

# Annual and Sustainability Report 2020.





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

# The year in brief 2020.

## Quarter 1

- Nearly 90,000 new customers during the quarter. Nordnet surpasses more than one million customers in total
- Broad stock market decline at the end of the quarter due to the outbreak of the pandemic
- High trading activity in all markets
- Success for the new equity savings account in Finland
- Take-over of online customers from Finnish S-Pankki
- Strong financial earnings

## Quarter 2

- Considerable interest in private finance and savings leads to elevated customer growth
- Highest number of transactions in an individual quarter – Nordnet is Norway's largest broker
- Rising stock markets and strong net savings provide a new upper level for savings capital
- Launch of four proprietary international index funds and sustainability data for ETFs
- Record-breaking financial results as a consequence of increased income and a scalable business model

## Quarter 3

- Strong business growth with savings capital and lending achieving new top levels, continued major influx of new customers and high levels of trading activity
- Continued improvements to the platform - new function for monthly savings, launch of proprietary index funds in Norway, integration of the Nordnet blog on the customer site, and additional inspiring functions in the app
- The financial result remained strong - increased income and stable cost level give an operating profit of SEK 337 million
- Nordnet is initiating a strategic review, including evaluating the conditions for a possible IPO

## Quarter 4

- Nordnet is listed on the Stockholm Stock Exchange – the first day of trading was 25 November
- High interest in savings leads to record-high inflow of savings and new customers
- Trading record and the Nordic region's largest broker – highest trading volume on Nordic stock exchanges in 2020
- New peak levels for savings capital and lending
- Continued development of UX and product range – digital occupational pension, paperless process for residential mortgages, and advisory tools for fund savings
- High income and cost control provide the best financial results in Nordnet's history – adjusted profit before tax of SEK 473 million
- Proposed dividend, SEK 1.51 per share

# The year in figures.

"For us, the correct focus is a crucial factor for success. Quite simply, we believe strongly in being the best at something. Nordnet has set its sights on becoming a leader in one single area - savings and investments. Our home market is the Nordic region, and our target group is private savers in Sweden, Norway, Denmark and Finland."

Lars-Åke Norling, CEO Nordnet

Customer growth in the past 12 months:

**34%** (19%)

- Adjusted operating profit SEK 1,575.9 million (376.8)
- Operating income amounted to SEK 2,678.7 million (1,573.4)
- Savings capital at 31 December amounted to SEK 565 billion (394)
- Proposed dividend of SEK 1.51 per share
- Earnings per share amounted to SEK 4.54 (1.25)
- Adjusted operating expenses amounted to SEK -1,064.1 million (-1,097.1)
- Net savings amounted to SEK 82.1 billion (20.9)

Million SEK	2020	2019	Change %
Operating income	2,678.7	1,573.4	70%
Operating expenses	-1,193.4	-1,162.3	3%
Credit losses	-38.7	-33.6	15%
Operating profit	1,446.6	377.4	283%
Profit after tax	1,172.7	339.5	245%
Earnings per share before and after dilution (SEK)	4.54	1.25	263%
Income in relation to savings capital	0.60%	0.44%	0.17%
Operating margin %	54%	24%	30%
Adjusted operating expenses <sup>1</sup>	-1,064.1	-1,097.1	-3%
Adjusted operating profit <sup>1</sup>	1,575.9	376.8	318%
Adjusted operating margin %	59%	24%	35%
Adjusted earnings per share pre amortization of intangible assets due to PPA before and after dilution (SEK)	5.10	1.37	272%
Total number of customers	1,221,500	913,600	34%
Net savings (SEK billion)	82.1	20.9	293%
Savings capital at the end of the period (SEK billion)	564.9	394.5	43%
Average savings capital per customer SEK	415,900	409,100	2%

For definitions of key performance indicators, refer to pages 150-151.

# This is Nordnet.

## Our operations.

The overall objective of Nordnet's business is to democratize savings and investments. By that, we mean giving private savers access to the same information and tools as professional investors. This aim has driven us since the beginning in 1996 and is still our focus today. At the beginning of our existence, the democratization idea was about offering easily accessible and cost-efficient share trading over internet, and creating fund supermarket with products from a number of different distributors where the savers could easily compare return, risk and fees. Along the way, we have simplified and reduced prices on pension savings, index funds and private banking services, among others. In recent years, we have democratized savings and investments through, for example, the stock lending program. We always stand on the savers' side and push issues concerning for example the free right of transferring of pensions, personal finance in school, greater opportunities for private pension savings and a reasonable and predictable taxation of shares and funds.

**Our aspiration is to become the first choice for the Nordic savers. In order to achieve this goal, we must constantly continue to challenge and think along new lines, and have user-friendliness and saver benefit at the top of the agenda.**

## Medium-term financial targets<sup>1</sup>

- Annual customer growth in a range of 10-15 percent, in line with the average growth rate over the past ten years;
- Average savings capital per customer (defined as the average quarterly savings capital per customer in the past 12 months) at 2019 levels, up to and including 2023;

Only then can we achieve the high customer satisfaction and the strength in the brand required to become the Nordic leader in terms of attracting new customers and creating loyal ambassadors for Nordnet.

## Our business areas.

### Savings and investments

Nordnet's core business is saving and investments. Our customers can save and invest in shares, funds and other kinds of securities at low fees in several markets. We offer a number of different interfaces in the form of the web, the app or more advanced applications. The less-active savers can also use one of our digital guidance services or invest in one of our index funds. Nordnet operates the Nordic region's largest social investment network Shareville, with more than 250,000 members.

### Pension

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

### Loans

Nordnet offers three kinds of loans – portfolio lending, residential mortgages and personal unsecured loans. Margin lending with securities as collateral is available in all four of our markets and allows our customers to borrow against their securities, increasing their investments. Our residential mortgages are offered only to natural persons in Sweden. Personal loans are offered both through Nordnet's own brand and under the brand Konsumentkredit, and are directed at natural persons in Sweden.

- Income in relation to savings capital (defined as income adjusted for items affecting comparability in the past 12 months in relation to the average quarterly savings capital for the same period) marginally above 0.40 percent, given current interest rates, up to and including 2023;
- Adjusted annual operating expenses in line with adjusted operating expenses for 2019, up to and including 2023; and
- Nordnet has the intention of paying dividends at 70% of the profit for the year.<sup>2</sup>

<sup>1</sup> Follow-up of the financial targets in 2020 is presented on page 36.

<sup>2</sup> Read more about the proposed dividend on page 36.

# Comments from the CEO.



**2020** was a unique year in which the coronavirus pandemic had a huge impact on society at large. Besides the human aspects, which in many cases were tragic, the way we live has changed as a result of the coronavirus, with major elements of social distancing and working from home, among other things. Many consumer behaviors have changed fundamentally, where sectors that are supported by digital business models have been given a real boost, while more traditional companies have had to experience reduced sales. Some changes in living patterns will be lasting even after the pandemic, and I believe that we all agree that we will not go back to living exactly the way we did before.

## A historical recovery on the stock market.

2020 has also been a year that stands out with regard to the stock market. Since the initial acute phase of the coronavirus crisis in March, the stock market has made a v-shaped recovery, and up to the end of December, the Nordic stock markets have risen by 45-60 percent since bottoming out at the end of the first quarter. The entire year has been characterized by a high level of activity and extensive interest in savings and investments through digital interfaces. There are many reasons for the high level of interest in savings, but we view the positive sentiment after the strong recovery in the stock market, the digitalization trend, and an increased savings ratio as a result of changed consumption patterns as the primary causes of the increased interest. These factors, combined with an improved user experience on Nordnet's platform, have led to record-high trading activity during the year. In total, our customers made 58.5 million trades on our pan-Nordic platform, which is an increase of more than 105 percent compared with 2019.

## Best financial results in Nordnet's history.

From a financial perspective, we sum up the best year in Nordnet's history. The intensive trading activity and the major interest in savings and investments have resulted in a strong growth in our business. Combined with good cost control, we can present record-high figures in terms of operating profit, net savings and savings capital. The adjusted profit before tax amounted to SEK 1,575.9 million, which is over 300 percent better than the previous year. The net savings for the entire 12-month period amounted to more than SEK 82 billion, and savings capital increased by 43 percent to SEK 565 billion. During the year, we welcomed more than 300,000 new savers on a Nordic basis to our platform, which corresponds to an annual customer growth of 34 percent. We also see a strong growth in our loan portfolio, which increased overall by 25 percent since year-end 2019 and amounts to nearly SEK 20 billion. The largest increase occurred in residential mortgages, which are an exciting area in which we have succeeded well in our role as innovators in a conservative industry.

### Strong growth in our Nordic markets.

All of our markets are showing strong growth, good profitability and a large influx of savings and new customers. Some highlights from a Nordic perspective are that we were named the “Stockbroker of the Year” by the Danish shareholders’ association in November for the 11th time in total, that we have a nearly 75 percent market share for the new equity savings account in Finland with more than 100,000 accounts, and that we for the full year grew to become the largest Nordic broker by combined trading volume for the markets in Stockholm, Oslo, Copenhagen and Helsinki. We are one of Norway’s largest brokers, and for several months have taken first place in the Oslo Stock Exchange’s list on both the number of transactions and volume. Our Nordic strategy imbues us with amazing potential and we still hold only a very small share of the total market in the four countries in which we operate. In addition, the market for Nordnet’s offering continues to expand through savings-friendly reforms, such as the introduction of the new Norwegian pension account (EPK) in February 2021, as well as upcoming legislative changes in Sweden capping the fees charged for transferring occupational pensions; the latter is a change that we ourselves were involved in driving forward.

**We are continuing to build the best platform for savings and investments.**

Nordnet’s ambition to build the world’s best digital platform for savings and investments, and give private individuals control over their private finances, feels even more important in a time like this. In line with this ambition, we are continuously launching new products and large and small improvements in the app and on our websites. Our mobile channels are growing in importance, and the proportion of transactions conducted via the mobile app is increasing steadily. In 2020, we made an app release every nine days on average, with new functions for winners & losers, improved history in monitoring lists, a message center, shortcuts to popular functions, and simpler monthly savings. During the year, we digitalized several financial products, which were previously associated with cumbersome paperwork and complicated processes. Among other things, this involves a digital pension package for the self-employed, an entirely paperless process to apply for a residential mortgage and a readily available guidance tool on the site for mutual fund savings. During the summer, we strengthened our fund offering and launched four index funds under our own name, which cover the world’s major geographic areas at a low price.

### Comeback on the stock market.

2020 was also the year that Nordnet made a comeback as a listed company, this time on the large cap list. At the beginning of 2017, we were bought out from the stock market when our digital platform was facing major investments. The assessment was that these investments would best be made in an unlisted environment. In the past three years, we have devoted a great deal of resources to improving the user experience and the backend systems on our platform, and the time was right for us to be listed again. It has been an exciting autumn for me and my colleagues to guide Nordnet back to the

**“Nordnet’s ambition to build the world’s best digital platform for savings and investments, and give private individuals control over their private finances in an environment they themselves have chosen, feels even more important in a time like this.”**

stock market. The stock exchange listing is naturally not of crucial significance to you as a customer, but it can entail advantages. For example, the greater visibility that a listing entails gives us greater opportunity to influence issues that benefit you as a saver, and that you can become an owner of Nordnet if you want. In connection with the listing, we introduced our new financial targets with the aim of transparently clarifying our expectations regarding growth and financial development. These targets are set at a median term and describe our ambitions in customer growth, savings capital per customer, cost level and income in relation to savings capital. Find out more about our targets on page 5.

#### **Sustainability is a part of our DNA.**

Since we were founded in 1996, our objective is to democratize savings and investments. This objective is also an important part of our sustainability strategy. By pushing the savers' interests in public debate, such as the issue of a free movement of pension savings, we can make a difference in the savings market. Creating functions that make it easier for the savers to invest more sustainably is another example of how we work with sustainability. In 2020, we were the first bank in the Nordic region to introduce sustainability data and screeners for exchange-traded funds, known as ETFs, on our platform. Among other things, the sustainability data contains information on climate risk, sustainability rating, and ratings in areas, such as the environment, social responsibility and corporate governance. Increasing gender equality and diversity is also an important area in our sustainability work, as is being a responsible employer. I am especially proud of our women's career network "Power Women in Tech" where we invite successful women to speak with the aim of highlighting them as positive role models and thereby inspiring more women to take the leap into the fintech industry. It is also very pleasing to see growing numbers of young people and women to a higher extent beginning savings in the stock market. One year ago, nearly 40 percent of our customers were under 35 years old, while the corresponding figure for new customers during the year is over 60 percent. The percentage of women is also steadily growing among our new customers. The customer base at the end of 2019 consisted of nearly 30 percent women, but the percentage of women among new customers in 2020 was 34 percent. Read more about our sustainability work and focus areas on pages 17-33.

#### **Priorities for 2021.**

Our goal is to build the world's best platform for savings and investments, and we are devoting all of our resources to achieving this aim. Focus moving ahead is on launching innovative financial products with extensive saver benefit, creating automated and inspiring customer journeys through modern user design, and continuing our journey of growth in the Nordic region.

Thank you for following Nordnet.



Lars-Åke Norling, CEO  
@CEONordnet

# Macro environment and market

## The Stock Market in 2020.

2020 will go down in history as one of the most turbulent years in modern times. The as yet on-going coronavirus pandemic has impacted our way of living, working and socializing, which of course has also affected the stock market. The initial market crash in March concluded the longest expansive growth market ever. Before the crash, most analyst firms felt that we were in the end phase of the economic cycle, but nobody conceived of the turning point being so sharp and sudden. Never before have broad share indexes dropped 30 percent so quickly as in the spring, significantly faster than in the global financial crisis in 2007 and the IT crash of 2000. The turbulence also led to the single worst trading day since Black Monday in 1987. In the Nordic region, all share indexes plummeted. It went worst for the Finnish OMXH25, which lost 35 percent between the end of February and the end of March, and least badly for the Danish OMXC25, which dropped 28 percent in the same period.

Even though the return to normal has been delayed and that we during the entire year lived with restrictions and lockdowns, the market recovered at record speed. Thanks to unmatched stimulus and support measures, the countries' governments and national banks succeeded in staving off the price drop and turning the trend. The US Federal Reserve has said that it will buy all the government bonds it takes to maintain liquidity and keep the government's borrowing cost low, which is necessary considering the large support packages that were required. The Bank of England and the ECB have also promised to keep countries well-financed so that they will be able to make the investments necessary to make it through the crisis. The measures worked and the market not only recovered in record time, but it also closed out the year with a gain.

The big winners during the year were the technology companies that benefited from the transition to working from home. The already large tech giants continued to grow at the same time that companies like Zoom, Netflix and Activision Blizzard took off. Besides the tech companies, companies active in sustainability saw strong growth and flows driven by new regulations and

increased awareness among the savers. Companies in innovation, such as cyber security, AI and electric vehicles also grew during the year. In the Nordic region, companies active in gaming, sustainability and healthcare were among the winners. Among other things, we saw a strong growth in the Swedish gaming company Evolution Gaming, the Danish healthcare company Ambu and the wind power company Vestas.

The Nordic indexes all ended the year with gains. The Danish OMXC25 was the big winner of the year at +33.8 percent, the Swedish OMX30 closed at +3.7 percent, the Finnish OMXH25 at +10.6 percent and the Norwegian OBX managed only just with +0.9 percent.

## Our markets.

Nordnet has business activities in Sweden, Norway, Denmark and Finland. Our headquarters are located in Stockholm, where Group-wide functions, such as tech, product development and administration are placed. Stockholm is also home to the customer service and sales organization for the Swedish market. There are also local offices in Oslo, Copenhagen and Helsinki with responsibility for customer service, sales and marketing in each respective market. We mainly communicate with our customers through digital and social channels and have no banking offices. Our platform handles all four markets, which provides us with economies of scale and cost efficiency.

In the Nordic countries, the savings markets are dominated by traditional banks and pension companies. As the only pan-Nordic digital platform for savings and investments, we have a challenger role in all four markets together with one or two local competitors. Nordnet has a leading position in Norway, Denmark and Finland and is a strong number two in the Swedish market.

2020 is going in the books as the strongest year in Nordnet's history. The extensive interest in stock exchange-related savings and a strong digitalization trend where consumers choose digital platforms instead of traditional actors, combined with Nordnet's modernized platform, have led to record-high figures

for new customers, net savings and trading activity. The annual customer growth on a Nordic basis amounted to 34 percent and the savings ratio was 21 percent. Both savings capital and lending reach new record levels. With a strong income growth and virtually unchanged expenses, Nordnet achieves an adjusted operating profit of more than SEK 1.6 billion for the full year.

## Sweden.

In the Swedish market, we are one of several players who are challenging the traditional banks and pension companies with greater freedom and lower prices. We offer investments and pension savings in a broad range of various products for both private customers and corporate customers.

In the Swedish market, we also offer personal loans and residential mortgages. Of the four Nordic countries in which we are active, Sweden is the largest market. We distinguish ourselves from our competitors by offering a transparent investment service, advantageous loan terms, digital tools for smarter savings and cost-effective share trading in Sweden and abroad. We are the only actor that provides index funds without fees in three Nordic markets. With our stock lending program, we can give private savers in Sweden a third kind of return, in addition to value growth and dividends. On our social investment network Shareville, our customers share their actual investments in real time.

### Important events:

- Record breaking trading activity on the Swedish stock market – the number of trades among Nordnet's Swedish customers increased by 73 percent since year-end 2019.



- The stock lending program continues to generate value for our customers – SEK 52 million was paid back to the savers during the year.
- Nordnet's flagship event Nordnet Live was held for the seventh time; this time in a digital format.

In 2020, income increased by 40 percent in Nordnet's Swedish operations compared with the previous year. The increase is mainly attributed to increased transaction-related income where trades per customer and trading day increased by 55 percent compared with 2019. In addition, net commission income improved from increased mutual fund savings. Net interest income increased by 17 percent to SEK 423.6 million (360.6). Higher volumes in residential mortgages, margin lending and higher income from Nordnet's stock lending program contributed positively to this result, but was dampened somewhat by an increased cost for the deposit guarantee. Expenses decreased by 3 percent, which is due to lower Group-wide expenses. Expenses attributable to items affecting comparability of SEK 5 million as a result of an adjusted assessment regarding the deduction right for input VAT, and SEK 27 million attributable to expenses regarding the IPO of Nordnet were charged to profit. In the year-before period, expenses attributable to items affecting comparability amounted to SEK 8 million. The operating margin was 54 percent (34).

The coronavirus pandemic has had a major impact on all markets in the past year, including the Swedish market. Trading activity, as well as customer inflow, savings capital and net savings were at high levels. The number of trades amounted to 23.5 million (13.6), an increase of 73 percent compared with January–December 2019. The customer base in Sweden had 397,800 customers (363,700) at year-end, corresponding to an increase of 9 percent compared with 2019. Savings capital at the end of December amounted to SEK 247.7 billion (171.0). Net savings increased by 222 percent during the period January – December 2020 and amounted to SEK 26.4 billion (8.2).

Key figures Sweden	2020	2019
Income, SEK million	1,106.8	789.5
Operating profit, SEK million	594.8	269.3
Operating margin	54%	34%
Number of customers	397,800	363,700
Savings capital, SEK billion	247.7	171.0
Net savings, SEK billion	26.4	8.2
Trades	23,487,100	13,591,700
Lending, SEK billion	13.9	11.2



# Invest in yourself.

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

Margin lending increased by 31 percent compared with the previous year, amounting to SEK 3.4 billion (2.6) at 31 December 2020. Within personal loans (unsecured loans), there were 26,200 customers (27,000) at 31 December 2020, and the lending volume was SEK 4.0 billion (4.1). The lending volume in Nordnet's residential mortgages amounted to SEK 6.5 billion (4.5) at year-end.

We continuously work to improve the terms for the savers, in line with our objective of democratizing savings and investments. In March, we were nominated for the "Stora Kommunikationspriset" 2020 for our efforts to strengthen the free transfer right for the Swedish pension savers. Our award-winning stock lending program continues to generate value for savers, and during the year, we made record payments in both Sweden and Norway within the framework of the program. In total, SEK 52 million was paid back to Nordnet's customers in Sweden in 2020.

During the second quarter of the year, our flagship event, Nordnet Live, was held for the seventh time, this time as a digital version. The event was attended by a large number of interesting saver personalities, including Nasdaq's new CEO Fredrik Ekström, Andra Farhad, the Swedish Liberal Party's economic-political spokesman Mats Persson, the Swedish Moderate Party's Elisabeth Svantesson, and Mellby Gård's CEO Johan Andersson.

We are continuing to develop the customer experience both in Sweden and on a Nordic basis. Our websites and app are being continuously improved through minor and major releases affecting navigation, as well as concrete products and functions. Among other things, a new function for starting monthly savings was launched, as well as digital processes for moving occupational pensions and applying for a residential mortgage, plus sustainability data for ETFs during the year.

## Norway.

In the Norwegian market, we offer investment and saving services and pension savings for private individuals and companies. We differ from traditional banks and pension companies by offering more choices and better conditions. We offer a stock lending program with the possibility of a third type of return on shares, margin lending with securities as collateral at favorable terms, no-fee index funds, digital advice tools for saving and the social investment network Shareville.



### Important events:

- Nordnet was Norway's largest broker for savings and investments in June, August, October and November.
- Large influx of new customers – the customer base increased by 56 percent compared with 2019.
- Introduction of a new pricing model for funds.

In 2020, income increased for Nordnet in Norway by 68 percent compared with the previous year. Net commission income was SEK 383.0 million (166.2). The increase is mainly attributed to transaction-related income where trades per customer and trading day increased by 70 percent to 0.28 (0.16). Net interest income increased by 18 percent to SEK 142.2 million (120.3). The increase is mainly attributable to higher return on excess liquidity as a result of higher deposit volumes. Expenses decreased by 6 percent. Expenses attributable to items affecting comparability of SEK 5 million as a result of an adjusted assessment regarding

Key figures Norway	2020	2019
Income, SEK million	520.3	310.2
Operating profit, SEK million	260.5	32.4
Operating margin	50%	10%
Number of customers	235,300	150,400
Savings capital, SEK billion	89.3	63.5
Net savings, SEK billion	16.5	4.0
Trades	13,445,900	5,226,500
Lending, SEK billion	1.9	1.7

the deduction right for input VAT, and SEK 27 million attributable to expenses regarding the IPO of Nordnet were charged to profit. In the year-earlier period, expenses attributable to items affecting comparability amounted to SEK 43 million, and were mainly associated with the acquisition of Netfonds. The operating margin amounted to 50 percent (10) during the period January–December.

Like the other Nordic markets, Nordnet in Norway had a large influx of new customers and high net savings during the year. As at 31 December 2020, the number of active customers in Norway amounted to 235,300 (150,400), which corresponds to customer growth of 56 percent over the past 12-month period. Net savings for the period January–December increased by 313 percent to SEK 16.5 billion (4.0). Savings capital at the end of December 2020 amounted to SEK 89.3 billion (63.5). Margin lending was up by 11 percent compared with 12 months ago, amounting to SEK 1.9 billion (1.7).

The number of trades increased sharply during the year in all of our markets, where Norway stands out with a 157 percent higher number of transactions compared with full-year 2019. Over several individual months, Nordnet was the largest broker on the Oslo Stock Exchange, measured in both monetary volume and number of transactions.

As in the other markets, we are continuing to develop our platforms and launching continuous improvements in the app and on the web. In September, four new international index funds were launched under our own name in the Norwegian market in connection with the introduction of a new pricing model for funds. The index funds were also introduced on the other Nordic markets in the second quarter.

The formal aspects of saving are constantly changing and improvements and simplifications are often made in the Nordic markets by introducing new types of accounts. In 2020, we prepared for the launch of the new personal pension account, the “egen pensjonskonto” (EPK) in Norway. EPK was launched in February 2021 and entails greater freedom of choice in pension savings for the Norwegian savers. Now, Norwegian private individuals can move their pension capital from their occupational pension to a savings platform of their choice.

## Denmark.

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



### Important events:

- Record-breaking customer growth on an annual basis – surpassed the 200,000 customer milestone.
- Record-breaking levels for income, trading activity, savings capital and net savings.
- Nordnet is named “Broker of the Year” by the Danish Shareholders’ Association.

Key figures Denmark	2020	2019
Income, SEK million	577.1	253.9
Operating profit, SEK million	356.3	62.8
Operating margin	62%	25%
Number of customers	210,400	119,800
Savings capital, SEK billion	118.1	80.2
Net savings, SEK billion	22.0	4.4
Trades	9,785,000	4,324,400
Lending, SEK billion	1.7	1.2

In 2020, income increased for Nordnet in Denmark by 127 percent compared with the previous year. An increased customer base and increased trading activity per customer contributed positively to the net commission income, which amounted to SEK 539.5 million (224.6). Net interest income totaled SEK 31.7 million (4.9). Higher lending volumes in margin lending and increased return on surplus liquidity contributes positively to this result. Expenses increased by 16 percent, mainly related to non-recurring expenses. Expenses attributable to items affecting comparability of SEK 5 million as a result of an adjusted assessment regarding the deduction right for input VAT, and SEK 27 million attributable to expenses regarding the IPO of Nordnet were charged to profit. In the year-before period, expenses attributable to items affecting comparability amounted to SEK 8 million. The operating margin was 62 percent (25).

As in the other markets, savings capital, net savings and trading activity in Denmark reached new heights during the year. Savings capital at the end of the year amounted to SEK 118.1 billion (80.2). Net savings for the period January – December 2020 amounted to SEK 22.0 billion (4.4). The number of trades during the period January – December 2020 increased by 126 percent compared with the corresponding period the previous year. Margin lending also increased strongly, by 39 percent compared with the previous year, amounting to SEK 1.7 billion (1.2) at 31 December 2020.

Both interfaces and customer offerings were updated during the year, and in February, we introduced a discount model for the funds we have on our platform, where Nordnet repays between 25-100 percent of the fund commission to the savers. During the first quarter, under the leadership of our investment economist Per Hansen, we launched the new “Investing podcast”, which quickly became popular among Danish savers.

In December, we surpassed the 200,000 – customer milestone, and it is also on the Danish market that we can show our strongest customer growth in 2020. The number of customers as at the end of December amounted to 210,400 (119,800), an increase of 76 percent over the past 12 months. During the fourth quarter, Nordnet was named the “Stockbroker of the Year” in Denmark by the Danish Shareholders’ Association for the 11th time in total. The background of the award was the customer offering, user friendliness on our platform and low fees.

## Finland.

Nordnet has a leading position in the Finnish savings market, and we are perceived as a modern and customer-friendly bank over our competition. We offer Finland's largest range of funds, including our own index funds without fees. Other unique Nordnet products include Shareville and our innovative margin lending. In Finland, we offer services for investments, savings and loans, as well as digital tools for savings on the customer's terms.



### Important events:

- S-Banken's online customers transferred to Nordnet's platform.
- Nordnet's success with the new form of savings osakesäästötili (equity savings account) continued with the largest market share of all actors.
- Our Finnish podcast #rahapodi was named one of the ten foremost and most listened to podcasts in Finland.

In 2020, income increased in our Finnish operations by 116 percent compared with the previous year. Net commission income was SEK 444.9 million (168.1). The increase is mainly attributed to transaction-related income where trades per customer and trading day increased by 69 percent to 0.14 (0.08). Expenses increased by 16 percent, mainly related to non-recurring expenses. Expenses attributable to items affecting comparability of SEK 5 million as a result of an adjusted assessment regarding the deduction right for input VAT, and SEK 27 million attributable to expenses regarding the IPO of Nordnet were charged to profit. In the year-before period, expenses attributable to items affecting comparability amounted to SEK 8 million.

During the first quarter of the year, we had both a very strong organic customer growth, and also took over a majority of the Finnish S-Banken's online customers. The number of active customers at year-end was 378,000 (279,700), corresponding to an increase of 35 percent compared with the end of December 2019.

Key figures Finland	2020	2019
Income, SEK million	474.6	219.8
Operating profit, SEK million	235.0	13.0
Operating margin	50%	6%
Number of customers	378,000	279,700
Savings capital, SEK billion	109.8	79.8
Net savings, SEK billion	17.2	4.3
Trades	11,811,900	5,279,700
Lending, SEK billion	2.1	1.5

Savings capital, net savings and margin lending showed high growth in Finland, as in our other Nordic markets. Savings capital at the end of December amounted to SEK 109.8 billion (79.8). Net savings for the period January – December 2020 amounted to SEK 17.2 billion (4.3). Margin lending increased by 42 percent compared with the period January – December 2019 and amounted to SEK 2.1 billion (1.5). Trading activity was high and the number of trades for the period January-December rose by 124 percent compared with the year-earlier period. At the beginning of January, the new equity savings account, osakesäästötili, could begin being used for trading. There has been extensive interest in opening an equity savings account with Nordnet, and at the end of the year, more than 110,000 accounts had been opened in 2020. We thereby have a more than 70 percent market share for the equity savings account. During the fourth quarter, we surpassed 100,000 savers in the new account form.

Our Finnish savings podcast #rahapodi continues to receive attention for its content. During the year, the podcast was voted Finland's best podcast in the "Business" category. #rahapodi was also among the eight most listened to podcasts on Spotify in 2020 despite tough competition on the podcast scene. During the year, we also launched an e-book on trading and Nord-

net's customer event "LIVEtrading" was nominated as one of the year's premier events in the "Mesoaja 2020" gala.

## Market share.

In the area of share trading for private investors, Nordnet competes with a number of online players, as well as with the traditional banks. Nordnet's market shares for trading on the Nordic exchanges are 3-9 percent in terms of traded volumes, and 5-12 percent in terms of the number of transactions, depending on the market.

### Nordnet's market share

2020	Sweden	Norway <sup>1</sup>	Denmark	Finland
Volume	3.6%	8.2%	4.6%	5.7%
Number of trades	5.0%	11.8%	5.8%	11.2%
2019	Sweden	Norway	Denmark	Finland
Volume	3.0%	4.9%	3.5%	3.3%
Number of trades	4.9%	7.4%	4.5%	6.7%

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

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

<sup>1</sup> The market share for the Oslo Stock Exchange for 2020 relates to the period January-November as the reporting from the marketplace changed in December 2020 and relevant data is no longer available.

## Nordnet Group – five-year summary.

Financial overview, SEK million	2020	2019	2018	2017	2016
<b>Consolidated income statement</b>					
Net commission income	2,021	940	870	803	590
Net Interest income	604	498	378	386	403
Net result of financial transactions	-14	66	4	0	152
Other operating income	69	70	59	55	51
<b>Operating income</b>	<b>2,679</b>	<b>1,573</b>	<b>1,310</b>	<b>1,244</b>	<b>1,196</b>
General administrative expenses	-992	-948	-950	-865	-668
Depreciation	-158	-174	-106	-90	-83
Other operating expenses	-44	-40	-78	-53	-48
<b>Operating expenses</b>	<b>-1,193</b>	<b>-1,162</b>	<b>-1,133</b>	<b>-1,009</b>	<b>-799</b>
Net credit losses	-39	-34	-36	-35	-29
<b>Operating profit</b>	<b>1,447</b>	<b>377</b>	<b>141</b>	<b>200</b>	<b>368</b>
Tax	-274	-38	-23	-33	-71
<b>Operating profit after tax</b>	<b>1,173</b>	<b>339</b>	<b>118</b>	<b>167</b>	<b>297</b>
Earnings per share after and before dilution (SEK million)	4.55	1.25	0.47	0.67	- <sup>1</sup>
Items affecting comparability, income	-	66	-	-	-
Items affecting comparability, expenses	-129	-65	-16	-45	-
Adjusted operating expenses before credit losses	-1,064	-1,097	-1,117	-964	-799
Adjusted operating profit	1,576	377	157	245	368
Adjusted earnings per share pre amortization of intangible assets due to PPA before and after dilution (SEK)	5.10	1.37	0.64	0.95	- <sup>1</sup>
<b>Key figures</b>					
Adjusted operating income in relation to savings capital - rolling 12 months %	0.60%	0.44%	0.44%	0.49%	0.56%
Adjusted operating expenses in relation to savings capital - rolling 12 months %	0.24%	0.32%	0.38%	0.38%	0.38%
Operating margin %	54%	24%	11%	16%	31%
Adjusted operating margin %	59%	25%	12%	20%	31%
Cost/income %	45%	74%	86%	81%	67%
Adjusted Cost/income %	40%	73%	85%	77%	67%
Profit margin %	44%	22%	9%	13%	25%
Return on equity (annualized) %	33%	12%	6%	8%	16%
Adjusted return on equity (annualized) %	35%	12%	7%	10%	16%
Adjusted return on equity excl intangible assets (annualized) %	48%	18%	10%	14%	22%
Customers	1,221,500	913,600	765,200	669,300	566,800
Annual customer growth %	34%	19%	14%	18%	16%
Net savings (SEK billion)	82.2	20.9	23.5	17.3	14.3
Savings ratio %	21%	7%	9%	7%	7%
Savings capital (SEK billion)	565	395	286	272	235
of which shares/derivatives/bonds	404	268	185	179	159
of which funds	100	82	57	59	47
of which deposits	60	45	43	34	29
Average savings capital per customer - 12 months rolling (SEK)	415,900	409,100	411,800	414,900	403,300
Lending (SEK billion)	19.7	15.6	13.7	11.4	9.2
of which margin lending <sup>2</sup>	9.2	7.1	5.6	5.3	5.1
of which mortgages	6.5	4.5	4.2	2.4	0.9
of which personal loans	4.0	4.1	4.0	3.7	3.2
Investments in tangible assets (SEK million)	12	46	84	29	10
Investments in intangible assets excl. company acquisitions (SEK million)	93	91	112	88	49
Number of full-time equivalents at end of period	571	494	494	465	410

<sup>1</sup> Figures are not provided as a basis of calculation is unavailable or not comparable with earlier years' corresponding information.

<sup>2</sup> Lending excluding pledged cash and equivalents.

# Sustainability Report.



# Sustainability in figures.

## Total energy consumption

2020 (2019)

**2.0** GWh  
(2.2 GWh)

## Total greenhouse gas emissions

2020 (2019)

**153** tons CO<sub>2</sub>e  
(244 tons CO<sub>2</sub>e )

## Greenhouse gas emissions per trade

2020 (2019)

**2.6** g CO<sub>2</sub>e  
(8.6 g CO<sub>2</sub>e )

## Healthy workplace

2020 (2019)

**2.5** percent sick leave  
(3.6 percent)

## Equal-opportunity workplace

31 December 2020 (2019)

**36** percent women  
(36 percent)

## Investments in sustainable funds<sup>1</sup>

31 December 2020 (2019)

SEK **36.9** billion  
(28.9)

## Climate compensation

2020 (2019)

**110** percent  
(110 percent)

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

# Sustainability.

Sustainability is a central part of Nordnet's business, and a sustainable approach is in line with our overall objective to democratize savings and investments. We conduct activities and investments that promote socially beneficial goals and at the same time improve Nordnet's long-term competitiveness.



Agenda 2030 and the UN's global sustainable development goals are the world's most ambitious framework for sustainable development. As a digital platform for savings and investments, we can contribute to the goals by conducting activities that inspire and influence, and by practising a responsible and sustainable business. From among the UN's 17 global sustainable development goals in total, we have chosen six goals that we believe are closest to our own focus areas, and thereby linked our own work in sustainability to the global challenges we are facing.

Our sustainability strategy comprises the three main areas:

## Democratizing savings and investments.

- Increasing knowledge on personal finances in society through education and being visible in public debate.
- Developing user friendly and educational digital services for savings and investments.
- Becoming the leader in the Nordic region in terms of sustainable savings.

## Equality and diversity.

- A more even gender distribution within savings and investments.
- A workplace characterized by gender equality and diversity.
- Creating a meaningful professional future for young people in the Nordic region, as well as other groups where there is potential to increase digital knowledge.

## A responsible and sustainable business.

- Practicing transparency, regulatory compliance and a high ethical standard with the aim of maintaining confidence in Nordnet and the industry in general.
- Ensuring a good work environment in terms of both physical and mental health, development and an engaging culture.
- Reducing our direct impact on the environment and the climate.

# Democratizing savings and investments.

Our ambition is to give private savers access to the same tools, information and services as professional investors, combined with a transparent approach and low costs. We do so by developing digital user friendly products and services, by engaging in the public debate on savings and investments, and providing education for our customers.

## Increase knowledge in personal finance.

Educating in personal finance is an important part of our objective of democratizing savings and investments. We produce engaging content that can provide inspiration in savings, and distribute it in both our own and external channels. We run our own blogs and podcasts in all markets, and our Finnish podcast #rahapodi was voted Finland's best podcast in the "Business" category in 2020. During the coronavirus pandemic, we have invested extra in digital seminars and web-based courses where we educate and inspire the participants in savings and investments. Among other things, we arranged a digital version of our flagship event Nordnet Live, which welcomed such guests as Nasdaq's CEO Fredrik Ekström, Andra Farhad, the Swedish Liberal Party's economic policy spokesperson Mats Persson, the Swedish Moderate Party's economic policy spokesperson Elisabeth Svantesson, and Mellby Gård's CEO Johan Andersson, as well as a large number of interesting saver personalities.

One example of how we improve the conditions for savers is when we try to influence the public opinion regarding more customer-friendly conditions in pension

savings. In April 2021, a new law is entering into effect that means that a cost ceiling for moving pension savings will be introduced, in line with what Nordnet has advocated. Other examples of issues where Nordnet has gotten involved for better saver conditions in 2020 include the possibility of participating in IPOs through investment savings accounts (ISK), the conditions surrounding private pension savings in Sweden and Norway, and the conditions for the savers in the new Danish equity savings account.



For us, it is important that everyone has access to knowledge of personal finances. With our efforts in education and influencing the public debate, we want to contribute to the UN global sustainable development goal 4 *Quality education*.



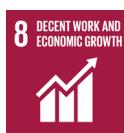
Promoting economic inclusion in society, according to the UN Global sustainable development goal 10 *Reduced inequalities*, go hand in hand with our objective of democratizing savings and investments. We want to inspire everyone regardless of background, gender or age to take control over their personal finances.

Investments in educations of the public, SEK thousand	2020	2019	2018
<b>Cost for Nordnet's education activities</b>			
Savings economists	-6,156	-6,013	-6,982
Nordnet Live Stockholm	0	0	-5,570
Nordnet blog	-493	-459	-439
Podcast	-902	-834	-1,003
<b>Total</b>	<b>-7,551</b>	<b>-7,306</b>	<b>-13,993</b>

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

## Digital and user friendly tools.

In 2020, we launched a large number of updates and improvements of both the website and the mobile app. Among other things, the functions for taking out a residential mortgage, moving pension savings and choosing funds have been increasingly digitalized and become more user friendly. During the summer, we launched four index funds under our own name, which cover the largest companies in the US, Europe and the growth markets at a low price. A global fund was also launched.



Nordnet wants to democratize savings and investments and give all Nordic private individuals access to a user friendly platform to be able to take control over their finances, in line with global sustainable development goal 8 *Decent work and economic growth*.

## Sustainable savings.

### Sustainable funds.

We offer over 2,400 (2,250) different funds in our respective mutual fund portals. The range consists of mutual funds from both large banks and smaller start-ups, and spans different types of asset classes, regions, sectors and management styles. We give the customers the possibility to choose the investment options that best suit them on their own, and do not highlight funds that Nordnet earns the most on.

Each year, we report the extent to which our customers choose sustainable funds. Since 2016, we have used Morningstar's sustainability rating to define which funds are sustainable. We offer savings in 799 (761) mutual funds that are marked with four or five globes according to Morningstar's sustainability rating. The sustainability rating is based on the extent to which a company,

in which a fund invests, works with sustainability issues. Total savings in funds with four to five sustainability globes decreased slightly in relative terms compared to 2019, and amounted to 37 percent (40) of total fund savings at Nordnet as at the end of December 2020. The relative decrease in savings in sustainable funds is due primarily to the extensive interest from the savers in 2020 in tech funds, which as a rule have three sustainability globes. However, the savings capital in sustainable funds increased by 28 percent to SEK 37 billion.

### Functions for investing sustainably.

On Nordnet's website, we provide digital tools that make it easier for savers to invest more sustainably through, among other things, a filter function where the savers can filter out undesired holdings in funds – such as weapons and tobacco – and choose funds with low climate risk. In 2020, we were the first bank in the Nordic region to introduce sustainability data and screeners for exchange-traded funds (ETFs) on our platform. The sustainability data comprises climate risk, possibility of opting out of unwanted holdings, sustainability rating and ratings in parameters, such as the environment, social responsibility and corporate governance. The ETFs are assessed in themselves and in relation to other ETFs within the same category. We are continuously developing our product range in sustainable investments in line with demand from the savers.

### Membership in Norsif and Swesif.

Nordnet is a member of the trade associations Swesif and Norsif, both of which are counterparts to the European trade association Eurosif. Swesif and Norsif are independent networking forums for sustainable investments.

Savings at Nordnet, SEK billion	2020	2019	2018
<b>Nordnet customer savings</b>			
Net savings	82	21	23
<b>Total savings capital</b>	<b>565</b>	<b>395</b>	<b>286</b>

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

Savings in funds marked with the ESG profile at Nordnet, SEK billion	2020	2019	2018
<b>Nordnet customer savings in funds classified with Morningstar's sustainability globes</b>			
Total savings in funds with 4-5 sustainability globes	37	29	16
Share of mutual fund savings in funds with 4-5 sustainability globes	37%	40%	31%

The table above shows total savings in mutual funds with either four or five globes in Morningstar's Sustainability Rating, and the percentage of the total fund savings that take place in these funds compared with Nordnet's total range of mutual funds.

# Equality and diversity.

At Nordnet, we actively work to create greater gender equality among the private savers. Giving everyone the possibility to start saving and take control over their finances is a fundamental prerequisite for democratizing our industry. For us, it is also important to be a gender-equal workplace and to provide equal opportunities within the company. We see an organization rich in diversity as an asset that generates valuable ideas and contributes to an inclusive culture.

