



# Annual Report 2017

Nordnet is a bank for investments, savings and loans with operations in Sweden, Norway, Denmark and Finland.

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# The year in brief

January – December 2017

- Operating income increased by 4 percent to SEK 1,244.1 million (1,196.0)
- Operating profit decreased by 33 percent to SEK 247.3 million (367.7)
- Profit after tax for the period decreased by 28 percent to SEK 212.8 million (297.0)
- The number of active customers increased by 18 percent to 669,300 (566,800)

## Operating profit

January – December

**247.3** (367.7)

SEK million

## Savings capital

31 December

**272** (235)

SEK billion

## Active customers

31 December

**669,300** (566,800)

customers

## Net savings

January – December

**17.3** (14.3)

SEK billion

## Trades

January – December

**26,181,300** (22,931,500)

customers

## Lending\*

31 December

**11.4** (9.2)

SEK billion

\* Excluding lending against pledged cash and cash equivalents.

Visit Nordnet's website at [www.nordnetab.com](http://www.nordnetab.com) for up-to-date information on Nordnet, reports and news.

## A few words from the CEO on 2017

At the end of May, I took up my position as CEO and was entrusted by the owners with the assignment to begin building the new Nordnet. The new Nordnet has strong owners, a clear direction, a focus on technological development and no time to waste. Our overarching ambition is to build the world's best customer experience in savings and investments. To succeed with this, we need to maintain the fastest pace of development in our market. During 2017, we demonstrated that we are serious in this ambition.

### Financial results

The change process we have undertaken to build the new Nordnet has gone according to plan. In 2017, we invested in a restructuring of the operations entailing an increased focus on product development, automation, a more scalable IT platform, increased proficiency in our digital marketing presence and resources for adaptation to new regulations such as MiFID II, PRIIPS and GDPR. Our expenses before credit losses were 20 percent higher than in the period January–December 2016 and amounted to SEK 961.5 million (799.2). At the same time, income increased slightly due to strong customer growth and a high level of activity among savers, resulting in higher commission income. Income for the full year 2017 amounts to SEK 1,244.1 million (1,196.0), an increase of 4 percent on an annual basis. Profit before tax for the year ended up at more than SEK 247 million, which is significantly lower than the corresponding period the previous year but in line with our plans to build the new Nordnet.

### Product news

Our product strategy is based on three key pillars – in-house development, partnerships and investments. We focus in-house on development in the areas in which we can realize the ambition of building the world's best customer experience, and otherwise we enter into partnerships or make acquisitions.

We have launched many features during 2017 that have improved our product offering. We are the first Swedish bank to have launched direct deposits via Swish, as well as the robo-advisor Robosave. Other examples of how we have broadened our customer offering include expanded residential mortgage lending in Sweden, commission-free trading in exchange-traded products, partnerships in occupational pensions with Söderberg & Partners and launch of the ASK account type in Norway. Nordnet's ASK leads the way in terms of pricing and was named by Norwegian financial magazine Finansavisen as offering the best selection of investments in 2017. In the autumn, Nordnet also made an establishment in Malmö that focused on occupational pensions and Private Banking.

Focus on artificial intelligence (AI) and machine learning is also a part of building the new Nordnet. During the summer, we entered into a collaboration with the company IPsoft on AI. During autumn, we invested 5 percent in the company behind the private finance app Tink, and at the same time entered into an agreement to license Tink's technology. Through our cooperation with Tink, we will be able to provide our customers the opportunity to see their savings in shares and funds from other banks when logged in to Nordnet. In parallel with this, we have developed our new website and app. Some of the features we have launched include order functionality with a new stop-loss function in all markets, "My Economy" with an account overview, and "Market Overview" with stock prices. The remaining features of the new website and the new app will be presented in 2018.

## Customers, savings and loans

Our higher rate of product development and greater visibility in the market has had a positive impact on our customer growth. Customer growth for the full year 2017 amounts to 18 percent, corresponding to more than 100,000 customers. Savings capital amounted to a record SEK 272 billion at the end of December, in total in the four markets in which we operate. Net savings for the period January–December 2017 amounted to SEK 17.3 billion (14.3). Calculated in relation to savings capital at the end of December 2016, net savings for the past 12 months correspond to 7 percent.

All of our loan products are popular in the market, with residential mortgages accounting for the largest increase. At year-end, we had lending of SEK 11.4 billion, an increase of 24 percent since 31 December 2016, and our mortgage portfolio alone has grown by more than 150 percent during the year. During the fourth quarter, we launched margin lending on the successful Norwegian account type ASK, which quickly became appreciated among our customers.

## Awards

In 2017, Nordnet received several awards. During the first quarter, Økonomisk Ugebrev named us as the bank with the most satisfied Private Banking customers in the Danish market. In August, Nordnet Finland was appointed stockbroker of the year in Finland by Osakesästäjien Keskusliitto, the Finnish equivalent of the Swedish Shareholders' Association (Aktiespararna). Our Finnish podcast #rahapodi was voted best podcast on the Finnish market by leading podcast collective Jakso.fi. #rahapodi is often the most downloaded podcast in, all categories, on iTunes in Finland.

Nordnet's employer brand has received several external awards throughout the year, of which we are very proud. Among other things, we were selected as one of Sweden's 100 most successful employers by Karriärföretagen, as well as "Top 25 Most Attractive Employers" and "Best in Industry among IT students" by Universum.

At the end of 2017, Nordnet was appointed "Bank of the Year" by the largest personal finance magazine in the Nordic region, Privata Affärer. The jury's motivation was as follows: "The bank that has reached the forefront of making savings easier speeds up the pace. The jury likes several concrete services that can improve our readers' finances". I consider "Bank of the Year" to be the finest award a Swedish bank can receive, and I am very proud that my colleagues and I have been able to deliver many solid improvements for Nordic savers.

## Nordnet Citizenship

During the year, Nordnet has developed its focus on sustainability, and our employees have spearheaded a number of sustainability projects within the framework that we created three years ago. Our Citizenship work has the strong support of the Board and Management team but is based entirely on the commitment, ideas and innovation capacity of our employees. Within the framework of Nordnet Citizenship, all employees at Nordnet are given the opportunity to develop their ideas, provided they follow the model of "shared value", which stipulates that any initiatives implemented benefit both Nordnet and society in general. Our work focuses on the areas of sustainable savings, equality & diversity and digital learning. Together with our climate compensation efforts, we invested SEK 475,000 in the projects. Read more about our projects in our sustainability report.

## Priorities 2018

Nordnet is undergoing a shift in business model, where our offering in the future will contain a greater degree of advice and guidance. But we will never leave the ambition to be the number one choice for people who have a significant interest in savings and want to make independent investment decisions.

2017 was an intensive and fast-paced period in Nordnet's history, and we are not going to reduce this pace in the future. As previously mentioned, in 2018 we will have a new website and app in place in all our markets. Within digital financial advising, our robo-advisor Robosave is only the first launch in a series of products. In 2018, we will continue to introduce products that provide Nordic private savers with access to high-quality digital financial advice and world-class management. We are optimizing our organization in order to deliver on this promise, and during the autumn we have built up the Capital Markets unit, where we have combined our capabilities in asset management, financial instruments and trading.

We are also investing heavily in the production of content that guides savers in their investment decisions. The content is presented in several forms, such as educational films, podcasts, customer events, blogs, and particularly through our savings economists, as well as all the discussions taking place on the Nordic region's largest social investment network, Shareville.

We are ONE team with ONE vision that will achieve our ambitions. Together with you as our customer, we are building the new Nordnet.

Peter Dahlgren  
@CEONordnet



## Key events per quarter

### Quarter

1

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

### Quarter

2

- Peter Dahlgren takes up position as new CEO
  - Nordnet Markets is launched throughout the Nordic region – a marketplace for commission-free trading in exchange-traded products
  - The beta version of Nordnet's new site is launched for all customers in the Swedish market
- 

### Quarter

3

- Partnership with IPsoft on artificial intelligence
  - Launch of robo-advisor Robosave and deposits via Swish
  - Launch of akjesparkonto (ASK) in Norway
  - Broadened customer offering in residential mortgages and occupational pensions in the Swedish market
- 

### Quarter

4

- Nordnet appointed "Bank of the Year" by Privata Affärer
- Partnership with the personal finance app Tink
- First phase of Nordnet's new website launched to Nordnet's customers in the Nordic region
- Nordnet makes an establishment in Malmö and invests in Private Banking
- Nordnet's podcast #rahapodi voted as the best podcast in Finland
- Nordnet selected as one of Sweden's top 100 most successful employers in employer branding

# Nordnet's business model

## Our operations

Nordnet is a bank for investments, savings and loans with operations in Sweden, Norway, Denmark and Finland. We started in 1996 as a reaction to the outdated structures of the financial sector. Our aim was to place the issue of transparency at the top of our agenda and shift power from the banks to the customers. We began by offering share trading on the Internet and have continued to develop our offering in savings, investments and loans. We redefined our industry, and we still maintain that approach today. Online securities trading remains the core of our product offering, but today we offer significantly more, for instance pension savings and loans. We offer private individuals the information and tools they need to take control of their financial future.

## Business areas

Investments and Savings is our core business and consists primarily of investing in shares and funds online. With our accessibility, knowledge, and a broad offering, we give our customers opportunities to make their money grow. Our customers can invest in shares, funds, derivatives, warrants, bonds and exchange traded products (ETPs). Income in the business area derives primarily from commission fees and currency exchange from cross-border trading.

Nordnet offers pensions savings in Sweden, Norway and Denmark, and the product range varies between the different markets. A common factor is that we offer comprehensive investment freedom at low cost. In the Swedish market, where we have our broadest offering, we have the most complete pension solution for private individuals and companies. The business area is affected positively by increased transparency in the sector and increased opportunities to transfer pensions between different actors. Our main sources of income from the pension business come from brokerage and mutual fund commissions.

Nordnet offers three kinds of loans: personal loans (unsecured loans), margin lending, and mortgages. Margin lending with securities as collateral, available in all four of our markets, gives our customers the possibility to borrow against their portfolios to increase their investments, or for other purposes. In addition to traditional margin lending, we offer loans – under the product names Knockoutlånet in Sweden and Superlånet in Norway, Denmark and Finland – with a very low interest rate to customers who have a well-diversified portfolio and a low loan-to-value ratio. Our Personal loans (unsecured loans) product is offered in the Swedish market in Nordnet's own name and in the sub-brand Konsumentkredit. We address customers both in and outside Nordnet's strategic target group and existing customer base. Nordnet also offers mortgages on the Swedish market, targeting the segment Private Banking. In 2017, we broadened our offering within mortgages to more customer groups with lower savings capital at Nordnet. The maximum loan-to-value ratio permitted for a mortgage to be granted is 50 percent. Interest, calculated on the basis of three-months STIBOR, now amounts to less than 0.69 percent.



The illustration below shows our business areas by country.

				
 Investment & savings	✓	✓	✓	✓
 Pension	✓	✓	✓	
 Margin lending	✓	✓	✓	✓
 Personal loans	✓			
 Mortgage	✓			

## Markets

Nordnet has business activities in Sweden, Norway, Denmark and Finland. Our headquarters in Stockholm house all of the Nordic functions such as IT, product development and administration. Stockholm is also the home for customer service and sales organization of the Swedish market. There are also local offices in Oslo, Helsinki and Copenhagen with responsibility for customer service, sales and marketing in each respective market. In 2017, Nordnet expanded to southern Sweden by making an establishment in Malmö, focusing on Private Banking and occupational pensions. We have no physical banking offices, but rather primarily communicate with our customers over digital and social channels.



Our operational platform handles all four markets, which provides us with economies of scale and cost efficiency.

In the Nordic countries, the savings markets are dominated by traditional banks and pension companies. In all four markets, we are considered an upstart, alongside one or two local competitors. Nordnet has a leading position among the online banks in Norway, Denmark and Finland and is number two in the Swedish market.

## The Stock Market in 2017

2017 was a good stock market year, with global stock markets increasing overall, despite repeated signs of worry and global problems. The central banks contributed to a stimulating environment, despite the fact that the signals of changed conditions increased during the year.

The central bank of the US, the Federal Reserve, made three increases in the key interest rate during the year.

All four Nordic stock exchanges increased during the year, and the Oslo Stock Exchange's performance took the lead with a 20-percent increase. Behind the strong upswing in the Norwegian stock market was strong development in the energy and offshore sectors, telecom, and finance. Internationally, the year was also very strong for stock markets, with more than ten exchanges experiencing increases above 20 percent. In the United States, for example, the Dow Jones increased by 25 percent.

The Copenhagen Stock Exchange took the second-place position among Nordic stock exchanges for 2017, with an increase of almost 16 percent. Contributing to this strength was the recovery of pharmaceutical giant Novo Nordisk. In Helsinki, the OMXH25 index increased by 6.5 percent. The majority of companies in the index experienced an increase during the year, but the stock market was held back by declines in major companies such as Nordea, Nokia and Telia. The best share in OMXH25 was transport fuel company Neste, which climbed nearly 50 percent during the year.

In Sweden, the stock market final outcome for 2017 was an increase of just 4 percent, placing the Stockholm Stock Exchange at the very bottom among world stock exchanges in 2017. Contributing to the relatively weak development were Swedish housing market worries and the potential outcome of continued falling housing prices. Major declines for companies such as Hennes & Mauritz and Fingerprint also held back indexes.

The cryptocurrencies, with Bitcoin at the forefront, were the year's major phenomena in the Nordic markets. Bitcoin experienced a spectacular development in 2017, with a thirteen-fold increase during the year but lost 30 percent of its value just during the last two weeks of the year.

## Sweden

In the Swedish market, we are one of several players who are challenging the traditional banks with greater freedom and lower prices. We offer investments and pension savings in a broad range of various products and kinds of savings for both private customers and corporate customers. We also offer personal loans in the Swedish market. We differentiate ourselves from our competitors by offering a transparent investment service, favourable borrowing conditions, as well as free trading on the Nasdaq Stockholm Exchange and the Nordic stock exchanges from SEK 1. We are the only actor that provides index funds without fees for the four Nordic markets. We also have our social investment network Shareville where our customers share their actual investments in real time.



## Significant events during the year

- Partnership with IPsoft on artificial intelligence
- Launch of robo-advisor Robosave and deposits via Swish
- Broadened customer offering in residential mortgages and occupational pensions
- Investment and partnership with the personal finance app Tink

Key figures Sweden	2017	2016
Income, SEK million	646,0	628,5
Operating profit, SEK million	148,4	209,1
Operating margin	23%	33%
Active customers	302,700	268,800
Savings capital, SEK billion	122,3	113,1
Net savings, SEK billion	1,2	2,7
Trades	13,711,200	12,277,300
Lending, SEK billion	8,2	6,2

Our Swedish customers made 12 percent more trades in 2017 compared with 2016.

The number of active customers as at the end of December amounted to 302,700, corresponding to an increase of 13 percent over the past 12-month period. Net savings for the period January–December amounted to SEK 1.2 billion (2.7). Calculated in relation to

savings capital as at the end of December 2016, net savings for the past 12 months correspond to 1 percent.

In 2017, income increased by 3 percent, mainly attributable to commissions from increased mutual fund savings. Expenses increased by 18 percent, due to an expanded workforce in sales of occupational pensions as well as higher Group-wide expenses. The operating margin was 23 percent (33).

In the first quarter, we welcomed our customers and others interested in savings to the fifth edition of Nordnet Live. Over 5,500 people interested in savings signed up for the event. All visitors and those who streamed the event on the Internet got to listen to many exciting guests, such as Ola Rollén, Marie Ehrling, Christer Gardell and Filippa Reinfeldt.

2017 was characterized by a high rate of development regarding the launch of new products and services. Commission-free trading in exchange-traded products, the robo-advisor Robosave, direct deposits via Swish, investment in the personal finance app Tink and a partnership with IPsoft on artificial intelligence are just a few examples of Nordnet's launches during the year in the Swedish market. In December, the results of the annual customer satisfaction survey in savings from the Swedish Quality Index (SKI) were presented. Nordnet advanced one place in this year's survey, to the top four in the category customer satisfaction in the banking sector. One reason for the increased customer satisfaction is our focus on digital development, whereby Nordnet's ambition is to build the world's best customer experience in savings and investment.

Our high rate of development and the large number of product launches have also been highlighted by the magazine *Privata Affärer*, which in December appointed Nordnet as "Bank of the Year". One of the services especially appreciated by the jury was Nordnet's residential mortgage offering. Nordnet's residential mortgage, directed to Private Banking customers, was launched in April 2016. In September 2017, we broadened our offering to more customer groups and we now offer Sweden's lowest list rate for customers with extensive savings. This has increased demand for Nordnet's residential mortgages, and as at the end of December, SEK 2.4 billion (0.9) loans secured on residential properties had been paid out.

In addition to residential mortgages, Nordnet also offers personal loans and margin lending in the Swedish market. Personal loans (unsecured loans) is offered under the product names Nordnet Toppenlånet and Konsumentkredit. As at 31 December 2017, the number of customers using personal loans was 27,700 (27,600). The total lending volume was SEK 3.7 billion (3.2), with an interest income of about 6.2 percent after adjustment for loan brokering. During the year, the lending volume for personal loans to Nordnet's customers increased by 16 percent compared with the start of the year. Personal loans contributed 55 percent (45) of operating profit in Sweden for the period January–December.

Within pensions, Nordnet Sweden entered into a partnership with Söderberg & Partners during the second half of the year. The collaboration entails that occupational pension savers can receive in-person advice on savings and insurance, as well as access to Nordnet's digital platform. During the quarter, Nordnet also made an establishment in Malmö that will focus on occupational pensions and Private Banking, as an additional investment in the area.

The first phase of Nordnet's new website has been launched in 2017. The new website has been improved in terms of functionality and design. The site is responsive, has an updated user interface, shows users the commission before they place an order and has stop-loss functionality across all markets. More content and functionality will be added during 2018. During the second half of the year, the proprietary trading application Wintrade was phased out and replaced by Infront Web Trader.

## Norway

In the Norwegian market, we offer investment and saving services and pension savings for private individuals and companies. We have a leading position in the online segment. We differ from traditional banks by offering more choices and better conditions. We also offer unique products such as Superlånet with the market's lowest interest rates for borrowing as well as Superfondet Norge, the only Norwegian fund without fees.



### Significant events during the year

- Success for the new account type aksjesparekonto (ASK)
- Oslo stock exchange on top – increase of more than 20 percent in 2017
- Savings event Nordnet Live organized for the second time in Norway
- High inflow of new customers – 19 percent growth in customer base in 2017

Key figures Norway	2017	2016
Income, SEK million	186,9	169,3
Operating profit, SEK million	16,2	39,1
Operating margin	9%	23%
Active customers	97,900	82,000
Savings capital, SEK billion	33,9	27,4
Net savings, SEK billion	5,3	3,7
Trades	3,978,100	3,072,900
Lending, SEK billion	0,7	0,7

The positive trend on the Oslo Stock Exchange combined with low interest rates and our strong product offering contributed to record-high customer growth in 2017. In total, Nordnet Norway gained 15,900 new active customers in 2018. As at 31 December 2017, the number of active customers in Norway amounted to 97,900 (82,000), which corresponds to customer growth of 19 percent over the past 12-month period. The number of trades by our customers increased by 29 percent compared to 2016.

The number of trades by our customers increased by 29 percent compared to 2016. Income increased by 10 percent during the year, related to increased commission income from savings capital in funds, higher trading volumes, and a larger share of foreign trade generating income from currency exchange. Expenses increased by 31 percent, mainly due to higher Group-wide expenses, but also sales expenses for personnel and marketing. The operating margin amounted to 9 percent (23) during the period January–December.

The saving event Nordnet Live was arranged in Oslo for the second time in Nordnet's history during March. The Oslo Concert Hall was filled with 1,300 guests who were presented with a

programme filled with discussions by stock exchange experts and business sector representatives. 17,000 visitors followed the event via nordnet.no and hegar.no, making Nordnet Live the largest savings event for private savers in Norway.

Net savings totalled SEK 5.3 (3.7) billion, which is 19 percent in relation to savings capital at the end of 2016. Part of the increase in net savings during the full year 2017 was due to the introduction of the new account type “aksjesparekonto” (ASK), launched on 1 September 2017. The account type allows for trading in shares and mutual funds to be tax-free within the framework of the account, with taxation being postponed until money is withdrawn from the account. In addition, Norwegian savers were given the opportunity to move existing holdings into a newly opened “aksjesparekonto” account without taxation effects during September–December. During the second half of 2017, Nordnet established over 32,000 accounts of the new account type. Toward the end of the year, Nordnet Norway also launched lending for the aksjesparekonto.

On 1 November, a new and improved version of the IPS savings type (Individual Pension Savings) was introduced in the Norwegian market. During 2018, Nordnet will launch an updated version of IPS, in which the savings type will be converted into a pension fund certificate. This opens up the market for occupational pensions and gives Nordnet an opportunity to reach a larger target group.

In Norway, the first phase of Nordnet’s new website, Nordnet Markets and the new trading application Infront Web Trader were also introduced.

## Denmark

In Denmark, we have a unique position as a customer-focused bank with few and low fees, and competitive tools for investments and savings. Our main competitors are the traditional banks. Our offering is distinguished by unique products such as Superfonden Danmark, which is Denmark’s only free fund, Superlånet with one of the lowest lending rates on the market, and the social investment network Shareville. Our pension offering with no fixed fees also stand outs in the market. Pension savings accounts for more than half of the savings in Denmark, and many Danes are choosing to move their pensions to us.



## Significant events during the year

- Økonomisk Ugebrev named us the bank with the most satisfied Private Banking customers in the Danish market
- Large inflow of customers during the year – customer base increased by 24 percent in 2017
- Nordnet Markets was launched in Denmark – a marketplace for commission-free trading in exchange-traded products

Key figures Denmark	2017	2016
Income, SEK million	239,3	226,5
Operating profit, SEK million	83,1	99,0
Operating margin	35%	44%
Active customers	84,900	68,500
Savings capital, SEK billion	57,3	44,2
Net savings, SEK billion	8,8	7,1
Trades	4,245,400	3,961,200
Lending, SEK billion	1,2	1,2

investments in the sales organization in Denmark. The operating margin was 35 percent (44).

In 2017, income increased by 6 percent. The increase in income was due to higher commission income from trading and increased income from currency exchange from foreign trade. However, income was held back by a decrease in net interest income related to negative return on surplus liquidity. Expenses increased by 23 percent. The increase in expenses is primarily due to higher Group-wide expenses, but also

The stock market decline in 2016 affected Danish savers negatively, leading to lower trading activity in the first part of 2017. During the second half of the year, trading activity increased, and the Danish index OMXC20 ended with an increase for the full year 2017. The number of trades during the period January–December 2017 increased by 7 percent compared with the corresponding period the previous year.

The number of active customers as at the end of December 2017 amounted to 84,900 (68,500), an increase of 24 percent over the past 12 months. Toward the end of the year, a number of new rules for occupational pension savings were introduced in Denmark, which resulted in an increased influx of customers in the savings type “aldersopsparing”. Net savings for 2018 ended at 8.8 (7.1) billion. Calculated in relation to savings capital as at the end of December 2016, net savings for the past 12 months correspond to 20 percent.

Our services continues to be appreciated in Denmark in 2017. During the first quarter, Økonomisk Ugebrev named us the bank with the most satisfied Private Banking customers in the Danish market.

Nordnet Markets was also launched in Denmark in spring 2017 and has attracted great attention in the Danish savings market. The first phase of Nordnet’s new website as well as the trading tool Infront Web Trader was also launched to Nordnet’s customers in Denmark in autumn 2017.

## Finland

Nordnet has a leading position in the Finnish savings market, and we are perceived as a modern and customer-friendly bank over our competition. We offer Finland’s broadest range of mutual funds, and for many years have offered fund saving without any buying and selling fees. We offer the only Finnish index fund without fees, called Superrahasto. Other unique Nordnet products include the Superluotto loan and the social investment network Shareville. In Finland, we offer services for investments, savings and loans, but not pension savings.



## Significant events during the year

- Nordnet was named stockbroker of the year by Osakesäästäjien Keskusliitto
- Nordnet Finland for the first time acted as an issuing agent with the IPO of Titanium (TITAN, First North Finland)
- Nordnet Markets, a marketplace for commission-free trading in exchange-traded products, was launched in the Finnish market

Key figures Finland	2017	2016
Income, SEK million	171,9	171,7
Operating profit, SEK million	-0,3	20,6
Operating margin	0%	12%
Active customers	183,800	147,500
Savings capital, SEK billion	59,0	49,9
Net savings, SEK billion	2,0	0,8
Trades	4,246,600	3,620,100
Lending, SEK billion	1,4	1,1

The Finnish stock exchange (OMXH25) increased by 6 percent during in 2017, and there is increased interest in the stock exchange among our Finnish customers. In October, Nordnet Finland for the first time acted as an issuing agent with the IPO of Titanium (TITAN, First North Finland). Nordnet also participated in the launch of Rovio in late September in Finland, Denmark and Sweden. The number of trades during the period January–December increased by 17 percent compared with the corresponding period the previous year.

Income for 2017 is unchanged compared with 2016. Provision-related income increased as a result of increased transactions, but lower interest rates and a negative return on surplus liquidity had a negative effect on earnings. Expenses increased 14 percent, due to increased Group-wide expenses. The operating margin was 0 percent (12).

In August, Nordnet Finland was named stockbroker of the year in Finland by Osakesäästäjien Keskusliitto, the Finnish equivalent of the Swedish share savers' association Aktiespararna. In the survey, over 2,000 members voted for which bank they preferred in 14 different categories. Nordnet Finland received the highest rating in all categories.

The number of active customers as at the end of December 2017 was 183,800 (147,500), corresponding to an increase of 25 percent compared with the end of December 2016. Net savings for the full year amounted to SEK 2.0 (0.8) billion. Calculated in relation to savings capital as at the end of December 2016, net savings for the past 12 months correspond to 4 percent.

In December, Nordnet's podcast #rahopodi was voted best podcast in the Finnish market. #rahopodi is a podcast on personal finance, savings and investment. The podcast is led by Nordnet's savings economist in Finland, Martin Paasi, and Miikka Luukkonen, Head of Business Sales. Over 100 episodes of the popular podcast has been produced. The competition was arranged by leading podcast collective Jakso.fi, and #rahopodi won by 32 percent of the total votes.

Nordnet Markets was also launched for our Finnish customers, who since mid-second quarter can trade exchange-traded products through our platform, commission-free. Infront Web Trader was also introduced to our Finnish customers during the autumn, as well as the first phase of Nordnet's new website.

## Market share

In the area of share trading for private investors, Nordnet competes with a number of internet-based players, as well as with the traditional banks. Nordnet's market shares for trading on the Nordic exchanges are 3–4 percent in terms of traded volumes, and 4–7 percent in terms of the number of transactions, depending on the market (see table on next page).

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

<b>Nordnet's market share</b>				
<b>2017</b>	<b>Sweden</b>	<b>Norway</b>	<b>Denmark</b>	<b>Finland</b>
Volume	3,4%	4,2%	3,0%	3,2%
Number of trades	5,5%	7,1%	4,6%	6,0%
<b>2016</b>	<b>Sweden</b>	<b>Norway</b>	<b>Denmark</b>	<b>Finland</b>
Volume	4,0%	4,1%	3,7%	3,5%
Number of trades	5,9%	6,4%	5,4%	5,8%



# Nordnet's sustainability report

For the seventh consecutive year, Nordnet has prepared a sustainability report in accordance with the principles of the Global Reporting Initiative (GRI) – the world's most widespread framework for sustainability reporting. The sustainability report for Nordnet AB (publ) is based on the latest guidelines by GRI, GRI Standards: Core option. The sustainability report has been prepared in compliance with statutory sustainability reporting requirements in the Annual Accounts Act. The sustainability report comprises the Nordnet AB (publ) and includes all wholly owned subsidiaries and parent company NNB Intressenter AB. The GRI index can be found on pages 127–128 under the section “Other Sustainability Information”.

## Total savings capital in mutual funds

The accumulated savings in mutual funds increased by 26 percent during 2017.

**53** (42)  
SEK billion

## Investments in sustainable funds

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

**8.8** (3.6)  
SEK billion

## Equal-opportunity workplace

We strive for a more even distribution between women and men in the company. The percentage specify the number of female employees.

**36 %** (36 %)

## Healthy workplace

Average absence due to illness among Nordnet employees.

**2.9 %** (3.1 %)

## Total energy consumption

Nordnet's energy consumption largely derives from running our offices and servers.

**2.2** (2.0)  
GWh

## Greenhouse gas emissions

Nordnet's greenhouse gas emissions have decreased, mainly due to our employees' changed commuting habits.

**294** (307)  
tonnes CO<sub>2e</sub>

# Nordnet Citizenship – framework for sustainability work

Nordnet Citizenship is our way of giving back to society and working to be a more sustainable company. We have defined three focus areas:

- Sustainable savings
- Equality & Diversity
- Digital learning

Within these areas, we are conducting projects that will benefit society, as well as us - as a company.

Nordnet Citizenship is inspired by Michael E. Porter's ideas on shared value creation – generating economic value that it also produces value for society. Within the framework of Citizenship, our employees work with projects that create value for our stakeholders while also creating profitability. Employee commitment and innovative ability are what drive our Citizenship projects, along with the strong support of the Board and the Management team. Projects can be initiated by all employees in Nordnet. Both ambassadors and initiators are able to devote up to ten percent of their working time to Citizenship projects. The projects are coordinated by a number of selected ambassadors, to ensure that they meet the requirements of shared value creation.

## Projects and activities in 2017

In 2017, ten new projects were undertaken that created shared value. Together with our climate compensation, we invested SEK 475,000 in the projects. The Citizenship budget is SEK 1 per active customer, as at the turn of the year 2016/2017. Below, we report our projects during the year, as well as ongoing activities within our three focus areas.

### Sustainable savings

#### Save sustainably with Nordnet

In order to inspire our customers to take the step to invest more sustainably, we have created an information page on the Nordnet website with information and inspiration about sustainable savings. Here you will find tips on tools that can be used to assess the sustainability of investments. Interest in sustainable investments has increased in recent years, both among private savers and fund companies.

#### Membership in Norsif and Swesif

In 2017, Nordnet became a member of the trade associations Swesif and Norsif, both of which are counterparts to the European trade association Eurosif. Swesif and Norsif are independent networking forums for sustainable investments. Swesif provides a tool called the Sustainability Profile that allows fund savers to easily and accurately determine the specifics of how a particular fund works with sustainability criteria in its management. The Sustainability Profile is one of the tools available at [nordnet.se](http://nordnet.se).

## Ongoing activities in 2017

### Sustainability blog

The Sustainability Blog began as a part of a Citizenship initiative with the aim of educating and inspiring our customers and other savers for more sustainable investments. The blog is operated by our employees who has extensive interest in and in-depth knowledge of sustainability in financial sector. In 2017, we launched the new version of the Nordnet blog, with an updated design and functionality.

### Education in savings

We educate in savings, both as part of the Citizenship initiative on sustainable savings, but also in our daily operations. In our daily operations, we work with podcasts, in which our savings economists participate and represent the savers in our four markets. We have web-based courses and seminars in which we discuss savings and investments with listeners and inspire them, in addition to in-person events. We also hold the largest savings event in the Nordic region each year – Nordnet Live – in Stockholm and Oslo, where our customers and others interested in savings can listen to a wide range of exciting business leaders and stock exchange experts. Visitors to the event also have the opportunity to meet and discuss investments with representatives of various fund companies.

Investments in educations of the public, SEK thousand	2017	2016	2015
<b>Cost for Nordnet's education activities</b>			
Savings economists	-4,901	-4,531	-4,226
Nordnet Live Stockholm	-5,000	-4,500	-4,695
Nordnet Live Oslo	-1,100	-915	-
Nordnetsskolan	-	-44	-30
Women and finance event	-	-	-20
Podcast	-510	-	-1,257
<b>Total</b>	<b>-11,511</b>	<b>-9,990</b>	<b>-10,228</b>

The table shows Nordnet's indirect economic impact, in accordance with GRI 203-2. The table shows the cost of education efforts for our customers and the public. Women in Finance was not been implemented in 2017, and Nordnet School did not incurred any expenses in 2017, as we have used existing resources. Podcasts refers to production expenses to produce all podcasts in Sweden, Norway, Denmark and Finland.

Savings at Nordnet, SEK billion	2017	2016	2015
<b>Nordnet customer savings</b>			
Net savings	17	14	13
Total savings capital	272	235	200

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

### Sustainable funds

We offer over 3,200 different funds in our respective mutual fund portals. The range consists of mutual funds from both large banks and smaller start-ups, and spans different types of asset classes, regions, sectors and management styles. We allow customers to independently search for alternatives that suit them, without promoting the options that most benefit Nordnet.

Each year, we report the extent to which our customers choose sustainable funds. Since 2016, we have used Morningstar's sustainability rating to define which funds are sustainable. We offer savings in 550 funds that are marked with four or five globes according to Morningstar's sustainability rating. The sustainability rating is based on the extent to which a company, in which a fund invests, works with sustainability issues. Total savings in funds with four to five

sustainability globes amounted to 17 percent of total fund savings at Nordnet, as at the end of December 2017.

