

Interim Report January-March 2017

Nordnet is a bank for investments, savings and loans located in Sweden, Norway, Denmark and Finland. The concept behind Nordnet is to give customers control of their money, and our vision is to become the number one choice for savings in the Nordics.

Visit Nordnet's website www.nordnetab.com for reports, news and current information on Nordnet.

January-March 2017

- Operating income increased by 8 percent to SEK 323.8 million (298.8)
- Operating profit rose 12 percent to SEK 99.6 million (89.2)
- Profit after tax for the period rose by 13 percent to SEK 81.0 million (72.0)

Highlights from the first quarter

- Strong customer growth with 27,000 new customers during the quarter and a 17 percent increase in the customer base in a single year
- A high level of activity among savers leads to the highest number of transactions ever during a single quarter
- Last day of trading for Nordnet's share on 17 February

<p>Operating profit January-March</p> <p>99.6 (89.2)</p> <p>SEK million</p>	<p>Savings capital 31 March</p> <p>246 (197)</p> <p>SEK billion</p>
<p>Active customers 31 March</p> <p>593,600 (507,100)</p> <p>customers</p>	<p>Net savings January-March</p> <p>3.6 (2.6)</p> <p>SEK billion</p>
<p>Trades January-March</p> <p>6,860,800 (5,893,800)</p> <p>trades</p>	<p>Lending* 31 March</p> <p>9.8 (7.4)</p> <p>SEK billion</p> <p>* Excluding lending against pledged cash and equivalents.</p>

Håkan comments on the first quarter

The first quarter saw a positive start to the 2017 stock market year. All Nordic markets rose during the period, and in the US stock markets reached historical highs. The Stockholm Exchange was the strongest Nordic market with a gain of nearly 5 percent over the quarter.

The mood among investors has generally been positive and Nordnet has begun 2017 with a strong inflow of new customers. During the quarter, 27,000 Nordic individuals chose Nordnet for their investments – the highest figure ever for an individual quarter. We now have a total of nearly 600,000 customers and growth in the customer base over the past 12 months amounts to 17 percent, more than meeting our double-digit growth target. During the period, our customers have saved a net SEK 3.6 billion, which is in line with the previous quarter. Net savings for the past 12 months, measured in relation to the scale of the savings capital at the end of the first quarter amounts to slightly more than 8 percent, which does not match the double-digit growth target.

Our financial results for the quarter were good. Income related to brokerage and mutual fund commissions are being driven by a high number of transactions and the fact that the savings entrusted to us by customers are at record levels. In turn, the high level of trading activity is a result of the stock market having risen over an extended period, while the returns offered by savings accounts and other fixed-income investments remain low. Our total lending – including margin lending, personal loans and residential mortgages – has increased by 34 percent over the past 12 months, and is approaching SEK 10 billion. These are figures of which I am proud, although the increased lending is offset by lower interest rates to customers, meaning that our interest income is in line with previous levels. The total cost level is 3 percent higher than in the same period last year, primarily due to increased investment in product development and marketing. Profit before tax ended up at SEK 100 million, an increase of 12 percent compared with the first quarter of 2016.

As we have previously announced, our main focus in the product area is a new website. Towards the end of last year, we developed a beta version, which a small number of customers and other users have tested and given us feedback on. During the second quarter, we will invite additional customers to try this beta release, and we will also have news to present in a couple of other product categories.

This is our first report as an unlisted company. Those who have followed Nordnet know that we are now owned by the Öhman Group and Nordic Capital, and that 17 February was the final day of trading for Nordnet shares. Being a privately held company places a little fewer demands on financial reporting and transparency compared with being publicly listed. The way we operate as a bank can be summarized as *Transparent Banking*. We consider maintaining open communications with customers, employees, the media, government agencies and other stakeholders to be crucial in building confidence. This also applies to financial reporting. We will publish financial reports with the same regularity as previously, although the reports will be somewhat smaller in scope. We have chosen to focus on what we believe to be important to you as the reader, and have stripped some of the detail and some of the financial notes. We hope that you will find all essential information about Nordnet and its development to be in place in this report. Please feel free to contact me if you have any questions or comments.

Håkan Nyberg
@ceonordnet

PS. Our services continue to be praised, which is very pleasing. During the quarter, Økonomisk Ugebrev named us as the bank with the most satisfied private banking customers in the Danish market.



Operations

About Nordnet

Nordnet is a bank for investments, savings and loans with operations in Sweden, Norway, Denmark and Finland. We started up in the mid-90s and we are motivated by the desire to grant private individuals greater control over their money. This is why we digitized share trading and lowered the prices. We redefined our industry, and we still maintain that approach today. We give our clients the knowledge, inspiration and tools they need to be able to invest independently and receive the best possible return on their money. Our vision is to become the number one choice for investments and savings in the Nordics.

At Nordnet, we stand for transparency. Transparent Banking is the way we live and work. It is aimed at transparency in our business, making expertise available, clarity in communication about, for example, rates, terms and products, and openness to the public and customers.

