	<b>-1.3</b>	<b>5.4</b>	<b>-3.4</b>	<b>-4.5</b>	<b>102.7</b>	<b>101.9</b>

## Parent Company statement of other comprehensive income

SEK million	3 months	3 months	9 months	9 months	12 months rolling	12 months
	jul-sep 2018	jul-sep 2017	jan-sep 2018	jan-sep 2017	okt-sep 2018	jan-dec 2017
<b>Profit for the period</b>	<b>-1.3</b>	<b>5.4</b>	<b>-3.4</b>	<b>-4.5</b>	<b>102.7</b>	<b>101.9</b>
<b>Total profit or loss and other comprehensive income</b>	<b>-1.3</b>	<b>5.4</b>	<b>-3.4</b>	<b>-4.5</b>	<b>102.7</b>	<b>101.9</b>

## Parent Company balance sheet, summary

SEK million	30/09/2018	30/09/2017	31/12/2017
<b>Assets</b>			
Financial fixed assets	1,239.1	1,239.1	1,239.1
Current assets	10.6	11.1	39.0
Cash and bank balances	22.9	25.4	48.9
<b>Total assets</b>	<b>1,272.6</b>	<b>1,275.6</b>	<b>1,327.0</b>
<b>Equity and liabilities</b>			
Restricted equity	175.0	175.0	175.0
Non-restricted equity	932.0	908.8	1,036.9
Current liabilities	165.6	191.8	115.1
<b>Total equity and total liabilities</b>	<b>1,272.6</b>	<b>1,275.6</b>	<b>1,327.0</b>

## Parent Company's statement of changes in equity

SEK million	30/09/2018	30/09/2017	31/12/2017
<b>Opening equity</b>	<b>1,211.9</b>	<b>1,257.5</b>	<b>1,257.5</b>
Profit for the period	-3.4	-4.5	101.9
Dividend	-101.5	-174.7	-174.5
Purchase of own shares	-	-	22.0
Performance-related share programme	-	-1.4	-1.9
Equity provided, share programme	-	6.9	6.9
<b>Closing equity</b>	<b>1,107.0</b>	<b>1,083.8</b>	<b>1,211.9</b>

# Notes

Since February 2017, NNB Intressenter is the parent company of Nordnet AB (publ). The operations of NNB Intressenter AB consist of owning and managing shares in Nordnet AB (publ) and its subsidiaries. This Interim Report relates to the Nordnet Group, with the exception of Note 7 Capital requirements for the financial conglomerate and the consolidated situation, which includes NNB Intressenter AB.

## Note 1 Accounting principles

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

The accounting principles applied in this Interim Report are those described in the 2017 Nordnet Annual Report, Note 5, the section entitled "Accounting principles applied". The accounting principles and bases of calculation applied remain unchanged compared with the 2017 Annual Report, except for the following amendments.

As of 1 January 2018, Nordnet applies IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 15 Revenue from Contracts with Customers. IFRS 9 affects Nordnet in the following three areas: Classification and measurement of financial instruments, Impairment and Hedge accounting. In the section "Note 3 Changed accounting principles" in Nordnet's 2017 Annual Report, the transition effects for implementation of IFRS 9 are described. The table below presents a reconciliation of the provisions in accordance with IAS 39 against the opening balance of loss reserves determined in accordance with IFRS 9. Refer also to the table under "Consolidated statement of changes in equity" regard-

IAS 39	IFRS 9	IAS 39	IFRS 9	Effect of change in loss reserve
31 December 2017	1 January 2018	31 December 2017	1 January 2018	
Specific reservations for individually valued loan receivables		37		-37
	Financial assets recognized at amortized cost			
Step 1			20	20
Step 2			26	26
Step 3			39	39
	Financial assets recognized at fair value through other comprehensive income			
Step 1			-	-
Total		37	85	48

*The tax effect on transition to IFRS 9 amounted to a negative SEK 11 million.*

*Provisions in accordance with IAS 39, as a whole, refer to reserves for financial assets classified as Loans and receivables.*

ding the effect of changed accounting principles.

Following the transition to IFRS 9, Nordnet applies the following classification:

Classification under IAS 39	Measurement in accordance with IFRS 9
Loans and receivables	Amortized cost
Instruments held for maturity	Amortized cost
Available-for-sale financial assets	Fair value through other comprehensive income
Other financial liabilities	Amortized cost

Nordnet has evaluated the business model for its portfolios of financial instruments based on how they are managed and evaluated. The liquidity portfolio, which until 31 December 2017 was reported according to "Held to maturity" and "Available for sale" will, from 1 January 2018, be classified according to "Hold to collect" and "Hold to collect and sell".