Savings in funds marked with the ESG profile at Nordnet, SEK billion	2017	2016
<b>Nordnet customer savings in funds with the ESG profile</b>		
Total savings in funds with the Morningstar's 4-5 sustainability globes	8,8	3,6
Share of mutual fund savings in funds with Morningstar's 4-5 sustainability globes	17%	9%

The table shows total savings in mutual funds with either four or five globes in Morningstar's Sustainability Rating among our customers, and the percentage of the total fund savings that take place in these funds compared with Nordnet's total range of mutual funds. A part of the increase is explained by the fact that Morningstar is rating more funds than in previous years.

## Equality and Diversity

### Ungt Entreprenørskap, Norway

Ungt Entreprenørskap is a non-profit organization that works to develop young people's creativity in cooperation with schools and businesses. Nordnet's contributions include lectures where our employees have educated and inspired ninth graders in matters of investments, savings and personal finance in general. Through volunteer work and financial support for Ungt Entreprenørskap, we promote entrepreneurship and a healthy economy for young people.

### Ung i Finans, Norway

Nordnet is the main sponsor of the organization Ung i Finans in Norway, which aims to help people aged 22–35 to create a financial network. In 2017, Nordnet Norge organized an event for the members of the network, together with the other main sponsors Deloitte, Nordea and Wiersholm. 200 participants attended the popular event, which sold out within two hours. We are proud to support Ung i Finans and contribute to the development of young talents in the financial sector, as well inspire more young people to become interested in economic and financial issues.

### Ung privatekonomi, Sweden

Since the end of 2016, Nordnet has collaborated with the project Ung privatekonomi. The project arranges lectures about personal finance for high school students throughout Sweden. The work is coordinated by the foundation Aktiefrämjandet, which is sponsored by the Swedish Shareholders' Association, the Swedish Securities Dealers Association, NASDAQ OMX Stockholm and Sweden's Young Investors (Unga Aktiesparare). Nordnet supports the project financially and by providing education and inspiration for the lecturers. The aim is to increase knowledge and awareness among young people on savings and pension, and promote healthy personal finance habits for our future customers.

## Digital learning

### Kodcentrum, Sweden

Through our support of Kodcentrum, we contribute to the development of young people who can become tomorrow's programmers – a professional category on which we will always be dependent for the continuing development of our customer offering. Kodcentrum is an organization that gives children aged 9–13 the opportunity to learning programming in their free time. The Kodcentrum collaboration began in 2015 and has continued in 2017 with both volunteer work and financial support. In cooperation with Kodcentrum, we also arranged an event called

Kid Hackathon, where we invited approximately 35 children to our offices in Alvik to provide inspiration, and develop their skills in digital content creation and programming.

### Hello World, Sweden

We help to discover and encourage new digital stars by supporting the non-profit organization Hello World. Hello World holds camp weeks and meet-ups to promote and develop young people's digital creation skills. Half of the enrolment slots are allotted to girls. With our financial support for Hello World, we can help lower income families with subsidized tuition fees. Through our support, we aim to contribute to the regeneration and development of future digital creators and innovators. During autumn 2017, a meet-up was organized together with Hello World at Nordnet's offices. 40 children in ages 9-14 came to Nordnet's premises and learned to program in Python and Scratch.

### Tjejer kodar, Sweden

Nordnet is a proud partner of Tjejer kodar, Sweden's leading organization in courses and education in programming for women. Together with Tjejer kodar, we want to encourage more women to learn or immerse themselves in programming. On 14 September 2017, Nordnet and Tjejer kodar arranged an inspiring coding event at Nordnet's offices. 30 women with an interest in coding were invited to learn the basics of the programming language Javascript during the evening. The Tjejer Kodar collaboration is also included in our Citizenship focus area Equality & Diversity.

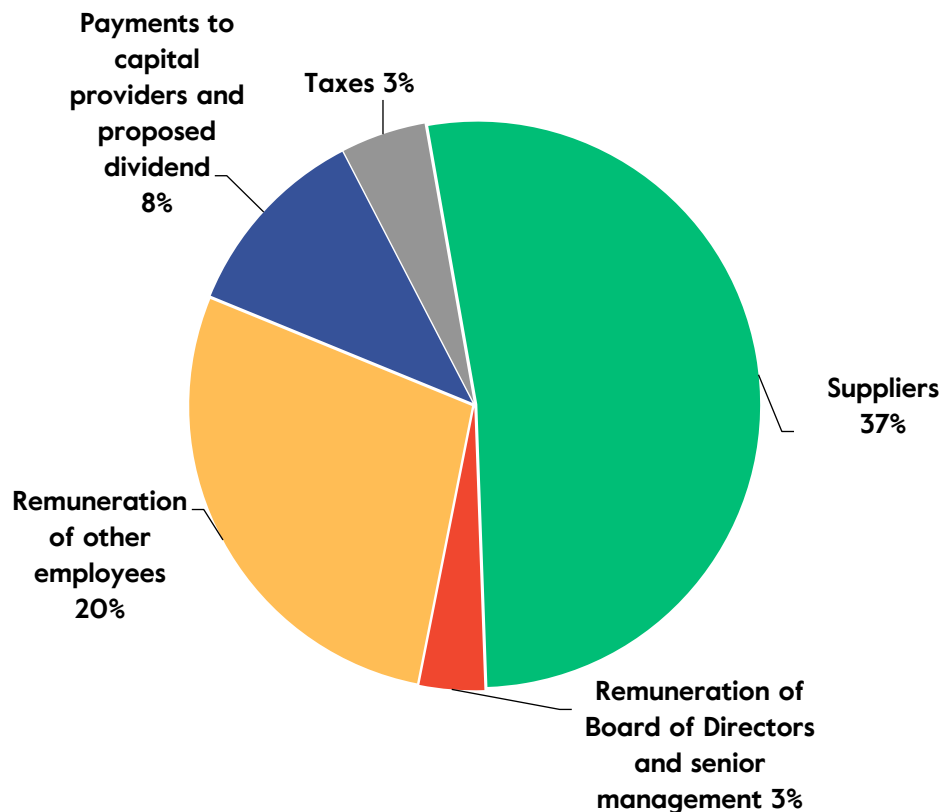
### Koodikerho, Finland

Nordnet collaborates with the Kodikerho coding club in Finland, which organizes programming camps for children ages 9 years and above. Our collaboration with Koodikerho began at the end of 2017, and in 2018 we will arrange a coding club at our Finnish offices, where children will learn the basics of programming. Together with Koodikerho, we can contribute to digital development and inspire children to discover digital creation, perhaps as a future career.

## Our actions

Our operations affect society in the markets in which we operate, and we strive to have the most positive impact possible. We do this partly by contributing time, expertise and financial resources, and also by ensuring that all of our employees follow our ethical guidelines and the laws and regulations of each country.

### Nordnet's economic impact on different stakeholder groups



The graph shows Nordnet's distributed economic value, reported in accordance with GRI 202-1, which has benefited our stakeholders in 2017.

Nordnet's customer base consists primarily of private individuals and, to a lesser extent, corporate customers. Our operations are primarily concentrated in the Nordic countries, a region normally with a lower risk of corruption. On this basis, we assess our risk of corruption to be low, but we are actively working to counteract the risks we have as a finance industry player. For example, we actively work to counteract money laundering and financing of terrorist activities. As a bank, it is important to conduct ethical and responsible activities, ensure good governance and control, as well as prevent risks. This is particularly to ensure our customers' trust in Nordnet, but also to maintain confidence in the capital market as a whole.

## Values and ethical guidelines

All employees are presented with the company's ethical guidelines and values, and are expected to act in accordance with them. This is particularly important for promoting justice, integrity, trust and responsibility in Nordnet's business operations. The responsibility for ensuring that Nordnet's ethical guidelines are updated annually rests on the Board. To ensure compliance with our guidelines, all new employees get mandatory training on our ethical guidelines, confidentiality and anti-corruption. Each manager is then responsible for ensuring compliance with the code of conduct, including Nordnet's ethical guidelines, and every employee is responsible for knowing the laws, as well as external and internal rules affecting their own professional role. Our employees whose work includes handling complaints receive special training in this area.

Some employees in the Swedish operations, such as our brokers, require a Swedsec licence. We also encourage other employees to educate themselves to meet the requirements for obtaining this licence, and therefore improve their skills and enhance the quality of our customer contact. Corresponding licencing requirements also exist for certain roles in Nordnet's Danish, Finnish and Norwegian operations. At the end of 2017, 89 of our employees were licenced, just over one-fourth of our employees.

Financial sector actors have a bigger risk of being affected by certain financial crime such as money laundering, fraud, market manipulation or insider trading. The occurrence of such crimes and infractions may harm Nordnet's brand and our stakeholders' perception of us as an organization. Nordnet works long-term to ensure good business ethics, transparency and trust in our relationships with customers, employees, owners, suppliers and other stakeholders. Nordnet counteracts corruption by, among other things, providing compulsory education for all our employees and continuously reviewing policies and procedures through our control functions.

Nordnet is also a member of the Financial Coalition against Commercial Sexual Exploitation of Children, which works to mitigate and prevent child sex trafficking and child sex tourism. The Coalition's efforts include preventing work computers from being used for criminal activity or company trips to places where children are sexually exploited.

## Promoting good business ethics

Nordnet is a member of the Swedish Securities Dealers Association and the Swedish Bankers' Association and adheres to the latest guidelines for dealing with ethical issues in banks. Nordnet's operations depend largely on trust from customers, supervisory authorities and other stakeholders. Circumstances that may damage this trust can also potentially harm Nordnet's operations. Therefore, it is extremely important that Nordnet identifies and manages all potential conflicts of interest. Nordnet regularly follows up on all internal policies and governance documents to ensure compliance. Education in ethical matters takes place on a continuous basis. At the end of 2017, workshops were conducted to educate Nordnet's employees on how to treat conflicts of interest. The training was mandatory for all employees.

In order to identify potential or actual events that violate Nordnet's rules of business ethics, Nordnet has a whistleblowing function by which employees can anonymously report violations. In 2017, no violations were reported through this function.

## Preventing financial crime

For actors in the financial market, there is always a risk of being impacted by financial crime. Nordnet continually monitors to detect suspicious behaviour that may indicate criminal activity. In accordance with the Money Laundering and Terrorist Financing (Prevention) Act, Nordnet must have good customer knowledge and good insight into customers' business activities. We, therefore, have systems and procedures in place to identify and report suspected money laundering or financing of terrorism or other types of crime. We also continually perform risk assessments of customers, products and services. In 2017, all our employees underwent mandatory training on money laundering and terrorist financing.

## Information and IT security

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

- Involvement of Management and the Board in the planning of the security work
- Nordnet's security controls are evaluated and modernized on an ongoing basis
- Nordnet participates in collaboration activities both at the national level and in the Nordic region to strengthen security in society
- There is a process for approving significant changes in the operations
- Our various IT systems are monitored around the clock, all year
- All employees undergo compulsory security training

To further strengthen Nordnet's security, we implemented several improvement measures in 2017. These include recruiting two specialists, reviewing employee security awareness, developing a new security strategy for the years 2018–2020 and improving our ability to handle incidents. By 2018, we will further strengthen compliance with security controls, expand training efforts for employees and strengthen traceability in our IT systems.

## Personal integrity

We place great emphasis on protecting our customers and employees' personal information. An implementation of the the new General Data Protection Regulation (2016/679) is ongoing, which will enter into force on 25 May 2018. For us this means that, when we are developing a new product, we make an impact assessment on data protection and have processes for building data protection in the development of new systems.



# Employees

In order to offer relevant services to our customers, our employees need to be given the opportunity to develop and realize their full potential. To ensure our employees are happy, we actively work to create an engaging workplace that prioritizes health, equality and diversity. We value the diversity of our employees as an asset that generates valuable ideas and promotes an inclusive culture in our organization.

## A culture of development

Inspiring and challenging! That's what we want the Nordnet working experience to be. In order for us to achieve our vision and build the new Nordnet, we want to create a workplace where each individual sees great potential for personal development and where diversity is an asset. We are convinced that this will lead to creativity, innovation, commitment and good results.

Nordnet strives to maintain an unpretentious and inclusive working environment and culture. This enables our employees to demonstrate their creativity and be inclined to make their voices heard in various situations and contexts. We have created a strong team spirit, where we feel a common responsibility to deliver on our new business plan and create a world-class customer experience.

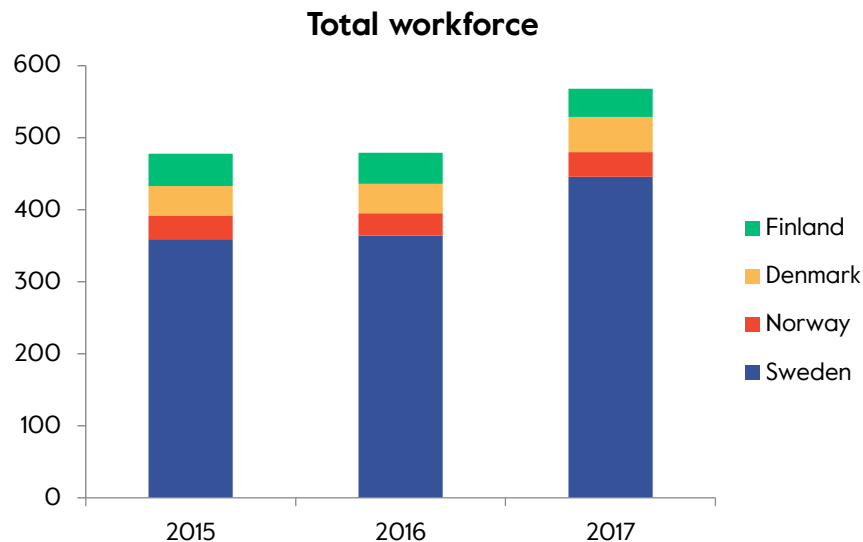
At least twice a year, all our employees have talks with their immediate manager to review their performance and discuss their development. The work in teams and between teams also very much involves collaboration and communication in order for it to be fun to work at Nordnet as well as to maintain a high rate of development. In addition, to personal performance goals, our employee and leadership principles are central to how we relate to our customers and to one another. The principles summarize our collective behavioural and conduct goals and form the core of all evaluation and feedback.

Nordnet is dependent on attracting, developing and retaining the talent we require to achieve our goals as an organization. As a digital bank, there is a particular need for personnel in IT and digital marketing, which are attractive skills areas. This entails a risk of not being able to recruit the right personnel at the rate we would like, as well as the risk of good employees leaving us. Finance and tech are areas predominantly dominated by male employees, and there is therefore a risk that the gender distribution of Nordnet as a company will be too unilateral. We work to prevent these risks by increasing the attractiveness of Nordnet as a potential employer, focusing on our employees through personal development, and increasing the number of women in our recruitment processes.

Our employees are relatively young, and many are at the beginning of their careers. Nordnet is a workplace where young talents get a chance to develop and grow, which makes our employees attractive. Many choose to evolve into new roles within the company and others move on to new challenges outside Nordnet. Everyone who stops working for us is given an exit interview as part of our Human Capital function, and the conclusions from the interview are utilized to further improve our attractiveness as an employer. During the year, we received several new awards in Universum's various categories. For the third year in a row, we were named as Rocket of the Year in Företagsbarometern (Company Barometer) and appointed one of Sweden's most attractive employers in the Karriärbarometern (Career Barometer). Nordnet

was also named as one of Sweden's 100-most-successful employers in employer branding. The recognition is awarded annually by Karriärförbundet and is a seal of quality for employers who can offer unique career and development opportunities to their employees.

We can conclude that in 2017 we succeeded in our aim to further advance our positions in Employer Branding. We have managed to attract even more IT talents, and we naturally want to continue to attract tomorrow's talented coders and developers.



The diagram shows the number of employees in each country at the end of each year. Note that the diagram shows the total number of employees, including substitutes and hourly employees. A large portion of our employees is stationed in Sweden since many central functions are located there. The countries' service organizations are comparable in size. Personnel growth in 2017 is primarily due to the continued expansion of our product and IT departments.

Staff turnover	2017		2016		2015	
	Employees (no)	Women (%)	Employees (no)	Women (%)	Employees (no)	Women (%)
<b>New hires</b>						
Under 30 years	150	31%	64	34%	81	26%
30 - 50 years	79	39%	34	50%	48	40%
Over 50 years	4	25%	8	38%	3	67%
<b>New hires during the year</b>	<b>233</b>	<b>33%</b>	<b>106</b>	<b>40%</b>	<b>132</b>	<b>32%</b>
<i>Rate of new employee hires</i>	41%		22%		28%	
<b>Departures</b>						
Under 30 years	64	30%	49	37%	44	34%
30 - 50 years	73	41%	64	33%	40	38%
Over 50 years	8	50%	9	44%	4	50%
<b>Departures during the year</b>	<b>145</b>	<b>37%</b>	<b>122</b>	<b>35%</b>	<b>88</b>	<b>36%</b>
<i>Rate of employee turnover</i>	26%		25%		18%	

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

Personnel turnover was 22.5 percent (20.0) for the Group in 2017. We measure personnel turnover every year solely on permanent employment and trial employment positions, in accordance with the Nyckeltalsinstitutet (Institute of Human Resource Indicators) definition. There has been a great deal of new talents at Nordnet during the year at the same time as a couple of restructuring measures in different teams, which has also affected the outcome.

## Personal development

Nordnet works long-term to attract, develop and retain the talents we need to be able to develop as an organization and to deliver value to our customers. We do this primarily by offering exciting work assignments and individual development for our employees.

We also work continuously with leadership development through our Group-wide leadership forum 5X Leadership, where the focus has been on creating consensus, energy and shared commitment around our new business plan. The forum develops our leaders and increases integration between different offices and different teams. In addition, we offer needs-specific training for Nordnet leaders in areas such as work environment or collective bargaining issues.

## A healthy workplace

Sustainability for us, is of course, also about the sustainability of employees in a healthy work environment. We work with several health promotion activities to create a healthy workplace and reduce the risk of sick leave for our employees. Among other things, we have a Nordic Wellness Committee with initiatives to engage employees in physical activities. Examples of health promotion initiatives that employees were able to take part in during the year include a running school, participation in various races, group training, ball-sports tournaments, a ski-trip (at the employee's own expense), and "boot camps".

Health at Nordnet	2017	2016	2015
<b>Employee sick leave, by country (%)</b>			
Sweden	2,8%	2,9%	2,4%
Norway	1,5%	1,7%	1,5%
Denmark	4,7%	7,3%	3,0%
Finland	2,3%	2,0%	1,2%
<b>Average Nordnet</b>	<b>2,9%</b>	<b>3,1%</b>	<b>2,3%</b>

The table shows our employees' absence due to illness. No cases of work-related illnesses or deaths have been reported. Sickness absence is evenly distributed between men and women in the company.

## Better through diversity and equality

We strive to ensure that all employees have the same opportunities, rights and obligations. We continue to work strategically and consciously with diversity and equality, which includes focusing on the issues in our different management teams. Nordnet's operations are concentrated in the Nordic countries, a region with a very low overall level of human rights problems. The risks we face in the area of human rights are small, and they are mostly within the areas of gender equality and discrimination. Nordnet's stated objective is that the workplace must be characterized by diversity and equality, and we work actively to prevent discrimination. No cases of discrimination were reported in 2017.

We review the wage differences from a gender equality perspective at every salary review and place specific emphasis on equal salaries for equal work.

Ratio of basic salary of women to men at Nordnet	2017	2016	2015
<b>Women's salaries as a percentage of men's</b>			
Management (excluding the CEO)	97%	111%	107%
<b>All employees (excluding management)</b>	<b>89%</b>	<b>90%</b>	<b>90%</b>

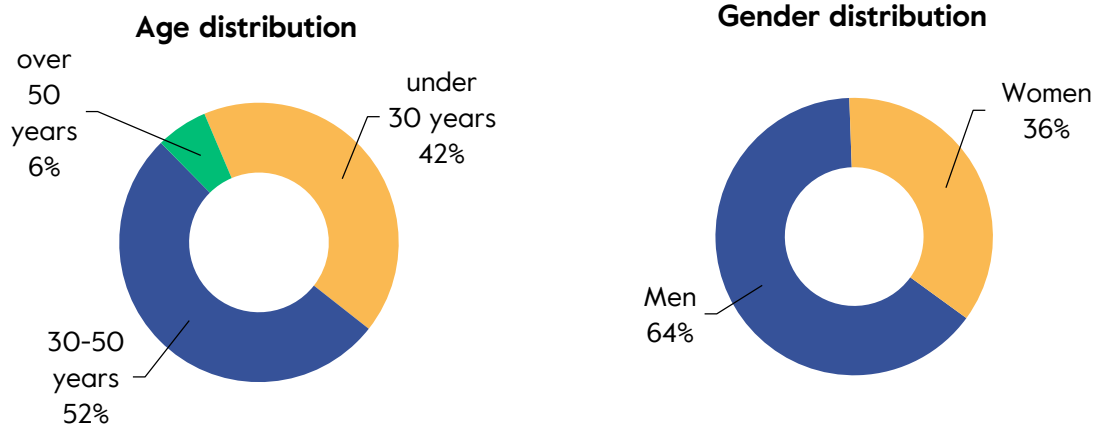
The table shows women's average salary as a percentage of the average wage of men in different personnel categories as at 31 December 2017. The calculation includes severance pay. In spring 2014, we produced an equality plan and equality policy that we have worked with since.

The proportion of women in the management team is 43 percent, down from 55 percent last year. We strive to even out the gender balance of the entire company, and we also work for greater diversity in the workforce. To achieve this, we work to broaden the basis for selection by proactively recruiting potential candidates. Since our corporate language is English, those we recruit are not required to master any of the Nordic languages, which increases our potential to find good candidates. We strive to have a larger proportion of the under-represented gender in the various stages of the recruitment process – ranging from the first selection to the final candidates. Our procedures help us avoid unconscious decisions linked to both gender and cultural background. Nevertheless, we see that the proportion of newly-recruited women fell by 7 percent in 2017 compared with 2016. The decrease is due to our most recent recruitments within IT, which is a field in which men are still vastly over-represented.

We can determine that the proportion of women in senior positions is at the same level as before. As at December 2017, 40 percent of our managers with employee responsibility were women, compared with 41 percent in 2016 and 39 percent in 2015. We continue to believe that an increased proportion of women in recruiting positions promotes long-term improvement in gender equality. Therefore, we are not satisfied with development, but are instead determined to increase the proportion of women in senior positions in coming years.

Nordnet has closely followed the #MeToo movement in the latter part of 2017. Nordnet's gender equality policy clearly states that all employees have the right to be treated with respect and that everyone's integrity and right to privacy are protected. Unwelcome advances of a sexual nature, discrimination and other forms of harassment are prohibited in the workplace. Due to the timeliness of the issue, we have internally clarified the gender equality policy on a number of occasions and emphasized zero tolerance against sexual harassment, as well as commented on the importance of the issue for both Nordnet and the finance industry.

The circle diagram on page 29 shows the gender distribution and age distribution at Nordnet. At the end of December 2017, 64 percent (64) of the employees were men and 36 percent (36) were women. Gender distribution varies between different personnel categories. Administrative functions have a higher proportion of women, while the proportion of men is higher among, for example, IT personnel. Nordnet's board consists of 7 men and 0 women, and the management team consists of 8 men and 6 women. The majority of the employees, 52 percent (55), are in the 30–50 age range.



The circle diagrams refers to gender distribution and age distribution for the entire Nordnet Group.

Collective bargaining agreements	2017	2016	2015
<b>Employees covered by collective bargaining agreements (%)</b>			
Share of employees with collective bargaining agreement	85%	85%	84%

All employees in Finland and Sweden are covered by collective bargaining agreements, including employment categories such as temporary employees and substitutes.

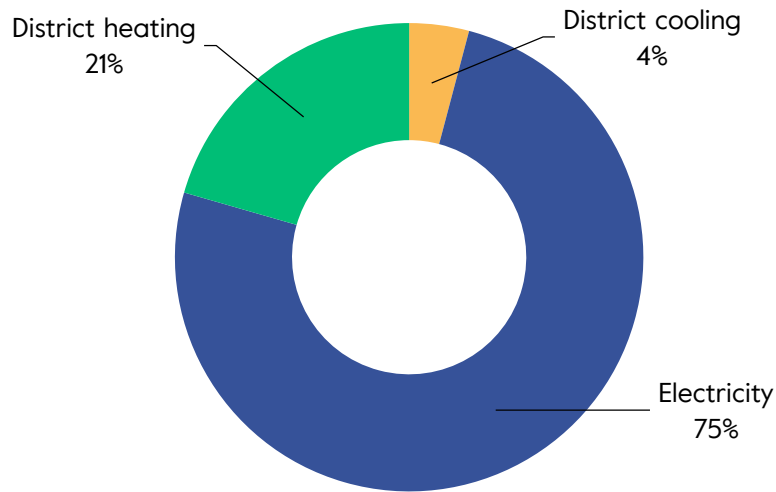
## Environment

At Nordnet, we adhere to current environmental legislation and other regulations that concern environmental aspects. We have an awareness of global environmental issues and Nordnet's ability to influence them both directly and indirectly. To reduce our direct impact, we strive to operate our office spaces with renewable energy, reduce our use of paper and recycle our waste. Our business model does not require physical banking offices, and contact with our customers is mainly online and by telephone. This means that we are basically resource efficient, our environmental impact is relatively small, and that we assess the environmental risks as small. For this reason, we do not have a formal process of environmental governance.

### Energy-efficient banking services

Nordnet's greatest environmental impact derives from the energy consumed by the servers that deliver our services around the clock. In 2017, we consumed approximately 2,190 MWh (2,040) for the operation of our IT infrastructure and for our consumption of electricity, heating and cooling at our offices. That is about as much as 90 (80) average single-family homes in Sweden consume over a year.

### Energy consumption



Nordnet’s energy intensity amounted to 0.08 (0.09) kWh per customer trade, which is virtually unchanged in comparison with the previous year. In 2018, we will move to a new headquarters, where we will put a greater focus on energy efficiency. Our efforts to increase energy savings will include replacing all lighting with LED lighting, installing sensors for lighting and replacing all desktop computers with laptops.

Nordnet’s energy consumption	2017	2016	2015
<b>Indirect energy consumption, MWh</b>			
Electricity	1,720	1,620	1,620
District heating	450	393	510
District cooling	20	20	20
<b>Total</b>	<b>2,190</b>	<b>2,033</b>	<b>2,150</b>

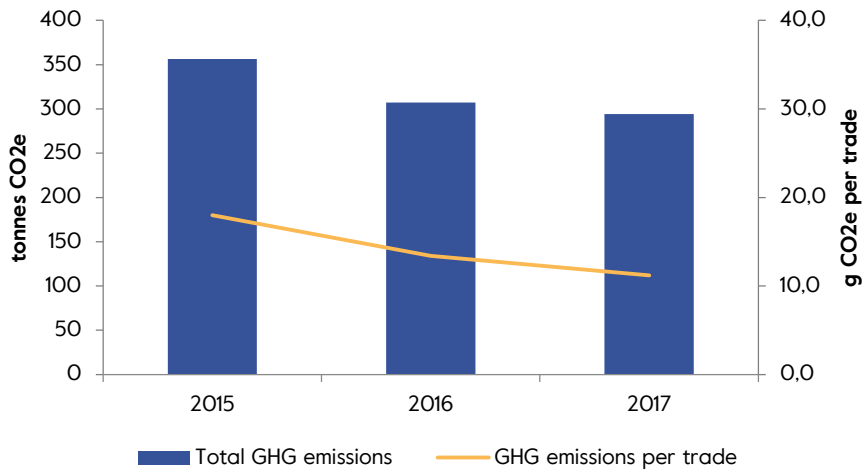
The table shows the energy consumption for heating and cooling premises and operating equipment. In Nordnet’s Annual Report 2016, district heating consumption was incorrectly reported at 400 MWh. The actual district heating consumption for 2016 was 393 MWh.

### Reduced climate impact

We strive to have as little negative impact on the environment as possible, and every year we climate compensate for our greenhouse gas emissions, including the employees’ commuting. This is offset by planting trees in collaboration with small-scale farmers in Bolivia. The project, called ArBolivia, is certified in accordance with Plan Vivo. In addition to climate benefits, the project adds valuable social and ecological value.

Each year, we report our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol, the most common international framework for voluntary reporting of greenhouse gas emissions. In 2017, Nordnet’s total greenhouse gas emissions amounted to 294 (307) tonnes of CO<sub>2</sub>e, which is a decrease of 4 percent compared with 2016. The decrease is mainly due to the fact that employee commuting to and from work decreased by 31 percent. Greenhouse gas emissions per trade on our platform decreased by 16 percent.

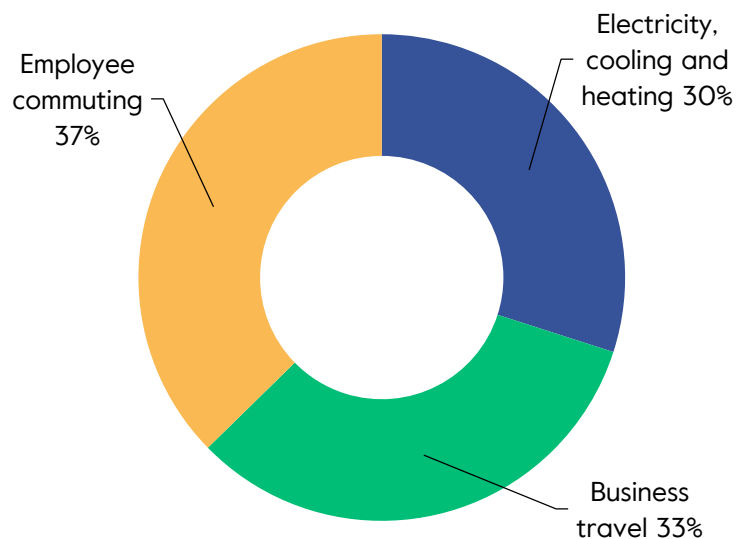
### Greenhouse gas emissions



The bars represent Nordnet’s total greenhouse gas emissions and the yellow line represents greenhouse gas emissions per trade.

Nordnet’s greenhouse gas emissions primarily come from the employees’ travel to and from work and from electricity consumption at our offices. As we have operations in four countries, some travel is required. Emissions from business travel increased by 58 percent in 2017, due to an increased need for in-person meetings because we appointed a new CEO and a new management team in 2017. Nordnet’s policy is to first and foremost maintain contact between all our markets by telephone, digital tools and video conferencing.

### GHG emission per activity



Nordnet’s greenhouse gas emissions are mainly from employee commuting and our energy use.

# The auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Nordnet AB (publ), corporate identity number 556249-1687

## Engagement and responsibility

The Board of Directors is responsible for the statutory sustainability report on pages 17-31 and pages 130-134 and that it is prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

## Opinion

A statutory sustainability report has been prepared.

Stockholm, March 21, 2018

Jan Palmqvist  
Authorised Public Accountant



# Nordnet Annual Report 2017

## Board of Directors' report

### Introduction

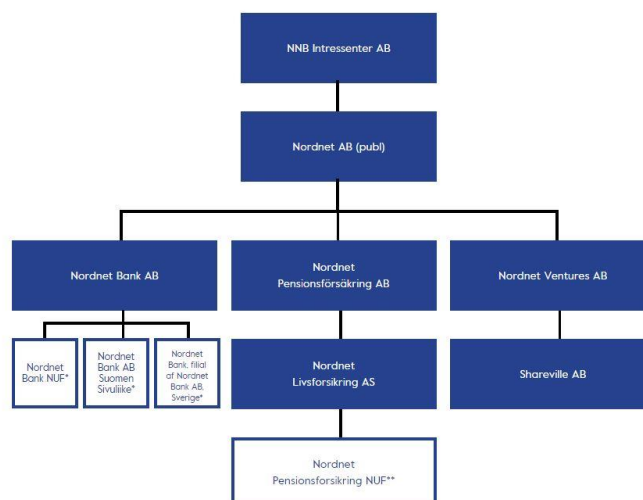
The Board and Chief Executive Officer of Nordnet AB (publ) (Nordnet), company registration number 556249-1687, headquartered in Stockholm, hereby submit the Annual Report and principles of consolidation for the 2017 financial year. For other information on the company, please see Note 1.

### Operations

Since February 2017, NNB Intressenter is the Parent Company of Nordnet AB (publ). NNB Intressenter is not an operating company and its sole business consists of holding shares in Nordnet AB (publ). Via its subsidiary Nordnet Bank AB, Nordnet offers services for savings and investments, margin lending with securities as collateral, unsecured loans and residential mortgages on the Swedish market. A large number of information and guidance services are also offered. Operations are mainly conducted via the Internet. In Norway, Denmark and Finland, operations are run via branch offices. Through its subsidiary Nordnet Pensionsförsäkring AB, Nordnet offers life insurance operations focused on pension savings. The Norwegian pension operations are conducted through Nordnet Livsförsäkring AS, a subsidiary of Nordnet Pensionsförsäkring AB. Through the subsidiary Konsumentkredit in Sweden, consumer loans are provided to private individuals on the Swedish market. Nordnet also runs the social investment network Shareville. There, our customers can share information on what securities they have chosen to invest in and the percentage distribution of their respective holdings, as well as exchange experiences and savings tips with each other.