Nordnet's core business consists of trading in securities via the internet. Our customers can invest in shares, mutual funds, ETFs, options, commercial papers, structured products and they can make pension savings at low commission and without fixed charges. In the Swedish market, we also offer personal loans and residential mortgages.

Most of Nordnet's customer base consists of Nordic private individuals. Nordnet also partners with advisors and other banks who act as agents for Nordnet, bringing in new customers and acting by proxy on customers' behalf.

Market

The world's stock markets continue to ride the positive wave that has persisted since the Brexit referendum last summer. The upturn has defied repeated causes for concern and issues in the international community, a trend which continued in the first quarter. The Stockholm Exchange has now delivered nine straight months of increases in the OMXS30 index. All of the Nordic stock exchanges generated positive returns during the quarter, with Stockholm in the lead.

In early March, the US Federal Reserve implemented its third rate hike since the financial crisis. Stock markets were not significantly affected by the news, contradicting previous widespread concerns about the impact of potential interest rate hikes.

In the first quarter, the stock market was pervaded primarily by the interim reports for the fourth quarter of 2016. The reports were generally better than expected, giving support to the exchanges. Some popular Nordic shares went against the tide, delivering negative surprises and falling prices. Hennes & Mauritz continues to perform weakly on the stock exchange, falling to new year-lows following the company's first quarter report. The stock has fallen nearly 40 percent since the peak two years ago. The misery continues for Fingerprint Cards, which issued a profit warning for the first quarter in March. The company retracted its forecasts for 2017 and is eliminating the dividend because of the sluggish start to the season. The shares fell 30 percent following the announcement. In Copenhagen, the top position among shares shifted during the quarter with Novo Nordisk losing its position as the largest share in the OMXC20 index to Danske Bank. Novo Nordisk has lost 30 percent on the stock market over the past year, while Danske Bank has gained that amount of ground. In Oslo, salmon farming companies experienced a weak quarter. Having benefited from high salmon prices last year, the sector came under pressure in

the first quarter. Concerns that high prices will affect demand, and expectations of increased production in Chile, pulled the sector down by more than 20 percent. Industrial company Wärtsilä's share was the best blue chip shares in Helsinki after its year-end report showed a strong finish to last year. The shares rose more than 20 percent during the quarter to new historic highs.

Customers, savings and lending

The number of active customers with Nordnet as at 31 March was 593,600 (507,100), corresponding to an increase of 17 percent compared with a year ago.

Our customers' total savings capital amounted to SEK 246 billion (197), an increase of 25 percent compared with the end of March in the previous year.

Net savings for the period January-March 2017 amounted to SEK 3.6 billion (2.6). Calculated in relation to savings capital at the end of March 2016, net savings for the past 12 months correspond to 8 percent.

Nordnet's customers made an average of 108,000 (98,200) trades per day during the period January-March, an increase of 10 percent compared with the corresponding period in 2016.

Lending excluding lending against pledged cash and cash equivalents was up by 33 percent compared with 12 months ago, amounting to SEK 9.8 billion (7.4).

Table: Customer and account overview

Number of customers and accounts	31/03/2017	31/12/2016	30/09/2016	30/06/2016	31/03/2016
Customers	593,600	566,800	545,600	523,200	507,100
Whereof personal loans	27,600	27,600	27,500	27,200	27,200
Accounts	771,200	735,000	705,600	673,800	650,500

Table: Net savings and savings capital

Net savings and savings capital (SEK billion)	31/03/2017	31/12/2016	30/09/2016	30/06/2016	31/03/2016
Net savings	3.6	4.1	3.3	4.2	2.6
Savings capital	245.7	234.7	225.0	204.8	196.7

Table: Lending

Lending (SEK billion)	31/03/2017	31/12/2016	30/09/2016	30/06/2016	31/03/2016
Margin lending ¹⁾	5.4	5.1	4.9	4.5	4.7
Personal loans	3.2	3.2	3.0	2.8	2.7
Mortgage	1.2	0.9	0.6	0.2	-
Total	9.8	9.2	8.5	7.6	7.4

¹⁾ Excluding lending with pledged cash and cash equivalents, see note 5

Table: Number of trades

Number of trades	31/03/2017	31/12/2016	30/09/2016	30/06/2016	31/03/2016
During the period (quarter)	6,860,800	6,207,900	5,425,800	5,404,000	5,893,800
On average per day	108,000	98,500	82,200	87,200	98,200

Revenues and expenses, Group

January-March 2017

The operating income in the first quarter of the year increased by 8 percent, amounting to SEK 323.8 million (298.8). Net interest income increased by SEK 1.5 million, which is primarily attributable to higher lending. Net commission income increased by SEK 11.6 million, which is explained by a higher number of trades.

Operating expenses before credit losses rose by 7 percent compared with the first quarter last year and amounted to SEK 214.6 million (201.4).