## A more even gender distribution within savings and investments.

The majority of Nordnet's customer base consists of men, which also generally have more savings invested in the stock market. We want to be involved in contributing to more women saving in the stock market and increasing gender equality in the stock market. We inspire women to invest in the stock market through our savings economists and spokespeople, as well as through partnering. In 2020, 34 percent of all new customers were women, compared with nearly 30 percent in the customer base one year ago.

### Cooperation with Girls Invest in Finland.

In our partnership with the influencer duo "Girls Invest" ("Mimmit sijoittaa"), we arrange lectures and networking meetings for young women interested in shares. In 2020, the theme was sustainable investments together with the experts Julia Thurén, journalist,

blogger and author, and Kaisa Kurittu, Senior Sustainability Agent. The first event gathered 200 women in February, and found inspiration in how one can save in sustainable funds and ETFs and choose shares on the theme. The event was very popular and the tickets sold out in a few hours. Another two events on the same theme were planned during the year, but were cancelled due to the coronavirus pandemic.

## More women make a career in fintech.

The fintech industry is a male dominated industry. We therefore want to influence the industry and make it more attractive for women to enter it. We do so in several different ways, including by actively working to increase the percentage of women in our recruitment processes, but also through our career network Power Women in Tech.

Read more about Nordnet's internal work in gender equality and diversity on pages 29-30.

**“Together with “Girls Invest”, we arrange lectures and networking meetings for young women interested in shares.”**



200 women gathered during a networking event in cooperation with the influencer duo "Girls Invest". Together, we strive to create a more gender equal stock market and increase women's interest in savings and investments.



**“Power Women in Tech is Nordnet’s career network for women in fintech that was founded in 2018 and has around 2,500 members.”**

#### **Power Women in Tech, Sweden.**

Power Women in Tech is Nordnet’s career network for women in fintech that was founded in 2018 and has around 2,500 members. The network is a meeting place for women who work in fintech or have plans for a career in the field. In our meetings, we gather women role models in the industry and give our members access to valuable career tips and exchange of experiences. In November 2020, we arranged our first digital Power Women in Tech, a format that became a success. More than 1,500 women participated digitally in the event and were inspired by women leaders from Storytel, Amazon, Kry, Nox and Bonnier News.

#### **Creating a meaningful professional future for young people in the Nordic region.**

Attracting the right expertise in tech is a success factor in order for us to be able to continue strengthening our customer offering as a digital platform. We therefore want to be involved in contributing to greater digital learning in society, and supporting young people to learn programming early on.

#### **Kodcentrum, Sweden**

Nordnet cooperates with the organization Kodcentrum to inspire children to digital creativity. We contribute both financially and arrange meetings, such as kid hackathons. Together with Kodcentrum, we can contribute to digital development and lower the barriers to children pursuing a future career in programming. The activities that were planned in 2020 were cancelled due to the coronavirus situation. The cooperation with Kodcentrum is continuing, however, and in 2021, we will carry out joint activities in new formats.



Women should have the same rights as men and equal rights to financial resources. By inspiring women to save more in the stock market, we aim to contribute to UN’s global sustainable development goal 5 *Gender equality*.



By getting involved in digital learning for young people, we want to inspire young people to take up a future career in accordance with UN’s global sustainable development goal 8 *Decent work and economic growth*.

# A responsible business.

Nordnet strives to conduct a responsible business and to create as positive an impression as possible on the markets in which we are active. Our guiding stars are transparency, a high ethical standard and saver benefit in every part of the offering.

## Values.

Our values passion, simplicity and transparency permeate all we do. With a positive attitude and high energy, we work a little harder to create satisfied and loyal colleagues and customers. We believe that user friendly financial products, a direct and simple communication, and modern ways of working create commitment and activity. By saying it like it is and being open, accessible and honest both internally and externally, we build trust and create an inclusive culture.

## Internal guidelines.

As a bank and insurance company, it is important to conduct ethical and responsible activities, ensure good governance and control, as well as prevent risks. The responsibility for ensuring that Nordnet's ethical guidelines are updated annually rests on the Board. Nordnet's control functions regularly follow up the business and annually review internal steering documents.

In order to create trust in Nordnet's business, it is important that all employees are familiar with and act based on our ethical guidelines and our Code of Conduct. In order to ensure good awareness of the rules regarding ethics, privacy and money laundering, internal training is held in these areas every year. In 2020, 83 percent of our employees signed Nordnet's Code of Conduct. In addition, training is provided in other areas, such as disclosures, complaint management and market abuse for the employees who are particularly concerned with these areas.

All employees are expected to monitor existing anti-corruption rules and guidelines. No incidents concerning corruption were reported during the year or were discovered through Nordnet's control processes and systems.

Some employees in the Swedish operations, such as our brokers, require a Swedsec license. We also encourage other employees to educate themselves to meet the license requirements, and therefore improve their skills and enhance the quality of our customer

contact. Corresponding licensing requirements also exist for certain roles in Nordnet's Danish, Finnish and Norwegian operations. At the end of 2020, 115 of our employees were licensed by Swedsec, which is more than one-fifth of our employees in Sweden.

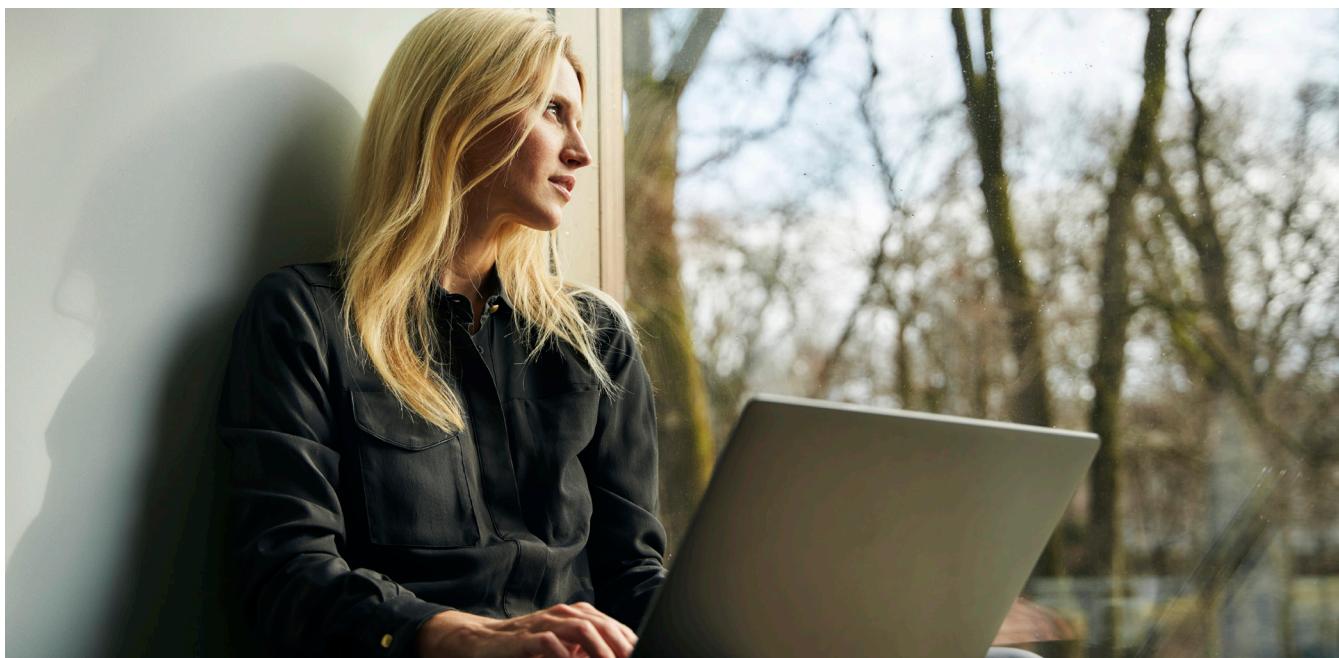
## Promoting good business ethics.

Nordnet is a member of the Swedish Securities Markets Association and the Swedish Bankers' Association and adheres to the guidelines for dealing with ethical issues in banks and insurance companies. Nordnet's operations depend largely on trust from customers, supervisory authorities and other stakeholders. Circumstances that may damage this trust can also potentially harm Nordnet's operations. It is therefore of the utmost important that Nordnet among other things identifies and handles potential conflicts of interest, an area where we annually hold workshops and training.

In order to identify potential or actual events that violate Nordnet's rules of ethics, in addition to clear internal escalation and reporting pathways, Nordnet has also established a whistleblower function by which employees can anonymously report violations. In 2020, two potential violations were reported through this function. These events have been addressed.

## Combating financial crime.

Financial sector players are at greater risk of being affected by certain financial crime such as money laundering, fraud, market abuse or insider trading. The occurrence of such crimes and infractions may harm Nordnet's brand and our stakeholders' perception of us as an organization. Nordnet works long-term to ensure good business ethics, transparency and trust in our relationships with customers, employees, owners, suppliers and other stakeholders. Nordnet continually monitors to detect suspicious behavior and transactions that may indicate criminal activity. According to the Swedish Act on Measures against Money Laundering and Terrorism Financing, Nordnet must have good customer knowledge about its customers, and continuously monitor customers' transactions to discover transactions that can be suspected of having



ties to money laundering, the financing of terrorism or other crime. In light of this, Nordnet has systems and routines in place to discover similar transactions and report them to relevant authorities. We also continually perform risk assessments of customers, products and services. All our employees also undergo mandatory training on issued concerning money laundering and terrorist financing every year.



By combating financial crime, corruption and contributing to a stronger society, Nordnet can influence UN's global sustainable development goal 16 *Peace, justice and strong institutions*.

## Personal integrity.

Nordnet places extensive focus on safeguarding customer and employee privacy, and on the handling of personal data. Based on the General Data Protection Regulation (GDPR), we continuously review how we handle personal data in the operations, which among other things means that when developing new products or services we conduct an impact assessment regarding the handling of personal data and also have processes to build in data protection in the development of new systems. All customers and employees are entitled to know what information we handle about them and how and why we use it. In addition, a number of internal governance documents have been prepared to ensure that personal data are handled correctly. We have also appointed a data protection officer, who monitors the handling of personal data in the operations. More information about how we handle personal data is available on [nordnet.se](http://nordnet.se) and corresponding sites in the other countries in which we have operations.

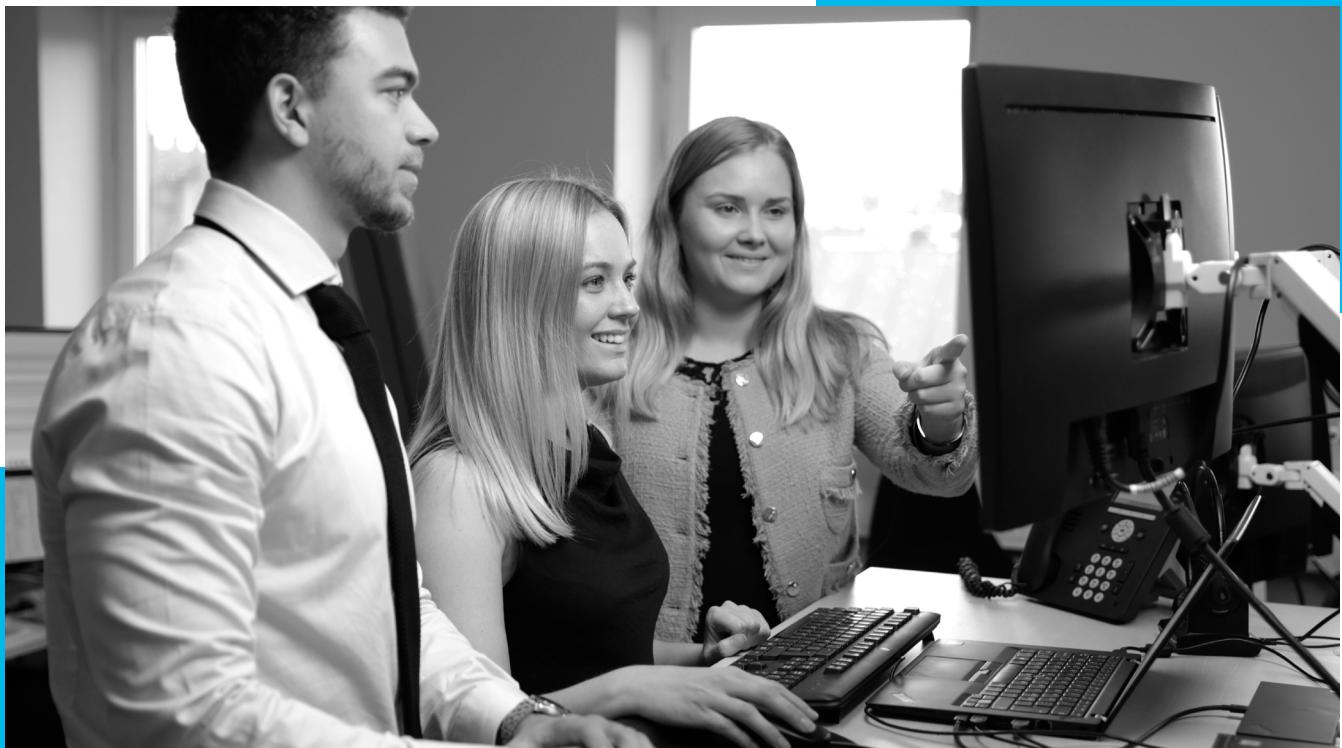
## Information and IT security.

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

- Management and the Board are involved in the design of the company's security strategy
- Nordnet's security controls are evaluated and improved on an ongoing basis
- Nordnet participates in collaboration activities both at the national level and in the Nordic region to strengthen security in society
- There is a process for approving significant changes in the operations
- Our various IT systems are monitored 24/7, all year
- Our staff undergo security training

In order to further strengthen Nordnet's information and data security, a number of improvement measures were implemented in 2020. For example, we have strengthened the security of our systems, trained staff in protection against threats and violence and examined suppliers' work with security.

Read more about how we work to be a responsible employer and our impact on the climate on pages 26-30 and 31-33, respectively.



# Employees.

Our employees are the most important asset we have and satisfied employees are the key to our success. To ensure that the employees are happy, we actively work to create an engaging workplace, that prioritizes health, equality and diversity. We value the diversity of our employees as an asset that generates creativity and innovation, and contributes to an engaging and stimulating culture.

## A stimulating work environment with a value-driven culture.

Inspiring, stimulating and fun! That's what we want the Nordnet working experience to be. Our values passion, simplicity and transparency permeate everything we do, from contact with our customers to product innovation and cooperation between departments internally. In order for us to achieve our vision and our values, we want to create a workplace where each individual sees great potential for personal development and where diversity is an asset. We are convinced that this leads to creativity, innovation, commitment and good results.

Since the beginning in 1996, Nordnet has been a challenger in the industry and our objective to democratize savings and investments is just as strong now as then.

The challenger role and our overall objective have created a strong culture where our employees have extensive room to influence our operations, regardless of what they work with. In order to achieve our vision of becoming the first choice for savers and investors in Nordnet, we must constantly continue to challenge and think innovatively, towards the goal of building the best platform for savings and investments. We want to maintain an unpretentious and inclusive working environment and culture at Nordnet. This enables our employees to demonstrate their creativity, participate in our business and be inclined to make their voices heard in various situations and contexts. At the same time, we want our workplace to be characterized by a familiar, warm and relaxed atmosphere where our employees feel at home and secure in developing to their full potential.

## Personal development.

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

At least three times a year, all our employees have talks with their immediate manager to review their performance and discuss their development. Besides personal targets, Nordnet's values summarize our behavioral and conduct goals and form the core of all evaluation and feedback.

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

## An attractive workplace.

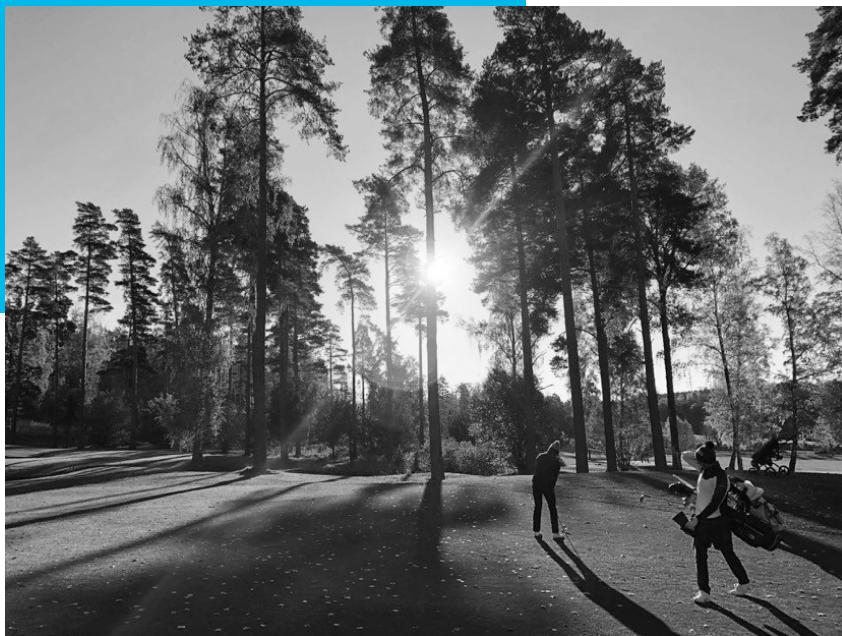
Nordnet is dependent on attracting, developing and retaining skilled talent to achieve our goals as an or-

ganization. As a digital platform for savings and investments, there is a particular need for personnel in attractive areas of expertise, such as technology and product development. We therefore actively work to create an attractive workplace and a strong culture through engaging employee communication, health-promoting activities and forums for creative development in tech, such as hackathons with our employees. We conduct employee surveys every quarter to capture feedback and what areas we need to improve in, and to measure employee satisfaction (eNPS).

In our recruitment process, we strive to hire a mix of both junior and senior candidates. We have a relatively low average age of 36.5 years in our workforce and many of our employees are at the beginning of their careers. Nordnet is a workplace where young talents get a chance to develop and grow, which makes our employees sought after. Many choose to evolve into new roles within the company and others move on to new challenges outside Nordnet. Employees who stop working for us are given an exit interview as part of our HR function, and the conclusions from the interview are utilized to further improve our attractiveness as an employer. Personnel turnover was 13 percent (26) for the Group in 2020, excluding substitutes and hourly employees. We measure personnel turnover through the calculation: the number of departures divided by the average number of employees during the period.

Staff turnover	2020		2019		2018	
	Employees (no)	Women (%)	Employees (no)	Women (%)	Employees (no)	Women (%)
<b>New hires</b>						
Under 30 years	163	42%	105	33%	113	41%
30 - 50 years	73	26%	75	32%	89	37%
Over 50 years	4	50%	20	60%	8	50%
<b>New hires during the year</b>	<b>240</b>	<b>38%</b>	<b>200</b>	<b>36%</b>	<b>210</b>	<b>40%</b>
Rate of new employee hires	34%		33%		35%	
<b>Departures</b>						
Under 30 years	65	31%	99	32%	82	35%
30 - 50 years	46	37%	93	42%	89	36%
Over 50 years	8	63%	14	50%	7	57%
<b>Departures during the year</b>	<b>119</b>	<b>35%</b>	<b>206</b>	<b>38%</b>	<b>178</b>	<b>37%</b>
Rate of employee turnover	17%		34%		30%	

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



**“An important part of our sustainability work is also about having a healthy work environment for our employees.”**

## A healthy workplace during a pandemic.

2020 has been a year of transformation when it comes to health and new ways of working. Ensuring a healthy working environment for our employees has never been more important than now. The majority of our employees have worked from home since the pandemic broke out at the beginning of 2020, which places extensive demands on both physical and mental health and ergonomics. To follow up how our employees are doing, we have added more employee surveys during the year. According to the measurements, the majority of our employees feel that distance work functions satisfactorily. The challenges that have mainly been identified with the current work model are about creativity and daily networking. Since it is not possible to predict how long the pandemic will last, we must continue to work long-term to ensure a good work environment also from home.

### Physical health and ergonomics.

Already before the pandemic, we worked actively with various health-promoting activities to maintain a healthy workplace and reduce sickness absence

among our employees. Among other things, we have a Nordic Wellness Committee with initiatives to engage employees in physical activities. During the pandemic, we shifted gears and arranged activities, such as group training online and outdoors in various formats.

To ensure good ergonomics from home, our employees were able to order vertically adjustable desks, work chairs and external screens. We continuously share tips and examples of best practices on how to create an optimal workstation in a home environment and suggestions of routines that promote health.

Once a year, we send out a work environment survey where all employees can anonymously provide their opinions of the workplace. We also have an occupational health and safety representative who cooperates with HR in a work environment committee. The employees can submit development suggestions regarding the working environment to the work environment representative. The committee meets once a quarter, and their work is continuously under way.

Health at Nordnet	2020	2019	2018
<b>Employee sick leave, by country</b>			
Sweden	2.5%	3.7%	2.0%
Norway	2.8%	2.7%	2.2%
Denmark	2.3%	5.4%	5.2%
Finland	1.7%	2.2%	2.3%
<b>Average Nordnet</b>	<b>2.5%</b>	<b>3.6%</b>	<b>2.2%</b>

The table shows our employees' absenteeism due to illness. Sickness absenteeism is evenly distributed between men and women in the company. Sickness absence has decreased by 6 percent in total in the Group since 2019, which is attributable to more people working from home than before. Nordnet offers all employees in Sweden a health insurance called "Hälsoslussen" with Skandia, to prevent sickness absences and stress. The health insurance includes preventive measures, such as conversational therapy, physiotherapy and occupational therapy, ergonomics, professional life planning and access to medical specialists. Hälsoslussen can be used anonymously by our employees if they so desire. Similar health insurance solutions exist for employees in Norway, Denmark and Finland.

## Nordnet Unite unites our employees throughout the Nordic region.



In autumn 2020, we created the concept "Nordnet Unite" with the aim of strengthening contact between our employees and promoting a healthy lifestyle when

many of us work from home. The name "Unite" refers to strengthening our Nordnet spirit, cooperating across departments and countries, and motivating each other. During the autumn, we arranged everything from digital book clubs and e-sports tournaments, to hikes in small groups. The activities have been adapted to local rules and with coronavirus safety in mind.

## Better through diversity and gender equality.

We strive to ensure all employees have the same opportunities, rights and obligations. We are continuing

to work goal-oriented and conscientiously with both diversity and gender equality, and our overall goal is a 50/50 balance between men and women, although with a tolerance interval of +/- 10 percent in either direction. For 2021 and beyond, we have adopted the principle of recruiting at least one woman for every man hired at Nordnet. We review the wage differences from a gender equality perspective at every salary review and place specific emphasis on equal salaries for equal work.

Since our corporate language is English, the majority of those we recruit are not required to master any of the Nordic languages, which increases our potential to find the right candidates. In recruitment for certain local positions, such as customer service, knowledge is required in the local language. We strive to have a larger proportion of the under-represented gender in the various stages of the recruitment process – ranging from the first selection to the final candidates. Our procedures help us avoid unconscious decisions linked to both gender and cultural background. We continue

Collective bargaining agreements	2020	2019	2018
<b>Employees covered by collective bargaining agreements (%)</b>			
Share of employees with collective bargaining agreement	88%	86%	85%

All employees in Finland and Sweden are covered by collective bargaining agreements, including employment categories such as temporary employees and substitutes. Nordnet intends to sign a collective agreement for all employees in Denmark in 2021.

Ratio of basic salary of women to men at Nordnet	2020	2019	2018
<b>Women's salaries as a percentage of men's</b>			
Management (excluding the CEO and 1 consultant in the management team)	105%	111%	107%
All employees (excluding management)	87%	88%	88%

The table shows women's average salary as a percentage of the average salary of men in different personnel categories as at 31 December 2020. The calculation includes severance pay. We actively work according to our equality plan and equality policy to reduce the differences.



to believe that an increased proportion of women in recruiting positions promotes long-term improvement in gender equality.

Nordnet's gender equality and equal opportunities policy clearly states that all employees have the right to be treated with respect and that everyone's integrity and right to privacy are protected. Unwelcome advances of a sexual nature, discrimination and other forms of harassment are prohibited in the workplace. No cases of discrimination were reported in 2020.

The circle diagram shows the gender distribution and age distribution at Nordnet. At the end of December 2020, 64 percent (64) of the employees were men and 36 percent (36) were women. The gender distribution varies between different employee categories. Administrative functions have a higher proportion of women, while the proportion of men is higher among, for example, IT personnel. The majority of the employees, 52 percent (54), are in the 30-50 age range.

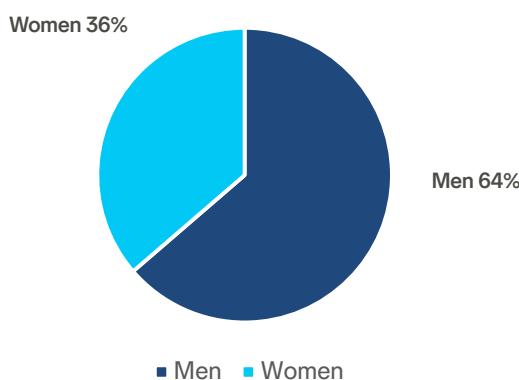
The share of women in management positions increased by 4 percentage points since 2019. As at 31 December 2020, 38 percent of our managers with employee responsibility were women, compared with 34 percent in 2019 and 47 percent in 2018.

The percentage of women in the management group is 30 percent, which is unchanged since 2019. At 31 December 2020, Nordnet's management team consisted of seven men and three women, and the Board of Directors consisted of six men and two women. The share of women in new recruitment has increased by 2 percentage points compared with 2019.

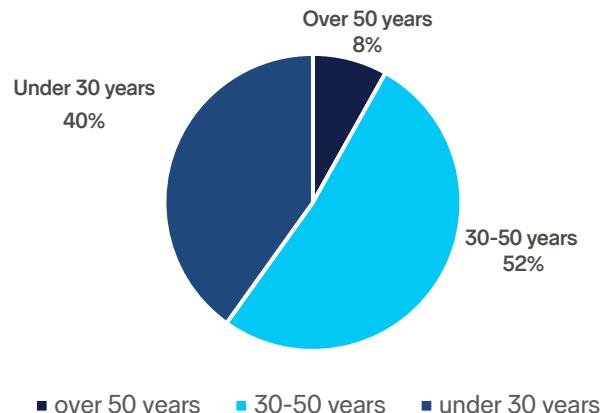


For us, it is important to create a workplace characterized by both gender equality and diversity. We actively work to recruit more women for all decision-making levels, in line with the UN sustainable development goal 5 *Gender equality*.

### Gender distribution



### Age distribution



# Environment and climate.

Nordnet's business model is digital. With a scalable digital platform, more automated and digital customer journeys and processes, and the lack of physical banking offices, we can limit our impact on the environment. We carbon offset our greenhouse gas emissions and are climate positive in the sense that we offset for more emissions than we produce.

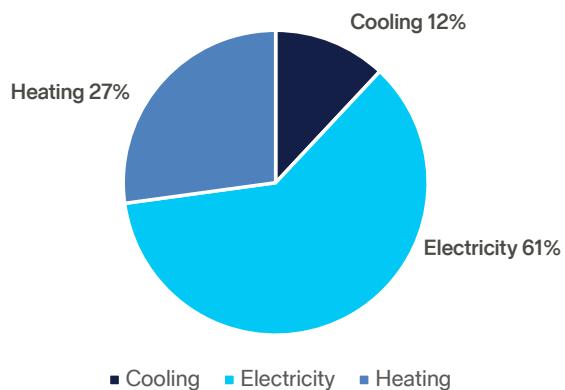
To reduce our direct impact on the environment and climate, we strive to operate our office spaces with 100-percent renewable energy, reduce our use of paper and recycle waste. Our business model does not require physical banking offices, and contact with our customers is mainly online and by telephone. This means that we are fundamentally resource-efficient and that our environmental impact is relatively small. We therefore assess the risks with respect to the environment as small. This is why we do not have a formal process regarding environmental governance, but rather in this respect follow the guidelines that are set in our sustainability policy.

## Energy efficient banking services.

Nordnet's greatest direct environmental impact derives from the energy consumed by the servers that deliver our services around the clock. In 2020, we consumed approximately 1,951 MWh (2,197) for the operation of our IT infrastructure and for our consumption of electricity, heating and cooling at our offices. That's about as much as 78 (88) average single-family homes in Sweden consume over a year.

Nordnet's energy intensity amounted to 0.03 kWh (0.08) per trade – a decline of 57 percent compared to last year.

### Energy consumption by energy type



Through our digital business model, the selection of renewable energy contracts and the strive to minimize office waste, we can reduce our ecological footprint. This can contribute to UN's global sustainable development goal 12 *Responsible consumption and production*.

Nordnet's energy consumption	2020	2019 <sup>1</sup>	2018 <sup>1</sup>
<b>Indirect energy consumption, MWh</b>			
Electricity, whereof 91% renewable energy	1,187	1,246	1,452
District heating, whereof 85% renewable energy	530	672	570
District cooling, whereof 100% renewable energy	234	279	270
<b>Total</b>	<b>1,951</b>	<b>2,197</b>	<b>2,291</b>

The table shows the energy consumption for heating and cooling premises and operating equipment.

<sup>1</sup> The energy consumption for 2019 and 2018 has been adjusted because electricity consumption at the headquarters in Kungsholmen was incorrectly calculated for these years.

**“Nordnet’s business is  
climate positive –  
we offset for more  
emissions than we  
produce”**



## Our climate impact.

Our goal is to have as little impact on the environment as possible. Every year, we measure and carbon offset for our greenhouse gas emissions, including the employees' commutes. Our policy is to carbon offset for more than we emit, 110 percent, which means that we have a positive influence on the climate in relation to our direct emissions. This is offset by planting trees in collaboration with small-scale farmers in Bolivia. The project, called ArBolivia, is certified in accordance with Plan Vivo. In addition to climate benefits, the project adds valuable social and ecological value.

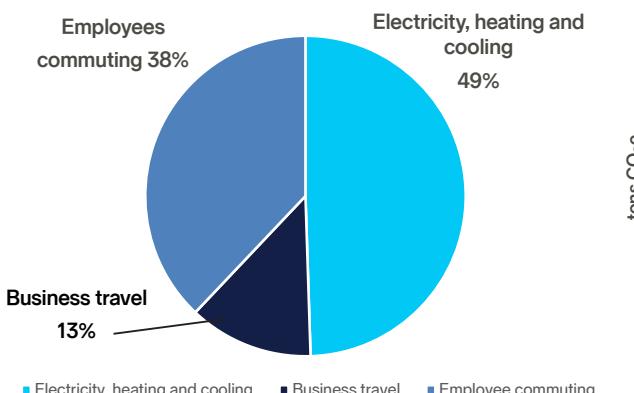
Each year, we report our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol, the most common international framework for voluntary reporting of greenhouse gas emissions. Our greenhouse gas emissions have decreased substantially in 2020. The foremost explanation is the transition in the working model, where the majority of our employees have worked from home a large part of the year due to the coronavirus pandemic. This resulted in a drastic reduction in business travel and commuting to and from the office. In 2020, Nordnet's total greenhouse

gas emissions amounted to 153 tons (244) of CO<sub>2</sub>e, which is a decrease of 37 percent (4) compared with 2019. Emissions from our employees' commuting to and from work decreased by 33 percent (4). Emissions from business travel decreased by 74 percent in 2020. Emissions of greenhouse gases on our platform were 2.6 g CO<sub>2</sub> (8.6) per trade, which means a decrease by 70 percent (12) from the previous year.

### Upcoming regulations in sustainability.

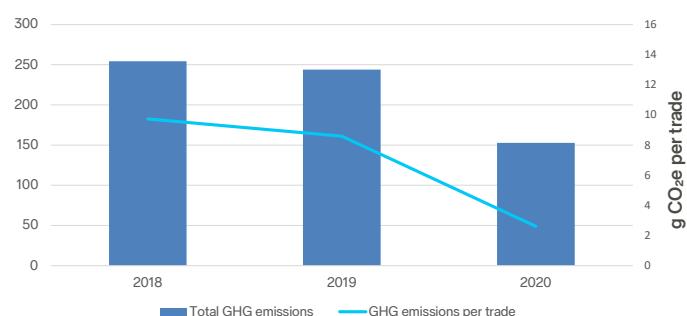
In 2020, Nordnet began work with the aim of preparing for the upcoming EU regulations, the Disclosure Regulation and the Taxonomy Regulation. The Taxonomy Regulation contains rules for how economic undertakings are defined as environmentally sustainable. The Disclosure Regulation regulates how financial actors are to inform their customers and investors of ESG factors.

### Greenhouse gas emissions by activity.



Half of Nordnet's greenhouse gas emissions consist of electricity, heating and cooling at our offices and the remaining part is for business travel and the employees' commuting.

### Greenhouse gas emissions.



The bars represent Nordnet's total greenhouse gas emissions and the turquoise line represents greenhouse gas emissions per trade. The 2019 scope 3 emissions have been adjusted due to incorrect emission factors.

# Nordnet AB (publ)

## Annual Report.



# Board of Directors' report.

## Introduction.

The Board and Chief Executive Officer of Nordnet AB (publ), company registration number 559073-6681, headquartered in Stockholm, hereby submit the Annual Report and principles of consolidation for the 2020 financial year. The annual report was approved for publication by the Board on 24 March 2021. Income statements and balance sheets are subject to adoption at the Annual General Meeting (AGM) planned for 29 April 2021.

## Ownership.

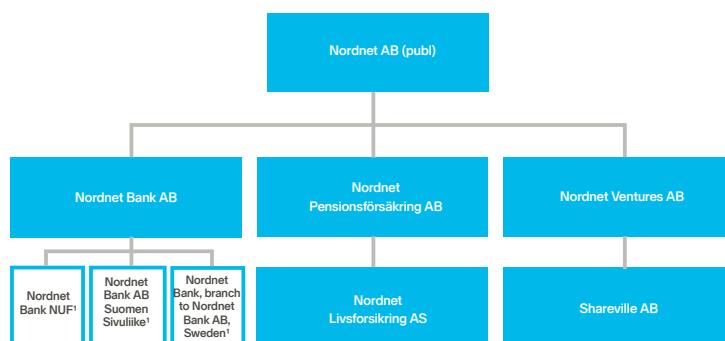
At the end of 2020, Nordnet had 26,799 shareholders (23), of which 21.6% are owned, directly and indirectly, of the Öhman Group through the holding company E. Öhman J:or Intressenter AB. 9.4% is owned by Premiefinans K. Bolin Aktiebolag and 9.2% by Cidron Danube S.à.r.l., a company within the Nordic Capital Group. Institutional owners accounted for 31.9% of the capital and votes on the balance sheet date. Swedish private individuals accounted for 17.4%.

## The Share.

On 25 November 2020, the share of Nordnet AB (publ) was listed on Nasdaq Stockholm. The listing was a logical and important step in Nordnet's development and contributes to increased awareness of Nordnet and its activities.

## Group overview.

The illustration below shows the Nordnet Group chart as at 31 December 2020.



<sup>1</sup>Branch of Nordnet Bank

The share capital amounts to SEK 1,250 thousand distributed over 250 million shares with a quotient value of SEK 0.005.

## Operations.

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

Nordnet Bank AB offers a broad range of services for savings and investments, margin lending with securities as collateral, personal loans and residential mortgages on the Swedish market. In addition, a large number of information services and digital tools for smarter savings are offered. In Norway, Denmark and Finland, bank operations are run via branch offices. Through the brand Konsumentkredit in Sweden, consumer loans are provided to private individuals on the Swedish market.

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

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

## Status of financial targets<sup>1</sup>

With regard to the financial targets that Nordnet has set on the median term, the status at 31 December 2020 (31 December 2019) is as follows:

- Annual customer growth amounted to 34 percent (19)
- Average savings capital per customer amounted to SEK 415,900 (409,100)
- Income in relation to savings capital amounted to 0.60 percent (0.44)
- Adjusted operating expenses were SEK 1,064.1 million (1,097.1)

The Board of Directors proposes a dividend of SEK 1.51 per share, equivalent to 25 percent of the net profit for 2019 and 2020, which is in line with the Swedish Financial Supervisory Authority's recommendations.

## Significant events during the year.

- 2020 was a special year where the coronavirus pandemic had a revolutionary impact on the world in general, and had a major impact on our way of living. For Nordnet, 2020 was characterized by an increased interest in savings and investments, which has resulted in record high trading activity. For the full-year, the number of trades among Nordnet's customers amounted to 58.5 million trades (28.4). In 2020, Nordnet grew to become the Nordic region's largest stockbroker in terms of trading volume on the Nordic exchanges, followed by Nordea, Avanza and SEB.
- The customer base increased by 34 percent since year-end 2019. The percentage of women and young people is steadily growing on our platform. Among new customers, 34 percent are women, compared with nearly 30 per cent in the customer base 31 December 2019, and 60 percent among the new customers during the year were under 35 years of age.
- High income and cost control provide the best financial results in Nordnet's history – the full-year sums an adjusted profit before tax of SEK 1,575.9 million (376.8).
- Nordnet was listed on the Stockholm Stock Exchange in the fourth quarter.
- Continuous development of our platform during the year improves the user experience. Nordnet has had a new app release every nine days on average and among other things introduced a messaging function, improved history in monitoring lists,

<sup>1</sup>The financial targets are presented on page 5

simpler monthly savings and shortcuts to popular functions.

- Strong growth in our loan portfolio. Our total loan portfolio is approaching SEK 20 billion, and increased by more than 25 percent compared with December 2019. The increase mainly took place in margin lending and residential mortgages while the volume in personal loans was essentially unchanged.

## First quarter.

- Strong customer growth during the quarter: nearly 90,000 new customers and Nordnet surpassed more than one million savers on its platform.
- Success for the new equity savings account in Finland. In the first three months of the year, Nordnet opened the most equity savings accounts of all Finnish banks.
- Take-over of online customers from Finnish S-Pankki.
- High net savings of SEK 23.8 billion for a single quarter, however savings capital decreased as a result of a market decline.

## Second quarter.

- Nearly 14.5 million trades and the largest broker in Norway.
- Rising stock markets and strong net savings result in a savings capital of SEK 425 billion.
- Launch of four proprietary international index funds and sustainability data for ETFs.
- Record-breaking earnings as a consequence of increased income and a scalable business model. The income increased by 75 percent compared with the second quarter of 2019 and the third quarter of the year total an operating profit of SEK 369.1 million.

## Third quarter.

- Nordnet is initiating a strategic review, including assessing the conditions for a possible IPO.
- Strong growth in the business with high levels for savings capital and lending, continued major influx of new customers and high levels of trading activity.
- Continued improvements to the platform – new function for monthly savings, launch of proprietary index funds in Norway, integration of the Nordnet blog on the customer site, and additional inspiring functions in the app.

## Fourth quarter.

- Nordnet is listed on the Stockholm Stock Exchange under the ticker SAVE, the first day of trading was 25 November.
- Record-breaking influx of savings and customers – nearly 100,000 new customers, the highest number ever for a single quarter.
- Trading record for a single day and the Nordic region's largest broker – highest volume on the Nordic stock markets in 2020.
- New peak levels for savings capital, net savings, number of trades and lending. Savings capital increased by 43 percent to SEK 565 billion, and net savings amounted to SEK 35 billion. For Nordnet's four markets, a total of 16.5 million transactions were made.

- Continued development of the interface and product range – digital occupational pension and paperless process for residential mortgages were launched during the quarter.

## Profits and financial overview, Group.

Operating income for the period January–December increased by 70 percent to SEK 2,678.7 million (1,573.4). Net commission increased by SEK 1,080.8 million to SEK 2,020.6 million (939.9). A higher number of transactions and a high percentage of transactions outside the customer's home market contributed positively to the transaction-related income. The number of trades per customer and trading day increased by 61 percent and the percentage of trades outside the

Group	2020	2019	2018	2017	2016 <sup>2</sup>
<b>Income statements, SEK thousands</b>					
Net commission income	2,020,677	939,876	870,187	803,105	729,603
Net interest income	603,556	497,733	377,563	386,269	403,174
Net result of financial transactions <sup>1</sup>	-14,224	66,095	3,748	-241	11,760
Other income	68,723	69,655	58,916	54,903	51,486
<b>Total operating income</b>	<b>2,678,732</b>	<b>1,573,359</b>	<b>1,310,414</b>	<b>1,244,036</b>	<b>1,196,023</b>
Operating expenses	-1,193,419	-1,162,296	-1,133,239	-1,008,528	-799,191
Credit losses	-38,703	-33,645	-36,002	-35,301	-29,098
<b>Operating result</b>	<b>1,446,610</b>	<b>377,418</b>	<b>141,173</b>	<b>200,207</b>	<b>367,734</b>
Tax	-273,877	-37,924	-23,121	-32,874	-70,688
<b>Income for the year</b>	<b>1,172,733</b>	<b>339,494</b>	<b>118,052</b>	<b>167,333</b>	<b>297,046</b>
<b>Balance sheets, SEK thousands</b>					
Interest-bearing securities	32,615,999	23,599,547	20,036,326	17,852,202	15,485,339
Lending to credit institutions	603,553	505,193	333,024	275,591	329,045
Loans to the general public	20,311,856	16,127,777	14,204,488	11,852,046	9,516,392
Assets for which customers bear the investment risk	102,691,267	70,089,225	51,726,480	46,515,739	41,684,655
Other assets	11,770,376	5,281,581	5,819,098	3,844,984	3,434,812
<b>Total assets</b>	<b>167,993,051</b>	<b>115,603,323</b>	<b>92,119,416</b>	<b>80,340,562</b>	<b>70,450,243</b>
Deposits and borrowing from the general public	52,552,788	38,572,145	35,225,181	29,063,690	24,426,599
Liabilities for which customers bear the investment risk	102,693,283	70,091,081	51,726,480	46,515,739	41,685,918
Other liabilities	8,535,251	3,882,315	3,179,516	2,736,480	2,358,841
<b>Total liabilities</b>	<b>163,781,322</b>	<b>112,545,541</b>	<b>90,131,177</b>	<b>78,315,909</b>	<b>68,471,358</b>
Total equity	4,211,729	3,057,782	1,988,239	2,024,653	1,978,885
<b>Total equity and liabilities</b>	<b>167,993,051</b>	<b>115,603,323</b>	<b>92,119,416</b>	<b>80,340,562</b>	<b>70,450,243</b>

<sup>1</sup> Nordnet has changed the classification of currency exchange income generated from customers' trading in securities from net result of financial transactions to commission income. For more information, see Note 5 page 75.