### Group overview

The illustration shows the Nordnet Group chart as at 31 December 2017.



\*Branch of Nordnet Bank

\*\*Branch of Pensionsförsäkring AB, dormant.

AB

## Significant events during the year

### The full year

- During the year, extensive investments have been made in product development, infrastructure, skills enhancement and marketing. We have also invested in resources for adapting to new regulations such as MiFID II, PRIIPS and GDPR. These investments affects the operating profit, which decreased by 33 percent compared with 2016.
- Major focus on building our new website and app. First phase of the new website was launched in autumn 2017.
- High inflow of new customers. Customer base increased by 18 percent to 669,300 (566,800).
- 2017 was a good year for the stock market, with global stock markets increasing overall, despite world problems. At Nordnet, we beat the record of the number of transactions, and our customers made a total of 26.2 (22.9) million trades in 2017.

### First quarter

- The Öhman Group and Nordic Capital issues a public offer through NNB Intressenter AB to the shareholders in Nordnet on 25 October 2016. After the acceptance period expired, NNB Intressenter controlled 98.65 percent of shares in Nordnet and requested compulsory acquisition of remaining shares.
- 17 February 2017 was the last day of trading in Nordnet's shares, which were subsequently delisted from Nasdaq Stockholm.
- A new Board was elected at the Extraordinary General Meeting on 21 February 2017. Hans Larsson, Jan Dinkelspiel, Christian Frick, Christopher Ekdahl and Pierre Siri were elected as new Members of the Board. Tom Dinkelspiel was re-elected. Hans Larsson was elected as Chairman.

### Second quarter

- Peter Dahlgren take up his position as new CEO of Nordnet on 22 May 2017, replacing former CEO Håkan Nyberg.
- The process of building the new Nordnet is accelerating, with the aim of strengthening the company's profitability and competitiveness. The ambition is to create the world's best customer experience within savings and investments.
- Nordnet Markets is launched in all of our Nordic markets. Nordnet Markets is a marketplace for commission-free trading in exchange traded products.

### Third quarter

- Intensive quarter in terms of product launches. During the quarter, we launched the robo-advisor Robosave, the aksjesparkonto (ASK) savings account type, deposits via Swish, and broader customer offering in residential mortgages and occupational pensions in the Swedish market.
- Partnership with leading company within artificial intelligence, IPsoft.
- Nordnet Finland acts for the first time as an issuing agent with the IPO of Titanium (TITAN, First North Finland).

## Fourth quarter

- Partnership with personal finance app company Tink – Nordnet obtains a licence for the company's technology and invests in the equivalent of five percent of the company through Nordnet Ventures.
- Nordnet expands to Malmö focusing on Private Banking and occupational pensions.
- The Capital Markets unit is established, in which we gather our capabilities within asset management, financial instruments and trading.
- At the end of the year, NNB Intressenter controls 100 percent of Nordnet's shares.

## Multi-year summary

Group	2017	2016	2015	2014	2013
<b>Income statements, SEK thousands</b>					
Net interest income	386,269	403,174	406,572	471,494	476,670
Net commission	640,504	589,845	624,653	478,217	403,330
Net result of financial transactions	162,429	151,518	147,193	86,445	65,287
Other income	54,903	51,486	59,641	42,675	37,948
<b>Total operating income</b>	<b>1,244,105</b>	<b>1,196,023</b>	<b>1,238,059</b>	<b>1,078,831</b>	<b>983,235</b>
Operating expenses	-961,473	-799,191	-748,079	-698,779	-650,484
Credit losses	-35,301	-29,098	-41,333	-43,074	-38,756
<b>Operating result</b>	<b>247,331</b>	<b>367,734</b>	<b>448,647</b>	<b>336,978</b>	<b>293,995</b>
Tax	-34,507	-70,688	-91,506	-60,343	-60,150
<b>Income for the year</b>	<b>212,824</b>	<b>297,046</b>	<b>357,141</b>	<b>276,634</b>	<b>233,845</b>
<b>Balance sheets, SEK thousands</b>					
Interest-bearing securities	17,852,202	15,485,339	13,562,861	11,191,469	7,632,189
Lending to credit institutions	272,556	329,045	294,691	987,472	967,567
Loans to the general public	11,852,046	9,516,392	7,278,083	5,806,242	5,455,533
Assets in the insurance business	46,515,739	41,684,655	35,995,138	28,868,479	23,764,928
Other assets	3,842,798	3,434,812	3,082,521	2,390,329	1,702,008
<b>Total assets</b>	<b>80,335,341</b>	<b>70,450,243</b>	<b>60,213,294</b>	<b>49,243,991</b>	<b>39,522,225</b>
Liabilities to credit institutions	-	-	396,529	-	-
Deposits and borrowing from the general public	29,063,690	24,426,599	19,605,376	16,500,316	12,898,569
Liabilities in the insurance business	46,515,739	41,685,918	35,996,211	28,869,319	23,765,601
Other liabilities	2,734,357	2,358,841	2,341,211	2,123,234	1,232,674
<b>Total liabilities</b>	<b>78,313,786</b>	<b>68,471,358</b>	<b>58,339,327</b>	<b>47,492,869</b>	<b>37,896,844</b>
Total equity	2,021,555	1,978,885	1,873,967	1,751,122	1,625,381
<b>Total equity and liabilities</b>	<b>80,335,341</b>	<b>70,450,243</b>	<b>60,213,294</b>	<b>49,243,991</b>	<b>39,522,225</b>

## Profits and financial overview, Group

Operating income for the financial year increased by 4 percent to SEK 1,244.1 (1,196.0) million. Of operating income, SEK 640.5 (589.8) million was net commission income; SEK 386.3 million (403.2) was net interest income; SEK 54.9 million (51.5) was other income; and SEK 162.4 million (151.5) was net profit from financial transactions. Net interest income decreased by SEK 16.9 million, due to lower margins on capital loaned, lower return on surplus liquidity due to zero and negative interest rates in several currencies, and increased expenses to the Swedish National Debt Office for the resolution fee. Net commission income increased by SEK 50.7 million, due to income from increased fund savings, Nordnet Markets, and 14 percent more trades.

Operating expenses before credit losses increased by 20 percent to SEK 961.5 million (799.2). This is mainly explained by increased Group-wide expenses. This includes expenses related to a restructuring of operations with increased focus on automation, IT development and digital

presence in various channels. Expansion of sales personnel, increased marketing expenses and expenses associated with regulatory adjustments are other contributing factors.

Operating profit for the financial year decreased by 33 percent to SEK 247.3 million (367.7), and the operating margin was 20 percent (31). Profit after tax for the period decreased by 28 percent to SEK 212.8 million (297.0), resulting in a profit margin of 17 percent (25).

Lending to credit institutions amounted to SEK 272.6 million (329.0). The Group's cash and equivalents amounted to SEK 664.9 million (765.5), of which cash and holdings central banks amounted to SEK 392.3 million (436.4). The Group's cash and cash equivalents, including cash and cash equivalents in the insurance operations, amounted to SEK 2,560 million (2,940), as at the end of the period, of which frozen assets amounted to SEK 82 million (85). Consolidated equity at year-end amounted to SEK 2,021.6 million (1,978.9). Capital base in relation to capital requirement for the Group amounted to 1.5 (1.4) as at the end of the period.

At year-end, goodwill and brands amounted to SEK 188.2 million (192.4). Investments in tangible fixed assets during the year amounted to SEK 29.1 million (9.9). Investments in intangible assets during the year, amounted to SEK 88.0 million (42.6), of which SEK 22.8 million (21.6) was in personnel-related expenditure for product development. A consolidated multi-year overview is on page 35 and key figures are after the notes.

## Profits and financial overview, Parent Company

The Parent Company's operating income amounted to SEK 19.2 million (9.3) and relates to internal administrative services within the Group. Profit from financial investments amounted to SEK 107.7 million (198.1), mainly consisting of profit from participations in Group companies. The Parent Company's profit after financial items amounted to SEK 101.9 million (188.8). The Parent Company's cash and cash equivalents amounted to SEK 48.9 million (7.8), and shareholders' equity to SEK 1,211.9 million (1,257.5). The Parent Company's dividend to owners amounted to SEK 174.5 million (226.7) and the anticipated dividend for 2018 amounts to SEK 100.0 million.

The Parent Company was listed on the Nasdaq Stockholm Exchange until 17 February 2017. The Parent Company is a holding company and conducts no operations beyond its role as the owner of Nordnet Bank AB, Nordnet Pensionsförsäkring AB and the Group's other companies.

## Future prospects

Nordnet has an efficient and scalable operating model. We use a common platform to provide a Nordic savings offering, and we have a strong position in all markets within the area of savings and investments. The head office in Stockholm houses Group functions such as IT, innovation, administration, communication, finance and legal. In the four countries where we maintain operations, we employ personnel who work with service, marketing and sales.

Nordnet is undergoing a shift in business model, under which operations in the future will contain a greater degree of advice and guidance. But we will never leave the ambition to be the number one choice for people who have a significant interest in savings and want to make independent investment decisions.

In Nordnet's assessment, the Nordic savings market is growing. One factor making a strong contribution is the restructuring of the pension system that is in progress, where the individual is expected to assume greater responsibility for his/her pension. The Nordic pension market is varied and complex. In Denmark, with clear rules for relocation and fee accounting, our pension business is growing rapidly, which is a trend we believe will continue. An introduction of rules regarding transfer rights in the Swedish market would have a favourable effect on Nordnet.

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

## Employees

The average number of full-time positions for the period was 426 (410). The number of full-time positions at year-end was 474 (405), consisting of 379 (314) in Sweden, 24 (21) in Norway, 33 (36) in Denmark and 38 (34) in Finland.

Nordnet strives for balanced gender distribution. Today, the proportion of women in the Group is 36 percent, and the proportion of women managers is 40 percent. The proportion of women in the management team is now 43 percent.

Employee commitment and satisfaction regarding Nordnet as an employer is continuously monitored in Nordnet's measurements of employee commitment. We use Net Promoter Score (NPS) to measure Nordnet's overall attractiveness as employer. As we are using a new measurement method, we are unable to compare our previous measurements of work environment and leadership indicators from 2017.

The sustainability report contains more information about employees on pages 25–29. See also Note 12 for more information about employees.

## Risks and uncertainty factors

Nordnet's operations are influenced by a number of environmental factors, the effects of which on the Group's profit and financial position can be controlled to varying degrees. When assessing the Group's future development, it is important to take into account the risk factors alongside any opportunities for profit growth.

The risks in Nordnet's operations are determined by:

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

A low level of risk, and market confidence are a high priority for Nordnet and profitability is directly dependent on the ability to identify, analyse, control and price risk. The objective of Nordnet's risk management is to identify, measure, guide, internally report and control the risks to which Nordnet is, or is likely to be, exposed.

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

## Official supervision

Nordnet's operations are supervised by the Swedish Financial Supervisory Authority in Sweden and the corresponding authorities in Norway, Finland and Denmark. Operations are largely regulated by laws, instructions, industry agreements and regulation by EU and European supervisory authorities. Within the Group, compliance with regulations is therefore of the utmost importance and is subject to regular review by the Board and control functions. The compliance function reviews whether the policies and instructions developed and applied in the operations are appropriate and effective. The compliance function is also tasked with ensuring that the Group's employees and the Board of Directors are kept informed of applicable rules for the operations conducted. This occurs, for example through training courses on new and changing business rules, and information on the intranet.

## Authorizations received

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

## Sustainability

Sustainability is important to us, our customers and society at large. Nordnet's business model does not require physical banking offices and our operations are on the Internet. Therefore, as an organization, we have a low environmental impact and focus more on issues relating to social conditions and benefiting society in our sustainability work. We have created the Citizenship

framework, which is our way of giving back to society and working to be a more sustainable company. The Citizenship Framework contains three focus areas: sustainable savings, equality & diversity, as well as digital learning. Within these areas, we are conducting projects that will benefit society, as well as us as a company. Nordnet Citizenship is inspired by Michael E. Porter's ideas on shared value creation – generating economic value so that it also produces value for society. Read more about our Citizenship work on pages 18–21.

Nordnet has prepared a sustainability report in accordance with GRI Standards. In accordance with the Annual Accounts Act, Chapter 6, § 11, Nordnet has chosen to prepare a sustainability report separated from the annual report. The sustainability report is available on pages 17-31 and 127-131 in this document.

# Corporate Governance Report

## Introduction

Nordnet is a Swedish limited company, headquartered in Stockholm. In 2017, the Group pursued operations in Sweden, Norway, Denmark and Finland.

The Nordnet share was listed on Nasdaq Stockholm (formerly the Stockholm Stock Exchange) between April 2000 and February 2017. On 25 October 2016, the Öhman Group and Nordic Capital issued a public buy-out offer through NNB Intressenter AB to the shareholders in Nordnet to acquire all shares in Nordnet. Upon acceptance period, more than 90 percent of shareholders accepted the offer. The transaction was completed, and the compulsory purchase procedure was initiated for the remaining shares. The last trading day for the Nordnet share was 17 February 2017.

Governance of the Group in 2017 is based, among other things, on the Articles of Association, the Swedish Companies Act, and the regulations of the stock exchange, which include the Swedish Code of Corporate Governance. The corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act. Nordnet has applied the Swedish Code of Corporate Governance since 1 July 2007. The company intends to continue to apply the Code on a voluntary basis; however, with certain adjustments taking into account that the company's share is no longer listed and that the company has only one shareholder.

## Bodies and regulations

### Shareholder

As at the end of 2017, Nordnet had 1 (7,100) shareholder, NNB Intressenter AB, which as such controls 100 percent of the capital and voting rights in the company.

### Annual General Meeting

Resolutions concerning Nordnet are conducted at the Annual General Meeting (AGM), which is the company's highest decision-making body. Some of the obligatory tasks of the AGM include approving and adopting the company's balance sheet and income statement, deciding on the distribution of earnings, the remuneration principles for the company's senior executives and on discharge from liability for the Board members and CEO. After proposals from the Nomination Committee, the Annual General Meeting elects Board members and auditors for the period until the end until the end of the next AGM. The AGM also decides on the principles for selection of the Nomination Committee.

### Nomination Committee

As NNB Intressenter AB owns and controls 100 percent of the capital and voting rights in Nordnet, the Company has waived the Swedish Corporate Governance Code's rules for the composition of the Nomination Committee. The Nomination Committee in Nordnet, consisting of the Board members Christian Frick and Tom Dinkelspiel, will present proposals regarding remuneration and composition of the Board, and auditing, to the 2018 Annual General Meeting.



## Board of Directors

### Responsibility of the Board of Directors 2017

Nordnet's Board of Directors has the overall responsibility for the company's organization and management of the company's affairs in accordance with the Swedish Companies Act, as well as for having a well-functioning reporting system. The Board is responsible for the company's long-term operations and significant issues, for reviewing the company's operations including procedures, resolutions on issues concerning general targets, strategies, the business plan and budget, and continuously monitoring the company's development and financial situation. The Board is responsible for the Group's financial statements being prepared in compliance with legislation and applicable accounting principles, and for quality assuring the company's financial reporting. The Board ensures that the company's external communication is characterized by openness and objectivity as well as high relevance to the target groups to which it is directed. The Board also has the task of ensuring that there is satisfactory control of the company's compliance with laws and regulations and that necessary ethical guidelines are established for the company's and the Group's conduct, and appointing an internal auditor, whose work is evaluated annually. This responsibility also includes appointing a CEO, approving the composition of the management team as proposed by the CEO, and evaluating its work.

### Chairman of the Board

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

### Composition of the Board

At the 2017 Annual General Meeting, it was resolved that the Board would consist of six regular members and no deputies. The CEO does not sit on the Board but attends the Board meetings and presents reports on the occasions. The company's General Counsel presides as secretary at the Board meetings. Other Company officials also present reports on the Board meetings when necessary. The table on page 42 shows the composition of the Board as at 31 December 2017 and includes the Board's dependence in relation to the company and the company's owners. The Articles of Association state that the Board members are elected annually on the Annual General Meeting for the period until the end of the next AGM. The Articles of Association include no specific regulations on dismissing Board members and amending the Articles of Association.

**Board members 2017**

	<b>Elected</b>	<b>Position</b>	<b>Dependent position<sup>1</sup></b>	<b>Remuneration committee</b>	<b>Credit committee</b>	<b>Audit committee</b>	<b>Risk &amp; compliance committee</b>
Hans Larsson	2017	Chairman of the Board		Member	Member	Member	Chairman
Jan Dinkelspiel	2017	Board member	Yes		Member		Member
Tom Dinkelspiel	2007	Board member	Yes	Member		Chairman	
Christopher Ekdahl	2017	Board member	Yes		Chairman		Member
Christian Frick	2017	Board member	Yes	Chairman		Member	
Pierre Siri	2017	Board member					
Per Widerström	2017	Board member					

<sup>1</sup>Independent in respect of the company and the management but dependent in respect of the owner, in accordance with the definition in the Swedish Code of Corporate Governance

## Promoting diversity in the Board

Diversity entails a variety of characteristics and skills among individuals. This may apply, for example, to formal skills in the form of education, experience in different sectors, experience from operations in different countries or other background factors such as gender, ethnicity or age. Nordnet strives to have a Board with equal gender distribution, composed of members of varying ages, with varied education, experience and expertise, and with varying geographical backgrounds. Nordnet's Board currently has a diversified composition in terms of expertise, experience and specialist areas, and it is well-adapted in this respect to Nordnet's priority development areas. The age distribution of the Board is relatively broad. The Board consists only of men, and a more even gender distribution is desirable, in accordance with Swedish Code of Corporate Governance, 4.1.

## Board procedures

The Board procedures are set annually at the Board meeting following election. The Board procedures are reviewed when necessary. The Board procedures include the Board's responsibilities and duties, the duties of the Chairman, composition of the Board, audit issues, and state which reports and financial information are to be received by the Board prior to each ordinary Board meeting. Furthermore, the rules of procedure include instructions to the CEO complemented by a CEO instruction. The Board procedures also stipulate that the Remuneration, Audit, Risk and Compliance Committees will be established and what their tasks will be. The Board procedures were established 25 April 2017.

## Evaluation of the work of the Board

The procedures state that an annual evaluation of the work of the Board and for all the Committees, should take place by means of a systematic and structured process. For 2017, the Chairman has ensured that the work of the Board has been evaluated.

## Committees

### Remuneration Committee

The overall responsibilities of the Board cannot be delegated, but the Board has established a Remuneration Committee tasked with preparing issues relating to salaries, remuneration and other terms of employment for the CEO, Group management and others, plus bonuses for Group employees. The Committee shall also analyze and present to the Board the risks associated with the company's remuneration system and, on the basis of this analysis, identify and present the employees who should be considered to have a substantial impact on the company's risk profile. Reporting to the Board takes place regularly.

#### Audit Committee

The Board has also established an Audit Committee tasked with preparing the work of the Board with regard to monitoring and assuring the quality of financial reporting, maintaining on-going contact with the external auditor, proposing guidelines for the Board regarding which services, beyond auditing, may be procured from the auditor, examining and monitoring the auditor's impartiality and independence, and assisting in the preparation of proposals on the AGM's resolution regarding the selection of auditors. In terms of the financial reporting, the Committee shall also monitor the effectiveness of the company's internal control, independent audit and risk management.

#### Risk and Compliance Committee

The Board has established a Risk and Compliance Committee tasked with preparing matters for the consideration of the Board. The Committee shall through its work and in dialogue with external auditors, internal auditor, Head of Risk Control, Head of Compliance and Group management, monitor and provide the Board greater possibilities of obtaining insight into the operations' and organization's structure, compliance, risk and incident reporting. The Risk and Compliance Committee shall propose an audit plan for the internal audit to the Board and it shall scrutinize independent reviews and report on these to the Board.

#### Credit Committee

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

## CEO and Group management

The CEO manages operations within the guidelines and instructions established by the Board. The most recently established instructions were set by the Board on 25 October 2017. The CEO is responsible for compliance with the objectives, policies and strategic plans for the company by the Board. The CEO also produces the requisite information for following the company's position, earnings, liquidity and development in general, necessary information and decision basis prior to Board meetings, presents issues and justifies proposals for decisions.

The CEO leads the work of the Group Management team and makes decisions in consultation with other members of management. Group Management holds weekly meetings at which both strategic and operational issues are discussed. In addition, Group management produces business plans each year, which are followed up via monthly reports. In addition to these weekly meetings, Group management meets on a daily basis. The rapid development of the company means that such daily contact is a prerequisite for functioning control and management. Group management consists of managers of essential business areas within the Nordnet Group, see page 51.

## Auditors

At the 2017 Annual General Meeting, accounting firm Deloitte AB was appointed auditor of Nordnet AB (publ) and all subsidiaries until the end of the Annual General Meeting 2018. The auditors' task is to review the annual accounts, consolidated accounts and accounting, plus the administration of the Board and CEO. The auditors report back on their findings on a number of

occasions during the year and are present at the Board meetings that deal with annual accounts. The auditors also have continuous contact with the Audit Committee.

## Internal audit

In accordance with the Board's procedures and procedures for the subsidiaries Nordnet Bank AB and Nordnet Pensionsförsäkring AB and the regulations of the Swedish Financial Supervisory Authority, the Board has appointed an independent review function/internal audit, which is directly subordinate to the Board. The internal auditor's work is based on a Board-approved instruction. Internal auditing includes review and periodic evaluation to ensure the company's internal controls are appropriate and effective. The function of internal auditor was held by KPMG from April 2014 until the end of 2017. As at 2018, the function is held by E&Y.

## Board control of financial reporting

The Board monitors the quality of financial reporting in a number of ways. One method is by issuing instructions to the CEO. According to these instructions, the CEO is responsible for reviewing and ensuring the quality of all financial reporting, and for ensuring that the Board in general receives the reports required in order for it to continually assess the Group's financial position.

The internal reporting and control system is based on annual financial plans, monthly reports and daily checks on key operational figures. The CEO is also responsible for other financial information, such as ensuring that press releases and presentation material are correct and of good quality. The CEO's instructions state the issues on which the CEO is permitted to exercise his authority to represent the company only after authorization by the Board.

The Group works with internal control in accordance with the principles associated with the three lines of defence. The assessment of the efficiency of internal control is largely conducted by the independent control functions. These consist of the Risk Control function, the Compliance function and internal audit, who monitor adherence to internal and external regulations and risk limits. The tasks performed by the Audit Committee ensure that the financial reports maintain a high standard. The Board follows up and assesses this quality assurance by receiving monthly reports on the company's earnings trend, credit and risk exposure and relevant sector data and by addressing the Group's financial situation at each Board meeting.

During 2017, no interim reports were subject to review by the company's auditors. The Group's auditors report their findings to the Board in connection with the review of the annual accounts. In addition, the Board meets the company's auditors at least once a year – without the presence of the executive management team – to learn about the focus and scope of the audit, and to discuss coordination between the external and internal audits and views of the company's risks. The auditor issues a presentation and receives feedback from the Board regarding the focus and scope of the audit.

## Work during the year

### Annual General Meeting 2017

Nordnet's 2017 Annual General Meeting was held on 25 April 2017. Hans Larsson was elected Chairman of the AGM. The Annual General Meeting made the following decisions:

- A dividend of SEK 1.00 per share (1.30) was to be paid to shareholders for 2016
- The Board shall have six regular members and no deputies

Attendance at the AGM	
2017	98,4%
2016	63,0%
2015	78,6%

*Percentage of votes and capital*

The minutes of the Annual General Meeting are available at [www.nordnetab.com](http://www.nordnetab.com).

### Nomination Committee

In 2017, the Nomination Committee had no meetings.

### Board of Directors

The Board held 24 board meetings during the year, of which 12 were physical meetings, 6 were held by correspondence and 6 by telephone. As at 21 February, Nordnet has a new Board. The tables below show attendance of meetings before 21 February 2017 and after.

Attendance Board meetings and committee meetings until 21 February 2017					
	Board meetings	Remuneration committee	Credit committee*	Audit committee	Risk and compliance
Claes Dinkelspiel	1 of 2	0 of 0	1 of 1	1 of 1	
Tom Dinkelspiel	1 of 2		1 of 1	1 of 1	1 of 1
Ulf Dinkelspiel	0 of 2	0 of 0			
Anna Frick	2 of 2				
Kjell Hedman	2 of 2	0 of 0			1 of 1
Bo Mattsson	2 of 2	0 of 0	1 of 1	1 of 1	
Anna Settman	2 of 2				
Jaana Rosendahl**	2 of 2				

\* The committee exists only in Nordnet Bank AB

Attendance Board meetings and committee meetings after 21 February 2017					
	Board meetings	Remuneration committee	Credit committee*	Audit committee	Risk and compliance committee
Hans Larsson	24 of 24	6 of 7	7 of 7	5 of 5	7 of 7
Jan Dinkelspiel	23 of 24		7 of 7		7 of 7
Tom Dinkelspiel	23 of 24	7 of 7		5 of 5	
Christopher Ekdahl	23 of 24		7 of 7		7 of 7
Christian Frick	22 of 24	7 of 7		3 of 5	
Pierre Siri	22 of 24				
Per Widerström	4 of 24				

\* The committee exists only in Nordnet Bank AB

\*\* Per Widerström was elected to the Board of Directors at the AGM on 21 November 2017, and attended all 4 meetings occurring

The work of the Board takes place at an intensive pace in order to support the CEO and other members of Group management. At each meeting, the Board discussed a number of issues relating to strategic and business-related areas. During the year, Nordnet officials have also taken part in Board meetings by presenting reports. Every month, the Board receives a report

on the company's earnings trend, credit and risk exposure and relevant industry data. See the table below of Board meetings for decisions made in 2017. For information about Board members, see the section Board of directors and auditors on page 51.

Board meetings 2017	
Meeting	Topics discussed
January	Ordinary matters. Education (new rules for investments recommendations). Year-end report from previous year. Suggested dividend. Official purchase offer update.
March	Ordinary matters. Notice of AGM. Strategy. Report from auditor regarding audit of annual accounts 2016. Internal capital assessment.
April (before and after AGM)	Ordinary matters. Education (Governance about insurance company including Solvency II and information about RSR, SFCR and quantified annual reports). Decisions on members of the board committees, work plans, etc. Q1 results.
June	Ordinary matters. Changes due to change of CEO. Education (Danish operation). Strategy. Internal Capital assesment. A deep dive in the impact of the implementation of the Swedish law on MIFID II on the fund business.
July	Q2 result.
August	Investment in Tink
September	Ordinary matters. Education (AML, MIFID II and IDD). Internal capital assessment. Nordnet Ventures.
October	Ordinary matters. Education (Nordnets offering). Q3 result. Strategy. Brand project and planning for the move of the Stockholm office.
December	Ordinary matters. Determination of the budget and forecast for 2018. Discussions about dividend for 2017.

## Remuneration Committee

As at 21 February 2017, the Remuneration Committee consists of Christian Frick (Chairman), Tom Dinkelspiel and Hans Larsson. The Committee has conventionally handled matters as wages, compensation, incentive compensation and other employment terms for the CEO and the company's top management and incentive programmes for key employees. During 2017, the Committee held seven meetings.

## Audit Committee

As at 21 February 2017, the Audit Committee consists of Tom Dinkelspiel (Chairman), Christian Frick and Hans Larsson. Among other matters, the Committee has prepared the work of the Board regarding quality assurance of financial reporting and maintained constant contact with the external auditor. In 2017 the Committee held six meetings.

## Risk and Compliance Committee

As at 21 February 2017, the Risk and Compliance Committee consists of Hans Larsson (Chairman), Jan Dinkelspiel and Christopher Ekdahl. The Committee is tasked with monitoring and providing the Board with greater access to information concerning compliance, risk and incident reporting of the organization and its operations. The Committee held eight meetings during the year.

## Credit Committee

As at 21 February 2017, the Credit Committee consists of Christopher Ekdahl (Chairman), Hans Larsson and Jan Dinkelspiel. The Committee has determined and prepared the annual report of the Board's limits and limits on the company's Board of Directors in accordance with the applicable credit policy and credit instruction at all times. During the year, the Committee had eight meetings.

## CEO

As of 22 May 2017, Nordnet's CEO has been Peter Dahlgren, who succeeded Håkan Nyberg. More information is available under Management on page 51.

## Group management

As at 31 December 2017, Group management consisted of fourteen people: Peter Dahlgren, Martin Andersson, Anders Danielsson, Fredrik Ekblom, Jenny Garneij, Sylvia Ndikumasabo, Niklas Odenwall, Tuva Palm, Anders Skar, Johan Tidestad, Carina Tovi, Eva Trouin, Suvi Tuppurainen and Hannes Wadell. During the year, further changes were made to Nordnet Group management. On 24 July, Anders Danielsson stepped into the newly appointed role of Chief Commercial Officer, encompassing a commercial responsibility for Nordnet's markets together with the country managers. On 1 August, Hannes Wadell took up his position as the new CFO of Nordnet. Hannes replaced Robert Stambro, previously Acting CFO and now Head of Business Control & Treasury at Nordnet. Hans Strömblad completed his position as Chief Analytics Officer at the company and exited Nordnet management on 11 December 2017. Anders Danielsson, replaced Hans Strömblad as Head of Marketing and Analysis. Martin Andersson, Head of Capital Markets, and Fredrik Ekblom, CEO of Nordnet Pensionsförsäkring AB, entered their positions as new members of Nordnet management on 11 December 2017. The management team is presented in more detail in the Management section on pages 51-53.

Group management held 46 (46) meetings during the year under the leadership of the CEO.

## Audits and auditors

At the 2017 Annual General Meeting, the accounting firm Deloitte AB was appointed as the auditor for Nordnet AB (publ) and all of its subsidiaries until the 2018 Annual General Meeting. The principal auditor is Authorized Public Accountant Jan Palmqvist.

## Remunerations

### Remuneration to the Board of Directors

The Annual General Meeting of 2017 decided that total remuneration to the Board members for the current year would amount to SEK 1,950,000 (2,600,000), of which SEK 500,000 (500,000) was paid to the Chairman of the Board, Hans Larsson, SEK 250,000 to Pierre Siri and SEK 150,000 to each of the four other members. In addition, remuneration for work in the Board's committees include SEK 25,000 per committee in which the member participates. A fee of SEK 50,000 is paid to the Chairman of the respective committees. Fees for work in the Risk and Compliance Committee, however, amount to SEK 150,000 to the Chairman and SEK 75,000 to the other members of the Committee. For more information, please see Note 12.

### Remuneration to the CEO and Group Management

Remuneration to the CEO and other members of Group management is made up of fixed remuneration, variable remuneration, pension and other benefits. Remuneration levels shall be consistent with and promote effective risk management, shall not encourage excessive risk-taking, shall correspond to the Nordnet's business strategy, objectives, values and long-term

interests and shall not, with regards to total variable pay, limit the company's capacity to maintain a sufficient capital base or, where necessary, to strengthen the capital base.

Fixed remuneration is individual and takes into consideration the individual executive's areas of responsibility, experience, performance and results achieved. Nordnet is a valuation-governed company, which is why performance is also valued in relation to the company's values. Fixed remuneration is reviewed annually. Fixed remuneration to former CEO Håkan Nyberg for 2017 amounted to SEK 385,000 (385,000) per month and compensation for a car SEK 10,000 per month. Håkan Nyberg has received salary until 1 December 2017 with six months' severance pay thereafter. Fixed remuneration in 2017 to current CEO Peter Dahlgren amounted to SEK 416,667 per month and a company car benefit of SEK 8,283 per month. For more information, see Note 12.

The company has previously had a long-term performance-related share incentive programme to reward in advance performance targets at the Group level. The programme was completed in 2017 in connection with the completion of the acquisition of the Nordnet shares by NNB Intressenter.

With the exception of the CEO, Nordnet has the same pension policy for members of Group management as for other employees. The pension plan is premium-based, and the premium for service pension insurance is based on age, salary and the base amount that appears for each applicable premium plan. For members of Group management not residing in Sweden, local rules are applied that lead to a pension under equivalent terms. The same policy is to be applied regarding future pension obligations. Pension payments to Håkan Nyberg and Peter Dahlgren correspond to 35 percent of the fixed salary in 2017.

In addition to a mutual period of notice of six months, former CEO Håkan Nyberg is entitled to severance pay corresponding to six times the fixed monthly cash salary at the time of termination of employment. The period of notice that from the company to current CEO Peter Dahlgren is twelve months, and the period of notice from the CEO to the company is six months.

The other members of the Group management team have between three and nine months' notice. There are no special benefits for senior executives except for paid medical insurance. All employees have the opportunity to lease a car at cost.

Remuneration to CEO and corporate executives 2017							
SEK thousands	Year	Fixed	Benefits	Pension expenses	Share program	Social fees share program	Total
CEO Håkan Nyberg	2017	9,464	397	1,344	-	-	<b>11,205</b>
	2016	4,809	292	2,042	678	189	<b>8,010</b>
CEO Peter Dahlgren	2017	3,052	50	1,231	-	-	<b>4,333</b>
Other corporate executives*	2017	21,826	816	3,258	-	-	<b>25,900</b>
	2016	17,028	654	4,339	1,493	431	<b>23,945</b>

\*During 2017, the average no. of persons in the management team was 12.7 compared to 11.5 during 2016.

