

Nordnet AB (publ)

Year-end report.

January-December 2020.

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



Nordnet

The quarter in brief.

“The conclusion of 2020 was characterized by a continued strong interest in savings and investments, which combined with an improved user experience has led to strong growth in our business.”

Lars-Åke Norling, CEO Nordnet

Customer growth in the past 12 months:

34% (19%)

- | | |
|---|---|
| • Adjusted operating profit ¹
SEK 473.1 million (123.3) | • Earnings per share
SEK 1.13 (0.23) |
| • Operating income
amounted to SEK 767.1 million (428.2) | • Adjusted operating expenses ¹ amounted to
SEK 286.9 million (295.2) |
| • Savings capital at 31 December amounted to
SEK 565 billion (394) | • Net savings amounted to
SEK 35.2 billion (7.3) |

The figures above refer to the period Oct-Dec 2020, unless otherwise stated. The comparative figures in parentheses refer to 2019.

- Nordnet is listed on the Stockholm Stock Exchange – the first day of trading was 25 November
- A high level of interest in investments in shares and funds is leading to a record-high inflow of savings and new customers to Nordnet's platform
- Trading record and the Nordic region's largest broker – highest trading volume on the Nordic stock exchanges in 2020
- New peak levels for savings capital and lending
- Continued development of user experience and product range – digital occupational pension, paperless process for residential mortgages, and advisory tools on the site for fund savings launched during the quarter
- High income and cost control provide the best financial results in Nordnet's history – adjusted profit before tax of SEK 473 million. Operating expenses have been charged by SEK 99 million related to Nordnet's IPO.
- Proposed dividend, SEK 1.51 per share

MSEK	Q4 2020	Q3 2020	Change %	Q4 2019	Change %	Jan-Dec 2020	Jan-Dec 2019	Change %
Operating income	767.1	617.1	24%	428.2	79%	2,678.7	1,573.4	70%
Operating expenses	-386.3	-277.1	39%	-344.4	12%	-1,193.4	-1,162.3	3%
Credit losses	-7.1	-3.4	110%	-9.7	-27%	-38.7	-33.6	15%
Operating profit	373.8	336.6	11%	74.1	404%	1,446.6	377.4	283%
Profit after tax	292.0	277.4	5%	66.3	341%	1,172.7	339.5	245%
Earnings per share before and after dilution (SEK)	1.13	1.07	5%	0.23	390%	4.54	1.25	263%
Income in relation to savings capital	0.59%	0.55%	0.04%	0.45%	0.14%	0.60%	0.44%	0.17%
Operating margin %	49%	55%	-6%	17%	31%	54%	24%	30%
Adjusted operating expenses ¹	-286.9	-258.2	11%	-295.2	-3%	-1,064.1	-1,097.1	-3%
Adjusted operating profit ¹	473.1	355.5	33%	123.3	284%	1,575.9	376.8	318%
Adjusted operating margin %	62%	58%	4%	29%	33%	59%	24%	35%
Adjusted earnings per share pre amortization of intangible assets due to PPA before and after dilution (SEK)	1.48	1.17	26%	0.43	244%	5.10	1.37	272%
Total number of customers	1,221,500	1,122,900	9%	913,600	34%	1,221,500	913,600	34%
Net savings (SEK billion)	35.2	9.7	263%	7.3	381%	82.1	20.9	293%
Savings capital at the end of the period (SEK billion)	564.9	477.8	18%	394.5	43%	564.9	394.5	43%
Average savings capital per customer SEK	444,800	411,700	8%	423,000	5%	415,900	409,100	2%

For definitions of key performance indicators, refer to pages 36-37.

¹ See the table on items affecting comparability on page 13.

This is Nordnet.

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

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

Vision

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

Medium-term financial targets¹

- 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;

Our product areas

Savings and investments

Nordnet's core business is savings and investments. Our customers can save and invest in shares, funds and other kinds of securities from multiple markets at low fees. We offer a number of different interfaces, including the website, the app or more advanced applications. The less-active savers can also use our digital advisory services, including Robosave and Fund Advisor or invest in one of our index funds. Nordnet operates the Nordic region's largest social investment network Shareville, with more than 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 – margin lending, residential mortgages and personal loans (unsecured loans). Margin lending with securities as collateral is available in all four of our markets and allows our customers to borrow against their securities, increasing their investments. Our residential mortgages are 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.



¹ For the status regarding the financial targets, see page 10.

Comments from the CEO.



The fourth quarter of 2020 marks the end of a very special year. The coronavirus pandemic had a revolutionary impact on society in many ways. Besides the tragic consequences from a human perspective, the way in which we spend time together, work and interact with both each other and with companies and societal institutions has changed radically. Digitalization has made major leaps in a short period of time, and companies with business models that are positioned in line with this trend have benefited at the expense of more traditional companies. Many of the changes in living and consumption patterns we have seen will be lasting even after the vaccination program that is now being rolled out has been implemented, and I believe that we all agree that we will not go back to living exactly the way we did before.

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. We are continuously developing the user experience on the site, and on average roll out a new app release every nine days. We have recently digitalized several financial products that were previously associated with complicated processes and cumbersome paperwork. 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 advisory tool on the site for mutual fund savings. The process of moving one's occupational pension has already been freed from involving physical forms and manual signatures. Among other things, our immediate plans include a broad investment in the new personal pension account in Norway (EPK), improved functionality for mutual fund savings, and automation and digitalization of more savings products.

The conclusion of 2020 was characterized by a continued strong interest in savings and investments, which combined with an improved user experience has led to strong growth in our business. During the period October-December, we welcomed almost

"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."

100,000 new customers to Nordnet; the highest number ever in a single quarter. In total, we increased our customer base in 2020 by well over 300,000 customers, which corresponds to an annual customer growth of 34 percent. It is also very pleasing to see that we have a broader reach in society, and that young people and women to an increasing extent are beginning saving in shares and mutual funds. 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 among new customers in the past year is 34 percent, compared with nearly 30 percent in the customer base one year ago. I think that this trend is well in line with our overall objective of democratizing savings and investments.

Both savings capital and the inflow of new savings to our platform are reaching new record levels. In the fourth quarter alone, our customers had net savings of more than SEK 35 billion, which is more than all of 2019. The number of trades is at an all-time high and for the quarter amounts to 16.5 million; more than 100 percent more trades than the same quarter in the year before. The Nordic stock markets all show a positive return for the final three-month period of the year, with Norway as the strong leader. Some highlights from a Nordic perspective from the quarter are that we were named the “Stockbroker of the Year” by the Danish shareholders’ association in November, 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.

Our strong growth and high level of activity combined with good cost control mean that we are wrapping up a fantastic quarter from a financial perspective. The adjusted profit before tax amounted to SEK 473 million, which is nearly 300 percent better than the same quarter of the previous year. Income amounted to SEK 767 million, which is 80 percent higher than October-December

2019 and the highest ever for a single quarter. Adjusted expenses before tax amounted to SEK 287 million.

In the past quarter, Nordnet has again become a listed company. Those who have followed us know that we were bought out from the stock market at the beginning of 2017. Our digital platform was facing major investments, and our assessment was that this work would best be done in an unlisted environment. In recent years, we devoted considerable time and resources to improving both the user experience and backend systems, and the time was now right to again enter the stock market.

For me and my colleagues, it was exciting during the autumn to work with our IPO process and guide Nordnet to a listing on Nasdaq. For you as a customer, the stock exchange listing is naturally not of crucial significance, but may mean that we gain greater visibility and thereby more opportunities to influence issues that benefit the savers, and that those of you who want to have an easy opportunity to become owners of Nordnet.

“Our strong growth and high level of activity combined with good cost control mean that we are wrapping up a fantastic quarter from a financial perspective. The adjusted profit before tax amounted to SEK 473 million, which is nearly 300 percent better than the same quarter of the previous year.”

Thank you all who follow Nordnet, regardless of whether you do so as customers, shareholders or out of a general interest in our business. My fantastic colleagues and I will do everything to live up to your trust. We never compromise on the ambition of building the world’s best platform for savings and investments, and it is you who decide if we are on the right path.



Lars-Åke Norling
CEO, Nordnet

Operations.

Events in the fourth quarter

The financial markets

The last quarter of the year provided a continued strong stock market. The results of the U.S. presidential election and positive news about vaccines led cyclic shares, such as energy companies, consumer goods, hotels, airlines and financial companies, to recover, and the record development of technology and health companies to level off. Traditional high-value shares and small-cap companies accordingly rose around the world and saw their best quarter in more than ten years. Many broad share indexes ended the year with record quotes and the technology-heaving Nasdaq Composite had its best year since 2009. The U.S. index S&P 500 closed at +16 percent, which means that it rose more than 50 percent in two years. The market is beginning to price in a permanent recovery and an end to the pandemic although we saw a second wave and new restrictions and lockdowns during the quarter. The weak USD and increased global trade also positively impacted emerging markets during the quarter.