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

customer's home market increased from 20 to 24 percent. In addition, net commission income improved as a result of higher income related to greater mutual fund savings.

Net interest income increased by SEK 105.8 million to SEK 603.5 million (497.7). All revenue streams within net interest income strengthened during the year with the largest increase attributable to increased margin lending, income from surplus liquidity and income from Nordnet's stock lending program.

In 2019, income and profit were positively impacted by items affecting comparability of SEK 65.7 million as a result of an appreciation of shareholdings in Tink AB. All shares were divested in 2019.

Adjusted operating expenses amounted to SEK 1,064.1 million (1,097.1), which was SEK 33 million lower compared with January-December 2019. Expenses for consultants, software licenses and depreciation decreased while personnel expenses increased as a result of a higher number of employees. Operating expenses increased by 3 percent compared with January-December 2019 and amounted to SEK 1,193.4 million (1,162.3). Expenses attributable to items affecting comparability of SEK 129 million, of which SEK 109 million was attributable to expenses for the IPO of Nordnet, were charged to profit. In the year-before period, expenses attributable to items affecting comparability amounted to SEK 65 million.

Credit losses totaled SEK 38.7 million (33.6). The increase is mainly due to a reinforcement of provisions for expected credit losses based on a higher risk for a more negative macroeconomic scenario stemming from the coronavirus pandemic. Today, there are no indications that credit losses will increase and that the extra credit provisions will need to be realized.

Adjusted operating profit increased by 318 percent to SEK 1,575.9 million (376.8) with an adjusted operating margin of 59 percent (25). Operating profits increased by 283 percent to SEK 1,446.6 million (377.4). Profit after tax for the period rose by 245 percent to SEK 1,172.7 million (339.5), which is a profit margin of 44 percent (22).

At 31 December 2020, liquidity amounted to SEK 44,101.7 million (30,953.8). The Group's deposits, including pension customer deposits, amounted to SEK 60,334.4 million (45,011.7) and lending was SEK 20,311.9 million (16,127.8), which provides a ratio between lending and deposits of 34 percent (36).

At the end of December, consolidated cash and cash equivalents amounted to SEK 3,704.0 million (914.7). Frozen assets amounted to SEK 319 million (103) of which SEK 150 million (103) was utilized. In addition, the Group has interest-bearing investments with a total fair value of SEK 15,683.3 million (18,676.6). In addition to the investments measured at fair value, Nordnet also has interest-bearing investments held to maturity and thereby measured at amortized cost totaling SEK 22,421.9 million (9,586.1). Nordnet's liquidity is mainly invested in covered bonds, sovereign securities, the Swedish Riksbank, the Danish National Bank and the Nordic banking system. The majority of the investments have a short remaining maturity.

Consolidated equity amounted to SEK 4,211.7 million (3,057.8). The bonds for SEK 500 million issued by the Group (AT1) have an indefinite maturity with the first opportunity for redemption in the first quarter of 2024, and run with interest of three-month Stibor +6.75 percent. The bonds are listed on Nasdaq Stockholm.

For the consolidated situation in which Nordnet AB (publ) is the Parent Company, the capital base amounted to SEK 2,951.6 million (1,990.6) and the total risk exposure amounted to SEK 13,518.2 million (10,090.3). At the end of the period, the capital ratio was 21.8 percent, compared with 19.7 percent on 21 December 2019.

Investments in tangible assets during the year amounted to SEK 11.9 million (19.9). Investments in intangible assets during the year, such as capitalized expenditure for development work, amounted to SEK 93.1 million (91.3), of which SEK 59.9 million (37.8) was in personnel-related expenditure for product development.

Cash flow from operating activities were positively impacted during the year by increased liquidity in customer deposits of SEK 15,565.2 million (2,987.0), but were negatively impacted by increased lending of SEK 4,557.1 million (1,903.6). During the quarter, cash flow in investing activities was negative due to increased

investments in bonds and other fixed-income securities for SEK 8,996.9 million (3,378.7).

A consolidated multi-year overview is above and key figures are after the Board of Directors' report.

## Profits and financial overview, Parent Company

Nordnet AB (publ) is a holding company and conducts no operations beyond its role as the owner of Nordnet Bank AB, Nordnet Pensionsförsäkring AB and the Group's other companies. Operating income for January-December 2020 amounted to SEK 21.6 million (18.7) and relates to Group-internal administrative services.

The profit from financial investments increased by SEK 34.0 million to SEK 294.1 million (260.1). The Parent Company received a dividend of SEK 200.0 million (260.0) and a Group contribution of SEK 96 million (0) from the subsidiaries during the year. The Parent Company's profit after financial items amounted to SEK 209.0 million (250.5) for 2020. The Parent Company's cash and cash equivalents amounted to SEK 112.2 million (69.4), and equity amounted to SEK 2,370.0 million (2,158.1).

## Future prospects.

Nordnet has an efficient and scalable operating model. We use a common platform to provide a Nordic savings offering, and we have a strong position in all markets within the area of savings and investment.

The Nordic region is a favorable market for savings and investments, supported by a number of underlying macrotrends and structural driving forces that are expected to continue to support market growth. The Nordic market for savings is well-developed and is expected to continue to grow in future years. This growth is driven by expected growth in household income in line with GDP forecasts, a stable level of savings in line with the 2019 level and future market development in line with historical average returns. Even if the level of savings has increased in the light of the financial uncertainty in the wake of the coronavirus pandemic, this is only expected to be temporary. All four Nordic countries that Nordnet is active in are open and stable economies with a high GDP per capita. The Nordic re-

gion has a long tradition of financial restraint and even today maintains a relatively low debt ratio compared with other European countries.

Another factor making a strong contribution to the market growth is the restructuring of the pension system that is in progress, where the individual is expected to assume greater responsibility for his/her pension. One can clearly see a trend in the EU that the pension systems are moving from defined-benefit pension plans to defined-contribution pension plans. The Nordic countries are in different phases of this transition. In Sweden, this shift has largely already taken place while the shift is currently under way in Norway with the new personal pension account (EPK) regulation. An introduction of rules on a more efficient relocation right in the Swedish market would be favorable for Nordnet, and during the year, large steps were made towards more consumer-oriented and customer-friendly legislation in the area.

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

## Employees.

The average number of full-time positions for the period was 561 (523). The number of full-time positions at year-end was 571 (494), consisting of 475 (403) in Sweden, 32 (32) in Norway, 31 (29) in Denmark and 33 (30) in Finland.

Nordnet strives for balanced gender distribution. At the end of 2020, the proportion of women in the Group is 36 percent, and the proportion of women managers is 38 percent. The proportion of women in the management team is now 30 percent.

Employee commitment and satisfaction regarding Nordnet as an employer is continuously monitored. We

use net promoter score (eNPS) to measure our overall attractiveness as an employer. The sustainability report contains more information about employees on pages 26-30. Also see Note 12 for more information.

## Guidelines on remuneration of senior executives.

The following guidelines for remuneration of senior executives were adopted at the company's Extraordinary General Meeting on 10 September 2020.

The guidelines will also cover Board members in Nordnet to the extent that they receive compensation outside the Board assignment. The guidelines shall be applied to remuneration agreed to and changes made in already agreed remuneration, after the guidelines have been adopted by the Extraordinary General Meeting on 10 September 2020. The guidelines do not cover remuneration resolved by the General Meeting.

### The guidelines' promotion of Nordnet's business strategy, long-term interests and sustainability.

Nordnet's business strategy means in brief that Nordnet democratizes savings and investments, which is Nordnet's core business. This means that Nordnet gives private savers access to the same information and tools as professional investors, such as by offering readily available and inexpensive share trading online. Nordnet's vision is to become the Nordic private savers first choice. For more information on Nordnet's business strategy, see [www.nordnetab.com](http://www.nordnetab.com).

A prerequisite for Nordnet to be able to realize its business strategy and safeguard Nordnet's long-term interests, including sustainability, is that Nordnet can attract, motivate and retain senior executives in competition with comparable Nordic companies, mainly Nordic banks and credit market companies. These guidelines will therefore make it possible that senior executives can be offered a market-based and competitive overall compensation. At the same time, Nordnet's remuneration systems shall be compatible with and promote a healthy and effective risk management and counter excessive risk-taking. Remuneration of senior executives in Nordnet shall also agree with Nordnet's business strategy, goals, values and long-term interests; be formulated to avoid conflicts of interest

between employees, Nordnet and Nordnet's customers; be based on quantitative business targets and qualitative criteria that reflect regulatory compliance, correct treatment of Nordnet's customers and quality of services rendered. In terms of the total remuneration, it may also not restrict Nordnet's ability to maintain an adequate capital base and liquidity or when necessary strengthen the capital base.

The Board of Directors assesses that a well-balanced fixed remuneration together with participation in any share-based incentive programs that the General Meeting decides on and a possibility of variable remuneration provide prerequisites for Nordnet to be a competitive employer.

### Types of remuneration.

Remuneration of senior executives shall consist of:

- fixed salary,
- possible cash variable remuneration,
- possibility of participating in long-term share-based incentive programs that the General Meeting decides on,
- pension, and
- any other customary benefits.

#### Fixed salary

The senior executives' fixed salary is reviewed annually and shall be competitive and based on the individual's expertise, responsibility and performance. The fixed remuneration shall also make up a sufficiently large portion of the senior executives' total remuneration to make it possible to set the variable portion to zero.

#### Variable remuneration

The senior executives' cash variable remuneration shall be based on how well set targets for their respective areas of responsibility and for Nordnet as a whole have been fulfilled. In this assessment, both financial and non-financial criteria shall be taken into account. The outcome shall be linked to measurable targets, which insofar as apply to Nordnet shall be directly or indirectly linked to the achievement of Nordnet's financial targets. The targets in the senior executives' respective area of responsibility aim to promote Nordnet's development in both the short and long term and thereby promote Nordnet's business strategy and long-term interests, including Nordnet's sustainability.

Variable remuneration can at most amount to 100 percent of the senior executive's fixed annual salary. If the variable remuneration during one year exceeds SEK 100,000, at least 60 percent of the remuneration shall be postponed for at least three years before it is paid out or ownership goes over to the senior executive.

When Nordnet decides on how much of the variable remuneration shall be postponed, and how long, Nordnet shall take into consideration Nordnet's economic cycle, the risks the business operations entail, the senior executive's responsibility and duties and the size of the variable remuneration. Nordnet can decide to postpone variable remuneration for up to five years.

Variable remuneration, even that which has been postponed, shall only be paid out or transferred to the senior executive if it is defensible considering Nordnet's financial situation, including capital base and liquidity, and can be considered justified according to the results of Nordnet, the business unit concerned and the senior executive. The variable remuneration may therefore be reduced or vanish entirely.

Nordnet or if applicable, a Group company, also has the right to demand back all or part of disbursed variable remuneration if it can be proven that the senior executive, if his or her duties have a material impact on Nordnet's risk profile, participated in or was responsible for actions that led to significant losses for Nordnet or Group companies or did not fulfill applicable standards for competence and suitability. A prerequisite for payment of variable remuneration is that the measure is compatible with the Swedish Financial Supervisory Authority's regulations and EBA's guidelines for healthy remuneration policies.

#### **Long-term share-based incentive programs**

Long-term share-based incentive programs shall be decided on by the General Meeting and is therefore not covered by these guidelines.

#### **Pension and other customary benefits**

The pension provisions for all senior executives shall be covered by the same policy, except for the CEO. The pension commitments shall be defined-contribution and secured through premium payments to insurance companies. The size of the pension premiums is pursuant to Nordnet's pension plan and shall essentially match the remuneration levels that apply according

to the BTP 1 plan and have limitation in relation to the fixed annual salary, pursuant thereto. No provisions are made for salary components in excess of 30 income base amounts calculated on an annual basis. For members of Group management not residing in Sweden, local rules are applied that lead to a pension under equivalent terms. Variable cash remuneration shall not be pensionable income as a starting point.

Other possible benefits shall be customary and contribute to facilitating the senior executive's possibilities of fulfilling his or her duties, such as a company car, occupational healthcare and health insurance.

#### **Compensation in connection with new employment**

In addition to the aforementioned types of remuneration, remuneration shall also, in certain exceptional cases and in accordance with Nordnet's remuneration policy, be able to be paid out in connection with new employment to attract certain key individuals to Nordnet as a part of Nordnet's business strategy. Such remuneration shall be limited to the first year of employment.

#### **Termination**

Upon termination by Nordnet, the period of notice shall be a maximum of 12 months. Upon resignation by the senior executive, the period of notice shall be a maximum of six months. Severance pay should not exist.

#### **Remuneration policy for banking and insurance business**

In addition to these guidelines, the Board of Directors of Nordnet, in accordance with the Swedish Financial Supervisory Authority's regulations addressing remuneration systems in credit institutions and EBA's guidelines for healthy remuneration policies, has established a remuneration policy that covers all employees in Nordnet and Nordnet's regulated subsidiaries. The remuneration policy is compatible with and promotes a healthy and effective risk management and counters excessive risk-taking. Further information on Nordnet's remuneration policy is published on Nordnet's website.

#### **Salary and terms of employment for employees**

In the preparation of the Board's proposal on these remuneration guidelines, salary and terms of employment for the Group's employees have been taken into account. The guidelines do not deviate from the

remuneration systems that are generally applied in the Group for other employees. Also in other respects, the remuneration, types of remuneration and salary development for senior executives are deemed to be in harmony with salaries and terms of employment for other employees in the Group.

### Decision-making process

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board's proposals on guidelines for remuneration of senior executives. At least once every four years, the Board of Directors shall present proposed guidelines for remuneration of senior executives to the Annual General Meeting to decide on. The guidelines shall apply until new guidelines have been adopted by the General Meeting.

The Remuneration Committee shall also follow and evaluate programs for variable remuneration for company management, the application of guidelines for remuneration of senior executives and regarding remuneration structures and levels in Nordnet.

### Deviations from the guidelines

If it finds that special reason exists in an individual case and to provide for Nordnet's long-term interests, including sustainability, or to ensure Nordnet's financial position, the Board of Directors has a right to deviate from these guidelines on condition that the deviation is not covered by stipulations in the Swedish Financial Supervisory Authority's regulations or EBA's guidelines. If the Board of Directors deviates from the guidelines, the Board must present the reasons to do so at the next Annual General Meeting.

More information on remuneration of senior executives will be presented in Note 12 and the remuneration report for 2020. The remuneration report will be published on the Group's website [www.nordnetab.com](http://www.nordnetab.com).

### Remuneration paid to senior executives and auditors

#### Board of Directors

At an Extraordinary General Meeting on 10 September 2020, a resolution was passed that the total remuneration for Board members for the current year should be SEK 3,500,000 (2,250,000). The remuneration to each

of the Board members and the Chairman of the Board shall be payable in an amount of SEK 350,000. In addition, fees for work in the Board's committees include SEK 25,000 per committee in which the member participates. A fee of SEK 50,000 is paid to the chairman of the respective committees. Fees for work in the Risk and Compliance Committee, however, amount to SEK 150,000 to the chairman and SEK 75,000 to the other members of the Committee. SEK 125,000 is payable to the chair of the Audit Committee. The Board members do not have the right to any benefits after they have concluded their Board assignments.

#### CEO

The fixed monthly salary of the current CEO Lars-Åke Norling amounted to SEK 437,500 until March 2020 and to SEK 583,333 from 1 April 2020. Lars-Åke Norling also received remuneration in the form of a one-time amount of SEK 5,000,000 in connection with the beginning of employment in 2019. The CEO has the right to monthly pension provisions corresponding to 35 percent of the basic salary.

#### Auditors

A total of SEK 17,099 thousand (7,216) was paid to auditors and audit firms in 2020. This amount relates to work audits, advice and other review work in connection with the audit and review in connection with the IPO of Nordnet AB (publ). Remuneration has also been paid for other advice, of which most relates to consultation concerning accounting and tax issues.

For further information on remuneration of senior executives and auditors, refer to Note 12.

### Risks and uncertainty factors.

Nordnet's core business is to offer customers in Sweden, Norway, Denmark and Finland saving and investments products and services. The level of trading activity and savings by Nordnet's customers are impacted by a variety of factors related to the customers' personal economy. A deterioration in macroeconomic conditions on these markets or globally could result in Nordic customers having less disposable income to invest or less interest 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 in the Nordic region is, and will continue to be, competitive. There is also a risk that competitors which operate locally in Sweden, Norway, Denmark or Finland will expand their operations to other Nordic countries and that new products or price models are launched, which could have price-pressuring effects. Furthermore, there is a risk that Nordnet fails to keep pace with the rapid development within the industry or fails to develop and introduce attractive and innovative solutions.

As the digital platform is at the core of Nordnet's business, Nordnet is exposed to risks relating to its ICT systems such as system failure, delays in services, catastrophic events and interruptions in the availability of Nordnet's products or services and loss or disclosure of customer data. Such events could harm Nordnet's business and brand and subject Nordnet to liability and sanctions.

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. An incident related to such attacks or frauds could significantly disrupt Nordnet's operations, damage Nordnet's reputation, expose Nordnet to a risk of loss, administrative fines, sanction or litigation and possibly expose Nordnet to the liability and loss suffered by customers.

Nordnet is exposed to risks related to human errors, employee misconduct, lack of efficient and adequate internal control procedures and insufficient knowledge and experience among its personnel. Wrongful 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, including implementing remote work for a significant portion of the Group's employees during 2020. These temporary changes in operational practices, when combined with the COVID 19 pandemic precipitating increased trading volumes and volatile markets, has resulted in Nordnet's organisation and systems experiencing a heavy workload. This and similar events increase the risk of manual mistakes in the operational business.

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 experienced an increased trading activity in 2020, partly due to the volatility of capital markets as a result 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 revenues and results of operations.

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 has previously experienced such failures among its service providers and some of these failures have caused significant interruptions to Nordnet's provision of services.

In the event that the Nordnet branded funds were to perform unsatisfactorily, in particular in relation to the relevant index, this may have an adverse effect on Nordnet's brand and reputation with less remuneration as a result, which in turn could affect Nordnet's growth.

Nordnet has both historically, and recently, experienced negative publicity in newspapers and on social media platforms, such as Twitter. Such publicity 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 have an adverse effect on Nordnet's revenues and future growth.

Nordnet is subject to capital and liquidity ratio requirements including leverage ratio and must have adequate capital and liquidity buffers. Any failure by Nordnet to maintain any increased regulatory capital requirements or to comply with any other requirements introduced by regulators may result in intervention by regulators or the imposition of sanctions, which could have an adverse effect on Nordnet's results and financial position. Any market perception or concern regarding compliance with current or future capital adequacy requirements, could increase Nordnet's borrowing costs and limit its access to capital markets, which could have a materi-

al adverse effect on Nordnet's business, results of operations and financial position.

The business in which Nordnet operates is subject to supervision with regard to, *inter alia*, solvency and capital adequacy, as well as rules on internal governance and control. 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 material failure to comply with the applicable rules for the regulated businesses, the licences for Nordnet's subsidiaries granted by the SFSA and the Norwegian equivalent NFSA 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.

Nordnet's business is subject to anti-money laundering and terrorist financing regulations in each of the Nordic countries it operates in. Failure to comply with these regulations may result in material sanctions such as remarks or warnings, sanctions 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.

Nordnet processes a large amount of personal data on a daily basis and an omission to comply with the EU General Data Protection Regulation may result in substantial monetary sanctions.

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

development, it is important to take into account the risk factors alongside any opportunities for profit growth.

The risks in Nordnet's operations are mainly determined by:

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

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

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

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

## Official supervision.

Nordnet's operations are supervised by the Swedish Financial Supervisory Authority in Sweden and the corresponding authorities in Norway, Finland and Denmark. Operations are largely regulated by laws, instructions, industry agreements and regulation by the EU and the European supervisory authorities. Within the Group, compliance with regulations is therefore of the utmost importance and is subject to regular review and follow-up by both the Board and control functions. Nordnet's compliance function reviews, among other

things, whether the policies and instructions developed and applied in the operations are appropriate and effective. The compliance function is also tasked with ensuring that Group employees, including the Board of Directors, regularly receive information on applicable rules for the operations conducted. This occurs, for example through training courses on new and changing business rules and information on the intranet.

## Authorizations received.

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

## Sustainability.

Sustainability is a part of Nordnet's DNA, and is in line with our objective to democratize savings and investments. Within the scope of this overall ambition, we strive to give all private individuals access to knowledge and tools to be able to manage their financial future in the best way. Nordnet as a company has a low environmental impact. Our stores are digital, and our business model requires no physical banking offices. We therefore focus our sustainability work more on issues that concern social conditions and social benefit. In 2020, we further developed our sustainability strategy to be in line with our overriding objective as an organization. The sustainability strategy consists of three main areas: democratizing savings and invest-

ments, gender equality and diversity, and responsible and sustainable business. Within these areas, we are engaging in activities that will, in the long term, benefit society, as well as us as a company, according to the principle of "shared value". Read more about our sustainability work on pages 17-33.

Nordnet has prepared a sustainability report in accordance with GRI Standards. In accordance with Chapter 6 Section 11 of the Annual Accounts Act, Nordnet has chosen to prepare the statutory sustainability report as a separate report from the annual report. The sustainability report is on pages 17-33 and pages 152-158 in this document.

# Corporate Governance Report.

# Corporate Governance Report.

## Introduction.

Nordnet AB (publ) was listed on the Nasdaq Stockholm exchange 25 November 2020. Governance of the company in 2020 was based in part on the Articles of Association and the Swedish Companies Act, and as of Nordnet's listing, the Nasdaq Nordic Main Market Rulebook for Issuers of Shares and the Swedish Corporate Governance Code ("the Code"). This Corporate Governance Report has been prepared in accordance with the Swedish Annual Accounts Act and the Code. Nordnet's ambition is to comply with the Code. However, in light of the Nordnet share being listed late in 2020 and as a natural consequence of this, Nordnet has deviated from the Code with regard to e.g. the time for the composition of the Nomination Committee. Except for deviations due to the actual time of the Nordnet share's listing, Nordnet did not deviate from the Code in 2020.

## Bodies and regulations.

### Shareholders.

At the end of 2020, Nordnet had 26,799 known shareholders (23). The anonymous ownership amounted to 17.6 percent of the shares and votes at that time. The largest shareholder was Öhman Intressenter with 21.6 percent of the voting rights and capital, followed by Premiefinans with 9.4 percent and Nordic Capital (through companies) with 9.2 percent. Known non-Swedish-based shareholders accounted for 33.2 percent of the votes and capital. At the end of the year, known Swedish and international institutional organizations owned 31.9 percent and Swedish private individuals 17.4 percent of the shares.

### General Meeting.

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

Meeting also elects Board members and auditors for the period until the end of the next GM. All shareholders registered in the shareholders' register and who have announced their intent to participate in time have the right to participate at the meeting and vote according to their shareholding. One share entitles the holder to one vote.

### Nomination Committee.

The Nomination Committee shall safeguard all shareholders' interests and has the task of submitting proposals to the Annual General Meeting regarding, among other things, the number of Board members and the Board's composition including the Chairman of the Board, as well as proposals on Board fees, specified for the Chairman and other Board members and any remuneration for committee work. The Board's composition shall be compatible with applicable laws and regulations and the policy regarding the promotion of diversity in the Board that Nordnet's Board of Directors has adopted. An important principle is that the Board shall have the size and composition that is most suitable to the bank. Nordnet strives to have a Board with equal gender distribution, composed of members of varying ages, with varied education, experience and expertise, and with varying geographical backgrounds. The Nomination Committee shall also submit proposals regarding the Chairman of the Annual General Meeting and election of auditors and their fees, as well as proposals on any new instructions for the appointment of the Nomination Committee and its work. All shareholders have the right to submit proposals on Board members to the Nomination Committee.

The Nomination Committee shall consist of the Chairman of the Board and three members appointed by the three largest shareholders in Nordnet by votes as of 31 July 2020. Since the first trading day for Nordnet's share was 25 November 2020 and it was not until then that it was relevant for Nordnet to apply the provisions of the Code regarding the Nomination Committee, the Chairman of the Board contacted the three largest shareholders in the company by votes as of the last cal-

**Nomination Committee prior to AGM**

Name	Shareholding 31/12/2020	Appointed by	Shareholding 31/12/2020
Johan Malm		- E. Öhman J:or Intressenter Aktiebolag	54,101,392
Björn Fröling		- Premiefinans K. Bolin Aktiebolag	23,490,016
Robert Furuhjelm		- Cidron Danube S.à.r.l	22,989,657
Tom Dinkelspiel, Chairman of the Board	4,339,879		

endar day in November 2020. This procedure accordingly deviates from the Code solely on the grounds of the listing of Nordnet's share taking place in the latter part of 2020. If any of the three largest shareholders by votes does not exercise their right to appoint a member, the right to appoint such a member to the Nomination Committee goes to the next largest shareholder by votes. The person who represents the largest shareholder by votes is appointed the chairperson of the Nomination Committee unless otherwise determined by the Nomination Committee.

## Board of Directors.

### Responsibility of the Board of Directors 2020

Nordnet's Board of Directors is the company's second highest decision-making body after the General Meeting. The tasks of the Board of Directors are set forth in the Swedish Companies Act, the Articles of Association and the Code. In addition, the work of the Board of Directors is governed by the Board's Rules of Procedure, which are adopted by the Board every year.

The Board of Directors has the overall responsibility for the company's organization and management of the company's affairs, as well as for having a well-functioning reporting system. The Board is responsible for the company's long-term operations and significant issues, for reviewing the company's operations including procedures, resolutions on issues concerning financial targets, strategies, the business plan and budget, and continuously monitoring the company's development and financial situation. The Board is responsible for the Group's financial statements being prepared in compliance with legislation and applicable accounting principles, and for quality assuring the Company's financial reporting. The Board ensures that the Company's external communication is characterized by openness and objectivity as well as high relevance to the target groups to which it is directed. The Board also has the task of ensuring that there is satisfactory

control of the company's compliance with laws and regulations, including appointing an internal auditor, whose work is evaluated annually. In addition, it is the Board's task to appoint the CEO, adopt the instructions to the CEO and monitor the CEO's work.

### Chairman of the Board

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

### Composition of the Board

At the 2020 Annual General Meeting it was decided that the Board would consist of eight regular members and no deputies. In accordance with Nordnet's Articles of Association, the Board of Directors shall consist of three to ten Board members. The CEO is not a member of the Board but presents the reports. The company's General Counsel presides as secretary at the Board meetings. Where necessary, other company officials also present reports. The table on the next page presents the Board members as of 31 December 2020, as well as the Board's assessment regarding independence in relation to Nordnet, company management and major shareholders. The Articles of Association state that Board members are elected annually at the Annual General Meeting.

The Articles of Association include no specific regulations on dismissing Board members and amending the Articles of Association.

Board members 2020			Independent in relation to Nordnet and Group Management/ major shareholders:	Remuneration committee	Credit committee	Audit committee	Risk & compliance committee	IT committee
Board member	Elected	Position						
Tom Dinkelpiel	2007	Chairman of the Board	Yes/No	Member	Member <sup>2</sup>	Member	Member	
Anna Bäck	2020	Board member	Yes/Yes			Member <sup>2</sup>		Member <sup>2</sup>
Jan Dinkelpiel	2017	Board member	Yes/No		Member		Member <sup>1</sup>	Member
Christopher Ekdahl	2017	Board member	Yes/Yes		Chairman		Member	
Karitha Ericson	2019	Board member	Yes/Yes				Member	
Christian Frick	2017	Board member	Yes/Yes	Chairman		Member		
Hans Larsson	2017	Board member	Yes/Yes	Member	Member	Chairman	Chairman	
Per Widerström	2017	Board member	Yes/Yes					Chairman

<sup>1</sup> Member of the committee until the statutory Board meeting on 23 April 2020.

<sup>2</sup> Member of the committee as of the statutory Board meeting on 23 April 2020.

### Promoting diversity in the Board

Diversity entails a variety of characteristics and skills among individuals. This may apply, for example, to formal skills in the form of education, experience in different sectors, experience from activities in different countries or other background factors such as gender, ethnicity or age. Nordnet strives to have a Board with equal gender distribution, composed of members of varying ages, with varied education, experience and expertise, and with varying geographical backgrounds. Nordnet's Board currently has a diversified composition in terms of expertise, experience and specialist areas, and it is well-adapted in this respect to Nordnet's priority development areas. The age distribution of the Board is relatively broad. As of the 2020 Annual General Meeting, two women were on the Board of Directors, and a more even gender distribution is worth striving for.

### The Board's rules of procedure

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

the rules of procedure include instructions to the CEO complemented by CEO terms of reference. The rules of procedure also stipulate that Remuneration, Audit, Risk and Compliance and IT Committees will be established and what their tasks will be. The Board's rules of procedure were established 3 September 2020. In addition to these committees, there is a bank-specific Credit Committee.

### Evaluation of the work of the Board

The procedures state that an annual evaluation of the work of the Board should take place by means of a systematic and structured process. For 2020, the Chairman has ensured that the work of the Board has been evaluated through self-evaluation.

### Committees

The Board's overall responsibilities cannot be delegated, but the Board has established certain preparatory committees as follows: The Board of Directors of Nordnet currently has four committees: the Remuneration Committee, the Audit Committee, the Risk and Compliance Committee and the IT Committee. All committees are preparatory bodies to the Board of Directors. Besides these committees, there is a bank-specific Credit Committee that has been established by the Board of the subsidiary Nordnet Bank AB.

## Remuneration Committee

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

## Audit Committee

The Audit Committee's main tasks are, without influencing the Board's responsibility and tasks, to ensure that there is adequate control for risk management, internal control, accounting and financial reporting, and to ensure that the company's financial statements are prepared in accordance with law, other relevant statutes and applicable accounting standards. The Audit Committee shall also ensure continuous contact with the external auditors, propose guidelines to the Board for which services other than audit may be procured from the auditor, review and monitor the auditor's impartiality and independence, and assist in the preparation of proposals on the Annual General Meeting's resolution on selecting an auditor. The committee shall also inform the Board of the results of the audit, including how the audit contributed to the reliability of the company's financial statements.

## Risk and Compliance Committee

In its work and in dialogue with the external auditors, internal audit function, Head of Risk Control, Head of Compliance and Group management, the Risk and Compliance Committee shall monitor the structure of the operations and the organization, as well as their compliance and reporting of risks and incidents, increasing the Board's opportunities for insight into these areas. The committee shall also propose an audit plan to the Board for the internal audit and undergo audits of the business by the control functions and report them to the Board.

## IT Committee

The task of the IT Committee is to ensure that Nordnet's IT strategy and foundation are defined, planned and implemented effectively in accordance with Nordnet's overriding strategy and objectives.

## Credit Committee

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

## CEO and Group management.

The CEO manages operations within the guidelines and instructions established by the Board. The most recently established instructions were set by the Board on 22 October 2020. The CEO is responsible for compliance with the objectives, policies and strategic plans for the Group by the Board. The CEO also produces the requisite information for following the Group's position, earnings, liquidity and development in general, necessary information and decision basis prior to Board meetings, presents issues and justifies proposals for decisions. The CEO leads the work of the Group management team and makes decisions in consultation with other members of management. Group management holds weekly meetings at which both strategic and operational issues are discussed. In addition, Group management produces business plans each year, which are followed up via monthly reports. Group management consists of managers of essential business areas within the Group, see pages 58-59.

## Audits and auditors.

At the 2020 General Meeting, accounting firm Deloitte AB was re-appointed as the auditor for Nordnet AB and all of its subsidiaries until the 2021 General Meeting. The principal auditor is Authorized Public Accountant Patrick Honeth. The auditors' task is to review the annual accounts, consolidated financial statements and accounting, plus the administration of the Board and CEO. The auditors report back on their findings on a number of occasions during the year and are present at the Board meetings that deal with annual accounts. The auditors also have continuous contact with the Audit Committee.

## Internal audit.

In accordance with the Board's procedures and procedures for the subsidiaries Nordnet Bank AB and

Nordnet Pensionsförsäkring AB and the regulations of the Swedish Financial Supervisory Authority, the Board has appointed an independent review function/internal audit, which is directly subordinate to the Board. The internal auditor's work is based on a Board-approved policy. The internal audit shall review and periodically assess the appropriateness and efficiency of the Company's internal controls. Since 2018, this function is filled by EY.

## Board control of financial reporting.

The Board of Directors monitors and bears the ultimate responsibility for ensuring that the financial statements comply with external regulations and is responsible for the follow up of internal control on financial reporting (ICFR).

The ICFR framework is closely related to Nordnet's internal framework for risk management. Methods and processes are coordinated and adapted to ensure efficiency and accuracy. Internal governance and control are carried out by the Board, management and other staff and the framework is structured to provide reasonable assurance that goals concerning the operations, reporting and compliance to laws and rules are met. The framework aims to identify risks and create control environments with clear roles and responsibility.

The work with ICFR as well as the general operational risk control is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and five internal control components:

- **Control environment** – Nordnet has instructions, policies, procedures, authorization handbooks and guidelines related to the governance of the operations, compliance, financial accounting and reporting. All documents are published and made available to all staff.
- **Risk assessment** – The CEO has the overall responsibility for managing the Group's risks. Risk management is an integral part of the business that shall be assessed and handled in accordance with the risk policy. In order to exercise effective internal control of the financial reporting, the company must understand and identify the risks that the business is facing and, as part of the assessment process, determine and take into account the consequences of relevant risks. Nordnet constantly assesses the risks in its financial reporting; i.e. it

identifies, analyzes and assesses the principal risks of misstatement in the financial reports.

- **Control activities** – The control activities serve to detect, guard against and limit risks and the assumption of risks in operations while also preventing deviations and errors in financial reporting. To ensure the quality of the financial reporting, controls are done at several levels. The internal report and control systems are based on internal regulations for financial planning, accounting principles, reporting and follow-up and analysis of the financial results.
- **Information & communication** - All employees must understand their own role in the internal control system, as well as how individual activities relate to other's work. The employees have tools to communicate important information upstream and downstream. Every responsible manager is responsible for adequate reporting related to internal control to the next management level and thereby secure communication in the entire organization. Instructions, policies and guidelines are made available and kept updated via Nordnet's intranet. Knowledge and awareness of these are obtained by means of ongoing internal training and information for the various departments and functions covered by internal reporting responsibility.
- **Monitoring** - Follow-up of the controls included in the ICFR framework is done annually to ensure the reliability of the process. Self-evaluation is done regularly and continuously. The results of the evaluations are followed up by the finance department and reported to the Audit Committee.

During 2020, no interim reports were subject to review by the company's auditors. The Group's auditors report their findings to the Board in connection with the review of the annual accounts. In addition, the Board meets the company's auditors at least once a year – without the presence of the executive management team – to learn about the focus and scope of the audit, and to discuss coordination between the external and internal audits and views of the company's risks. The auditor issues a presentation and receives feedback from the Board regarding the focus and scope of the audit.

## Internal control.

Nordnet works with internal control in accordance with the principles of the three lines of defense where the

business activities constitute the first line of defense with information to identify, manage and mitigate potential risks. The second line of defense is comprised of the risk control and regulatory compliance functions and, insofar as pertains to Nordnet AB's subsidiary Nordnet Pensionsförsäkring AB, its actuary function. Risk Control, Compliance and the actuary functions are independent from the business operations. These functions are directly subordinate to the CEO and regularly report to both the CEO and the Board. Internal audit constitutes the third line of defense, which on behalf of the Board monitors both the first and second lines of defense. Internal audit is directly subordinate and reports to the Board, and has the primary task of, based on the audit done, assessing and making a statement to the Board and CEO regarding internal governance, risk management and internal control being appropriate and effective.

The tasks performed by the Audit Committee ensure that the financial reports maintain a high standard. The Board follows up and assesses this quality assurance by receiving monthly reports on the company's earnings trend, credit and risk exposure and relevant sector data and by addressing the Group's financial situation at each Board meeting.

## Work over the year.

### 2020 Annual General Meeting.

Nordnet's 2020 Annual General Meeting was held on 23 April 2020. Nordnet's General Counsel Carl Dahlborg was elected the Chairman of the Meeting. The resolutions of the Annual General Meeting included:

- No dividend was to be paid to the shareholders for 2019.
- The Board shall have eight regular members and no deputies.

#### Attendance at the AGM

2020 (ordinary)	100%
Extra General Meeting 10 September	100%
Extra General Meeting 30 September	100%
Extra General Meeting 24 November	100%
2019	100%
2018	100%

*Percent of votes and capital.*

### Board of Directors.

The Board held 22 meetings over the year, of which seven were conducted by correspondence. The table below shows attendance of meetings in 2020.

The work of the Board takes place at an intensive pace in order to support the CEO and other members of Group management. At each ordinary meeting, the Board discussed a number of issues relating to strategic and business-related areas. During the year, Nord-

#### Attendance Board meetings and committee meetings 2020

	Board meetings <sup>1</sup>	Remuneration committee <sup>2</sup>	Credit committee <sup>3</sup>	Audit committee	Risk and compliance committee	IT committee
Tom Dinkelpiel	22 of 22	12 of 12	4 of 4	10 of 10	7 of 7	
Anna Bäck	17 of 17			7 of 7		5 of 5
Jan Dinkelpiel	22 of 22		7 of 8			7 of 7
Christopher Ekdahl	21 of 22		7 of 8		7 of 7	
Karitha Ericson	21 of 22				7 of 7	
Christian Frick	22 of 22	12 of 12		10 of 10		
Hans Larsson	22 of 22	12 of 12	8 of 8	10 of 10	7 of 7	
Per Widerström	22 of 22					7 of 7

<sup>1</sup> Of which seven Board meetings were conducted by correspondence.

<sup>2</sup> Of which eight meetings were conducted by correspondence.

<sup>3</sup> The committee is only in Nordnet Bank AB. In addition to the above meetings, 60 meetings in the Credit Committee were conducted by correspondence.

Board meetings 2020	
Meeting <sup>1</sup>	Topics discussed
January	Customary matters. Year-end report for the past year. Dividend proposal. Budget.
March	Customary matters. Reporting from the auditor regarding the review of the annual accounts 2019. Proposed annual report. Internal capital and liquidity adequacy assessment. Board education "AML".
April	Customary matters. First quarter profit.
June	Customary matters. Board education "Cyber security"
July	Mid-year profit January-June.
August	Strategy work.
September	Customary matters and matters related to the listing. Financial targets setting.
October	Customary matters and matters related to the listing. Third quarter profit. Update of ICAAP and ORSA. Board education "BCM/CM".
November	Matters related to the listing. Strategy.
December	Customary matters. Budget and forecast for 2021. Plan for Board education 2021. Annual presentation of major credit engagements. Corporate insurance.

<sup>1</sup> In addition to the meetings above, seven meetings were conducted by correspondence, as well as two extraordinary meetings, and one statutory meeting on 23 April 2020.

net officials have also taken part in Board meetings by presenting reports. Every month, the Board receives a report on the company's earnings trend, credit and risk exposure and relevant industry data. See the table of Board meetings for decisions made in 2020 above. For information about Board members, see the section Board of Directors and auditors on pages 55-57.

#### Remuneration Committee

As at 31 December 2020, the Remuneration Committee consisted of Christian Frick (Chairman), Tom Dinkelspiel and Hans Larsson. The Committee has conventionally handled matters as wages, compensation, incentive compensation and other employment terms for the CEO and the company's top management and incentive programs for key employees. The committee held 12 meetings in 2020, eight of which were by letter and/or e-mail.

#### Audit Committee

As at 31 December 2020, the Audit Committee's members comprised Hans Larsson (Chairman), Anna Bäck, Tom Dinkelspiel and Christian Frick. The committee has prepared the work of the Board regarding quality assurance of financial reporting and maintained constant contact with the external auditor. In 2020, the Committee held ten meetings.

#### Risk and Compliance Committee

The Risk and Compliance Committee consisted of Hans Larsson (chair), Karitha Ericson, Tom Dinkelspiel and Christopher Ekdahl at 31 December 2020. The committee is tasked with monitoring and providing the Board with greater access to information concerning compliance, risk and incident reporting of the organization and its operations. The committee held eight meetings over the year.

#### Credit Committee (committee in Nordnet Bank AB)

The Credit Committee consisted of Christopher Ekdahl (chair), Hans Larsson, Tom Dinkelspiel and Jan Dinkelspiel at the end of 2020. The Committee has determined and prepared the annual report of the Board's limits and limits on the company's Board of Directors in accordance with the applicable credit policy and credit instruction at all times. During the year, the committee held 8 physical meetings and 60 meetings by letter and/or e-mail.

#### IT Committee

At 31 December 2020, the IT Committee consisted of Per Widerström (chair) Anna Bäck and Jan Dinkelspiel.<sup>1</sup> The committee prepared issues concerning IT operation and IT development. The committee held seven meetings during 2020.

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

## **CEO.**

Since 1 September 2019, Lars-Åke Norling has been the CEO of Nordnet.

## **Group management.**

As at 31 December 2020, Group management consisted of 10 people: Lars-Åke Norling, Anders Skar, Anne Buchardt, Carina Tovi, Johan Tidestad, Lennart Krän, Martin Ringberg, Rasmus Järborg, Ronnie Bodinger and Suvi Tuppurainen.