## Remuneration to auditors

A total of SEK 4,422 thousand (6,344) was paid to auditors and audit firms in 2017. This amount relates to audits, advice and other review work linked with auditing. Remuneration has also been paid for other advice, of which most was for relates to consultation concerning accounting and tax issues. For more information, please see Note 12.



## Internal control

The Board's internal control report is prepared in accordance with the Swedish Code of Corporate Governance and chap. 6, Paragraph 6 of the Swedish Annual Accounts Act (1995:1554).

Internal control of financial reporting is defined as the process, carried out by the Board, management and other relevant personnel, serving to establish reasonable assurance of the accuracy of financial reporting. Internal control work regarding financial reporting is structured around the three internal control components detailed below: Monitoring and control, Risk assessment and control activities, and Information and communication. This report deals only with internal control regarding financial reporting.

### Monitoring and control

The Board of Directors bears the utmost responsibility for operations being conducted with good internal control. The Board is responsible for risk management being appropriate and effective and in accordance with the Group's strategies and targets. The CEO has the overall responsibility for managing the Group's risks in accordance with policies and instructions and for operations being conducted in accordance with external and internal rules.

The operations constitute the first line of defence against risks in the organization. Risk Control and Compliance constitute the second line of defence, and Internal Audit is the third line of defence, which on behalf of the Board monitors both the first and second line of defence.

Risk Control and Compliance are independent of the business activities. Both functions are subordinate to the CEO and regularly report to the Board. Internal audit is directly subordinate to the Board, and has the primary task of, based on the audit done, assessing and making a statement to the Board and CEO regarding the bank's governance, risk management and internal control being appropriate and effective. The internal audit function reports to the Board.

### Risk assessment and control activities

Nordnet constantly assesses the risks in its financial reporting; i.e. it identifies, analyses and assesses the principal risks of misstatement in the financial reports. The identification, analysis and assessment takes into account the complexity of business operations, the level of systems support and the quality of procedures and controls. Review and analysis play a central role, in which cumulative effects are also analyzed. The control activities serve to detect, guard against and limit risks and the assumption of risks in operations while also preventing deviations and errors in financial reporting.

### Information and communication

Nordnet's Board has set policies, guidelines and routines to safeguard its financial reporting. These are made available and kept updated via Nordnet's intranet. Knowledge and awareness of these are obtained by means of ongoing internal training and information for the various departments and functions covered by internal reporting responsibility in respect of financial statistics and information.

## Board of Directors and auditors

### Hans Larsson, Chairman of the Board

Born 1961. Chairman of the Board since 2017. He is also a board member of Intrum Justitia AB and Svensk Exportkredit (SEK), and the CEO of Linderyd Advisory AB. Hans has previously been a Board member of Nordax AB and Nordax Bank AB, Deputy CEO and Board member of Lindorff Group and held a number of Executive positions within the bank SEB.

### Jan Dinkelspiel

Born 1977. Board member since 2017. Jan is the founder and CEO of 10Xrecruit and a board member of NNB Intressenter AB. He has previously held the positions Chief Innovation Officer and Country Manager of Sweden and Finland at Nordnet.

### Tom Dinkelspiel

Born 1967. Board member since 2007. Tom is Chairman of the Board of E. Öhman J:or AB, Swedsec Licensiering AB and NNB Intressenter AB, and board member of Kogmot AB and MPS Holding AB.

### Christopher Ekdahl

Born 1980. Board member since 2017. He is Director, NC Advisory AB, advisor to Nordic Capital Funds, and a board member of among others NNB Intressenter, Gina Tricot and companies within the Resurs Group.

### Christian Frick

Born 1976. Christian Frick is a Board member in Nordnet since 2017. He is a Partner at NC Advisory AB, advisor to Nordic Capital Funds, and a Board member in among others Resurs Holding AB, NNB Intressenter AB and MFEX Mutual Funds Exchange AB.

### Pierre Siri

Born 1974. Pierre Siri is a Board member in Nordnet since 2017. He is partner at Sprints Capital, a growth equity fund with focus on digital market places, and Board member in Hemnet. Pierre Siri has extensive experience within Internet and mobile, and has previously been the CEO and owner of blocket.se och Hitta.se.

### Per Widerström

Born 1966. Per has been a board member of Nordnet since 2017. Per has extensive experience from the betting & gaming sector and is currently CEO and Chairman of the Management Board for the listed gaming company Fortuna Entertainment Group. Previous assignments include senior positions within Coca-Cola and Telenor.

## Auditors

The company's auditor has been Deloitte AB since 2017. Principal auditor is Jan Palmqvist, born 1962 and authorized public accountant.

## Management

### Peter Dahlgren

CEO

Peter Dahlgren is Nordnet's CEO. He was born in 1972 and joined Nordnet in 2017. Previously he worked at SEB and since his employment started in SEB 2008, he has worked as Investment manager, Head of Institutional Clients, responsible for the savings organization, and most recently as Head of the business area Life, Pension & Asset Management. Prior to that he has worked for Nordea, Skandia Liv and the state-owned pension fund AP7.

### Martin Andersson

Head of Capital Markets

Martin was born in 1973. He joined Nordnet in 2002. Martin has a degree in Business Administration from University of Stockholm. He has previously worked at Teletrade Solutions.

### Anders Danielsson

Chief Commercial Officer

Anders was born in 1974. He joined Nordnet in 2017. Anders has a MSc in Corporate Finance from Stockholm School of Economics. He has previously worked at SEB and Bain & Company.

### Fredrik Ekblom

CEO Nordnet Pensionsförsäkring AB

Fredrik was born in 1975 and has been working for Nordnet Pensionsförsäkring since 2014. Fredrik started up as deputy CEO, before he was appointed CEO in August 2017. Fredrik has previously worked for Swedbank Försäkring in 17 years as a Pension Specialist, Product Manager and Head of Investment Offer.

### Jenny Garneij

Chief Human Capital Officer

Jenny was born in 1973. She joined Nordnet in 2013. Jenny holds an MBA from the University of Gothenburg and a BA in Linguistics from the University of Karlstad. She has previously worked at SEB and Accenture.

### Sylvia Ndikumasabo

Chief Credit Officer

Sylvia was born in 1984. She joined Nordnet in 2014. Sylvia has a Master of Management Science & Finance from Southampton University and a degree in Aerospace Engineering from the University of Sheffield. Sylvia has also completed a two-year trainee programme at Barclay's Bank in London. She previously worked at Klarna and Entercard International.

## Niklas Odenwall

Country Manager Denmark

Niklas was born 1971. He joined Nordnet in 2011. He holds a Master's degree in Politics, majoring in economics from Åbo Academy. He was previously country manager at Nordnet in Finland. Before that, he worked as CEO of Infonet Finland and as a stockbroker at Conventum Securities.

## Anders Skar

Country Manager Norway

Anders was born in 1976. He joined Nordnet in 2005. Anders holds an MBA from the Norwegian School of Economics. He previously worked at Accenture.

## Tuva Palm

Chief Technology Officer & Chief Product Officer

Tuva was born in 1974. She joined Nordnet in 2016. She has a Master of Science degree in computer engineering from the Royal Institute of Technology and has studied Economics at Stockholm University. Most recently, at Klarna, Tuva lead the business unit Consumer & Issuing, which was responsible for expansion to the UK and US.

## Johan Tidestad

Head of Communications

John was born in 1968. He joined Nordnet in 2007. Johan has a Master of Laws from Uppsala University He was formerly employed by Bergsgård Petersson Fonder AB and E-Trade Sverige.

## Carina Tovi

Chief Operating Officer

Carina was born in 1965. She joined Nordnet in 2011. Carina has a MSc in Business and Economics from the Stockholm School of Economics. She was formerly employed by Swedbank Robur Fonder, among others.

## Eva Trouin

Country Manager Sweden

Eva was born in 1976. She joined Nordnet in 2013. Eva has a bachelor's degree in Business Finance from Halmstad University and the University of Technology Sydney. She has previously worked at Swedbank Försäkring and Swedbank Robur.

## Suvi Tuppurainen

Country Manager Finland

Suvi was born in 1976. She joined Nordnet in 2010. Suvi has a MSc in Economics from University of Tampere, Finland. She has worked in financial sector since 1998 and was formerly employed by eQ Bank.

## Hannes Wadell

Chief Financial Officer

Hannes was born in 1970. He joined Nordnet in 2017. He has a MSc in International Business from Umeå University. Hannes most recently worked as deputy CFO and Treasurer at Klarna.

During parts of 2017, Hans Strömblad van Eijk, Chief Analytics Officer, and Robert Stambro, Chief Financial Officer, were also part of Nordnet's management team.

## Proposed distribution of profit

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

Share premium reserve	187,818,992
Non-restricted reserve	262,110,645
Profit brought forward	485,019,954
Profit of the year	101,935,009
<b>Total</b>	<b>1,036,884,600</b>

**The Board proposes the following allocation:**

To shareholders, a dividend of SEK 0,57 per share, in total	100,000,000
Carried forward to next year	936,884,600
<b>Total</b>	<b>1,036,884,600</b>

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

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

# Financial statements

## Consolidated income statement

Group, SEK thousands	Note	2017	2016
Interest income	8	431,694	433,943
Interest expenses	8	-45,425	-30,769
Commission income	9	905,112	833,960
Commission expenses	9	-264,608	-244,115
Net result of financial transactions	10	162,429	151,518
Other operating income	11	54,903	51,486
<b>Total operating income</b>		<b>1,244,105</b>	<b>1,196,023</b>
General administrative expenses	12	-818,793	-668,018
Depreciation, amortization and impairments of intangibles and equipment	13	-90,458	-82,870
Other operating expenses	14	-52,222	-48,303
<b>Total expenses before credit losses</b>		<b>-961,473</b>	<b>-799,191</b>
<b>Profit before credit losses</b>		<b>282,632</b>	<b>396,832</b>
Credit losses, net	15	-35,301	-29,098
<b>Operating profit</b>		<b>247,331</b>	<b>367,734</b>
Tax on profit for the year	16	-34,507	-70,688
<b>Profit for the year</b>		<b>212,824</b>	<b>297,046</b>
<b>Of which, attributable to:</b>			
Shareholders of the Parent Company		212,824	297,046

## Consolidated statement of comprehensive income

Group, SEK thousands	Note	2017	2016
<b>Profit for the year</b>		<b>212,824</b>	<b>297,046</b>
<b>Items that will be reversed to the income statement</b>			
Changes in value of available-for-sale assets	32	-5,072	45,699
Tax on changes in value of available-for-sale assets	32	1,116	-10,054
Translation of foreign operations	32	-2,994	19,244
Tax on translation of foreign operations		-1,541	-930
<b>Total other comprehensive income after tax</b>		<b>-8,491</b>	<b>53,959</b>
<b>Total profit or loss and other comprehensive income</b>		<b>204,333</b>	<b>351,005</b>
<b>Of which, attributable to:</b>			
Shareholders of the Parent Company		204,333	351,005

# Consolidated balance sheet

Group, SEK thousands	Note	2017	2016
<b>Assets</b>			
Cash and balances in Central banks		392,304	436,419
Treasury bills and other interest bearing securities eligible for refinancing	18	15,903,194	14,127,555
Loans to credit institutions	19	272,556	329,045
Loans to the general public	20	11,852,046	9,516,392
Bonds and other interest bearing securities	21	1,949,008	1,357,784
Shares and participations	22	59,184	10,571
Assets in the insurance business	23	46,515,739	41,684,655
Intangible fixed assets	24	382,151	374,795
Tangible fixed assets	25	41,856	26,980
Current tax assets	16	76,846	95,238
Other assets	26	2,749,656	2,385,541
Prepaid expenses and accrued income	27	140,801	105,268
<b>Total assets</b>		<b>80,335,341</b>	<b>70,450,243</b>
<b>Liabilities</b>			
Liabilities to credit institutions	28	-	-
Deposits and borrowing from the general public	29	29,063,690	24,426,599
Liabilities in the insurance business	23	46,515,739	41,685,918
Other liabilities	30	2,544,032	2,168,214
Current tax liabilities	16	8,017	4,412
Deferred tax liabilities	16	34,415	42,854
Accrued expenses and deferred income	31	147,893	143,361
<b>Total liabilities</b>		<b>78,313,786</b>	<b>68,471,358</b>
<b>Equity</b>			
Share capital	32	175,028	175,028
Other capital contributions		481,080	481,080
Other reserves		-67,867	-59,376
Retained earnings including profit for the year		1,433,314	1,382,153
<b>Total equity</b>		<b>2,021,555</b>	<b>1,978,885</b>
<b>Total liabilities and equity</b>		<b>80,335,341</b>	<b>70,450,243</b>



## Consolidated changes in equity

Group, SEK thousands	Share capital	Other contributed capital	Other reserves <sup>1)</sup>	Retained earnings including profit for the year	Attributed to the owners of the parent company	Attributed to holding less controlling influence	Total equity
<b>Equity brought forward 1 January 2016</b>	175,028	478,759	-113,336	1,329,630	1,870,082	3,885	1,873,967
Profit after tax reported in the income statement	-	-	-	297,046	297,046	-	297,046
Comprehensive income after tax	-	-	53,960	-	53,960	-	53,960
<b>Total comprehensive income</b>	-	-	53,960	297,046	351,006	-	351,006
<b>Transactions with the owners:</b>							
Dividend issued	-	-	-	-226,700	-226,700	-	-226,700
Purchase of own shares	-	-	-	-1,054	-1,054	-	-1,054
Performance-related share programme	-	2,321	-	-	2,321	-	2,321
Effect acquisition of minority interest	-	-	-	-16,770	-16,770	-3,885	-20,655
<b>Total</b>	-	2,321	-	-244,524	-242,203	-3,885	-246,088
<b>Equity carried forward 31 December 2016</b>	175,028	481,080	-59,376	1,382,152	1,978,885	-	1,978,885
<b>Equity brought forward 1 January 2017</b>	175,028	481,080	-59,376	1,382,152	1,978,885	-	1,978,885
Profit after tax reported in the income statement	-	-	-	212,824	212,824	-	212,824
Comprehensive income after tax	-	-	-8,491	-	-8,491	-	-8,491
<b>Total comprehensive income</b>	-	-	-8,491	212,824	204,333	-	204,333
<b>Transactions with the owners:</b>							
Dividend issued	-	-	-	-174,455	-174,455	-	-174,455
Purchase of own shares	-	-	-	22,025	22,025	-	22,025
Performance-related share programme	-	-	-	-9,232	-9,232	-	-9,232
<b>Total</b>	-	-	-	-161,662	-161,662	-	-161,662
<b>Equity carried forward 31 December 2017</b>	175,028	481,080	-67,867	1,433,314	2,021,556	-	2,021,556

<sup>1)</sup> See Note 32

# Consolidated cash flow statement (direct method)

Group, SEK thousands	Note	2017	2016
<b>Current operations</b>			
Interest received		437,240	434,350
Interest paid		-77,133	-33,387
Provisions received		905,112	833,960
Provisions paid		-264,608	-244,115
Net received from financial transactions		164,590	145,501
Other operating payments		71,540	51,671
Dividend received		269	1,308
Payments to suppliers and employees		-860,174	-735,781
		<b>376,836</b>	<b>453,507</b>
<b>Increase/decrease of assets of current operations</b>			
Increase (-)/decrease (+) of lending to the general public		-2,338,393	-2,094,397
Increase (-)/decrease (+) of other assets		-171,596	701,210
<b>Increase/decrease of liabilities of current operations</b>			
Increase (+)/decrease (-) of deposits and borrowing among the general public		4,414,634	4,587,608
Increase (+)/decrease (-) of liabilities		353,692	347,898
Income taxes paid		-43,523	-107,039
		<b>2,591,650</b>	<b>3,888,787</b>
<b>Cash flow from current operations</b>			
<b>Investing activities</b>			
Repurchasing transactions		-	-396,529
Acquisition of intangible assets	24	-87,980	-48,935
Acquisition of tangible assets	25	-29,134	-9,953
Investments in securities		-11,782,800	-9,461,073
Sales of securities		9,363,643	6,740,362
		<b>-2,536,271</b>	<b>-3,176,128</b>
<b>Cash flow from investing activities</b>			
<b>Financing activities</b>			
Repayment of loans		-	-
Buyback of own shares		22,024	-1,055
Acquisition of minority		-	-20,654
Dividend paid		-174,455	-226,700
		<b>-152,431</b>	<b>-248,409</b>
<b>Cash flow from financing activities</b>			
<b>Cash flow for the year</b>			
Cash and cash equivalents, January 1		765,464	294,691
Exchange rate differences in cash and cash equivalents		-3,552	6,523
<b>Cash and cash equivalents at year-end</b>		<b>664,860</b>	<b>765,464</b>
Cash and cash equivalents include: <sup>1)</sup>			
Cash and balances in Central Banks		392,304	436,419
Loans to credit institutions (bank deposits) <sup>2)</sup>	19	272,556	329,045
		<b>664,860</b>	<b>765,464</b>

<sup>1)</sup> This amount includes blocked funds of SEK 82 (85) million.

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

## Parent Company's income statement

Parent Company, SEK thousands	Note	2017	2016
Net sales	36	19,205	9,295
<b>Total operating income</b>		<b>19,205</b>	<b>9,295</b>
Other external expenses	37	-5,285	-7,193
Personnel expenses	38	-18,368	-10,033
Other operating expenses		-1,281	-1,291
<b>Total operating expenses</b>		<b>-24,934</b>	<b>-18,517</b>
<b>Operating profit</b>		<b>-5,729</b>	<b>-9,222</b>
<b>Result from financial investments</b>			
Profit from shares in Group companies	39	108,432	199,097
Other interest income and similar income	40	10	28
Interest expenses and similar expense items	40	-779	-1,066
<b>Result from financial investments</b>		<b>107,663</b>	<b>198,059</b>
<b>Profit after financial items</b>		<b>101,934</b>	<b>188,837</b>
Tax on profit for the year	41	-	-277
<b>Profit for the year</b>		<b>101,934</b>	<b>188,560</b>

## Statement of comprehensive income, Parent Company

Parent Company, SEK thousands	2017	2016
<b>Profit for the year</b>	<b>101,934</b>	<b>188,560</b>
<b>Other comprehensive income after tax</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income after tax</b>	<b>101,934</b>	<b>188,560</b>

# Parent Company's balance sheet

Parent Company, SEK thousands	Note	2017	2016
<b>Assets</b>			
<b>Fixed assets</b>			
<b>Financial fixed assets</b>			
Shares in Group companies	42	1,239,101	1,202,273
		<b>1,239,101</b>	<b>1,202,273</b>
<b>Current assets</b>			
Current receivables from Group companies		34,013	60,590
Current tax receivables	41	3,784	3,784
Other receivables	43	72	609
Prepaid expenses and accrued income	44	1,150	1,256
		<b>39,019</b>	<b>66,239</b>
Cash and cash equivalents		48,892	7,774
<b>Current assets, total</b>		<b>87,911</b>	<b>74,013</b>
<b>Total assets</b>		<b>1,327,012</b>	<b>1,276,286</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital	45	175,028	175,028
		<b>175,028</b>	<b>175,028</b>
<b>Non-restricted equity</b>			
Share premium reserve		187,823	182,865
Other non-restricted reserves		262,111	262,111
Retained earnings		485,016	448,887
Profit for the year		101,935	188,560
		<b>1,036,885</b>	<b>1,082,423</b>
<b>Total equity</b>		<b>1,211,913</b>	<b>1,257,451</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Liabilities to Group companies		103,571	10,477
Other liabilities	46	2,610	1,436
Accrued expenses and deferred income	47	8,918	6,922
		<b>115,099</b>	<b>18,835</b>
<b>Total liabilities</b>		<b>115,099</b>	<b>18,835</b>
<b>Total equity and liabilities</b>		<b>1,327,012</b>	<b>1,276,286</b>

## Parent Company's changes in shareholders' equity

Parent Company, SEK thousands	Share capital	Share premium reserve	Other non-restricted reserves	Retained earnings	Profit for the year	Total
<b>Equity brought forward 1 January 2016</b>	<b>175,028</b>	<b>179,730</b>	<b>262,111</b>	<b>440,160</b>	<b>236,483</b>	<b>1,293,512</b>
Reallocation of last year's profit	-	-	-	236,483	-236,483	-
Profit after tax reported in the income statement	-	-	-	-	188,560	<b>188,560</b>
<b>Total comprehensive income</b>	-	-	-	-	<b>188,560</b>	<b>188,560</b>
<b>Transactions with the owners</b>						
Dividend issued	-	-	-	-226,700	-	<b>-226,700</b>
Purchase of own shares	-	-	-	-1,055	-	<b>-1,055</b>
Performance-related share programme	-	1,372	-	-	-	<b>1,372</b>
Equity provided, share program	-	1,763	-	-	-	<b>1,763</b>
<b>Equity carried forward 31 December 2016</b>	<b>175,028</b>	<b>182,865</b>	<b>262,111</b>	<b>448,887</b>	<b>188,560</b>	<b>1,257,451</b>
<b>Equity brought forward 1 January 2017</b>	<b>175,028</b>	<b>182,865</b>	<b>262,111</b>	<b>448,887</b>	<b>188,560</b>	<b>1,257,451</b>
Reallocation of last year's profit	-	-	-	188,560	-188,560	-
Profit after tax reported in the income statement	-	-	-	-	101,935	<b>101,935</b>
<b>Total comprehensive income</b>	-	-	-	-	<b>101,935</b>	<b>101,935</b>
<b>Transactions with the owners</b>						
Dividend issued	-	-	-	-174,455	-	<b>-174,455</b>
Purchase of own shares	-	-	-	22,024	-	<b>22,024</b>
Performance-related share programme	-	-1,870	-	-	-	<b>-1,870</b>
Equity provided, share program	-	6,828	-	-	-	<b>6,828</b>
<b>Equity carried forward 31 December 2017</b>	<b>175,028</b>	<b>187,823</b>	<b>262,111</b>	<b>485,016</b>	<b>101,935</b>	<b>1,211,913</b>

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

Parent Company, SEK thousands	Not	2017	2016
<b>Cash flow from current operations</b>			
Interest received		10	28
Interest paid		-779	-1,175
Net received from financial transactions		1	-1
Other operating payments		19,205	9,295
Payments to suppliers and employees		-60,576	-40,135
<b>Cash flow from current operations before changes in working capital</b>		<b>-42,139</b>	<b>-31,988</b>
<b>Cash flow from changes in working capital</b>			
Decrease (+)/increase (-) of other receivables		24,114	-20,717
Increase (+)/decrease (-) of liabilities		1,142	-251
<b>Cash flow from current operations</b>		<b>-16,883</b>	<b>-52,956</b>
<b>Investing activities</b>			
Shareholders' contribution		-30,000	-
Dividend issued from subsidiaries	39	192,000	257,500
Group contribution	39	8,432	12,567
Promissory note loan to subsidiary		-	2,003
<b>Cash flow from investing activities</b>		<b>170,432</b>	<b>272,070</b>
<b>Financing activities</b>			
Dividend paid		-174,455	-226,700
New loans		22,024	-
Repayment of convertible loans		40,000	-
<b>Cash flow from financing activities</b>		<b>-112,431</b>	<b>-226,700</b>
<b>Cash flow for the year</b>		<b>41,118</b>	<b>-7,586</b>
Cash and cash equivalents, January 1		7,774	15,360
<b>Cash and cash equivalents at year-end</b>		<b>48,892</b>	<b>7,774</b>

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

# Notes

## Note 1 Company information

The consolidated accounts for Nordnet AB (Parent Company) for the financial year ending 31 December 2017 have been approved by the Board of Directors and CEO for publication on 21 March 2018 and will be presented for adoption by the Annual General Meeting on 26 April 2018.

The registered office of the Parent Company Nordnet is Alströmergatan 39, Box 30099, 104 25 Stockholm, Sweden.

The company's share was listed on the Nasdaq OMX Nordic exchange in the Midcap segment from October 2 2006 until February 17 2017. The Group offers financial services and products in the home markets Sweden, Norway, Denmark and Finland. The activities are further described in the Board of Directors' Report.

## Note 2 Basis for compilation of accounts

### Statement of compliance with applied regulations

The financial statements and the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and interpretative statements from the IFRS Interpretations Committee as approved by the EU.

In addition, the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1559) on Annual Accounts of Credit Institutions and Securities Companies (ÅRKL); the Financial Supervisory Authority's Regulations and General Advice on Annual Accounts of Credit Institutions and Securities Companies (FFFS 2008:25) including applicable amendments; the Swedish Financial Reporting Recommendations RFR 1 Supplementary Accounting Rules for Groups.

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

The accounting is based on historical cost. Financial assets and liabilities are recognized at amortized cost, with the exception of certain financial assets and liabilities that are recognized at fair value. Assets and liabilities recognized at fair value include derivative instruments, financial instruments classified as financial assets or liabilities valued at fair value in the income statement or as financial assets available for sale. In addition, liabilities in the insurance operations are recognized at fair value.

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

## Note 3 Amended accounting principles

### In 2017, introduced standards and interpretations

None of the new and amended standards and interpretations adopted by the EU in effect from 1 January 2017 have had a significant effect on the Group's financial reports.

### Standards that will come into force in 2018 and beyond

When preparing the Group's financial statements, there are standards and interpretations published by the International Accounting Standards Board (IASB), which are not yet in force and have not been applied in advance for the preparation of these financial reports. The following is a preliminary assessment of the impact that the introduction of these standards and interpretations may have on the company's financial reports. In addition to the standards and interpretations described below, other standards and interpretations are not expected to affect the Group's financial reports.

#### IFRS 9 Financial instruments

As of January 1, 2018, IFRS 9 Financial Instruments replaces the previous Standard IAS 39 Financial Instruments: Recognition and Measurement. Nordnet will apply IFRS 9 from the financial year beginning 1 January 2018. The new standard affects Nordnet in the following three areas: Classification and measurement of financial instruments, Impairment and General hedge accounting. The effects of Nordnet on the implementation of IFRS 9 are described below.

##### Classification and measurement of financial instruments

According to IFRS 9, financial instruments are classified according to the following categories: Fair value via the income statement, Amortized cost, or Fair value through other comprehensive income, which differs from the classification under IAS 39.

The basis for the classification of debt instruments is the company's business model for managing the financial asset and whether the contractual cash flow of the instrument contains only interest and capital payments. Equity instruments shall be classified at fair value via the income statement, unless the company on initial recognition has chosen to present such instruments at fair value through other comprehensive income.

In order to assess the business model, Nordnet has divided its financial assets into portfolios based on how different groups of financial assets are managed to achieve a certain business objective. In assessing the business model for each portfolio, Nordnet has analyzed the purpose of the financial assets and, for example, previous sales trends and how reporting is done to management. Nordnet has analyzed cash flows from the financial assets existing as at 31 December 2017 to determine if they only represent payment of capital and interest. When appropriate, this has been done by grouping agreements that are homogeneous from a cash flow perspective and the conclusions have been drawn for all agreements in that group. For other instruments, assessment has been made on an instrument basis. The rules for the classification and valuation of financial liabilities remain largely unchanged.



On transition to IFRS 9, Nordnet will apply the following classification:

Classification under IAS 39

Loans and receivables  
Instruments held to maturity  
Financial assets available for sale  
Other financial liabilities

Valuation according to IFRS 9

Accumulated acquisition value  
Accumulated acquisition value  
Fair value through other comprehensive income  
Amortized cost

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

The transition will not cause any significant differences compared to how the financial instruments were valued before and will not have any financial impact on Nordnet.

Impairment

The new requirements for impairment represent a more extensive change compared with the requirements of IAS 39. The principles for impairment requirements in IFRS 9 are based on an expected credit loss model, unlike the incurred loss model in accordance with IAS 39. Calculation of provisions shall be based on forward-looking factors, and provisions shall be based on probability-weighted outcomes, unlike IAS 39, in which provisions were based on whether there were objective circumstances that required impairment on the balance sheet date.

The assets subject to impairment rules in IFRS 9 are financial instruments that are valued at Amortized cost or Fair value through other comprehensive income including guarantees and credit commitments, lease assets and contractual assets.

Nordnet has identified four categories of lending:

- Margin loans
- Unsecured loans
- Residential mortgages
- Treasury portfolio

Expected credit losses

Assets with a maturity of more than one year are divided into three stages to assess how to make a provision. Stage 1 refers to assets for which there has been no significant increase in credit risk. Stage 2 refers to assets for which there has been a significant increase in credit risk, and Stage 3 refers to non-performing assets. In Stage 1, the provisions correspond to expected credit losses over the next 12 months. For assets with a maturity of less than one year, a simplified approach is applied by which lifetime expected credit losses are recognized directly.

An important aspect affecting the scope of the provisions under IFRS 9 is the trigger for moving an asset from Stage 1 to Stage 2. Changes in the probability of default (PD) for the remaining term to maturity will be used as the trigger. In addition, loans with concessions or where the customer is more than 30 days late with payment will be moved to Stage 2. Bonds and other interest-bearing securities classified as low risk (rating equivalent to "Investment grade" or higher) and reported in Stage 1 regardless of change in probability of default.

The provisions under IFRS 9 will be calculated as the exposure on default (EAD) times the probability of default (PD) times the loss given default (LGD). For assets in Stage 1, the calculation

is based only on the next 12 months, while the asset in Stage 2 is based on the expected maturity of the asset. In calculating losses over the remaining term to maturity in accordance with IFRS 9, the calculation shall be based on probability-weighted forward-looking information. Nordnet will use three macroeconomic scenarios to take into account the non-linear aspects of expected credit losses. A probability weighted average of the various scenarios will be used to adjust the current parameters for calculating expected credit losses.

The provisions will increase in connection with the transition to IFRS 9 by SEK 48.4 million, and equity will therefore decrease by SEK 48.4 million (net profit after tax 37.7 million).

The effect on the Core Tier 1 capital ratio after adjusting for deduction for expected losses is expected to affect the consolidated situation negatively by 0.4 points and Nordnet Bank AB negatively by 0.5 points. The impact is partly due to a reduction in equity and partly by a reduction in the risk exposure amount under the new regulations. Nordnet has not chosen to apply Supervisory Regulations transitional rules, which allow for a phasing in of the effect on capital adequacy.

When transitioning to IFRS 9, provisions may vary over time more than under IAS 39. This depends on what factors determine the definition of a significant increase in credit risk, as well as how the forward-looking factors are weighed into the provision calculation, thus increasing the assessment and subjectivity of the provision amounts.

#### Interest

For Stage 1 and Stage 2, recognition of interest income is based on gross income, therefore interest income is reported to its total amount in net interest income. For Stage 3, interest income is reported net, taking into account the impairment.

#### Estimates and significant assessments

The expected credit losses will be calculated as the exposure on default (EAD) times the probability of default (PD) times the loss given default (LGD). EAD, PD and LGD will be based on forward-looking current assessments based on a weighted average of three different macroeconomic scenarios.

Nordnet's definition of significant increase in credit risk varies for different financial assets. For lending to the public, the definition will be based on:

- Relative changes in the likelihood of default during the term of the contract
- Customers requesting concessions
- over 30 days due ("backstop")

Due to increased assessment and subjectivity, provisions will fluctuate more over time than currently.

#### Hedge accounting

The regulations aim to better reflect the company's risk management activities and introduce simplified rules for assessing the effectiveness of the hedges. Nordnet does not apply the rules for hedge accounting, therefore the Group is not affected by the new rules. Nordnet will not apply transitional rules pursuant to Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 (Supervisory Regulation).

## IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers is based on the principle that income is reported when the customer receives control of the sold item or service and is able to use and gain the benefit of the goods or service – a principle that supersedes the previous principle that income is reported when risks and benefits have been transferred to buyer. The standard will provide users of financial reports with more useful information about the company's income. The expanded disclosure obligation means that information about income types, timing of recognition, uncertainties linked to income recognition and cash flow attributable to the company's customer contracts must be disclosed. The standard, which replaces all previously published standards and interpretations for income with a single income recognition model, will apply from 1 January 2018.

The Group has carried out a project to evaluate the effects of the implementation of the new standard and does not consider the impact of the new rules on the financial statements to be significant. Therefore, there will be no adjustment of the opening balances as at 1 January 2018.

## IFRS 16 Leases

The standard will replace IAS 17 Leases and related interpretations. Application of the standard will entail that almost all leases will be recognized in the balance sheet, as no distinction is made between operational and finance leases. According to the new standard, an asset (the right to use a leased asset) and a financial commitment to pay leasing fees shall be reported. Short-term contracts and contracts of lesser value are excluded. The lessor's report will essentially remain unchanged. The standard is approved by the EU and will apply from 1 January 2019.

The standard will affect the accounting of the Group's operating leases, which primarily consists of lease agreements. The Group has not yet evaluated the extent to which these commitments will be reported as assets and liabilities and how this will affect earnings and classification of cash flows. Certain commitments may be subject to the exemption for short contracts and contracts of lesser value and certain commitments may refer to arrangements that are not to be reported as leases.

## IFRS 17 Insurance Contracts

IFRS 17 will replace IFRS 4 and will entail significant changes. Unlike IFRS 4, IFRS 17 also contains rules on how insurance contracts are to be valued and presented. The standard 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. The definition of an insurance contract is basically unchanged compared with IFRS 4, while the rules for separation of investment and service components are slightly adjusted. Formats in the income statements and balance sheets will be changed and the requirements for supplementary information will be expanded substantially. Provided that IFRS 17 is adopted by the EU and the date of entry into force proposed by the IASB is not amended, the standard will apply from the financial year 2021. The Group is currently analyzing the financial impact of the new standard.