Operating profit increased by 12 percent to SEK 99.6 million (89.2), and the operating margin was 31 percent (30). Profit after tax for the period rose by 13 percent to SEK 81.0 million (72.0), resulting in a profit margin of 25 percent (24).

Operating income excluding transaction-related net commission income for the quarter rose by 10 percent compared with the same quarter last year. Cost coverage, i.e. operating income excluding transaction-related net commission in relation to expenses, amounted to 87 (84) percent.

Financial position, liquidity and cash flow

Nordnet has three types of lending: lending with securities as collateral, personal loans and residential mortgages. Nordnet has well developed procedures for managing credit risk in these products.

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

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

Nordnet's deposit surplus is mainly invested in covered bonds, sovereign securities, the Swedish Riksbank, the Danish National Bank and the Nordic banking system.

Consolidated cash and cash equivalents at the end of March amounted to SEK 211.5 million (260.7), of which frozen assets were SEK 74 million (88). In addition, the Group has interest-bearing investments with a total fair value of SEK 13,505.6 million (13,174.8).

Consolidated equity amounted to SEK 2,062.8 million (SEK 1,954.4 excluding minority, and SEK 1,958.0 million including minority).

For the consolidated situation where NNB Intressenter AB is the Parent Company, the capital base amounted to SEK 1,373.5 million (1,150.6) and total exposure amount is SEK 8,080.9 million (7,585.7). At the end of the period, the capital ratio was 17.0 percent, compared with 15.2 percent at the same time last year.

* See "Notes, Group" on page 12.

Cash flow

During the period January-March 2017, cash flow from operating activities was affected by increased liquidity in customer deposits by SEK 1.1 billion and securities transactions under settlement, "settlement receivables". Cash flow from operating activities was also negatively affected by SEK 1.0 billion due to higher lending.

The cash flow from investing activities was decreased during the January-March 2017 period by SEK 0.7 billion as a result of net investments in bonds and other interest-bearing securities as a result of higher deposit surpluses.

Parent Company

The Parent Company Nordnet AB (publ) is a holding company and conducts no operations beyond its role as the owner of Nordnet Bank AB and Nordnet Pensionsförsäkring AB and the Group's other companies. Operating income for January-March 2017 amounted to SEK 2.6 million (2.3) and relates to Group administrative services. The loss from financial investments amounted to SEK 0.2 million (0.4) and consisted primarily of interest expenses and similar charges. The Parent Company's loss after financial items for the period January-March 2017 amounted to SEK 2.4 million (3.2). The Parent Company's liquid funds amounted to SEK 2.2 million (11.1), and its equity to 1,255.6 (1,291.4) MSEK.

The CEO provide his assurance that this interim report for the period January-March 2017 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.

Bromma, 25 April 2017

Håkan Nyberg
CEO

Financial statements

Consolidated income statement (SEK million)

Group, SEK million	Note	3 months jan-mar 2017	3 months jan-mar 2016	12 m rolling apr-mar 2017	12 months jan-dec 2016
Interest income		110.0	108.4	435.5	433.9
Interest expenses		-9.8	-9.8	-30.9	-30.8
Commission income		235.0	217.2	851.8	834.0
Commission expenses		-70.6	-64.4	-250.3	-244.1
Net result of financial transactions		45.1	33.7	162.9	151.5
Other operating income		14.1	13.7	51.9	51.5
Total operating income		323.8	298.8	1,221.0	1,196.0
General administrative expenses	2	-176.8	-162.5	-682.3	-668.0
Depreciation, amortization and impairments of intangibles and equipment	3	-22.9	-20.0	-85.8	-82.9
Other operating expenses	4	-15.0	-18.9	-44.4	-48.3
Total expenses before credit losses		-214.6	-201.4	-812.4	-799.2
Profit before credit losses		109.2	97.5	408.5	396.8
Credit losses, net		-9.5	-8.3	-30.3	-29.1
Operating profit		99.6	89.2	378.1	367.7
Tax on profit for the period		-18.6	-17.1	-72.2	-70.7
Profit for the period		81.0	72.0	306.0	297.0
Of which, attributable to:					
Shareholders of the Parent Company		81.0	72.3	305.7	297.0
Holding less controlling influence		-	-0.3	0.3	-

The charge for the government resolution fee is recognized as an interest expense. The corresponding fee, the stability fee, that applied to the end of 2015 has also been moved from the general administrative expenses to interest expenses. Historical comparative figures and key indicators have been adjusted.