The transition in general will not cause any material differences compared with how the financial instruments were measured previously and will thereby not have any financial impact on Nordnet.

## Accounting principles as of 1 January 2018

### IFRS 9 Financial instruments

#### Financial assets

Financial assets recognized in the balance sheet include, on the asset side, Cash and balances in central banks, Treasury bills eligible for refinancing, etc. Assets in the insurance business, Loans to credit institutions, Loans to the general public, Bonds and other interest-bearing securities, Shares and participations, Other assets and Accrued income. Currency derivatives are reported as either assets or liabilities, depending on whether the fair value is positive or negative.

Acquisitions and disposals of financial assets are recognized on the transaction date, which represents the day on which the company undertakes to acquire or dispose of the asset. A financial asset is de-recognized from the balance sheet when the contractual rights to

cash flow cease or when the Group for all material purposes has transferred all risks and benefits associated with ownership of the financial asset. The same applies to parts of financial assets.

Financial assets and financial liabilities are offset and recognized at a net amount in the balance sheet where there is a legal right to offset the amounts reported at the same time as there is an intention to adjust the items with a net amount or realize the asset and adjust the liability at the same time

When a financial asset, with the exception of accounts receivable, is initially recognized it is measured at fair value plus – as regards a financial asset not belonging to the category of financial assets measured at fair value via the income statement – transaction expenses directly attributable to the acquisition or issue of the financial asset. Accounts receivable that do not have a significant financing component are measured at their transaction price. The financial assets are then classified either as measured at amortized cost, fair value through other comprehensive income or fair value via the income statement. Classification is based on the Group's business models for managing financial assets and the characteristics of the contractual cash flows from the financial asset.

#### Financial assets measured at amortized cost

Debt instruments are measured at amortized cost when they:

- are held in the context of a business model the objective of which is to hold financial assets for the purpose of collecting the contractual cash flows and;
- the agreed terms of the financial asset, at fixed dates, give rise to cash flows that are solely payments of principal and interest on the outstanding principal.

Measurement occurs at amortized cost less deductions for expected credit losses. For accounting of expected credit losses, see Note 2 "Lending to the general public". Financial assets recognized at amortized cost are: Cash and balances in central banks, Treasury bills eligible for refinancing, etc. Assets in the insurance business, Loans to credit institutions, Loans to the general public, Bonds and other interest-bearing securities, Shares and participations, Other assets and Accrued income.

## Financial liabilities measured at fair value via other comprehensive income

Debt instruments are measured at fair value via other comprehensive income when they:

- are held in the context of a business model the objective of which is achieved both by collecting contractual cash flows and selling financial assets and;
- the agreed terms of the financial asset, at fixed dates, give rise to cash flows that are solely payments of principal and interest on the outstanding principal.

The value change is recognized in other comprehensive income, except for expected credit losses and currency profits and currency losses – until the financial asset is de-recognized from the balance sheet, at which time the accumulated profit or loss previously recognized in comprehensive income is reported in the income statement. For accounting of expected credit losses, see Note 2 “Lending to the general public”. Financial assets recognized at fair value via other comprehensive income are Treasury bills eligible for refinancing, etc., and Bonds and other interest-bearing securities.

## Financial liabilities measured at fair value via the income statement

Equity instruments measured at fair value via the income statement refer to instruments held for trading. Changes in value are recognized in the income statement. These consist of: Shares and participations.

## Financial liabilities

Financial liabilities recognized in the balance sheet include, on the liability side: Deposits and borrowing from the general public, Liabilities in the insurance business, Other liabilities and Accrued expenses.

When a financial liability is initially recognized, it is measured at fair value plus – as regards a financial liability not belonging to the category of financial assets measured at fair value via the income statement – transaction expenses directly attributable to the incurrence or issue of the financial liability. Financial liabilities subsequently classified are either as measured at amortized cost or fair value via the income statement.

Liabilities in the insurance business are measured at fair value via the income statement, as this is deemed

to lead to more relevant information as it significantly reduces the inconsistencies in measurement and recognition (“Lack of conformity in the reporting”).

Other financial liabilities are measured at amortized cost.

## Impairment of financial assets

Nordnet applies a three-step method to measure expected credit losses for financial assets measured at amortized cost and fair value via other comprehensive income as well as loan commitments. Nordnet has identified four different categories for recognizing expected credit losses:

- Margin loans
- Granting of unsecured credits
- Residential mortgages
- Treasury portfolio

There are no expected credit losses for share investments because they are not covered by the standard model.

Financial assets with the exception of Other financial instruments measured at amortized cost are subject to the following three steps, based on the change in creditworthiness since the first reporting date:

Step 1: 12-month expected credit losses. For exposures where there has been no significant deterioration of the creditworthiness since the first reporting date, the part of lifetime expected credit losses related to the probability of default is reported within the next 12 months.