No other IFRS or IFRIC interpretations that have not yet entered into force are expected to have a significant impact on the Group.

## Note 4 Critical accounting estimates and assumptions

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

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

### Impairment testing of goodwill

The value of recognized goodwill is tested at least once a year to determine whether the asset may be impaired. This testing requires an assessment of the utility value of the cash generating unit, or groups of cash generating units, to which the goodwill value is attributable. This in turn requires the anticipated future cash flow from the cash generating unit to be estimated and a relevant discount rate to be established for calculation of the present value of the cash flow. The assessments made as at 31 December 2017 are specified in Note 24.

### Provision for credit losses

Receivables measured at amortized cost are tested in case of loss events. Provisions for credit losses related to margin lending take place at the individual customer level and are based on the company's assessment of the counterparty's financial situation, underlying value of the security and ability to repay.

## Note 5 Accounting principles applied

The consolidated accounts comprise the Parent Company and its subsidiaries where controlling influence is held. The financial reports of the Parent Company and subsidiaries included in the consolidated accounts relate to the same period and have been compiled in accordance with the accounting principles applicable to the Group. The Parent Company has controlling influence when it has the influence and ability to exert its influence over the other company's relevant operations and is exposed to variable returns and has the ability to use its influence to affect returns. Controlling influence exists when the Parent Company directly, or indirectly through subsidiaries, holds over half of the voting rights in a company. A subsidiary is included in the consolidated accounts from the time of acquisition, which is the date on which the Parent Company takes on controlling influence and is included in the consolidated accounts until the date on which the controlling interest ceases. The acquisition method entails that acquired identifiable assets, liabilities and contingent liabilities that meet the accounting conditions are reported and valued at fair value at the acquisition date. A surplus between the acquisition value and the business combination and the fair value of the acquired participation is reported as goodwill. If the amount is less than fair value, the difference is recognized directly in the income statement in other income. Acquisition-related costs are reported as expenses when

incurred. No provisions are made for expenses for planned restructuring measures resulting from the acquisition.

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

The consolidated accounts are presented in Swedish kronor (SEK), which is the functional currency and reporting currency of the Parent Company. Each company included in the Group determines its functional currency based on its primary economic environment. Transactions in foreign currencies are reported after translation using the exchange rate on the transaction date. Monetary assets and liabilities in foreign currency are converted into functional currency at the exchange rate on the balance sheet date. All exchange rate differences are reported in the income statement. Non-monetary items in foreign currency that are valued at their historical cost are valued in the functional currency, using the exchange rate at the time of the original transaction.

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

## Classification

Fixed assets and long-term liabilities principally consist of amounts that are expected to be realized (recovered) or paid within 12 months from the report period. Current assets and current liabilities principally consist of amounts that are expected to be realized (recovered) or paid within 12 months from the report period.

## Financial assets and financial liabilities

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms. Financial assets recognized in the balance sheet include, on the asset side, interest-bearing receivables, other shares and participations, other receivables, accounts receivable, assets in the insurance operations and cash and cash equivalents. Accounts payable and borrowings are reported on the liability side. Currency derivatives are reported as either assets or liabilities, depending on whether the fair value is positive or negative. A financial asset is de-recognized from the balance sheet once the obligations in the contract have been realized, have matured or if the company has lost control of it. The same applies to parts of financial assets. Financial liabilities are de-recognized when the liability has been terminated by the completion, cancellation or termination of the agreement. The same applies for part of a financial liability.

When a financial instrument is reported for the first time, it is valued at fair value plus, regarding financial liability not belonging to the category of financial assets or liabilities valued at fair value via the income statement, transaction expenses directly attributable to the acquisition or issue of the financial instrument. When valuing a financial instrument after initial recognition, the financial asset is recognized according to the valuation category of the financial instrument. Acquisitions and disposals of financial assets are reported on the transaction date, which represents the day on which the company undertakes to acquire or dispose of the asset.

The fair value of a financial asset listed on an active market is established by the purchase price at closure on the balance sheet date. When such are missing, fair value is determined based on recently completed transactions between capable, independent parties.

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

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

A financial asset is classified as held for trading if it was acquired or originated for the primary purpose of being sold or bought back in the short term, or if it is included in a portfolio of identified financial instruments that are managed together and for which there is a recent, demonstrated, actual pattern of short-term realizations of profit, or if the financial asset is a derivative. Profits and losses on assets held for trading are reported in the income statement.

The category also includes other financial instruments chosen on initial recognition to be irrevocably recognized at fair value, known as the fair value option. Financial assets in this subcategory are managed by the company and the result is evaluated based on fair value. This category includes assets in the insurance operations in which policyholders bear investment risk.

Financial assets valued at fair value are classified using a fair value hierarchy that reflects the importance of input data used in the valuation. The hierarchy consists of the following levels:

Level 1 – Financial assets and financial liabilities valued on the basis of listed prices from an active market for identical assets or liabilities. This category includes, among other things, treasury bills and shareholdings in insurance operations assets.

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

- a) listed prices for similar assets or liabilities, or identical assets or liabilities from markets that are 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.

Level 3 – Financial assets and financial liabilities valued on the basis of observable market data. The level of the fair value hierarchy to which a financial instrument is classified is determined based on the lowest level of input data that is significant for the fair value in its entirety. Note 34 Group – categories of financial assets and liabilities and their fair values.

## Loans and accounts receivable

Loans and accounts receivable are financial assets that are not derivatives, have established or determinable payments and are not listed on an active market. The valuation is made at amortized cost less impairment and specific provisions for credit losses. Profits and losses are reported in the income statement when the financial asset is de-recognized from the balance sheet or recognized as an impairment, and also via period allocation. Accounts receivable are recognized in the balance sheet once an invoice has been sent. Accounts receivable are expected to have a short maturity, therefore the value is recognized at a nominal amount without discounting.

If objective evidence indicates that a need has arisen to recognize impairment in a financial asset, the impairment is calculated as the difference between the carrying value of the asset and the present value of estimated future cash flows (excluding future credit losses that have not occurred), discounted to the loan receivable's original effective interest rate. If the need to recognize impairment in a financial asset decreases in subsequent periods, impairment loss can be recovered up to an amount not exceeding accumulated acquisition value, as if the asset was never impaired. Impairment is recognized in the income statement as Net credit losses, either as provisions for individually unsecured loans, portfolio reserves or as write-offs of unsecured loans. All or part of the amount due that is not deemed to be recoverable or that cannot be obtained on realization of the security is reported as an actual loss. Actual losses are recognized as impairment where there are no realistic chances of recovery.

Provision for probable credit losses is made if the claim is impaired, i.e.:

- if it is likely, based on events and circumstances that have occurred by the balance sheet date, that the payments will not be made in accordance with the contract terms, and
- there is no security that will cover, by a safe margin, both loan amounts and interest, including compensation for any delay.

When determining reservations relating to probable credit losses, the loan receivables are valued individually and in groups for homogeneous groups of loan receivables of limited value and of a similar credit risk.

Restructured loan receivables, for example in the form of a reduction in interest due to a borrower's financial problems, are not considered to be uncertain, if it is deemed likely that payments will be made in accordance with the contractual terms following the restructuring.

Repayments of write-offs as well as recovered credit losses are recognized as income in credit losses.

## Financial assets held to maturity

Financial assets held to maturity are financial assets, which are not derivatives, and have set or determinable payments and a set duration with the intent and ability to be held until maturity. Financial assets classed as belonging to the category of financial assets held to maturity are initially recognized in the balance sheet at the acquisition value including transaction expenses. After initial recognition, instruments are valued at accrued acquisition value. Valuation is the same as for loan receivables. Impairment is recognized in the income statement as "Impairment of securities held as financial assets".

## Available-for-sale financial assets

Available-for-sale financial assets are assets that are not derivatives and where the assets are identified as being available for sale, are also not kept to maturity and which are not classified in any of the three categories mentioned above. Valuation is carried at fair value with unrealized changes in value reported in Other comprehensive income, except for impairment and exchange rate changes recognized in the income statement in the line Net profit for financial transactions. On disposal, the accumulated profit or loss is recognized in the income statement in the line Net income financial transactions and thereby deducted from other comprehensive income.

If there is objective evidence indicating a need to recognize impairment, a transfer from Other comprehensive income to the income statement is made and is reported in the line Net profit financial transactions. The amount transferred to the income statement corresponds to the difference between the acquisition value and the fair value of the instrument less any previous impairments. Impairment of interest-bearing securities is reversed via the income statement if fair value increases and the increase can be objectively attributed to an event occurring after the impairment.

If there is objective evidence to indicate impairment of unlisted shares valued at cost because fair value cannot be reliably estimated, the calculated impairment is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market return for similar financial assets. Impairment of equity instruments is never reversed.

## Financial liabilities

Financial liabilities not recognized in financial instruments at fair value via the income statement are initially reported at their acquisition value on the acquisition dated and thereafter at accrued acquisition value. Accrued acquisition value is calculated in the same way as for loan receivables. Accounts payable are recognized in the balance sheet when the invoice is received. Accounts payable have a short expected maturity and are valued at a nominal amount without discounting.

Financial liabilities in the insurance operations in which customers bear the investment risk are recognized as financial liabilities identified on initial recognition as an item valued at fair value via the income statement. These holdings have been classified in this category to eliminate or significantly reduce inconsistencies in measurement and reporting.

## Buy-back agreement and reverse buy-back agreement

Securities provided according to a buy-back agreement are not removed from the balance sheet. Securities provided according to a buy-back agreement are also recognized under the item "Pledged assets for own liabilities". Cash and cash equivalents received under a buy-back agreement are recognized in the balance sheet as "Liabilities to credit institutions".

## Tangible assets

Tangible assets are recognized in the balance sheet if the company is likely to derive future economic benefits from them and the acquisition value of the assets can be reliably estimated. The asset is reported at cost less accumulated amortization and impairment. Depreciation is made on a straight-line basis over the estimated useful life of the asset. A recoverable amount is calculated when there is a persistent decline in value. If this is less than the carrying amount, an impairment is recognized.

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

Fixtures and fittings, computers and other hardware are normally written off after 3–4 years. Improvement charges for third-party property are depreciated on a straight-line basis over the remaining term of the rental contract or the useful life of the improvements, whichever is shorter.



## Intangible assets

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

## Goodwill

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

## Brands

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

## Customer base

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

## Capitalized expenditure for development work

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

## Impairment

At each reporting date, an assessment is made of whether there are indications that assets may have decreased in value. If this is the case, an estimate is made of the asset's recoverable amount. For goodwill with an indefinite useful life, the recoverable amount is calculated at least annually. The recoverable amount of an asset is the fair value minus sales expenses for an asset or cash-generating unit and its value in use, whichever is greater. If the carrying amount exceeds

the recoverable amount, impairment is made to the recoverable amount. In calculating the recoverable amount, future cash flows are estimated which are discounted at present value with a discount rate before tax which takes into account market assessments of the time value of money and the risks related to the specific asset. For an asset that does not generate cash flows, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. Impairment is recognized in the income statement separately for tangible and intangible assets.

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

## Leasing

The classification of leases is based on the extent to which financial risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. A lease is classified as a finance lease if the financial rewards and risks associated with ownership of the object are materially transferred from the lessor to the lessee. Otherwise, it is classified as an operational lease.

Financial leases are recognized in the balance sheet as fixed assets, and the obligation to pay lease payments in the future as debt. Fixed assets are depreciated over the shorter of the useful life or lease period. Minimum lease allocated between the amortization and interest of the debt outstanding. The interest is allocated over the period by an amount corresponding to a fixed interest rate for the debt recognized during the period.

Operational leases are not recognized in the balance sheet. Leasing fees are expensed on a straight-line basis over the period of the lease. The Group has operational leasing contracts only.

## Insurance contracts and investment contracts

IFRS differentiates between insurance contracts and investment contracts. Insurance contracts constitute agreements under which significant insurance risk is transferred from the policyholder to the insurer. Investment contracts constitute financial instruments that are not defined as insurance contracts, as they do not transfer any significant insurance risk. Risk products including health insurance, premium waiver, death benefit and survivors' pension are classified as insurance contracts. Other products are classified as investment contracts.

Nordnet's insurance consists of unit-linked insurance or traditional insurance. For unit-linked insurance, the value of the insurance is entirely dependent on the investments made by the policyholder. The policyholders themselves bear the investment risk of their investments. For traditional insurance, the value of the insurance consists entirely of a conditional bonus, which means that the insurance has no guaranteed insurance capital. The policyholders themselves bear the investment risk of their investments. The products Kapitalpension (Capital Pension),

Tjänstepension (Occupational Pension) and Privat Pension (Private Pension) may be converted into unit-linked insurance when they are paid out. If the insurance remains as a traditional policy, for the first five years, a fixed annual amount of 3 percent of the insurance value will be calculated at the first payment and paid out over five years. The amount payable is guaranteed over the first five years.

## Assets in the insurance operations

Assets in the insurance operations consist of policyholders' investments in securities in endowment insurance, capital pension, private pension and occupational pension, as well as equivalent products in Norway. The policyholders themselves bear the investment risk of their investments, with the exception of any guaranteed amount in a traditional insurance that pays out. The assets in the insurance operations are valued at fair value via the income statement. Amounts received from and paid to the holders are entered in the balance sheet as deposits or withdrawals.

## Insurance technical provisions

The technical provisions are divided into life insurance provision, unit-linked insurance provision, provision for claims outstanding and conditional bonus provision.

The life insurance provision consists of the capital value of future insurance benefits guaranteed to the policyholders. The provision is calculated individually for each insurance policy and refers to guaranteed commitments during a five-year disbursement. The unit-linked insurance provision is calculated individually for each insurance. The provision corresponds to the total market value of the holdings in the policyholders' deposits.

The provision for claims outstanding relates to claims incurred but not reported. The provision is calculated collectively for the insured population, corresponding to a certain percentage of the gross risk premium income for the year when the claim arose.

The conditional provision is calculated individually for each insurance. It corresponds to the total market value of the holdings in the policyholder's deposit less provisions for guaranteed commitment.

## Commitment for investment contracts

All contracts with Nordnet have conditional bonuses where the policyholder is exposed to the risk of a change in value, whereby they are classified as investment contracts and the commitment is recognized as a liability. The size of this liability is directly related to the value development of the securities, as well as deposits and withdrawals. The liability is recognized as a liability valued at fair value via the income statement.

Changes in the value of assets in the insurance operations and corresponding changes of commitments for investment contracts are reported net in the income statement. The substance of the transaction is that the changes in value belong entirely to the policyholders. A net report makes it easier for policyholders and other stakeholders to understand the transactions and assess the company's results and future cash flow.

## Commitment for insurance contracts

The contracts classified as insurance contracts are recognized as liabilities to policyholders. This liability relates to a provision for unknown claims. Liability for unknown claims is calculated on an actuarial basis and recognized as outstanding claims.

## Employee benefits

### Short-term employee benefits

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

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

### Post-employment benefits

Post-employment benefits include pensions. The Group has defined contribution plans entailing that the Group pays a fixed fee to a separate legal entity and has no legal or informal obligation to pay additional fees if the legal entity does not have sufficient assets to pay all employee benefits related to employees' service during the current period and prior. The size of the pension for the individual employee depends on the amount of money paid in and the size of the returns on the funds, unlike defined benefit pension plans, under which the employee is guaranteed a specific, predetermined pension by the employer. The Group's obligations regarding contributions to defined contribution plans are recognized as an expense in the income statement as they are earned by the employees performing services for the Group over a period.

### Termination benefits

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

## Provisions

A provision is recognized in the balance sheet when a formal or informal commitment exists as a consequence of an event and it is likely that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated. A provision for restructuring is reported only when a detailed restructuring plan has been established and restructuring has either commenced or otherwise been announced to the affected parties.

## Pledged assets

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

## Contingent liabilities

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

## Commitments

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

## Interest income and interest expenses

Interest income on receivables and interest expenses on liabilities are calculated and recognized using the effective interest rate method. The effective interest rate is the interest rate that makes the present value of all estimated future payments and payments over the expected interest rate period equal to the carrying amount of the receivable or liability. Interest income and interest expenses in the income statement consist mainly of interest on Financial assets and liabilities valued at accrued acquisition value and interest from Financial assets classified as available for sale.

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

## Commission income

Provision income is recognized when (i) the income can be calculated reliably, (ii) it is likely that the financial benefits associated with the transaction will accrue to Nordnet, (iii) the completion rate on the balance sheet date can be calculated reliably, and (iv) the expenses incurred and the expenses remaining to complete the service can be calculated reliably. Income is recognized at the fair value of what has been received or will be received. Commissions, mainly relating to brokerage fees and commissions, are reported as income in connection with completion of the transaction. Commissions when brokering securities in connection with issues, when selling structured products and in the event of guaranteed issues are recognized as income in connection with the completion of a transaction. Commissions from the fund operations are made up partly of entry commission, which is recognized as income in connection with fund purchases, and partly of commission based on fund volume, which is recognized monthly as income on the basis of actual volume.

## Commission expenses

Commitment expenses consist of expenses for services received, insofar as they are not considered to be interest, which primarily refers to the expenses of stock exchanges, clearing houses and sharing to partners in connection with the purchase and sale of securities, are recognized as expenses in connection with completion of the transaction. Commission expenses

for fund management operations comprise management fees consisting of fixed expenses and expenses based on actual volumes. The cost is recognized on a monthly basis.

## Net result from financial transactions

Realized and unrealized changes in value attributable to financial transactions classified as held for trading are reported under this item. Upon disposal of available-for-sale financial assets, the capital gain is reported under this item. The income also refers to dividends received, currency exchange fees and exchange rate fluctuations.

## Other operating income

Other operating income relates to income from, among other things, custodial services, information services, software and service and support fees from partners. Income is reported as income during the period in which the service is performed.

## Tax

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

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

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

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

## Tax on returns

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

## Segment reporting

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

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

## Cash flow statement

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

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

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

## Cash and cash equivalents

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

## Parent Company's accounting policies

The Parent Company generally adheres to IFRS and the accounting principles applied in the consolidated financial statements. In addition, the Parent Company needs to take into account and prepare annual reports in accordance with the Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Recommendation RFR 2 Accounting for Legal Entities. The Parent Company's annual report has therefore been prepared in accordance with IFRS as long as it is compatible with ÅRL and RFR 2. The most significant principal differences between the Parent Company and the Group's accounting policies are shown below.

## Shares in subsidiaries

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

## Untaxed reserves and group contributions

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

## Note 6 Transactions with closely related parties

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

Nordnet Bank AB regularly enters into business relations with Öhman Group in the same way as is regularly done with other financial players. Nordnet's no-fee index funds, the Super funds, are managed by E. Öhman J:or Fonder AB, a company within the Öhman Group. The agreement has been entered into on market terms. During the period, Nordnet Bank has received commission income and other income amounting to a total of SEK 11,662 thousand (9,626) and paid commission expenses and other expenses of SEK 18,802 thousand (13,689). The Öhman Group has entered into an occupational pension agreement with Nordnet Pensionsförsäkring AB.

For information regarding the salaries and other remuneration, expenses and obligations relating to pensions and similar benefits and contracts in respect of severance pay for the Board, the CEO and other senior executives, see Note 12. In addition, one Board member has received a residential mortgage of SEK 10 million during the year. The residential mortgage has been given under market terms.

Nordnet Bank offers personnel credits to all Group employees. As at 31 December 2017, the company had margin lending to senior executives with approved limits totalling SEK 8,535 thousand (3,570), of which utilized credits amounted to SEK 2,129 thousand (1,397). Interest on unutilized credits resulted in no tax imposed on fringe benefits. No provisions relating to bad debts or expenses relating to bad debts to related parties have been reported during the financial year.

## Note 7 Risks

Risk is defined as an exposure to a deviation from an anticipated financial outcome. Risk taking is an essential part of Nordnet's business. Nordnet's profitability is directly dependent on its capacity to identify, analyse, 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.

Risk culture is defined as the professional values, attitudes and behaviours crucial to how Nordnet manages its risks.

Nordnet's ambition is to be an innovative and fast-growing company. Expansion and the development of additional services or external changes could lead to new risks emerging or existing risks changing. At the same time, a low overall risk level and market confidence are a high priority at Nordnet.

Risk management shall be based on a risk culture that encompasses all relevant personnel and there shall be a clear understanding of the risks that Nordnet faces and how these should be managed taking Nordnet's risk appetite into account. All personnel are to be fully aware of their responsibilities with regard to risk management. Nordnet continuously informs and trains all personnel to ensure they are familiar with the relevant aspects of Nordnet's risk management framework and their own responsibilities.

The Board decides on the main principles of risk management and is ultimately responsible for ensuring that there is an effective system for managing Nordnet's risks and that Nordnet adheres to applicable directives, legislation and regulations. A framework for internal control is in place that encompasses the entire organization and the foundation for this shall consist of systems and procedures that ensure:

- Efficient and appropriate operations
- Adequate risk control
- Application of sound business principles
- Reliable reporting in terms of finance and other aspects
- Adherence to legislation, regulations, requirements from supervisory authorities and internal regulations

In assessing the effectiveness of the internal control within Nordnet, the Board primarily relies on the work carried out by the control functions. These consist of the Risk Control, Compliance and Internal Audit functions. These control functions are organizationally independent of the units that they monitor.

The CEO is responsible for risks being managed in accordance with the Board's decisions and operations being conducted appropriately and in accordance with external rules in a practical sense.

Nordnet works with risks in accordance with the principles associated with the three lines of defence.

The first line of defence is the activity. In its on-going operations, Nordnet shall maintain efficient processes for the identification, measurement or assessment, monitoring, reporting and, where applicable, minimization of risks. These processes are called risk management. Under the supervision of the appropriate management, the business units and the administration are responsible for managing risks on a daily basis, taking into account Nordnet's risk appetite, as

well as applicable policies, procedures and controls. Consequently, risk management is not limited to risk specialists or control functions.

The second line of defence is Risk Control and Compliance. They monitor, control and report on Nordnet's risks and its compliance with internal and external regulations. Risk Control is a central independent function for follow-up, control, compilation, analysis and reporting of all risks. Risk Control's task is to monitor how risk management works and to objectively identify, control and report risks and, if necessary, be able to set risk management requirements. Risk Control shall ensure that the Board is given an objective and clear picture of the company's overall risk and capital situation.

The third line of defence comprises the internal audit which performs a regular review of both management and Nordnet's internal controls, the work of the control functions and Nordnet's risk management. Within Nordnet, the internal audit is performed on direct assignment from the Board of Directors by external consultants.

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

The significant risks to which Nordnet is exposed are:

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

## Credit risk

Credit risk is the risk of Nordnet not receiving payment as agreed and/or making a loss due to a counterparty's inability to fulfil its obligations, and where any securities do not cover Nordnet's receivables. Nordnet's credit risk mainly involves the granting of credits against security in quoted shares and mutual funds (mainly Nordic), granting of unsecured credits, residential mortgages and counterparty risks in the liquidity portfolio. Credit risk also includes concentration risk. The granting of unsecured credits and residential mortgages are only offered in Sweden.

The main credit risks are divided as follows:

- Margin lending
- The granting of unsecured credits
- Residential mortgages
- Counterparty risk
- Concentration risk

Consequently, the largest exposure consists of lending to the public, which, at the end of the year, amounted to SEK 11,852 million (9,516) including lending backed by security in the form of cash and cash equivalents in foreign currencies of SEK 379 million (313). At the end of the year,

the unsecured lending amounted to SEK 3,725 million (3,217) distributed to approximately 27,600 (27,600) customers.

Analysis credits, SEK thousands	Gross	Provision
Not matured	11,849,090	-
0-30 days	7,121	-5,359
31-90 days	200	-177
91-365 days	17,445	-16,274
1-5 years	3,000	-3,000
>5 years	12,224	-12,224
<b>Total</b>	<b>11,889,080</b>	<b>-37,034</b>

At the end of the year, Nordnet's margin lending totalled SEK 5,367 million (5,049) and the market value of the securities amounted to SEK 25,677 (23,416). Consequently, the average loan-to-value ratio amounted to 21 percent (22).

At year-end, mortgage loans amounted to SEK 2,381 million (937).

In the table below, secured lending is defined as very low risk. Under normal market conditions, negligible credit losses for these loans are made. Unsecured loans have been divided into three categories, relative to one another, based on the interest rates applied. This reflects the relative risk level as higher interest rates are applied to higher risk credits.

Credit quality	2017	2016	2017	2016
Very low risk	8,127	6,299	69%	66%
Low risk	2,466	1,760	21%	18%
Moderate risk	1,143	1,314	10%	14%
High risk	116	143	1%	2%
<b>Total</b>	<b>11,852</b>	<b>9,516</b>	<b>100%</b>	<b>100%</b>

## Margin lending

Credit is regulated in accordance with a Board-approved credit policy and a credit instruction approved by the CEO. The determining assessment factor for Nordnet's lending is the security for the credit in the form of securities eligible as collateral, holdings in various currencies and the customers' creditworthiness. The collateral value of securities for the credits is evaluated in accordance with an internal model based on the liquidity and volatility of individual shares. The maximum loan-to-value ratio allowed for any Nordnet securities is 90 percent. Nordnet's credit department constantly monitors the lending situation at aggregated and individual level. Nordnet's assessment is that lending is well-spread in the geographic markets. In addition, Nordnet has a working approach aimed at avoiding concentration to individual issuers among the mortgaged securities.

There were approximately 15,700 (14,800) accounts utilizing credit as at year-end.

Market	Credit utilized (SEK million)		Percentage of total credit volume (%)		Average credit (SEK)	
	2017	2016	2017	2016	2017	2016
Sweden	2,460	2,319	46%	46%	357,000	356,000
Norway	569	629	11%	12%	207,000	225,000
Denmark	1,054	1,018	20%	20%	543,000	537,000
Finland	1,284	1,083	24%	21%	307,000	302,000
<b>Total</b>	<b>5,367</b>	<b>5,049</b>	<b>100%</b>	<b>100%</b>	<b>353,000</b>	<b>355,000</b>

Range	Number		Total, net (SEK million)		Percentage of total (%)	
	2017	2016	2017	2016	2017	2016
<10 SEK thousands	5,100	4,900	6	6	0%	0%
10-500 SEK thousands	8,400	7,800	1,160	1,082	22%	21%
501-2 000 SEK thousands	1,700	1,600	1,621	1,509	30%	30%
>2 000 SEK thousands	500	500	2,580	2,452	48%	49%
<b>Total</b>	<b>15,700</b>	<b>14,800</b>	<b>5,367</b>	<b>5,049</b>	<b>100%</b>	<b>100%</b>

	31/12/2017		31/12/2016
Nokia	4,1%	Nokia	3,7%
Nov o Nordisk	2,1%	Nov o Nordisk	2,2%
Hennes & Mauritz	1,6%	Fingerprint Cards	2,1%
Enea	1,6%	Telia	1,7%
Vestas Wind Systems	1,5%	Hennes & Mauritz	1,7%

The table above shows the total collateral value of the individual securities in relation to the total collateral value of all shares. This does not necessarily mean that these collateral values are utilized. As shown in the table on the previous page, there are no major concentrations in Nordnet's securities (mortgaged securities).

The ten largest credits totalled 8 percent of the total margin lending. In view of this, Nordnet estimates that there is no significant concentration in the margin lending.

In a situation in which the collateral value of the securities does not cover the amount due to Nordnet from the customer, overlending occurs. Nordnet has the option of selling securities to the extent required to rectify the overlending. Overlending amounted to SEK 6 million (7) at 31 December 2017.

If the value of the securities falls below the amount due to Nordnet, a provision will be made in accordance with Nordnet's credit instruction. For a description of Nordnet's credit losses, please see Note 15.

## The granting of unsecured credits

The granting of unsecured credit consists of lending to individuals in Sweden amounting to SEK 500,000. Customer inspection and credit granting will be centralized. Individual pricing is applied, with the price reflecting the risk at the time of application. At the end of the year, lending totalled SEK 3,725 million (3,217). Of this amount, SEK 3,661 (3,154) million comprises loans under the brands Konsumentkredit och Toppenlånet.

### Credit quality and the management of credit risk

The Board regulates the risks through the credit policy and through credit instruction. The aim is to ensure that credit is provided under good control and to state the overall credit risk strategy and credit risk appetite.

All credit decisions regarding unsecured loans are made by a separate department. Lending focuses on the management of large numbers of small individual commitments. As loans are provided without collateral, rigorous demands are imposed on the assessment of the customers' creditworthiness and future payment capacity. In the credit approval process, the credit assessment is based on scoring and rating models developed in-house, as well as using the customary credit information services. These scoring models and their statistical foundation are updated on a regular basis. The internal risk rating systems used form a central component in

the credit process and basis methods and decision-making processes for lending operations, credit review and the quantification of the credit risk in the portfolio. The system serves to assess the risk of default, thus estimating future losses in the portfolio. The risk of future credit losses according to the model affects the interest rate offered to the individual customer when credit is approved. The credit risk in the credit process and the dynamics of the credit portfolio are regularly assessed and are aimed at monitoring the risk level's compliance with the risk appetite approved by the Board.

#### Provision methodology

Procedures for the monitoring of past-due payments and unsettled receivables serve to minimize credit losses through the prompt handling of payment demands. Expired credits are sold after 100 days, whereby the difference between the purchase price and the carrying amount of the claim is expensed.

### Residential mortgages

Nordnet offers residential mortgages on the Swedish market with a maximum LTV of 50 percent. All mortgages are secured by collateral in houses and tenant-owner apartments. At year-end, the average loan-to-value ratio was 34 percent (34 percent). The mortgage value is calculated according to Nordnet's valuation principles based on a statistical valuation carried out by an external party. The market value is reassessed annually or as needed. The maximum lending volume of residential mortgages is SEK 5 billion. Nordnet only grants mortgages following completion of a customary credit check and a KALP (left-to-live-on calculation), in which all income and expenditure of the borrower's household is taken into consideration to ensure that the borrower can handle a scenario with the current interest rate plus 5 percent. Amortization requirements are imposed if the borrower's loan-to-value ratio exceeds 75 percent at the time of a reassessment of the security.

The result of a stress test of the pledged assets with a 30 percent decrease in prices gives no expected credit loss.

Lending against mortgages amounted to SEK 2,381 million (937) at year-end. 89 percent of lending is to borrowers residing in Stockholm, Gothenburg and Malmö.

Collateral for mortgage loans	Market value (SEK millions)		Lending (SEK millions)		Average loan to value ratio %	
	2017	2016	2017	2016	2017	2016
Villas	4,679	1,795	1,578	616	33,7%	34,3%
Tenant-owner's right	2,261	934	803	321	35,5%	34,4%
<b>Total</b>	<b>6,940</b>	<b>2,729</b>	<b>2,381</b>	<b>937</b>	<b>34,3%</b>	<b>34,3%</b>

### Counterparty risk

Counterparty risks are divided into the following:

- Issuer risks in the treasury portfolio
- Risks towards account holders (bank deposits)
- Liquidation risks (replacement expenses for open transactions with customers and trading partners, including repos and OTC derivatives)
- Risks towards clearing houses and CCPs

Counterparty risk refers to a counterparty in a transaction to meet its obligations to pay for or deliver the agreed security or financial instrument. This refers to the risk of a counterparty defaulting prior to settlement of a transaction and that the price of the financial instrument will

have changed when the transaction must be rearranged with a new counterparty. This replacement expense corresponds to the liquidation risk. As a result, part of Nordnet's counterparty risk is related to the transaction flows from the stock markets in the Nordic countries. The risks are limited through the use of established clearing organizations, such as Euroclear and NASDAQ OMX.

Counterparty risks also occur when investing Nordnet's excess liquidity. The excess liquidity is invested in an account at a bank, in treasury bills, covered bonds or other interest-bearing assets. Counterparty risk in the liquidity portfolio is limited by selecting counterparties with high credit quality.

The table shows Standard & Poor's rating of Nordnet's financial assets. For covered bonds, the ratings of the bonds have been used; for others, the issuer's ratings have been used. A short-term rating has been provided for assets with a remaining maturity of less than one year, except for covered bonds and government bonds, where a long-term rating has been used, regardless of the remaining maturity.

Assets where the Nordnet Pensionsförsäkring AB policyholders carry the investment risk are excluded. The financial assets that can be sold and where credit ratings are required, and which lack a long rating at Standard & Poor's, have Moody's lowest rating AAA. For loans to the public, credit quality is assured in accordance with the processes for the granting of secured and unsecured credits, respectively.

31/12/2017		Rating according to Standard & Pooors's															
Group SEK million	Note	no											no				
		A-1+	A-1	A-2	A-3	rating	AAA	AA+	AA	AA-	A+	A	A-	rating	TOTAL		
<b>Assets</b>																	
Loans to credit institutions <sup>1)</sup>	19	490	1,642	16		20											2,168
Loans to the general public	20					11,852											11,852
Shares and participations	22															59	59
Treasury bills and other interest bearing securities <sup>2)</sup>	18		49				8,465	2,492								4,897	15,903
Bonds and other interest bearing securities	21	423	168				197	99		644			67			351	1,949
Reinvested assets in the insurance business	23						3,383										3,383
<b>Total</b>		913	1,859	16		11,872	12,045	2,592		644			67			5,307	35,314

<sup>1)</sup> Of which SEK 1,895 million is cash and cash equivalents in the insurance business.