Consolidated statement of comprehensive income (SEK million)

Group, SEK million	3 months jan-mar 2017	3 months jan-mar 2016	12 m rolling apr-mar 2017	12 months jan-dec 2016
Profit for the period	81.0	72.0	306.0	297.0
Items that will be reversed to the income statement				
Changes in value of available-for-sale assets	6.4	9.6	42.5	45.7
Tax on changes in value of available-for-sale assets	-1.4	-2.1	-9.4	-10.1
Translation of foreign operations	-2.8	4.8	11.6	19.2
Tax on translation of foreign operations	0.6	-	-0.3	-0.9
Total other comprehensive income after tax	2.8	12.2	44.6	54.0
Total profit or loss and other comprehensive income	83.8	84.2	350.6	351.0
Of which, attributable to:				
Shareholders of the Parent Company	83.8	84.6	350.2	351.0
Holding less controlling influence	-	-0.3	0.3	-

Consolidated balance sheet (SEK million)

Group, SEK million	Note	31/03/2017	31/03/2016	31/12/2016
Assets				
Cash and balances in Central banks		0.0	-	436.4
Loans to credit institutions		211.5	260.7	329.0
Loans to the general public	5	10,455.5	7,875.0	9,516.4
Financial assets at fair value		13.2	9.4	10.6
Financial assets available for sale		10,863.2	10,318.4	11,959.3
Financial assets held to maturity		5,164.6	3,526.3	3,526.0
Assets in the insurance business		44,284.6	35,862.0	41,684.7
Intangible fixed assets		371.5	387.2	374.8
Tangible fixed assets		33.9	27.9	27.0
Current tax assets		103.4	64.3	95.2
Other assets		3,203.5	2,630.9	2,385.5
Prepaid expenses and accrued income		130.6	120.1	105.3
Total assets		74,835.6	61,082.2	70,450.2
Liabilities				
Deposits and borrowing from the general public		24,846.7	20,528.9	24,426.6
Liabilities in the insurance business		44,285.9	35,863.1	41,685.9
Other liabilities		3,367.0	2,451.4	2,168.2
Current tax liabilities		88.2	86.9	4.4
Deferred tax liabilities		42.7	50.7	42.9
Accrued expenses and deferred income		142.3	143.1	143.4
Total liabilities		72,772.8	59,124.1	68,471.4
Equity				
Share capital		175.0	175.0	175.0
Other capital contributions		481.1	479.7	481.1
Other reserves		-56.6	-101.1	-59.4
Retained earnings including profit for the period		1,463.3	1,400.8	1,382.2
Total equity attributable to the owners of the Parent Company		2,062.8	1,954.4	1,978.9
Holding less controlling influence		-	3.6	-
Total equity		2,062.8	1,958.0	1,978.9
Total liabilities and equity		74,835.6	61,082.2	70,450.2

Consolidated changes in equity, summary (SEK million)

Changes in equity, Group, SEK million	31/03/2017	31/03/2016	31/12/2016
Opening equity	1,978.9	1,874.0	1,874.0
Profit for the period attributable to the shareholders of the parent company	81.0	72.3	297.0
Total other comprehensive income	2.7	12.2	54.0
Effect acquisition of minority interest	-	-	-20.6
Dividend	-	-	-226.7
Equity provided, share programme	0.2	0.9	2.3
Repurchase of own shares	-	-1.1	-1.1
Acquisition non-controlling interest	-	-0.3	-
Closing equity	2,062.8	1,958.0	1,978.9

Consolidated cash flow statement, summary (SEK million)

Group, SEK million	3 months jan-mar 2017	3 months jan-mar 2016	12 m rolling apr-mar 2017	12 months jan-dec 2016
Operating activities				
Cash flow from operating activities before changes in working capital	155.2	190.1	311.5	346.5
Cash flow from changes in working capital	-30.2	1,670.1	1,842.0	3,542.3
Cash flow from operating activities	125.0	1,860.2	2,153.6	3,888.8
Investing activities				
Purchases and disposals of intangible and tangible fixed assets	-27.1	-41.2	-44.8	-58.9
Net investments in financial instruments	-651.1	-1,443.4	-2,324.9	-3,117.2
Cash flow from investing activities	-678.2	-1,484.7	-2,369.7	-3,176.1
Financing activities				
Cash flow from financing activities	-	-405.1	156.7	-248.4
Cash flow for the period	-553.2	-29.6	-59.5	464.3
Cash and cash equivalents at the start of the period	765.5	294.7	260.7	294.7
Exchange rate difference for cash and cash equivalents	-0.8	-4.4	10.3	6.5
Cash and cash equivalents at the end of the period	211.5	260.7	211.5	765.5
whereof cash and cash equivalents in Central Banks	0.0	-	0.0	436.4
whereof loans to credit institutions	211.5	260.7	211.5	329.0

Parent company income statement (SEK million)

Parent Company, SEK million	3 months jan-mar 2017	3 months jan-mar 2016	12 m rolling apr-mar 2017	12 months jan-dec 2016
Net sales	2.6	2.3	9.6	9.3
Total operating income	2.6	2.3	9.6	9.3
Other external costs	-2.2	-1.7	-7.7	-7.2
Personnel costs	-2.3	-3.0	-9.3	-10.0
Other operating expenses	-0.4	-0.4	-1.3	-1.3
Operating profit	-2.2	-2.9	-8.6	-9.2
Result from financial investments:				
Result from participations in Group companies	-	-	199.1	199.1
Other interest income and similar items	0.0	-	-	0.0
Interest expense and similar items	-0.2	-0.4	-0.9	-1.1
Result from financial investments	-0.2	-0.4	198.2	198.1
Profit after financial items	-2.4	-3.2	189.6	188.8
Tax on profit for the year	0.5	0.5	-0.3	-0.3
Profit for the period	-1.9	-2.7	189.4	188.6