Step 2: Lifetime expected credit losses – underperforming assets. For exposures where there has been a significant deterioration of the creditworthiness from the initial reporting date, but that are not considered to have defaulted, lifetime expected credit losses (i.e., that which reflects the remaining life of the financial asset) are reported.

Step 3: Lifetime expected credit losses – non-performing assets. Exposures are deemed to have defaulted when one or more events that have an adverse effect on the estimated future cash flows for the asset have occurred. For exposures that have defaulted, lifetime expected credit losses and interest income are calcu-

lated using the effective interest rate on the depreciated amount (net after disposal) rather than the gross carrying amount.

Other financial instruments measured at amortized cost comprise accounts receivables without any significant financing component. For these financial assets, lifetime expected credit losses are recognized at the first reporting date according to the simplified model.

### Determining categorization of impairment

At each reporting date, Nordnet assesses whether there has been a significant deterioration of the creditworthiness from the initial reporting date of exposures by comparing the risk of default over the life expectancy between the balance sheet date and the first reporting date. Nordnet acts on the basis on reasonable and verifiable data that is available without undue expenses or efforts. This includes quantitative and qualitative information as well as forward-looking information.

An exposure will be subject to the credit loss categories as credit quality deteriorates. If credit quality improves in a subsequent period and also reverses a previously assessed significant deterioration of creditworthiness, a provision for doubtful receivables will be turned from lifetime expected credit losses to 12 months.

Provision for doubtful receivables for exposures that have not deteriorated significantly since the first reporting date or where the deterioration remains within what, according to Nordnet's investment rating criteria, is considered to have low credit risk based on 12 months' expected credit losses.

When an asset has defaulted, it is depreciated against the provision that is attributable to the exposure. Such assets are depreciated after all necessary procedures have been completed and the loss amount has been determined. Recovering amounts previously depreciated reduces the cost in the income statement.

For the Treasury portfolio, Nordnet carries out the credit risk assessment on an individual basis. For the other categories, the assessment is performed collectively. In the collective assessment of impairment requirements, the financial instruments are grouped on the basis of

common credit risk characteristics such as credit ratings, first reporting date, remaining maturity, geographical location of borrowers and other relevant factors.

### Measurement of expected credit losses

Expected credit losses are derived from objective and probability-weighted estimates of expected losses and are measured as follows:

- Financial assets that have not fallen due on the balance sheet date: as the present value of any cash loss over the expected useful life of the financial asset discounted with the effective interest rate. The cash loss is the difference between the cash flows that Nordnet is entitled to under agreements and the cash flows Nordnet is expected to receive.
- Financial assets that have defaulted on the balance sheet date: as the difference between the reported value gross and the present value of estimated future cash flows discounted by the effective interest rate.
- Unutilized loan commitments: as the present value of the difference between the contractual cash flows that Nordnet is entitled to if the commitment is utilized and the cash flows that Nordnet expects to receive.

Expected credit losses are recognized through a provision for doubtful receivables in the income statement. In the case of financial instruments measured at fair value through other comprehensive income, the measurement of expected credit losses is based on the three-step strategy applied for financial assets at amortized cost. Nordnet recognizes the provision in the income statement with the corresponding amount reported in other comprehensive income without any impairment of the carrying amount of the asset in the balance sheet.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers are based on the principle that income is reported when the customer receives control of the sold item or service and has the opportunity to use and receive benefit from the goods or service. The standard is to provide users of financial reports with more useful information about the company's income. The expanded disclosure obligation entails that information about type of income, timing of regulation, uncertainties linked to income recognition and cash flow attributable to the company's customer contracts must be disclosed. The

## Cont'd Note 1 Accounting Principles

income standard applies to all contracts with customers. Nordnet has analyzed the contract based on the five steps in IFRS 15 and concluded that the standard has no impact on income recognition. However, IFRS 15 will increase disclosure requirements in future annual reports.

### Prepaid acquisition expenses, insurance business

IFRS differentiates between insurance contracts and investment contracts. Insurance contracts are contracts where the company assumes a significant insurance risk for the policyholder by agreeing to compensate the policyholder or other beneficiary if a predetermined insured event takes place. Investment contracts are financial instruments that cannot be defined as insurance contracts as they transfer no significant insurance risk from the policyholder to the company. All insurance policies in the company are classified as investment agreements, as the company's risk is very limited.

Effective from the second quarter of 2018, acquisition expenses directly or indirectly related to new investment agreements and expenses related to the renewal of existing agreements, such as Deferred Acquisition Costs (DAC), are capitalized in the balance sheet.