Our Nordic countries were struck hard by the second wave of the coronavirus. Despite this, all of the stock

markets rose during the quarter. General consumption decreased, mainly in travel, restaurants and retailing, which however has been compensated to some extent by a greater consumption of interior décor and home improvements. In Sweden, housing prices are again on the rise, unemployment has begun to stabilize and wage growth is at record-low levels. In Norway, the financial recovery is stronger than expected and many analysts speculate that the Bank of Norway will be the first in Europe to raise interest rates as early as 2021. In Denmark, the expected growth is the lowest in many years, but the number of bankruptcies has nonetheless been low and the low interest rate means that businesses are not significantly weighed down by their relatively large debts. The Finnish economy has also indicated an unexpected strength despite its dependence on the negatively impacted international trade. The Nordic stock markets all rose during the quarter: the Swedish OMXS30 by 2 percent, Danish OMXC25 by 11 percent, Finnish OMXH25 by 7 percent and Norwegian OBX by a full 15 percent. The positive quarter means that all of the Nordic share indexes are ending the year up.

Market shares local stock exchanges ¹	Q4 2020		Q3 2020		Q4 2019	
Countries	No. of trades	Turnover	No. of trades	Turnover	No. of trades	Turnover
Sweden (Nasdaq Stockholm)	5.3%	3.7%	5.1%	3.6%	4.5%	2.8%
Norway (Oslo Börs) ²	13.4%	7.3%	12.0%	8.5%	6.7%	4.5%
Denmark (Nasdaq Copenhagen)	6.0%	4.3%	5.5%	4.8%	4.0%	3.3%
Finland (Nasdaq Helsinki)	11.4%	5.7%	10.8%	5.5%	6.3%	3.3%

Trading information, Group ²	Q4 2020	Q3 2020	Q4 2019
Traded value cash market (SEK million)	414,200	341,958	211,705
Total number of trades	16,451,000	13,477,400	7,587,800
whereof cross-border trading %	27%	24%	20%
Number of trading days	63	66	62
Average number of trades per day	263,200	204,200	123,400

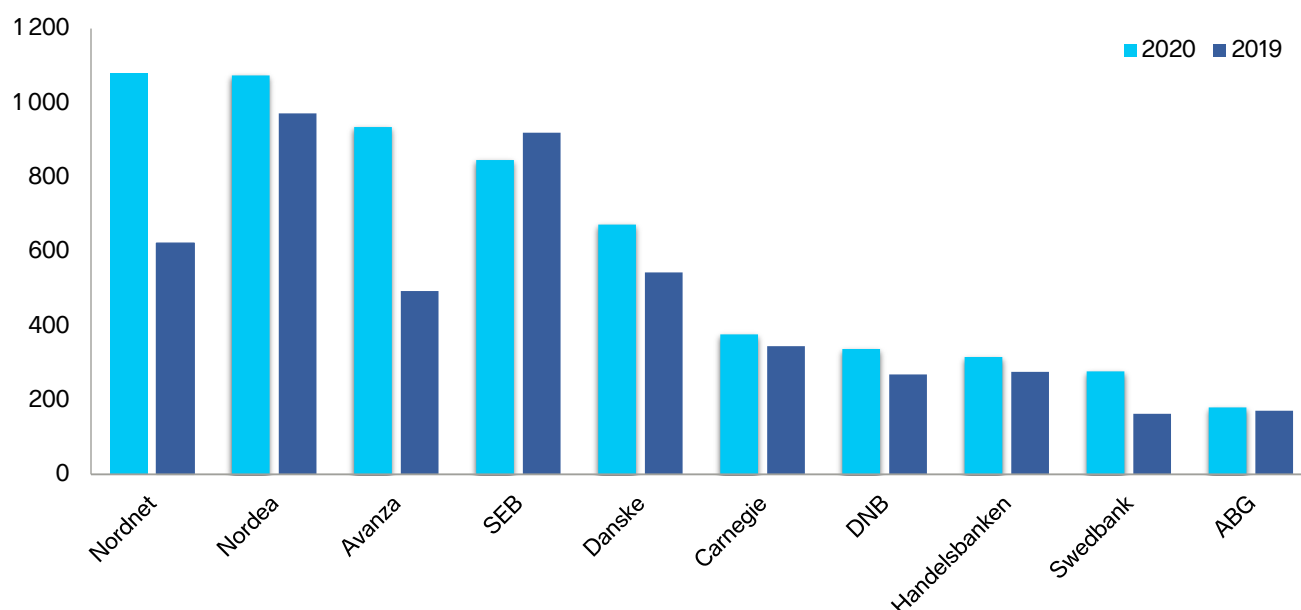
¹ Nordnet's monthly average share per market of share trading on the Nordic exchanges. Source: Market data from Nasdaq in Sweden, Denmark and Finland and from the Oslo Stock Exchange in Norway.

² The market share for the Oslo Stock Exchange for the number of transactions relates to the average for the period October-November as the reporting from the marketplace changed in December 2020 and relevant data is no longer available.

³ Nordnet's total volume and number of trades on all stock exchanges and markets for all customers, as well as the average number of trades per day. The daily average is calculated as the total number of trades divided by the number of trading days on which the Swedish stock exchange was open.

Total trading volume on the Nordic exchanges

SEK billion



Source: NASDAQ Nordic, Oslo Stock Exchange, Bank of Sweden (for exchange rates).

Note: Oslo Stock Exchange 2020 refers to the period December 2019 - November 2020 as the reporting from the marketplace changed in December 2020 and relevant data is no longer available.

Development of Nordnet's operations

Both the fourth quarter and full-year 2020 were characterized by very high figures for net savings, savings capital, trading activity and new customers. There are several reasons for the high interest in savings and investments. On one hand, financial markets have recovered on a broad front after the coronavirus crash in March, which has led to shares and mutual funds receiving positive attention. Changed consumption patterns as a result of the coronavirus have generally led to private individuals having more money to save; naturally on condition that one's own professional situation was not negatively impacted. In addition, the digitalization trend has markedly strengthened in the past year, which has benefited Nordnet's business model and led to a shift from traditional players to digital platforms.

For Nordnet's four markets, a total of 16.5 million trades were made during the quarter and 58.5 million trades in 2020 – both records. On 9 November, 441,983 trades were made, which was the trading record for a single day. A generally high level of interest in the stock market, positive vaccine news and greater clarity regarding the election results in the U.S. drove the activity. 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 number of customers continues to grow strongly. The total customer base on a Nordic level grew by 34 percent in 2020 and now amounts to 1,221,500 savers. In Denmark, we surpassed the milestone of 200,000 customers in December, and it is also in this market that we can note our strongest customer growth; the customer base in Denmark grew by a full 76 percent in 2020. In Finland, we have kept our strong market share with regard to the new equity savings account, and in the fourth quarter, we surpassed 100,000 savers in this new type of account. The customer base as a whole grew by 35 percent during the year in Finland. In Norway, we have an incredibly strong momentum in the business, and the customer base grew for the full year by 56 percent. Sweden also showed positive development, and the number of customers grew by 9 percent during the year to nearly 400,000 savers.

Net savings reached new record levels in both the fourth quarter and the full year. During the year's final three-month period alone, our customers made net savings of SEK 35 billion. Savings capital increased by 43 percent compared with the end of last year, amount-

January - December	Sweden		Norway		Denmark		Finland		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Number of customers	397,800	363,700	235,300	150,400	210,400	119,800	378,000	279,700	1,221,500	913,600
Savings capital SEK billion	247.7	171.0	89.3	63.5	118.1	80.2	109.8	79.8	564.9	394.5
of which shares/derivatives/bonds	166.4	103.9	57.6	40.1	91.5	59.9	88.9	64.1	404.4	268.0
of which funds	55.2	47.6	23.0	17.5	13.5	10.2	8.4	6.1	100.2	81.5
of which deposits	26.2	19.5	8.7	5.9	13.0	10.1	12.5	9.6	60.3	45.0
Number of trades	23,487,100	13,591,700	13,445,900	5,226,500	9,785,000	4,324,400	11,811,900	5,279,700	58,529,900	28,422,300
Whereof cross-border trading %	12%	9%	23%	23%	46%	41%	29%	27%	24%	20%
Net savings (SEK million)	26.4	8.2	16.5	4.0	22.0	4.4	17.2	4.3	82.1	20.9
Margin lending (SEK billion) ¹	3.4	2.6	1.9	1.7	1.7	1.2	2.1	1.5	9.2	7.1
Mortgage (SEK billion)	6.5	4.5	0.0	0.0	0.0	0.0	0.0	0.0	6.5	4.5
Personal loans (SEK billion)	4.0	4.1	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.1

¹Lending excluding pledged cash and equivalents

ing to SEK 565 billion at the end of December 2020. The savings ratio, meaning net savings during the year divided by savings capital 12 months back, amounted to 21 percent. Our total lending 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. During the same period, deposits increased by more than 30 percent and amounted to more than SEK 60 billion (45) at year-end. Liquidity thereby increased in 2020 and the ratio between lending and deposits decreased slightly.