Parent company statement of comprehensive income (SEK million)

Parent company, SEK million	3 months jan-mar 2017	3 months jan-mar 2016	12 m rolling apr-mar 2017	12 months jan-dec 2016
Profit for the period	-1.9	-2.7	189.4	188.6
Total other comprehensive income	-	-	-	-
Total profit or loss and other comprehensive income	-1.9	-2.7	189.4	188.6

Parent Company balance sheet, summary (SEK million)

Parent Company, SEK million	31/03/2017	31/03/2016	31/12/2016
Assets			
Financial fixed assets	1,202.3	1,203.2	1,202.3
Current assets	70.2	118.6	66.2
Cash and bank balances	2.2	11.1	7.8
Total assets	1,274.7	1,332.8	1,276.3
Equity and liabilities			
Equity	1,255.6	1,291.4	1,257.5
Current liabilities	19.1	41.4	18.8
Total equity and total liabilities	1,274.7	1,332.8	1,276.3

Notes, Group

Since February 2017, NNB Intressenter AB is the Parent Company of Nordnet AB (publ). NNB Intressenter AB is not an operating company and its sole business consists of holding shares in Nordnet AB (publ). This report relates to the Nordnet Group, with the exception of Note 10 Capital Requirements for the financial conglomerate and the consolidated situation, which includes NNB Intressenter AB.

Note 1 Accounting principles

Nordnet AB's (publ) consolidated financial statements are compiled in accordance with International Financial Reporting Standards (IFRS) approved by the EU. This report for the Group has been compiled in accordance with IAS 34, Interim Financial Reporting. In addition, the Group complies with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL) and the regulations of the Swedish Financial Supervisory Authority (FFFS 2008:25). 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 report are those described in the 2016 Nordnet Annual Report, Note 5, the section entitled "Accounting principles applied". For the Group and the Parent Company, the same accounting principles and valuation bases for calculation have been applied as in the 2016 Annual Report.

Note 2 General administrative expenses

SEK million	3 months jan-mar 2017	3 months jan-mar 2016	12 m rolling apr-mar 2017	12 months jan-dec 2016
Personnel costs	-93.9	-89.6	-363.9	-359.6
Other administrative expenses	-82.9	-72.9	-318.4	-308.4
	-176.8	-162.5	-682.3	-668.0

Note 3 Amortization and depreciation of tangible and intangible assets

SEK million	3 months jan-mar 2017	3 months jan-mar 2016	12 m rolling apr-mar 2017	12 months jan-dec 2016
Depreciation	-22.9	-20.0	-85.8	-82.9
	-22.9	-20.0	-85.8	-82.9

Note 4 Other operating expenses

SEK million	3 months jan-mar 2017	3 months jan-mar 2016	12 m rolling apr-mar 2017	12 months jan-dec 2016
Marketing	-12.6	-17.0	-37.1	-41.5
Other operating expenses	-2.4	-1.9	-7.3	-6.8
	-15.0	-18.9	-44.4	-48.3

Note 5 Loans to the public

As at 31 March 2017, SEK 615.1 million (475.8) of lending to the public involves account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans and investment savings accounts (ISKs), the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

The remainder of lending to the public is secured by collateral in the form of securities and property or consists of unsecured loans.

Note 6 Transactions with closely related parties

E. Öhman J:or AB is a closely related party to Nordnet AB (publ) since E. Öhman J:or AB has a direct ownership in Nordnet AB (publ) by being a shareholder in the Parent Company NNB Intressenter AB. Nordnet has a cooperation agreement with E. Öhman J:or Fonder AB. Since 2014, an agreement has been entered with E. Öhman J:or AB on the management of Nordnet's no-fee index funds, the Super Funds.

Otherwise, similar transactions took place with closely related parties and to the same extent as previously. For additional information, please refer to Note 6 in the 2016 Annual Report.

Note 7 Significant risks and uncertainties

Nordnet's operations are influenced by a number of environmental factors, the effects of which on the Group's profit and financial position can be controlled to varying degrees. When assessing the Group's future development, it is important to take into account the risk factors alongside any opportunities for profit growth. A description of Nordnet's exposure to risk and handling of risks can be found under Note 7 in the 2016 Annual Report. No significant changes occurred in the first quarter of 2017.