<sup>2)</sup> Parts of the cash and cash equivalents in the insurance business has been reinvested in bonds.

31/12/2016		Rating according to Standard & Pooors's															
Group SEK million	Note	no											no				
		A-1+	A-1	A-2	A-3	rating	AAA	AA+	AA	AA-	A+	A	A-	rating	TOTAL		
<b>Assets</b>																	
Loans to credit institutions <sup>1)</sup>	19	506	1,964	19		15											2,504
Loans to the general public	20					9,516											9,516
Financial assets at fair value	21															11	11
Available-for-sale financial assets <sup>2)</sup>	22	568	239	385			5,872	1,150		274			410			3,061	11,959
Financial assets held to maturity	23						1,939	1,337								250	3,526
Reinvested assets in the insurance business	24						2,530										2,530
<b>Total</b>		1,074	2,204	404		9,531	10,341	2,487		274			410			3,321	30,046

<sup>1)</sup> Of which SEK 2,175 million is cash and cash equivalents in the insurance business.

<sup>2)</sup> Parts of the cash and cash equivalents in the insurance business has been reinvested in bonds.

## Concentration risk

Commitments concentrated to a limited number of customers, a specific industry or geographical area, etc. create vulnerability and may constitute concentration risks. Nordnet's broad range of services and products is currently aimed at a broad spectrum of customers with a good geographical spread and considerable variation in their trading behaviour. All in all, Nordnet's customer base is therefore not deemed to constitute a concentration risk in the sense that Nordnet would be dependent on a small number of customers for its income from commissions

and interest. Credit-related concentration risks arise when occasional individual exposures or groups of exposures exhibit a significant degree of covariance. Nordnet measures three types of concentration risk:

- Concentration to individual counterparties (single-name concentration risk)
- Concentration to individual industries (sector concentration risk)
- Concentration to individual countries or regions (geographical concentration risk)

## Market risk

Market risk derives from the risk that the fair value or future cash flow from a financial instrument is affected by changes in market prices. Nordnet is exposed to market risks in the form of interest rate risk, foreign exchange risk and share price risk. Nordnet's operations are built up around customer trading and the business model does not therefore include exposing the company to market risks in its own name.

## Interest rate risks

Interest rate risks occur when there is an imbalance regarding terms to maturity between the company's assets and liabilities and in changes in the value of assets due to market interest rate fluctuations. Nordnet gives credit at flexible interest rates, and this credit is financed by deposits at flexible interest rates. The excess deposit is placed in accordance with the restrictions stipulated by the company's finance policy.

The interest rate sensitivity of the portfolio is measured and reported weekly to the Risk Control and the CFO. In addition, at the end of each quarter, the sensitivity of the portfolio is assessed in conjunction with the finance function's interest report to Finansinspektionen (the Swedish Financial Supervisory Authority).

At year-end, the interest rate risk in interest-bearing investments amounted to approximately SEK 60.4 million (43.6) in the event of a 1-percentage point change in the market interest rate, which will be charged against net profit after tax and reduce equity by SEK 47.1 million (34).

A list of Nordnet's fixed-interest terms is provided in the table below. The net interest risk shows how much the balance sheet or net interest income is affected by changes in market interest rates by one percentage.

2017 Group - Interest period										
Assets	0-1 month	2-3 months	4-6 months	7-12 months	1-2 years	2-3 years	3-4 years	4-5 years	No fixed rates	Total
Cash and balances in Central banks	392,304	-	-	-	-	-	-	-	-	392,304
Loans to credit institutions	2,167,523	-	-	-	-	-	-	-	-	2,167,523
Loans to the general public	9,471,286	2,380,760	-	-	-	-	-	-	-	11,852,046
Shares and participations	-	-	-	-	-	-	-	-	59,184	59,184
Treasury bills and other interest bearing securities	1,658,266	6,769,308	5,746,248	924,394	719,283	85,695	-	-	-	15,903,194
Bonds and other interest bearing securities	752,349	814,777	283,774	74,390	23,718	-	-	-	-	1,949,008
Reinvested assets in the insurance business	352,710	1,439,818	1,222,215	196,617	152,990	18,227	-	-	-	3,382,576
Other assets	-	-	-	-	-	-	-	-	49,907,049	49,907,049
<b>Total assets</b>	<b>14,402,134</b>	<b>11,404,663</b>	<b>7,252,237</b>	<b>1,195,401</b>	<b>895,991</b>	<b>103,922</b>	<b>-</b>	<b>-</b>	<b>49,966,233</b>	<b>85,612,884</b>
Liabilities	Total									
Deposits and borrowing from the general public	32,446,266	-	-	-	-	-	-	-	-	32,446,266
Other liabilities	-	-	-	-	-	-	-	-	49,250,096	49,250,096
<b>Total liabilities</b>	<b>32,446,266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,250,096</b>	<b>81,696,362</b>
Difference between assets and liabilities	-18,044,132	11,404,663	7,252,237	1,195,401	895,991	103,922	-	-	716,137	3,524,218
Adopted remaining interest period, year (present value)	0,04	0,16	0,36	0,71	1,39	2,25	3,07	3,85	-	-
Adopted interest rate change, %	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	-	-
Risk weight	0,04%	0,16%	0,36%	0,71%	1,39%	2,25%	3,07%	3,85%	-	-
<b>Total net interest risk</b>	<b>-7,218</b>	<b>18,247</b>	<b>26,108</b>	<b>8,535</b>	<b>12,409</b>	<b>2,333</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,416</b>

**2016 Group - Interest period**

<b>Assets</b>	<b>0-1 month</b>	<b>2-3 months</b>	<b>4-6 months</b>	<b>7-12 months</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>No fixed rates</b>	<b>Total</b>
Loans to credit institutions	2,503,744	-	-	-	-	-	-	-	-	2,503,744
Loans to the general public	9,516,392	-	-	-	-	-	-	-	-	9,516,392
Financial assets at fair value	-	-	-	-	-	-	-	-	10,571	10,571
Av ailable-for-sale financial assets	1,682,153	4,422,114	4,571,506	781,622	501,835	-	-	-	87	11,959,317
Financial assets held to maturity	772,031	2,553,738	200,253	-	-	-	-	-	-	3,526,022
Reinvested assets in the insurance business	355,898	935,600	967,207	165,370	106,175	-	-	-	-	2,530,250
Other assets	-	-	-	-	-	-	-	-	44,672,377	44,672,377
<b>Total assets</b>	<b>14,830,218</b>	<b>7,911,452</b>	<b>5,738,966</b>	<b>946,992</b>	<b>608,010</b>	-	-	-	<b>44,683,035</b>	<b>74,718,673</b>
<b>Liabilities</b>										<b>Total</b>
Deposits and borrowing from the general public	26,956,849	-	-	-	-	-	-	-	-	26,956,849
Other liabilities	-	-	-	-	-	-	-	-	44,441,288	44,441,288
<b>Total liabilities</b>	<b>26,956,849</b>	-	-	-	-	-	-	-	<b>44,441,288</b>	<b>71,398,137</b>
Differens mellan tillgångar och skulder	-12,126,631	7,911,452	5,738,966	946,992	608,010	-	-	-	241,747	3,320,536
Antagen återstående räntebindningstid, år (nuv ärde)	0,04	0,16	0,36	0,71	1,39	2,25	3,07	3,85		
Antagen förändring av räntan %	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%	1,00%		
Vikter	0,04%	0,16%	0,36%	0,71%	1,39%	2,25%	3,07%	3,85%		
<b>Total räntenettorisk</b>	<b>-4,851</b>	<b>12,658</b>	<b>20,660</b>	<b>6,762</b>	<b>8,421</b>	-	-	-		<b>43,650</b>

## Foreign exchange risks

Foreign exchange risk refers to the risk that exchange-rate changes negatively impact the consolidated income statement, balance sheet and/or cash flows.

Foreign exchange risks occur when assets and liabilities in the same foreign currency fail to match in terms of size. Nordnet manages arisen foreign exchange trading positions by carrying out several currency conversions each day, and only smaller flow-related foreign exchange positions can normally occur over more than one banking day.

At year-end, total net exposure in foreign currency amounted to SEK 98.5 million (29.6). An unfavourable exchange rate development of 10 percent in each currency entails a risk of approximately SEK 9.8 (5.5) million, which will be charged against profit after tax by SEK 7.1 (4.3) million. This includes net assets from foreign operations that are not hedged. For a more detailed description of assets and liabilities in foreign currency, refer to the table below.

Currency-based earnings arises primarily from customers' currency exchange in connection with cross-border trading.

<b>Group - valuation of assets and liabilities in foreign currency</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Loans to credit institutions	1,513,617	2,120,216
Loans to the general public	3,172,411	2,954,528
Shares and participations	5,432	5,138
Treasury bills and other interest bearing securities	12,878,229	10,038,015
Other assets	1,618,160	1,535,434
<b>Total</b>	<b>19,187,849</b>	<b>16,653,331</b>
<b>Liabilities</b>		
Deposits and borrowing from the general public	17,759,630	15,306,177
Other liabilities	1,526,697	1,317,588
<b>Total</b>	<b>19,286,327</b>	<b>16,623,765</b>



The list below details the corresponding value, in SEK thousands, of the assets and liabilities by currency:

2017	Assets	Liabilities	Net exposure	Exchange rate risk <sup>1)</sup>
NOK	4,171,522	4,191,935	-20,413	2,041
DKK	6,869,977	6,938,951	-68,974	-
USD	1,068,881	1,086,101	-17,220	1,722
EUR	6,990,705	6,978,624	12,081	5,689
Other	86,764	90,716	-3,952	395
<b>Total</b>	<b>19,187,849</b>	<b>19,286,327</b>	<b>-98,478</b>	<b>9,848</b>

2016	Assets	Liabilities	Net exposure	Exchange rate risk <sup>1)</sup>
NOK	3,512,549	3,504,588	7,961	796
DKK	5,654,835	5,624,404	30,431	-
USD	1,255,089	1,226,171	28,918	2,892
EUR	6,170,686	6,213,933	-43,247	1,282
Other	60,172	54,669	5,503	550
<b>Total</b>	<b>16,653,331</b>	<b>16,623,765</b>	<b>29,566</b>	<b>5,520</b>

<sup>1)</sup> Displays the currency risk in an unfavourable fluctuation of 10 percent in each currency. The Danish krone has a fixed exchange rate against the euro and the currency risks can offset each other.

## Share price risk

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

At the year-end, the company's own total exposure to share price risk amounted to SEK 59.2 (10.5) million. A sudden negative market development for all the shares of 10 percent entails a risk of approximately SEK 5.9 (1.1) million, which would be charged against profit after tax and reduce equity by SEK 4.6 million. In connection with Nordnet's participation as a distributor in new share issues and spread offers, Nordnet can also opt to participate as a guarantor for part of the issue. No such guarantees were issued over the turn of the year.

## Financing risk/liquidity risk

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

Good payment readiness requires the asset side of the balance sheet to be liquid. Nordnet's assets mainly consist of cash and cash equivalents, loans to credit institutions and the general public and interest-bearing instruments.

Loans to credit institutions amounted to SEK 272.6 million (329.0). Cash and cash equivalents including holdings in central banks amounted to SEK 664.9 million (765.5). Cash and cash equivalents, including assets in the insurance operations, amounted to SEK 3,775 million (2,940). Of cash and cash equivalents, SEK 82 million (85) consisted of blocked funds, which is why immediately available cash and cash equivalents in the Group, including that in the insurance

operations, amounted to SEK 3,693 million (2,855) at year-end. Borrowing from the general public (households and companies) is Nordnet's most important source of finance. Nordnet's liquidity risk is reduced by the spreading of its financing over many customers and several geographical markets, and its payment readiness is deemed to be very good.

New liquidity regulations have been gradually introduced in the wake of the financial crisis. The new requirements clarify the banks' responsibilities in managing liquidity risks. Against the background of these changes in regulations, liquidity management and risk control at Nordnet have been strengthened. The reporting of Nordnet's liquidity situation has been extended and more advanced stress tests are implemented.

## Operational risk

Operational risk consists of the risk of losses due to inappropriate or failed processes, human error, faulty systems or external events. This definition includes legal risk. Besides all the risks that may be associated with human error and mistakes, typical examples of operational risks include: computer failure, dependence on key individuals, fraud, inadequate compliance with legislation and internal regulations, or external events, such as fire, natural disasters, sabotage or changes in laws and regulations. To maintain good internal control of operational risks, well-functioning systems are required, as well as ongoing training of personnel. The principal responsibility for the management of operational risks lies with the individual departments and functions in the organization. Nordnet shall identify operational risks in its products, services, functions, processes and IT systems. In addition to supporting and guiding the departments in their work on risks, Risk Control shall also maintain the overarching perspective for operational risks. This includes compiling, analyzing and following up on risks identified by the organization but also independently identifying and controlling operational risks. A special IT security function works on the identification, prevention and control of risks related to Nordnet's IT systems.

As the basis for its analysis of Nordnet's operational risks, risks have been identified through the self-assessment conducted each year.

## Insurance risk

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

The insurance operations comprise traditional policies with conditional bonuses and unit-linked insurance in which the insured party bears its own investment risk. This means that the company's financial risk is very limited. In traditional insurance policies with periodic pay-outs, there is a guarantee over the first five years of the pay-out period. The annual guarantee amount is 3 percent (3) of the customer's insurance capital at the time of the first payment.

Insurance provisions for guaranteed commitments amount to SEK 18 million (15), corresponding to 0.04 percent (0.04) of total insurance technical provisions.

## Note 8 Group – net interest

	2017	2016
Interest income on loans to credit institutions	796	-
Interest income on interest-bearing securities	18,641	34,204
Interest income on loans to the general public	406,833	394,514
Other interest income	5,424	5,225
<b>Total interest income</b>	<b>431,694</b>	<b>433,943</b>
Interest expenses for liabilities to credit institutions	-3,598	-96
Interest expenses for deposits and loans to the general public	-10,804	-9,711
Other interest expenses	-31,023	-20,962
<b>Total interest expenses</b>	<b>-45,425</b>	<b>-30,769</b>
<b>Net interest income</b>	<b>386,269</b>	<b>403,174</b>
Of which attributable to financial assets and liabilities valued at fair value via the income statement.	-	10

The average interest on lending to the public\* during the year was 2.06 percent (2.70). The average interest on deposits and borrowing from the public during the year was 0.04 percent (0.04). During the year, average interest on lending, excluding so-called account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans, was 2.21 percent (2.89).

## Note 9 Group – net commission

	2017	2016
<b>Commission income</b>		
Securities commission	905,112	833,960
<b>Total commission income</b>	<b>905,112</b>	<b>833,960</b>
<b>Commission expenses</b>		
Securities commission	-264,608	-244,115
<b>Total commission expenses</b>	<b>-264,608</b>	<b>-244,115</b>
<b>Net commission</b>	<b>640,504</b>	<b>589,845</b>
Of which attributable to financial assets and liabilities valued at fair value via the income statement.	-	-

## Note 10 Group – net result from financial transactions

	2017	2016
Capital gains/losses, shares and participations	-377	4,878
Unrealised value changes, shares and participations	-28	209
Capital gains/losses, interest-bearing securities	1,906	4,602
Unrealised value changes, interest-bearing securities	-	-21
Exchange income	160,928	141,850
<b>Total net result from financial transactions</b>	<b>162,429</b>	<b>151,518</b>
<b>Net profit/Net loss per category</b>		
Financial assets available for sale	1,501	9,668
<b>Total net profit/net loss per category</b>	<b>1,501</b>	<b>9,668</b>
Of which attributable to financial assets and liabilities valued at fair value via the income statement.	-405	-

## Note 11 Group – other operating income

	2017	2016
Other account-related side-income	12,337	12,453
Fees from customers private loans	5,081	5,699
Revenues from market activities	20,959	27,103
Other operating income	16,526	6,231
<b>Total other operating revenues</b>	<b>54,903</b>	<b>51,486</b>

## Note 12 Group – general administrative expenses

General administration expenses	2017	2016
Personnel expenses	-405,251	-359,595
Rental and property expenses	-33,828	-32,233
Other operational leasing expenses	-1,833	-1,761
Information expenses	-48,410	-43,699
System and communication expenses	-129,770	-104,772
Purchased services	-164,757	-94,278
Other general administration expenses	-34,944	-31,680
<b>Total general administration expenses</b>	<b>-818,793</b>	<b>-668,018</b>

Average number of employees covers the following geographical markets	2017	2016
<b>Sweden</b>	<b>348</b>	<b>329</b>
- of whom women	126	123
- of whom men	222	206
<b>Norway</b>	<b>22</b>	<b>22</b>
- of whom women	7	7
- of whom men	15	15
<b>Finland</b>	<b>30</b>	<b>33</b>
- of whom women	13	15
- of whom men	17	18
<b>Denmark</b>	<b>26</b>	<b>26</b>
- of whom women	14	14
- of whom men	12	12
<b>Total</b>	<b>426</b>	<b>409</b>
- of whom women	160	159
- of whom men	266	251
<b>Number of full-time employees at year-end</b>	<b>474</b>	<b>405</b>

Distribution of personnel expenses	2017	2016
Salaries and other remuneration	-283,267	-254,705
Social insurance contributions	-76,632	-64,659
Pension expenses	-44,886	-41,656
Other personnel expenses	-23,538	-20,181
<b>Total personnel expenses</b>	<b>-428,323</b>	<b>-381,201</b>
Of which capitalized personnel expenses	23,072	21,606
<b>Total expensed personnel expenses</b>	<b>-405,251</b>	<b>-359,595</b>
<b>Salaries and other remuneration</b>		
Board members, Chief Executive Officer and corresponding officials	-35,605	-28,356
Other employees	-247,662	-226,349
<b>Total salaries and other remuneration</b>	<b>-283,267</b>	<b>-254,705</b>
<b>Social security expenses</b>		
Board members, Chief Executive Officer and corresponding officials	-9,899	-8,878
Other employees	-66,733	-55,781
<b>Total social security expenses</b>	<b>-76,632</b>	<b>-64,659</b>
<b>Pension expenses</b>		
Board members, Chief Executive Officer and corresponding officials	-5,833	-6,381
Other employees	-39,053	-35,275
<b>Total pension expenses</b>	<b>-44,886</b>	<b>-41,656</b>

2017	Fixed remuneration	Benefits	Pension expenses	Fees	Shareprogram	Social security contributions Shareprogram	Total
<b>Board Chairman</b>							
Claes Dinkelspiel 170101-170221	-	-	-	-93	-	-	-93
Hans Larsson 170222-171231	-	-	-	-622	-	-	-622
<b>Other board members</b>							
Anna Frick 170101-170221	-	-	-	-43	-	-	-43
Anna Setlman 170101-170221	-	-	-	-43	-	-	-43
Bo Mattsson 170101-170221	-	-	-	-64	-	-	-64
Kjell Hedman 170101-170221	-	-	-	-78	-	-	-78
Tom Dinkelspiel 170101-171231	-	-	-	-271	-	-	-271
Ulf Dinkelspiel 170101-170121	-	-	-	-57	-	-	-57
Jaana Rosendahl 170101-170221	-	-	-	-43	-	-	-43
Christopher Ek Dahl 170222-171231	-	-	-	-236	-	-	-236
Christian Frick 170222-171231	-	-	-	-193	-	-	-193
Pierre Siri 170222-171231	-	-	-	-214	-	-	-214
Jan Dinkelspiel 170222-171231	-	-	-	-214	-	-	-214
Per Widerström	-	-	-	-	-	-	-
<b>Chief Executive Officer</b>							
Håkan Nyberg	-9,464	-397	-1,344	-	-	-	-11,205
Peter Dahlgren	-3,052	-50	-1,231	-	-	-	-4,333
<b>Other senior executives</b>							
12,7 personer i genomsnitt	-21,826	-816	-3,258	-	-	-	-25,900
<b>Total</b>	<b>-34,342</b>	<b>-1,263</b>	<b>-5,833</b>	<b>-2,171</b>	<b>0</b>	<b>0</b>	<b>-43,609</b>

2016	Fixed remuneration	Benefits	Pension expenses	Fees	Shareprogram	Social security contributions Shareprogram	Total
<b>Board Chairman</b>							
Claes Dinkelspiel	-	-	-	-650	-	-	-650
<b>Other board members</b>							
Anna Frick	-	-	-	-300	-	-	-300
Anna Setlman	-	-	-	-300	-	-	-300
Bo Mattsson	-	-	-	-450	-	-	-450
Kjell Hedman	-	-	-	-525	-	-	-525
Tom Dinkelspiel	-	-	-	-550	-	-	-550
Ulf Dinkelspiel	-	-	-	-400	-	-	-400
Jaana Rosendahl	-	-	-	-225	-	-	-225
<b>Chief Executive Officer</b>							
Håkan Nyberg	-4,809	-292	-2,042	-	-678	-189	-8,010
<b>Other senior executives</b>							
11,5 personer i genomsnitt	-17,028	-654	-4,339	-	-1,493	-431	-23,945
<b>Total</b>	<b>-21,836</b>	<b>-946</b>	<b>-6,381</b>	<b>-3,400</b>	<b>-2,171</b>	<b>-620</b>	<b>-35,355</b>

## Chief Executive Officer

Fixed remuneration to former CEO Håkan Nyberg for 2017 amounted to SEK 385,000 (385,000) per month and compensation for a car SEK 10,000 per month. The provision for occupational pensions for 2017 amounts to 35 percent (35) of pensionable salary. Pensionable salary refers to the fixed remuneration including holiday pay. HN has received salary until 1 December 2017 with six months' severance pay thereafter.

CEO Peter Dahlgren (PD) had a salary of SEK 416,667 per month and compensation for a car of SEK 8,283 per month. The occupational pension for PD amounts to 35 percent of pensionable salary. The period of notice from the company to the CEO is twelve months, and the period of notice from the CEO to the company is six months.

The preparation and decision process applied with regard to remuneration and other terms for the CEO is a Board issue. The Board has appointed a Remuneration Committee for discussion of remuneration issues. The individuals included in the Remuneration Committee are noted in the section "Corporate Governance".

## Board of Directors

Remuneration to the Board members for 2017 was SEK 3,208,335. Fees to be paid for the period February 2017 to February 2018 are SEK 500,000 to the Chairman of the Board, SEK 250,000 to Pierre Siri and SEK 150,000 to the other four members. Fees to be paid for work on the Board's committees are SEK 25,000 per committee in which a member is attending. A fee of SEK 50,000 will be paid to the chairman of the respective committees. No other remuneration has been paid to the Board apart from minor travel expenses. There are no other agreements concerning pensions or severance pay. Remuneration to the Board is decided on every year at the Annual General Meeting.

The table Remuneration of senior executives above includes expenses for the Board fees during the 2017 financial year.

The Board comprises 7 (5) men and 0 (3) women.

The discussion and decision process applied with regard to remuneration to the Chairman of the Board takes place within the Board. Remuneration to the Board has been distributed in accordance with the Annual General Meeting's resolution.

For information on Board members' shareholdings, please see the section Board of Directors.

## Other senior executives

The Group management team has changed during the year, and as at 31 December 2017 amounted to 13 (11) people besides the CEO, of whom 7 (5) are men and 6 (6) are women. One person is employed in NordnetBank's Norwegian branch and one is employed in Nordnet Bank's Finnish branch. The others are employed in Sweden. Remuneration in the above table relates to the time each individual has been part of the management team. Any salary adjustments or other remuneration for the company's management is proposed by the CEO to the Remuneration Committee, which has been commissioned by the Board to discuss such issues. There are no special benefits for senior executives except for paid medical insurance. All employees have the opportunity to lease a car at cost.

## Pension policy

The Group's pension policy is a defined contribution plan applicable to all personnel within the Group. Pension expenses for the Group average approximately 15.8 (16.5) percent of pensionable salary, depending on age and salary.

## Auditing expenses

Audit expenses	2017	2016
<b>Audit services</b>		
Ernst & Young	-	-3,597
Deloitte	-3,235	-
	<b>-3,235</b>	<b>-3,597</b>
<b>Audit services outside the assignment</b>		
Ernst & Young	-	-1,301
Deloitte	-484	-
	<b>-484</b>	<b>-1,301</b>
<b>Tax advice</b>		
Ernst & Young	-	-91
Deloitte	-703	-
	<b>-703</b>	<b>-91</b>
<b>Other services</b>		
Ernst & Young	-	-1,355
Deloitte	-	-
	-	<b>-1,355</b>
<b>Total</b>	<b>-4,422</b>	<b>-6,344</b>

Audit services refer to the statutory audit, i.e. the reviewing of the Annual Report, the accounts and the administration by the Board of Directors and Managing Director. Audit services also include any other tasks that the company's auditor is required to perform.

Activities beyond the audit assignment involve quality assurance measures, that is to say, in part, any review of management, the Articles of Association, statutes or agreements intended to result in a report, certificate or other document addressed to a party other than the principal and, in part, advice or other assistance occasioned by observations made during an audit. Reviews of interim financial reports are included in the audit assignment outside the assignment.

Tax advice includes advice on income taxes and VAT.

Other services include advice on accounting issues, services in connection with corporate/business changes and operational efficiency.

## Leasing

Operational leasing agreements	2017	2016
<b>Expenses during the period</b>		
Rent of premises	-29,259	-27,274
Operational leases of equipment	-1,833	-1,761
<b>Total operational leases</b>	<b>-31,092</b>	<b>-29,035</b>
<b>Agreed future charges</b>		
<b>Premises</b>		
Within one year	-36,875	-27,587
Between one and five years	-113,723	-105,832
Later than five years	-155,017	-147,163
<b>Future charges premises</b>	<b>-305,615</b>	<b>-280,582</b>
<b>Equipment</b>		
Within one year	-2,095	-3,598
Between one and five years	-10	-359
Later than five years	-	-
<b>Future charges equipment</b>	<b>-2,105</b>	<b>-3,957</b>
<b>Total future agreed leasing charges</b>	<b>-307,720</b>	<b>-284,539</b>

## Note 13 Group – amortization and Depreciation of tangible and intangible assets

	2017	2016
Brands, amortization	-10	-10
Customer base, amortization	-32,959	-32,965
Capitalized expenditure on development work, depreciation	-43,355	-37,301
Tangible assets, depreciation	-14,134	-12,594
<b>Total</b>	<b>-90,458</b>	<b>-82,870</b>

## Note 14 Group – other operating expenses

	2017	2016
Marketing and sales	-44,377	-41,507
Bank expenses	-6,665	-5,682
Corporate insurance	-1,180	-1,114
<b>Total</b>	<b>-52,222</b>	<b>-48,303</b>

## Note 15 Group – credit losses, net

	2017	2016
<b>A. Specific provision for individually valued loan receivables:</b>		
1. Year's write-off of stated bad debt loss	-28,565	-23,651
2. Reversed provisions made previously for likely credit losses which are entered as confirmed losses in the accounts for the year	-3,051	-1,603
3. Year's provision for likely credit losses	-7,822	-5,951
4. Deposited for previous year's confirmed credit losses	-	-
5. Reversed, no longer required provisions for likely credit losses	4,204	2,117
<b>6. Net expenses for the year</b>	<b>-35,234</b>	<b>-29,088</b>
<b>C. Homogeneous groups of loan receivables, valued groupwise, with limited value and similar credit risk:</b>		
1. Year's write-off of stated bad debts	-	-
2. Reversed provisions made previously for likely credit losses which are entered as confirmed losses in the accounts for the year	-	-
3. Year's provision for likely credit losses	-67	-10
4. Deposited for previous year's confirmed credit losses	-	-
5. Reversed, no longer required provisions for likely credit losses	-	-
<b>6. Net expenses for the year</b>	<b>-67</b>	<b>-10</b>
<b>Net expenses for the year for credit losses</b>	<b>-35,301</b>	<b>-29,098</b>

All credit losses are attributable to receivables from the public and amount to 0.30 percent (0.31) of the carrying amount of loan receivables at year-end.

## Note 16 Group – taxes

	2017	2016
<b>Tax charged to income</b>		
<b>Current tax expense (-)/ tax income (+)</b>		
Total tax on profit for the year	-43,872	-76,426
Adjustment current tax for previous years	936	-2,749
<b>Deferred tax expense (-)/ tax income (+)</b>		
Deferred tax related to temporary differences	8,429	8,487
<b>Tax on net income for the year</b>	<b>-34,507</b>	<b>-70,688</b>



<b>Reconciliation of effective tax</b>		<b>2017</b>	<b>2016</b>
Profit before tax		247,331	367,734
Tax as per current tax rate for the Parent Company	22,0%	-54,413	-80,901
Effect of profit charged with tax on returns	-4,7%	11,748	12,595
Effect of non-deductible expenses/non-taxable income	-1,8%	4,345	-489
Effect of corrected tax from previous years	-0,4%	936	-2,749
Effect of tax deficits	-1,0%	2,390	1,319
Others	-0,2%	487	-463
<b>Reported effective tax</b>	<b>14,0%</b>	<b>-34,507</b>	<b>-70,688</b>

<b>Deferred tax recognised in the balance sheet</b>		<b>2017</b>	<b>2016</b>
<b>Opening balance, deferred tax assets</b>		<b>-42,854</b>	<b>-51,293</b>
Recognised in the income statement		8,429	8,487
Adjustment to prior year		-	-
Untaxed reserves		-	-
Conversion differences for the year		10	-48
<b>Closing balance, deferred tax liabilities</b>		<b>-34,415</b>	<b>-42,854</b>
<b>Deferred tax is attributable to:</b>			
Untaxed reserves		-34,123	-41,355
Acquired intangible assets		-292	-1,499
<b>Total</b>		<b>-34,415</b>	<b>-42,854</b>

The current tax asset of SEK 76,846 thousand (95,238) is mainly attributable to Nordnet Bank AB and Nordnet Pension AB.

Current tax liabilities of SEK 8,017 thousand (4,412) are mainly attributable to Nordnet Bank AB's Norwegian branch and Nordnet Pensionsförsäkring AB. These taxes will be paid during 2018.

## Note 17 Group – segments

<b>2017</b>					
<b>Market (SEK million)</b>	<b>Sverige</b>	<b>Norge</b>	<b>Danmark</b>	<b>Finland</b>	<b>Totalt</b>
Net interest income	296,7	48,2	25,8	15,5	<b>386,2</b>
Net commission income	271,2	106,2	142,3	120,8	<b>640,5</b>
Net result of financial transactions	49,0	26,1	67,5	19,9	<b>162,5</b>
Other operating income	29,1	6,4	3,7	15,7	<b>54,9</b>
<b>Total operating income</b>	<b>646,0</b>	<b>186,9</b>	<b>239,3</b>	<b>171,9</b>	<b>1,244,1</b>
Expenses	-414,7	-161,2	-147,1	-148,0	<b>-871,0</b>
Depreciations	-47,7	-9,4	-9,3	-24,1	<b>-90,5</b>
<b>Total expenses before credit losses</b>	<b>-462,4</b>	<b>-170,6</b>	<b>-156,4</b>	<b>-172,1</b>	<b>-961,5</b>
<b>Profit before credit losses</b>	<b>183,6</b>	<b>16,3</b>	<b>82,9</b>	<b>-0,1</b>	<b>282,6</b>
Net credit losses	-35,3	-0,2	0,2	-0,1	<b>-35,3</b>
<b>Operating profit</b>	<b>148,3</b>	<b>16,2</b>	<b>83,1</b>	<b>-0,2</b>	<b>247,3</b>
Tax	-5,4	-5,2	-20,9	-2,9	<b>-34,5</b>
<b>Profit for the year</b>	<b>142,9</b>	<b>11,0</b>	<b>62,2</b>	<b>-3,1</b>	<b>212,8</b>
Fixed assets	290,0	101,8	0,0	32,2	<b>424,0</b>
Operating margin	23%	9%	35%	0%	<b>20%</b>
Number of active customers	302,700	97,900	84,900	183,800	<b>669,300</b>
Number of active accounts	431,500	132,800	109,800	210,400	<b>884,500</b>
Net savings (SEKmm)	1,193	5,326	8,797	2,015	<b>17,332</b>
Savings capital (SEKbn)	122	34	57	59	<b>272</b>
Number of trades	13,711,200	3,978,100	4,245,400	4,246,600	<b>26,181,300</b>
Average number of employees <sup>1)</sup>	348	22	26	30	<b>426</b>

<sup>1)</sup> Nordic functions are included in Sweden

2016					
Market (SEK million)	Sverige	Norge	Danmark	Finland	Totalt
Net interest income	289,7	45,5	37,4	30,5	403,2
Net commission income	250,7	96,0	130,4	112,8	589,9
Net result of financial transactions	53,5	22,4	58,4	17,2	151,5
Other operating income	34,5	5,4	0,3	11,2	51,5
<b>Total operating income</b>	<b>628,5</b>	<b>169,3</b>	<b>226,5</b>	<b>171,7</b>	<b>1,196,0</b>
Expenses	-346,3	-122,3	-119,9	-127,8	-716,3
Depreciations	-44,0	-7,8	-7,7	-23,3	-82,9
<b>Total expenses before credit losses</b>	<b>-390,3</b>	<b>-130,2</b>	<b>-127,6</b>	<b>-151,2</b>	<b>-799,2</b>
<b>Profit before credit losses</b>	<b>238,2</b>	<b>39,1</b>	<b>99,0</b>	<b>20,5</b>	<b>396,8</b>
Net credit losses	-29,1	-0,1	0,0	0,1	-29,1
<b>Operating profit</b>	<b>209,1</b>	<b>39,1</b>	<b>99,0</b>	<b>20,6</b>	<b>367,7</b>
Tax	-30,5	-9,2	-24,9	-6,1	-70,7
<b>Profit for the year</b>	<b>178,6</b>	<b>29,8</b>	<b>74,1</b>	<b>14,5</b>	<b>297,0</b>
Fixed assets	245,7	110,7	0,2	45,3	401,8
Operating margin	33%	23%	44%	12%	31%
Number of active customers	268,800	82,000	68,500	147,500	566,800
Number of active accounts	374,500	101,400	88,800	170,300	735,000
Net savings (SEKmn)	2,656	3,744	7,122	779	14,301
Savings capital (SEKbn)	113	27	44	50	235
Number of trades	12,277,300	3,072,900	3,961,200	3,620,100	22,931,500
Average number of employees <sup>1)</sup>	329	22	26	33	410

<sup>1)</sup> Nordic functions are included in Sweden

The management follows up on the development of the business in each country in terms of income items. The allocation of balance items per country is not reported.