The management team is presented in more detail in the Management section on pages 58-59.

## **Remuneration of senior executives.**

Guidelines on remuneration of the Board, Group management and auditors are presented in the Board of Directors' report on pages 40-42. Remuneration paid to senior executives in 2020 is also presented in the Board of Directors' report and Note 12.

## Board of Directors and auditors.



### **Tom Dinkelpiel, Chairman of the Board**

**Born:** 1967

**Elected:** Chairman of the Board since 2019 and Board member since 2007.

**Committees:** Member of the Remuneration Committee, Audit Committee, Risk and Compliance Committee and Credit Committee.

**Education and professional experience:** Studied at the Stockholm School of Economics. Previous experience includes roles as a CEO, derivatives trader and stockbroker in subsidiaries to E. Öhman J:or AB.

**Other important assignments:** Chairman of the Boards of E. Öhman J:or AB, Premiefinans K. Bolin AB, E. Öhman J:or Investment AB and [Off The Shelf 10154 AB (under name change to E. Öhman J:or Intressenter II AB)], Chairman of the Board and CEO of E. Öhman J:or Alternative Investments AB and Board member of Öhman Bank S.A., E. Öhman J:or Intressenter AB, MPS Holding AB, Kogmot AB, Mokmot AB, NNB Intressenter Invest AB, NNB Intressenter Invest Holding AB and NNB Intressenter Invest II AB.

**Own and related party holdings in the company:** 5,047,903 shares

**Independence in relation to Nordnet and company management/major shareholders:** Yes/No



### **Anna Bäck, Board Member**

**Born:** 1972

**Elected:** 2020

**Committees:** Member of the Audit Committee and the IT Committee.

**Education and professional experience:** Master of Science in Industrial Engineering, Faculty of Engineering at Linköping University and Executive MBA, Stockholm School of Economics. Anna has experience in digitalization and innovation and is the President and Group CEO of Kivra. Previous experience as the CTO of Glocalnet and the Operations Direction and Associate Partner at McKinsey & Company.

**Other important assignments:** Chairman of the Board of Kivra Sverige AB, Board member and CEO of Kivra Global IP AB and Board member of Kivra Oy.

**Own and related party holdings in the company:** 162,362 shares

**Independence in relation to Nordnet and company management/major shareholders:** Yes/Yes



### **Jan Dinkelpiel, Board member**

**Born:** 1977

**Elected:** 2017

**Committees:** Member of the IT Committee and Credit Committee.

**Education and professional experience:** Bachelor of Science in Economics, Stockholm University, and MBA, University of Liverpool. Previous experience as an external advisor to start-ups and partner in Rio Partners. Founder of 10Xrecruit, a data-driven recruiter of systems developers.

**Other important assignments:** Board member of Sasha Holding AB and Board member and CEO of 10X People AB.

**Own and related party holdings in the company:** 3,357,599 shares

**Independence in relation to Nordnet and company management/major shareholders:** Yes/No

## Board of Directors and auditors.



### Christopher Ekdahl, Board member

**Born:** 1980

**Elected:** 2017

**Committees:** Chairman of the Credit Committee and member of the Risk and Compliance Committee.

**Education and professional experience:** M.Sc. program in engineering physics, Faculty of Engineering of Lund University and École Centrale Paris. Earlier experience in investment banking at Calyon in Paris and Carnegie in Stockholm. Principal in NC Advisor AB, advisor to Nordic Capital Funds.

**Other important assignments:** Chairman of the Board of NNB Intressenter Invest Holding AB, NNB Intressenter Invest AB, NNB Intressenter Invest II AB, Board member of Nordax Bank AB (publ), Nordax Group AB, Stabelo Group AB, IBY Holding AB, NDX Intressenter AB, NDX Intressenter Invest AB, NDX Intressenter Invest AB, NDX Intressenter Invest II AB and NDX Intressenter Invest Holding AB

**Own and related party holdings in the company:** – shares

**Independence in relation to Nordnet and company management/major shareholders:** Yes/Yes



### Karitha Ericson, Board Member

**Born:** 1973

**Elected:** 2019

**Committees:** Member of the Risk and Compliance Committee.

**Education and professional experience:** Education in advanced organizational psychology at Stockholm University and Bachelor of Science in Psychology, Stockholm University. Karitha has experience in private equity and the financial sector and is the Vice President and COO of Grant Thornton Sweden AB. Previous experience as HR manager for EQT and various units within SEB.

**Other important assignments:** Board member of Kamami AB.

**Own and related party holdings in the company:** 150,229 shares

**Independence in relation to Nordnet and company management/major shareholders:** Yes/Yes



### Christian Frick, Board Member

**Born:** 1976

**Elected:** 2017

**Committees:** Chairman of the Remuneration Committee and member of the Audit Committee.

**Education and professional experience:** Master of Science in Economics, Stockholm School of Economics and Business Administration, Stockholm University. Previous experience as an analyst at Morgan Stanley. Currently a partner in NC Advisor AB, advisor to Nordic Capital Funds.

**Other important assignments:** Board member of MFEX Mutual Funds Exchange AB, MFEX Holding AB, Nordax Bank AB (publ), Nordax Group AB, NVG Holding AB, Stora Röda Fågeln AB, NDX Intressenter AB and de Tre Blåa Fåglarna AB.

**Own and related party holdings in the company:** – shares

**Independence in relation to Nordnet and company management/major shareholders:** Yes/Yes

## Board of Directors and auditors.



### Hans Larsson, Board Member

**Born:** 1961

**Elected:** 2017

**Committees:** Chairman of the Risk and Compliance Committee and the Audit Committee, and member of the Remuneration Committee and Credit Committee.

**Education and professional experience:**

Bachelor of Science in Economics and Business Administration at Uppsala University, Advanced Management Program at Stockholm School of Economics, management training at the Wallenberg Institutet and studies in political science at Stockholm University. Advisor to companies in the financial sector. Hans has more than 30 years' experience from the banking sector and multiple management positions in SEB, including as the Head of Capital Markets, Head of Group Strategy and Business Development and a member of the Group Executive Management Committee. Previous experience also includes multiple international Board assignments. Currently a Board member and CEO of Linderyd Advisory AB and Lunda Advisory AB.

**Other important assignments:** Board member of Aktiebolaget Svensk Exportkredit, Intrum AB, Norwegian Finance Holding AS and Bank Norwegian ASA.

**Own and related party holdings in the company:** 337,574 shares

**Independence in relation to Nordnet and company management/major shareholders:**

Yes/Yes



### Per Widerström, Board member

**Born:** 1966

**Elected:** 2017

**Committees:** Chairman of the IT Committee.

**Education and professional experience:**

Master of Science in International Accounting and Finance, London School of Economics, and Master of Science in Economics, School of Business, Economics and Law at the University of Gothenburg. Per has experience from e-commerce, the gaming industry, telecoms and FMCG. Previous experience includes management positions in Gala Coral Group, bwin.party, Telenor, Procter & Gamble and Coca-Cola. Currently the Chairman of the Board and CEO of Fortuna Entertainment Group N.V.

**Other important assignments:** Chairman of the Board of Turbotic AB, Board member of Fortuna Game A.S., Fortuna SK A.S., Hattrick-PSK D.O.O., Fortuna Online Zakladny Bukmacherskie S.P.Z.O.O., Catena Media LTD and Catena Media PLC.

**Own and related party holdings in the company:** 194,446 shares

**Independence in relation to Nordnet and company management/major shareholders:**

Yes/Yes

### Auditors

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

## Group management.



### Lars-Åke Norling, CEO

Born: 1968

CEO since: 2019

**Education and professional experience:**  
Master of Science in Business Administration, School of Business, Economics and Law at the University of Gothenburg, Master of Science in Systems Engineering, Case Western Reserve University, USA and the Master of Science in Engineering Physics program at Uppsala University. Lars-Åke has more than 20 years' experience from companies in technology, media and telecom (TMT). Previous experience includes multiple management positions including as the CEO and CTO of Telenor Sweden.

**Own and related party holdings in the company:** 3,000,455 shares and 693,481 warrants.

**Other important assignments:** Board member of Tele2 AB and Millicom (Tigo) International Cellular S.A.



### Ronnie Bodinger, Chief Technology Officer

Born: 1973

Chief Technology Officer since: 2018

**Education and professional experience:**  
Master of Science in Electrical Engineering with a focus on information technology, KTH Royal Institute of Technology in Stockholm. Ronnie has experience from online banks and founded the Internet broker hq.se in the 1990s, which subsequently became Avanza. Previous experience as the CTO and CIO of Avanza, and CIO of MTG and Cabonline.

**Own and related party holdings in the company:** 321,098 shares and 208,044 warrants (through companies).

**Other important assignments:** Board member of Green Solar Systems i Värmdö, Lysa AB, Lysa Group AB, Bodinger Consulting AB and Bodinger Real Estate AB as well as technical advisor for Nordic Capital.



### Anne Buchardt, Country Manager Denmark

Born: 1969

Country Manager Denmark since: 2018

**Education and professional experience:**  
Master of Science in Economics, University of Copenhagen, strategic management program, London Business School, "Inter Alpha" banking program, INSEAD and management program "Mobilising People", IMD. Anne has more than 20 years' experience from the Danish and Nordic financial sector. Previous experience includes multiple management positions at Nordea at the Unit for Wealth Management, most recently as the manager for the Nordic financial advice service for private individuals.

**Own and related party holdings in the company:** 207,526 shares and 208,044 warrants (through companies).

**Other important assignments:** Board member of PKA + Pension, Bølgebrus Holding ApS and Ress Life Investment A/S.



### Rasmus Järborg, Chief Product Officer

Born: 1976

Chief Product Officer since: 2018

**Education and professional experience:**  
Master of Science in Economics, Stockholm School of Economics. Previous experience from multiple management positions in SEB, including as the Chief Strategy Officer and manager for the bank's digitalization and digital channels. Rasmus previous works at the global investment bank UBS in London.

**Own and related party holdings in the company:** 349,569 shares and 416,088 warrants.

**Other important assignments:** Assignments as the Chairman of the Board and Board member of companies in the Group.



### Lennart Krän, Chief Financial Officer

Born: 1965

Chief Financial Officer since: 2019

**Education and professional experience:**  
Master of Science in Economics, Stockholm University, and Certified Financial Analyst, Stockholm School of Economics. Lennart has experience from the financial service sector and has had positions as the CEO of SalusAnsvar and CFO of SBAB and HSBC Investment Bank Stockholm Branch.

**Own and related party holdings in the company:** 230,055 shares and 208,044 warrants.

**Other important assignments:** Board member of companies in the Group and Karl Lennart Krän konsult och affärsutveckling AB.



### Martin Ringberg, Country Manager Sweden

Born: 1976

Country Manager Sweden since: 2018

**Education and professional experience:**  
Master of Science in Economics, Stockholm University. Previous experience from multiple management positions in SEB – mainly in savings and investments.

**Own and related party holdings in the company:** 263,197 shares and 208,044 warrants (through companies).

**Other important assignments:** Board member of MAMM Invest AB.

## Group management.



### **Anders Skar, Country Manager**

#### **Norway**

**Born:** 1976

**Country Manager Norway since:** 2008

#### **Education and professional experience:**

Master of Science in Finance from Norwegian School of Economics and Business Administration. Anders has more than 15 years' experience from the Nordic and Norwegian banking, insurance and financial market. Previous experience as a consultant in banking, insurance, finance and customer relationship management (CRM) at Accenture.

**Own and related party holdings in the company:** 207,420 shares and 208,044 warrants (through companies).

**Other important assignments:** Board member of Nordnet Livsforsikring AS and the foundation AksjeNorge and CEO of Skarface AS.



### **Johan Tidestad, Chief Communications Officer**

**Born:** 1968

**Chief Communications Officer since:** 2012

#### **Education and professional experience:**

LL.M., Uppsala University and studies at the Berghs School of Communication. Previous positions as the Vice President and corporate lawyer at E-Trade Sverige, a digital bank for savings and investments with a base in the USA, and founder and Vice President for the fund management company Bergsgård Petersson Fonder AB.

**Own and related party holdings in the company:** 150,478 shares and 208,044 warrants

**Other important assignments:** –



### **Carina Tovi, Chief Operations Officer and Chief Human Resource Officer**

**Born:** 1965

**Chief Operations Officer since:** 2011

#### **Education and professional experience:**

Master of Science in Economics, Stockholm School of Economics. Carina has more than 20 years' experience of the finance industry, mainly in asset management, and business and product development. Previous positions as the CEO and Head of Products at Swedbank Robur Fonder.

**Own and related party holdings in the company:** 155,296 shares and 208,044 warrants.

**Other important assignments:** Board member of Tovi Holding AB.



### **Suvi Tuppurainen, Country Manager**

#### **Finland**

**Born:** 1976

**Country Manager Finland since:** 2016

#### **Education and professional experience:**

Master of Science in Economics, Tampere University, Finland. Suvi has more than 20 years' experience from the financial sector and has held positions as the Head of Online Desk, stockbroker, specialist in payment control and risk management at eQ Bank. Founder of Propertit OY.

**Own and related party holdings in the company:** 135,146 shares and 208,044 warrants.

**Other important assignments:** Board member of Propertit Oy.

## Proposed appropriation of profit.

### The following profits are at the disposal of the Annual General Meeting (SEK):

Share premium reserve	6,633,256,133
Other capital contributions	500,000,000
Profit brought forward	-4,970,985,736
Profit for the year	206,500,104
<b>Total</b>	<b>2,368,770,501</b>

### The Board of Directors proposes the following appropriation:

To shareholders, a dividend of SEK 1.51 per share	378,056,750
Carried forward to next year	1,990,713,751
<b>Total</b>	<b>2,368,770,501</b>

The Board of Directors for Nordnet AB (publ) proposes that the Annual General Meeting on 29 April 2021 resolve that the retained earnings including the profit for the year according to the adopted balance sheet shall be appropriated such that SEK 1.51 per share is paid in dividend to the shareholders and that the remainder be carried forward. This is equivalent to a dividend totaling SEK 378.1 million and a dividend rate of 25 percent of the combined profit for 2019 and 2020, which is in line with the Swedish Financial Supervisory Authority's recommendation that banks shall be restrictive regarding dividends until 30 September 2021. When the supervising authorities revise their recommendation for dividends, Nordnet will evaluate the situation and come back with more information. Also refer to Note 50 Proposed appropriation of profits.

The Board of Directors deems that an assessment of the company's and the Group's financial position

justifies the proposed dividend with reference to the requirements such as the nature, scope and risks of the business with regard to the scope of the company's and the Group's equity and the company's and Group operations' consolidation needs, liquidity and position in general.

A special review has been done considering the market unrest of late to ensure that the company's and the Group's financial position is not put at risk by the proposed dividend. The assessment is that the prevailing situation does not give rise to any different assessment in terms of the financial position. Both capital adequacy and the liquidity situation are still satisfactory. In addition, the assessment is that the situation has not or will not entail any major increase in credit losses that would have a material negative effect on equity.

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

# Financial statements.

# Financial statements.

## Consolidated income statement.

SEK thousands	Note	2020	2019
Commission income <sup>1</sup>	8	2,609,339	1,247,068
Commission expenses	8	-588,662	-307,192
Interest income	9	787,113	620,244
Interest expenses	9	-183,557	-122,511
Net result of financial transactions <sup>1</sup>	10	-14,224	66,095
Other operating income	11	68,723	69,655
<b>Total operating income</b>		<b>2,678,732</b>	<b>1,573,359</b>
General administrative expenses	12	-991,669	-947,684
Depreciation, amortization and impairments of intangibles and equipment	13	-158,119	-174,334
Other operating expenses	14	-43,631	-40,278
<b>Total expenses before credit losses</b>		<b>-1,193,419</b>	<b>-1,162,296</b>
<b>Profit before credit losses</b>		<b>1,485,313</b>	<b>411,063</b>
Credit losses, net	15	-38,703	-33,645
<b>Operating profit <sup>2</sup></b>		<b>1,446,610</b>	<b>377,418</b>
Tax on profit for the year	16	-273,877	-37,924
<b>Profit for the year</b>		<b>1,172,733</b>	<b>339,494</b>
Earnings per share before and after dilution, SEK <sup>3</sup>	36	4.55	1.25
Number of shares before and after dilution, SEK <sup>3</sup>	36	250,000,000	250,000,000.00

<sup>1</sup> Nordnet has changed the classification of currency exchange income generated from customers' trading in securities from net result of financial transactions to commission income. For more information, please see Note 5 page 75.

<sup>2</sup> The full profit goes to the shareholders of the Parent Company.

<sup>3</sup> For more information, please see Note 36.

## Consolidated statement of comprehensive income.

SEK thousands	Note	2020	2019
<b>Profit for the year</b>		<b>1,172,733</b>	<b>339,494</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	31	31,142	218
Tax on changes in value of financial assets recognized at fair value through other comprehensive income	31	-6,664	-47
Translation of foreign operations	31	-49,530	9,618
Tax on translation of foreign operations	31	839	-917
<b>Total other comprehensive income after tax</b>		<b>-24,213</b>	<b>8,872</b>
<b>Total profit or loss and other comprehensive income <sup>1</sup></b>		<b>1,148,520</b>	<b>348,366</b>

<sup>1</sup> The full profit goes to the shareholders of the Parent Company.

## Consolidated balance sheet.

SEK thousands	Note	2020	2019
<b>Assets</b>			
Cash and balances in Central banks		3,100,458	409,538
Treasury bills and other interest bearing securities eligible for refinancing	18	30,279,559	22,035,855
Loans to credit institutions	19	603,553	505,193
Loans to the general public	20	20,311,856	16,127,777
Bonds and other interest bearing securities	21	2,336,440	1,563,692
Shares and participations	22	7,314	6,575
Assets for which customers bear the investment risk	23	102,691,267	70,089,225
Intangible fixed assets	24	866,810	917,100
Tangible fixed assets	25	272,943	306,824
Deferred tax assets	16	634	2,798
Current tax assets	16	12,159	63,597
Other assets	26	7,228,635	3,368,502
Prepaid expenses and accrued income	27	281,423	206,647
<b>Total assets</b>		<b>167,993,051</b>	<b>115,603,323</b>
<b>Liabilities</b>			
Deposits and borrowing from the general public	28	52,552,788	38,572,145
Liabilities for which customers bear the investment risk	23	102,693,283	70,091,081
Other liabilities	29	7,976,356	3,547,717
Current tax liabilities	16	199,955	92,178
Deferred tax liabilities	16	73,231	82,554
Accrued expenses and deferred income	30	285,709	159,866
<b>Total liabilities</b>		<b>163,781,322</b>	<b>112,545,541</b>
<b>Equity</b>			
Share capital	31	1,250	1,039
Additional Tier 1(AT1) capital		500,000	500,000
Other capital contributions		7,112,399	7,071,216
Other reserves		-100,355	-76,142
Retained earnings including profit for the year		-3,301,565	-4,438,331
<b>Total equity</b>		<b>4,211,729</b>	<b>3,057,782</b>
<b>Total liabilities and equity</b>		<b>167,993,051</b>	<b>115,603,323</b>

## Consolidated statement of changes in equity

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

SEK thousands	Share capital	Additional Tier 1 (AT1) capital	Other contributed capital	Other reserves <sup>1</sup>	Retained earnings including profit for the year	Total equity
<b>Equity brought forward 1 January 2020</b>	<b>1,039</b>	<b>500,000</b>	<b>7,071,216</b>	<b>-76,142</b>	<b>-4,438,331</b>	<b>3,057,782</b>
Profit after tax reported in the income statement	-	-	-	-	1,172,733	<b>1,172,733</b>
Other comprehensive income after tax	-	-	-	-24,213	-	<b>-24,213</b>
<b>Total comprehensive income</b>	-	-	-	<b>-24,213</b>	<b>1,172,733</b>	<b>1,148,520</b>
<b>Transactions reported directly in equity:</b>						
Issue of warrants			43,120	-	-	<b>43,120</b>
Transaction costs warrants	-		-1,937	-	-	<b>-1,937</b>
Bonus issue	211	-	-	-	-211	-
Interest on Tier 1 capital	-	-	-	-	-35,755	<b>-35,755</b>
<b>Total transactions reported directly in equity</b>	<b>211</b>	-	<b>41,183</b>	-	<b>-35,966</b>	<b>5,428</b>
<b>Equity carried forward 31 December 2020</b>	<b>1,250</b>	<b>500,000</b>	<b>7,112,399</b>	<b>-100,355</b>	<b>-3,301,565</b>	<b>4,211,729</b>

<sup>1</sup> See Note 31

<sup>2</sup> The shareholders' contribution is unconditional

<sup>3</sup> Issue of Tier 1 capital of SEK 500 million. The bonds have an indefinite maturity, with the first redemption after five years and runs with interest of three-month Stibor + 6.75 percent. The bonds are listed on Nasdaq Stockholm.

## Consolidated cash flow statement (direct method).

SEK thousands	Note	2020	2019
<b>Current operations</b>			
Provisions received		2,571,170	1,247,068
Provisions paid		-571,691	-307,192
Interest received		801,983	638,488
Interest paid		-254,548	-181,583
Net received from financial transactions		-39,684	-63,359
Other operating payments		6,204	75,346
Dividend received		199	240
Payments to suppliers and employees		-833,040	-945,078
Income taxes paid		-127,035	24,566
		<b>1,553,558</b>	<b>488,496</b>
<b>Increase/decrease of assets of current operations</b>			
Increase (-)/decrease (+) of lending to the general public		-4,557,112	-1,903,560
Increase (-)/decrease (+) of other assets		-5,078,752	565,053
<b>Increase/decrease of liabilities of current operations</b>			
Increase (+)/decrease (-) of deposits and borrowing among the general public		15,565,190	2,990,326
Increase (+)/decrease (-) of liabilities		4,415,638	395,689
		<b>11,898,522</b>	<b>2,536,004</b>
<b>Cash flow from current operations</b>			
<b>Investing activities</b>			
Acquisition of intangible assets	24	-93,231	-614,369
Acquisition of tangible assets	25	-8,947	-19,909
Investments in securities		-20,515,337	-9,460,845
Sales of securities		11,518,394	6,082,127
		<b>-9,099,121</b>	<b>-4,012,996</b>
<b>Financing activities</b>			
Issue of warrants		43,120	-
Amortization of leasing		-20,947	-34,634
Shareholders' contribution		-	250,000
Issue of Tier 1 capital		-	500,000
		<b>22,173</b>	<b>715,366</b>
		<b>2,821,574</b>	<b>-761,626</b>
<b>Cash flow for the year</b>			
Cash and cash equivalents, January 1		914,731	1,677,224
Exchange rate differences in cash and cash equivalents		-32,294	-867
		<b>3,704,011</b>	<b>914,731</b>
<b>Cash and cash equivalents include:</b> <sup>1</sup>			
Cash and balances in Central Banks		3,100,458	409,538
Loans to credit institutions (bank deposits) <sup>2</sup>	19	603,553	505,193
		<b>3,704,011</b>	<b>914,731</b>

<sup>1</sup> This amount includes blocked funds of SEK 319 million (103).

<sup>2</sup> Lending to credit institutions (bank deposits) includes only investments with a maturity less than 3 months.

## Parent Company's income statement.

SEK thousands	Note	2020	2019
Net sales	37	21,555	18,689
<b>Total operating income</b>		<b>21,555</b>	<b>18,689</b>
Administrative expenses	38	-85,647	-6,334
Personnel costs	39	-12,714	-20,490
Other operating expenses		-8,235	-1,449
<b>Total operating expenses</b>		<b>-106,596</b>	<b>-28,273</b>
<b>Operating profit</b>		<b>-85,041</b>	<b>-9,584</b>
<b>Result from financial investments</b>			
Result from participations in Group companies	40	296,000	260,000
Interest expense and similar items		-1,926	53
<b>Result from financial investments</b>		<b>294,074</b>	<b>260,053</b>
<b>Profit after financial items</b>		<b>209,033</b>	<b>250,469</b>
Tax on profit for the year	41	-2,533	1,634
<b>Profit for the period</b>		<b>206,500</b>	<b>252,103</b>
Items that will be reversed to the income statement		-	-
<b>Total other comprehensive income after tax</b>		<b>-</b>	<b>-</b>
<b>Total profit or loss and other comprehensive income</b>		<b>206,500</b>	<b>252,103</b>

## Parent Company's balance sheet.

SEK thousands	Note	2020	2019
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares in Group companies	42	1,989,101	1,989,101
<b>Total fixed assets</b>		<b>1,989,101</b>	<b>1,989,101</b>
<b>Current assets</b>			
Current receivables from Group companies		104,921	200,372
Deferred tax asset		-	1,642
Current tax receivables		860	1,653
Other receivables	43	201,560	1,069
Prepaid expenses and accrued income	44	43,667	266
		<b>351,008</b>	<b>205,002</b>
Cash and cash equivalents		112,217	69,374
<b>Current assets, total</b>		<b>463,225</b>	<b>274,376</b>
<b>Total assets</b>		<b>2,452,326</b>	<b>2,263,477</b>
<b>Equity</b>	45		
<b>Restricted equity</b>			
Share capital		1,250	1,039
		<b>1,250</b>	<b>1,039</b>
<b>Non-restricted equity</b>			
Share premium reserve		6,633,256	6,590,136
Additional Tier 1(AT1) capital		500,000	500,000
Retained earnings		-4,970,985	-5,185,185
Profit for the year		206,500	252,103
		<b>2,368,771</b>	<b>2,157,054</b>
<b>Total equity</b>		<b>2,370,021</b>	<b>2,158,093</b>
<b>Liabilities</b>			
Liabilities to Group companies		-	98,251
Other liabilities	43	15,533	3,713
Accrued expenses and deferred income	44	66,772	3,420
<b>Total liabilities</b>		<b>82,305</b>	<b>105,384</b>
<b>Total equity and liabilities</b>		<b>2,452,326</b>	<b>2,263,477</b>

## Parent Company's statement of changes in equity.

SEK thousands	Share capital	Share premium reserve	Additional Tier 1 (AT1) capital	Retained earnings	Profit for the year	Total
<b>Equity brought forward 1 January 2019</b>	<b>1,000</b>	<b>6,340,176</b>	<b>-</b>	<b>165,855</b>	<b>5,542</b>	<b>6,512,573</b>
Reallocation of last year's profit	-	-	-	5,542	-5,542	-
Profit after tax reported in the income statement	-	-	-	-	252,103	<b>252,103</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,542</b>	<b>246,561</b>	<b>252,103</b>
<b>Transactions reported directly in equity</b>						
Issue new share capital	39	-	-	-	-	<b>39</b>
Unconditional shareholders' contribution <sup>1</sup>	-	249,960	-	-	-	<b>249,960</b>
Revaluation reserve <sup>2</sup>	-	-	-	65,774	-	<b>65,774</b>
Issue of Tier 1 capital <sup>3</sup>	-	-	500,000	-	-	<b>500,000</b>
Transaction cost with issue of Tier 1 capital	-	-	-	-3,241	-	<b>-3,241</b>
Tax on transaction costs in connection with issue of Tier 1 capital	-	-	-	723	-	<b>723</b>
Interest on Tier 1 capital	-	-	-	-26,305	-	<b>-26,305</b>
Result of merger	-	-	-	-5,393,533	-	<b>-5,393,533</b>
<b>Equity carried forward 31 December 2019</b>	<b>1,039</b>	<b>6,590,136</b>	<b>500,000</b>	<b>-5,185,185</b>	<b>252,103</b>	<b>2,158,093</b>
<b>Equity brought forward 1 January 2020</b>	<b>1,039</b>	<b>6,590,136</b>	<b>500,000</b>	<b>-5,185,185</b>	<b>252,103</b>	<b>2,158,093</b>
Reallocation of last year's profit	-	-	-	252,103	-252,103	-
Profit after tax reported in the income statement	-	-	-	-	206,500	<b>206,500</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>252,103</b>	<b>-45,603</b>	<b>206,500</b>
<b>Transactions reported directly in equity</b>						
Bonus issue	211	-	-	-211	-	-
Issue of warrants	-	43,120	-	-	-	<b>43,120</b>
Transaction costs warrants	-	-	-	-1,937	-	<b>-1,937</b>
Interest on Tier 1 capital	-	-	-	-35,755	-	<b>-35,755</b>
<b>Equity carried forward 31 December 2020</b>	<b>1,250</b>	<b>6,633,256</b>	<b>500,000</b>	<b>-4,970,985</b>	<b>206,500</b>	<b>2,370,021</b>

<sup>1</sup> The shareholders' contribution is unconditional.

<sup>2</sup>The write-up of the value of the shares in Tink AB was done in the first quarter in a revaluation reserve. The shares were divested during the second quarter, and the fund was transferred from restricted to non-restricted equity.

<sup>3</sup> Issue of Tier 1 capital of SEK 500 million. The bonds have an indefinite maturity, with the first redemption possible on 21 March 2024 and runs with interest of three-month Stibor + 6.75 percent. The bonds are listed on Nasdaq Stockholm.

## Parent Company's cash flow statement (direct method).

SEK thousands	Note	2020	2019
<b>Cash flow from current operations</b>			
Interest paid		-37,506	-28,122
Net received from financial transactions		-175	1,871
Other operating payments		176,498	278,625
Payments to suppliers and employees		-34,323	-135,849
<b>Cash flow from current operations before changes in working capital</b>		<b>104,494</b>	<b>116,525</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/decrease (+) of other receivables		-105,040	-161,654
Increase (+)/decrease (-) of liabilities		367	707
Paid income taxes		-98	2,585
<b>Cash flow from current operations</b>		<b>-277</b>	<b>-41,837</b>
<b>Investing activities</b>			
Investments in securities		-	109,556
<b>Cash flow from investing activities</b>		<b>-</b>	<b>109,556</b>
<b>Financing activities</b>			
<b>Issue of Tier 1 capital</b>			
Shareholders' contribution given		-	-750,000
Shareholders' contribution received		-	250,000
Issue of warrants		43,120	-
Cash flow from financing activities		43,120	-
<b>Cash flow for the year</b>		<b>42,843</b>	<b>67,719</b>
Cash and cash equivalents, January 1		69,374	1,655
<b>Cash and cash equivalents at year-end</b>		<b>112,217</b>	<b>69,374</b>

Cash and cash equivalents refers to the company's bank accounts.

# Notes.

# Notes.

## Note 1 Company information.

The consolidated financial statements for Nordnet AB (Parent Company) for the financial year ending 31 December 2020 have been approved by the Board of Directors and CEO for publication on 24 March 2021 and will be presented for adoption by the Annual General Meeting on 29 April 2021. The registered office of the Parent Company, Nordnet AB (publ), is Alströmergatan 39, Box 30099, 104 25 Stockholm, Sweden. The Group offers financial services and products, preferably in savings and investments, in the home markets Sweden, Norway, Denmark and Finland. The activities are further described in the Board of Directors' Report.

### Conditions for consolidation.

On 1 March 2019, NNB Intressenter AB, org. reg. no. 559073-6681 was merged with the wholly owned subsidiary Nordnet AB (publ), org. reg. no. 5562491687, whereby NNB Intressenter AB absorbed Nordnet AB (publ), which was dissolved without liquidation. NNB Intressenter AB thereby took over all assets and liabilities in Nordnet AB (publ). In connection with the merger, NNB Intressenter AB changed its company name to Nordnet AB (publ) and changed the company category from a private to a public company.

## Note 2 Basis for compilation of accounts.

### Statement of compliance with applied regulations.

The financial statements and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and interpretative statements from the IFRS Interpretations Committee as approved by the EU. In addition, the Swedish Annual Accounts Act (1995:1559) for Credit Institutions and Securities Companies; the Financial Supervisory Authority's Regulations and General Advice on Annual Accounts of Credit Institutions and Securities Companies (FFFS 2008:25) including

applicable amendments; the Swedish Financial Reporting Recommendations RFR 1 Supplementary Accounting Rules for Groups are applied.

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

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

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

## Note 3 New and amended standards.

### New and amended standards from 1 January 2020.

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

As of 1 January 2021, amendments to IAS 39, IFRS 9 and IFRS 7 brought about by the ongoing reform of current benchmark rates (IBOR) shall be applied. The amendment includes an upcoming replacement of commonly used reference interest rates (such as STIBOR EURIBOR, LIBOR) with alternative, risk-free

interest rates. In Sweden, the Riksbank will start publishing a new reference rate on the shortest maturity. As a consequence of the effects of the coronavirus pandemic on the Swedish economy and the Swedish financial markets, the test period for the reference rate and its publication have been postponed. Instead, a new reference rate will be introduced when the conditions have improved to gain the market's acceptance and scrutiny during the test period.

A review is in progress within Nordnet regarding the handling of the transition to new benchmark interest rates. The review is focused on the liquidity portfolio as no products are linked to benchmark interest rates, except Nordnet's bond, which is listed on Nasdaq that runs with STIBOR interest. The issues concerned practical aspects of systems, as well as risk and return issues linked to the actual transition for placements that were previously quoted at one benchmark rate and then shift to another one.

The amendments to IFRS 7 and IFRS 9 have not had any significant impact on Nordnet's financial statements. Nordnet is continuing to evaluate the impact of the IBOR reform.

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

When preparing the consolidated financial statements, there are standards and interpretations published by the International Accounting Standard Board (IASB). The following is a preliminary assessment of the impact that the introduction of these standards and interpretations may have on the Group's financial reports.

### IFRS 17 and IFRS 4 Insurance Contracts

The standard will replace IFRS 4 Insurance Contracts and aims at creating a uniform method of accounting for all types of insurance contracts, a higher degree of transparency of insurance companies' earnings and increased comparability between companies and countries. In June 2020, the International Accounting Standards Board (IASB) adopted amendments to the insurance standard IFRS 17 Insurance Contracts and IFRS 4 Insurance Contracts. The purpose of the amendments is to reduce the expense of applying IFRS 17 by introducing certain simplifications of the stand-

ard's requirements and making it easier for companies to explain their results when applying the standard. The purpose is also to simplify the transition for companies so that they can start applying the standard by postponing mandatory application by two years, from 2021 to 2023.

## Note 4 Critical accounting estimates and assumptions.

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

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

### Financial instruments.

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

In Note 32, financial instruments measured at fair value are recognized over three different valuation levels. As of 31 December 2020, the value of financial instruments measured with own assumptions amounted to SEK 827,281 thousand, of which SEK 707 thousand pertained to Nordnet Bank's unlisted shares. Valuation models applied are generally accepted and are subject to independent risk control.

### **Credit losses.**

Methods and models for calculation and recognition of expected credit losses include assumptions, methods and input data that means a high degree of assessment. The Group uses both quantitative and qualitative indicators to assess a significant increase in credit risk. A different decision on how large such a change needs to be would have affected the size of the loss reserve. Future-oriented information is included in the assessment of a significant increase in credit risk. From analyses of historical data, macroeconomic factors that affect credit risk and credit losses are identified. These analyses take into account internal and external information and agree with the future-oriented information used for other purposes, such as financial planning and forecast work. For more information on the assessments made as at 31 December 2020, see Note 20.

### **Impairment testing of goodwill.**

The value of recognized goodwill is tested at least once a year to determine whether the asset may be impaired. This testing requires an assessment to identify the cash-generating units and an assessment of the value in use of the cash-generating unit to which the goodwill value relates. This in turn requires the anticipated future cash flow from the cash generating unit to be estimated and a relevant discount rate to be established for calculation of the present value of the cash flow. For more information, refer to Note 5 Accounting principles applied and Note 7 Risks.

### **Contractual charges**

In determining the rate at which recognized contractual charges are to be amortized, assumptions are made among other things of the expected buyback and death rate. In addition, the assessment of the fee charge on the unit-linked insurance policies affects the assessment of a potential impairment requirement. At

year-end, the Group has a carrying amount of contractual charges that amounts to SEK 27,477 thousand (12,035).

## Note 5 Accounting principles applied.

### Consolidated financial statements.

The consolidated financial statements comprise the Parent Company and its subsidiaries where controlling influence is held. The financial reports of the Parent Company and subsidiaries included in the consolidated financial statements relate to the same period and have been compiled in accordance with the accounting principles applicable to the Group. The Parent Company has controlling influence when it has the influence and ability to exert its influence over the other company's relevant operations and is exposed to variable returns and has the ability to use its influence to affect returns. Controlling influence exists when the Parent Company directly, or indirectly through subsidiaries, holds over half of the voting rights in a company. A subsidiary is included in the consolidated financial statements from the time of acquisition, which is the date on which the Parent Company takes on controlling influence and is included in the consolidated financial statements until the date on which the controlling interest ceases. The acquisition method entails that acquired identifiable assets, liabilities and contingent liabilities that meet the accounting conditions are reported and valued at fair value at the acquisition date. A surplus between the acquisition value and the business combination and the fair value of the acquired participation is reported as goodwill. If the amount is less than fair value, the difference is recognized directly in the income statement in other income. Acquisition-related costs are reported as expenses when incurred. No provisions are made for expenses for planned restructuring measures resulting from the acquisition.

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

### Translation of foreign currency.

The consolidated financial statements are presented in Swedish kronor (SEK), which is the functional currency and reporting currency of the Parent Company. Each subsidiary and branch included in the Group determines its functional currency based on its primary eco-

nomic environment. Transactions in foreign currencies are reported after translation using the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are converted into functional currency at the exchange rate on the balance sheet date. All exchange rate differences are reported in the income statement. Non-monetary items in foreign currency that are valued at their historical cost are valued in the functional currency, using the exchange rate at the time of the original transaction.

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

### Income recognition.

#### Commission income and commission expenses (net commission)

Income from contracts with customers is reported as commission income, comprising compensation for service assignments performed. Commission income is reported when the performance commitment has been met, which is when the control of the product or service is transferred to the customer, who is thus able to use the service. The customer is the party who enters into a contract with Nordnet to receive the services offered by the ordinary operations. The income reflects the compensation expected to be received in exchange for these services. For variable compensation, such as discounts provided or performance-based compensation, the income is recognized when it is likely that no repayment will be made. The overall compensation is broken down by the individual services and is determined by whether the services are fulfilled at a specific point in time or over time. Service assignments refer primarily to brokerage and commissions. Brokerage is recognized as an income on the transaction date. Commission is comprised partly of brokering securities in connection with issues, sales of structured products and guaranteed issues. These commissions are reported as income on completion of the transaction. Commissions from the fund operations are made up partly of entry commissions, which are recognized in connection with

Adjusted exchange income	Adjusted commission income	Adjusted net result of financial transactions
<b>2019</b>		
<b>Before reclassification</b>	<b>1,070,129</b>	<b>243,034</b>
Sweden	58,069	-58,069
Norway	31,538	-31,538
Denmark	66,715	-66,715
Finland	20,617	-20,617
<b>Total reclassification</b>	<b>176,939</b>	<b>-176,939</b>
<b>Total after reclassification</b>	<b>1,247,068</b>	<b>66,095</b>

fund purchases, and partly of commissions based on fund volume, which is recognized monthly on the basis of actual volume.

Historically, Nordnet has reported currency exchange income generated through customers' securities trading under the item "Net result of financial transactions". Nordnet has chosen to change the classification of this income to "Commission income". This currency exchange income comes solely from the customer transaction and the accounting after the change provides a more accurate picture of the actual underlying revenue stream. Compared with previously published annual reports, Nordnet has made changes in accordance with the table above.

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

#### Other operating income

Other operating income relates to income from agreements with customers regarding, for example, custodial services, information services, software and service and support fees from partners. Other operating income also includes commission-related income, as well as capital gains on divestment of tangible assets.

#### Interest income and interest expenses (net interest income)

Interest income on receivables and interest expenses on liabilities are calculated and recognized using the effective interest rate method. The effective interest rate is the interest rate that discounts all estimated future payments and receipts during the expected fixed-interest period to the recognized gross value of the receivable or liability, which entails an even return over the term of the loan. The calculation includes transaction costs, premiums or discounts and fees paid or received that form an integral part of the return. An exception to the above consists of financial assets measured at amortized cost and that were recognized as impaired following initial recognition (stage 3 financial assets). For these, interest income is calculated by applying the effective interest rate to the reported gross value less reserves for credit losses. Where such financial assets are no longer recognized as impaired, interest income is again calculated based on the recognized gross value.

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

#### Net profit from financial transactions

This item refers to dividends received and exchange rate fluctuations. Net profit from financial transactions also includes capital gain from interest-bearing securities and in the divestment of participations in subsidiaries and associated companies.

## Financial instruments.

### Recognition, removal and modification

A financial asset or financial liability is reported on the transaction date, when Nordnet becomes a party in accordance with the contractual terms of the instrument, in addition to financial assets classified as measured at amortized cost, which are reported on the settlement date. 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 for which the customer bears the investment risk, Loans, Bonds and other interest-bearing securities, Shares and participations, and Accrued income. On the liability side, there are Deposits, Liabilities where the customer bears the investment risk and Accrued expenses. Currency derivatives are reported as either assets or liabilities, depending on whether the fair value is positive or negative.

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

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

In a modification of a loan, an assessment is done of whether this results in a removal from the balance sheet. A loan is considered to be modified when the terms governing the cash flows of the loan change compared to the original agreement. Examples may be respite, changed market conditions, measures to retain the customer and other factors that are not related to a borrower's deteriorated credit rating. Modified loans are removed from the balance sheet and a new loan is reported when the existing loan is terminated, with a new agreement being entered into on significantly different

terms, or when the terms of an existing agreement are significantly modified. If a modification of the terms is made due to financial difficulties at the borrower, the modification is analyzed according to the common principles for modifications. If it is immaterial, the loan is not removed from the balance sheet. Instead, the loan is classified as an elevated credit risk according to IFRS 9.