Acquisition expenses for the agreements are then amortized according to plan, adjusted to the anticipated proportion of contracts remaining. Other significant assessment items affecting the plan include contracts that are redeemed prematurely or cease in the event of death by means of an estimated repurchase or death rate.

If the anticipated maturity is adjusted or the asset is impaired, the effect is recognized in the income statement.

On 30 September 2018, the capitalization of prepaid acquisition expenses applied in agreements brokered by external partners amounted to SEK 1.3 million.

### Note 2 Loans to the general public

As at 30 September 2018, SEK 791.9 million (914.6) of lending to the public involves account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans and investment savings accounts (ISKs), the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents. The remainder of lending to the general public is secured by collateral in the form of securities and property or consists of unsecured loans.

Consolidated credit loss reserve	12-month expected credit losses	Expected maturity credit losses (no default)	Expected maturity credit losses (default)	Total
Initial classification applying IFRS 9				
<b>Opening balance 01/01/2018</b>	<b>20.6</b>	<b>25.7</b>	<b>39.2</b>	<b>85.5</b>
Currency effects and other	0.0	0.0	1.2	1.3
Write-downs recognized credit losses	-0.2	-6.1	-1.3	-7.6
New financial assets	7.7	2.9	1.0	11.6
Transfers:				
-to 12-month expected credit losses	0.7	-5.8	-0.2	-5.3
-to expected maturity credit losses (no default)	-1.5	13.3	-0.1	11.7
-to expected maturity credit losses (default)	-0.1	-0.3	5.6	5.1
Removed financial assets	-4.5	-1.3	-0.5	-6.3
Changes in models/parameters	0.0	0.0	0.0	0.0
<b>Closing balance 30/09/2018</b>	<b>22.6</b>	<b>28.4</b>	<b>44.9</b>	<b>96.0</b>

Lending to the general public has been affected by IFRS 9, which has been applied from 1 January 2018. The principle for calculating anticipated credit losses has been changed. For transition effect, see Note 1.

Lending to the general public is reported after deduction of realized and anticipated credit losses. At the end of the period, the provision for impaired credit losses amounted to SEK 96.0 million (SEK 85.5 million as at 1 January 2018). The change in the accumulated provision for anticipated credit losses has affected third quarter earnings by a negative SEK 5.7 million and, accumulated for 2018, by a negative SEK 10.5 million. For further information on the quarter's credit losses, refer to the table *Consolidated credit loss reserve* on page 28.

How risk management is conducted is described in the risk management framework. The framework describes the strategies, processes, procedures, internal regulations, limits, controls and reporting procedures related to risk management. Combined, these are intended to ensure that Nordnet can, on an on-going basis, identify, measure, guide, internally report and maintain control over the risks to which Nordnet is, or is likely to be, exposed. A detailed description of Nordnet's exposure to risk and handling of risks can be found under Note 7 in the 2017 Annual Report. No significant risks have been added in the third quarter of 2018.

## Note 3 Transactions with related parties

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

Nordnet Bank AB regularly enters into business relations with Öhman Group in the same way as is regularly done with other financial players. Nordnet's no-fee index funds, Superfonderna, are managed by E. Öhman J:or Fonder AB, a company within the Öhman Group. The agreement has been entered into on market terms. For additional information, please refer to Note 6 in the 2017 Annual Report.

## Note 4 Significant risks and uncertainties

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

## Note 5 Group – Financial instruments

### Categorization of financial instruments

30/09/2018

Assets	Amortized cost	Fair value through P&L	Fair value through other comprehensive income	Non financial instruments	Total
Cash and balances in Central banks	1,139.0	-	-	-	1,139.0
Treasury bills and other interest bearing securities eligible for refinancing	6,512.0	-	9,917.2	-	16,429.2
Loans to credit institutions	291.4	-	-	-	291.4
Loans to the general public	14,474.3	-	-	-	14,474.3
Bonds and other interest bearing securities	622.9	-	1,845.6	-	2,468.5
Shares and participations	-	48.8	-	-	48.8
Assets in the insurance business	1,121.5	53,505.0	6,148.4	-	60,774.9
Intangible fixed assets	-	-	-	408.5	408.5
Tangible fixed assets	-	-	-	101.4	101.4
Other assets	3,505.1	-	-	161.5	3,666.6
Prepaid expenses and accrued income	190.1	-	-	-	190.1
<b>Total assets</b>	<b>27,856.3</b>	<b>53,553.8</b>	<b>17,911.2</b>	<b>671.3</b>	<b>99,992.6</b>
<b>Liabilities</b>					
Deposits and borrowing from the general public	33,649.9	-	-	-	33,649.9
Liabilities in the insurance business	-	60,774.9	-	-	60,774.9
Other liabilities	3,299.1	-	-	101.4	3,400.5
Accrued expenses and deferred income	194.7	-	-	-	194.7
<b>Total liabilities</b>	<b>37,143.6</b>	<b>60,774.9</b>	-	<b>101.4</b>	<b>98,020.0</b>