Nordnet has operations in Sweden, Norway, Denmark and Finland, and operations are divided into three areas: Investments and savings, pensions and loans. Group-wide functions, such as Administration, IT, HR, Innovation, Analysis and Communication, brokers for the Swedish, Norwegian and Danish markets and the Swedish sales and service organization are located at the Stockholm office. The average number of employees was 426 as at 31 December 2017. The Norwegian sales and service organization is located in Oslo and the average number of employees was 22 as at 31 December 2016. The Danish sales and service organization is located in Copenhagen and the average number of employees was 26 as at 31 December 2016. The Finnish sales and service organization and Finnish brokers are located in Helsinki and the average number of employees was 30 as at 31 December 2015.

				
 Investment & savings	✓	✓	✓	✓
 Pension	✓	✓	✓	
 Margin lending	✓	✓	✓	✓
 Personal loans	✓			
 Mortgage	✓			

## Note 18 Group – Treasury bills and other eligible bills, etc.

	2017	2016
Treasury bills	988,537	222,527
Other interest bearing securities eligible for refinancing	14,914,657	13,905,028
<b>Total</b>	<b>15,903,194</b>	<b>14,127,555</b>
<b>Remaining term</b>		
Up to one month	312,634	444,623
One to three months	645,256	731,615
More than three months but no more than one year	6,991,801	3,083,558
More than one but no more than five years	7,815,609	9,915,954
More than five years	-	-
<b>Total</b>	<b>15,765,300</b>	<b>14,175,750</b>
<b>Average remaining term (years)</b>	<b>2</b>	<b>2</b>

## Note 19 Group – Lending to credit institutions

	2017	2016
Liquid assets	2,167,523	2,503,744
<b>Contains of</b>		
Loans to credit institutions	272,556	329,045
Assets in the insurance business	1,894,967	2,174,699
<b>Remaining term</b>		
Payable on demand	2,167,523	2,381,324
Up to one month	-	122,420
<b>Total, loans to credit institutions</b>	<b>2,167,523</b>	<b>2,503,744</b>
<b>Average remaining term (years)</b>	<b>0,0</b>	<b>0,0</b>

## Note 20 Group – lending to the public

	2017	2016
<b>Loan receivables per category of borrower</b>		
<b>Loan receivables, gross</b>	<b>11,889,080</b>	<b>9,550,276</b>
Of which unregulated loan receivables included in uncertain loan receivables	37,034	23,357
Of which unregulated loan receivables not included in uncertain loan receivables	19,326	21,692
Of which uncertain loan receivables	37,034	23,357
Less specific provisions for individually valued loan receivables	-35,092	-33,448
Less provisions for homogeneous groups of loan receivables, valued groupwise	-1,942	-436
<b>Loan receivables, net book value</b>	<b>11,852,046</b>	<b>9,516,392</b>
<b>Remaining term</b>		
Up to one month	5,834,839	6,383,499
One to three months	42,414	37,761
More than three months but no more than one year	222,991	196,629
More than one but no more than five years	1,343,368	1,172,284
More than five years	4,408,434	1,726,219
<b>Total</b>	<b>11,852,046</b>	<b>9,516,392</b>
<b>Average remaining term (years)</b>	<b>6.0</b>	<b>2.2</b>
<b>Given borrowers' places of domicile, the company's loan receivables are attributable to</b>		
Sweden	72.5%	68.4%
Norway	5.7%	7.4%
Finland	11.6%	12.0%
Denmark	10.2%	12.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Loan receivables are distributed as follows</b>		
Entrepreneurial households	3	67,906
Other households	8,246,024	5,973,628
General public overseas	3,305,725	3,044,958
Non-financial corporate sector	297,411	368,442
Other	2,883	61,458
<b>Total</b>	<b>11,852,046</b>	<b>9,516,392</b>
<b>Given borrowers' places of domicile, the company's reserve for anticipated credit losses is attributable to</b>		
Sweden	-27,882	-24,171
Norway	-5,922	-6,363
Finland	-2,471	-2,661
Denmark	-759	-689
<b>Total</b>	<b>-37,034</b>	<b>-33,884</b>

Of lending to the public, SEK 414.5 million (305.6) involves account credits that are fully covered by pledged cash and cash equivalents in endowment insurance plans and investment savings accounts (ISKs); the lending rate applied to the credits corresponds to the deposit rate on the pledged cash and cash equivalents.

Unsecured loans comprise SEK 3,682 million (3,154.3) of lending to the public. The remainder of lending to the public is secured by collateral in the form of securities.

## Note 21 Group – Bonds and other interest-bearing securities

	2017	2016
Issued by government bodies	510,769	-
Issued by other borrowers	1,438,239	1,357,784
<b>Total</b>	<b>1,949,008</b>	<b>1,357,784</b>

Interest-bearing securities entail investments of the company's surplus deposits – primarily in bonds.

<b>Remaining term</b>		
Up to one month	259,278	311,254
One to three months	83,032	62,500
More than three months but no more than one year	485,675	326,874
More than one but no more than five years	966,113	890,049
<b>Total</b>	<b>1,794,098</b>	<b>1,590,677</b>
<b>Average remaining term (years)</b>	<b>1.8</b>	<b>1.8</b>

## Note 22 Group – shares and participations

	2017	2016
Shares and participations, listed	14,341	10,571
Shares and participations, unlisted	44,843	-
<b>Total</b>	<b>59,184</b>	<b>10,571</b>

## Note 23 Group – assets and liabilities in the insurance operations

	2017	2016
<b>Financial assets where the policyholder bears the risk of investments</b>		
Shares and participations	39,797,974	35,459,400
Interest-bearing securities	1,076,976	1,285,723
Derivatives	363,225	234,583
Cash and cash equivalents <sup>1)</sup>	5,277,564	4,704,949
<b>Total assets in the insurance business</b>	<b>46,515,739</b>	<b>41,684,655</b>
<b>Liabilities in the insurance business</b>		
Life insurance provision	17,828	14,813
Fund insurance obligations	1,615,725	1,285,973
Conditional bonus	44,882,186	40,385,132
<b>Total liabilities in the insurance business</b>	<b>46,515,739</b>	<b>41,685,918</b>
Of which liabilities relating to investment contracts.	46,515,739	41,685,918

<sup>1)</sup> Allocated to loans to credit institutions SEK 1,894,967 thousand (2,174,699) and assets held for sale SEK 3,382,576 thousand (2,530,250).

All assets in the insurance operations entail assets for which the policyholders bear the direct investment risk. For liabilities in the insurance operations pertaining to investment contracts, the policyholders bear the direct risk. This entails that the policyholders receive a return but are also responsible for the risk that assets and liabilities in the insurance operations incur. The Group is not entitled to cash flow attributable to the invested funds.

Both the assets and the liabilities are assessed according to the category financial assets and liabilities valued at fair value via the income statement. The net effect on earnings of acquired securities, unrealized changes in value, realized changes in value, interest and dividends received and changes in value of the debt is zero.

## Note 24 Group – intangible fixed assets

Group, SEK thousands	Goodwill		Brands		Customer base		Capitalized expenditure on development work		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Accumulated costs</b>										
On 1 January	224,542	216,719	12,050	12,050	339,033	327,030	347,772	305,119	923,397	860,918
Acquisition	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	87,981	42,560	87,981	42,560
Conversion differences for the year	-4,206	7,823	-	-	964	12,003	-54	93	-3,296	19,919
	<b>220,336</b>	<b>224,542</b>	<b>12,050</b>	<b>12,050</b>	<b>339,997</b>	<b>339,033</b>	<b>435,699</b>	<b>347,772</b>	<b>1,008,082</b>	<b>923,397</b>
<b>Accumulated amortization and impairments</b>										
On 1 January	-32,210	-32,210	-12,020	-12,010	-226,122	-186,110	-278,250	-240,856	-548,602	-471,186
Amortization for the year	-	-	-10	-10	-32,959	-32,965	-43,355	-37,301	-76,324	-70,276
Conversion differences for the year	-	-	-	-	-1,055	-7,047	50	-93	-1,005	-7,140
	<b>-32,210</b>	<b>-32,210</b>	<b>-12,030</b>	<b>-12,020</b>	<b>-260,136</b>	<b>-226,122</b>	<b>-321,555</b>	<b>-278,250</b>	<b>-625,931</b>	<b>-548,602</b>
<b>Carrying amount at the end of the year</b>	<b>188,126</b>	<b>192,332</b>	<b>20</b>	<b>30</b>	<b>79,861</b>	<b>112,911</b>	<b>114,144</b>	<b>69,522</b>	<b>382,151</b>	<b>374,795</b>

### Goodwill and acquisition-related intangible assets

Nordnet has carried out a number of strategic acquisitions during the years that have resulted in intangible assets with indefinite useful lives. A useful life is determined as indeterminate in the event an asset's expected ability to contribute financial benefits cannot be determined.

Goodwill represents the positive difference between acquisition cost and fair value of the Group's share of the acquired company's net assets on the acquisition date and is recognized at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (CGU) and is tested annually to identify any impairment need using a valuation model based on discounted future cash flows. Other acquisition-related intangible assets consist mainly of brands and customer relationships, which are recognized at fair value on the acquisition date and subsequently at cost less accumulated impairment losses. Acquisition-related intangible assets with an indefinite useful life are tested annually for impairment in the same way as goodwill.

Goodwill and intangible assets with indefinite useful lives are allocated to a CGU comprising the respective countries in which Nordnet operates. Each year, the Group examines if there is any impairment need for goodwill and intangible assets with indefinite useful lives. The recovery value for CGUs has been set by calculating utility value. These calculations are based on estimated future cash flows based on financial projections approved by management and covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate.

The main assumptions in the three-year plan are management's assessment of net profit, including credit losses, growth in each economy and development of risk-weighted assets.

In order to extrapolate cash flows beyond the budget period, a growth rate of 2 percent has been used. Due to the long-term nature of the investments, an assessment has been made for perpetual cash flow. The use of perpetual cash flow is motivated by the fact that all cash-generating units are part of the Group's domestic markets, for which there are no intentions to leave. The long-term growth assumption is based on external assessments as well as the Group's experience and assessment of growth in the banking sector in relation to GDP growth and inflation.

In addition, an average discount rate in local currency before tax has been used. The discount rate has been determined by calculating the weighted capital cost (WACC) for each country, which is based on the market's risk-free interest rate, the market's return requirement and the specific risk of the asset. The discount rate is in the range 7.78–12.02 (7.57–8.73) percent before tax, which corresponds to the calculated return requirement for each country. Net cash flow refers to the amount theoretically available as a dividend or alternatively contributed as a capital contribution taking into account that capital adequacy rules or solvency rules are met.

SEK thousands	Goodwill		Brands		Customer base	
	2017	2016	2017	2016	2017	2016
<b>Sweden</b>						
AD Aktiedirekt AB	29,697	29,697	-	-	-	-
Deriv a Financial Services AB	6,876	6,876	-	-	-	-
Konsumentkredit	63,749	63,749	20	30	29,644	46,531
Operations acquired from Öhman	5,899	5,899	-	-	-	-
Customers acquired from Öhman	-	-	-	-	-	-
Shareville	2,312	2,312	-	-	-	-
<b>Total Sweden</b>	<b>108,533</b>	<b>108,533</b>	<b>20</b>	<b>30</b>	<b>29,644</b>	<b>46,531</b>
<b>Finland</b>						
eQ	-	-	-	-	29,895	41,327
Finska provinsbankerna (POP)	-	-	-	-	462	1,046
<b>Total Finland</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,357</b>	<b>42,373</b>
<b>Norway</b>						
Stocknet Securities AS	79,593	83,799	-	-	19,860	24,007
<b>Total Norge</b>	<b>79,593</b>	<b>83,799</b>	<b>-</b>	<b>-</b>	<b>19,860</b>	<b>24,007</b>
<b>Total</b>	<b>188,126</b>	<b>192,332</b>	<b>20</b>	<b>30</b>	<b>79,861</b>	<b>112,911</b>

The value of the customer base predominantly entails that in Konsumentkredit. In connection with the acquisition, this was calculated at SEK 152.0 million. This value is amortized over a period of nine years. The carrying amount is SEK 29.6 million with a remaining period of amortization of 1.8 years.

The Finnish customer base is attributable to the acquisition of eQ and POP. The customer base in eQ was valued at SEK 148.0 million (EUR 14.1 million). The depreciation takes place over eleven years, reflecting the estimated useful life. The carrying amount is SEK 29.9 million (EUR 3.0 million), with a remaining period of amortization of 2.6 years.

The customer base in the acquisition of the Finnish Province Banks (POP) was originally acquired at SEK 4.0 million (EUR 0.5 million) and is amortized over a period of eight years with a remaining period of amortization of 0.8 years. The carrying amount is SEK 0.5 million (EUR 47 thousand).

The Norwegian customer base value was identified in connection with the acquisition of Stocknet Securities ASA. The carrying amount is SEK 19.9 million (NOK 19.9 million). The amortization period is 20 years, reflecting the estimated useful life. with a remaining period of amortization of 6.8 years.

All development costs that meet the criteria of IAS 38 are capitalized in the form of capitalized development costs for development work. Costs for improvements are expensed on a continual basis in the income statement. The most significant items relating to capitalized development costs comprise implementation costs for MiFID II, project costs related to Next Nordnet and ODDS. The carrying amount for MiFID II amounts to SEK 21.6 million; for Next Nordnet, 15.6 SEK million; and for ODDS, SEK 10.8 million. Development is ongoing and the depreciation period is on

straight-line basis over three years. Balanced personnel-related expenses amount to SEK million 22.8 (21.6).

## Note 25 Group – tangible fixed assets

Group, SEK thousands	2017	2016
<b>Accumulated cost</b>		
On 1 January	211,512	200,570
Acquisitions	29,134	9,913
Divestments and disposals	-8,044	-249
Conversion differences for the year	71	1,278
<b>Total</b>	<b>232,673</b>	<b>211,512</b>
<b>Accumulated depreciation</b>		
On 1 January	-184,532	-171,232
Depreciation for the year	-14,134	-12,594
Divestments and disposals	8,044	249
Conversion differences for the year	-195	-955
<b>Total</b>	<b>-190,817</b>	<b>-184,532</b>
<b>Carrying amount at the end of the year</b>	<b>41,856</b>	<b>26,980</b>

Accumulated acquisition values include fees for improvement of someone else's property, amounting to SEK 53,152 thousand (37,637), which relates to subsidiary Nordnet Bank AB. The depreciation plan is based on a useful life of 60 months, and the residual value according to plan amounts to SEK 18,367 thousand (3,045). A linear method is used when depreciating tangible fixed assets.

## Note 26 Group – other assets

Other assets	2017	2016
Liquid fund receivables regarding unsettled transactions	2,687,719	2,309,190
Other assets	61,937	76,351
<b>Total</b>	<b>2,749,656</b>	<b>2,385,541</b>

Gross liquid fund receivables amount to SEK 2,692,154 thousand (2,313,612).

Other assets are made up entirely of current receivables due within a year.

The table below describes the balance sheet items that are the basis for net recognition. Other items are reported gross in the balance sheet.



31/12/2017			
SEK million	Gross amount for assets	Gross amount for liabilities set off against assets	Net amount in the Balance Sheet
<b>Other assets</b>			
Unsettled transactions	2,692,2	-4,4	2,687,8
<b>Total</b>	<b>2,692,2</b>	<b>-4,4</b>	<b>2,687,8</b>
<b>Other liabilities</b>			
Unsettled transactions	2,475,8	-4,4	2,471,4
<b>Total</b>	<b>2,475,8</b>	<b>-4,4</b>	<b>2,471,4</b>

31/12/2016			
SEK million	Gross amount for assets	Gross amount for liabilities set off against assets	Net amount in the Balance Sheet
<b>Other assets</b>			
Unsettled transactions	2,313,6	-4,4	2,309,2
<b>Total</b>	<b>2,313,6</b>	<b>-4,4</b>	<b>2,309,2</b>
<b>Other liabilities</b>			
Unsettled transactions	2,115,6	-4,4	2,111,2
<b>Total</b>	<b>2,115,6</b>	<b>-4,4</b>	<b>2,111,2</b>

## Note 27 Group – prepaid expenses and accrued income

Prepaid expenses and accrued income	2017	2016
Prepaid expenses	55,826	29,375
Accrued interest income	32,253	37,872
Other accrued income	52,722	38,021
<b>Total</b>	<b>140,801</b>	<b>105,268</b>

## Note 28 Group – liabilities to credit institutions

	2017	2016
<b>Remaining maturity</b>		
Up to one month	-	-
<b>Summa</b>	<b>-</b>	<b>-</b>
<b>Average remaining maturity (years)</b>	<b>-</b>	<b>-</b>

## Note 29 Group - deposits and borrowing by the public

These amounts relate to borrowing and are defined as the balances of the accounts covered by the depositor guarantee and the Norwegian equivalent. These amounts relate to the entire balance of the accounts without taking into account the amount restriction applicable to the depositor guarantee.

Borrowing from the general public is in Nordnet Bank AB payable in its entirety upon request.

## Note 30 Group – other liabilities

<b>Other liabilities</b>	<b>2017</b>	<b>2016</b>
Liquid fund liabilities regarding unsettled transactions	2,471,354	2,111,150
Accounts payable	44,263	22,655
Other liabilities	28,415	34,409
<b>Total</b>	<b>2,544,032</b>	<b>2,168,214</b>

Gross liquid fund liabilities for the year amount to SEK 2,475,789 thousand (2,115,572).

Other liabilities are current liabilities – that is, they fall due for payment within 12 months of the balance sheet date.

For information on settlement of fund cash and equivalents, receivables and liabilities, see Note 27.

## Note 31 Group - accrued expenses and deferred income

<b>Accrued expenses and deferred income</b>	<b>2017</b>	<b>2016</b>
Holiday pay liability	19,858	17,972
Accrued social expenses	11,790	8,988
Accrued special payroll tax	7,409	12,051
Other accrued payroll expenses	5,224	5,044
Loan Broker Commissions	37,675	40,446
Consumer Lending	-	2,995
Other accrued expenses	65,864	55,365
Deferred income	73	500
<b>Total accrued expenses and deferred income</b>	<b>147,893</b>	<b>143,361</b>

Accrued expenses and deferred income are current liabilities in their entirety; i.e. they fall due for payment within 12 months of the balance sheet date.

## Note 32 Group – equity

<b>Equity</b>	<b>2017</b>	<b>2016</b>
<b>Translation reserve</b>		
Opening balance	-83,328	-101,643
Translation difference, foreign subsidiary	-2,994	19,244
Tax on taxable part of translation difference, foreign subsidiaries	-1,541	-929
<b>Closing balance</b>	<b>-87,863</b>	<b>-83,328</b>
<b>Fair value reserve</b>		
Opening balance	23,952	-11,693
Change in value, available-for-sale assets	-3,956	35,645
<b>Closing balance</b>	<b>19,996</b>	<b>23,952</b>
<b>Total</b>		
Opening balance	-59,376	-113,336
Translation difference, foreign subsidiary	-4,535	18,315
Change in value, available-for-sale assets	-3,956	35,645
<b>Closing balance</b>	<b>-67,867</b>	<b>-59,376</b>

A summary of changes in equity can be found in the Group's statement of changes in equity.

During the year, market value changes on financial assets available for sale affected equity (net after tax) negatively by SEK 4.0 million (35.6).

## Reserve for translation differences

The reserve for translation differences comprises all foreign exchange differences arising on translation of the financial statements of foreign operations that prepare their financial statements in a currency other than that applied in the consolidated accounts.

## Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of holdings in the category of available for sale financial assets until the asset is removed from the statement of financial position. Any impairment is recognized in the income statement.

## Note 33 Group – contingent liabilities

Contingent liabilities	2017	2016
<b>Other pledged assets</b>		
Obligations and other interest-bearing stock <sup>1)</sup>	1,968,483	2,135,704
	<b>1,968,483</b>	<b>2,135,704</b>
<b>The above relates to collateral</b>		
Deposits with credit institutions	1,692,232	1,833,774
Deposits with clearing houses	276,251	301,930
	<b>1,968,483</b>	<b>2,135,704</b>
<b>Total assets pledged</b>	<b>1,968,483</b>	<b>2,135,704</b>
<b>Contingent liabilities</b>		
Funds managed on behalf of third parties (client funds account)	189,635	194,729
	<b>189,635</b>	<b>194,729</b>
<b>Commitments</b>		
Credit granted but not yet paid, unsecured loans	907,008	164,667
	<b>907,008</b>	<b>164,667</b>

<sup>1)</sup> This amount includes blocked funds of SEK 82 (85) million

Pledged assets 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 and counterparties in these transactions are credit institutions. The transactions are primarily short-term with a duration of less than three months.

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

As both repurchase agreements and other pledged assets entail that the securities are returned to Nordnet, all risks and rewards associated with the transferred instruments at Nordnet remain, even if they are not available to Nordnet during the period in which they are transferred. The other party to the transaction holds securities as collateral but has no right to any other assets in Nordnet. The securities are still recognized in the balance sheet and reported, as well as related liabilities, at fair value.

As at the balance sheet date of 31 December 2017, the insurance operations held registered assets amounting to SEK 46,516,41,685 million (35,995) to which the policyholders have priority rights.

In addition to the commitments specified in the table above, SEK 7,021 million (6,864) of a credit facility related to possible securities-collateralized borrowing remained unutilized at the end of the period. For each customer, the credit size is restricted by the minimum amount of credit limit, which is set individually per customer by the company, and the collateral value of security holdings. Credit agreements can be terminated with 60 days' notice. The leverage value of a security can be changed instantly.

## Note 34 Group – financial instruments

### Categorization of financial instruments

2017	Loans and accounts receivable	Financial assets at fair value		Financial assets held to maturity	Available-for-sale financial assets	Reported value	Fair value
Assets		Held for trading	Through P&L				
Treasury bills and other interest bearing securities eligible for refinancing	-	-	-	6,562,322	9,340,874	15,903,196	15,919,482
Loans to credit institutions	272,556	-	-	-	-	272,556	272,556
Loans to the general public	11,852,046	-	-	-	-	11,852,046	11,852,046
Bonds and other interest bearing securities	-	-	-	717,173	1,231,835	1,949,008	1,949,008
Shares and participations	-	-	59,184	-	-	59,184	59,184
Assets in the insurance business	1,894,988	363,225	40,874,950	-	3,382,576	46,515,739	46,515,739
Other assets	2,749,656	-	-	-	-	2,749,656	2,749,656
Accrued income	140,801	-	-	-	-	140,801	140,801
<b>Total assets</b>	<b>16,910,047</b>	<b>363,225</b>	<b>40,934,134</b>	<b>7,279,495</b>	<b>13,955,285</b>	<b>79,442,186</b>	<b>79,458,472</b>
Liabilities	Financial liabilities at fair value		Other financial liabilities	Reported value	Fair value		
	Held for trading	Through P&L					
Deposits and borrowing from the general public	-	-	29,063,690	29,063,690	29,063,690		
Liabilities in the insurance business	-	46,515,739	-	46,515,739	46,515,739		
Other liabilities	-	-	2,528,396	2,528,396	2,528,396		
Accrued expenses	-	-	147,893	147,893	147,893		
<b>Total liabilities</b>	<b>-</b>	<b>46,515,739</b>	<b>31,739,979</b>	<b>78,255,718</b>	<b>78,255,718</b>		

2016	Loans and accounts receivable	Financial assets at fair value		Financial assets held to maturity	Available-for-sale financial assets	Reported value	Fair value
Assets		Held for trading	Through P&L				
Treasury bills and other interest bearing securities eligible for refinancing	-	-	-	3,526,022	10,601,533	14,127,555	14,143,165
Loans to credit institutions	329,045	-	-	-	-	329,045	329,045
Loans to the general public	9,516,392	-	-	-	-	9,516,392	9,516,392
Bonds and other interest bearing securities	-	-	-	-	1,357,784	1,357,784	1,357,784
Shares and participations	-	-	10,571	-	-	10,571	10,571
Assets in the insurance business	2,174,699	234,583	36,745,123	-	2,530,250	41,684,655	41,684,655
Other assets	2,385,541	-	-	-	-	2,385,541	2,385,541
Accrued income	105,268	-	-	-	-	105,268	75,893
<b>Total assets</b>	<b>14,510,945</b>	<b>234,583</b>	<b>36,755,694</b>	<b>3,526,022</b>	<b>14,489,567</b>	<b>69,516,811</b>	<b>69,503,046</b>
Liabilities	Financial liabilities at fair value		Other financial liabilities	Reported value	Fair value		
	Held for trading	Through P&L					
Liabilities to credit institutions	-	-	-	0	0		
Deposits and borrowing from the general public	-	-	24,426,599	24,426,599	24,426,599		
Liabilities in the insurance business	-	41,685,918	-	41,685,918	41,685,918		
Other liabilities	-	-	2,168,214	2,168,214	2,153,984		
Accrued expenses	-	-	143,361	143,361	85,001		
<b>Total liabilities</b>	<b>-</b>	<b>41,685,918</b>	<b>26,738,174</b>	<b>68,424,092</b>	<b>68,351,502</b>		

### Determination of fair value of financial instruments

When the Group determines fair values for financial instruments, different methods are used depending on the degree of observability of market data in the valuation and the market activity. An active market is considered either a regulated or reliable trading venue where

quoted prices are easily accessible with regularity. An ongoing assessment of the activity is done by analyzing factors such as differences in buying and selling prices.

The methods are divided into three different levels:

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

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

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

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

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

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

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

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

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

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

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

## Financial instruments are recognized at fair value

2017	Valuation model			Total
	Listed market price on active market	based on observable market data	Estimates using valuation models	
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	9,340,874	-	-	<b>9,340,874</b>
Bonds and other interest bearing securities	1,231,835	-	-	<b>1,231,835</b>
Shares and participations	14,341	-	44,843	<b>59,184</b>
Assets in the insurance business <sup>1)</sup>	46,216,382	299,357	-	<b>46,515,739</b>
<b>Subtotal</b>	<b>56,803,432</b>	<b>299,357</b>	<b>44,843</b>	<b>57,147,632</b>
<b>Financial assets where fair value is given for information purposes</b>				
Loans to credit institutions	-	272,556	-	<b>272,556</b>
Loans to the general public	-	11,852,046	-	<b>11,852,046</b>
Financial assets held to maturity	-	7,279,492	-	<b>7,279,492</b>
<b>Subtotal</b>	<b>-</b>	<b>19,404,094</b>	<b>-</b>	<b>19,404,094</b>
<b>Total</b>	<b>56,803,432</b>	<b>19,703,451</b>	<b>44,843</b>	<b>76,551,726</b>
<b>Financial liabilities at fair value</b>				
Liabilities in the insurance business, investment contracts	-	46,515,739	-	<b>46,515,739</b>
<b>Total</b>	<b>-</b>	<b>46,515,739</b>	<b>-</b>	<b>46,515,739</b>
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>46,515,739</b>	<b>-</b>	<b>46,515,739</b>

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

<sup>2)</sup> SEK 3,382 576 relates to re-investments in bonds and SEK 1,894 967 relates to cash and cash equivalents.

2016				
<b>Financial assets at fair value</b>				
Treasury bills and other interest bearing securities eligible for refinancing	10,601,533	-	-	<b>10,601,533</b>
Bonds and other interest bearing securities	1,357,784	-	-	<b>1,357,784</b>
Shares and participations	10,571	-	-	<b>10,571</b>
Assets in the insurance business <sup>1)</sup>	41,351,309	333,346	-	<b>41,684,655</b>
<b>Subtotal</b>	<b>53,321,197</b>	<b>333,346</b>	<b>-</b>	<b>53,654,543</b>
<b>Financial assets where fair value is given for information purposes</b>				
Loans to credit institutions	-	329,045	-	<b>329,045</b>
Loans to the general public	-	9,516,392	-	<b>9,516,392</b>
Financial assets held to maturity	-	3,526,022	-	<b>3,526,022</b>
<b>Subtotal</b>	<b>-</b>	<b>13,371,459</b>	<b>-</b>	<b>13,371,459</b>
<b>Total</b>	<b>53,321,197</b>	<b>13,704,805</b>	<b>-</b>	<b>67,026,002</b>
<b>Financial liabilities at fair value</b>				
Liabilities in the insurance business, investment contracts	-	41,685,918	-	<b>41,685,918</b>
<b>Total</b>	<b>-</b>	<b>41,685,918</b>	<b>-</b>	<b>41,685,918</b>
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>41,685,918</b>	<b>-</b>	<b>41,685,918</b>

<sup>1)</sup> 2,530,250 refers to reinvestments in bonds and 2,174,699 refers to liquid assets.

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 estimate of fair value on initial recognition.

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

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

## Note 35 Capital adequacy information

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

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

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

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

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

The conglomerate's capital base shall cover the minimum capital requirements under the Supervision regulation and the Solvency Requirement under the Insurance Companies Act. The rules contribute to strengthening the Group's resilience to financial losses and thereby protecting

customers. For the determination of the financial conglomerate's regulatory capital requirement, 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. The Group-based accounts have been compiled in accordance with the same accounting principles as the consolidated accounts.

## The financial conglomerate

<b>Capital requirements financial conglomerate</b> <b>SEK million</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Total equity	2,024,7	1,978,9
Less demands on prudent valuation	-14,0	-14,5
Less proposed/assumed dividend	-100,0	-175,0
<b>Total equity financial conglomerates</b>	<b>1,910,7</b>	<b>1,789,4</b>
Less intangible fixed assets and deferred tax receivables	-382,2	-374,8
Solvency capital (MF)	679,9	776,0
Less risk margin	-122,2	-170,8
<b>Capital base</b>	<b>2,086,2</b>	<b>2,019,7</b>
<b>Capital requirement per sector</b>		
Exposure regulated entities, insurance sector	480,9	515,0
Exposure regulated entities, the banking and securities sector	944,1	886,5
<b>Capital requirement</b>	<b>1,424,9</b>	<b>1,401,4</b>
<b>Excess capital</b>	<b>661,1</b>	<b>618,2</b>
<b>Capital base/capital ratio</b>	<b>1,5</b>	<b>1,4</b>

## Capital base and capital requirements for the consolidated situation

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

In order to establish statutory capital requirements for the consolidated situation, Regulation (EU) 575/2013 of the European Parliament and of the Council on supervisory requirements for credit institutions and investment firms, Capital Requirements regulation; the Capital Buffers Act (2014:966), and the Swedish Financial Supervisory Authority's regulations (FFFS 2014:12) on supervisory requirements and capital buffers all apply.

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

Nordnet applies the standard method for calculating capital requirements for credit risk, which entails seventeen exposure classes with a variety of risk weights within each class. Credit risk is calculated on all asset items in the balance sheet not deducted from the capital base. Capital base requirement for exchange rate risk comprises all items in and outside the balance sheet valued at current market value and converted to Swedish kronor at the balance sheet date. (Capital adequacy requirements for credit rating adjustment risk are calculated in accordance with the standardized approach and refer to positions in OTC derivatives not cleared by a qualified central counterparty.) 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.

Capital requirements for the trading portfolio are calculated according to the rules for credit risk. The combined buffer requirement amounts to 4.2 percent of risk-weighted exposure amounts and consists of a capital conservation buffer (2.5 percent) and a countercyclical buffer (1.7 percent).

Core Tier 1 capital consists of equity reduced for items not included in the capital base, such as intangible assets, deferred tax assets and value adjustments. Deductions for value adjustments are made using the simplified method for financial instruments valued at fair value as regulated by Regulation (EU) 2016/101 on prudent valuation. Profit for the period or year is included in the event that external auditors have verified the profit and permission has been obtained from the Swedish Financial Supervisory Authority. Deductions are made for foreseeable costs and possible dividends under Commission Delegated Regulation (EU) 241/2014.