### Offset

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

### Repurchase agreements

A repurchase agreement refers to an agreement where the parties have agreed on the sale of securities and a subsequent repurchase of equivalent assets at a predetermined price. A security that is sold is reported in the balance sheet as the Group is exposed to the risk of changes in the value of the security over the term of the transaction. Proceeds received from the sale of securities are recognized as financial liabilities based on the counterparty. Securities that are sold are reported under the item Assets pledged for own liabilities. Payments disbursed for acquisitions of securities, referred to as reverse repurchases, are reported as lending to the vendor. Securities that have been provided according to buy-back agreements are also recognized. Cash and cash equivalents received under a buy-back agreement are recognized in the balance sheet as "Liabilities to credit institutions".

### Margin loans

Margin loans refer to secured lending or deposits of securities. A security that is loaned is reported in the balance sheet as the Group is exposed to the risk of changes in the value of the security. Loaned securities are reported as a pledged deposit on the transaction date, while borrowed securities are not recognized as assets. Securities lent out are valued in the same manner as other securities of the same class. Upon divestment of deposited securities (short selling), an amount is booked as a liability equivalent to the securities' fair value in Other liabilities.

## Recognition and measurement.

Financial assets are classified in one of the following categories: financial assets measured at fair value through profit or loss, fair value through other comprehensive income and amortized cost based on the company's business model for the management of financial assets and the assets' contractual terms. The classification also depends on whether the instrument is a debt instrument, equity instrument or a derivative. In the income statement, financial liabilities are classified as measured either at amortized cost or at fair value. The business model reflects how the Group manages portfolio as of financial assets to generate cash flows. On determining the business model for a group of financial assets, factors are taken into account, including previous experience of how cash flows were obtained, how the performance of the financial assets are assessed and reported to management, how risks are assessed and managed and how compensation is linked to performance. The terms of the agreement form the basis for identifying whether the cash flows solely represent payments of principal and interest. Capital amounts are defined as the fair value of the debt instrument on the initial reporting date, which can change over the term if repayments are made or if interest is capitalized. Interest is defined as compensation for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement. Where contractual terms involve exposure to other risks or volatility, this entails the cash flows not meeting the criteria for solely representing payments of principal and interest.

### Financial assets measured at amortized cost

Financial assets held within the framework of a business model, the objective of which is to hold financial assets for the purpose of receiving contractual cash flows comprising only payments of capital and interest on the outstanding capital amount, are measured at amortized cost.

On the initial reporting date, assets in this category are reported at fair value plus transaction costs. On subsequent assessment, they are measured at amortized cost in accordance with the effective interest rate method. The effective interest rate corresponds to the interest rate used to discount contractual future cash flows to the carrying amount of the financial asset or liability.

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

Financial assets under management within the framework of a business model, the objective of which is to collect contractual cash flows comprising only capital and interest, either through holdings or sales, are valued at fair value through other comprehensive income.

On the initial reporting date, these assets are reported at fair value plus transaction costs. On subsequent assessment, they are measured at fair value, with unrealized changes in value being included in other comprehensive income, which are accrued against a fair value reserve in equity. The changes in fair value are transferred from other comprehensive income to Net result from financial transactions in the income statement when the asset is realized. Impairments are recognized in the income statement under the heading Net result from financial transactions and as a change in the fair value reserve in equity via other comprehensive income. Value changes attributable to exchange-rate changes are recognized directly in the income statement.

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

The category consists of financial assets initially identified as valued at fair value through profit or loss to eliminate inconsistencies in valuation and accounting. The category also includes equity instruments and derivative instruments that are not used in hedge accounting. The classification also includes debt instruments held under another business model - not only to receive contractual cash flows. These include debt instruments held for trading or under management and the results of which are assessed on the basis of their fair value, as well as debt instruments for which the contractual cash flows do not only comprise payments of capital and interest.

Assets in this category are measured both initially and subsequently at fair value. Transaction costs are expensed in profit or loss. Fair value is determined based on listed prices on active markets. When such prices are unavailable, generally accepted valuation models are used, which are based on observable market data, such as listed prices on active markets for similar instruments or listed prices for identical instruments

on inactive markets. Changes in fair value are recognized in Net results of financial transactions, as is value change as a result of changed exchange rates.

### Financial liabilities measured at amortized cost.

Financial liabilities valued at amortized cost include those not measured at fair value through profit or loss. On the transaction date, they are recognized at fair value, which is normally the borrowed amount, and at subsequent measurement at amortized cost according to the effective interest method. The valuation is performed analogously to that applied for financial assets at amortized cost, but without adjustment for credit loss provisions.

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

The category of financial liabilities measured at fair value through profit or loss consists of financial liabilities held for trade and financial liabilities that the Group has chosen to transfer to this category on initial reporting, in accordance with the so-called fair value option.

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

### Reclassification of financial assets and liabilities

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

### Credit losses.

Reserves for credit losses are recognized for financial assets measured at fair value via comprehensive income and measured at amortized cost and for irrevocable loan commitments and contractual assets. The recognition builds on a model if a significant increase in the credit risk occurred compared with initial recogni-

nition. The provision comprises a probability-weighted amount that takes into account all reasonable and verifiable information that is available without undue expense or effort.

- Stage 1 – financial instruments for which no significant increase in credit risk has occurred since the first reporting occasion and counterparties covered by the Group's definition of low credit risk.
- Stage 2 – financial instruments for which a significant increase in credit risk has occurred since the first reporting occasion but for which there is no objective evidence that the receivable is doubtful.
- Stage 3 – financial instruments for which objective evidence has been identified that the receivable is doubtful.

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

### Measurement

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

PD, LGD and EAD are calculated monthly up until the end of the expected term. The expected credit losses are then discounted by the original discount rate. A summary of the expected credit losses up to and including the end of the expected term the yields credit losses expected over the remaining term of the asset. The sum of the credit losses expected to occur within 12 months yields the expected credit losses for the next 12 months.

In the calculation, consideration is taken to three scenarios (base, positive and negative) with relevant economic factors, such as GDP, housing prices and unemployment. The risk parameters used to calculate expected credit losses incorporate the effects of macroeconomic forecasts. A probability is allocated

for each scenario and the expected credit losses are obtained as a weighted average probability.

For credit exposures where the bank considers it unlikely that the borrower will fulfill its credit obligations, the credit risk is assessed individually, without the use of input data from models.

#### Significant increases in credit risk

Changes in credit risk are assessed through a combination of individual and collective data and will reflect the increase in credit risk at the level of the individual instrument as far as possible. The calculated credit risk at the individual level consists partly of historical information, such as payment history, and future-oriented information where consideration is taken to macroeconomic factors.

Qualitative indicators will also be taken into account, for example when the borrower has past-due unpaid amounts older than 30 days and if the borrower has been granted a deferral.

An instrument is no longer considered to have been exposed to a significantly increased credit risk when all of the indicators are no longer met.

#### Default and doubtful receivables

Default is defined in accordance with the Group's credit policy as a combination of both quantitative and qualitative factors. For unsecured personal loans, default is defined either as a receivable having been due for payment for more than 90 days, or other indications that borrowers will encounter difficulties meeting their obligations. Receivables exceeding 100 days past default are sold on to debt collection companies. Receivables with other indications of default, such as debt restructuring, bankruptcy, death, fraud or emigration, are not resold to debt collection companies. This definition diverges from previously applied principles, with Nordnet previously applying the default definition of 100 days overdue. The reason for Nordnet having chosen to change the definition of default is that it now better reflects the actual credit risk and the Group's current procedures and processes. Read more about credit loss reserves in Note 20 Loans to the public.

An instrument is no longer considered in default or uncertain when all past-due amounts have been repaid,

sufficient evidence shows that the risk of future cash flow payments not being made has decreased significantly and that there are no other indicators of default.

#### Expected maturity

In general, the expected term is limited to the maximum contract period in which the Group is exposed to credit risks, even if a longer period agrees with business practices. All contract terms are taken into account when determining the expected term, including repayment, as well as binding extension and transfer options.

#### Modification

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

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

#### Presentation

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

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

#### Hedge accounting.

The Group uses various types of derivative instruments to hedge the risks for interest rate and exchange rate exposures to which the Group is exposed. At present, the Group does not apply hedge accounting according

to IFRS 9 Financial Instruments. Derivatives that are not a part of the hedging relationship are recognized at fair value through the income statement.

## Tangible assets.

Tangible assets are recognized in the balance sheet if the company is likely to derive future economic benefits from them and the acquisition value of the assets can be reliably estimated. The asset is reported at cost less accumulated depreciation and impairment. Depreciation is made on a straight-line basis over the estimated useful life of the asset. At each reporting date, the company determines if there are indications of impairment requirements. If an impairment requirement exists, the asset's recoverable amount is calculated and if it is less than the carrying amount, an impairment loss is recognized.

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

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

## Tangible assets with rights of use – leasing

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

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

Leasing fees included in measurements of leasing liabilities include the following:

- fixed fees (including fees that are, by and large, fixed), following deduction of any benefits in connection with the signing of the lease,
- leasing fees that vary according to index or price, measured initially as per the commencement date,
- amounts expected to be paid by the lessee under residual value guarantees,
- the exercise price for an option to purchase if it is reasonably certain that the option will be exercised, and
- fees in connection with termination, if the leasing period reflects the lessee making use of an opportunity to terminate the leasing agreement.

Variable leasing fees not attributable to an index or price are not included in the measurement of leasing liabilities and right of use assets but are reported as an expense under operating profit during the period in which they are incurred.

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

In the consolidated balance sheet, ROU assets are recognized as tangible assets and interest-bearing leasing liabilities are included in Other liabilities. In the income statement, an expense is recognized for the depreciation of the leased asset and an interest expense for the financial liability. Interest expenses are allocated across the lease period such that each reporting period is burdened with an amount corresponding to a fixed interest rate for the liability reported for each period. Where a lease transfers ownership at the end of the leasing period or where the cost includes the probable exercise of an option to purchase, the right of use asset is amortized over the useful life. Depreciation is applied as of the commencement date of the lease.

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

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

Leasing income from operating leases where the Group is the lessor is recognized as income straight-line over the term of the lease. Initial direct expenses that arose when the lease was signed are added to the asset's carrying amount and expensed over the leasing period on the same basis as the leasing income.

The Group has signed a contract on subletting of a part of offices. The contract is classified as an operating lease and has a term of six months.

### **Intangible assets.**

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

### **Goodwill**

Goodwill arising in a business combination is recognized as the acquisition value on the acquisition date. Goodwill constitutes the part of the acquisition value that exceeds the net fair value of the acquired participation, of the acquired entity's identifiable assets, liabilities and contingent liabilities. After its initial recognition, any goodwill that has arisen is valued at the acquisition value less any accumulated impairments.

### **Brands**

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

### **Customer relations**

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

### **Capitalized expenditure for development work**

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

### **Impairment testing of tangible and intangible assets.**

At each reporting date, an assessment is made of whether there are indications that assets may have decreased in value. If this is the case, an estimate is made of the asset's recoverable amount. For goodwill with an indefinite useful life, the recoverable amount is calculated at least annually. The recoverable amount of an asset is the fair value minus sales expenses for an asset or cash-generating unit and its value in use, whichever is greater. If the carrying amount exceeds the recoverable amount, impairment is made to the recoverable amount. In calculating the recoverable amount, future cash flows are estimated which are discounted at present value with a discount rate before tax which takes into account market assessments of the time value of money and the risks related to the specific asset. For an asset that does not generate cash flows, the recoverable amount is calculated for the cash-generating unit

to which the asset belongs. Impairment is recognized in the income statement separately for tangible and intangible assets.

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

## Insurance business.

### Nordnet's products in the insurance business

Nordnet offers the products Kapitalförsäkring (endowment insurance), Kapitalpension (capital pension), Tjänstepension (occupational pension) and Privatpension (private pension). Endowment insurance, capital insurance and private pension are taken out as deposit insurance, while occupational pension can be taken out as fund or deposit insurance.

The capital pension product is closed to new subscriptions. For unit-linked insurance, the value of the insurance is entirely dependent on the investments chosen by the policyholder. The value of the deposit insurance consists entirely of a conditional bonus, which means that the insurance has no guaranteed insurance capital. The products Kapitalpension (Capital Pension), Tjänstepension (Occupational Pension) and Privat Pension (Private Pension) may be converted into unit-linked insurance at the first payment occasion. If the insurance remains as deposit insurance, an annual sum amounting to 3 percent of the insurance value is estimated at the first payment occasion. Payment is made as a fixed annual amount and can be divided up into month, quarter, half-year or annual payments distributed over five

years. The payment amount is guaranteed during the first five years whereby the policyholder is guaranteed a value equivalent to 15% of the insurance's value at the initial disbursement. Any remaining surplus insurance value after the first five years is paid out according to the selected payment plan or as a one-time amount.

All products that Nordnet offers include a repayment coverage, which the policyholder can in some cases opt out of. The repayment coverage means that the insurance capital is repaid to one or more chosen beneficiaries in the event of the policyholder's death. For endowment insurance, the repayment coverage is compulsory and is normally taken out with a risk amount of 1% of the value of the insurance. If an insured person who has endowment insurance with repayment coverage dies, the insurance capital accordingly increases by 1%, regardless of the size of the insurance value, after which disbursement usually takes place as a one-time amount to the entered beneficiary. For private pensions and occupation pension insurance, the repayment coverage is 100% of the insurance's value. No fee is charged for this repayment coverage, but on the other hand, the policyholder is not entitled to any inheritance gains, which he or she would be if the insurance had been taken out without repayment coverage.

If endowment insurance is taken out with a repayment coverage of 99%, continuous inheritance gains are allocated, which increase the insurance capital. Inheritance gain is a compensation to the policyholder because he or she risks the 1% of the insurance capital goes to Nordnet in the event that the insured dies. An endowment insurance with repayment coverage of 99% accordingly means that in the event of the insured's death, there is a disbursement of 99% of the insurance capital to the given beneficiary. On insurance with a repayment coverage of 101%, no inheritance gain is allocated. If the policyholder chooses to not apply the repayment coverage, he or she can receive inheritance gain.

### Division of deposit components

According to IFRS 4, insurance agreements can contain both deposit components and insurance components. According to the standard's rules on division of deposit components, the insurer must in some cases report them separately while in others the insurer has the choice of doing so. Besides a deposit component,

the occupational pension product also contains one or more risk insurance components, such as healthcare insurance, premium waiver, death benefit and survivor's pension. The Group reports these insurance risk components separately from the deposit component. The deposit component is a financial instrument that does not mean that any significant insurance risk is transferred from the policyholder to the insurer since the value of disbursements from it is entirely dependent on the investments that the insured or in some cases the policyholder chooses, and is reported according to IFRS 9. However, the insurance components mean that an insurance risk is transferred and recognized and measured according to the Annual Reports for Insurance Undertakings Act and the Swedish Financial Swedish Financial Supervisory Authority's regulations (FFFS 2015:12).

#### Recognition and measurement of insurance agreements

Assets in the insurance operations consist of policyholders' investments in securities and cash and cash equivalents in endowment insurance, capital pension, private pension and occupational pension. It is the policyholder that bears all financial risks associated with deposit components in these agreements. The assets concerning the fund and deposit insurance policies are recognized as "Assets where the customer bears the investment risk" in the balance sheet since it is the Group that legally owns the underlying assets in these insurance policies. Corresponding commitments are recognized on the liability side of the balance sheet as "Liabilities where the customer bears the investment risk". The provision for these commitments is directly related to the value development of the underlying financial assets, as well as deposits and withdrawals. The underlying assets are recognized at fair value through profit or loss and the associated liabilities are identified as being measured at fair value through the income statement in accordance with the fair value option. Application of the fair value option has been chosen to eliminate inconsistencies in the accounting. Accordingly, the fair value of the financial liabilities is determined with the help of the fair value of the financial assets to which the financial liabilities are attributable on the balance sheet date.

The insurance components in the fund and deposit insurance agreements only constitute minor parts of the Group's commitments to the policyholders and they

are either recognized as Life insurance provisions or Provision for claims outstanding, depending on what type of risk is insured. Recognition is limited to the provision for incurred but not reported damage (IBNR), which is calculated on actuarial grounds and recognized as claims outstanding, which are guaranteed by the insurance company.

The technical provisions are divided into four different items as per below:

- The life insurance provision is comprised of the capital value of the future insurance claims that pertain to guaranteed commitments during payment over five years and is calculated individually per insurance.
- The provision for claims outstanding relates to claims incurred but not reported (mortality risks). The provision is calculated collectively for the insured population, corresponding to a certain percentage of the gross risk premium income for the year when the claim arose.
- The unit-linked insurance commitment is calculated individually per insurance and measured at an amount equivalent to the total market value of the holding in the policyholders' unit-linked insurance custody accounts.
- Conditional bonus (Deposit insurance) is calculated individually per insurance and measured at an amount equivalent to the market value of the holding in the policyholder's custody account, less the provision for guaranteed commitment in the first years, which is recognized as life insurance provision.

#### Income recognition.

Amounts received from and paid to the holders are recognized in the balance sheet as Assets where the customer bears the investment risk or Liabilities where the customer bears the investment risk. Management fees for investment agreements are recognized as income distributed evenly across the terms of the agreements.

#### Recognition of expenses

Additional charges for obtaining an agreement with a customer are recognized as an asset in the balance sheet if they can be expected to be recovered. These comprise direct charges for securing agreements with customers that the Group would not have incurred

had the agreements not been secured, such as sales commissions for securing investment agreements. The charges are largely variable. They are expected to be recouped from commission income earned on the investment agreements. Prepaid acquisition costs are allocated to periods and recognized as income over ten years when related income is recognized.

The assets are tested for impairment at each closing date to ensure that the contracts' anticipated future economic benefits exceed their carrying amount. All other expenses, including fixed acquisition expenses and ongoing administrative expenses, such as commissions to proprietary personnel acting as salespeople, and ongoing administrative expenses paid over the terms of the investment agreements, are recognized during the accounting period in which they are incurred.

### Stock lending

Loans are provided against collateral equivalent to 105 percent of the loaned value. The stock lending program does not affect the policy holder's investment rights within the insurance scheme.

The risks and returns on loaned securities remain within the Group and are recognized in accordance with IFRS 9. The securities are taken up in their entirety under the item "assets where the customer bears the investment risk", with an equivalent amount under the item "liabilities where the customer bears the investment risk". The income is classified as interest income and the compensation to the customer as an interest expense. At 31 December 2020, loaned securities amounted to SEK 1,740 million and we received collateral as of the same date in an amount of SEK 1,916 million.

## Employee benefits.

### Short-term employee benefits

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

is reported when the Group has a legal or informal obligation to make such payments as a consequence of the services in question having been received from the employees and the provision amount can be calculated reliably.

### Share-based incentive programs

At the Extraordinary General Meeting on 24 November 2020, a resolution was passed to issue warrants as a part of an incentive program for all Nordnet Group employees. The participants were offered the possibility of subscribing or warrants at market value. Nordnet's costs for the incentive program are, besides costs for preparing and administering the incentive program, limited to costs that arise in Norway regarding social security contributions. For further information, see Note 12 General transaction costs on page 105 and Note 31 Equity on page 125.

### Post-employment benefits

Post-employment benefits include pensions. The Group offers defined contribution pension plans (see Note 12), entailing the Group paying a fixed fee to a separate legal entity and bearing no legal or informal obligation to pay additional fees if that legal entity lacks sufficient assets to pay all benefits to employees attributable to their service over the current period and previously. The size of the pension for the individual employee depends on the amount of money paid in and the size of the returns on the funds, unlike defined benefit pension plans, under which the employee is guaranteed a specific, predetermined pension by the employer. The Group's obligations regarding contributions to defined contribution plans are recognized as an expense in the income statement as they are earned by the employees performing services for the Group over a period.

### Termination benefits

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

### Provisions.

A provision is recognized in the balance sheet when a formal or informal commitment exists as a consequence of an event and it is likely that an outflow of

resources will be required to settle that obligation and the amount can be reliably estimated. A provision for restructuring is reported only when a detailed restructuring plan has been established and restructuring has either commenced or otherwise been announced to the affected parties.

### **Pledged assets.**

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

### **Contingent liabilities.**

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

### **Commitments.**

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

### **Taxes.**

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

Deferred tax is calculated based on temporary differences between the reported tax bases of assets and

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

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

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

### **Tax on returns**

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

### **Segment reporting.**

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

Nordnet's operating segments are divided into geographical areas in the form of the countries in which the

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

### **Cash flow statement.**

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

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

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

### **Cash and cash equivalents.**

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

### **Parent Company's accounting policies.**

The Parent Company generally adheres to IFRS and the accounting principles applied in the consolidated financial statements. In addition, the Parent Company needs to take into account and prepare annual reports in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Recommendation RFR 2 Accounting for Legal Entities. The Parent Company's annual report has therefore

been prepared in accordance with IFRS as long as it is compatible with ÅRL and RFR 2. The most significant principal differences between the Parent Company and the Group's accounting policies are shown below.

#### **Shares in subsidiaries**

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

#### **Intangible assets**

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

#### **Leasing objects**

In accordance with RFR 2, the Parent Company has chosen to not apply IFRS 16 Leases. The Parent Company recognizes finance leases as operating leases. This means that the company reports leasing fees as expenses on a straight-line basis across the leasing period. Consequently, the right of use assets and leasing liabilities are not reported in the balance sheet.

#### **Untaxed reserves and group contributions**

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

### **Note 6 Transactions with related parties.**

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

Nordnet Bank and Nordnet Pension regularly enter into business relations with E. Öhman J:or AB in the same way as is regularly done with other financial parties. Nordnet's index funds without fees and four other funds that are marketed in Nordnet's name are managed

by Öhman Fonder. According to the agreement on the no-fee index funds, Öhman Fonder receives compensation from Nordnet Bank for its management and handling of the funds. According to the agreement on the other four funds that are marketed in Nordnet's name and managed by Öhman Fonder, Nordnet Bank receives compensation for its distribution of the funds in the form of part of the management fee that Öhman fonder withdraws from the funds in question. Nordnet Bank and Öhman Fonder have also entered a distribution agreement for Nordnet Bank's distribution of other funds managed by Öhman Fonder. Nordnet Bank receives compensation from Öhman Fonder for this distribution in the form of part of the management fee that is due on the fund units that are distributed by Nordnet Bank. In addition, a cooperative agreement has been entered into regarding Nordnet Bank's and Nordnet Pension's provision of so-called partner services to Öhman Fonder with regard to custody accounts for Öhman Fonder's customers whose assets are deposited with Nordnet Bank or are in an insurance provided by Nordnet Pension. According to the cooperation agreement, Nordnet Bank and Nordnet Pension receive compensation from Öhman Fonder for providing the partner website. All agreements between Nordnet and E. Öhman J:or AB and its subsidiaries have been entered into on a daily basis.

During the period, Nordnet Bank has received commission income and other income amounting to a total of SEK 11,011 thousand (12,114) and paid commission expenses and other expenses of SEK 11,233 thousand (9,668). As of the balance sheet date, receivables from related parties amounted to SEK 0 (0) thousand and liabilities to related parties to SEK 0 (48) thousand. The Öhman Group has entered into an occupational pension agreement with Nordnet Pensionsförsäkring AB. Nordnet Bank offers personnel credits to all Group employees. The company has granted credit for margin lending to Board members and a residential mortgage to one Board member. The credits were granted on market terms. The company has also provided margin lending and personal loans to senior executives. Interest on unutilized credits resulted in no tax imposed on fringe benefits. No provisions relating to bad debts or expenses relating to bad debts to related parties have been reported during the financial year. For information on granted and utilized credits to Board members and other senior executives, see Note 12.

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

## Note 7 Risks.

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

Nordnet's risk exposures are based on:

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

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

Central to the risk framework is the risk appetite that expresses the aggregated level and the types of risks that Nordnet is willing to expose itself to in the risk capacity, and in accordance with the business model, to achieve strategic objectives. The risk appetite indicates the maximum accepted risk exposure on a general level as well as for specific risks. It is adapted to Nordnet's business strategy, and the limits shall be approved by the Board and evaluated and updated regularly.

Risk culture is defined as the norms, attitudes and behaviors around risk awareness, risk-taking and risk management and the controls that form decisions on risks. The risk culture affects the decisions the management and employees make in the daily activities and thereby affects what risks they take. Nordnet shall have a sound risk culture that ensures a common view of risk-taking based on risk awareness and understanding of the specific risks and the risk appetite. The resources and competencies in the business organization and the

control functions shall be adapted to the scope of the work done in the respective units. Nordnet's risk work is done in accordance with the principles associated with the three lines of defense.

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

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

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

## ICAAP.

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

Risk and Solvency Assessment) is made, which is a continuous process that evaluates the capital requirement in relation to the Group's risk profile and business plan. ORSA covers all material risks that the Group is exposed to.

### Credit risk.

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

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

Nordnet's lending shall be characterized by good ethics, high quality and control and therefore takes place based on the policies set by the Board of Directors that stipulate the framework for credit assessment, credit risk management, credit risk reporting and the risk appetite. The CEO is responsible for more detailed credit instructions being set. It is in the Group's interest that lending does not entail that borrowers take unnecessary risks. All credits are assessed in a separate credit department that is placed centrally in the Group. As support, internally developed risk classification tools

are used. Before granting credit, all credits must be identified and assessed based on the individual borrower's financial circumstances and repayment ability both short and long term. The Group continuously monitors the borrowers' repayment capacity.

At the end of the year, lending to the public totaled SEK 20,312 million (16,128). The total reserve for expected credit losses amounted to SEK 105 million (99), including an additional credit reserve of SEK 2 million (0), taking the prevailing uncertainty attributable to the coronavirus into account. The Group's credit risk exposure also comprises counterparty risks and concentration risks. Counterparty risks, defined as the risk that a counterparty in a financial transaction does not manage to fulfill its commitments and thereby causes a loss for the other party, primarily arise in the handling of the Group's liquidity portfolio, but also occur in the customers' securities trading. Concentration risks can arise from exposures to individual counterparties/customers, industries and regions. In the table below, "Credit quality, lending", all lending has been defined based on IFRS 9 stage 1 to 3.

### Credit assessment.

#### Personal loans

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

Stages lending to the public 2020	Amortized cost	Provision for expected credit losses	Total lending to the public
Stage 1	18,245,843	-21,928	18,223,915
Stage 2	2,057,481	-21,251	2,036,230
Stage 3	113,488	-61,777	51,711
			<b>20,311,856</b>

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

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

The internal risk rating systems used form a central component in the Group's processes for lending operations, credit review and the quantification of the credit risk in the portfolio. Nordnet can thereby estimate the risk of default and future losses. This also affects pricing in the form of the interest offered to the customer. The credit risk and the dynamics of the credit portfolio are continuously assessed and are aimed at monitoring the risk level's compliance with the risk appetite approved by the Board. The models are reviewed and validated regularly internally or by an independent consulting firm.

At year-end, lending amounted to SEK 4,395 million (4,129) under the brands Konsumentkredit, Flexlånet and Toppenlånet distributed across 25,948 loans (26,255). The reserve for anticipated credit losses amounted to SEK 82 million (78).

### Margin lending

For margin lending, the crucial assessment criteria for Nordnet are the value of the collateral in the form of securities eligible as collateral in the customer's

custody account and the customer's credit rating. The loan value of securities is evaluated in accordance with an internal model based on the quality, liquidity and volatility of individual securities. Based on this and the repayment capacity, the customer is assigned a credit limit. The highest permitted loan-to-value ratio for an individual security is a maximum of 90 percent, but is often lower. Nordnet's credit department continuously monitors the loan-to-value ratio on both an individual and an aggregated level. There were approximately 20,100 (16,000) custodial accounts utilizing credit as at 31 December 2020.

In a situation where the exposure (negative balance/lending + negative market values for short sales + collateral-required derivatives) exceeds the securities' loan value, so-called overlending occurs. The customer must then resolve the shortage arisen, either by selling securities, adding further cash funds and/or adding further securities with loan value. If this is not addressed within the given time frame, Nordnet has the option of selling securities to the extent required to rectify the overlending. However, Nordnet always has the possibility of resolving overlending directly. At 31 December 2020, overlending totaled SEK 5.4 million (6.0), which corresponds to 0.06 percent of the total margin lending. In a situation where exposure has arisen on a custody account where there is no approved loan agreement, a so-called overdraft arises. Customers must resolve overdrafts and if this does not occur within the given time frame, Nordnet has the possibility to sell securities for settlement. Overdrafts amounted to SEK 25.3 million (16) at 31 December 2020.

### Margin lending

Market	Credit utilized (SEK million)		Percentage of total credit volume (%)	
	2020	2019	2020	2019
Sweden	4,045	3,100	41%	41%
Norway	1,932	1,729	20%	23%
Denmark	1,698	1,221	17%	16%
Finland	2,148	1,512	22%	20%
<b>Total</b>	<b>9,823</b>	<b>7,562</b>	<b>100%</b>	<b>100%</b>
Range	Total, net (SEK million)		Percentage of total (%)	
	2020	2019	2020	2019
<10 SEK thousands	40	28	0%	0%
10-500 SEK thousands	2,169	1,582	22%	21%
501-2 000 SEK thousands	2,792	2,099	29%	28%
>2 000 SEK thousands	4,822	3,853	49%	51%
<b>Total</b>	<b>9,823</b>	<b>7,562</b>	<b>100%</b>	<b>100%</b>

### Relocation between steps, margin lending

Classifications Stages	
<b>Stage 1</b>	Loans exceed collateral 0 days, overlending $\leq$ 3 days
<b>Stage 2</b>	Loans exceed collateral 0 days, overlending $\geq$ 4 days
<b>Stage 2</b>	1 day $\leq$ Loans exceed collateral $\leq$ 3 days
<b>Stage 3</b>	Loans exceed collateral $\geq$ 4 days

Nordnet conducts continuous stress tests to assess and calculate the risk of losses that can arise in sharp market declines and due to concentrations in the securities.

At year-end, margin lending (lending to customers with credit limits) amounted to SEK 9,823 million (7,562) and the market value of the collateral amounted to SEK 50,393 million (34,251), which results in an average loan-to-value ratio of 19.5 percent. The reserve for anticipated credit losses amounted to SEK 23.2 million (20).

### Residential mortgages

Nordnet offers residential mortgages on the Swedish market with a maximum LTV of 60 percent. All lending is secured with mortgages in villas and tenant-owner apartments with Nordnet as the sole holder of the pledge. The mortgage value is calculated based on appraisals from external parties: statistical appraisal or appraisal by an agent or authorized appraiser. In the purchase of a home, the purchase consideration can be used as market value. Reappraisals take place annually or more often when necessary. Nordnet also has supplemental collateral in the borrower's securities custody accounts with Nordnet.

Nordnet only grants residential mortgages following completion of a customary credit check, which includes a KALP (left to live on calculation), in which all income and expenditure of the borrower's household is taken into consideration to ensure that the borrower can handle a scenario with the current interest rate plus 5 percent. All loans are covered by regulatory require-

ments regarding repayment. The interest rate follows an interest ladder that can change if the conditions change in the form of reduced assets that qualify a certain discount or that the value of the property decreases.

The results of stress tests of the pledged collateral with a price drop of up to 20 percent provide no expected credit losses, which is a result of low loan-to-value ratios and supplemental collateral in securities in the customers' custody accounts.

At the end of the year, lending totaled SEK 6,493 million (4,515). 85 percent (86) of lending is to borrowers residing in Stockholm, Gothenburg and Malmö. The average loan-to-value ratio amounted to 39.2 percent (36). The reserve for anticipated credit losses amounted to SEK 7 thousand (5).

### Liquidity portfolio

Cash management in Nordnet is comprised partly of the regulatory liquidity reserve (in accordance with the Swedish Financial Supervisory Authority's regulations regarding the handling of liquidity risks (FFFS 2010:7)) and all other liquidity in the liquidity portfolio. The liquidity reserve constitutes a separate reserve of high-quality liquid assets, bank balances (excluding client funds), balances with central banks and investments in interest-bearing securities.

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

Nordnet's regulatory liquidity reserve amounted to SEK 37,406 million (24,450) on 31 December.

Collateral for mortgage loans	Market value (SEK million)		Lending (SEK million)		Average loan to value ratio %	
	2020	2019	2020	2019	2020	2019
Houses	11,103	8,418	4,233	2,993	38.1%	35.6%
Tenant-owner's right	5,467	3,978	2,260	1,522	41.3%	38.3%
<b>Total</b>	<b>16,570</b>	<b>12,396</b>	<b>6,493</b>	<b>4,515</b>	<b>39.2%</b>	<b>36.4%</b>

Nordnet's liquidity portfolio consists of Cash and balances in central banks, Loans to credit institutions, eligible treasury bills and bonds and other interest-bearing securities and amounted to SEK 36,320 million (24,514) at 31 December 2020.

Reserves for interest-bearing securities amount to SEK 442 thousand (139).

#### Counterparty risk

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

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

Counterparty risk in the liquidity portfolio is limited in part by deliberately selecting counterparties with high credit quality. Trading in derivative instruments is governed by ISDA agreements and their collateral by CSA agreements. Counterparty risks are limited through deliberate selection of counterparties with high credit quality and that agreements on derivative instruments are entered with multiple different financial counterparties. Trading in derivative instruments is governed by ISDA agreements and their collateral by CSA agreements.

The table on the next page shows credit ratings for the Group's holdings in financial instruments. According to the Group's finance policy, holdings in interest-bearing

instruments may have a minimum rating of BBB-. For covered bonds, the ratings of the bonds have been used; for others, the issuer's ratings have been used. Nordnet permits investments in unrated assets issued by a municipality or county council.

#### Concentration risk

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

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

At 31 December 2020, the 10 largest credits (customers with joint limits) accounted for 8.3 percent (10) of the total margin lending. The table below presents the total collateral value of the individual securities in relation to the total collateral value of all securities. This does not necessarily mean that these collateral values are fully utilized.

#### Calculation of expected credit losses.

Assumptions and techniques for assessing impairment requirements

Nordnet reports reserves for credit losses on financial assets valued at amortized cost and for irrevocable

#### Concentration risk

31/12/2020

Evolution Gaming	2.1%
Nordea	2.0%
Sampo	1.9%
Fortum	1.5%
Vestas Wind Systems	1.3%

#### Concentration risk

31/12/2019

Nordea	2.7%
Sampo	1.7%
Nokia	1.6%
Novo Nordisk	1.2%
Vestas Wind Systems	1.1%

Rating according to Standard & Poor's 31/12/2020														
Group SEK million	A-1+	A-1	A-2	A-3	no rating	AAA	AA+	AA	AA-	A+	A	A-	no rating	Total
<b>Assets</b>														
Loans to credit institutions <sup>1</sup>	301	2 529	46	-	19	-	-	-	-	-	-	-	-	2,896
Loans to the general public	-	-	-	-	20,312	-	-	-	-	-	-	-	-	20,312
Financial assets at fair value	-	-	-	-	7	-	-	-	-	-	-	-	-	7
Treasury bills and other interest bearing securities	-	-	119	-	-	25,710	3,742	152	-	-	-	-	557	30,280
Bonds and other interest bearing securities	55	319	659	30	-	193	206	-	20	40	25	72	717	2,336
Reinvested assets in the insurance business <sup>2</sup>	-	-	-	-	-	4,639	850	-	-	-	-	-	-	5,489
<b>Total</b>	<b>356</b>	<b>2 848</b>	<b>824</b>	<b>30</b>	<b>20,338</b>	<b>30,542</b>	<b>4,798</b>	<b>152</b>	<b>20</b>	<b>40</b>	<b>25</b>	<b>72</b>	<b>1,274</b>	<b>61,320</b>

<sup>1</sup> Of which SEK 2,292 million is reported as actuarial assets in the consolidated balance sheet.

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

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

<sup>2</sup> Parts of the liquid assets in the insurance business were reinvested in bonds.

loan commitments. For all credit products, Nordnet has developed statistical models that consist of a combination of historical, current, future-oriented and macroeconomic data and benchmarks deemed relevant by Nordnet, as well as external data from multiple sources to be able to measure the credit risk and assess the potential risk of default.

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

12-month and lifelong PD represents Nordnet's assessment of the probability of default in the next 12 months and, respectively, in the contract's remaining duration at a given point in time based on circumstances on the balance sheet date and the future financial conditions that affect the credit risk. EAD refers to the expected exposure at default considering repayments of principal and interest from the balance sheet date to the time of default. LGD is comprised of the expected loss at default considering mitigating factors, such as collateral and the value of it. PD, LGD and EAD are calculated monthly up until the end of the expected term. ECL is comprised of the product of PD, LGD and EAD discounted with the original effective interest rate. A summation of the expected creditlosses until the end of the

expected duration provides the expected credit losses for the asset's remaining duration. For margin lending, a "loss rate" model is used where PD and LGD are calculated combined. The calculation takes into account three scenarios (base, positive and negative) reflecting relevant macroeconomic factors, such as GDP, housing prices and unemployment. The risk parameters incorporate the effects of macroeconomic forecasts. Every scenario is assigned a probability and the expected credit losses are obtained as a probability-weighted average. Material doubtful credit exposures are assessed individually without the use of input data from models.

#### **Increase of credit risk**

Nordnet takes both quantitative and qualitative information into account in the assessment on whether or not there has been a significant increase in credit risk since initial recognition. The analyses are based on both historical, current and prospective information.

In margin lending, a significant increase in the credit risk is considered to have occurred when the credit exposure exceeds the value of the collateral or if overlending/overdraft has not been settled within three days. Also refer to the table on page 92.

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

A significant increase in credit risk has occurred for residential mortgages if the PD at the reporting date is higher than the PD when the loan was paid out at the same time that the PD at the reporting date exceeds 0.2 percent. A significant increase in the credit risk also exists if a receivable is overdue by more than 30 days (back-stop).

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

be divested before the credit risk is considered to have increased significantly.

#### **Collective assessment**

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

#### **Modified loans**

Modification of a loan can be due to the borrower contacting Nordnet due to financial difficulties, Nordnet having taken steps to keep the customer or changes in the market conditions.

A modified loan that does not lead to removal from the balance sheet, which is due to the customer's repayment capacity, is categorized as a loan in forbearance. This entails a relocation between steps in the provision models for credit losses. The loan must then pass at least 12 months without remark or a new modification to be moved back to an earlier step again.

#### **Default and doubtful receivables**

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

For personal loans, default is defined as a receivable overdue by at least 90 days, or that the likelihood of repayment is considered low. Examples of this are customers who are undergoing debt restructuring, have declared bankruptcy, are deceased, are subject to fraud or have emigrated from the country. A default always leads to the receivable being classified as step 3.

For residential mortgages, default is defined as a receivable overdue more than 90 days and when the process to collect payment has begun. Nordnet offers a maximum loan-to-value ratio of 60 percent and Nordnet also has supplementary collateral in the borrowers' security custody accounts whereby the general risk is considered to be low.

The liquidity portfolio and lending to credit institutions are assessed according to the exception for holdings with low credit risk. In accordance with Nordnet's fi-

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

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

#### Relocation between steps, residential mortgages

	Probability of default (PD) 12 months	Payments
<b>Stage 1</b>	PD <= 0.20%	<= 30 days overdue
<b>Stage 2</b>	PD <= PD at start	<= 30 days overdue
<b>Stage 3</b>	PD>PD start & PD>0.20%	<= 90 days overdue
<b>Stage 4</b>		31 < days overdue < 90
<b>Stage 5</b>		> 90 days overdue

#### Use of prospective information.

Nordnet includes future-oriented information in calculations of expected future credit losses. From analyses of historical data, macroeconomic factors that affect credit risk and credit losses are identified. These analyses take into account internal and external information that is based on country, borrower and product type and agree with the future-oriented information used for other purposes, such as financial planning and forecast work. These are comprised of reasonable and verifiable factors, such as unemployment, gross domestic product and the price index for housing. The impact of future-oriented macroeconomic factors is calculated through the use of three different scenarios (base, positive and negative). The probabilities for the different scenarios are reviewed monthly. Methodology and assumptions in the models are reviewed monthly. For margin lending, GDP is deemed to be a relevant variable in the calculation of expected credit losses. Years with negative growth in GDP show a correlation with the development in the stock market, which leads to the credit losses increasing. As forecast data, information from Bloomberg with data from various forecast institutes on the Swedish GDP growth is used.

For personal loans, unemployment is used as a variable in the calculation of expected credit losses. In the

calculation, consideration is taken to three scenarios: base, positive and negative, see table below. Each scenario comprises a forecast unemployment and a likelihood linked to the scenario. The forecast extends over two years and is based on data from Bloomberg (with forecasts from Swedish and international banks).

#### Unemployment

Year	Average %	Low %	High %
2021	8.5	7	9.2
2022	7.6	4.8	8.7

In the calculation of expected credit losses on residential mortgages, the housing price index over the price development in the Swedish property market and future home price expectations are used.

Historical data is obtained from Valueguard HOX Sweden's price index and housing price expectations from the SEB housing price indicator.

Changes in the market rate are used to forecast the risk of credit losses in the liquidity portfolio. The interest rate affects the financing costs for states, banks and institutions that borrow money on the capital markets. The interest rate thereby has an impact on the creditors' credit quality in the form of refinancing possibilities, interest payments and financing costs. Macro-economic factors are reflected in the credit ratings for creditors and instruments in the portfolio. Each credit rating is also given a forecast (positive/stable/negative). Forecast credit losses are based on three different scenarios. Base, all credit ratings are unchanged.

Negative, credit ratings with negative outlooks are downgraded one level. Positive, where credit ratings with positive outlooks are upgraded one level.

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

#### Sensitivity analysis prospective information.

A sensitivity analysis shows that at an unemployment rate of 12%, the percentage of agreements in step 2 will

go from 7.1% to 8.4% of all agreements, and the percentage of portfolio volume in step 2 will go from 5.4% to 6.5% of the total portfolio volume. The reserve would at the same time increase by SEK 5.5 million. Nordnet has only prepared a sensitivity analysis for unsecured loans since it is for this category of lending that the majority of the credit losses are found.