We continue to develop the customer experience towards the objective of building the best platform for savings and investments. In the fourth quarter, we launched several improvements on our platform and in our app, such as price notifications for a desired instrument, a digital advisory service for starting savings in mutual funds, and a message center in the app. During the 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. Production of savings-related content for our own channels is high on the agenda. In Finland, we launched an e-book about trading during the quarter, and our podcast #rahopodi is among the eight most listened-to podcasts in 2020 despite tough competition on the podcast scene.

On 1 February, the new personal pension account (EPK) was launched in Norway. EPK will entail greater freedom of choice for the Norwegian savers in pension savings. It will now be possible for private savers to move pension capital from their occupational pensions to a savings platform of their choice, which was not previously possible.

Consolidated net profit

October-December 2020

(October-December 2019)

Operating income amounted to SEK 767.1 million (428.2), which is 79 percent higher than the fourth quarter of 2019. Net commission income increased by SEK 323.1 million to SEK 595.5 million (272.5). The transaction-related income increased by 162 percent compared with the fourth quarter of 2019 as a result of both more customers and a higher number of trades per customer. The percent of trades outside the customer’s home market increased from 20 to 27 percent. In addition, net commission income increased as a result of 20 percent higher average mutual fund assets compared with the fourth quarter of 2019.

Net interest income increased by SEK 16.1 million to SEK 148.3 (132.1) million. Increased income from margin lending, residential mortgages and Nordnet’s stock lending program makes a positive contribution, but the increase in net interest income is held back by a higher cost for the deposit guarantee.

Financial overview, SEK million	Q4 20	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19
Consolidated income statement								
Net commission income	595.5	451.1	480.6	493.5	272.5	231.2	219.5	216.6
Net Interest income	148.3	152.1	156.3	147.0	132.1	128.8	132.9	103.9
Net result of financial transactions	-4.3	2.0	-4.4	-7.5	0.5	-3.0	1.8	66.8
Other operating income	27.7	11.9	17.8	11.3	23.1	14.4	16.9	15.2
Operating income	767.1	617.1	650.3	644.2	428.2	371.4	371.2	402.5
General administrative expenses	-324.6	-231.3	-225.5	-210.2	-283.6	-216.6	-227.6	-219.8
Depreciation, amortization and impairments	-41.1	-39.2	-39.3	-38.5	-48.4	-47.5	-40.5	-38.0
Other operating expenses	-20.5	-6.5	-6.4	-10.2	-12.4	-9.6	-9.3	-9.1
Operating expenses	-386.3	-277.1	-271.2	-258.9	-344.4	-273.7	-277.4	-266.8
Net credit losses	-7.1	-3.4	-10.0	-18.2	-9.7	-5.5	-11.7	-6.7
Operating profit	373.8	336.6	369.1	367.1	74.1	92.3	82.1	129.0
Earnings per share before and after dilution, (SEK)	1.13	1.07	1.17	1.17	0.23	0.29	0.26	0.47
Items affecting comparability ¹	-99.4	-18.9	-11.0	0.0	-49.2	-2.1	-7.7	59.6
Adjusted operating expenses before credit losses	-286.9	-258.2	-260.2	-258.9	-295.2	-271.6	-269.7	-260.7
Adjusted operating profit ¹	473.1	355.5	380.1	367.1	123.3	94.4	89.8	69.4
Adjusted earnings per share pre amortization of intangible assets due to PPA before and after dilution (SEK)	1.48	1.17	1.24	1.21	0.43	0.36	0.33	0.25
Key figures								
Adjusted operating income in relation to savings capital - rolling 12 months %	0.60%	0.58%	0.55%	0.51%	0.44%	0.43%	0.43%	0.43%
Adjusted operating expenses in relation to savings capital - rolling 12 months %	0.24%	0.27%	0.29%	0.31%	0.32%	0.33%	0.34%	0.36%
Operating margin %	49%	55%	57%	57%	17%	25%	22%	32%
Adjusted operating margin %	62%	58%	58%	57%	29%	25%	24%	21%
Cost/income %	50%	45%	42%	40%	80%	74%	75%	66%
Adjusted Cost/income %	37%	42%	40%	40%	69%	73%	73%	77%
Profit margin %	38%	45%	46%	47%	15%	22%	20%	30%
Return on equity (annulized) %	33%	34%	36%	38%	12%	14%	15%	21%
Adjusted return on equity (annulized) %	35%	35%	37%	38%	12%	11%	11%	10%
Adjusted return on equity excl intangible assets (annulized) %	48%	48%	52%	54%	18%	17%	16%	14%
Customers	1,221,500	1,122,900	1,069,200	1,002,400	913,600	882,200	854,800	794,800
Annual customer growth %	34%	27%	25%	26%	19%	19%	19%	14%
Net savings (SEK billion)	35.2	9.7	13.4	23.8	7.3	4.2	2.4	7.0
Savings ratio %	21%	15%	14%	12%	7%	5%	5%	7%
Savings capital (SEK billion)	564.9	477.8	424.6	354.9	394.5	365.2	353.7	323.5
of which shares/derivatives/bonds	404.4	329.1	283.5	223.2	268.0	244.5	238.0	216.4
of which funds	100.2	88.2	79.3	64.7	81.5	75.6	71.3	65.9
of which deposits	60.3	60.5	61.8	67.0	45.0	45.1	44.4	41.2
Average savings capital per customer - 12 months rolling (SEK)	415,900	404,200	400,900	402,900	409,100	409,000	412,200	411,600
Lending (SEK billion)	19.7	17.8	16.1	14.7	15.6	14.9	14.6	14.4
of which margin lending ²	9.2	8.0	6.8	5.7	7.1	6.6	6.4	6.1
of which mortgages	6.5	5.8	5.3	4.9	4.5	4.3	4.3	4.3
of which personal loans	4.0	4.0	4.0	4.1	4.1	4.0	4.0	3.9
Investments in tangible assets (SEK million)	3.1	4.2	3.7	0.9	4.5	1.0	34.8	5.8
Investments in intangible assets excl. company acquisitions (SEK million)	28.6	20.7	23.8	20.0	20.5	18.9	21.4	30.4
Number of full-time equivalents at end of period	571	558	533	505	494	499	496	481

For definitions of key performance indicators, refer to pages 36-37.

¹ See the table on items affecting comparability on page 13.

² Lending excluding pledged cash and equivalents.

Profit for our markets

January - December	Sweden		Norway		Denmark		Finland		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Operating income	1,106.8	789.5	520.3	310.2	577.1	253.9	474.6	219.8	2,678.7	1,573.4
Operating expenses	-473.2	-488.0	-259.8	-277.2	-220.7	-190.0	-239.7	-207.0	-1,193.4	-1,162.3
Operating profit before credit losses	633.6	301.5	260.5	33.0	356.4	63.9	234.8	12.7	1,485.3	411.1
Credit losses	-38.8	-32.2	-0.1	-0.6	-0.1	-1.0	0.2	0.2	-38.7	-33.6
Operating profit	594.8	269.3	260.5	32.4	356.3	62.8	235.0	13.0	1,446.6	377.4
Operating margin %	54%	34%	50%	10%	62%	25%	50%	6%	54%	24%
Income in relation to savings capital	0.58%	0.53%	0.77%	0.61%	0.62%	0.35%	0.52%	0.31%	0.60%	0.44%

The adjusted operating expenses amounted to SEK 286.9 million (295.2), which was SEK 8.3 million less than the fourth quarter of 2019. Expenses for consultants and depreciation decreased, while personnel expenses increased as a result of a higher number of employees. Items affecting comparability of SEK 99 million attributable to expenses for the IPO of Nordnet were charged to profit. In the year-before period, items affecting comparability amounted to SEK 49 million. Operating expenses amounted to SEK 386.3 million (344.4), which was SEK 41.9 million higher than the fourth quarter of 2019.

Credit losses amounted to SEK 7.1 million (9.7), which is lower than the fourth quarter of 2019. The decrease can mainly be attributed to a change in provisions for future credit losses.

