



Annual Report for
Nasdaq Clearing AB

556383-9058

Financial year
1 January 2022 - 31 December 2022

Nasdaq Clearing AB
556383-9058

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Directors' Report

The Board of Directors and the CEO of Nasdaq Clearing AB, 556383-9058, with its registered office in Stockholm, hereby submit the Annual Report for the financial year 2022.

The financial statements are presented in Swedish Kronor (SEK) and all values are rounded to the nearest thousand (SEK'000), except where otherwise indicated.

Information about the business

Nasdaq Clearing AB conducts authorized clearing operations, licensed under the European Market Infrastructure Regulation (EMIR)¹, and under the supervision of the Swedish Financial Supervisory Authority (SFSA). Nasdaq Clearing acts as the central counterparty (CCP) for exchange and over the counter (OTC) trades in equity derivatives, fixed income derivatives, resale and repurchase contracts, power derivatives, emission allowance derivatives and seafood derivatives.

Through our clearing operations within the financial markets, Nasdaq Clearing is the legal counterparty and guarantees the fulfillment of each contract cleared. Nasdaq Clearing does not use these contracts for the purpose of trading on its behalf rather, Nasdaq Clearing bears the counterparty risk between the purchaser and seller in the contract.

In its guarantor role, Nasdaq Clearing has precisely equal and offsetting claims to and from clearing members on opposite sides of each contract, standing as the CCP on every contract cleared. In accordance with the rules and regulations of Nasdaq Clearing, default fund and margin collateral requirements are calculated for each clearing member's position in the accounts with the CCP. Delivery of underlying instruments are handled through delivery versus payment (DVP) transactions. Nasdaq Clearing also performs cash settlement of its derivative contracts through cash payments, either directly in the central banking system or, when this is not possible, through commercial banks with robust credit ratings to minimize settlement risks.

Products and services

Nasdaq Clearing provides central counterparty services within the following markets:

- Equity derivatives in the Nordic market.
- Fixed-income derivatives in the Nordic market.
- Commodities derivatives linked to Nordic, German, British, Irish, Belgian, French, Italian, Spanish and Dutch electricity markets and Dutch, German, British and French gas markets, Norwegian-Swedish electricity certificates as well as emission rights and German Wind Index Future.
- Seafood derivatives linked to Norwegian salmon.
- Repurchase contracts in bonds in the Nordic market.

Customers

The company's target market is Europe with particular focus on the Nordic region and the United Kingdom. The company's customers are its members, which includes Swedish banks, foreign banks, securities companies, commodities producers and commodities brokerage firms that clears trades performed on their own or on their customers' behalf.

Clearing members

As of 31 December 2022, Nasdaq Clearing had a total of 138 clearing members in the Derivative (FIN) and Commodity Derivative Markets (COM). Our clearing members include:

- General Clearing Members (GCM), who can clear both their own trading and trading on their customers' behalf ((including non-clearing members (NCM's)).

¹ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

- Direct Clearing Members (DCM), who are active in Derivatives Markets (FIN) and can clear both their own trading and trading on their customers' behalf (but not NCMs).
- Clearing Members (CM), who are active in Commodity Derivative Markets (COM) and can clear both their own trading and trading on their customers' behalf (but not NCMs).
- Direct Clearing Clients (DCC), can clear both their own trading and trading on their customers' behalf (but not NCMs) with a requirement for an agreement with a Direct Clearing Agent.
- Direct Clearing Agent (DCA), who are active in Commodity Derivative Markets (COM) and represents and trades on behalf of a Direct Clearing Client.

During 2022 (2021), there were 0 (1) new clearing members and 14 (26) memberships were terminated..

Risk Management

Nasdaq Clearing, through its operations as a Clearing House is subject to a number of identified risks related to our clearing operations. These are mainly; credit risk, market risk, liquidity risk, operational risk, legal and regulatory risk as well as business and strategic risk. The section below describes how Nasdaq manages these specified risks.

Risk Appetite

Nasdaq Clearing's Board of Directors is responsible for setting the company's risk appetites and tolerances. The risk appetite describes the risk limits within which Nasdaq Clearing must operate and which shall guide executive management in all strategic and operational decisions as well as in the drafting of policy and steering documents.