### Compliance measures.

Nordnet's contractually outstanding amounts for financial assets that are written off, but still covered by compliance measures in the form of payment plans amounted to SEK 8.3 million (7.1) at 31 December 2020.

### Confirmed credit losses.

Confirmed credit losses are credit losses where Nordnet has deemed it not to be possible to recover all or part of the credit exposure on an individual loan. Confirmed losses mean that the credit exposure is written off of the balance sheet and expensed. Examples of confirmed credit losses are if a counterparty declares bankruptcy and where there is a lack of collateral to cover the credit exposure. Confirmed credit losses also arise even if a loan receivable is sold to a collection company, which takes place for personal loans.

For 2020, confirmed credit losses totaled SEK 32.4 million (30.1). This corresponds to 0.2% of the total lending as at 31 December 2020. Nordnet had not confirmed credit losses for residential mortgages and margin lending. The confirmed credit losses for personal loans amounted to SEK 32.4 million (29.9), which corresponds to 0.81% of the total lending for personal loans as at 31 December 2020.

### Market risk.

Market risk derives from the risk that the fair value or future cash flow from a financial instrument is affected by changes in market prices. Nordnet is exposed to market risks in the form of interest risk, liquidity risk, and share price risk. As Nordnet's business is built around customer trading and it does not conduct any trading on its own account, the interest-rate risks are primarily attributable to the bankbook. Exchange rate risks arise in differences between assets and liabilities in different currencies. The risk appetite for market risk is low whereby the strategy is to match assets and liabilities regarding currencies, interest rate index and fixed-rate periods.

### Interest rate risks.

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

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

At year-end, the interest rate risk amounted to approximately SEK 215.0 million (79.7) in the event of a 2 percentage point (1) change in the market interest rate, which will be charged against net profit after tax and reduce equity by SEK 162.3 million (62.6). A list of Nordnet's fixed-interest terms is provided on page 98.

### Foreign exchange risks.

Foreign exchange risk is the risk that changes in one currency in relation to another impact Nordnet's earnings, balance sheet and/or cash flows. Nordnet's domestic market is the Nordic region whereby currency exposure mainly arises in NOK, DKK and EUR, but there are also currency flows in e.g. GBP, CAD and USD.

Nordnet conducts daily currency exchanges to limit the exchange-rate risk and only holds minor flow-related currency positions over more than one banking day. According to the Board's set policy, Nordnet measures and reports exchange-rate risk continuously.

At year-end, total net exposure in foreign currency amounted to SEK 421.0 million (402.4). An unfavorable exchange rate development of 10 percent in each currency entails a risk of approximately SEK 42.1 million

Group - valuation of assets and liabilities in foreign currency	2020	2019		
<b>Assets</b>				
Loans to credit institutions	1,958,503	1,891,280		
Loans to the general public	5,691,481	4,438,633		
Shares and participations	2,056	2,538		
Treasury bills and other interest bearing securities	25,108,978	19,394,744		
Other assets	7,791,143	1,803,025		
<b>Total</b>	<b>40,552,161</b>	<b>27,530,220</b>		
<b>Liabilities</b>				
Deposits and borrowing from the general public	34,265,886	25,489,159		
Other liabilities	5,865,242	1,955,602		
<b>Total</b>	<b>40,131,128</b>	<b>27,444,761</b>		
2020	Assets	Liabilities	Net exposure	Exchange rate risk <sup>1</sup>
NOK	11,218,190	10,975,232	242,959	24,296
DKK	13,181,036	13,152,543	28,494	2,849
EUR	13,249,293	13,127,071	122,222	12,222
Other	2,903,642	2,876,282	27,359	2,736
<b>Total</b>	<b>40,552,161</b>	<b>40,131,128</b>	<b>421,034<sup>2</sup></b>	<b>42,103</b>
2019	Assets	Liabilities	Net exposure	Exchange rate risk <sup>1</sup>
NOK	6,424,231	6,582,714	-158,483	15,848
DKK	9,594,526	9,527,202	67,324	6,732
EUR	9,970,814	9,808,101	162,713	16,271
Other	1,540,650	1,526,744	13,906	1,931
<b>Total</b>	<b>27,530,220</b>	<b>27,444,761</b>	<b>402 426<sup>2</sup></b>	<b>20,242</b>

<sup>1</sup>Displays the currency risk in an unfavorable fluctuation of 10 percent in each currency.

<sup>2</sup> The sum pertains to a sum of net exposure expressed in absolute figures where netting has been done of the net exposure in DKK and EUR in the cases the net exposure goes in the opposite direction.

(40.2), which will be charged against profit after tax by SEK 33.1 million (31.6). This includes net assets from foreign operations that are not hedged. For a more detailed description of assets and liabilities in foreign currency, refer to the table below.

### Share price risk.

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

At the year-end, the company's own total exposure to share price risk amounted to SEK 7.3 million (6.6). A sudden negative market development for all the shares of 10 percent entails a risk of approximately SEK 0.7

million (0.7), which would be charged against profit after tax and reduce equity by SEK 0.5 million.

### Financing risk/liquidity risk

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

The Board has set policies for limits, division of responsibility, follow-up and preparedness plans. Nordnet's preparedness plan includes risk indicators, division of

31/12/2020 Interest period										
Assets	0-1 months	2-3 months	4-6 months	7-12 months	1-2 years	2-3 years	3-4 years	4-5 years	No fixed rates	Total
Cash and balances in Central banks	3,100,458	-	-	-	-	-	-	-	-	3,100,458
Loans to credit institutions	2,895,732	-	-	-	-	-	-	-	-	2,895,732
Loans to the general public	13,818,672	6,493,184	-	-	-	-	-	-	-	20,311,856
Financial assets at fair value	-	-	-	-	-	-	-	-	7,314	7,314
Treasury bills and other interest bearing securities	7,006,033	13,226,124	9,151,966	579,115	114,183	154,196	47,942	-	-	30,279,559
Bonds and other interest bearing securities	573,117	840,928	198,332	310,256	413,807	-	-	-	-	2,336,440
Reinvested assets in the insurance business	1,270,144	2,397,802	1,659,186	104,989	20,701	27,955	8,692	-	-	5,489,468
Other assets	-	-	-	-	-	-	-	-	111,353,871	111,353,871
<b>Total assets</b>	<b>28,664,156</b>	<b>22,958,038</b>	<b>11,009,484</b>	<b>994,360</b>	<b>548,691</b>	<b>182,151</b>	<b>56,634</b>	<b>-</b>	<b>111,361,185</b>	<b>175,774,698</b>
Liabilities										Total
Deposits and borrowing from the general public	52,552,788	-	-	-	-	-	-	-	-	52,552,788
Other liabilities	-	-	-	-	-	-	-	-	111,228,534	111,228,534
<b>Total liabilities</b>	<b>52,552,788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111,228,534</b>	<b>163,781,322</b>
Difference between assets and liabilities	-23,888,632	22,958,038	11,009,484	994,360	548,691	182,151	56,634	-	132,651	11,993,377
Adopted remaning interest period, year (present value)	0.04	0.21	0.42	0.79	1.50	2.50	3.50	4.50	-	-
Adopted interest rate change, %	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-	-
Risk weight	0.08%	0.42%	0.84%	1.58%	3.00%	5.00%	7.00%	9.00%	-	-
<b>Total net interest risk</b>	<b>-19,111</b>	<b>96,424</b>	<b>92,480</b>	<b>15,711</b>	<b>16,461</b>	<b>9,108</b>	<b>3,964</b>	<b>-</b>	<b>-</b>	<b>215,036</b>
31/12/2019 Interest period										
Assets	0-1 months	2-3 months	4-6 months	7-12 months	1-2 years	2-3 years	3-4 years	4-5 years	No fixed rates	Total
Cash and balances in Central banks	409,538	-	-	-	-	-	-	-	-	409,538
Loans to credit institutions	2,281,612	-	-	-	-	-	-	-	-	2,281,612
Loans to the general public	11,612,327	4,515,450	-	-	-	-	-	-	-	16,127,777
Financial assets at fair value	-	-	-	-	-	-	-	-	6,575	6,575
Treasury bills and other interest bearing securities	7,643,310	6,877,467	4,707,086	892,016	1,469,767	362,980	83,229	-	-	22,035,855
Bonds and other interest bearing securities	715,664	754,654	93,374	-	-	-	-	-	-	1,563,692
Reinvested assets in the insurance business	1,617,438	1,455,374	996,089	188,764	311,024	76,812	17,612	-	-	4,663,113
Other assets	-	-	-	-	-	-	-	-	74,954,693	74,954,693
<b>Total assets</b>	<b>24,279,889</b>	<b>13,602,945</b>	<b>5,796,549</b>	<b>1,080,780</b>	<b>1,780,791</b>	<b>439,792</b>	<b>100,841</b>	<b>-</b>	<b>74,961,268</b>	<b>122,042,855</b>
Liabilities										Total
Deposits and borrowing from the general public	45,011,677	-	-	-	-	-	-	-	-	45,011,677
Other liabilities	-	-	-	-	-	-	-	-	73,973,396	73,973,396
<b>Total liabilities</b>	<b>45,011,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73,973,396</b>	<b>118,985,073</b>
Difference between assets and liabilities	-20,731,788	13,602,945	5,796,549	1,080,780	1,780,791	439,792	100,841	-	987,872	3,057,782
Adopted remaning interest period, year (present value)	0.04	0.16	0.36	0.71	1.39	2.25	3.07	3.85	-	-
Adopted interest rate change, %	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	-	-
Risk weight	0.04%	0.16%	0.36%	0.71%	1.39%	2.25%	3.07%	3.85%	-	-
<b>Total net interest risk</b>	<b>-8,293</b>	<b>21,765</b>	<b>20,868</b>	<b>7,717</b>	<b>24,664</b>	<b>9,873</b>	<b>3,096</b>	<b>-</b>	<b>-</b>	<b>79,689</b>

**Maturity review 2020**

In the maturity review, non-discounted cash flows are allocated based on the remaining maturity.

Remaining maturity 2020	Payable on request	Max 3 months	3 months-1 year	1-5 years	5-10 years	Without maturity	Total
<b>Assets</b>							
Cash and balances in Central banks	-	-	-	-	-	3,100,458	<b>3,100,458</b>
Treasury bills and other interest bearing securities	-	20,232,157	9,731,081	316,321	-	-	<b>30,279,559</b>
Loans to credit institutions	603,553	-	-	-	-	-	<b>603,553</b>
Loans to the general public	9,822,864	576	7,201	365,337	10,115,878	-	<b>20,311,856</b>
Bonds and other interest bearing securities	-	1,414,045	508,589	413,806	-	-	<b>2,336,440</b>
Shares and participations	-	-	-	-	-	7,314	<b>7,314</b>
Assets for which customers bear the investment risk	102,691,267						<b>102,691,267</b>
Other assets	-	7,059,103	-	-	-	1,603,501	<b>8,662,604</b>
<b>Total assets</b>	<b>113,117,684</b>	<b>28,705,881</b>	<b>10,246,871</b>	<b>1,095,464</b>	<b>10,115,878</b>	<b>4,711,273</b>	<b>167,993,051</b>
<b>Liabilities</b>							
Deposits and borrowing from the general public	52,552,788	-	-	-	-	-	<b>52,552,788</b>
Liabilities for which customers bear the investment risk	102,693,283	-	-	-	-	-	<b>102,693,283</b>
Lease liability	-	16,082	20,635	114,572	48,270	-	<b>199,559</b>
Other liabilities and equity	-	7,600,124	-	-	-	4,947,297	<b>12,547,421</b>
<b>Total liabilities</b>	<b>155,246,071</b>	<b>7,616,206</b>	<b>20,635</b>	<b>114,572</b>	<b>48,270</b>	<b>4,947,297</b>	<b>167,993,051</b>

**Maturity review 2019**

In the maturity review, non-discounted cash flows are allocated based on the remaining maturity.

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

responsibility and liquidity-generating action plans and action plans for serious disruptions. Treasury is responsible for continuously monitoring, analyzing, forecasting, managing and reporting liquidity risks. Liquidity forecasts and various risk measurements are continuously reported to the Board. Regular stress tests ensure liquidity preparedness under conditions that deviate from the normal, such as significant outflows of deposits from the public, disruptions in the capital market and deteriorated repayment behaviors. The Board of Directors has decided that Nordnet shall have a low risk appetite for liquidity risk. Nordnet shall always have liquid funds available to manage the daily flows in the business. There must also be a preparedness to handle disruptions in the form of liquidity quickly being redistributed or investments being put at risk. The liquidity portfolio shall be comprised of placements with good credit quality.

The main part of Nordnet's lending operations is short by nature, except for the residential mortgage product in Sweden. As Nordnet's financing mainly consists of equity, the customers' deposits and an issued bond, the structural liquidity risk is low. In the maturity table (see page 99), deposits from the public are categorized as payable upon demand, but the behavioral flow differs from the contractual as deposits from the public have historically constituted a long-term and stable source of financing.

Lending to the public in relation to deposits from the public (including deposits from the public included in the item Liabilities where the customer bears the investment risk, which corresponds to Cash and cash equivalents according to Note 23) amounts to 34 percent (36). Nordnet also issued a so-called AT1 bond loan of SEK 500 million in Sweden to optimize the capital structure and create space for continued growth. Nordnet's liquidity risk is reduced by the spreading of its financing over many customers and several geographical markets, and its payment readiness is deemed to be very good. Concentrations in deposits, both on a customer and geographic basis, are followed up daily.

## Operational risk.

Operational risk consists of the risk of losses due to inappropriate or failed processes, human error, faulty systems or external events. The definition includes le-

gal risk, compliance risk and HR risk. In addition to all of the risks that can be associated with human error and mistakes, typical examples of operational risks include: computer failure, dependence on key individuals, fraud, inadequate compliance with legislation and internal regulations, or external events, such as fire, natural disasters, sabotage or changes in laws and regulations.

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

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

The cyberthreat to the Swedish financial sector is extensive and hacking can result in operating outages in key systems and information leaks of sensitive data. For Nordnet, maintaining a high level of cybersecurity is fundamental in the form of a strong, digital perimeter protection with high levels of security. In the past two years, Nordnet has also carried out an extensive project to upgrade and replace the IT platforms to be able to offer a world-class user experience regarding interfaces, products and stability. The project is planned to continue in 2021. Development and outcome are carefully followed up by both company management and the Board. A special IT security function works on the identification, prevention and control of risks related to Nordnet's IT systems.

## Insurance risk.

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

The insurance operations comprise traditional policies with conditional bonuses and unit-linked insurance in which the insured party bears its own investment risk. This means that the company's financial risk is very limited. In traditional insurance policies with periodic pay-outs, there is a guarantee over the first five years of the pay-out period. The guarantee amount amounts to 3%, which is in accordance with the terms that guarantee 15% of the insurance capital, which is distributed over five years.

Insurance provisions for guaranteed commitments amount to SEK 35 million (25), corresponding to 0.04 percent (0.04) of total insurance technical provisions.

## Mutual fund commissions.

In light of MiFid2, discussions are being held in Sweden regarding various pricing models for fund distribution, and the Swedish Financial Supervisory Authority is currently investigating the issue. One conceivable future scenario is that it will no longer be permitted for fund management companies to pay commission to distributors in the form of sharing of management fees. Nordnet will then need to change its existing structure, where a possible future pricing model is repayment of fund management companies' commission to the savers and introduction of a platform fee. How this affects Nordnet's income is not possible to forecast exactly today, and depends on a number of factors such as saver behavior and the size of the platform fee.

## COVID-19.

Most of 2020 was impacted by the coronavirus and the effect the spread of infection had on every part of society. Nordnet as a company quickly adjusted its operat-

ing model to work remotely for most of the employees, which has worked well from a process perspective and had a high level of acceptance from the employees. In addition to this, steps were also taken to ensure continued credit approval with the aim of taking into account coronavirus-related risks such as higher unemployment. It can be confirmed that this model worked well and that the company's credit losses did not increase during the year.

Nordnet's business developed positively through a high level of activity among the savers and extensive public interest in the stock market and shares. Whether or not the high level of activity and extensive interest will last moving forward is difficult to foresee and there is of course a risk that the activity and interest decrease slightly in the future. There is also an uncertainty as to how long the pandemic will continue and an uncertainty in how it will affect society and the economy in the future, which could have effects on Nordnet's income and profitability.

## Note 8 Group – Commission income and commission expenses.

	2020	2019
<b>Commission income</b>		
Commission income - transaction related <sup>1</sup>	1,682,835	726,987
Commission income - not transaction related <sup>2</sup>	414,732	343,142
Currency exchange income	511,772	176,939
<b>Total commission income <sup>3</sup></b>	<b>2,609,339</b>	<b>1,247,068</b>
<b>Commission expenses</b>		
Commission expenses - transaction related	-473,878	-219,167
Commission expenses - not transaction related	-114,784	-88,025
<b>Total commission expenses</b>	<b>-588,662</b>	<b>-307,192</b>
<b>Net commission</b>	<b>2,020,677</b>	<b>939,876</b>
Of which attributable to financial assets and liabilities valued at fair value via the income statement.	-	-

<sup>1</sup> Refers to brokerage income.

<sup>2</sup> Primarily pertains to commission income from mutual fund savings.

<sup>3</sup> Nordnet has changed the classification of currency exchange income generated from customers' trading in securities from net result of financial transactions to commission income. For more information, see Note 5 page 75.

## Note 9 Group – Interest income and interest expenses.

	2020	2019
<b>Interest income</b>		
Interest income on loans to credit institutions	119,111	67,434
Interest income on interest-bearing securities	113,543	59,333
Interest income on loans to the general public	546,095	488,818
Other interest income	8,364	4,659
<b>Total interest income</b>	<b>787,113</b>	<b>620,244</b>
<b>Interest expenses</b>		
Interest expenses for liabilities to credit institutions	-8,273	-6,293
Interest expenses on interest-bearing securities	-72,676	-41,913
Interest expenses for deposits and loans to the general public	-5,446	-11,907
Other interest expenses	-97,162	-62,398
<b>Total interest expenses</b>	<b>-183,557</b>	<b>-122,511</b>
<b>Net interest income</b>	<b>603,556</b>	<b>497,733</b>
Of which attributable to financial assets and liabilities valued at fair value via the income statement.		
Interest income	54,496	38,271
Interest expense	-44,836	-37,934

The average interest on lending to the public during the year was 3.04 percent (3.15). The average interest on deposits from the public during the year was 0.01 percent (0.03). Over the year, average interest on lending, excluding account credits, which are fully covered by pledged liquid funds in endowment insurance plans, was 3.25 percent (3.31).

## Note 10 Group – net result from financial transactions.

	2020	2019
Capital gains/losses, shares and participations	-9,931	66,962
Unrealised value changes, shares and participations	-678	-560
Capital gains/losses, interest-bearing securities	6,548	-762
Exchange income	-10,163	455
<b>Total net result from financial transactions</b>	<b>-14,224</b>	<b>66,095</b>
<b>Net profit/Net loss per category</b>		
Fair value through profit and loss	-10,609	66,402
Fair value through other comprehensive income	6,548	-762
Exchange income <sup>1</sup>	-10,163	455
<b>Total</b>	<b>-14,224</b>	<b>66,095</b>

<sup>1</sup> Nordnet has changed the classification of currency exchange income generated from customers' trading in securities from net result of financial transactions to commission income. For more information, please see Note 5 page 75.

## Note 11 Group – other operating income.

	2020	2019
Other account-related side-income	6,700	8,573
Fees from customers private loans	3,359	4,431
Revenues from market activities	10,133	13,516
Rental income	2,023	2,183
Fee for unlisted shares	4,422	4,102
Revenues related to IPOs	35,054	19,036
Other operating income	7,032	17,814
<b>Total</b>	<b>68,723</b>	<b>69,655</b>

## Note 12 Group – General transaction costs.

<b>General administration expenses</b>	2020	2019
Personnel expenses	-539,121	-505,880
Rental and property expenses	-27,567	-24,112
Other operational leasing expenses	-2,015	-1,858
Information expenses	-37,582	-61,261
System and communication expenses	-150,869	-154,279
Purchased services	-158,072	-117,807
Other general administration expenses	-76,443	-82,487
<b>Total general administration expenses</b>	<b>-991,669</b>	<b>-947,684</b>

## cont. Note 12 Group – General transaction costs.

Average number of employees covers the following geographical markets	2020	2019
<b>Sweden</b>	<b>466</b>	<b>426</b>
- of whom women	166	160
- of whom men	300	266
<b>Norway</b>	<b>30</b>	<b>36</b>
- of whom women	7	8
- of whom men	23	28
<b>Finland</b>	<b>34</b>	<b>32</b>
- of whom women	16	14
- of whom men	18	18
<b>Denmark</b>	<b>31</b>	<b>29</b>
- of whom women	15	13
- of whom men	16	16
<b>Total</b>	<b>561</b>	<b>523</b>
- of whom women	204	195
- of whom men	357	328
<b>Number of full-time employees at year-end</b>	<b>571</b>	<b>497</b>
<b>Of whom parent company</b>	<b>1</b>	<b>1</b>
- of whom women	-	-
- of whom men	1	1

	Parent company		Group	
	2020	2019	2020	2019
<b>Distribution of personnel expenses</b>				
Salaries and other remuneration	-6,879	-12,692	-404,331	-365,730
Social insurance contributions	-5,238	-6,859	-173,294	-153,869
- of which pension expenses incl social security expenses	-2,923	-2,971	-65,870	-57,938
Other personnel expenses	-597	-939	-21,392	-24,099
<b>Total personnel expenses</b>	<b>-12,714</b>	<b>-20,490</b>	<b>-559,017</b>	<b>-543,698</b>
Of which capitalized personnel expenses	-	-	59,896	37,818
<b>Total expensed personnel expenses</b>	<b>-12,714</b>	<b>-20,490</b>	<b>-539,121</b>	<b>-505,880</b>

## cont. Note 12 Group – General transaction costs.

	2020		2019	
	Salaries and other remuneration <sup>1</sup>	Social security expenses (of which pension expenses incl. social security expenses)	Salaries and other remuneration <sup>1</sup>	Social security expenses (of which pension expenses incl. social security expenses)
Group	-410,776	-173,294 (-65 870)	-365,730	-153,869 (-57 938)
Of which Board members, Chief Executive Officer and corresponding officials	-29,405	-14,726 (-6,659)	-33,648	-17,658 (-7 086)
Parent company <sup>2</sup>	-9,154	-5,238 (-2,923)	-15,250	-6,859 (-2 971)
Of which Board members and Chief Executive Officer	-9,154	-5,238 (-2,923)	-15,250	-6,859 (-2 971)

<sup>1</sup> Remuneration to the Board is reported among administrative expenses in the Parent Company and Group.

<sup>2</sup> The Parent Company only has one employee (CEO).

2020	Fixed remuneration	Benefits	Pension expenses	Fees	Total
<b>Board Chairman</b>					
Tom Dinkelspiel	-	-	-	-475	<b>-475</b>
<b>Other board members</b>					
Christopher Ekdahl	-	-	-	-475	<b>-475</b>
Jan Dinkelspiel	-	-	-	-400	<b>-400</b>
Christian Frick	-	-	-	-425	<b>-425</b>
Hans Larsson	-	-	-	-600	<b>-600</b>
Per Widerström	-	-	-	-400	<b>-400</b>
Karitha Ericsson	-	-	-	-425	<b>-425</b>
Anna Bäck as from 23/04/2020	-	-	-	-400	<b>-400</b>
<b>Chief Executive Officer</b>					
Lars-Åke Norling	-6,772	-107	-2,352		<b>-9,231</b>
<b>Other senior executives</b>					
12 people on average (whereof 1 consultant)	-19,997	-246	-3,007		<b>-23,250</b>
<b>Total</b>	<b>-26,769</b>	<b>-339</b>	<b>-6,359</b>	<b>-3,600</b>	<b>-36,080</b>

The Board fees pertain to the period April 2020 to March 2021.

## Cont. Note 12 Group – General transaction costs.

2019	Fixed remuneration	Benefits	Pension expenses	Fees	Total
<b>Board Chairman</b>					
Tom Dinkelpiel	-	-	-	-275	<b>-275</b>
<b>Other board members</b>					
Christopher Ekdahl	-	-	-	-275	<b>-275</b>
Jan Dinkelpiel	-	-	-	-275	<b>-275</b>
Christian Frick	-	-	-	-225	<b>-225</b>
Hans Larsson	-	-	-	-675	<b>-675</b>
Per Widerström	-	-	-	-300	<b>-300</b>
Pierre Siri	-	-	-	-250	<b>-250</b>
Karitha Ericsson as of 28/01/2019	-	-	-	-	-
<b>Chief Executive Officer</b>					
Anders Danielsson until 30/09/2019	-3,750		-1,333		<b>-5,083</b>
Lars-Åke Norling as from 02/09/2019	-6,750	-22	-603		<b>-7,375</b>
<b>Other senior executives</b>					
12 people on average (whereof 1 consultant)	-22,554	-367	-3,767		<b>-26,688</b>
<b>Total</b>	<b>-33,054</b>	<b>-389</b>	<b>-5,703</b>	<b>-2,275</b>	<b>-41,421</b>

The Board fees pertain to the period April 2019 to March 2020.

### Board of Directors.

Remuneration of Board members is payable according to resolution by the Extraordinary General Meeting on 10 September 2020. Remuneration paid to the Board members for 2020 was SEK 2,275 thousand (2,330). Fees to be paid for work on the Board's committees are SEK 25,000 per committee in which a member participates. A fee of SEK 50,000 will be paid to the chairman of the respective committees. For work in the Risk and Compliance Committee, SEK 150,000 is payable to the chair and SEK 75,000 to members. No other remuneration has been paid to the Board apart from minor travel expenses. There are no other agreements concerning pensions or severance pay.

Nordnet Bank offers personnel credits to all Group employees. The company has granted credits for margin lending to Board members in an amount of SEK 10 million (8), one residential mortgage to a Board member of SEK 10 million (10), of which utilized credits total SEK 10 million (10). The credits have been issued on market-based terms.

The table Remuneration of senior executives above includes expenses for the Board fees during the 2020 financial year. These are paid from Nordnet AB (publ).

The Board comprises 6 (7) men and 2 (1) women. The discussion and decision process applied with regard to remuneration to the Chairman of the Board takes place within the Board. Remuneration to the Board has been distributed in accordance with the Annual General Meeting's resolution. For information on Board members' shareholdings, please see the section Board of Directors on page 55 and forward in the Corporate Governance Report.

### Chief Executive Officer.

The provision for occupational pensions for 2020 amounts to 35 percent of pensionable salary. Pensionable salary refers to the basic salary including holiday pay. For the CEO, public rules apply regarding retirement age. The period of notice from the Company to the CEO is twelve months, and the period of notice from the CEO to the Company is six months.

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

## cont. Note 12 Group – General transaction costs.

### Other senior executives.

Other senior executives are defined as members of Group management excluding the CEO. The Group management team has changed over the year, and as at 31 December 2020, it comprised 9 (12) people in addition to the CEO, of whom 6 (9) are men and 3 (3) are women. One person is employed in Nordnet Bank's Norwegian branch, one is employed in Nordnet Bank's Finnish branch and one is employed in Nordnet Bank's Danish branch. The others are employed in Sweden. Remuneration in the above table relates to the time each individual has been part of the management team. Any salary adjustments or other remuneration for the company's management is proposed by the CEO to the Remuneration Committee, which has been commissioned by the Board to discuss such issues. Besides paid medical insurance, there are no special benefits for company management.

The period of notice towards other senior executives is six months on the part of the company, except for one person where the period of notice by the company is 11 months. The period of notice from other senior executives is six months, except for one person where the period of notice is 4 months. For the other senior executives, public rules on retirement age in the respective country of the person's employment apply.

Nordnet Bank offers personnel credits to all Group employees. As at 31 December 2020, the company had margin lending and personal loans to senior executives with approved limits totaling SEK 8,163 thousand (8,161), of which utilized credits amounted to SEK 1,937 thousand (1,940). Interest on unutilized credits resulted in no tax imposed on fringe benefits. No provisions relating to bad debts or expenses relating to bad debts to related parties have been reported during the financial year.

### Remuneration policy.

The Group has adopted a Remuneration Policy that regulates the remuneration system for the employees. The objective of this policy is to establish a remunera-

tion system for the Group that promotes a healthy and effective risk management and does not encourage exaggerated risk taking. The policy states that the Group has a general principle that employees have fixed remuneration based on responsibility and duties. Employees in the independent functions only receive fixed remuneration. The Board members in all Boards receive a fixed remuneration for their assignments on the Board. Employees in Nordnet that hold assignments in a Board receive no remuneration.

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

### Pension policy.

The Group's pension policy is a defined contribution plan applicable to all personnel within the Group. Pension expenses for the Group average approximately 15.8 percent (16.2) of pensionable salary, depending on age and salary. In 2020, the remaining defined-benefit pension plans that Nordnet took over in 2019 were ended in connection with the acquisition of Netfonds.

### Share-based incentive programs.

At the Extraordinary General Meeting on 24 November 2020, a resolution was passed to issue warrants as a part of an incentive program for all Nordnet Group employees. In total, the incentive program comprises 5,980,549 warrants, which were issued to the participants at market value. The number of warrants issued to each participant depends on the respective participant's function in the Group.

Each warrant can be exercised to subscribe for one (1) share in Nordnet AB (publ) during a subscription period that runs for four weeks after the publication of Nordnet AB's interim report for the third quarter of 2023. The exercise price for the warrants corresponds to 133 percent of the introduction price of SEK 96 on 25 November 2020, and cannot be less than the quota value on Nordnet AB's shares. In addition, if Nordnet AB's

Program	Subscription period	CEO	Other board members	Other members	Overdue / Repurchase	Total
LTIP	16/10/2023 - 30/11/2023	693,481	2,080,440	3,206,628	-	5,980,549

## cont. Note 12 Group – General transaction costs.

average share price exceeds 195% of the exercise price in connection with the new subscription of shares with the exercise of the warrants, a lower number of shares shall be applied that each warrant entitles subscription to.

Nordnet's costs for the incentive program are, besides costs for preparing and administering the incentive program, limited to costs that arise in Norway regarding social security contributions. These costs are affected by Nordnet AB (publ)'s share price at the time the warrants are exercised. Nordnet does not have any legal or constructive obligation to buy back or pay the warrants in cash.

The fair value of the warrants at the time of allotment has been established using the Black and Schole's model. The subscription price was set at SEK 7.21 per warrant. Significant input data to the model included the share price of SEK 96 as of the allocation date, the exercise price of SEK 127.68, volatility of 31%, estimated time to expiry of the warrants of 3 years and annualized risk free interest of 0.40%. As Nordnet was not listed until in connection with the issue of the warrants, the volatility is based on the historical volatility of companies that Nordnet considers to be closely comparable with.

For additional information, please refer to Note 31 Equity on page 125.

### Auditing costs.

<b>Deloitte</b>	<b>2020</b>	<b>2019</b>
Audit services	-7,762	-4,137
Audit services outside the assignment	-8,770	-1,643
Tax advice	-512	-277
Other services	-54	-1,159
<b>Total</b>	<b>-17,098</b>	<b>-7,216</b>

### Audit.

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

Activities beyond the audit assignment involve quality assurance measures, that is to say, in part, any review of management, the Articles of Association, statutes or agreements intended to result in a report, certificate or other document addressed to a party other than the principal and, in part, advice or other assistance occasioned by observations made during an audit. Reviews of interim financial reports are included in the audit assignment outside the assignment. Tax advice includes advice on income taxes and VAT. In 2020, audit services outside the assignment also includes services attributable to the IPO of Nordnet AB (publ), which amounted to SEK 7,575 thousand.

Other services include advice on accounting issues, services in connection with corporate/business changes and operational efficiency.

## cont. Note 12 Group – General transaction costs.

### Leasing.

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

The leasing payments are discounted with the marginal loan interest rate. Nordnet has chosen to use the rate that corresponds to a Swedish five-year government bond + 2 percent as an approximation for the loan interest rate for premises leases. Nordnet's weighted average marginal borrowing rate is 1.7 percent (1.6) as at 31 December 2020. In the contracts for leased vehicles, a variable interest rate is given.

Recognised in the balance sheet 2020 - IFRS 16	2020	2019
Assets with Right of use, reported under "tangible fixed assets"		
Office facilities	193,522	209,502
Cars	2,886	3,430
<b>Total</b>	<b>196,408</b>	<b>212,932</b>
Leasing liabilities, reported under "Other liabilities"		
Short-term	53,341	50,772
Long-term	146,258	163,668
<b>Total</b>	<b>199,599</b>	<b>214,440</b>
Depreciation of Right of use		
Office facilities	35,234	35,126
Cars	1,014	1,020
<b>Total</b>	<b>36,248</b>	<b>36,146</b>
Interest expenses (included in financial expenses)	4,306	3,324
Expenses attributable to short-term leases	6,451	5,862
Expenses attributable to low value leasing agreements (not short-term leasing)	1,154	2,605
Expenses attributable to variable lease payments that are not included in lease liabilities	13,544	12,707
Revenue from subletting of Right of use	2,023	2,183
Cash flow attributable to leasing agreements	34,509	34,633

## Note 13 Group – Amortization, depreciation and impairment of tangible and intangible assets.

	2020	2019
Brands, amortization	-7,005	-5,780
Customer relations, amortization	-27,980	-37,233
Capitalized expenditure on development work, depreciation	-58,667	-57,063
Capitalized expenditure on development work, write-downs	-2,384	-9,002
Tangible assets, depreciation	-25,835	-29,109
Right-of-use assets	-36,248	-36,146
<b>Total</b>	<b>-158,119</b>	<b>-174,334</b>

## Note 14 Group – Other operating expenses.

	2020	2019
Marketing and sales	-29,306	-31,589
Bank expenses	-7,409	-7,189
Corporate insurance	-6,916	-1,500
<b>Total</b>	<b>-43,631</b>	<b>-40,278</b>

## Note 15 Group – Credit losses, net.

	2020	2019
<b>Change of the year, stages</b>		
Loan receivables stage 1	81	-624
Loan receivables stage 2	3,198	3,026
Loan receivables stage 3	-6,915	-5,244
<b>Total</b>	<b>-3,636</b>	<b>-2,842</b>
<b>Confirmed credit losses</b>		
Write-off for the period for confirmed losses	-32,731	-30,869
Recoveries of previously confirmed losses	4	66
<b>Total</b>	<b>-32,367</b>	<b>-30,803</b>
<b>Total net credit losses for the period</b>	<b>-38,703</b>	<b>-33,645</b>

All confirmed credit losses are attributable to personal loans in lending to the public. For reservations per product, refer to Note 20.

## Note 16 Group – Taxes.

	2020	2019
<b>Tax charged to income</b>		
<b>Current tax expense (-)/ tax income (+)</b>		
Adjustment current tax for previous years	-3,543	1,389
Current tax	-270,646	-52,005
<b>Deferred tax expense (-)/ tax income (+)</b>		
Deferred tax related to temporary differences	312	12,692
<b>Tax on net income for the year</b>	<b>-273,877</b>	<b>-37,924</b>

## Cont. Note 16 Group – Taxes.

Reconciliation of effective tax	2020	2019
<b>Profit before tax</b>	1,446,610	377,418
Tax expense in the income statement	-18.9%	-273,877
Tax as per current tax rate for the Parent Company	-21.4%	-309,575
<b>Difference</b>	<b>2.5%</b>	<b>35,698</b>
<b>The difference consists of the following items:</b>		
Effect of profit charged with tax on returns	3.6%	52,511
Effect of non-deductible expenses/non-taxable income	0.6%	8,758
Effect of non-deductible foreign tax	-0.7%	-10,824
Effect of corrected tax from previous years	-0.2%	-3,543
Effect of untaxed reserves	-0.6%	-8,013
Effect of implementation of IFRS 16	0.0%	-
Effect of tax deficits	-0.1%	-1,086
Others	-0.1%	-2,105
<b>Reported effective tax</b>	<b>2.5%</b>	<b>35,698</b>
<b>Deferred tax, recognised in the balance sheet</b>	<b>2020</b>	<b>2019</b>
<b>Opening balance, deferred tax assets</b>	2,798	-
Recognized in the income statement	-2,066	1,958
Recognized in equity	-	840
The year's translation difference	-98	-
<b>Closing balance, deferred tax asset</b>	<b>634</b>	<b>2,798</b>
<b>Deferred tax is attributable to:</b>		
Financial lease	634	316
Acquisition	-	840
Tax deficits	-	1,642
	<b>634</b>	<b>2,798</b>
<b>Opening balance, deferred tax liabilities</b>	<b>-82,554</b>	<b>-23,187</b>
Recognised in the income statement	10,391	10,733
Untaxed reserves	-8,013	-
Recognized in equity, Netfonds goodwill	-	-70,082
Conversion differences for the year	6,945	-18
<b>Closing balance, deferred tax liabilities</b>	<b>-73,231</b>	<b>-82,554</b>
<b>Deferred tax is attributable to:</b>		
Untaxed reserves	-8,013	-
Temporary differences in depreciation	-61,502	-11,145
Acquired intangible assets	-	-64,946
Other provisions	-3,716	-6,463
<b>Total</b>	<b>-73,231</b>	<b>-82,554</b>

The current tax asset of SEK 12,159 thousand (63,597) is mainly attributable to Nordnet Bank AB.

Current tax liabilities of SEK 199,995 (92,178) are mainly attributable to Nordnet Pensionsförsäkring AB.

These taxes will be paid during 2021. The reduction of the corporate tax rate to 20.6 percent from the financial year beginning in 2021 will not have any material impact on Nordnet's financial position.

## Note 17 Group – Segments.

2020					
Market (SEK million)	Sweden	Norway	Denmark	Finland	Total
<b>Commission income</b>					
Commission income - transaction-related	440.0	346.2	409.3	487.0	<b>1,682.5</b>
Commission income - non transaction-related	257.6	97.8	34.1	25.1	<b>414.6</b>
Currency income	133.1	116.7	184.1	77.8	<b>511.7</b>
<b>Total commission income</b>	<b>831.2</b>	<b>560.7</b>	<b>627.5</b>	<b>589.9</b>	<b>2,609.3</b>
<b>Commission expenses</b>	<b>-177.8</b>	<b>-177.7</b>	<b>-88.1</b>	<b>-145.1</b>	<b>-588.7</b>
<b>Net commission income</b>	<b>653.4</b>	<b>383.0</b>	<b>539.4</b>	<b>444.8</b>	<b>2,020.6</b>
<b>Net interest income</b>					
Loans to credit institutions	105.9	12.2	0.4	0.6	<b>119.1</b>
Bonds and other interest bearing securities	31.3	76.0	2.4	3.9	<b>113.6</b>
Loans to the general public	348.9	66.7	79.6	50.8	<b>546.0</b>
Other interest income	3.9	2.2	1.4	0.8	<b>8.3</b>
<b>Total interest income</b>	<b>489.9</b>	<b>157.1</b>	<b>83.9</b>	<b>56.2</b>	<b>787.1</b>
<b>Interest expenses</b>	<b>-66.2</b>	<b>-15.0</b>	<b>-52.2</b>	<b>-50.1</b>	<b>-183.6</b>
<b>Net interest income</b>	<b>423.6</b>	<b>142.2</b>	<b>31.7</b>	<b>6.1</b>	<b>603.5</b>
Net result of financial transactions	-0.3	-4.8	-5.0	-4.1	<b>-14.2</b>
Other operating income	30.0	-0.1	11.0	27.8	<b>68.7</b>
<b>Total operating income</b>	<b>1,106.7</b>	<b>520.3</b>	<b>577.1</b>	<b>474.6</b>	<b>2,678.7</b>
<b>Total operating expenses</b>	<b>-473.2</b>	<b>-259.8</b>	<b>-220.7</b>	<b>-239.7</b>	<b>-1,193.4</b>
<b>Result before credit losses</b>	<b>633.5</b>	<b>260.5</b>	<b>356.4</b>	<b>234.8</b>	<b>1,485.3</b>
Net credit losses	-38.8	-0.1	-0.1	0.2	<b>-38.7</b>
<b>Operating profit</b>	<b>594.8</b>	<b>260.5</b>	<b>356.3</b>	<b>235.0</b>	<b>1,466.6</b>

No customer accounts for more than 10% of the Group's income.

## Cont. Note 17 Group – Segments.

2019	Sweden	Norway	Denmark	Finland	Total
<b>Market (SEK million)</b>					
<b>Commission income</b>					
Commission income - transaction-related	228.5	130.3	167.7	200.5	<b>727.0</b>
Commission income - non transaction-related	223.4	77.4	27.0	15.4	<b>343.1</b>
Currency income	58.1	31.5	66.7	20.6	<b>176.9</b>
<b>Total commission income</b>	<b>509.9</b>	<b>239.2</b>	<b>261.4</b>	<b>236.6</b>	<b>1,247.0</b>
<b>Commission expenses</b>	<b>-129.0</b>	<b>-73.0</b>	<b>-36.8</b>	<b>-68.4</b>	<b>-307.2</b>
<b>Net commission income</b>	<b>381.0</b>	<b>166.2</b>	<b>224.6</b>	<b>168.1</b>	<b>939.9</b>
 <b>Net interest income<sup>1</sup></b>	 <b>360.6</b>	 <b>120.3</b>	 <b>4.9</b>	 <b>12.0</b>	 <b>497.7</b>
 Net result of financial transactions	 15.2	 15.4	 17.5	 18.0	 <b>66.1</b>
 Other operating income	 32.8	 8.2	 7.0	 21.6	 <b>69.7</b>
<b>Total operating income</b>	<b>789.5</b>	<b>310.2</b>	<b>253.9</b>	<b>219.8</b>	<b>1,573.4</b>
 <b>Total operating expenses</b>	 <b>-488.0</b>	 <b>-277.2</b>	 <b>-190.0</b>	 <b>-207.0</b>	 <b>-1,162.3</b>
 <b>Result before credit losses</b>	 <b>301.5</b>	 <b>33.0</b>	 <b>63.9</b>	 <b>12.7</b>	 <b>411.1</b>
 Net credit losses	 -32.2	 -0.6	 -1.0	 0.2	 <b>-33.6</b>
 <b>Operating profit</b>	 <b>269.3</b>	 <b>32.4</b>	 <b>62.8</b>	 <b>12.9</b>	 <b>377.4</b>

<sup>1</sup> In 2019, interest-bearing securities were recognized net, hence are not comparable.