Adjusted operating profit rose by 284 percent to SEK 473.1 million (123.3), with an adjusted operating margin of 62 percent (29). Operating profit amounted to SEK 373.8 million (74.1), which is 404 percent higher than the fourth quarter of 2019. Profit after tax for the period rose by 341 percent to SEK 292.0 million (66.3), resulting in a profit margin of 38 percent (15).

January – December 2020

(January – December 2019)

Operating income for the period January – December increased by 70 percent, amounting to SEK 2,678.7 million (1,573.4). Net commission income increased by SEK 1,080.8 million to SEK 2,020.6 million (939.9). A higher number of trades and a high percentage of trades 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 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 (497.7) million. 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.

The adjusted operating expenses amounted to SEK 1,064.1 million (1,097.1), which was SEK 33 million less than 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 rose 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 20 million as a result of an adjusted assessment regarding the deduction right for input VAT, and SEK 109 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 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 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 rose by 318 percent to SEK 1,575.9 million (376.8), with an adjusted operating margin of 59 percent (25). Operating profit 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), resulting in a profit margin of 44 percent (22).

Status of financial targets¹

The status at 31 December 2020 of the financial targets that Nordnet has set on the medium term, is as follows:

- Annual customer growth in the past 12 months amounted to 34 percent (19)
- Average savings capital per customer amounted to SEK 415,900 (409,100)
- Income in relation to savings capital in the past 12 months amounted to 0.60 percent (0.44)
- Adjusted operating expenses in the past 12 months amounted to SEK 1,064.1 million (1,097.1)

The comparative figures in parentheses refer to the status as of 31 December 2019.

Financial position as of 31 December 2020

(31 December 2019)

Liquidity amounted to SEK 44,101.7 million (30,953.8) at 31 December 2020. The Group's 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 33.7 percent (35.8).

The Group's cash and cash equivalents amounted to SEK 3,704.0 million (914.7) at the end of December. Frozen assets amounted to SEK 319 million (103) of which SEK 150 million (103) was utilized. In addition, interest-bearing investments were held with a total fair value of SEK 15,683.3 million (18,676.6). In addition to the investments valued at fair value, Nordnet also has interest-bearing investments that are to be held to maturity and are thereby valued at amortized cost in an amount of 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 after five years, in the first quarter of 2024, and run with interest of three-month Stibor +6.75 percent. The bonds are listed on Nasdaq Stockholm. For more information, see the Group's specification of equity on page 17.

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. For more information, see Note 8.

Financial position	Q4 20	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19	Q2 19	Q1 19
Equity, SEK million	4,211.7	3,880.7	3,596.8	2,615.1	3,057.8	3,013.8	2,940.8	2,026.9
Equity excluding Tier 1 capital	3,721.7	3,389.3	3,105.3	2,123.6	2,566.4	2,522.4	2,451.0	1,528.4
Own funds consolidated situation	2,951.6	2,389.4	2,128.0	2,118.8	1,990.6	1,913.5	1,749.5	1,946.1
CET1 ratio	18.1%	15.0%	13.7%	14.1%	14.8%	14.6%	13.0%	16.1%
Total capital ratio	21.8%	19.0%	18.0%	18.5%	19.7%	19.7%	18.3%	21.7%
Leverage ratio	4.02%	3.30%	2.95%	2.56%	3.82%	3.67%	3.59%	4.23%
Lending/deposits	34%	32%	28%	24%	36%	35%	35%	36%
Deposits/savings capital	11%	13%	15%	19%	11%	12%	13%	13%

¹ Read more about the financial targets on page 3.

Cash flow

January–December 2020

(January – December 2019)

Cash flow from operating activities was positively impacted during the year by greater liquidity on customer deposits of SEK 15,565.2 million (2,987.0), but was negatively impacted by greater lending of SEK 4,557.1 million (1,903.6). During the year, cash flow in investing activities was negative due to increased investments in bonds and other fixed-income securities in an amount of SEK 8,996.9 million (3,378.7).

Parent Company

January – December 2020

(January – December 2019)

Nordnet AB (publ) is a holding company and conducts no operations beyond its role as the owner of Nordnet Bank AB, Nordnet Pensionsförsäkring AB and the Group's other companies. Operating income for January–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 for full-year 2020 amounted to SEK 209.0 million (250.5). The Parent Company's cash and cash equivalents amounted to SEK 112.2 million (69.4), and shareholders' equity to SEK 2,370.0 million (2,158.1).

Significant risks and uncertainties

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

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

Developments in the coronavirus situation represent an uncertainty factor that could affect risk in Nordnet. With regard to margin lending, it is primarily a high volatility, especially sharp stock market declines, that can increase the risk of credit losses. During the sharp market declines at the beginning of 2020, the credit risks were managed well and no increase in credit losses could be noted. No increased risk for credit losses has been noted for residential mortgages as well and only 83 customers requested deferrals in principal repayments based on the exception that the Swedish Financial Supervisory Authority granted in the spring. The primary risk of higher credit losses is deemed to be for personal loans, as an effect of higher unemployment, which could have a negative impact on the customers' repayment capacity. Nordnet has not, however, noted any changed payment capacity among its customers. However, Nordnet has also continued to take measures during the fourth quarter aimed at limiting its risk in issuing new personal loans, which are unsecured.

Other company events

Nordnet's IPO

On 25 November, Nordnet AB (publ) was listed on Nasdaq Stockholm's large cap list under the ticker SAVE. The subscription price was set at SEK 96, and the company obtained around 30,000 new shareholders.

Share-based incentive programs

At the Extraordinary General Meeting on 24 November, a resolution was made to issue warrants as a part of an incentive program for all of the Nordnet Group's employees. The incentive program comprises 5,980,549 warrants, which were issued to the participants at

market value. 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 exercise price of SEK 96 on 25 November, and cannot be less than the quota value on Nordnet AB's shares. In addition, if Nordnet AB's 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.

The increase in Nordnet AB's share capital upon full exercise of warrants will not amount to more than SEK 29,903. The number of warrants that can be subscribed by the participants in the incentive program may give rise to a dilution effect of 2.3 percent of Nordnet AB's share capital.

Employees

As of 31 December 2020, there were 571 full-time employees at Nordnet (494 as of 31 December 2019). Full-time employees include temporary employees but not employees on parental or other leave. The average number of employees for the period January–December was 561 (523 during the period January–December 2019). In addition to the number of full-time positions, the number of employees also includes staff on parental leave and leaves of absence.

Annual Report 2021

The 2021 Annual General Meeting is scheduled for 29 April 2021. All information regarding the Annual General Meeting is available on nordnetab.com. Besides the Chairman of the Board Tom Dinkelspiel, the Nomination Committee consists of the following people:

- Johan Malm, appointed by E. Öhman J:or Intressenter Aktiebolag

Items affecting comparability

Items affecting comparability, SEK million	Q4 2020	Q3 2020	Q4 2019	2020	2019	2018	2017
Delisting from Nasdaq							-45
Acquisition of Netfonds			-19		-35	-16	
Deduction right VAT		-9	-30	-20	-30		
Expenses related to the IPO	-99	-10		-109			
Revaluation of the shareholdings in Tink AB ¹	0				66		
Total	-99	-19	-49	-129	1	-16	-45

¹ The shareholding was divested in 2019.

- Björn Fröling, appointed by Premiefinans K. Bolin Aktiebolag
- Robert Furuhjelm, appointed by Cidron Danube S.à.r.l

Upcoming report events

Annual and Sustainability Report	24 March 2021
Interim Report January–March	29 April 2021
Interim Report January–June	23 July 2021
Interim Report January–September	29 October 2021

The Annual and Sustainability Report will be available on nordnetab.com after publication.

Related party transactions

E. Öhman J:or AB with subsidiaries ("Öhman Group") is closely related to Nordnet AB (publ). Family members of the owners Öhman Group also possess direct ownership in Nordnet AB (publ). Nordnet Bank AB regularly enters into business relations with Öhman Group in the same way as is regularly done with other financial players. For additional information, please refer to Note 6 in the 2019 Annual Report.

Events after 31 December 2020

Dividend

The Board of Directors proposes a dividend of SEK 1.51 per share, which corresponds to 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.

Financial statements



Financial statements.