30/09/2017	Loans and accounts receivable	Financial assets at fair value	Financial assets held to maturity	Available-for-sale financial assets	Reported value	Fair value
Assets	Held for trading	Through P&L				
Treasury bills and other interest bearing securities	-	-	-	5,939.7	8,839.6	14,779.3
Loans to credit institutions	196.7	-	-	-	-	196.7
Loans to the general public	11,295.5	-	-	-	-	11,295.5
Bonds and other interest bearing securities	-	-	-	670.1	1,683.7	2,353.8
Shares and participations	-	-	59.3	-	-	59.3
Assets in the insurance business	2,014.8	244.9	40,730.2	-	4,073.8	47,063.7
Other assets	3,458.9	-	-	-	-	3,458.9
Prepaid expenses and accrued income	134.8	-	-	-	-	134.8
<b>Total assets</b>	<b>17,100.7</b>	<b>244.9</b>	<b>40,789.5</b>	<b>6,609.8</b>	<b>14,597.1</b>	<b>79,342.0</b>
						<b>79,365.5</b>

## Cont'd Note 5 Group – Financial instruments

### Categorization of financial instruments

30/09/2017	Financial liabilities at fair value		Other financial liabilities	Reported value	Fair value
Liabilities	Held for trading	Through P&L			
Deposits and borrowing from the general public	-	-	27,684.5	<b>27,684.5</b>	<b>27,684.5</b>
Liabilities in the insurance business	-	47,065.1	-	<b>47,065.1</b>	<b>47,065.1</b>
Other liabilities	-	-	2,984.2	<b>2,984.2</b>	<b>2,984.2</b>
Accrued expenses and deferred income	-	-	161.1	<b>161.1</b>	<b>161.1</b>
<b>Total liabilities</b>	-	<b>47,065.1</b>	<b>30,829.8</b>	<b>77,894.9</b>	<b>77,894.9</b>

31/12/2017	Loans and accounts receivable	Financial assets at fair value	Financial assets held to maturity	Available-for-sale financial assets	Reported value	Fair value
Assets	Held for trading	Through P&L				
Treasury bills and other interest bearing securities	-	-	6,562.3	9,340.9	<b>15,903.2</b>	<b>15,919.5</b>
Loans to credit institutions	272.6	-	-	-	<b>272.6</b>	<b>272.6</b>
Loans to the general public	11,852.0	-	-	-	<b>11,852.0</b>	<b>11,852.0</b>
Bonds and other interest bearing securities	-	-	717.2	1,231.8	<b>1,949.0</b>	<b>1,949.0</b>
Shares and participations	-	-	59.2	-	<b>59.2</b>	<b>59.2</b>
Assets in the insurance business	1,895.0	363.2	40,874.9	-	<b>46,515.7</b>	<b>46,515.7</b>
Other assets	2,749.7	-	-	-	<b>2,749.7</b>	<b>2,749.7</b>
Prepaid expenses and accrued income	140.8	-	-	-	<b>140.8</b>	<b>140.8</b>
<b>Total assets</b>	<b>16,910.1</b>	<b>363.2</b>	<b>40,934.1</b>	<b>7,279.5</b>	<b>13,955.3</b>	<b>79,442.2</b>
						<b>79,458.5</b>

31/12/2017	Financial liabilities at fair value		Other financial liabilities	Reported value	Fair value
Liabilities	Held for trading	Through P&L			
Deposits and borrowing from the general public	-	-	29,063.7	<b>29,063.7</b>	<b>29,063.7</b>
Liabilities in the insurance business	-	46,515.7	-	<b>46,515.7</b>	<b>46,515.7</b>
Other liabilities	-	-	2,528.4	<b>2,528.4</b>	<b>2,528.4</b>
Accrued expenses and deferred income	-	-	147.9	<b>147.9</b>	<b>147.9</b>
<b>Total liabilities</b>	-	<b>46,515.7</b>	<b>31,740.0</b>	<b>78,255.7</b>	<b>78,255.7</b>

## Cont'd Note 5 Group – Financial instruments

### Determination of fair value of financial instruments

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

The methods are divided into three different levels:

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

Level 2 – Financial assets and financial liabilities valued on the basis of input data other than that included in Level 1, either directly (prices) or indirectly (derived from prices) observable. Instruments in this category are measured applying:

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

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

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

In cases where there is no active market, fair value is determined using established valuation methods and models. In these cases, assumptions that cannot be directly derived from a market can be applied. These assumptions are then based on experience and knowledge about valuation in the financial markets. However, the goal is always to maximize the use of data from an active market. In cases when deemed necessary, relevant adjustments are made to reflect a fair value, in order to correctly reflect the parameters contained in the financial instruments and to be reflected in its valuation.