## Note 18 Group – Treasury bills and other eligible bills, etc.

	2020	2019
Treasury bills	258,290	722,578
Other interest bearing securities eligible for refinancing	30,021,269	21,313,277
<b>Total</b>	<b>30,279,559</b>	<b>22,035,855</b>

Loss provisions in step 1 are included in an amount of SEK 442 thousand (139) in the table above.

## Note 19 Group – Lending to credit institutions.

	2020	2019
Liquid assets	2,895,732	2,281,612
<b>Contains of</b>		
Loans to credit institutions <sup>1</sup>	2,292,179	505,193
Assets in the insurance business	603,553	1,776,419

<sup>1</sup> Assets in the insurance business are included in the item Assets where the customer bears the investment risk.

## Note 20 Group – Lending to the public.

2020	Stage 1	Stage 2	Stage 3	2020
Amortized cost	18,245,843	2,057,481	113,488	20,416,812
Provisions for expected credit losses	-21,928	-21,251	-61,777	-104,956
<b>Total lending to the public</b>	<b>18,223,915</b>	<b>2,036,230</b>	<b>51,711</b>	<b>20,311,856</b>
Personal loans	Stage 1	Stage 2	Stage 3	2020
Amortized cost	3,768,451	221,476	87,822	4,077,749
Provisions for expected credit losses	-21,615	-20,454	-39,697	-81,766
<b>Total</b>	<b>3,746,836</b>	<b>201,022</b>	<b>48,125</b>	<b>3,995,983</b>
Margin loans	Stage 1	Stage 2	Stage 3	2020
Amortized cost	9,762,215	57,999	25,666	9,845,880
Provisions for expected credit losses	-313	-790	-22,080	-23,183
<b>Total</b>	<b>9,761,902</b>	<b>57,209</b>	<b>3,586</b>	<b>9,822,697</b>
Residential mortgages	Stage 1	Stage 2	Stage 3	2020
Amortized cost	4,715,177	1,778,006	-	6,493,183
Provisions for expected credit losses	-	-7	-	-7
<b>Total</b>	<b>4,715,177</b>	<b>1,777,999</b>	<b>-</b>	<b>6,493,176</b>
2019	Stage 1	Stage 2	Stage 3	2019
Amortized cost	14,623,778	1,507,942	94,722	16,226,442
Provisions for expected credit losses	-21,843	-24,450	-52,231	-98,665
<b>Total lending to the public</b>	<b>14,601,934</b>	<b>1,483,492</b>	<b>42,491</b>	<b>16,127,777</b>
Personal loans	Stage 1	Stage 2	Stage 3	2019
Amortized cost	3,822,194	236,424	70,194	4,128,812
Provisions for expected credit losses	-21,702	-23,943	-32,573	-78,218
<b>Total</b>	<b>3,800,492</b>	<b>212,481</b>	<b>37,621</b>	<b>4,050,594</b>
Margin loans	Stage 1	Stage 2	Stage 3	2019
Amortized cost	7,506,709	50,935	24,528	7,582,172
Provisions for expected credit losses	-145	-501	-19,796	-20,442
<b>Total</b>	<b>7,506,564</b>	<b>50,434</b>	<b>4,732</b>	<b>7,561,730</b>
Residential mortgages	Stage 1	Stage 2	Stage 3	2019
Amortized cost	3,294,872	1,220,583	-	4,515,455
Provisions for expected credit losses	-	-5	-	-5
<b>Total</b>	<b>3,294,872</b>	<b>1,220,578</b>	<b>-</b>	<b>4,515,450</b>

## Cont. Note 20 Group – Lending to the public.

Consolidated credit loss reserve - total lending to the public	Stage 1	Stage 2	Stage 3	Total
<b>Opening balance January 1, 2020</b>	<b>21,984</b>	<b>24,450</b>	<b>52,231</b>	<b>98,665</b>
Currency effects and other	-340	-36	631	255
Write-downs recognized credit losses	-56	-3,752	-3,430	-7,238
New financial assets	6,014	2,090	2,410	10,514
Transfers and reservation changes: <sup>1</sup>				
-to 12-month expected credit losses	-223	-4,984	-818	-6,025
-to expected maturity credit losses (no default)	-1,058	10,339	-111	9,170
-to expected maturity credit losses (default)	-172	-1,396	11,456	9,888
Repayment	-4,221	-5,460	-2,592	-12,273
Changes in models/parameters	-	-	2,000	2,000
<b>Closing balance December 31, 2020</b>	<b>21,928</b>	<b>21,251</b>	<b>61,777</b>	<b>104,956</b>

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

<sup>1</sup> The three lines that show transfers and reserve changes reflect the three steps according to IFRS 9. Each line shows how the reserves for the respective step changed during the year. The reserves for loans moved to another step were removed and the reserves for the loans that were added from the other two steps were added. In addition, the reserve change for loans that remain in the same step is added. The reserve changing even though the loan remains in the same step is due to the credit risk on the loan changing during the year. The reserve decreasing may be due to the customer being considered less risky, the macroeconomic outlook improving or the size of the loan decreasing.

## Cont. Note 20 Group – Lending to the public.

For margin lending and residential mortgages, analyses and stress tests show a low correlation between macroeconomic forecasts and expected credit losses. Instead, it is the customers' portfolio concentrations and unforeseen events in the market that will lead to future credit losses, which is not reflected in macroeconomic forecasts. Therefore, no macrovariables are included as individual variables in the calculations of the reserves for margin lending and residential mortgages.

For personal loans, there is a high correlation between the macroeconomic forecasts and expected credit losses. How large the impact of macroeconomic factors share is of the total reserves for personal loans is shown in the table below.

2020 - Personal loans	Stage 1	Stage 2	Stage 3	Total
Amortized cost	3,768,451	221,476	87,822	4,077,749
Provisions for expected credit losses	-21,615	-20,454	-39,697	-81,766
of which macro impact	-1,495	-1,124	-79	-2,698
Reservation rate %	1%	9%	45%	2%

2019 - Personal loans	Stage 1	Stage 2	Stage 3	Total
Amortized cost	3,822,194	236,424	70,194	4,128,812
Provisions for expected credit losses	-21,702	-23,943	-32,573	-78,218
of which macro impact	-387	-248	-10	-644
Reservation rate %	1%	10%	46%	2%

Given borrowers' places of domicile, the company's loan receivables are attributable to <sup>1</sup>	2020	2019
Sweden	14,534,370	11,666,171
Norway	1,931,805	1,728,641
Finland	2,147,804	1,512,002
Denmark	1,697,877	1,220,962
<b>Total</b>	<b>20,311,856</b>	<b>16,127,777</b>

Loan receivables are distributed as follows		
Households in Scandinavia	18,358,460	15,550,136
Non-financial corporate sector	1,887,247	575,912
Other	66,149	1,729
<b>Total</b>	<b>20,311,856</b>	<b>16,127,777</b>

Given borrowers' places of domicile, the company's reserve for anticipated credit losses is attributable to		
Sweden	-90,098	-85,165
Norway	-7,159	-6,768
Finland	-2,995	-2,767
Denmark	-4,704	-3,965
<b>Total</b>	<b>-104,956</b>	<b>-98,665</b>

<sup>1</sup> Residential mortgages and personal loans only occur in Sweden.

Of lending to the public, SEK 640.4 million (482.6) 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.

Personal loans comprise SEK 3,996 million (4,051) of lending to the public. The remainder of lending to the public is secured by collateral in the form of securities.

## Note 21 Group – Bonds and other interest-bearing securities.

	2020	2019
Issued by government bodies	999,364	992,473
Issued by other borrowers	1,337,076	571,219
<b>Total</b>	<b>2,336,440</b>	<b>1,563,692</b>

Interest-bearing securities entail investments of the company's surplus deposits – primarily in bonds. Provision for expected credit losses is included in the recognized amount in an immaterial amount.

## Note 22 Group – Shares and participations.

	2020	2019
Shares and participations, listed	6,607	5,959
Shares and participations, unlisted	707	616
<b>Total</b>	<b>7,314</b>	<b>6,575</b>

<sup>1</sup> Unlisted shares and participations measured at fair value. For more information, see Note 32.

## Note 23 Group – Assets and liabilities where the customer bears the investment risk.

	2020	2019
<b>Financial assets where the policyholder bears the risk of investments</b>		
Shares and participations	93,359,736	61,945,426
Interest-bearing securities	1,026,717	1,226,892
Derivatives	523,167	477,375
Cash and cash equivalents <sup>1</sup>	7,781,647	6,439,532
<b>Total assets in the insurance business</b>	<b>102,691,267</b>	<b>70,089,225</b>
<b>Liabilities in the insurance business</b>		
Life insurance provision	34,934	24,425
Claims outstanding	2,101	1,856
Fund insurance obligations	4,618,835	2,985,164
Conditional bonus	98,037,413	67,079,636
<b>Total liabilities in the insurance business</b>	<b>102,693,283</b>	<b>70,091,081</b>
Of which liabilities relating to investment contracts	102,639,368	70,091,081
of which liabilities relating to insurance contracts	-	-

<sup>1</sup> Distributed to loans to credit institutions SEK 2,292,179 thousand (1,776,419) and assets held for sale SEK 5,489,468 thousand (4,663,113).

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

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

## Note 24 Group – Intangible fixed assets.

							Capitalized expenditure on development work		Total	
	Goodwill		Brands		Customer relations		2020	2019	2020	2019
	2020	2019	2020	2019	2020	2019				
<b>Accumulated costs</b>										
On 1 January	461,350	222,182	25,393	12,050	618,475	347,500	639,189	547,865	1,744,407	1,129,597
Acquisition	-	238,626	-	13,343	-	271,107	-	-	-	523,076
Additions	-	-	-	-	-	-	93,063	91,293	93,063	91,293
Divestments and disposals	-	-	-	-	-	-	-6,623	-	-6,623	-
Conversion differences for the year	-21,307	542	-1,171	-	-37,508	-132	-97	31	-60,083	441
	<b>440,043</b>	<b>461,350</b>	<b>24,222</b>	<b>25,393</b>	<b>580,967</b>	<b>618,475</b>	<b>725,726</b>	<b>639,189</b>	<b>1,770,764</b>	<b>1,744,407</b>
<b>Accumulated amortization and impairments</b>										
On 1 January	-32,157	-32,210	-17,820	-12,040	-334,875	-294,729	-442,455	-376,359	-827,307	-715,338
Amortization for the year	-	-	-7,005	-5,780	-27,980	-37,233	-58,667	-57,063	-93,652	-100,076
Write-downs for the year	-	-	-	-	-	-	-2,384	-9,002	-2,384	-9,002
Divestments and disposals	-	-	-	-	-	-	6,623	-	6,623	-
Conversion differences for the year	428	53	603	-	11,638	-2,913	-97	-31	-12,766	-2,891
	<b>-31,729</b>	<b>-32,157</b>	<b>-24,222</b>	<b>-17,820</b>	<b>-351,217</b>	<b>-334,875</b>	<b>-496,980</b>	<b>-442,455</b>	<b>-929,486</b>	<b>-827,307</b>
<b>Carrying amount at the end of the year</b>	<b>408,314</b>	<b>429,193</b>	-	<b>7,573</b>	<b>229,750</b>	<b>283,600</b>	<b>228,746</b>	<b>196,734</b>	<b>841,278</b>	<b>917,100</b>

### Goodwill and acquisition-related intangible assets.

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

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

accumulated impairment losses. Acquisition-related intangible assets with an indefinite useful life are tested annually for impairment in the same way as goodwill. Goodwill and intangible assets with indefinite useful lives are allocated to a CGU comprising the respective countries in which Nordnet operates. Each year, the Group examines if there is any impairment need per country for goodwill and intangible assets with indefinite useful lives. The recovery value for CGUs has been set by calculating utility value. These calculations are based on estimated future cash flows based on financial projections approved by management and covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate.

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

## Cont. Note 24 Group – Intangible fixed assets.

SEK thousands	Goodwill		Brands		Customer relations	
	2020	2019	2020	2019	2020	2019
<b>Sweden</b>						
AD Aktiedirekt AB	29,697	29,697	-	-	-	-
Deriva Financial Services AB	6,876	6,876	-	-	-	-
Konsumentkredit	63,749	63,749	-	-	-	-
Operations acquired from Öhman	5,899	5,899	-	-	-	-
Shareville	2,312	2,312	-	-	-	-
<b>Total Sweden</b>	<b>108,533</b>	<b>108,533</b>	-	-	-	-
<b>Finland</b>						
eQ	-	-	-	-	9,142	16,626
<b>Total Finland</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,142</b>	<b>16,626</b>
<b>Norway</b>						
Stocknet Securities AS	75,867	84,092	-	-	10,516	14,763
Netfonds Bank AS	215,528	227,275	-	7,573	210,092	252,211
Netfonds Liv AS	8,385	9,293	-	-	-	-
<b>Total Norway</b>	<b>299,781</b>	<b>320,660</b>	-	<b>7,573</b>	<b>220,608</b>	<b>266,974</b>
<b>Total</b>	<b>408,314</b>	<b>429,193</b>	-	<b>7,573</b>	<b>229,750</b>	<b>283,600</b>

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

In addition, an average discount rate in local currency before tax has been used. The discount rate has been determined by calculating the weighted capital cost (WACC) for each country, which is based on the market's risk-free interest rate, the market's return requirement and the specific risk of the asset. The discount rate is in the range 8.64-15.86 percent (9.40-9.75) before tax, which corresponds to the calculated return requirement for each country. Net cash flow refers to the amount theoretically available as a dividend or alternatively contributed as a capital contribution. The Finnish customer relations are attributable to the acquisition of eQ. The customer relations in the acquisition of eQ were originally measured at SEK 148.0 million. This is amortized over an average of 11 years, reflecting the estimated useful life. The carrying amount

is SEK 9.1 million (16.6), with a remaining period of amortization of 1.3 years.

The Norwegian customer relations regarding Netfonds were identified in connection with the acquisition of Netfonds Bank AS. The carrying amount is SEK 210.1 million (252.2). The amortization period is 15 years, reflecting the estimated useful life. The remaining period of amortization is 13.4 years.

The value of the Norwegian customer relations regarding Stocknet was identified in connection with the acquisition of Stocknet Securities ASA. The carrying amount is SEK 10.5 million (14.7). The amortization period is 20 years, reflecting the estimated useful life. The remaining period of amortization is 3.8 years.

All development costs that meet the criteria of IAS 38 are capitalized in the form of capitalized development costs for development work. Costs for improvements are expensed on a continual basis in the income statement. The carrying amount for Nordnet's three most significant development projects amounts to SEK 180.7 million, which is related to Next Nordnet, New Mobile Application and Customer Journeys. Development is ongoing and the amortization period is on straight-line basis over three to seven years. Balanced personnel-related expenses amount to SEK million 59.9 (37.8).

## Note 25 Group – Tangible fixed assets.

Group, SEK thousands	2020	2019
<b>Accumulated cost</b>		
On 1 January	579,814	308,137
Additions	11,879	13,387
Acquisitions	-	32,666
Right of use assets, lease	16,675	249,078
Divestments and disposals	-4,534	-24,300
Conversion differences for the year	-2,044	846
	<b>601,790</b>	<b>579,814</b>
<b>Accumulated depreciation</b>		
On 1 January	-272,990	-205,374
Depreciation for the year	-25,835	-29,109
Acquisitions	-	-26,144
Right of use assets, lease	-33,200	-36,146
Divestments and disposals	1,604	24,300
Conversion differences for the year	574	-517
	<b>-328,847</b>	<b>-272,990</b>
<b>Carrying amount at the end of the year</b>		
	<b>272,943</b>	<b>306,824</b>

Accumulated acquisition values include fees for improvement of someone else's property, amounting to SEK 81,829 thousand (81,721), which relates to subsidiary Nordnet Bank AB. The depreciation plan is based on a useful life of 60 months, and the residual value according to plan amounts to SEK 32,628 thousand (37,803). A linear method is used when depreciating tangible fixed assets.

At the transition to IFRS 16 on 1 January 2019, assets increased by SEK 239.3 million in right of use assets, which in the balance sheet are recognized as Tangible fixed assets and allocated as follows: right of use to premises and buildings SEK 234.1 million, right of use to vehicles SEK 5.2 million.

## Note 26 Group – Other assets.

Other assets	2020	2019
Liquid fund receivables regarding unsettled transactions	7,059,103	3,066,849
Other assets	169,532	301,653
<b>Total</b>	<b>7,228,635</b>	<b>3,368,502</b>

Gross liquid fund receivables amount to SEK 7,059,103 thousand (3,079,966). Other assets are made up entirely of current receivables due within a year.

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

31/12/2020			
SEK million	Gross amount for assets	Gross amount for liabilities set off against assets	Net amount in the Balance Sheet
<b>Other assets</b>			
Unsettled transactions	7,059.1	0.0	7,059.1
<b>Total</b>	<b>7,059.1</b>	<b>0.0</b>	<b>7,059.1</b>

SEK million	Gross amount for liabilities	Gross amount for assets set off against liabilities	Net amount in the Balance Sheet
<b>Other liabilities</b>			
Unsettled transactions	7,600.1	0.0	7,600.1
<b>Total</b>	<b>7,600.1</b>	<b>0.0</b>	<b>7,600.1</b>

SEK million	Gross amount for assets	Gross amount for liabilities set off against assets	Net amount in the Balance Sheet
<b>Other assets</b>			
Unsettled transactions	3,080.0	-13.1	3,066.9
<b>Total</b>	<b>3,080.0</b>	<b>-13.1</b>	<b>3,066.9</b>

SEK million	Gross amount for liabilities	Gross amount for assets set off against liabilities	Net amount in the Balance Sheet
<b>Other liabilities</b>			
Unsettled transactions	3 298,5	-13,1	3 285,4
<b>Total</b>	<b>3 298,5</b>	<b>-13,1</b>	<b>3 285,4</b>

## Note 27 Group – Prepaid expenses and accrued income.

Prepaid expenses and accrued income	2020	2019
Prepaid expenses	68,739	54,158
Accrued interest income	43,333	67,705
Accrued commission income	113,868	82,607
Issue payment for warrants	43,120	-
Other accrued income	12,363	2,177
<b>Total</b>	<b>281,423</b>	<b>206,647</b>

## Note 28 Group – Deposits and borrowing by the public.

Deposits and borrowing by the public	2020	2019
Sweden	27,150,990	20,019,499
Norway	7,750,383	5,326,309
Finland	12,446,139	9,563,626
Denmark	12,986,923	10,102,243
Deposits in Nordnet Pensionsförsäkring AB and Nordnet Livsforsikring AS <sup>1</sup>	-7,781,647	-6,439,532
<b>Total</b>	<b>52,552,788</b>	<b>38,572,145</b>

<sup>1</sup> Recognized as actuarial liabilities in the consolidated balance sheet

## Note 29 Group – Other liabilities.

Other liabilities	2020	2019
Liquid fund liabilities regarding unsettled transactions	7,600,124	3,285,364
Accounts payable	50,057	34,430
Lease liability	199,628	214,440
Other liabilities	126,547	13,483
<b>Total</b>	<b>7,976,356</b>	<b>3,547,717</b>

Gross liquid fund liabilities for the year amount to SEK 7,600,124 thousand (3,298,481).

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

## Note 30 Group – Accrued expenses and deferred income.

Accrued expenses and deferred income	2020	2019
Personnel related expenses	63,074	49,275
Accrued interest expenses	17,584	18,900
Accrued commission expenses	47,332	11,332
Accrued expenses hence to IPO	60,150	-
Other accrued expenses <sup>1</sup>	97,569	80,360
<b>Total accrued expenses and deferred income</b>	<b>285,709</b>	<b>159,867</b>

<sup>1</sup> The largest component is attributable to accrued administrative costs in the operating activities.

## Note 31 Group – Equity.

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

### Share capital.

The total number of fully paid shares amounts to 250,000,000 (1,039,545) with a par value of SEK 1.00 (1.00). The par value is defined as share capital divided by the number of shares. Holders of ordinary shares are entitled to a dividend set at the Annual General Meeting and the shareholding entitles to one vote per share at the Annual General Meeting.

On 10 September, the Annual General Meeting of Nordnet AB (publ) resolved to increase the number of shares in the company from 1,039,545 shares to 249,490,800 shares by means of a share split. The General Meeting further resolved to increase the share capital by SEK 2,212.67 through a bonus issue with comprising 509,200 new fund units. Finally, the Annual General Meeting resolved to increase the share capital by a further SEK 208,333.33 through a bonus issue. No shares were issued in connection with the aforementioned increase in the share capital. With these issues having been completed, the company's share capital amounts to SEK 1,250,000 and 250,000,000 shares.

### Other capital contributions.

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

During the autumn, Nordnet introduced an incentive program for the Group's employees. 5,980,549 warrants were issued at a value of SEK 43,120 thousand. For additional information, please refer to Note 12 General transaction costs on page 105.

### Tier 1 capital instruments.

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

In the first quarter of 2019, Nordnet issued a Tier 1 capital contribution (AT1) of SEK 500 million. The instruments have an indefinite maturity, with the first redemption after five years and runs with interest of three-month Stibor + 6.75 percent. The bonds are listed on Nasdaq Stockholm.

### Other provisions.

#### Fair value reserve

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

#### Reserve for translation differences

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

For the year's change in other reserves, see table on next page.

#### Retained earnings.

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

#### Dividend.

No dividend was paid for 2019. The Board of Directors of Nordnet AB decided to withdraw the dividend proposal made for the 2020 Annual General Meeting. The Annual General Meeting resolved on 23 April 2020 in accordance with this.

## Cont. Note 31 Group – Equity.

<b>Equity</b>	<b>2020</b>	<b>2019</b>
<b>Translation reserve</b>		
Opening balance	-71,177	-79,878
Translation difference, foreign subsidiary	-49,530	9,618
Tax on taxable part of translation difference, foreign subsidiaries	839	-917
<b>Closing balance</b>	<b>-119,868</b>	<b>-71,177</b>
<b>Fair value reserve</b>		
Opening balance	-4,965	-5,136
Change in value, financial assets at fair value through other comprehensive income, net after tax	24,478	171
<b>Closing balance</b>	<b>19,513</b>	<b>-4,965</b>
<b>Total</b>		
Opening balance	-76,142	-85,014
Translation difference, foreign subsidiary	-48,691	8,701
Change in value, financial assets at fair value through other comprehensive income	24,478	171
<b>Closing balance</b>	<b>-100,355</b>	<b>-76,142</b>

## Note 32 Group – Categorization of financial instruments.

2020	Fair value through consolidated income statement					Non financial instruments	Total
	Amortized cost	Held for trading	Other business models	Fair value through other comprehensive income			
Cash and balances in Central banks	3,100,458	-	-	-	-	-	3,100,458
Treasury bills and other interest bearing securities eligible for refinancing	20 934 962 <sup>1</sup>	-	-	9,344,602	-	-	30,279,564
Loans to credit institutions	603,553	-	-	-	-	-	603,553
Loans to the general public	20,311,856	-	-	-	-	-	20,311,856
Bonds and other interest bearing securities	1,487,210	-	-	849,230	-	-	2,336,440
Shares and participations, listed	-	6,607	-	-	-	-	6,607
Shares and participations, non-listed	-	707	-	-	-	-	707
Assets for which customers bear the investment risk	2,292,179	-	94,909,620	5,489,468	-	-	102,691,267
Other assets	7,228,635	-	-	-	-	12,159	7,240,795
Prepaid expenses and accrued income	281,423	-	-	-	-	-	281,423
<b>Total assets</b>	<b>56,240,277</b>	<b>7,314</b>	<b>94,909,620</b>	<b>15,683,299</b>	<b>12,159</b>	<b>166,852,669</b>	
<b>Liabilities</b>							
Deposits and borrowing from the general public	52,552,788	-	-	-	-	-	52,552,788
Liabilities for which customers bear the investment risk	-	-	102,693,283	-	-	-	102,693,283
Other liabilities	7,976,356	-	-	-	-	273,186	8,249,542
Accrued expenses	285,709	-	-	-	-	-	285,709
<b>Total liabilities</b>	<b>60,814,853</b>	<b>-</b>	<b>102,693,283</b>	<b>-</b>	<b>273,186</b>	<b>163,781,322</b>	

<sup>1</sup> The market value for 2020 amounted to SEK 21,013,270 thousand.

2019	Fair value through consolidated income statement					Non financial instruments	Total
	Amortized cost	Held for trading	Other business models	Fair value through other comprehensive income			
Cash and balances in Central banks	409,538	-	-	0	0	-	409,538
Treasury bills and other interest bearing securities eligible for refinancing	8,845,447 <sup>1</sup>	-	-	13,190,408	0	-	22,035,855
Loans to credit institutions	505,193	-	-	0	0	-	505,193
Loans to the general public	16,127,777	-	-	0	0	-	16,127,777
Bonds and other interest bearing securities	740,636	-	-	823,056	0	-	1,563,692
Shares and participations, listed	-	5,959	-	0	0	-	5,959
Shares and participations, non-listed	-	616	-	-	-	-	616
Assets for which customers bear the investment risk	1,776,419	-	63,649,693	4,663,113	-	-	70,089,225
Other assets	3,368,502	-	-	0	63,597	-	3,432,099
Prepaid expenses and accrued income	206,647	-	-	0	0	-	206,647
<b>Total assets</b>	<b>31,980,159</b>	<b>6,575</b>	<b>63,649,693</b>	<b>18,676,577</b>	<b>63,597</b>	<b>63,597</b>	<b>114,376,601</b>
<b>Liabilities</b>							
Deposits and borrowing from the general public	38,572,145	-	-	-	-	-	38,572,145
Liabilities for which customers bear the investment risk	-	-	70,091,081	-	-	-	70,091,081
Other liabilities	3,547,717	-	-	-	174,732	-	3,722,449
Accrued expenses	159,866	-	-	-	-	-	159,866
<b>Total liabilities</b>	<b>42,279,728</b>	<b>-</b>	<b>70,091,081</b>	<b>-</b>	<b>174,732</b>	<b>174,732</b>	<b>112,545,541</b>

<sup>1</sup> The market value for 2019 amounted to SEK 8,840,788 thousand.

## Cont. Note 32 Group – Categorization of financial instruments.

### Determination of fair value of financial instruments.

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

The methods are divided into three different levels:

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

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

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

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

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

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

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

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

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

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

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

## cont. Note 32 Group – Categorization of financial instruments.

Level distribution in accordance with IFRS 9.

2020	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	9,344,602	-	-	<b>9,344,602</b>
Bonds and other interest bearing securities	849,229	-	-	<b>849,229</b>
Shares and participations <sup>1</sup>	6,607	-	707	<b>7,314</b>
Assets for which customers bear the investment risk <sup>2</sup>	101,377,475	487,218	826,574	<b>102,691,267</b>
<b>Subtotal</b>	<b>111,577,913</b>	<b>487,218</b>	<b>827,281</b>	<b>112,892,412</b>
<b>Financial assets where fair value is given for information purposes</b>				
Cash and balances in Central banks	3,100,458	-	-	<b>3,100,458</b>
Loans to credit institutions	-	603,533	-	<b>603,533</b>
Loans to the general public	-	20,311,856	-	<b>20,311,856</b>
Treasury bills and other interest bearing securities eligible for refinancing	-	21,013,270	-	<b>21,013,270</b>
Bonds and other interest bearing securities	-	1,489,947	-	<b>1,489,947</b>
Other assets	7,228,686	-	-	<b>7,228,686</b>
Accrued income	281,423	-	-	<b>281,423</b>
<b>Subtotal</b>	<b>10,610,567</b>	<b>43,418,606</b>	-	<b>54,029,143</b>
<b>Total</b>	<b>122,188,480</b>	<b>43,905,824</b>	<b>827,281</b>	<b>166,291,585</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which customers bear the investment risk	-	102,693,283	-	<b>102,693,283</b>
<b>Total</b>	<b>-</b>	<b>102,693,283</b>	-	<b>102,693,283</b>

<sup>1</sup> SEK 5,489,468 thousand relates to re-investments in bonds and SEK 2,292,179 thousand relates to cash and cash equivalents. These items are included in level 1.

## cont. Note 32 Group – Categorization of financial instruments.

2019	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	13,190,433	-	-	<b>13,190,433</b>
Bonds and other interest bearing securities	823,057	-	-	<b>823,057</b>
Shares and participations <sup>1</sup>	5,959	-	616	<b>6,575</b>
Assets for which customers bear the investment risk <sup>2</sup>	69,170,374	697,845	221,006	<b>70,089,225</b>
<b>Subtotal</b>	<b>83,189,823</b>	<b>697,845</b>	<b>221,622</b>	<b>84,109,290</b>
<b>Financial assets where fair value is given for information purposes</b>				
Cash and balances in Central banks	409,538	-	-	<b>409,538</b>
Loans to credit institutions	-	505,193	-	<b>505,193</b>
Loans to the general public	-	16,127,777	-	<b>16,127,777</b>
Treasury bills and other interest bearing securities eligible for refinancing	-	8,840,788	-	<b>8,840,788</b>
Bonds and other interest bearing securities	-	740,735	-	<b>740,735</b>
Other assets	3,368,502	-	-	<b>3,368,502</b>
Accrued income	206,647	-	-	<b>206,647</b>
<b>Subtotal</b>	<b>3,984,687</b>	<b>26,215,310</b>	-	<b>30,199,180</b>
<b>Total</b>	<b>87,174,510</b>	<b>26,913,155</b>	<b>221,622</b>	<b>114,308,470</b>
<b>Financial liabilities at fair value</b>				
Liabilities for which customers bear the investment risk	-	70,091,081	-	<b>70,091,081</b>
<b>Total</b>	<b>-</b>	<b>70,091,081</b>	-	<b>70,091,081</b>

<sup>1</sup> SEK 4,663,113 thousand relates to re-investments in bonds and SEK 1,776,419 thousand relates to cash and cash equivalents. These items are included in level 1.

### Description of valuation levels.

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

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

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

Level 3, the consideration paid or received is considered to be the best assessment of fair value on initial recognition.

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

Financial instruments are transferred to or from Level 3 depending on whether internal assumptions have changed value for the valuation.

### Transfers between levels

Financial instruments that have been transferred from level 1 to level 2 during the period amount to SEK 26 million and pertain primarily to bonds and other interest-bearing securities of SEK 23 million and derivatives of SEK 3 million. The main reason for the transfers from level 1 to level 2 was that the instruments ceased being actively traded during the period, with fair value now being calculated applying valuation methods

## cont. Note 32 Group – Categorization of financial instruments.

based on observable market data. A total of SEK 75 million, of which shares and participations comprise SEK 73 million, has been transferred from level 1 to level 3, with the principal reason for the transfers being that the shares have been de-listed and no active market share price is therefore available, and bonds and other interest-bearing securities comprised SEK 2 million.

Bonds and other interest-bearing securities of SEK 44 million have been transferred from level 2 to level 1, with the principal reason for the transfers being that the instruments were actively traded during the period and reliable price quotations are now therefore available in the market.

Bonds and other interest-bearing securities of SEK 43 million have been transferred from level 2 to level 3, with the principal reason for the transfers being a lack of reliable data, which is why an independent counterparty's theoretical valuation has been used for these instruments.

Shares and participations of SEK 1 million have been transferred from level 3 to level 2, mainly because it has now been possible to assess instruments previously lacking reliable data by means of an independent counterparty's theoretical assessment.

## Note 33 Group – Pledged assets, contingent liabilities and commitments.

	2020	2019
<b>Pledged assets</b>		
Pledged assets and comparable collateral for own liabilities	none	none
<b>Other pledged assets and comparable collateral</b>		
Bonds and other interest bearing securities <sup>1</sup>	3,369,234	2,224,549
<i>of which deposits with credit institutions</i>	2,789,469	1,841,973
<i>of which deposits with clearing houses</i>	584,765	382,576
<b>Obligations</b>		
Contingent liabilities	33,081	none
<b>Commitments</b>		
Granted undrawn credit facilities <sup>2</sup>	497,317	426,444
<b>Funds managed on behalf of third parties</b>		
Client funds	127,365	148,524

<sup>1</sup> This amount includes frozen funds of SEK 319 million (103) which mainly relate to pledged assets at clearing institutes, central banks and the stock exchange.

As at the balance sheet date of 31 December 2020, the insurance operations held registered assets amounting to SEK 102,691 million (70,090) to which the policyholders have priority rights.

<sup>2</sup> This amount includes blocked funds of SEK 427.0 million (321.7).

## cont. Note 33 Group – Pledged assets, contingent liabilities and commitments.

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

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

As both repurchase agreements and other pledged assets entail that the securities are returned to Nordnet, all risks and rewards associated with the transferred instruments at Nordnet remain, even if they are not available to Nordnet during the period in which they are transferred. The other party to the transaction holds securities as collateral but has no right to any other assets in Nordnet. The securities are still recognized in the balance sheet and reported, as well as related liabilities, at fair value.

As at the balance sheet date of 31 December 2020, the insurance operations held registered assets amounting to SEK 102,691 million (70,089) to which the policy-holders have priority rights.

In addition to the commitments specified in the table on previous page, SEK 12,621 million (10,868) of a credit facility related to possible securities-collateralized borrowing remained unutilized at the end of the period. For each customer, the credit size is restricted by the minimum amount of credit limit, which is set individually per customer by the company, and the collateral value of security holdings. Credit agreements can be terminated with 60 days' notice. The leverage value of a security can be changed instantly.

## Note 34 Group – Capital adequacy information.

The rules on capital adequacy are the legislator's requirement for how much capital in the form of a capital base an institution must have in relation to the level of risk it takes. The regulations aim to strengthen the link between risk taking and capital requirements in the Group's operations. The legal capital requirements are calculated in accordance with Regulation 575/2013 of the European Parliament and of the Council (CRR), as well as the 2013/36 EU (CRD V) 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 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 business is affected by the policyholders' assets. The capital requirements for the banking operations vary primarily in terms of the size and credit quality of the bank's exposures. Nordnet Pension Insurance's solvency capital requirements and capital base are calculated according to the standard model under Solvency II. The model requires assumptions that are determined by both the authorities and the Board of the insurance company.

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

### The financial conglomerate

SEK million	31/12/2020	31/12/2019
Capital base after regulatory adjustments	4,344.1	2,538.5
Capital requirements financial conglomerate	3,680.7	2,160.8
Excess capital	663.4	377.7
Capital ratio	1.2	1.2

As of 30 June 2019, Solvency II figures are recognized with a one-quarter delay.

## Cont. Note 34 Group – Capital adequacy information.

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

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

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.

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 2.6 percent of risk-weighted exposure amounts and consists of a capital conservation buffer (2.5 percent) and a countercyclical buffer (0.1 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 revised the profit and permission has been obtained from the Swedish Financial Supervisory Authority. Deductions are made for foreseeable costs and possible dividends under Commission Delegated Regulation (EU) 241/2014.

### Internally assessed capital requirement.

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

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

In addition to the minimum capital requirement and the buffer requirements, Nordnet has calculated the internal capital requirement for the consolidated situation to be SEK 943.1 million (429.8). 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. Note 34 Group – Capital adequacy information.

### The consolidated situation

SEK million	31/12/2020	31/12/2019
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	6,691.2	6,690.9
Retained earnings	-4323.6	-4766.2
Accumulated other comprehensive income (and other reserves)	164.3	180.4
Independently reviewed interim profits net of any foreseeable charge or dividend	731.6	236.3
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>3,263.4</b>	<b>2,341.5</b>
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-15.7	-18.7
Intangible assets (net of related tax liability) (negative amount)	-796.1	-832.2
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	-
Deferred tax assets arising from temporary differences	-	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-811.8</b>	<b>-850.9</b>
<b>Common Equity Tier 1 (CET1) Capital</b>	<b>2,451.6</b>	<b>1,490.6</b>
Additional Tier 1 (AT1) capital		
Capital instruments and the related share premium accounts	500.0	500.0
of which: classified as equity under applicable accounting standards	500.0	500.0
<b>Additional Tier 1 (AT1) capital</b>	<b>500.0</b>	<b>500.0</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>2,951.6</b>	<b>1,990.6</b>
Tier 2 (T2) capital	-	-
<b>Total capital (TC = T1 + T2)</b>	<b>2,951.6</b>	<b>1,990.6</b>
<b>Total risk weighted assets</b>	<b>13,518.2</b>	<b>10,090.3</b>
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.1%	14.8%
Tier 1 (as a percentage of total risk exposure amount)	21.8%	19.7%
Total capital (as a percentage of total risk exposure amount)	21.8%	19.7%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	7.1%	9.3%
of which: capital conservation buffer requirement	2.5%	2.5%
of which: countercyclical buffer requirement	0.1%	2.3%
of which: systemic risk buffer requirement	-	-
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.6%	10.3%
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	126.5	126.5

## cont. Note 34 Group – Capital adequacy information.

SEK million	31/12/2020	31/12/2019		
<b>Risk weighted exposures</b>				
Exposure to credit risk according to the standardized method	10,075.8	7,498.4		
of which exposures to institutions	677.5	518.8		
of which exposures to corporates	617.3	186.1		
of which retail exposures	3,846.3	3,506.2		
of which exposures secured by mortgages on immovable property	1,452.0	1,033.5		
of which exposures in default	69.5	68.5		
of which exposures in the form of covered bonds	2,432.3	1,297.0		
of which equity exposures	393.9	401.9		
of which regional and local authorities	70.1	-		
of which other items	516.8	486.4		
Exposures market risk	37.2	11.6		
Exposure operational risk	3,405.3	2,580.3		
<b>Total risk weighted exposures</b>	<b>13,518.2</b>	<b>10,090.3</b>		
<b>Capital requirement</b>				
Credit risk according to the standardized method	806.1	6.0%	599.9	5.9%
Market risk	3.0	-	0.9	-
Operational risk	272.4	2.0%	206.4	2.0%
<b>Capital requirement Pillar 1</b>	<b>1,081.5</b>	<b>8.0%</b>	<b>807.2</b>	<b>8.0%</b>
Concentration risk	0.5	-	81.8	0.8%
Market risk excluding interest rate risk	76.3	0.6%	117.2	1.2%
Interest rate risk	5.0	-	190.5	1.9%
Credit risk in government exposures	182.4	1.3%	0.3	0.0%
Other	615.6	4.6%	-	-
Capital planning buffer	-	-	40.0	0.4%
Estimated Pillar 2 guideline	63.3	0.5%	-	-
<b>Capital requirement Pillar 2</b>	<b>943.1</b>	<b>7.0%</b>	<b>429.8</b>	<b>4.3%</b>
<b>Buffer requirement</b>	<b>355.3</b>	<b>2.6%</b>	<b>485.8</b>	<b>4.8%</b>
<b>Total capital requirement</b>	<b>2,379.9</b>	<b>17.6%</b>	<b>1,722.9</b>	<b>17.1%</b>

The table shows the capital requirement expressed both in SEK million and as a percentage of the risk-weighted exposure amount.

The capital requirement for credit spread risk was previously recognized under the category "Market risk excluding interest rate risk and credit spread risk". Nordnet applies the

Swedish Financial Supervisory Authority's new method for the calculation of capital requirements for credit spread risk as of 31 December 2020, which partially explains the increase in capital requirements.

## Note 35 Acquisition and merger of Netfonds.

On 5 April 2019, the acquisition of Netfonds' operations in Norway previously communicated by Nordnet was completed. Netfonds is one of the leading players in the Norwegian market for the electronic securities trade and offers trade in a broad selection of securities to customers in Norway and Sweden. With this deal, Nordnet solidifies and develops its position in the Norwegian savings market with the goal of building Norway's best user experience in savings and investments, with Nordnet's web service and brand as a base.

The transaction was implemented in two steps where Nordnet Bank AB acquired 100 percent of the shares in Netfonds Bank AS, org. reg. no. 976546180 and where Nordnet Pensionsförsäkring AB's Norwegian

subsidiary Nordnet Livforsikring AS acquired 100 percent of the shares in Netfonds Livforsikring AS, org. reg. no. 991008144. Thereafter, both of the companies were merged with Nordnet Bank AB and Nordnet Livforsikring AS, respectively, with 6 June 2019 as the merger date.

The purchase consideration totaled SEK 663 million, which was paid in cash upon takeover. Transaction costs of SEK 21 million related to the acquisition were recognized as an expense in the income statement.

The assets and liabilities were taken over at the consolidated values in the merger. The acquisition analysis was completed in the third quarter of 2019.

Netfonds Bank AS	2019
Net sales	37,500 (22,170)
Operating profit	10,534 (12,762)
Assets	
Loans to the general public	864,321
Bonds and other interest bearing securities	379,773
Other assets	529,416
Liabilities	
Deposits and borrowing from the general public	1,586,026
Other liabilities	30,002

The part of the net sales and profit that pertains to the time before the acquisition is provided within parentheses.

Netfonds Livforsikring AS	2019
Net sales	1,334 (880)
Operating profit	659 (510)
Assets	
Assets for which customers bear the investment risk	552,792
Other assets	51,213
Liabilities	
Liabilities for which customers bear the investment risk	552,792
Other liabilities	2,725

The part of the net sales and profit that pertains to the time before the acquisition is provided within parentheses.