Consolidated income statement

SEK million	Note	3 months Oct-Dec 2020	3 months July-Sep 2020	3 months Oct-Dec 2019	12 months Jan-Dec 2020	12 months Jan-Dec 2019
Commission income ¹	2	772.2	589.4	342.8	2,609.3	1,247.0
Commission expenses	2	-176.7	-138.2	-70.3	-588.7	-307.2
Interest income	3	200.2	193.6	175.9	787.1	620.2
Interest expenses	3	-51.9	-41.5	-43.8	-183.6	-122.5
Net result of financial transactions ¹		-4.3	2.0	0.5	-14.2	66.1
Other operating income		27.7	11.8	23.1	68.7	69.7
Total operating income		767.1	617.1	428.2	2,678.7	1,573.4
General administrative expenses		-324.6	-231.4	-283.6	-991.7	-947.7
Depreciation, amortization and impairments of intangibles and equipment		-41.1	-39.2	-48.4	-158.1	-174.3
Other operating expenses		-20.5	-6.5	-12.4	-43.6	-40.3
Total expenses before credit losses		-386.3	-277.1	-344.4	-1,193.4	-1,162.3
Profit before credit losses		380.9	340.0	83.8	1,485.3	411.1
Credit losses, net	4	-7.1	-3.4	-9.7	-38.7	-33.6
Operating profit		373.8	336.6	74.1	1,446.6	377.4
Tax on profit for the period		-81.8	-59.2	-7.8	-273.9	-37.9
Profit for the period ²		292.0	277.4	66.3	1,172.7	339.5
Earnings per share before and after dilution, SEK ³	9	1.13	1.07	0.23	4.55	1.25
Number of outstanding shares before and after dilution ³	9	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000

Consolidated statement of other comprehensive income

SEK million	3 months Oct-Dec 2020	3 months July-Sep 2020	3 months Oct-Dec 2019	12 months Jan-Dec 2020	12 months Jan-Dec 2019
Profit for the period	292.0	277.4	66.3	1,172.7	339.5
Items that will be reversed to the income statement					
Changes in value of financial assets recognized at fair value through other comprehensive income	11.4	21.9	-8.0	31.1	0.2
Tax on changes in value of financial assets recognized at fair value through other comprehensive income	-2.4	-4.7	1.8	-6.7	0.0
Translation of foreign operations	-8.9	-1.8	-7.4	-49.6	9.6
Tax on translation of foreign operations	7.7	-0.2	-0.3	0.8	-0.9
Total other comprehensive income after tax	7.8	15.2	-13.9	-24.3	8.9
Total profit or loss and other comprehensive income ²	299.9	292.6	52.3	1,148.5	348.2

¹ 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 1.

² The full profit goes to the shareholders of the Parent Company.

³ For more information, see Note 9.

Consolidated balance sheet

SEK million	Note	31/12/2020	31/12/2019
Assets			
Cash and balances in Central banks		3,100.5	409.5
Treasury bills and other interest bearing securities eligible for refinancing		30,279.6	22,035.9
Loans to credit institutions		603.5	505.2
Loans to the general public	4	20,311.9	16,127.8
Bonds and other interest bearing securities		2,336.4	1,563.7
Shares and participations		7.3	6.6
Assets for which customers bear the investment risk		102,691.3	70,089.2
Intangible fixed assets		866.8	917.1
Tangible fixed assets		272.9	306.8
Deferred taxed assets		0.6	2.8
Current tax assets		12.2	63.6
Other assets		7,228.7	3,368.5
Prepaid expenses and accrued income		281.4	206.6
Total assets		167,993.1	115,603.2
Liabilities			
Deposits and borrowing from the general public		52,552.8	38,572.1
Liabilities for which customers bear the investment risk		102,693.3	70,091.0
Other liabilities		7,976.4	3,547.7
Current tax liabilities		200.0	92.2
Deferred tax liabilities		73.2	82.6
Accrued expenses and deferred income		285.7	159.9
Total liabilities		163,781.4	112,545.4
Equity			
Share capital		1.2	1.0
Other capital contributions		7,612.4	7,571.2
Other reserves		-100.4	-76.1
Retained earnings/cumulative losses including profit and loss for the period		-3,301.5	-4,438.3
Total equity		4,211.7	3,057.8
Total liabilities and equity		167,993.1	115,603.2

Consolidated statement of changes in equity

SEK million	Share capital	Additional Tier 1 (AT1) capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Total equity
Equity brought forward 1 January 2020	1.0	500.0	7,071.2	-76.1	-4,438.3	3,057.8
Profit after tax reported in the income statement	-	-	-	-	1,172.7	1,172.7
Other comprehensive income after tax	-	-	-	-24.3	-	-24.3
Total comprehensive income	-	-	-	-24.3	1,172.7	1,148.5
Transactions reported directly in equity						
Issue of warrants	-	-	43.1	-	-	43.1
Transaction costs warrants	-	-	-1.9	-	-	-1.9
Bonus issue	0.2	-	-	-	-0.2	0.0
Interest on Tier 1 capital	-	-	-	-	-35.8	-35.8
Total transactions reported directly in equity	0.2	-	41.2	-	-36.0	5.4
Equity carried forward 31 December 2020	1.2	500.0	7,112.4	-100.4	-3,301.5	4,211.7

SEK million	Share capital	Additional Tier 1 (AT1) capital	Other contributed capital	Other reserves	Retained earnings including profit for the year	Total equity
Equity brought forward 1 January 2019	1.0	-	6,821.3	-85.0	-4,749.0	1,988.2
Profit after tax reported in the income statement	-	-	-	-	339.5	339.5
Comprehensive income after tax	-	-	-	8.9	-	8.9
Total comprehensive income	-	-	-	8.9	339.5	348.4
Transactions reported directly in equity						
Shareholder contribution, unconditional	-	-	250.0	-	-	250.0
Issue of Tier 1 capital ¹	-	500.0	-	-	-	500.0
Transaction costs in connection with issue of Tier 1 capital ²	-	-	-	-	-3.2	-3.2
Tax on transaction cost with issue of Tier 1 capital	-	-	-	-	0.7	0.7
Interest on Tier 1 capital	-	-	-	-	-26.3	-26.3
Total transactions reported directly in equity	-	500.0	250.0	-	-28.8	721.2
Equity carried forward 31 December 2019	1.0	500.0	7,071.2	-76.1	-4,438.3	3,057.8

¹ The shareholders' contribution is unconditional.

² Issue of Tier 1 capital of SEK 500 million. The bonds have an indefinite maturity, with the first redemption after five years and runs with interest of three-month Stibor + 6.75 percent. The bonds are listed on the Nasdaq Stockholm exchange.

Consolidated cash flow

SEK million	3 months Oct-Dec 2020	3 months July-Sep 2020	3 months Oct-Dec 2019	12 months Jan-Dec 2020	12 months Jan-Dec 2019
Operating activities					
Cash flow from operating activities before changes in working capital	638.0	273.3	493.9	1,553.6	488.5
Cash flow from changes in working capital	393.8	-2,754.0	577.9	10,345.0	2,047.5
Cash flow from operating activities	1,031.8	-2,480.7	1,071.8	11,898.5	2,536.0
Investing activities					
Purchases and disposals of intangible and tangible fixed assets	-31.9	-24.9	-91.3	-102.2	-634.3
Investments in securities	-4,039.4	-2,878.4	-5,947.1	-20,515.3	-9,460.8
Sale of securities	4,617.1	4,740.6	4,891.2	11,518.4	6,082.1
Cash flow from investing activities	545.8	1,837.4	-1,147.2	-9,099.1	-4,013.0
Financing activities					
Cash flow from financing activities	48.0 ¹	-8.6	-32.0	22.2	715.4
Cash flow for the period	1,625.6	-651.9	-107.3	2,821.6	-761.6
Cash and cash equivalents at the start of the period	2,082.4	2,737.0	1,027.8	914.7	1,677.2
Exchange rate difference for cash and cash equivalents	-4.0	-2.7	-5.7	-32.3	-0.9
Cash and cash equivalents at the end of the period	3,704.0	2,082.4	914.7	3,704.0	914.7
<i>whereof cash and cash equivalents in Central Banks</i>	3,100.5	1,540.9	409.5	3,100.5	409.5
<i>whereof loans to credit institutions</i>	603.5	541.5	505.2	603.5	505.2

¹ SEK 41.2 million pertains to the issue of warrants.

Parent Company income statement

SEK million	3 months Oct-Dec 2020	3 months July-Sep 2020	3 months Oct-Dec 2019	12 months Jan-Dec 2020	12 months Jan-Dec 2019
Net sales	4.5	9.2	3.7	21.6	18.7
Total operating income	4.5	9.2	3.7	21.6	18.7
Other external costs	-63.7	-17.8	-2.0	-85.6	-9.5
Personnel costs	-3.6	-2.9	-3.0	-12.7	-17.4
Other operating expenses	-7.2	-0.4	-0.3	-8.2	-1.4
Operating profit	-70.1	-11.9	-1.6	-85.0	-9.6
Result from financial investments:					
Result from participations in Group companies	296.0	-	200.0	296.0	260.0
Interest expense and similar items	-1.2	-0.2	-0.4	-1.9	0.1
Result from financial investments	294.8	-0.2	199.6	294.1	260.1
Profit after financial items	224.7	-12.1	198.0	209.0	250.5
Tax on profit for the year	-4.3	-1.8	0.3	-2.5	1.6
Profit for the period	220.4	-10.3	198.4	206.5	252.1

Profit for the period matches the comprehensive income.