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

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

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

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

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

## Financial instruments are recognized at fair value

30/09/2018	SEK million	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>					
Treasury bills and other interest bearing securities eligible for refinancing	9,917.2	-	-	-	<b>9,917.2</b>
Bonds and other interest bearing securities	1,845.6	-	-	-	<b>1,845.6</b>
Shares and participations <sup>1</sup>	3.7	-	-	45.1	<b>48.8</b>
Assets in the assurance business <sup>2</sup>	59,751.9	1,023.0	-	-	<b>60,774.9</b>
<b>Subtotal</b>	<b>71,518.4</b>	<b>1,023.0</b>	<b>45.1</b>	<b>72,586.5</b>	
<b>Financial assets where fair value is given for information purposes</b>					
Loans to credit institutions	-	291.4	-	-	<b>291.4</b>
Loans to the general public	-	14,474.3	-	-	<b>14,474.3</b>
Financial assets held to maturity	-	7,134.9	-	-	<b>7,134.9</b>
<b>Subtotal</b>	<b>-</b>	<b>21,900.6</b>	<b>-</b>	<b>21,900.6</b>	
<b>Total</b>	<b>71,518.4</b>	<b>22,923.6</b>	<b>45.1</b>	<b>94,487.1</b>	
<b>Financial liabilities at fair value</b>					
Liabilities in the insurance business	-	60,774.9	-	-	<b>60,774.9</b>
<b>Total</b>	<b>-</b>	<b>60,774.9</b>	<b>-</b>	<b>60,774.9</b>	

<sup>1</sup> Shares and participations in Level 3 refer to unlisted shares.

<sup>2</sup> SEK 6,148 refers to re-investments in bonds and SEK 1,121.5 refers to cash and cash equivalents.

30/09/2017	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	8,839.6	-	-	<b>8,839.6</b>
Bonds and other interest bearing securities	1,683.7	-	-	<b>1,683.7</b>
Shares and participations <sup>1</sup>	15.4	-	43.9	<b>59.3</b>
Assets in the assurance business <sup>2</sup>	46,154.3	909.4	-	<b>47,063.7</b>
<b>Subtotal</b>	<b>56,693.0</b>	<b>909.4</b>	<b>43.9</b>	<b>57,646.3</b>
<b>Financial assets where fair value is given for information purposes</b>				
Loans to credit institutions	-	196.7	-	<b>196.7</b>
Loans to the general public	-	11,295.5	-	<b>11,295.5</b>
Financial assets held to maturity	-	6,609.8	-	<b>6,609.8</b>
<b>Subtotal</b>	<b>-</b>	<b>18,102.0</b>	<b>-</b>	<b>18,102.0</b>
<b>Total</b>	<b>56,693.0</b>	<b>19,011.4</b>	<b>43.9</b>	<b>75,748.3</b>
<b>Financial liabilities at fair value</b>				
Liabilities in the insurance business	-	47,065.1	-	<b>47,065.1</b>
<b>Total</b>	<b>-</b>	<b>47,065.1</b>	<b>-</b>	<b>47,065.1</b>

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

<sup>2</sup> 4,074 refers to reinvestments in bonds and 2,015 refers to cash and cash equivalents.

## Cont'd Note 5 Group – Financial instruments

### Financial instruments are recognized at fair value

31/12/2017	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	9,340.9	-	-	<b>9,340.9</b>
Bonds and other interest bearing securities	1,231.8	-	-	<b>1,231.8</b>
Shares and participations <sup>1</sup>	14.3	-	44.8	<b>59.1</b>
Assets in the assurance business <sup>2</sup>	46,216.4	299.4	-	<b>46,515.8</b>
<b>Subtotal</b>	<b>56,803.4</b>	<b>299.4</b>	<b>44.8</b>	<b>57,147.6</b>
<b>Financial assets where fair value is given for information purposes</b>				
Loans to credit institutions	-	272.6	-	<b>272.6</b>
Loans to the general public	-	11,852.0	-	<b>11,852.0</b>
Financial assets held to maturity	-	7,279.5	-	<b>7,279.5</b>
<b>Subtotal</b>	<b>-</b>	<b>19,404.1</b>	<b>-</b>	<b>19,404.1</b>
<b>Total</b>	<b>56,803.4</b>	<b>19,703.5</b>	<b>44.8</b>	<b>76,551.7</b>
<b>Financial liabilities at fair value</b>				
Liabilities in the insurance business	-	46,515.7	-	<b>46,515.7</b>
<b>Total</b>	<b>-</b>	<b>46,515.7</b>	<b>-</b>	<b>46,515.7</b>

<sup>1</sup> Shares and participations in Level 3 refer to unlisted shares.