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

## Note 36 Group – Earnings per share.

	2020	2019
<b>Earning per share before and after dilution</b>		
Profit for the period attributable to the shareholders of Nordnet AB (publ)	1,172,734	339,494
Interest on Tier 1 capital recognised in equity <sup>1</sup>	-35,755	-26,683
Profit attributable to shareholders of the Parent Company before and after dilution	1,136,475	312,811
Number of outstanding shares before and after dilution <sup>2</sup>	250,000,000	250,000,000
Earning per share before and after dilution	4.55	1.25
<sup>1</sup> Including interest for the period and accrued transaction costs, net after tax	-504	-378

<sup>2</sup> During the year, an increase occurred in the number of shares in the company mainly through a share split. No capital was contributed in connection with the increase in the number of shares.

## Note 37 Parent Company – Net sales.

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

## Note 38 Parent Company – Administrative expenses.

<b>Deloitte</b>	2020	2019
Audit	2,701	856
Audit services beyond the assignment	8,595	1,541
Tax advice	22	-
Other services	54	1,038
<b>Total audit services</b>	<b>11,372</b>	<b>3,435</b>

## Note 39 Parent Company – Personnel expenses.

<b>Salaries and other remuneration</b>	2020	2019
Salaries and other remuneration <sup>1</sup>	-6,874	-12,692
Social security expenses	-2,315	-3,888
Pnesion expenses	-2,923	-2,971
Other personell expenses	-602	-939
<b>Total personnel expenses</b>	<b>-12,714</b>	<b>-20,490</b>

<sup>1</sup> For other disclosures regarding personnel expenses and remuneration of the Board, CEO and other senior executives, please see Note 12.

## cont. Note 39 Parent Company – Personnel expenses.

Average number of employees	2020	2019
<b>Total</b>	<b>1</b>	-
of whom women	-	-
of whom men	1	-

All employees within the Parent Company are located in Sweden.

## Note 40 Parent Company – Profit from participations in Group companies.

Income from participations in group companies	2020	2019
Dividend from subsidiaries	-	60,000
Anticipated dividend from subsidiaries	200,000	200,000
Group contributions received	96,000	-
<b>Total</b>	<b>296,000</b>	<b>260,000</b>

## Note 41 Parent Company – Taxes.

Tax charged to income	2020	2019
<b>Current tax expense (-)/ tax income (+)</b>		
Adjustment current tax for previous years	-723	-
Current tax	-168	1,634
Deferred tax expense (-) / tax income (+)	-1,642	-
<b>Tax on net income for the year</b>	<b>-2,533</b>	<b>1,634</b>

Reconciliation of effective tax	2020	2019		
<b>Profit before tax</b>	<b>209,033</b>	<b>250,469</b>		
Tax expense in the income statement	-1.2%	-2,533	-0.7%	-1,634
Tax as per current tax rate for the Parent Company	21.4%	44,733	21.4%	53,600
<b>Difference</b>	<b>22.6%</b>	<b>42,200</b>	<b>22.1%</b>	<b>55,234</b>
<b>The difference consists of the following items:</b>				
<b>Effect of dividend from subsidiaries</b>	20.5%	42,800	22.2%	55,640
Effect of adjusted tax from previous years	-0.1%	-191	0.0%	-8
Effect of non-deductible expenses/non-taxable income	-0.2%	-409	-0.2%	-398
<b>Reported effective tax</b>	<b>20.2%</b>	<b>42,200</b>	<b>22.1%</b>	<b>55,234</b>

## Note 42 Parent Company – Participations in Group companies.

Name	Corporate ID	Headquarters	% of share capital	Number of shares	Book value
Nordnet Bank AB	516406-0021	Stockholm	100.00%	480,001	1,785,940
Nordnet Pensionsförsäkring AB	516406-0286	Stockholm	100.00%	285,000	126,507
Nordnet Ventures AB	556541-9057	Stockholm	100.00%	3,200,000	76,655
<b>Total</b>					<b>1,989,102</b>

## Cont. Note 42 Parent Company – Participations in Group companies.

	2020	2019
<b>Accumulated acquisition value</b>		
<b>On 1 January</b>	<b>2,174,971</b>	<b>6,503,933</b>
Acquisition	-	1,328,465
Stock elimination through merger	-	-6,503,934
Shareholders contribution	-	846,507
<b>Total</b>	<b>2,174,971</b>	<b>2,174,971</b>
<b>Accumulated impairments</b>		
<b>At the beginning of the year</b>	<b>-185,870</b>	<b>-</b>
Merger of subsidiaries	-	-185,870
<b>Total</b>	<b>-185,870</b>	<b>-185,870</b>
<b>Reported value at the end of the year</b>	<b>1,989,101</b>	<b>1,989,101</b>

## Note 43 Parent Company – Other assets.

	2020	2019
Anticipated dividend	200,000	-
Accounts receivables	12	-
Tax account	1,548	1,069
<b>Total</b>	<b>201,560</b>	<b>1,069</b>

## Note 44 Parent company – Prepaid expenses and accrued income.

	2020	2019
Prepaid expenses and accrued income	-	-
Prepaid issue proceeds for warrants	43,120	-
Other prepaid expenses	547	266
<b>Total</b>	<b>43,667</b>	<b>266</b>

## Note 45 Parent Company – Equity.

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

As per 31 December 2020, registered share capital amounted to 250,000,000 (1,039,545) shares with a quotient value of SEK 0.005 per share (1.00).

Restricted equity pertains to share capital of SEK 1,250 thousand (1,039).

On 10 September, the Annual General Meeting of Nordnet AB (publ) resolved to increase the number of shares in the company from 1,039,545 shares to

249,490,800 shares by means of a share split. General Meeting further resolved to increase the share capital by SEK 2,212.67 through a bonus issue with comprising 509,200 new fund units. Finally, the Annual General Meeting resolved to increase the share capital by a further SEK 208,333.33 through a bonus issue. No shares were issued in connection with the aforementioned increase in the share capital. With these issues having been completed, the company's share capital amounts to SEK 1,250,000 and 250,000,000 shares.

## Note 46 Parent Company – Other current liabilities.

	2020	2019
Accounts payable	13,384	1,933
Other liabilities	2,149	1,780
<b>Total</b>	<b>15,533</b>	<b>3,713</b>

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

## Note 47 Parent company – Accrued expenses and deferred income.

<b>Accrued expenses and prepaid income</b>	2020	2019
Accrued social security contributions	402	192
Accrued holiday pay	588	147
Other accrued personell costs	1,138	-
Accrued payroll tax	2,425	1,106
Accrued consultancy costs	60,150	-
Accrued auditors fee	1,080	1,139
Other accrued expenses	989	836
<b>Total</b>	<b>66,772</b>	<b>3,420</b>

## Note 48 Parent Company – Details of purchases and sales between Group companies.

Of the Parent Company's total purchases and sales measured in SEK, 1 percent (11) of purchases and 100 percent (100) of sales pertain to other Group companies.

The Parent Company's outstanding transactions to Group companies on the balance sheet date consist of one receivable from Nordnet Bank AB of SEK 102,998 thousand (payable: 98,811), one receivable from Nordnet Pensionsförsäkring AB of SEK 1,992 thousand (371), one receivable from Nordnet Ventures AB of SEK 0 thousand (24) and one receivable from Nordnet Livsforsikring AS of SEK 0 thousand (89).

Intra-Group interest income amounted to SEK 0 million (1.9) and intra-Group interest expenses amounted to SEK 0.5 million (1.4).

## **Note 49 – Events after the reporting period.**

### **Group.**

No significant events have occurred after the balance sheet date.

### **Parent Company.**

No significant events have occurred after the balance sheet date.

## Note 50 – Proposed appropriation of profits

### **The following profits are at the disposal of the Annual General Meeting (SEK):**

Share premium reserve	6,633,256,133
Other capital contributions	500,000,000
Non-restricted reserve	-4,970,985,736
Profit brought forward	206,500,104
<b>Total</b>	<b>2,368,770,501</b>

### **The Board proposes the following allocation:**

To shareholders, a dividend of SEK 1,51 per share, in total	378,056,750
Carried forward to next year	1,990,713,751
<b>Total</b>	<b>2,368,770,501</b>

The Board of Directors for Nordnet AB (publ) proposes that the Annual General Meeting on 29 April 2021 resolve that the retained earnings including the profit for the year according to the adopted balance sheet shall be appropriated such that SEK 1.51 per share is paid in dividend to the shareholders and that the remainder be carried forward. This is equivalent to a dividend totaling SEK 378.1 million and a dividend rate of 25 percent of the combined profit for 2019 and 2020, which is in line with the Swedish Financial Supervisory Authority's recommendation that banks shall be restrictive regarding dividends until 30 September 2021.

When the supervising authorities revise their recommendation for dividends, Nordnet will evaluate the situation and come back with more information.

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

A special review has been done considering the market unrest of late to ensure that the company's and the Group's financial position is not put at risk by the proposed dividend. The assessment is that the prevailing situation does not give rise to any different assessment in terms of the financial position. Both capital adequacy and the liquidity situation are still satisfactory. In addition, the assessment is that the situation has not or will not entail any major increase in credit losses that would have a material negative effect on equity.

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

# Signatures of the Board of Directors.

The Board of Directors and CEO provide their assurance that the 2020 year-end report provides an accurate overview of the operations, position and earnings of the Group and the Parent Company, and that it also describes the principal risks and sources of uncertainty faced by the Parent Company and the companies within the Group.

Stockholm, 23 March 2021

**Tom Dinkelspiel**

Chairman of the Board

**Anna Bäck**

Board member

**Jan Dinkelspiel**

Board member

**Christopher Ekdahl**

Board member

**Karitha Ericson**

Board member

**Christian Frick**

Board member

**Hans Larsson**

Board member

**Per Widerström**

Board member

**Lars-Åke Norling**

CEO

Our auditor's report was submitted on 23 March 2021.

**Deloitte AB**

**Patrick Honeth**

Authorized Public Accountant

**For further information, please contact:**

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This information is information that Nordnet AB (publ) is obliged to make public pursuant the Securities Markets Act. This information was submitted for publication on 24 March 2021 at 8:00 a.m. CET.

# Auditor's report.

## To the annual general meeting of the shareholders of Nordnet AB (publ) corporate identity number 559073-6681.

### Report on the annual accounts and consolidated accounts.

#### Opinions

We have audited the annual accounts and consolidated accounts of Nordnet AB (Publ) for the financial year 2020 except for the corporate governance statement on pages 46–59. The annual accounts and consolidated accounts of the company are included on pages 34-45 and pages 60-144 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as at 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as at 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 46-59. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the

parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Commission income recognition

Commission income is an integral part of the Group's income. These consist of a number of different revenue streams such as commission in connection with the purchase and sale of securities, commission for the transfer of securities in connection with issuance of debt securities, sales of structured products and guaranteed issues, commissions from fund operations and, as of the annual report 2020, commissions from customers' exchange related transactions.

Income recognition includes several risks, primarily regarding the interpretation and application of accounting principles, which include management's judgement regarding when income is to be reported as well as risks related to completeness and valuation. IT systems and applications are used for debiting income, and a large amount of data is generated in these systems and applications when customers use Nordnet's services and networks. Therefore, we consider the recognition of commission income to be a key audit matter. For the year 2020, the Group reported net sales related to commission income of SEK 2 609 million. The reporting item is thus essential from a financial reporting perspective. Revenue recognition is deemed a particularly important area due to the large transaction volumes which makes completeness critical for a significant error in the financial reporting not to arise.

Refer to the related information on accounting principles in note 5 and net commission income in note 8.

Our audit procedures included testing and evaluation of design and effectiveness in controls for commission income recognition. This includes the evaluation of essential procedures and controls for income recognition, including relevant IT systems and applications used for accounting and related controls. We have also conducted analytical and detailed procedures for a selection of income reported.

Our substance review has been conducted by comparing data from the source system with the accounts to ensure proper transfer. In order to ensure correct data in the source system, we have, based on random selection, examined whether individual transactions have been registered based on specified parameters.

#### Valuation of financial instruments at fair value

Financial instruments valued at fair value both in the insurance and banking operations are mostly financial instruments that are actively traded and for which quoted market prices are available. To a lesser extent, there are holdings in financial instruments for which the valuation is based on market data other than quoted prices in the same instrument.

As at December 31, 2020, financial instruments measured at fair value comprised of assets of SEK 112 892 million and liabilities of SEK 102 693 million.

For financial instruments that are actively traded and for which quoted market prices are available, there is a higher degree of objectivity in determining the market price (level 1). When observable and liquid market prices are not available, the fair value of financial instruments are subject to significant estimation uncertainty (level 2 and 3 instruments). The valuation of such instruments is determined through different valuation techniques, which often include significant judgements and estimates made by management.

These instruments constitute a key audit matter in our audit due to the significant proportion of financial instruments measured at fair value and the impact of the inherent uncertainty and subjectivity in the assessment of level 2 and 3 financial instruments.

Refer to disclosures of financial instruments at fair value in note 32.

Our audit procedures included, but were not limited to:

- We obtained an understanding of the key controls in the valuation process, and designed tests to verify if the controls operated effectively during the year, which included controls over data inputs into valuation models and independent valuation.
- For level 1 instruments, we have compared reported fair values with available quoted market prices. Similar procedures have been performed for level 2 instruments since Nordnet's level 2 financial assets primarily consist of market traded instruments, but where the market is not considered active.
- For level 3 instruments, we have assessed the appropriateness of valuation methods used.

#### IT-systems that support complete and accurate financial reporting

Nordnet relies on IT systems to (1) serve customers, (2) support business processes, (3) ensure proper financial transaction processing, and (4) support the overall internal control framework. The financial reporting is dependent on several systems. Many of Nordnet's internal controls over financial reporting are dependent on automated system controls with regard to completeness and integrity in reports generated by IT systems.

Given the high dependence on IT, we consider this a key audit in our audit. It is essential that permissions and access rights to systems and program modifi-

cations are adequately managed to ensure proper financial reporting.

Refer to the related information on Operational risks in note 7.

Our audit has included review of general IT controls and judgement of whether Nordnet has satisfactory procedures for achieving the required IT security and environment needed to ensure financial reporting. Our review has focused on significant systems with a direct impact on the financial reports. Our tests have included reviewing access to programs and data, managing program changes and reviewing access restrictions.

#### Valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IFRS 9 is a complex area with significant impact on Nordnet's business and financial reporting. IFRS 9 is a new and complex accounting standard that requires significant judgement to determine the loan loss provision.

Key areas of judgment include:

- The interpretation of the requirements to determine loan loss provisions under application of IFRS 9, which is reflected in Nordnet's expected credit loss model.
- The identification of exposures with a significant deterioration in credit quality.
- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors.
- Effect from Covid-19 on above key areas of judgement.
- At December 31, 2020, loans to the public amounted to SEK 20 312 million, with loan loss provisions of SEK 105 million.
- Given the significance of loans to the public, the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, as well as the extensive disclosures required under IFRS 9, we consider this a key audit matter for our audit.
- Refer to critical judgments and estimates in note 4, disclosures of credit risk in note 7 and related disclosures of credit risk in note 15 and lending to the public in note 20.

Our audit procedures included, but were not limited to:

- We evaluated key controls within the loan loss provision process to verify if they are appropriately designed and operated effectively during the year; including key controls for approval, recording and monitoring of loans, input data, accuracy and completeness of loan loss provision.
- We assessed, supported by our credit risk modelling specialists, the modelling techniques and model methodologies against the requirements of IFRS 9. We assessed the sufficiency the underlying models developed for loan loss provisions. We involved our credit risk modelling specialists in the consideration of principal credit risk modelling decisions against requirements of IFRS 9 and industry practice. We evaluated key assumptions, evaluated the calculation methodology and ensured the completeness of source data in the models.
- We assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.
- We have included an assessment of Covid-19 in the above stated audit procedures.

#### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-33 and pages 152-159. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstate-

ment of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the parent company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description forms part of the auditor's report".

### Report on other legal and regulatory requirements.

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordnet AB (publ) for the financial year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf).

This description forms part of the auditor's report.

#### The Auditor's Examination of the Corporate Governance Statement

The Board of Directors is responsible for that the corporate governance statement on pages 46-59 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB, was appointed auditor of Nordnet AB (publ) by the general meeting of the shareholders on the on April 23, 2020 and has been the company's auditor since prior to June 26, 2017.

Stockholm March 23, 2021  
Deloitte AB

Patrick Honeth  
Authorised public accountant

# Definitions.

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

## Number of trades<sup>1</sup>

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

## Number of transactions per trading day<sup>1</sup>

Number of trades during the period divided by the number of trading days in Sweden during the period.

## Number of trading days<sup>1</sup>

Number of days on which the relevant exchanges are open.

## Number of full-time employees at end of period<sup>2</sup>

Number of full-time positions, including fixed-term employees, but excluding staff on parental leave and leaves of absence, at the end of the period.

## Number of customers<sup>2</sup>

Number of natural persons and legal entities who hold at least one account with a value of SEK 0 or more, or who had an active credit commitment at the end of the period.

## Return on equity (annualized)<sup>2, 4</sup>

Return on equity calculated as the period's annualized accumulated profit in relation to the average of equity over the corresponding period. The average of equity is calculated based on opening, quarterly and closing equity for the period in question.

## Leverage ratio<sup>2</sup>

Tier 1 capital as a percentage of the total exposure amount.

## Cash market<sup>2</sup>

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

## Equity excluding intangible assets<sup>1</sup>

Total equity less intangible assets.

## Average savings capital per customer – rolling 12 months<sup>2</sup>

The average quarterly savings capital per customer for the current period (calculated as the average quarterly savings capital per customer that includes the opening KPI at the beginning of the current period and the closing KPI at the end of every quarter that is included in the current period).

## Cash deposits at end of period<sup>2</sup>

Deposits and lending to the public including deposits attributable to liabilities in the insurance operations at end of period.

## Adjusted return on equity (annualized)<sup>2, 4</sup>

Return on equity calculated as the period's annualized adjusted accumulated profit in relation to the average of equity over the corresponding period. The average of equity is calculated based on opening, quarterly and closing equity for the period in question.

## Adjusted return on equity excluding intangible assets (annualized)<sup>2, 4</sup>

Return on equity calculated as the period's annualized adjusted accumulated profit excluding amortization related to acquisitions in relation to the average of equity excluding intangible assets over the corresponding period. The average of equity excluding intangible assets is calculated based on opening, quarterly and closing equity for the period in question.

## Adjusted operating income in relation to savings capital<sup>2</sup>

Adjusted operating income (annualized, when relevant) in relation to the average quarterly savings capital for the same period (calculated as the average quarterly savings capital that includes the opening amount at the beginning of the current period and the closing amounts at the end of each quarter that is included in the current period).

## Adjusted C/I ratio %<sup>1</sup>

Adjusted operating expenses before credit losses in relation to operating income.

## Adjusted operating expenses in relation to savings capital<sup>2</sup>

Adjusted operating expenses (annualized, when relevant) in relation to the average quarterly savings capital for the same period (calculated as the average quarterly savings capital that includes the opening amount at the beginning of the current period and the closing amounts at the end of each quarter that is included in the current period).

## Adjusted profit<sup>2</sup>

Profit for the period adjusted for items affecting comparability over the period.

<sup>1</sup> Financial key figures that are directly reconcilable with the financial statements.

<sup>2</sup> Financial key figures that can be deduced from historical financial data published quarterly at <https://nordnetab.com/sv/investerare/finansiell-information/>

<sup>3</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

<sup>4</sup> Annualization is calculated as the denominator for the period divided by the quotient of the number of quarters in the period and the number of quarters per year.

**Adjusted profit before amortization of intangible assets in purchase consideration allocation<sup>2</sup>**

The profit for the period after tax adjusted for items affecting comparability and excluding amortization of intangible assets from acquisitions of companies (purchase consideration allocation). Items affecting comparability have illustratively been taxed at an assumed tax rate of 20 percent insofar as such items affecting comparability are deductible and/or give rise to a tax expense. The amortization of the purchase consideration allocation is not deductible and has accordingly not been illustratively taxed.

**Adjusted profit before amortization of intangible assets in purchase consideration allocation per share before and after dilution<sup>2</sup>**

The profit for the period after deduction of interest on additional Tier 1 capital adjusted for items affecting comparability and excluding amortization of intangible assets from acquisitions of companies (purchase consideration allocation) per share before and after dilution.

**Adjusted operating income<sup>2</sup>**

Total operating income adjusted for items affecting comparability over the period.

**Adjusted operating expenses before credit losses<sup>2</sup>**

Expenses before credit losses, adjusted for items affecting comparability over the period.

**Adjusted operating margin<sup>2</sup>**

Adjusted operating profit before tax in relation to operating income.

**Adjusted operating profit<sup>2</sup>**

Operating profit for the period adjusted for items affecting comparability. Items affecting comparability are items reported separately due to their nature and amount.

**Capital base<sup>3</sup>**

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

**C/I ratio excluding operating losses<sup>1</sup>**

Total expenses before credit losses in relation to operating income.

**Core Tier 3 capital<sup>1</sup>**

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

**Core Tier 1 ratio<sup>3</sup>**

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

**Net savings<sup>2</sup>**

New deposits of cash and cash equivalents and securities, less withdrawals of cash and cash equivalents and securities.

**Traded value cash market<sup>2</sup>**

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

**Earnings per share<sup>2</sup>**

Profit for the period, including interest on additional Tier 1 capital and associated periodized transaction expenses net after tax recognized in equity, in relation to weighted average number of ordinary shares before and after dilution.

**Operating costs<sup>3</sup>**

Operating expenses before credit losses.

**Operating margin<sup>1</sup>**

Operating profit in relation to total operating income.

**Savings capital<sup>2</sup>**

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

**Savings ratio<sup>2</sup>**

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

**Total capital ratio<sup>2</sup>**

Total capital base in relation to risk-weighted exposure amount.

**Lending/deposits<sup>2</sup>**

Lending to the public at the end of the period in percentage of deposits from the public at the end of the period.

**Lending excluding pledged cash and equivalents<sup>2</sup>**

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

**Lending at end of period<sup>2</sup>**

Lending to the public at the end of the period.

**Profit margin<sup>1</sup>**

Profit for the period in relation to operating income.

**Annual customer growth<sup>2</sup>**

Annual growth in customers over the period.

<sup>1</sup> Financial key figures that are directly reconcilable with the financial statements.

<sup>2</sup> Financial key figures that can be deduced from historical financial data published quarterly at <https://nordnetab.com/sv/investerare/finansiell-information/>

<sup>3</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

<sup>4</sup> Annualization is calculated as the denominator for the period divided by the quotient of the number of quarters in the period and the number of quarters per year.

# Other sustainability information.

The reporting of our sustainability work has been in accordance the guidelines of the Global Reporting Initiative (GRI) since 2010. The sustainability report for the 2020 calendar year follows GRI Standards 2016, Core level. The sustainability report has been prepared in compliance with statutory sustainability reporting requirements in the Annual Accounts Act. The report covers Nordnet AB (publ) and its subsidiaries. Nordnet's sustainability report 2020 is not reviewed by the company's auditors.

General Standard Information	Reference/comment
<b>GRI 102: General Standard Information</b>	
102-1 Name of organization	p.34
102-2 Main products and services	p.5
102-3 Location of the organization's headquarters	p.9, 72
102-4 Countries where activities are conducted	p.5
102-5 Ownership structure and corporate form	p.47
102-6 Markets in which the organization operates	p.5
102-7 Size of organization	pp.4-5, 63, 66, 155
102-8 Total employees	p.155
102-9 Descriptions of the organization's value chain.	p.5
102-10 Significant changes during the accounting period	pp.36-37
102-11 The organization's adherence to the precautionary principle.	p.156
102-12 Externally developed initiatives that the organization follows	pp.20-23
102-13 Associations in which the organization is a member	pp.20-24
102-14 Statement by CEO on the organization's sustainability strategy	p.8
102-16 Values, principles, standards and norms for performances	p.24-25
102-18 Statement of the company's corporate governance	p.46-60
102-40 Interest groups with which the organization is in contact	p.154
102-41 Proportion of employees covered by collective agreements	p.29
102-42 Identification and selection of stakeholders	p.154
102-43 Procedures for communication with stakeholders	p.154
102-44 Issues raised through communication with stakeholders and management of these	p.154
102-45 Entities included in the report	p.152
102-46 Process for the definition of report contents	p.154
102-47 Identified essential sustainability areas	p.154
102-48 Effects of changes in previously reported information	p.36
102-49 Significant changes from previous reporting	s.36
102-50 Reporting period	p.152
102-51 Publication of most recent report	March 2020
102-52 Reporting Cycle	p.152
102-53 Contact person for questions regarding the report	p.144
102-54 Statement on the report's compliance with GRI standards.	p.152
120-55 GRI index	pp.152 -153
102-56 External audit	p.152

Subject-specific standard disclosures	Reference/comment
<b>GRI 201: Economic performance</b>	
103-1, 103-2, 103-3 Governance	p.24-25
201-1 Generated and distributed financial value	p.154
<b>GRI 203: Indirect economic impact</b>	
103-1, 103-2, 103-3 Governance	pp.20-21
203-1 Investments in infrastructure and services	pp.20-23
203-2 Indirect economic effects	p.21
<b>GRI 205: Anti-corruption</b>	
103-1, 103-2, 103-3 Governance	pp.20-25, 158
205-3 Number of confirmed cases of corruption and corrective actions taken	pp.24 158
Company-specific key performance indicator Percentage of employees who signed the Code of Conduct	pp.24 158
<b>GRI 302: Energy</b>	
103-1, 103-2, 103-3 Governance	p.31
302-1 The organization's energy consumption	p.31
302-3 Energy intensity	p.31
<b>GRI 305: Emissions</b>	
103-1, 103-2, 103-3 Governance	pp.33, 156-157
305-1 Direct greenhouse gas emissions	pp.33, 156-157
305-2 Indirect greenhouse gas emissions	pp.33, 156-157
305-3 Other indirect greenhouse gas emissions	pp.33, 156-157
305-4 Greenhouse gas emissions intensity	pp.33, 156-157
<b>GRI 401: Employment conditions and Working conditions</b>	
103-1, 103-2, 103-3 Governance	pp.20-27, 157
401-1 Personnel turnover	p.27
<b>GRI 404: Education</b>	
103-1, 103-2, 103-3 Governance	pp.26-27
404-3 Development interview	p.27
<b>GRI 405: Diversity and Equality</b>	
103-1, 103-2, 103-3 Governance	pp.29-30
405-1 Composition of the company	p.156
405-2 Salary differences between genders	p.29
<b>GRI 406: Non-discrimination</b>	
103-1, 103-2, 103-3 Governance	pp.28-30, 157
406-1 Number of cases of discrimination	pp.30, 157
<b>GRI 418: Customer privacy</b>	
103-1, 103-2, 103-3 Governance	p.25
418-1 Number of cases of loss of customer data	No reported complaints or cases of losses of customer data during the year.

## Dialogue with stakeholders.

Nordnet has a continuous dialogue on sustainability issues with these stakeholder groups:

- Savers
- Employees
- Owners
- Suppliers

Every year since 2011, we have sent out a survey on sustainability to all employees at Nordnet. The survey allows employees to evaluate our sustainability work and provide development proposals. In the survey, employees can also indicate how they commute to and from the workplace, and these statistics are then used when calculating the all of Nordnet's greenhouse gas emissions. In 2020, we also conducted a survey on sustainability with selected customers in Sweden, Norway, Denmark and Finland. Based on the survey results with these stakeholder groups, the following priority areas were identified and updated:

Stakeholder groups	Priority areas in sustainability
Employees	<ul style="list-style-type: none"> <li>• Well-being among employees and possibilities of development</li> <li>• Combating money laundering</li> <li>• Offering transparent financial products</li> </ul>
Savers	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Combating money laundering</li> <li>• Protection of customer data and privacy</li> </ul>
Owner	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Providing ethical funds</li> <li>• Social sponsorship</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Customer service and support</li> <li>• Offering transparent financial products</li> <li>• Protection of customer data and privacy</li> </ul>

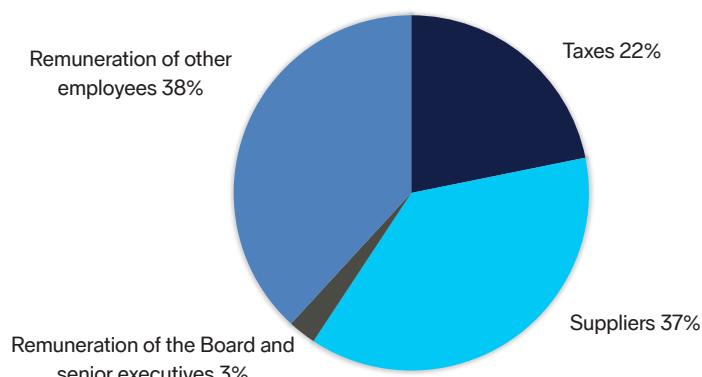
In addition to the stakeholder groups listed in the table, we also see the media, analysts, government agencies, competitors, and the public as key stakeholders who, in a broader sense, affect our operations.

## Materiality analysis.

The dialogue with our primary stakeholders lays the foundation for our materiality analysis and selection of sustainability aspects on which to focus. In 2020, we redefined our sustainability strategy according to our stakeholder dialog with the aim of tying the strategy closer to our operations. The results of the materiality analysis are presented in the table below.

Sustainability areas	GRI standards
Democratizing savings and investments	Indirect economic impact, information on sustainable investments, offering transparent and responsible financial products, financial performance, training in personal finance
Equality and Diversity	Diversity and equality
A responsible and sustainable business	Anti-corruption, customer privacy, energy, emissions, terms of employment, working conditions, equal compensation for women and men, non-discrimination

Nordnet's financial impact on various stakeholder groups



The graph shows Nordnet's distributed retained economic value, reported in accordance with GRI 202-1, which has benefited our stakeholders in 2020.

## Background data for GRI indicators.

In this section, we describe the methods, assumptions, and conversion factors used to develop Nordnet's GRI indicators. In addition, supplementary tables and information are included in the Annual Report.

## Employees.

Employee key figures are based on the actual number of employees as at the end of December and the year, respectively, and are therefore not converted to full-time equivalents or such.

Employees per 31 December		2020		2019		2018	
Sweden		Number (no.)	Women (%)	Number (no.)	Women (%)	Number (no.)	Women (%)
Total number of employees		581	37%	483	37%	475	39%
Number of permanent employees		471	35%	419	32%	417	39%
- Whereof full-time		457	35%	414	37%	411	38%
- Whereof part-time		14	50%	5	40%	6	83%
Number of temporary employees		110	44%	64	38%	58	38%
<b>Finland</b>							
Total number of employees		45	44%	38	45%	37	43%
Number of permanent employees		31	45%	31	45%	30	40%
- Whereof full-time		29	41%	30	43%	29	38%
- Whereof part-time		2	100%	1	100%	1	100%
Number of temporary employees		14	43%	7	43%	7	57%
<b>Norge</b>							
Total number of employees		40	18%	46	20%	42	19%
Number of permanent employees		40	18%	33	24%	29	17%
- Whereof full-time		32	22%	33	24%	29	17%
- Whereof part-time		8	0%	0	0%	0	0%
Number of temporary employees		0	0%	13	8%	13	23%
<b>Danmark</b>							
Total number of employees		47	40%	38	39%	45	40%
Number of permanent employees		44	41%	27	48%	32	47%
- Whereof full-time		30	47%	24	46%	31	45%
- Whereof part-time		14	29%	3	67%	1	100%
Number of temporary employees		3	33%	11	18%	13	23%
		<b>713</b>		<b>605</b>		<b>599</b>	

The table shows the number of employees at Nordnet, by form of employment, region and gender.

Composition of the company	2020		2019		2018	
Employees at different levels at the company	Number (no.)	Women (%)	Number (no.)	Women (%)	Number (no.)	Women (%)
<b>Board of Directors</b>	<b>8</b>	<b>25%</b>	<b>7</b>	<b>14%</b>	<b>7</b>	<b>0%</b>
Under 30 years	0	0%	0	0%	0	0%
30 - 50 years	5	40%	5	20%	4	0%
Over 50 years	3	0%	2	0%	3	0%
<b>Management<sup>1</sup></b>	<b>9</b>	<b>33%</b>	<b>8</b>	<b>38%</b>	<b>14</b>	<b>43%</b>
Under 30 years	0	0%	0	0%	0	0%
30 - 50 years	4	25%	5	40%	13	38%
Over 50 years	5	40%	3	33%	1	100%
<b>Employees with staff responsibility</b>	<b>66</b>	<b>38%</b>	<b>56</b>	<b>34%</b>	<b>55</b>	<b>47%</b>
Under 30 years	5	60%	5	40%	4	75%
30 - 50 years	53	32%	45	31%	44	48%
Over 50 years	8	63%	6	50%	7	29%
<b>Other employees</b>	<b>638</b>	<b>36%</b>	<b>541</b>	<b>36%</b>	<b>531</b>	<b>36%</b>
Under 30 years	281	38%	221	34%	234	33%
30 - 50 years	312	33%	278	37%	266	38%
Over 50 years	45	42%	42	43%	31	42%

The table shows the composition of the company by gender and age for different levels of the company.

<sup>1</sup>The table shows the number of employees excluding consultants. In 2020, one consultant was a member of the company's management group, compared with two in 2019 and 0 in 2018.

## Environment.

### Energy

To recalculate the energy consumption from MWh to GJ, the conversion factor 3.6 is used.

### Greenhouse gas emissions

Nordnet has a small environmental impact and we do not express ourselves in terms of compliance with the precautionary principle when dealing with the environmental impact that our business causes.

To calculate our greenhouse gas emissions, we use, to the extent possible, conversion factors that include all relevant greenhouse gases, i.e. CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs,

PFCs, SF<sub>6</sub> and NF<sub>3</sub>. We do not implement our own conversions from other greenhouse gases to CO<sub>2</sub>e and therefore have no overall value for Global Warming Potential (GWP).

Just like fossil fuels, combustion of renewable fuels causes greenhouse gas emissions, but as these emissions are part of a cycle we do not report emissions. The conversion factors related to the consumption of renewable fuels are the part of the fuel that is fossil fuel. However, we report fossil greenhouse gas emissions that arise in the production of fossil and renewable fuels.

Nordnets greenhouse gas emissions, tonnes Co <sub>2</sub> e	2020	2019	2018
Scope 1, direct GHG emissions	0.4	0.0	0.4
Scope 2, indirect GHG emissions	76	84	87
Scope 3, other indirect GHG emissions	77	160	167
<b>Total GHG emissions</b>	<b>153</b>	<b>244</b>	<b>254</b>

The table describes Nordnet's greenhouse gas emissions by Scope according to the Greenhouse Gas Protocol. Nordnet's carbon dioxide emissions for electricity consumption in location based valuation: 71 tons CO<sub>2</sub>e.

Activity	Activity data	Conversion factor
<b>Electricity consumption</b>	Data for each office and data center	Conversion factor consists of specific contracts or residual-mix: 338.52 g CO <sub>2</sub> e/kWh. Source: Swedish Energy Markets Inspectorate
<b>District heating</b>	Data for each office	Statistics from each supplier Stockholm: 61 g CO <sub>2</sub> e/kWh (2019) Copenhagen: 64 g CO <sub>2</sub> e/kWh (2019) Oslo: 6 g CO <sub>2</sub> e/kWh (2019) Helsinki: 198 g CO <sub>2</sub> e/kWh (2019)
<b>District cooling</b>	Data for each office and data center	Statistics from supplier. Stockholm: 0 g CO <sub>2</sub> e/kWh (2019)
<b>Business-related travel, company vehicle</b>	Driving distance in company cars is based on employee reporting to receive mileage compensation for business-related travel.	The result refers to driving distance and average consumption for mixed driving for each car in combination with the following conversion factors: Petrol: 2,260 g CO <sub>2</sub> e/liter Source: Drivkraft Sverige
<b>Business-related travel, private car</b>	Driving distance in company cars is based on employee reporting to receive mileage compensation for business-related travel.	Assumptions on gasoline car travel: Consumption: 0.58 l/mil Emissions: 129.71 gram CO <sub>2</sub> e/km Source: Swedish Environmental Protection Agency, Swedish Transport Agency
<b>Business-related travel, taxi</b>	The statistics consist of booked taxi costs.	Assumptions on travel with average Taxi Stockholm: 8 g CO <sub>2</sub> e/SEK. Source: Taxi Stockholm
<b>Business-related travel, air travel</b>	The statistics consist of booked airline tickets.	Emissions report from travel agency is used as a template for calculating all air travel expenses.
<b>Employee commuting</b>	Average travel distance with different forms of transportation, calculated from responses in employee survey sent to all employees.	Petrol vehicle: 129.71 g CO <sub>2</sub> e/km Diesel vehicle: 136.74 g CO <sub>2</sub> e/km Ethanol vehicle: 191.61 g CO <sub>2</sub> e/km Gas vehicle: 102 g CO <sub>2</sub> e/km Hybrid vehicle: 43.05 g CO <sub>2</sub> e/km Motorcycle/moped: 92 g CO <sub>2</sub> e/km Rail transport: 0.2 g CO <sub>2</sub> e/pkm Buses: 70 g CO <sub>2</sub> e/pkm Source: Swedish Transport Agency, NTM and SJ

The table shows which activities, assumptions and conversion factors are the basis for Nordnet's reporting of greenhouse gas emissions.

## Sustainability risks.

Risk area	Risk description	Policies and governance	Follow-up and results
Social conditions, personnel and human rights.	<p>Ensuring a good work environment and that our employees are motivated is the key to our success. As a digital platform, we are dependent on labor in IT, a workforce that there is a shortage of. The risks we see in this area are not being able to recruit staff in the pace we would like, skilled employees leaving and risks linked to health and workload. Finance and tech are areas predominantly dominated by male employees, and the risk is that the gender distribution at Nordnet may become one-sided. Nordnet's operations are concentrated in the Nordic countries, a region normally with a very low overall level of human rights problems. Nordnet has not specified any specific risks in the area for human rights.</p>	Relevant policies adopted for Nordnet's operations in these areas are e.g. the equal opportunity policy, the work environment policy, remuneration policy and the employee handbook. Nordnet has a Work Environment Committee that works systematically with health promotion, illness prevention and aftercare with activities. Nordnet's overall goal is a 50/50 balance between men and women, although with a tolerance interval of +/- 10 percent in either direction. For 2021 and forward, we are working according to the ambition of recruiting at least one woman for every man hired at Nordnet. The goal is to achieve and maintain a safe and stimulating working environment for every employee. Read more about our governance on pages 26-30.	<p>We are working proactively and systematically with Nordnet's work environment to achieve a high level of motivation and reduce absence due to illness or stress. Sickness absence decreased in 2020 by 6 percent. Nordnet's employee satisfaction has developed positively in the past year. We actively work with our work environment to increase our attractiveness as an employer by, for example, investing in creating an engaging culture, providing opportunities for personal growth and arranging health-promoting activities. Nordnet's stated objective is for the workplace to be characterized by diversity and equality, and we work actively to prevent discrimination. No cases of discrimination were reported in 2020. Read more on pages 26-30.</p>
Combating corruption and financial crime.	<p>Corruption is a broad term that according to GRI is defined as when somebody uses their position for personal gain. Corruption can occur in various forms, such as bribes, fraud, blackmail, money laundering, abuse of power and conflicts of interest. The existence of corruption or financial crime would negatively impact confidence in Nordnet from customers, employees, investors and others in the finance sector. In recent years, the banking sector received particular attention for the occurrence of financial crime and money laundering, which further raises the requirements on us and other market actors to fight this kind of crime.</p>	Nordnet has internal rules and control processes to combat financial crime and corruption. Relevant policies adopted in this area include the ethics policy, policy on conflicts of interest, policy and guidelines in the area of money laundering and the Code of Conduct for employees. Nordnet has also established a whistleblower function that makes it possible for the employees to report any improprieties completely anonymously. Nordnet also has a dedicated department, the Financial Crime Unit (FCU), which monitors customer transactions and otherwise works to prevent financial crime. Read more on pages 24-25.	<p>We hold regular courses in relevant areas, such as the Code of Conduct, money laundering and financial crime. In 2020, 83 percent of Nordnet's employees signed the Code of Conduct. No incidents linked to corruption according to GRI 205-3 were reported or discovered through internal control processes in 2020. Read more about how we combat corruption and financial crime on pages 24-25.</p>
Environment and climate.	<p>Reducing our climate footprint and our direct impact on the environment is a part of our sustainability work. Since we have a digital business model without physical banking offices, do not have any corporate lending and do not trade shares on our own behalf, we assess our environmental and climate risks to generally be low. However, Nordnet or our partners may be struck by natural disasters, pandemics and the like, and some exposure also arises in our margin lending and treasury portfolio. One risk in the area is also that we at Nordnet have not succeeded in meeting our customers' demand for information services and investment options in sustainable savings.</p>	Nordnet wants to minimize risks related to the environment and climate and therefore, their handling is an integral part of our general risk framework that is approved by the Board of Directors. Considerations and controls regarding specific environmental and climate risks thereby take place in the handling of credit risks, market risks and operational risks.	<p>Minimizing our climate footprint is a part of Nordnet's overall sustainability policy.</p> <p>To follow up on Nordnet's environmental and climate effects, we conduct annual measurements of our energy consumption and greenhouse gas emissions. The greenhouse gas emissions are carbon-offset by planting trees through Plan Vivo's project ArBolivia. We strive to use 100-percent renewable electricity in our energy consumption and to recycle our waste. We have addressed the risks in our lending and treasury investments with extra controls to mitigate any climate risks. We are evaluating and following up our customers' and other stakeholders' viewpoints on Nordnet's sustainability work and product range in sustainable savings. Read more on pages 21 and 31-33.</p>

# Auditor's opinion regarding the statutory sustainability report.

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

## **Mission and division of responsibility**

The Board of Directors is responsible for the sustainability report for 2020 on pages 17-33 and pages 152-158 and for its preparation in accordance with the Annual Accounts Act.

## **Audit focus and scope.**

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

## **Opinions.**

A sustainability report has been prepared.

Stockholm, 23 March 2021

Deloitte AB

Patrick Honeth  
Authorized Public Accountant



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