Note 8 Financial assets and liabilities and their fair values

Fair value

SEK million	31/03/2017	31/03/2017	31/03/2016	31/03/2016	31/12/2016	31/12/2016
	Reported value	Fair value	Reported value	Fair value	Reported value	Fair value
Financial assets						
Loans to credit institutions	211.5	211.5	260.7	260.7	329.0	329.0
Loans to the general public	10,455.5	10,455.5	7,875.0	7,875.0	9,516.4	9,516.4
Financial assets at fair value	13.2	13.2	9.4	9.4	10.6	10.6
Financial assets available for sale	10,863.2	10,863.2	10,318.4	10,318.4	11,959.3	11,959.3
Financial assets held to maturity	5,164.6	4,110.5	3,526.3	3,510.8	3,526.0	3,541.8
Financial assets - policy holders bearing the risk	44,284.6	44,284.6	35,862.0	35,862.0	41,684.7	41,684.7
Other assets	3,125.8	3,125.8	2,549.6	2,549.6	2,385.5	2,385.3
Accrued income	83.0	83.0	81.6	81.6	105.3	75.9
Total	74,201.4	73,147.3	60,483.0	60,467.6	69,516.8	69,503.0
Financial liabilities						
Deposits and borrowing from the general public	24,846.7	24,846.7	20,528.9	20,528.9	24,426.6	24,426.6
Liabilities in the insurance business, regarding investment contracts	44,285.9	44,285.9	35,863.1	35,863.1	41,685.9	41,685.9
Other liabilities	3,354.4	3,354.4	2,423.0	2,423.0	2,168.2	2,154.0
Accrued expenses	98.7	98.7	68.9	68.9	143.4	85.0
Total	72,585.7	72,585.7	58,884.0	58,884.0	68,424.1	68,351.5

*Assets in the insurance business derive from Nordnet Pensionsförsäkring AB's investments. These are partly invested in accounts with Nordnet Bank AB, which, in turn, has invested in interest-bearing securities with a value of SEK 2,642.4 million (2,866.5). As of 31 December 2016, the corresponding amount was SEK 2,511.7 million.

Description of fair value measurement

Loans to credit institutions

The fair value of loans to credit institutions that are not payable on demand has been calculated discounting expected future cash flows, with the discount rate being set as the lending rate currently applied. The fair value of receivables payable on demand is judged to be the same as the carrying amount.

Loans to the public

As a rule, fair value is calculated individually for financial instruments. Value adjustments at a portfolio level have also been made to cover the credit risk.

- Lending to the public with financial instruments or properties as collateral are deemed to be equal to the carrying amount.
- Loan receivables have been calculated discounting expected future cash flows, with the discount rate being set as the lending rate currently applied.

Financial assets – policy holders bearing the risk

Fair value is based on a quoted price on an active market, or by using valuation models based on observable market data. Valuation models based on observable market data are applied for derivative instruments and certain interest-bearing securities.

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.

Unlisted options are valued at fair value applying the Black-Scholes model based on underlying market data.

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).

Other assets, accrued income, current liabilities and accrued expenses

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.

Deposits by credit institutions

For liabilities in the balance sheet with a remaining maturity of less than six months, the carrying amount is considered to reflect the fair value.

Deposits and borrowing by the public

The fair value of deposits has been calculated discounting expected future cash flows, with the discount rate being set as the deposit rate currently applied. However, the fair value of a liability that is redeemable on demand is not recorded at an amount less than the amount payable on demand, but is discounted from the first date on which payment of the amount could be demanded.

Liabilities to policyholders

The fair value of liabilities in the insurance business follows the fair value of assets in the insurance business, with the exception of liabilities for insurance agreements that are not classified as financial liabilities.

Valuation Levels

31/03/2017	Level 1	Level 2	Total
SEK million	Listed market price on active market	Valuation model based on observable market data	
Financial assets at fair value			
Financial assets at fair value	13.2	-	13.2
Financial assets available for sale	10,863.2	-	10,863.2
Financial assets - policy holders bearing the risk	21,859.2	22,425.3	44,284.6
Total	32,735.7	22,425.3	55,161.0
Financial liabilities at fair value			
Liabilities in the insurance business, regarding investment contracts	21,860.6	22,425.3	44,285.9
Total	21,860.6	22,425.3	44,285.9
31/03/2016			
Financial assets at fair value			
Financial assets at fair value	9.4	-	9.4
Financial assets available for sale	10,318.4	-	10,318.4
Financial assets - policy holders bearing the risk	17,496.1	18,365.9	35,862.0
Total	27,823.9	18,365.9	46,189.8
Financial liabilities at fair value			
Liabilities in the insurance business, regarding investment contracts	17,497.2	18,365.9	35,863.1
Total	17,497.2	18,365.9	35,863.1
31/12/2016			
Financial assets at fair value			
Financial assets at fair value	10.6	-	10.6
Financial assets available for sale	11,959.3	-	11,959.3
Financial assets - policy holders bearing the risk	21,016.7	20,667.9	41,684.7
Total	32,986.6	20,667.9	53,654.5
Financial liabilities at fair value			
Liabilities in the insurance business, regarding investment contracts	21,018.0	20,667.9	41,685.9
Total	21,018.0	20,667.9	41,685.9

Description of valuation levels

Level 1

Financial assets and financial liabilities, whose value is based solely on a quoted price from an active market for identical assets or liabilities. This category includes treasury bills, shareholdings and deposits.