Parent Company's balance sheet

SEK million	31/12/2020	31/12/2019
Assets		
Financial fixed assets	1,989.1	1,989.1
Current assets	351.0	205.0
Cash and bank balances	112.2	69.4
Total assets	2,452.3	2,263.5
Equity and liabilities		
Restricted equity	1.2	1.0
Non-restricted equity	2,368.8	2,157.1
Current liabilities	82.3	105.4
Total equity and total liabilities	2,452.3	2,263.5

Notes.

Note 1 Accounting principles

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

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

Provisions for credit losses on financial assets

Default and doubtful receivables

Default is defined in accordance with the Group's credit policy as a combination of both quantitative and qualitative factors.

For unsecured personal loans, default is defined either

as a receivable having been due for payment for more than 90 days, or other indications that borrowers will encounter difficulties meeting their obligations. Receivables exceeding 100 days past default are sold on to debt collection companies. Receivables with other indications of default, such as debt restructuring, bankruptcy, death, fraud or emigration, are not resold to debt collection companies. This definition diverges from previously applied principles, with Nordnet previously applying 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 provisions in Note 4 Loans to the general public

Currency exchange income

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 derives exclusively from customers' transactions, with the currency risk lying with the customers. The new classification provides a more accurate portrayal of the actual underlying income stream. Compared with previously published annual reports, Nordnet has made the following changes in the table below and on page 21:

Restated exchange income, SEK million	Restated commission income	Net result of financial transactions
Jan-dec 2019		
Before reclassification	1,070.1	243.0
Sweden	58.1	-58.1
Norway	31.5	-31.5
Denmark	66.7	-66.7
Finland	20.6	-20.6
Total reclassification	176.9	-176.9
Total after reclassification	1,247.0	66.1
Oct-dec 2019		
Before reclassification	294.7	48.6
Sweden	15.6	-15.6
Norway	8.7	-8.7
Denmark	18.3	-18.3
Finland	5.5	-5.5
Total reclassification	48.1	-48.1
Total after reclassification	342.8	0.5

New and amended standards from 1 January 2020

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

As of 1 January 2020, amendments to IAS 39, IFRS 9 and IFRS 7 brought about by the ongoing reform of current benchmark rates (IBOR) shall be applied. The amendment includes an upcoming replacement of commonly used benchmark rates (such as STIBOR, EURIBOR, LIBOR) with alternative, risk-free interest rates. In Sweden, the Riksbank will start publishing a new reference rate on the shortest maturity. As a consequence of the effects of the corona 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 concern practical aspects of systems, as well as risk and return issues linked to the actual transition for placements that were previously quoted at one benchmark rate and then shift to another one.

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

Standards that will come into force in 2021 and beyond

IFRS 17 Insurance Contracts and IFRS 4 Insurance Contracts

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

amendments is to reduce the expense of applying IFRS 17 by introducing certain simplifications of the standard's requirements and making it easier for companies to explain their results when applying the standard. The purpose is also to simplify the transition for companies so that they can start applying the standard by postponing mandatory application by two years, from 2021 to 2023.

Note 2 Net commission income

	3 months	3 months	3 months	12 months	12 months
SEK million	Oct-Dec 2020	July-Sep 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Commission income					
Commission income - transaction related	479.6	375.3	195.4	1,682.8	727.0
Commission income - not transaction related ¹	131.5	97.5	99.2	414.7	343.1
Currency exchange income ²	161.2	116.6	48.1	511.8	176.9
Total commission income	772.2	589.4	342.8	2,609.3	1,247.0
Commission expenses					
Commission expenses - transaction related	-133.9	-114.1	-49.4	-473.9	-219.2
Commission expenses - not transaction related	-42.8	-24.1	-21.0	-114.8	-88.0
Commission expenses	-176.7	-138.2	-70.3	-588.7	-307.2
Net commission income	595.5	451.2	272.5	2,020.7	939.8

¹ Primarily pertains to commission income from mutual fund savings.

² 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 1 page 19.

Note 3 Net interest income

	3 months	3 months	3 months	12 months	12 months
SEK million	Oct-Dec 2020	July-Sep 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Interest income according to the effective interest rate method					
Loans to credit institutions	31.8	33.2	24.3	119.1	67.4
Interest bearing securities	16.5	20.0	24.3	113.5	59.3
Loans to the general public	149.5	138.5	125.8	546.1	488.8
Other interest income	2.4	1.9	1.5	8.4	4.7
Total interest income	200.2	193.6	175.9	787.1	620.2
Interest expenses					
Liabilities to credit institutions	-1.1	-2.7	-2.0	-8.3	-6.3
Interest bearing securities	-16.7	-16.1	-19.1	-72.7	-41.9
Deposits and borrowing from the general public	-0.2	-0.5	-2.7	-5.4	-11.9
Other interest expenses	-33.9	-22.2	-20.0	-97.2	-62.4
Total interest expenses	-51.9	-41.5	-43.8	-183.6	-122.5
Net interest income	148.3	152.1	132.1	603.6	497.7

Note 4 Loans to the general public

Total lending amounts to SEK 20,312 million (16,128 as of 31 December 2019). As at 31 December, SEK 640.4 million (482.6) of lending to the public involves account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans and investment savings accounts (ISGs), the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

Lending to the general public is reported after deduction of realized and expected credit losses. At the end of the period, the total provision for feared credit losses amounted to SEK 105.0 (98.7) million, including an additional provision of SEK 2.0 (0.0) million, taking the prevailing uncertainty attributable to the coronavirus into account. The credit loss provisions are distributed between personal loans, in the amount of SEK 81.8 million (78.4) and margin lending in the amount of SEK 23.2 million (20.3).

Nordnet reports provisions for credit losses on financial assets valued at amortized cost. For all credit products, Nordnet has developed statistical models that consist of a combination of historical, current, future-oriented and macroeconomic data and benchmarks deemed relevant by Nordnet, as well as external data from multiple sources to be able to measure the credit risk and assess the potential risk of default. Measurement of credit exposure and calculation of expected credit losses are complex and include the use of models that are based on the probability of default, exposure at default and loss given default.

Due to the current uncertainty surrounding the on-going pandemic, the economic situation and customers' future repayment capacity, Nordnet has chosen to maintain in the fourth quarter the adjusted weighting implemented in the first quarter, when calculating credit loss provisions for personal and margin loans. The forecasts for the three scenarios – medium, positive and negative are based on different assumptions regarding future unemployment and economic recovery.

Weighting of scenarios for personal and margin loans:

	Scenario	Weight
Before March 2020	Positive	25 %
	Medium	50%
	Negative	25%
Since March 2020	Positive	10%
	Medium	20%
	Negative	70%

The model for residential mortgages has also been calculated with stressed scenarios, although, because the effects of this have been very limited, the weighting of the scenarios has not been adjusted. The need for provisions for residential mortgages is calculated with the following weights for scenarios: positive 25%, median 50% and negative 25%.

The effect of the adjusted weighting for personal loans and margin loans provides an increased amount of loans in stage 2. For personal loans and margin lending, the future-oriented

Credit loss reserve 31/12/2020	Stage 1	Stage 2	Stage 3	Total
Amortized cost	18,245.9	2,057.5	113.5	20,416.9
Provisions for expected credit losses	-21.9	-21.3	-61.8	-105.0
Total lending to the public	18,224.0	2,036.2	51.7	20,311.9

Credit loss reserve 31/12/2019	Stage 1	Stage 2	Stage 3	Total
Amortized cost	14,623.8	1,507.9	94.7	16,226.4
Provisions for expected credit losses	-22.0	-24.5	-52.2	-98.7
Total lending to the public	14,601.8	1,483.5	42.5	16,127.8

Loans, SEK million	31/12/2020	30/09/2020	Change %	31/12/2019	Change %
Residential mortgages	6,493.2	5,829.6	11.4%	4,515.4	43.8%
Margin loans	9,822.8	9,257.1	6.1%	7,560.3	29.9%
Personal loans	3,995.9	4,010.3	-0.4%	4,052.1	-1.4%
Total lending to the public	20,311.9	19,097.0	6.4%	16,127.8	25.9%
whereof credits covered by pledged cash and cash equivalents	640.4	1,273.8	-49.7%	482.6	32.7%

scenarios were adjusted to a higher weighting towards a negative scenario. This means that the general risk level increases even if we do not see any increase on an individual level, such as through an increase of late payers.