<sup>2</sup> SEK 3,383 refers to re-investments in bonds and SEK 1,895 refers to cash and cash equivalents.

### Description of valuation levels

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

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

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

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

When the Group determines the level at which financial instruments are to be recognized, each one is individually assessed in its entirety.

During the year, there have been no transfers of financial instruments between valuation levels 1, 2 and 3. Financial instruments are transferred to or from Level 3 depending on whether internal assumptions have changed for the valuation.

## Note 6 Pledged assets, contingent liabilities and commitments

SEK million	30/09/2018	30/09/2017	31/12/2017
<b>Pledged assets and comparable collateral for own liabilities</b>	<b>none</b>	<b>none</b>	<b>none</b>
<b>Other pledged assets and comparable collateral</b>			
Bonds and other interest bearing securities <sup>1</sup>	2,166.4	1,935.3	1,968.5
<i>of which deposits with credit institutions</i>	1,874.8	1,668.1	1,692.2
<i>of which deposits with clearing organisations</i>	291.6	267.1	276.3
<b>Contingent liabilities</b>	<b>none</b>	<b>none</b>	<b>none</b>
<b>Commitments</b>			
Credit granted but not yet paid, unsecured loans	572.9	593.9	907.0
<b>Funds managed on behalf of third parties</b>			
Client funds	125.6	181.2	189.6

<sup>1</sup>This amount includes blocked funds of SEK 88 million (80).

As per the balance sheet date of 30 September 2018, the insurance business held registered assets amounting to SEK 53,213 million (40,378) to which the policyholders have priority rights.

## Note 7 Capital adequacy information

The rules on capital adequacy are the legislator's requirement for how much capital in the form of a capital base an institution must have in relation to the level of risk it takes. The regulations aim to strengthen the link between risk taking and capital requirements in the Group's operations. The legal capital requirements are calculated in accordance with Regulation 575/2013 of the European Parliament and of the Council (CRR), as well as the 2013/36 EU (CRD IV) Directive.

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

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

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

The capital requirement for units in the Insurance operations is affected by the policyholders' assets. The capital requirements for the banking operations vary primarily in terms of the size and credit quality of the bank's exposures. Nordnet Pension Insurance's solvency capital requirements and capital base are calculated according to the standard model under Solvency II. The model requires assumptions that are determined by both the authorities and the Board of the insurance company.

## Cont'd Note 7 Capital adequacy information

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

accounts have been compiled in accordance with the same accounting principles as the consolidated accounts.

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

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

## The financial conglomerate

SEK million	30/09/2018	30/09/2017	31/12/2017
Total equity	1,973.0	2,159.3	2,024.7
Less, profit that have not been subject to audit	-83.4	0.0	0.0
Less requirements on prudent valuation	-17.9	-14.6	-14.0
Less expected dividend for current year	0.0	-242.7	-100.0
<b>Total equity for the financial conglomerate</b>	<b>1,871.7</b>	<b>1,902.0</b>	<b>1,910.7</b>
Less fixed intangible assets and deferred tax receivables	-408.5	-363.6	-382.2
Solvency capital (VIF)	786.0	653.0	679.9
<i>depart risk margin</i>	-135.5	-115.1	-122.2
<b>Capital base</b>	<b>2,113.8</b>	<b>2,076.3</b>	<b>2,086.2</b>
<b>Capital requirement per sector</b>			
Exposure regulated entities, insurance sector	550.3	465.9	480.9
Exposure regulated entities, the banking and securities sector	1,316.4	945.9	944.1
<b>Capital requirement</b>	<b>1,866.7</b>	<b>1,411.8</b>	<b>1,424.9</b>
<b>Excess capital</b>	<b>247.1</b>	<b>664.5</b>	<b>661.3</b>
<b>Capital base/capital ratio</b>	<b>1.1</b>	<b>1.5</b>	<b>1.5</b>

## Cont'd Note 7 Capital adequacy information

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

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

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

The combined buffer requirement amounts to 4.3 percent of risk-weighted exposure amounts and consists of a capital conservation buffer (2.5 percent) and a countercyclical buffer (1.8 percent).

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

dends under Commission Delegated Regulation (EU) 241/2014.

### Internally assessed capital requirement

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

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

In addition to the minimum capital requirement and the buffer requirements, Nordnet has calculated the internal capital requirement for the consolidated situation to be SEK 241.0 million (277.8). This is considered to be a satisfactory capital situation with regard to the activities that Nordnet conducts. Capital ratio is monitored continuously and, if necessary, results are reviewed during the current financial year by the company's external auditors, to be included in the capital base.