Level 2

Financial assets and financial liabilities valued using valuation models principally based on observable market data. Instruments in this category are valued applying:

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

This category includes mutual funds, derivatives and certain interest-bearing securities.

Note 9 Contingent liabilities

Contingent liabilities, SEK Million	31/03/2017	31/03/2016	31/12/2016
Assets pledged for own liabilities			
Bonds and other interest bearing securities	-	-	-
	-	-	-
The above assets are attributed to			
Liabilities to credit institutions	-	-	-
	-	-	-
Other assets pledged			
Bonds and other interests bearing securities ¹⁾	2,118.6	1,841.1	2,135.7
	2,118.6	1,841.1	2,135.7
The above assets are attributed to			
Deposits with credit institutions	1,814.3	1,558.3	1,833.8
Deposits with clearing organisations	304.3	282.8	301.9
	2,118.6	1,841.1	2,135.7
Total assets pledged	2,118.6	1,841.1	2,135.7
Contingent liabilities			
Funds managed on behalf of third parties (client funds account)	221.2	233.6	194.7
	221.2	233.6	194.7
Commitments			
Credit granted but not yet paid, unsecured loans	144.6	1,899.3	164.7
	144.6	1,899.3	164.7

¹⁾ This amount includes blocked funds of SEK 74 (88) million.

Assets pledged for own liabilities comprise securities pledged in connection with buy-back agreements. The transactions are carried out in accordance with standard agreements used by the parties on the financial market. Counterparties in these transactions are credit institutions. The transactions are primarily short term with a duration of less than three months.

Other assets pledged consist partly of bonds and other fixed-interest securities that have been provided as security for the customer's secured loans, and for payment to clearing organizations. Counterparties in securities-based lending transactions are other credit institutions.

In the insurance business at the balance sheet date 31 March 2017, registered assets amounted to SEK 44,284 million (31,839), for which the policyholders have priority rights.

In addition to the commitments specified in the table above, SEK 7,144 million (5,776) of a credit facility related to possible securities-collateralized borrowing remained unutilized at the end of the period. For each customer, the credit size is restricted by the minimum amount of credit limit, which is set individually per customer by the company, and the collateral value of security holdings. Credit agreements can be terminated with 60 days' notice. The leverage value of a security can be changed instantly.

Note 10 Capital requirements for the financial conglomerate and the consolidated situation

The financial conglomerate

SEK million	31/03/2017	31/12/2016
Total equity	2,108.6	1,978.9
Less, profit that have not been subject to audit	-55.3	-
Less requirements on prudent valuation	-13.5	-14.5
Less expected dividend for current year	-175.0	-175.0
Total equity for the financial conglomerate	1,864.7	1,789.4
Less fixed intangible assets and deferred tax receivables	-371.5	-374.8
Solvency capital (VIF)	792.1	776.0
depart risk margin	-139.8	-170.8
Capital base	2,145.6	2,019.7
Exposure regulated entities, insurance sector	532.4	515.0
Exposure regulated entities, the banking and securities sector	910.2	886.5
Capital requirement	1,442.6	1,401.4
Excess capital	702.9	618.2
Capital base/capital ratio	1.5	1.4

The above table refers to the financial conglomerate, which, since February 2017, consists of NNB Intressenter AB, Nordnet AB (publ) and all of its subsidiaries. The capital basis of the financial conglomerate has been calculated in accordance with the consolidation method. The Group-based financial statements have been compiled in accordance with the same accounting principles as the consolidated financial statements.

The capital requirements for the banking operations vary primarily in terms of the size and credit quality of the bank's assets.

Capital requirements for the insurance operations vary mainly in terms of the size of the insurance company's insurance assets and the insurance company's expenses.

For the determination of the financial conglomerate's regulatory capital requirement, the Law (2006:531) on special supervision of financial conglomerates and the Swedish Financial Supervisory Authority's regulations and general advice (FFFS 2011:26) on the special supervision of financial conglomerates are applicable. The capital base and capital requirement have been calculated in accordance with the consolidation method.

Solvency capital (VIF) for financial conglomerate consists of the discounted present value of future profits in Nordnet Pensionsförsäkring AB, including the subsidiary, Nordnet Livförsäkring AS, generated with the policyholders' capital. The Solvency capital item is a result of the introduction of the Solvency II Regulations 2016.

The consolidated situation

In accordance with the CRR, the European Capital Requirements Regulation, Nordnet reports a consolidated position consisting of NNB Intressenter AB, Nordnet AB (publ) and Nordnet Bank AB. Capital requirements presented in this note refer to Pillar 1 and additional Pillar 2 capital. This is in accordance with the prevailing regulations on capital adequacy.