## The consolidated situation

<b>Capital requirements consolidated situation</b> SEK million	31/12/2017	31/12/2016
Total equity	1,986,8	1,840,7
Requirements for prudent valuation	-14,0	-14,5
Deduction for expected dividend current year	-100,0	-175,0
Deduction for intangible fixed assets and deferred tax receivables	-368,1	-355,8
<b>Tier 1 capital</b>	<b>1,504,7</b>	<b>1,295,4</b>
<b>Capital base</b>	<b>1,504,7</b>	<b>1,295,4</b>
<b>Risk exposures</b>		
Exposure credit risk according to standardized approach	6,543,3	5,789,4
Exposure market risk	6,6	18,5
Exposure operational risk	2,098,3	1,957,4
<b>Total exposure</b>	<b>8,648,2</b>	<b>7,765,3</b>
<b>Capital ratio</b>	<b>17,4%</b>	<b>16,7%</b>
<b>Capital requirements</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Credit risk according to standardized approach	523,5	463,2
Market risk	0,5	1,5
Operational risk	167,9	156,6
<b>Capital requirement Tier 1</b>	<b>691,9</b>	<b>621,3</b>
<b>Capital Requirement Tier 2</b>	<b>252,2</b>	<b>265,3</b>
<b>Total Capital Requirement</b>	<b>944,1</b>	<b>886,6</b>
<b>Capital ratios and buffers</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
Common equity tier 1 ratio, %	17,4%	16,7%
Tier 1 ratio, %	17,4%	16,7%
Total capital ratio, %	17,4%	16,7%
Institution-specific buffer requirements, %	4,2%	3,7%
of which capital conservation buffer requirement, %	2,5%	2,5%
Countercyclical buffer requirements %	1,7%	1,2%
Total capital requirement including buffer requirement, %	15,1%	15,2%
Common equity tier 1 capital available for use as a buffer, %	9,4%	8,7%

## Internally assessed capital requirement

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

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

In addition to the minimum capital requirement and the buffer requirements, Nordnet has calculated the internal capital requirement to SEK 252.2 (265.3) million. An IKLU is also established for the consolidated situation based on the Bank's documents. This is considered to be a satisfactory capital situation with regard to the activities that Nordnet conducts. Capital ratio is monitored continuously and, if necessary, results are reviewed during the current financial year by the company's external auditors, to be included in the capital base.

## Note 36 Parent Company – net sales

Net sales are made up entirely of internal Group invoicing, referring to administrative services.

## Note 37 Parent Company – other external expenses

Other external expenses	2017	2016
<b>Audit services</b>		
Ernst & Young	-	-719
Deloitte	-368	
<b>Audit services beyond the assignment</b>		
Ernst & Young	-	-394
Deloitte	-98	
<b>Tax services</b>		
Ernst & Young	-	-
Deloitte	-20	
<b>Other services</b>		
Ernst & Young	-280	-
Deloitte	-	-
<b>Total audit services</b>	<b>-766</b>	<b>-1,113</b>

## Note 38 Parent Company – personnel expenses

	2017	2016
<b>Salaries and other remuneration</b>		
Board members, Chief Executive Officer and corresponding officials <sup>1)</sup>	-11,999	-6,406
<b>Total salaries and other remuneration</b>	<b>-11,999</b>	<b>-6,406</b>
<b>Social security expenses</b>		
Board members, Chief Executive Officer and corresponding officials	-4,338	-1,553
<b>Total social securities expenses</b>	<b>-4,338</b>	<b>-1,553</b>
<b>Pension expenses</b>		
Board members, Chief Executive Officer and corresponding officials	-1,881	-2,042
<b>Total pension expenses</b>	<b>-1,881</b>	<b>-2,042</b>
<b>Other payroll expenses</b>	<b>-150</b>	<b>-32</b>
<b>Total personnel expenses</b>	<b>-18,368</b>	<b>-10,033</b>

<sup>1)</sup> For other disclosures regarding personnel expenses and remuneration to the Board, CEO and other senior executives, please see Note 12.

<b>Average number of employees</b>	2017	2016
<b>Total</b>	<b>1</b>	<b>1</b>
of whom women	-	-
of whom men	1	1

Employment in the Parent Company 2017 refers to the CEO part of the year.

## Note 39 Parent Company – profit from participations in Group companies

<b>Income from participations in group companies</b>	2017	2016
Dividend from subsidiaries	100,000	192,000
Group contributions received	8,432	7,097
	<b>108,432</b>	<b>199,097</b>

## Note 40 Parent Company – other interest income and expenses

<b>Other interest income and interest expenses</b>	2017	2016
Intra Group interest income	10	3
Other interest income, external counterparties	-	25
Intra Group interest expenses	-779	-1,066
	<b>-769</b>	<b>-1,038</b>

## Note 41 Parent Company – taxes

	2017		2016	
<b>Tax charged to income</b>				
Current tax expense (-)/tax income (+)				
Adjusted tax from previous year		-		-277
<b>Tax on profit for the year</b>		-		-277
<b>Reconciliation of effective tax</b>				
Profit before tax		101,934		188,837
Tax as per current tax rate for the Parent company	22,0%	-22,425	22,0%	-41,544
Effect of dividend from subsidiaries	-21,6%	22,000	-22,4%	42,240
Effect of impairment of shares in subsidiaries	0,0%	-	0,0%	0
Effect of other non-deductible expenses / non-taxable income	-0,3%	351	0,4%	-696
Effect of tax deficits	-0,1%	75	0	-
Effect of adjusted tax from previous year	0,0%	-	0,1%	-277
<b>Reported effective tax</b>	<b>0,0%</b>	<b>-</b>	<b>0,1%</b>	<b>-277</b>

## Note 42 Parent Company – shares in group companies

Name	Corporate ID	Headquarters	% of share capital	% of votes	Number of shares	Book value
Nordnet Pensionsförsäkring AB	516406-0286	Stockholm	100,00%	100,00%	285,000	126,506
- Nordnet Liv AS	991008144	Oslo	100,00%	100,00%		
Nordnet Venture AB	556541-9057	Stockholm	100,00%	100,00%	3,200,000	76,654
- Shareville AB	556806-7200	Stockholm	100,00%	100,00%	178,000	
Nordnet Bank AB	516406-0021	Stockholm	100,00%	100,00%	480,001	1,035,941
<b>Total</b>						<b>1,239,101</b>

	2017	2016
<b>Accumulated acquisition value</b>		
On 1 January	1,388,144	1,411,283
Fusion of VCW Internet Services AB	-	-24,902
Shareholders' contribution to Nordnet Venture AB	30,000	-
Nordnet Bank AB, contributed capital, shareplan	6,828	1,763
<b>Total</b>	<b>1,424,972</b>	<b>1,388,144</b>
<b>Accumulated impairments</b>		
On 1 January	-185,871	-208,773
Fusion of VCW Internet Services AB	-	22,902
<b>Total</b>	<b>-185,871</b>	<b>-185,871</b>
<b>Carrying amount</b>	<b>1,239,101</b>	<b>1,202,273</b>

Comparative figures in the above table have been adjusted.

## Note 43 Parent Company – other receivables

	2017	2016
<b>Other receivables</b>		
Tax receivable	3,784	3,784
Other	72	609
<b>Total</b>	<b>3,856</b>	<b>4,393</b>

## Note 44 Parent Company – prepaid expenses and accrued income

<b>Prepaid expenses and accrued income</b>	<b>2017</b>	<b>2016</b>
Prepaid insurance expenses	1,122	1,079
Other prepaid expenses	28	177
<b>Total</b>	<b>1,150</b>	<b>1,256</b>

## Note 45 Parent Company – equity

Details of changes in equity are given in the statement of changes in Parent Company equity.

As at 31 December 2017, registered share capital amounted to 175,027,886 (175,027,886) series B shares with a quoted value of SEK 1.00 per share.

In 2017, Nordnet AB (publ) bought back 573,301 own shares. The number of shares outstanding amounts to 175,027,886 (174,413,807).

Restricted equity pertains to share capital of SEK 175,028 thousand (175,028).

Other unrestricted reserves amounting to SEK 262,111 thousand (262,111) refers to funds that have been transferred from the reserve fund and are available for dividend distribution to shareholders.

## Note 46 Parent Company – other current liabilities

<b>Other short-term liabilities</b>	<b>2017</b>	<b>2016</b>
Accounts payable	1,262	1,229
Other liabilities	1,348	207
<b>Total</b>	<b>2,610</b>	<b>1,436</b>

Other liabilities are current liabilities – that is, they fall due for payment within 12 months of the balance sheet date.

## Note 47 Parent Company – accrued expenses and deferred income

<b>Accrued expenses and prepaid income</b>	<b>2017</b>	<b>2016</b>
Accrued social security contributions	974	298
Accrued holiday pay	739	517
Accrued payroll tax	367	399
Accrued personell costs	1,361	883
Accrued director fees, including social charges	-	3,450
Accrued auditors fees	-	1,346
Other accrued expenses	5,477	29
<b>Total</b>	<b>8,918</b>	<b>6,922</b>

## Note 48 Parent Company – details of purchases and sales between Group companies

Of the Parent Company's total purchases and sales in terms of SEK, – percent (-) of purchases and 100 percent (100) of sales pertain to other Group companies.

Intra-Group interest income amounted to SEK 0 (0) million and intra-Group interest expenses amounted to SEK 0.8 million (1.1 million).

## Note 49 Group – events after the balance sheet date

No significant events, in addition to the ordinary activities, have occurred after the end of the financial year.

## Note 50 – Proposed distribution of profits

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

Share premium reserve	187,818,992
Non-restricted reserve	262,110,645
Profit brought forward	485,019,954
Profit of the year	101,935,009
<b>Total</b>	<b>1,036,884,600</b>

**The Board proposes the following allocation:**

To shareholders, a dividend of SEK 0,57 per share, in total	100,000,000
Carried forward to next year	936,884,600
<b>Total</b>	<b>1,036,884,600</b>

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

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

Stockholm 21 March 2018

Hans Larsson  
Chairman of the Board

Tom Dinkelspiel  
Board member

Jan Dinkelspiel  
Board member

Christian Frick  
Board Member

Christopher Ekdahl  
Board Member

Pierre Siri  
Board Member

Per Widerström  
Board Member

Peter Dahlgren  
CEO

Our auditor's report was submitted on 21 March 2018.

Deloitte AB

Jan Palmqvist  
Authorized Public Accountant

# Key figures

Group	2017	2016	2015	2014	2013
Operating margin (%)	20%	31%	36%	31%	30%
Profit margin (%)	17%	25%	29%	26%	24%
Return on shareholders' equity (%)	11%	15%	20%	16%	15%
Return on assets (%)	0,3%	0,5%	0,6%	0,6%	0,6%
Shareholders' equity, SEK million	2,021,6	1,978,9	1,870,1	1,747,6	1,621,0
Capital base, SEK million	1,504,7	1,295,4	1,140,6	1,270,3	1,205,0
Capital coverage ratio	17,4%	16,7%	15,4%	16,0%	16,6%
Investments in tangible assets, SEK million <sup>1)</sup>	29,1	9,9	11,1	15,2	16,5
Investments in intangible assets excl. company acquisitions, SEK million <sup>1)</sup>	88,0	42,6	30,1	40,4	13,6
Of which, internal development expenses, SEK million	22,8	21,6	8,1	7,4	5,4
Number of full-time employees at end of period	474	405	427	385	332
<b>Customer-related key figures:</b>					
Number of active customers	669,300	566,800	490,400	432,600	394,700
Number of active accounts at end of the period	884,500	735,000	627,500	544,600	487,800
Net savings, SEK billion	17,3	14,3	12,9	16,3	8,7
Total savings capital at end of period, SEK billion	272	235	200	166	136
Average savings capital per active account at end of period, SEK	308,000	319,300	318,800	305,200	278,800
Cash deposits at end of period, SEK millions <sup>2)</sup>	34,341,2	29,131,5	23,726,7	19,725,6	15,406,4
Lending including pledged cash and cash equivalents at end of period, SEK millions	11,852,0	9,516,4	7,278,1	5,806,2	5,455,5
Lending excluding pledged cash and cash equivalents at end of period, SEK millions	11,437,5	9,210,8	7,086,4	5,619,6	5,368,3
Lending/deposits, %	35%	33%	31%	29%	34%
Number of trades for the year	26,181,300	22,931,500	19,831,700	14,642,500	13,565,700
Number of trades per day	105,100	91,400	80,000	59,300	54,700
Number of trades per active account per year	35,2	37,2	37,4	32,0	32,9
Number of trades per active account per month	2,9	3,1	3,1	2,7	2,7
Average net commission revenue per trade, SEK	18	20	24	25	24
Average net commission per trading day, SEK	2,685,100	2,562,100	2,716,400	2,146,000	1,925,300
Annual average income/savings capital (%)	0,5%	0,6%	0,6%	0,7%	0,8%
Average yearly income per account, SEK	1,535	1,755	2,112	2,099	2,118
Average yearly operating expenses per account, SEK	-1,186	-1,173	-1,262	-1,348	-1,391
Average yearly profit per account, SEK	349	582	850	751	727

<sup>1)</sup> Excluding acquisitions

<sup>2)</sup> Including cash and cash equivalents in the insurance operations



# Auditor's report

To the general meeting of the shareholders of Nordnet AB (publ), corporate identity number 556249-1687.

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Nordnet AB (publ) for the financial year 2017, except for the corporate governance statement on pages 40-53. The annual accounts and consolidated accounts of the company are included on pages 33-39 and pages 55-119 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 40-53. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Other disclosures

The audit of the annual accounts for the financial year 2016 was carried out by another auditor who submitted an audit report dated 17 March 2017 with unmodified statements in the Report on the annual accounts.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Commission income recognition

Commission income is an integral part of the Group's income. These consist of a number of different revenue streams such as commission in connection with the purchase and sale of securities, commission for the transfer of securities in connection with issuance of debt securities, sales of structured products and guaranteed issues and commissions from fund management operations.

Income recognition includes several risks, primarily regarding the interpretation and application of accounting principles, which include management's estimates of when income is to be reported as well as risks related to completeness and valuation. IT systems and applications are used for invoicing income, and a large amount of data is generated in these systems and applications when customers use Nordnet's services and networks. Therefore, we consider the recognition of commission income to be a key audit matter.

Refer to the related information on net commission income in Note 9.

Our audit procedures included testing and evaluation of design and effectiveness in controls for commission income recognition. This includes the evaluation of essential procedures and controls for income

recognition, including relevant IT systems and applications used for accounting and follow-up. We have also conducted analytical and detailed procedures for a selection of reported income.

Our substantive procedures has been conducted by comparing the pre-system with the accounts to ensure proper transfer. In order to ensure correct data in the pre-system, we have, on the basis of random selection, examined whether individual transactions have been registered based on the specified parameters.

Valuation and existence of financial instruments at fair value

Financial investment assets in both the insurance operations and banking operations are mostly financial instruments in an active market with quoted prices. To a lesser extent, there are holdings in financial instruments for which the valuation is based on market data other than quoted prices in the same instrument.

As at 31 December 2017, financial instruments measured at fair value comprised of assets of SEK 57,148 million and liabilities of SEK 46,516 million. For financial instruments that are actively traded and for which quoted market prices are available, there is a high degree of objectivity in determining market price (level 1). When observable and liquid market prices are not available, the fair value of financial instruments is subject to material uncertainty in the estimates (levels 2 and 3). The valuation of such instruments is determined through different valuation techniques, which often include significant judgments and estimates by management.

These instruments constitute a key audit matter in our audit due to the significant proportion of financial instruments measured at fair value and the impact of the inherent uncertainty and subjectivity in the assessment of levels 2 and 3 financial instruments.

Refer to the section on disclosures of financial instruments valued at fair value in Note 34.

Our audit procedures included testing and evaluation of design and effectiveness in identified key controls in the valuation process, including controls for data input to valuation models as well as independent valuation.

For level 1 instruments, we have examined fair value by comparing reported fair value with available public market data. For level 2 and 3 instruments, we evaluated management's assessments, tested source data, and randomly tested the values.

IT systems with a direct impact on financial reporting

Nordnet is dependent on IT systems to (1) serve customers, (2) support business processes, (3) ensure complete and accurate processing of financial transactions, and (4) support the overall framework for

internal control. Financial reporting depends on multiple systems. Several of Nordnet's internal controls for financial reporting are dependent on automated system controls with respect to completeness and integrity in reports generated by IT systems.

Given the high dependence on IT, we consider this to be a key audit matter in our audit. It is essential that permissions and access rights to systems and program modifications are adequately managed to ensure proper financial reporting.

Refer to the section on Operational risks in Note 7.

Our audit procedures included examination of general IT controls as well as assessment of whether Nordnet has satisfactory procedures for achieving the required IT security and environment to ensure proper financial reporting. Our procedures has focused on essential systems with direct impact on the financial statements. Our tests have included examination of access rights to programs and data, management of program modifications, and review of authorisation management.

Impairment of loans to customers

Accounting and valuation of loan receivables is a complex area requiring significant judgments and estimates by management to determine both the time and size of provisions for and impairment of loan receivables. Examples of judgments and estimates include the counterparty's financial condition, expected future cash flows, observable market prices and expected net realizable values. Different valuation models and assumptions can result in significant differences in the assessment of credit provision needs. Furthermore, the associated disclosure requirements are extensive and dependent on high quality data.

As at 31 December 2017, gross loans to the public amounted to SEK 11,852 million, with a loan provision of SEK 37 million. Given the significant portion of the Group's financial position as well as the impact of the inherent uncertainty and subjectivity in the assessment of credit provision needs, we consider this a key audit matter in our audit.

Refer to the section on critical judgments and estimates in Note 4, disclosure of credit risk in Note 7, and related disclosures on loan losses, net, in Note 15.

Our audit procedures included a combination of internal control testing of financial reporting and substantive procedures. The internal control review procedures included processes related to the organisation, duality and key controls in the lending process. Substantive procedures was performed by reviewing the credit loss models and loans past due but not impaired.

We have assessed that key controls within the credit provision process are adequately designed and efficiently functioning; including approval, registration and monitoring, evaluation of methodology, input data and assumptions in assessing and calculating credit provisioning needs.

We have examined the appropriateness of underlying models, assumptions and data used to measure loan loss provisions for loans with similar credit characteristics.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-31 and pages 127-131. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with Annual Accounts Act for Credit Institutions and Securities Companies and IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the

company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordnet AB (publ) for the financial year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We

are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description forms part of the auditor's report.

#### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 40-53 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB, was appointed auditor of Nordnet AB (publ) by the general meeting of the shareholders on April 25 2017 and has been the company's auditor since April 25, 2017.

Stockholm, March 21, 2018

Deloitte AB

Jan Palmqvist  
Authorised Public Accountant

# Definitions

## Active customer<sup>3</sup>

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

## Active account<sup>3</sup>

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

## Amount traded<sup>3</sup>

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

## Cash market<sup>3</sup>

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

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

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

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

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

## Client funds<sup>3</sup>

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

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

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

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

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

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

Non-transaction-related income relative to expenses.

## Deposits<sup>1</sup>

Deposits including deposits attributable to liabilities in the insurance operations.

## Lending

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.

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

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

## Net commission per trade

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

## Net savings

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

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

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

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

Operating profit in relation to operating income

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

Unsecured loans.

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

Profit for the period after tax in relation to operating income.

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

Assets on and commitments outside of the balance sheet, risk-weighted according to the capital adequacy rules for credit risk and market risk.

## Return on assets

Profit for the year in relation to average total assets. .

## Return on shareholders' equity

Profit for the year in relation to average equity.

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

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

## Solvency Capital Requirement (SCR)<sup>2</sup>

Estimated capital requirements under Solvency II regulations.

### Total savings capital<sup>3</sup>

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

### Trade

A registered transaction on the stock exchange or in

the marketplace. Orders sometimes involve several trades.

### Turnover rate<sup>3</sup>

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

#### <sup>1</sup> Alternative key figures

Definitions in accordance with IFRS and the EU's capital requirement regulation no. 575/2013 (CRR) and according to the EU's Solvency II directive 2015/35  
2-Regulation 2015/35

#### <sup>3</sup> Other definitions

### Alternative key figures

Alternative Performance Measures (APM) are financial measures of historical or future financial position, performance 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 indicators when it is relevant to describe our operations and follow up our financial situation. These measures are not directly comparable with similar key indicators presented by other companies

# Other sustainability information

The reporting of our sustainability work (Citizenship) has been in accordance the guidelines of the Global Reporting Initiative (GRI) since 2010. In the sustainability report for the calendar year 2017, the report follows GRI Standards, level Core. Nordnet's sustainability report 2017 has not been reviewed by an independent third party. The sustainability report comprises the Nordnet AB (publ) and includes all wholly owned subsidiaries and parent company NNB Intressenter AB.

## Nordnet GRI index

The list below reflects the GRI indicators that Nordnet has chosen to report 2017.

General Standard Information (all standards refer to version 2016)		Reference/ comment
GRI 102: General standard information		
102-1	Name of the organization	p.33
102-2	Main products and services	p.8-9
102-3	Location of the organization's headquarters	p.9
102-4	Countries where activities are conducted	p.9
102-5	Ownership structure and corporate form	p.40
102-6	Markets in which the organization operates	p.9
102-7	Size of organization	p.8-9, 37, 56-57, 97, 130
102-8	Total employees	p.130
102-9	Descriptions of the organization's value chain	p.22
102-10	Significant changes during the accounting period	p.34-35
102-11	The organization's adherence to the precautionary principle	p.130
102-12	Externally developed initiatives that the organization follows	p.18-21
102-13	Associations in which the organization is a member	p.23
102-14	Statement by CEO on the organization's sustainability strategy	p.5
102-16	Values, principles, standards and norms for performances	p.23-24
102-18	Statement of the company's corporate governance	p.40-54
102-19	Descriptions of the organization's values, codes of conduct etc.	p.22-23, 25
102-40	Interest groups with which the organization is in contact	p.128-129
102-41	Proportion of employees covered by collective agreements	p.29
102-42	Identification and selection of stakeholders	p.128-129
102-43	Procedures for communication with stakeholders	p.128-129
102-44	Issues raised through communication with stakeholders and management of these	p.128-129
102-45	Entities included in the report	p.127
102-46	Process for the definition of report contents	p.128-129
102-47	Identified essential sustainability areas	p.129
102-48	Effects of changes in previously reported information	No significant changes
102-49	Significant changes from previous reporting	No significant changes
102-50	Reporting period	p.127
102-51	Publication of most recent report	March 2017
102-52	Reporting Cycle	p.127
102-53	Contact person for questions regarding the report	See contact information at nordnetab.com
102-54	Statement on the report's compliance with GRI standards	p.17, 39, 127
120-55	GRI Index	p.127-128
102-56	External review	p.127

Subject-specific information (all standards refer to version 2016)		Reference/ comments
GRI 201: Economic development		
103-1, 103-2, 103-3	Sustainability governance	p.22
201-1	Generated and distributed financial value	p.22
GRI 203: Indirect economic impact		
103-1, 103-2, 103-3	Sustainability governance	p.18
203-1	Investments in infrastructure and services	p.18-21
203-2	Indirect economic effects	p.19
GRI 205: Anti-corruption		
103-1, 103-2, 103-3	Sustainability governance	p.22-24
205-2	Communication of guidelines on anti-corruption	p.23
GRI 302: Energy		
103-1, 103-2, 103-3	Sustainability governance	p.29
302-1	The organization's energy consumption	p.29-30
302-3	Energy intensity	p.30
GRI 305: Emissions		
103-1, 103-2, 103-3	Sustainability governance	p.29
305-1	Direct greenhouse gas emissions	p.30-31, 130-131
305-2	Indirect greenhouse gas emissions from energy consumption	p.30-31, 130-131
305-3	Other indirect greenhouse gas emissions	p.30-31, 130-131
305-4	Greenhouse gas emissions intensity	p.31, 130-131
GRI 401: Employment conditions and Working conditions		
103-1, 103-2, 103-3	Sustainability governance	p.25-27
401-1	Personnel turnover	p.26
GRI 403: Health and Safety		
103-1, 103-2, 103-3	Sustainability governance	p.27
403-2	Sick leave and work-related injuries	p.27
GRI 404: Education		
103-1, 103-2, 103-3	Sustainability governance	p.27
404-3	Development interview	p.25
GRI 405: Diversity & Equality		
103-1, 103-2, 103-3	Sustainability governance	p.27-29
405-1	Composition of the company	p.130
405-2	Salary differences between genders	p.28
GRI 406: Non-discrimination		
103-1, 103-2, 103-3	Sustainability governance	p.27-28
406-1	Number of cases of discrimination	p.28
GRI 418: Customer integrity		
103-1, 103-2, 103-3	Sustainability governance	p.24
418-1	Number of cases of loss of customer data	One complaint in 2017, resolved with the affected party

## Dialogue with stakeholders

Every year since 2011, we have sent out a survey on sustainability to all employees at Nordnet. The survey allows employees to evaluate our sustainability work and provide development proposals. In the survey, employees can also indicate how they commute to and from the workplace, and these statistics are then used when calculating the company's greenhouse gas emissions. In conjunction with sustainability reporting in accordance with GRI, which we began at the turn of the year 2010/2011, we also conducted specific sustainability surveys to our largest suppliers and former shareholders as well as randomly selected customers. In 2017, a customer survey was conducted on the issues of the importance of sustainability in investment decisions, which aspects of sustainability Nordnet should focus on and the awareness of our Citizenship



framework. In addition to these specific stakeholder dialogues, we have a continuous discussion of sustainability issues at Board meetings and on a regular basis in daily contact with customers and suppliers.

Nordnet has an ongoing dialogue on current sustainability issues with the following stakeholder groups:

- Customers
- Employees
- Owner
- Suppliers

In addition to the stakeholder groups listed above, we also see the media, analysts, government agencies, competitors, and the public as key stakeholders who, in a broader sense, affect our operations.

## Materiality analysis

The stakeholder dialogue with our aforementioned stakeholders lays the foundation for our impact analysis and selection of essential sustainability aspects on which to focus. In 2016, we defined our focus areas to the three we have today: Sustainable savings, Equality & Diversity, and Digital learning. Our choice to redefine these areas was based on the results of the stakeholder dialogue we conducted with our employees in 2016, when they requested focus areas with a clearer link to Nordnet’s operations. Since 2017, we have driven activities within these focus areas.

In addition to our focus areas, we have defined the following priority areas and sustainability aspects as essential for Nordnet to focus on in our sustainability report.

Prioritized areas	Sustainability aspects
Customers	Customer privacy, indirect financial impact
Employees	Equality, equal compensation for women and men, non-discrimination, employment, health and safety
Society	Economic performance, anti-corruption
Environment	Energy, emissions

All Nordnet’s identified sustainability aspects are relevant in the context of our own operations. Some aspects also have a direct impact outside the organization’s limits, for example, with our customers and suppliers. Nordnet reports regularly on each significant sustainability aspect where it has an impact.

## Background data for GRI indicators

In this section, we describe the methods, assumptions, and conversion factors used to develop Norden’s GRI indicators. In addition, supplementary tables and information are included in the Annual Report.

### Employees

Employee key figures are based on the actual number of employees as at the end of December and the year, respectively, and are therefore not converted to full-time equivalents or such.

Number of employees by 31 December, per employment contract	2017	2016	2015
<b>Total number of employees</b>			
Number of permanent employees	474	406	405
- Whereof fulltime	453	383	391
- Whereof part-time	21	23	14
Number of temporary employees	94	73	73
<b>Total number of employees</b>	<b>568</b>	<b>479</b>	<b>478</b>

Employees by 31 December, per region	2017		2016		2015	
Total number of employees	Number (no.)	Women (%)	Number (no.)	Women (%)	Number (no.)	Women (%)
Sweden	446	36%	364	36%	359	36%
Finland	39	44%	43	44%	45	47%
Norway	34	21%	31	19%	33	24%
Denmark	49	35%	41	44%	41	39%
<b>Total number of employees</b>	<b>568</b>	<b>36%</b>	<b>479</b>	<b>36%</b>	<b>478</b>	<b>37%</b>

The table shows the number of employees at Nordnet, by gender and region.

Composition of the company	2017		2016		2015	
Employees at different levels at the company	Number (no.)	Women %	Number (no.)	Women %	Number (no.)	Women %
<b>Board of Directors</b>	<b>7</b>	<b>0%</b>	<b>8</b>	<b>38%</b>	<b>7</b>	<b>29%</b>
Under 30 years	0	0%	0	0%	0	0%
30 - 50 years	5	0%	3	67%	3	67%
Over 50 years	2	0%	5	20%	4	0%
<b>Management</b>	<b>14</b>	<b>43%</b>	<b>11</b>	<b>55%</b>	<b>13</b>	<b>31%</b>
Under 30 years	0	0%	0	0%	0	0%
30 - 50 years	13	38%	9	56%	11	27%
Over 50 years	1	100%	2	50%	2	50%
<b>Employees with staff responsibility</b>	<b>55</b>	<b>40%</b>	<b>58</b>	<b>41%</b>	<b>46</b>	<b>39%</b>
Under 30 years	4	25%	7	43%	5	20%
30 - 50 years	45	44%	44	43%	38	45%
Over 50 years	6	17%	7	29%	3	0%
<b>Other employees</b>	<b>499</b>	<b>35%</b>	<b>410</b>	<b>35%</b>	<b>419</b>	<b>37%</b>
Under 30 years	234	30%	170	28%	163	31%
30 - 50 years	235	38%	209	39%	234	39%
Over 50 years	30	43%	31	48%	22	55%

The table shows the composition of the company by gender and age for different levels of the company.

## Environment

### Energy

To recalculate the energy consumption from MWh to GJ, use the conversion factor 3.6.

### Greenhouse gas emissions

Nordnet has a small environmental impact and we do not express ourselves in terms of compliance with the precautionary principle when dealing with the environmental impact that our business causes.

Nordnet's greenhouse gas emissions, tonnes CO <sub>2e</sub>	2017	2016	2015
Scope 1, direct GHG emissions	0	0	0
Scope 2, indirect GHG emissions from energy consumption	88	88	114
Scope 3, other indirect GHG emissions	206	219	243
<b>Total GHG emissions</b>	<b>294</b>	<b>307</b>	<b>269</b>

The table describes Nordnet's greenhouse gas emissions by Scope according to the Greenhouse Gas Protocol.

To calculate our greenhouse gas emissions, we use, to the extent possible, conversion factors that include all relevant greenhouse gases, i.e. CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub> and NF<sub>3</sub>. We do not implement our own conversions from other greenhouse gases to CO<sub>2</sub>e and we therefore have no overall value for Global Warming Potential (GWP).

Just like fossil fuels, combustion of renewable fuels causes greenhouse gas emissions, but as these emissions are part of a cycle, we do not report emissions. The conversion factors related to the consumption of renewable fuels are the part of the fuel that is fossil fuel. However, we report fossil greenhouse gas emissions that arise in the production of fossil and renewable fuels.

Activity	Activity data	Conversion factor
Electricity consumption	Data for each office and data center.	Conversion factor consists of specific contracts or residual-mix: 350.5 g CO <sub>2</sub> e/kWh (2016). Source: IEA
District heating	Data for each office	Statistics from each supplier Stockholm: 63.8 g CO <sub>2</sub> e/kWh (2016) Copenhagen: 95 g CO <sub>2</sub> e/kWh (2016) Oslo: 15 g CO <sub>2</sub> e/kWh (2015) Helsinki: 96 g CO <sub>2</sub> e/kWh (2014)
District cooling	Data for each office and data center.	Statistics from supplier. Stockholm: 0 g CO <sub>2</sub> e/kWh (2016)
Business-related travel & company vehicle	Driving distance in company cars is based on employee's reporting to receive mileage compensation for business-related travel.	The result refers to driving distance and average consumption for mixed driving for each car in combination with the following conversion factors: Petrol: 2,300 g CO <sub>2</sub> e/liter Source: The Network for Transport Measures (NTM)
Business-related travel, private car	Driving distance in company cars is based on employee reporting to receive mileage compensation for business-related travel.	Assumptions on petrol car travel. Consumption: 0.81 l/mil Emissions: 194 g CO <sub>2</sub> e/km Source: NTM
Business-related travel, taxi	The statistics consist of booked taxi costs.	Assumptions on travel with average Taxi Stockholm: 3.3 g of CO <sub>2</sub> e/SEK Source: Taxi Stockholm
Business-related travel, air travel	The statistics consist of booked airline tickets.	Emissions report from travel agency is used as a template for calculating all air travel expenses.
Employee commuting	Average travel distance with different forms of transportation, calculated from responses in employee survey, which has been sent to all employees.	Petrol vehicle: 194 g CO <sub>2</sub> e/km Diesel vehicle: 165 g CO <sub>2</sub> e/km Ethanol vehicle: 91 g CO <sub>2</sub> e/km Gas vehicle: 73 g CO <sub>2</sub> e/km Hybrid vehicle: 120 g CO <sub>2</sub> e/km Motorcycle/moped: 92 g CO <sub>2</sub> e/km Rail transport: 2 g CO <sub>2</sub> e/pkm Buses: 44 g CO <sub>2</sub> e/pkm Source: NTM, miljöfordon.se, SL

The table shows which activities, assumptions and conversion factors are the basis for Nordnet's reporting of greenhouse gas emissions.

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