## Cont'd Note 7 Capital adequacy information

### The consolidated situation

SEK million	30/09/2018	30/09/2017	31/12/2017
Total equity	1,886.3	1,977.5	1,986.8
Less, profit that have not been subject to audit	-40.9	0.0	-
Less requirements on prudent valuation	-17.9	-14.6	-14.0
Less expected dividend for current year	0.0	-215.1	-100.0
Less intangible fixed assets and deferred tax receivables	-395.0	-348.4	-368.1
<b>Tier 1 capital</b>	<b>1,432.5</b>	<b>1,399.4</b>	<b>1,504.7</b>
<b>Capital base</b>	<b>1,432.5</b>	<b>1,399.4</b>	<b>1,504.7</b>
<b>Risk exposures</b>			
Exposure to credit risk according to the standardized method	6,601.8	6,250.7	6,543.3
Exposure market risk	19.5	2.7	6.6
Exposure operational risk	2,145.4	2,098.3	2,098.3
<b>Total exposure</b>	<b>8,766.6</b>	<b>8,351.7</b>	<b>8,648.2</b>
<b>Capital ratio</b>	<b>16.3%</b>	<b>16.8%</b>	<b>17.4%</b>
<b>Capital base</b>	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>31/12/2017</b>
Credit risk according to the standardized method	528.1	500.1	523.5
Market risk	1.6	0.2	0.5
Operational risk	171.6	167.9	167.9
<b>Capital requirement Pillar 1</b>	<b>701.3</b>	<b>668.1</b>	<b>691.9</b>
<b>Capital requirement Pillar 2</b>	<b>241.0</b>	<b>277.8</b>	<b>252.2</b>
<b>Total capital requirement</b>	<b>942.4</b>	<b>945.9</b>	<b>944.1</b>
<b>Capital ratio and buffers</b>			
Common equity tier 1 ratio, %	16.3%	16.8%	17.4%
Tier 1 ratio, %	16.3%	16.8%	17.4%
Total capital ratio, %	16.3%	16.8%	17.4%
Institution-specific buffer requirements, %	4.3%	4.1%	4.2%
of which capital conservation buffer requirement, %	2.5%	2.5%	2.5%
of which countercyclical buffer requirement, %	1.8%	1.6%	1.7%
Total capital requirement including buffer requirement, %	15.0%	15.4%	15.1%
Tier 1 capital available for buffer requirement, %	8.3%	8.8%	9.4%

# Definitions

## Active account<sup>1</sup>

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

## Active customer<sup>1</sup>

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

## Amount traded<sup>1</sup>

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

## Cash market<sup>1</sup>

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

## Capital base<sup>2</sup>

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

## Capital ratio<sup>2</sup>

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

## Client funds<sup>1</sup>

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

## Core Tier 1 capital<sup>2</sup>

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

## Core Tier 1 ratio<sup>2</sup>

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

## Cost coverage<sup>1</sup>

Non-transaction-related income relative to expenses.

## Deposits<sup>1</sup>

Deposits including deposits attributable to liabilities in the insurance operations.

## Lending<sup>1</sup>

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

## Net commission income<sup>1</sup>

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

## Net commission per trade<sup>1</sup>

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

## Net savings<sup>1</sup>

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

## Operating expenses<sup>2</sup>

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

## Operating margin<sup>1</sup>

Operating profit in relation to operating income.

<sup>1</sup>Alternative performance measures

<sup>2</sup>Definitions in accordance with IFRS and the EU's capital requirement regulation no. 575/2013 (CRR) and the EU's Solvency II directive 2015/35

# Definitions

## Personal loans<sup>1</sup>

Unsecured loans.

## Profit margin<sup>1</sup>

Profit for the period in relation to operating income.

## Return on assets<sup>1</sup>

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

## Return on equity<sup>1</sup>

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

## Risk exposure amounts<sup>2</sup>

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

## Solvency capital (NPV)<sup>2</sup>

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

## Solvency capital requirements (SCR)<sup>2</sup>

Estimated capital requirements as per Solvency II regulations.

## Total savings capital<sup>1</sup>

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

## Trade<sup>1</sup>

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

## Turnover rate<sup>1</sup>

The number of shares bought or sold during the year divided by the number of shares outstanding at year-end.

<sup>1</sup>Alternative performance measures

<sup>2</sup>Definitions in accordance with IFRS and the EU's capital requirement regulation no. 575/2013 (CRR) and the EU's Solvency II directive 2015/35

## Alternative performance measures

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

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