In addition to the earlier assessment regarding changed probability, Nordnet has seen small real effects regarding credit losses and provisions due to the coronavirus pandemic. Nordnet has offered temporary repayment relief on residential mortgages in accordance with the possibilities for exemption from repayment requirements announced by the Swedish Financial Supervisory Authority due to the coronavirus pandemic. Only a few of Nordnet's customers have applied for temporary repayment relief, meaning that provisions for residential mortgages have not been affected. As of 31 December 2020, the average loan-to-value ratio for mortgages was 41.1 percent (40.8). Nordnet offers mortgages with a maximum loan-to-value ratio of 60 percent. During the fourth quarter, housing prices rose throughout the country.

Nordnet does not see that the coronavirus pandemic would result in increased credit losses in the future.

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

Note 5 Group – segments

Jan-dec 2020, SEK million	Sweden	Norway	Denmark	Finland	Group
Net commission income	653.4	383.0	539.5	444.9	2,020.6
Net interest income	423.6	142.2	31.7	6.1	603.5
Net result after financial transactions	-0.3	-4.8	-5.0	-4.1	-14.2
Other interest income	30.0	-0.1	11.0	27.8	68.7
Total operating income	1,106.7	520.3	577.1	474.6	2,678.7
Total operating expenses	-473.2	-259.8	-220.7	-239.7	-1,193.4
Total expenses before credit losses	-473.2	-259.8	-220.7	-239.7	-1,193.4
Profit before credit losses	633.5	260.5	356.4	234.8	1,485.3
Credit losses, net	-38.8	-0.1	-0.1	0.2	-38.7
Operating profit	594.8	260.5	356.3	235.0	1,446.6

Jan-dec 2019, SEK million	Sweden	Norway	Denmark	Finland	Group
Commission net	381.0	166.2	224.6	168.1	939.9
Interest net	360.6	120.3	4.9	12.0	497.7
Net result of financial transactions	15.2	15.4	17.5	18.1	66.1
Other operating income	32.9	8.2	7.0	21.6	69.7
Total operating income	789.6	310.2	253.9	219.8	1,573.4
Total operating expenses	-488.0	-277.2	-190.0	-207.0	-1,162.3
Total expenses before credit losses	-488.0	-277.2	-190.0	-207.0	-1,162.3
Profit before credit losses	301.5	33.0	63.8	12.7	411.1
Credit losses, net	-32.2	-0.6	-1.0	0.2	-33.6
Operating profit	269.3	32.4	62.8	12.9	377.4

Note 6 Group – Financial instruments

Categorization of financial instruments

31/12/2020						
Fair value through consolidated income statement						
Assets	Amortized cost	Held for trading	Other business models	Fair value through other comprehensive income	Non financial instruments	Total
Cash and balances in Central banks	3,100.5	-	-	-	-	3,100.5
Treasury bills and other interest bearing securities eligible for refinancing	20,935.0 ¹	-	-	9,344.6	-	30,279.6
Loans to credit institutions	603.5	-	-	-	-	603.5
Loans to the general public	20,311.9	-	-	-	-	20,311.9
Bonds and other interest bearing securities	1,487.2	-	-	849.2	-	2,336.4
Shares and participations, listed	-	6.6	-	-	-	6.6
Shares and participations, non-listed	-	0.7	-	-	-	0.7
Assets for which customers bear the investment risk ²	2,292.2	-	94,909.6	5,489.5	-	102,691.3
Other assets	7,228.7	-	-	-	12.2	7,240.9
Accrued income	281.4	-	-	-	-	281.4
Total assets	56,240.3	7.3	94,909.6	15,683.3	12.2	166,852.7
Liabilities						
Deposits and borrowing from the general public	52,552.8	-	-	-	-	52,552.8
Liabilities for which customers bear the investment risk	-	-	102,693.3	-	-	102,693.3
Other liabilities	7,976.4	-	-	-	273.2	8,249.6
Accrued expenses	285.7	-	-	-	-	285.7
Total liabilities	60,814.8	-	102,693.3	-	273.2	163,781.4

¹ The market value amounts to SEK 21,013.3 million

² SEK 5,489.5 million relates to re-investments in bonds and SEK 2,292.2 million relates to cash and cash equivalents.

31/12/2019						
Fair value through consolidated income statement						
Assets	Amortized cost	Held for trading	Other business models	Fair value through other comprehensive income	Non financial instruments	Total
Cash and balances in Central Banks	409.5	-	-	-	-	409.5
Treasury bills and other interest bearing securities eligible for refinancing	8,845.4 ¹	-	-	13,190.4	-	22,035.8
Loans to credit institutions	505.2	-	-	-	-	505.2
Loans to the general public	16,127.8	-	-	-	-	16,127.8
Bonds and other interest bearing securities	740.6	-	-	823.1	-	1,563.7
Shares and participations, listed	-	6.0	-	-	-	6.0
Shares and participations, non-listed	-	0.6	-	-	-	0.6
Assets for which customers bear the investment risk ²	1,776.4	-	63,649.7	4,663.1	-	70,089.2
Other assets	3,368.5	-	-	-	63.6	3,432.1
Accrued income	206.6	-	-	-	-	206.6
Total assets	31,980.1	6.6	63,649.7	18,676.6	63.6	114,376.6
Liabilities						
Deposits and borrowing from the general public	38,572.1	-	-	-	-	38,572.1
Liabilities for which customers bear the investment risk	-	-	70,091.0	-	-	70,091.0
Other liabilities	3,547.7	-	-	-	174.7	3,722.4
Accrued expenses	159.9	-	-	-	-	159.9
Total liabilities	42,279.7	-	70,091.0	-	174.7	112,545.4

¹ The market value amounts to SEK 8,840.8 million

² SEK 4,663.1 million refers to re-investments in bonds and SEK 1,776.4 million refers to cash and cash equivalents.

Cont. Note 6 Group – Financial instruments

Determination of fair value of financial instruments

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

The methods are divided into three different levels:

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

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

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

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

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

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

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

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

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

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

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

Financial instruments are recognized at fair value

31/12/2020				
SEK million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Treasury bills and other interest bearing securities eligible for refinancing	9,344.6	-	-	9,344.6
Bonds and other interest bearing securities	849.2	-	-	849.2
Shares and participations ¹	6.6	-	0.7	7.3
Assets for which customers bear the investment risk	101,377.5	487.2	826.6	102,691.3
Subtotal	111,577.9	487.2	827.3	112,892.4
Financial assets where fair value is given for information purposes				
Cash and balances in Central Banks	3,100.5	-	-	3,100.5
Loans to credit institutions	-	603.5	-	603.5
Loans to the general public	-	20,311.9	-	20,311.9
Treasury bills and other interest bearing securities eligible for refinancing	-	21,013.3	-	21,013.3
Bonds and other interest bearing securities	-	1,489.9	-	1,489.9
Other assets	7,228.7	-	-	7,228.7
Accrued income	281.4	-	-	281.4
Subtotal	10,610.6	43,418.5	-	54,029.1
Total	122,188.5	43,905.8	827.3	166,921.6
Financial liabilities at fair value				
Liabilities for which customers bear the investment risk	-	102,693.3	-	102,693.3
Total	-	102,693.3	-	102,693.3

¹ Shares and participations in Level 3 refer to unlisted shares.

31/12/2019				
SEK million	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Treasury bills and other interest bearing securities eligible for refinancing	13,190.4	-	-	13,190.4
Bonds and other interest bearing securities	823.1	-	-	823.1
Shares and participations ¹	6.0	-	0.7	6.7
Assets for which customers bear the investment risk	69,170.4	697.8	221.0	70,089.2
Subtotal	83,189.9	697.8	221.7	84,109.4
Financial assets where fair value is given for information purposes				
Cash and balances in Central Banks	409.5	-	-	409.5
Loans to credit institutions	-	505.2	-	505.2
Loans to the general public	-	16,127.8	-	16,127.8
Treasury bills and other interest bearing securities eligible for refinancing	-	8,840.8	-	8,840.8
Bonds and other interest bearing securities	-	740.7	-	740.7
Other assets	3,368.5	-	-	3,368.5
Accrued income	206.6	-	-	206.6
Subtotal	3,984.7	26,214.5	-	30,199.2
Total	87,174.6	26,912.3	221.7	114,308.6
Financial liabilities at fair value				
Liabilities for which customers bear the investment risk	-	70,091.0	-	70,091.0
Total	-	70,091.0	-	70,091.0

¹ Shares and participations in Level 3 refer to unlisted shares.