SEK million	31/03/2017	31/03/2016	31/12/2016
Total equity	1,955.9	1,817.0	1,840.7
Less, profit that have not been subject to audit	-40.0	-60.2	-
Less requirements on prudent valuation	-13.5	-13.2	-14.5
Less expected dividend for current year	-175.0	-227.5	-175.0
Less intangible fixed assets and deferred tax receivables	-353.9	-365.4	-355.8
Tier 1 capital	1,373.5	1,150.6	1,295.4
Capital base	1,373.5	1,150.6	1,295.4
Risk exposures			
Exposure to credit risk according to the standardized method	5,943.9	5,607.7	5,789.4
Exposure market risk	38.7	20.5	18.5
Exposure operational risk	2,098.3	1,957.4	1,957.4
Total exposure	8,080.9	7,585.7	7,765.3
Capital ratio	17.0%	15.2%	16.7%
Capital base			
Credit risk according to the standardized method	475.5	448.6	463.2
Market risk	3.1	1.6	1.5
Operational risk	167.9	156.6	156.6
Capital requirement Pillar 1	646.5	606.9	621.3
Capital requirement Pillar 2	263.8	182.0	265.3
Total capital requirement	910.2	788.9	886.6
Capital ratio and buffers			
Common equity tier 1 ratio, %	17.0%	15.2%	16.7%
Tier 1 ratio, %	17.0%	15.2%	16.7%
Total capital ratio, %	17.0%	15.2%	16.7%
Institution-specific buffer requirements, %	4.1%	3.3%	3.7%
of which capital conservation buffer requirement, %	2.5%	2.5%	2.5%
of which countercyclical buffer requirement, %	1.6%	0.8%	1.2%
Total capital requirement including buffer requirement, %	15.3%	13.7%	15.2%
Tier 1 capital available for buffer requirement, %	9.0%	7.2%	8.7%

The consolidated situation pertains to NNB Intressenter AB, Nordnet AB (publ) and its subsidiary Nordnet Bank AB, which is fully consolidated. Consequently, the difference between the financial conglomerate and the consolidated situation is that the financial conglomerate also consolidates Nordnet Pensionsförsäkring AB. The shareholding in this subsidiary is deducted from the capital base in the consolidated situation, since NNB Intressenter AB is also the Parent Company of the insurance company, pursuant to Article 36 of Regulation (EU) No. 575/2013.

Information in this note regarding Nordnet's capital adequacy is provided in accordance with FFFS 2008:25, Chapter 6, §§ 3-4, and the references in this regulation to Regulation (EU) No. 575/2013 Articles 92.3 d) and f), 436, 437 b) and 438, and (FFFS 2014:12) on regulatory requirements and capital buffers and column A, Annex 6 of the Commission Implementing Regulation (EU) No. 1423/2013.

Other required information according to FFFS 2014:12 and Capital Adequacy Regulation (EU No 575/2013) are available on Nordnet website www.nordnetab.com.

Internal capital adequacy assessment

In accordance with the current capital adequacy rules, Nordnet establishes an annual internal capital adequacy assessment (ICAAP). The ICAAP work aims to analyze, assess, and ensure that the company is adequately capitalized relative to the risks it is exposed to through its activities and for future developments. The process and a summary of the results shall be reported annually to the Board, and provide the basis for the Board's decisions on the conglomerate's capital planning. Upon specific request, the ICAAP shall be reported to the Swedish Financial Supervisory Authority.

In addition to the minimum capital requirement, it is Nordnet's assessment that the risks identified within the ICAAP process should hold SEK 263.8 million (182.0) for having a satisfactory capital position with regard to the operations Nordnet conducts. Read more about ICAAP in Note 7 in the 2016 Annual Report. Capital ratio is monitored continuously and, if necessary, results are reviewed during the current financial year by the company's external auditors, to be included in the capital.

Definitions

Active customer

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

Active account

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

Trades

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

Borrowing

Borrowing including borrowing attributable to liabilities in the insurance business.

Capital base

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

Capital ratio

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

Client funds

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

Cost coverage

Non-transaction-related income relative to costs.

Core Tier 1 capital

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

Core Tier I ratio

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

Net savings

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

Personal loans

Unsecured loans.

Risk exposure amounts

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

Operating expenses

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

Operating margin

Operating profit in relation to operating income.

Total savings capital

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

Lending excluding pledged cash and cash equivalents

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.

Profit margin

Profit for the period in relation to operating income.

Solvency capital (VIF)

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

Solvency Capital Requirement (SCR)

Estimated capital requirements under Solvency 2 regulations.

Further information

For further information, please contact:

CEO Håkan Nyberg, + 46 703 970 904, hakan.nyberg@nordnet.se

Acting CFO Robert Stambro, +46 703 504 024, robert.stambro@nordnet.se

Address and contact details

Nordnet AB (publ)

Box 14077, SE-167 14 Bromma, Sweden

Visitors Gustavslundsvägen 141

Tel: +46 8 506 330 30, e-mail: info@nordnet.se

Registered company no: 556249-1687

Company website: nordnetab.com

Become a customer: nordnet.se, nordnet.no, nordnet.dk, nordnet.fi