Cont. Note 6 Group – Financial instruments

Description of valuation levels

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

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

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

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

Financial instruments are transferred to or from Level 3 depending on whether internal assumptions have changed for the valuation.

Relocation between levels

Financial instruments that have been transferred from level 1 to level 2 during the period amount to SEK 25 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 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, for which reason 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 7 Pledged assets, contingent liabilities and commitments

SEK million	31/12/2020	31/12/2019
Provided collaterals		
Pledged assets and comparable collateral for own liabilities	none	none
Other pledged assets and comparable collateral		
Bonds and other interest bearing securities ¹	3,369.2	2,224.5
<i>of which deposits with credit institutions</i>	2,784.4	1,842.0
<i>of which deposits with clearing organisations</i>	584.8	382.6
Commitments		
Contingent liabilities	33.1	none
Commitments		
Credit granted but not yet paid loans ²	497.3	426.4
Funds managed on behalf of third parties		
Client funds	127.4	148.5

¹ This amount includes blocked funds of SEK 319 million (103), mainly provided collaterals with clearing institutes, central banks and the stock exchange.

As at the balance sheet date of 31 December 2020, the insurance business held registered assets amounting to SEK 102,691 million (70,090 at 31 December 2019) to which the policyholders have priority rights.

² This amount includes granted, unpaid mortgages amounting to SEK 427.0 million (321.7).

Note 8 Capital adequacy information

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

Capital base and capital requirement of the financial conglomerate

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

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

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

Cont. Note 8 Capital adequacy information

The financial conglomerate

SEK million	31/12/2020	31/12/2019
Capital base after regulatory adjustments	4,344.1	2,538.5
Capital requirement	3,680.7	2,160.8
Excess capital	663.4	377.1
Capital ratio	1.2	1.2

As of 30 June 2019, Solvency II figures are recognized with a one-quarter delay.

Capital base and capital requirements for the consolidated situation

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

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

The capital base shall cover minimum capital requirements and the combined buffer requirement, as well as supplemental Pillar 2 requirements. Net profit from full-year 2020 is included since the external auditors have verified the profit and permission has been obtained from the Swedish Financial Supervisory Authority.

Internally assessed capital requirement

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

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

Nordnet has calculated the internal capital requirement for the consolidated situation to be SEK 943.1 million (429.8 as of 31 December 2019). This is considered to be a satisfactory capital situation with regard to the activities that Nordnet conducts. Nordnet's internal assessment of the capital requirement is not entirely comparable with the estimated capital requirement that the Swedish Financial Supervisory Authority publishes quarterly.

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

Cont. Note 8 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	-4,323.6	-4,766.2
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
Common Equity Tier 1 (CET1) capital before regulatory adjustments	3,263.4	2,341.5
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	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-811.8	-850.9
Common Equity Tier 1 (CET1) Capital	2,451.6	1,490.6
Additional Tier 1 (AT1) capital: instruments		
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
Additional Tier 1 (AT1) capital	500.0	500.0
Tier 1 capital (T1 = CET1 + AT1)	2,951.6	1,990.6
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	2,951.6	1,990.6
Total risk weighted assets	13,518.2	10,090.3
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

Information is provided only for the buffer requirements that have come into effect.

Cont. Note 8 Capital adequacy information

Consolidated situation

SEK million	31/12/2020		31/12/2019	
Risk weighted exposures				
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 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 governments or 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	
Total risk weighted exposures	13,518.2		10,090.3	
Capital requirement				
Credit risk according to the standardized method	806.1	6.0%	599.9	5.9%
Market risk	3.0	0.0%	0.9	0.0%
Operational risk	272.4	2.0%	206.4	2.0%
Capital requirement Pillar 1	1,081.5	8.0%	807.2	8.0%
Credit risk in government exposures	0.5	0.0%	0.3	0.0%
Concentration risk	76.3	0.6%	81.8	0.8%
Market risk excluding interest rate risk	5.0	0.0%	117.2	1.2%
Interest rate risk	182.4	1.3%	190.5	1.9%
Credit spread risk	615.6	4.6%	-	-
Capital planning buffert	-	-	40.0%	0.4%
Estimated Pillar 2-guidance	63.3	0.5%	-	-
Capital requirement Pillar 2	943.1	7.0%	429.8	4.3%
		-		
Buffer requirement	355.3	2.6%	485.8	4.8%
		-		
Total capital requirement, incl. buffer requirement	2,379.9	17.6%	1,722.9	17.1%

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 9 Earnings per share

SEK million	3 months Oct-Dec 2020	3 months July-Sep 2020	3 months Oct-Dec 2019	12 months Jan-Dec 2020	12 months Jan-Dec 2019
Earning per share before and after dilution					
Profit for the period attributable to the shareholders of Nordnet AB (publ)	292.0	277.4	66.3	1,172.7	339.5
Interest on Tier 1 capital recognised in equity ¹	-10.2	-8.8	-8.8	-36.3	-26.7
Profit attributable to shareholders of the Parent Company before and after dilution	281.8	268.6	57.5	1,136.5	312.8
Number of outstanding shares before and after dilution ²	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
Earning per share before and after dilution	1.13	1.07	0.23	4.55	1.25
¹ Including interest for the period and accrued transaction costs, net after tax	-0.1	-0.1	-0.1	-0.5	-0.4

² 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.

Signatures of the Board of Directors.

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

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

Stockholm 4 February 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
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This is information that Nordnet AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8.00 a.m CET on 4 February 2021.

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.

Adjusted C/I ratio %

Adjusted operating expenses before credit losses in relation to adjusted operating income.

Adjusted operating expenses before credit losses²

Expenses before credit losses, adjusted for items affecting comparability over the period.

Adjusted operating expenses in relation to savings capital²

Adjusted operating expenses before credit losses (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 operating income²

Total operating income adjusted for items affecting comparability over the period.

Adjusted operating income in relation to savings capital²

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 operating margin²

The adjusted operating profit in relation to adjusted operating income.

Adjusted operating profit²

Profit for the period adjusted for items affecting comparability. Items affecting comparability are items reported separately due to their nature and amount.

Adjusted profit²

Profit for the period adjusted for items affecting comparability over the period.

Adjusted profit before amortization of intangible assets in purchase consideration allocation²

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 dilution²

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 return on equity (annualized)^{2, 4}

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)^{2, 4}

Return on equity calculated as the period's annualized adjusted accumulated profit excluding depreciation 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.

Annual customer growth²

Annual growth rate in customers over the period.

Average savings capital per customer – rolling 12 months²

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).

¹ Financial key figures that are directly reconcilable with the financial statements.

² Financial key figures that can be deduced from historical financial data published quarterly at <https://nordnetab.com/sv/om/finansiell-information/>

³ Definitions according to IFRS and the EU's capital requirement regulation no. 575/2013 (CRR) and according to the EU's Solvency II directive 2015/35

⁴ 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.

Capital base³

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

Cash deposits at end of period²

Deposits and borrowing from the public including deposits attributable to liabilities in the insurance operations at end of period.

Cash market²

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

C/I ratio excluding operating losses¹

Total expenses before credit losses in relation to total operating income.

Core Tier 1 capital³

Equity excluding unrevised profit, 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 capital ratio³

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

Earnings per share²

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.

Equity excluding intangible assets¹

Total equity less intangible assets.

Lending at end of period²

Lending to the public at the end of the period.

Lending excluding pledged cash and equivalents²

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/deposits²

Lending to the public at the end of the period in percentage of deposits from the public at the end of the period.

Leverage ratio²

Tier 1 capital as a percentage of the total exposure amount.

Net savings²

New deposits of cash and cash equivalents and securities, less withdrawals of cash and cash equivalents and securities.

Number of customers¹

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.

Number of full-time employees at end of period¹

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 trades¹

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

Number of trading days¹

Number of days on which the relevant exchanges are open.

Number of trades per trading day¹

Number of trades during the period divided by the number of trading days in Sweden during the period.

Operating expenses³

Operating expenses before credit losses.

Operating margin¹

Operating profit in relation to total operating income.

Profit margin¹

Profit for the period in relation to operating income.

Return on equity (annualized)^{2, 4}

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.

Savings capital²

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

Savings ratio²

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

Total capital ratio²

Total capital base in relation to risk-weighted exposure amount.

Traded value cash market²

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

¹ Financial key figures that are directly reconcilable with the financial statements.

² Financial key figures that can be deduced from historical financial data published quarterly at <https://nordnetab.com/sv/om/finanssiell-information/>

³ Definitions according to IFRS and the EU's capital requirement regulation no. 575/2013 (CRR) and according to the EU's Solvency 2 directive 2015/35

⁴ 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.

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