The three lines of defence model

The risk framework establishes the three lines of defence as basis for management of risk. The three lines of defence aim to establish that all employees are responsible for managing risk, within the respective areas of their responsibility. The first line of defence refers to the activities performed by line managers and staff to identify, assess and manage risk. The second line of defence refers to the Risk Management- and Compliance functions who are independent from the business operations, and set the principles and framework for risk management, perform independent monitoring and control, facilitate risk assessments, ensure compliance with regulatory rules and requirements as well as monitor compliance with internal policies. The third line of defence refers to the internal audit function, which performs independent review of the operations including independent review of activities carried out by both the first and second line of defence. Second and third line of defence serve as independent advisors to the first line of defence, and report directly to the Board.

Governance

The Board has ultimate responsibility for management of the company's risks and to ensure that the company has implemented adequate risk management principles and governance structures. Nasdaq Clearing's principles for risk management are described in steering documents, which establish the company's minimum standards and limits for managing risk. Management committees, each with specified areas of responsibility, support the Board of Directors in fulfillment of its responsibilities.

Nasdaq Clearing utilizes an ERM Framework (Enterprise Risk Management), which ensures proper management of risk within the approved risk appetite and creates value for the company's customers and shareholders through objective and consistent identification, assessment, monitoring and measurement of the company's significant financial and non-financial risks. A joint risk taxonomy is applied throughout the Nasdaq Group which includes a standardized risk, control, root cause and process taxonomy.

Financial Risk Management

Credit risk

Nasdaq Clearing is exposed to counterparty credit risk and credit concentration risk and has implemented risk mitigating mechanisms and governing structures as outlined below. Nasdaq Clearing manages its risk exposure per individual clearing member by setting qualitative and quantitative requirements, including requirements on minimum credit rating, financial position, liquid assets and capital. Minimum requirements on credit worthiness are stipulated in the membership agreements and all counterparties shall have sufficient credit rating.

The credit risk arising from accounts receivable is managed by the membership agreement, which stipulates that a company that is to become a clearing member must fulfill the criteria of the agreement and comply by Nasdaq Clearings regulations. The membership requirements also comprise qualitative requirements, such as organizational and operational requirements, requirements to maintain robust risk management procedures and certain regulatory and legal requirements. Nasdaq Clearing also performs monitoring procedures on an ongoing basis where members are required to provide documentation to prove that they have sufficient profitability and financial resources to conduct their business.

Collateral

Counterparties pledge collateral to cover initial margin requirements and contingent variation margin. Collateral requirements are calculated and monitored continuously and additional collateral is collected at least daily. Nasdaq Clearing may, as needed, also require additional collateral from one or more counterparties on an intraday basis.

Cash collateral is accepted in currencies approved by Nasdaq Clearing (SEK, EUR, DKK, NOK, USD and GBP) or securities approved and pledged to Nasdaq Clearing. Securities pledged as collateral are held directly in the name of Nasdaq Clearing on external trustee accounts and are immediately available to Nasdaq Clearing in the event of a default by the counterparty. Cash collateral is subject to title transfer and legally transferred to Nasdaq Clearing. Cash collateral is recognized in the balance sheet as an asset with a corresponding liability when a transfer of ownership has occurred in Nasdaq Clearing.

Regulatory capital

Nasdaq Clearing is at all times required to retain adequate regulatory capital to fulfil its obligations as a regulated central counterparty. Nasdaq Clearing's own funded regulatory capital consists of, Nasdaq Clearing's junior capital, senior capital and the Article 16 capital (Article 16 of Regulation (EU) No 648/2012). The junior and senior capital are parts of the default waterfall. Since September 1 2021 both the junior capital and senior capital is divided on the three markets (Financial, Commodities and Seafood) cleared by Nasdaq Clearing. In case of a member default, the junior capital should be used after the defaulted members' margin contributions and default fund contributions have been utilized. The senior capital can only be used after the relevant default fund has been used.

The Article 16 capital is held to cover risks which are not covered by the default waterfall. In addition to the own funded regulatory capital, Nasdaq Clearing holds a capital buffer equal to at least 33% of the total regulatory capital requirement in order to maintain appropriate readiness for potential increases of the Regulatory Capital requirements covered by tangible equity. The regulatory capital is held in highly liquid and immediately marketable assets, primarily Swedish government bonds. The regulatory capital buffer is held in other current assets.

As of December 2022, Nasdaq Clearing's Junior Capital amounted to approximately 410 MSEK (Financial market 185 MSEK, Commodities market 20 MEUR, Seafood 6 MNOK) and Senior Capital comprised an additional 220 MSEK (Financial market 100MSEK, Commodities Market 10 MEUR and Seafood 10MNOK) and the Article-16 capital amounted to 670 MSEK.

Default Reserves

Default reserves can be utilized by Nasdaq Clearing to cover any losses arising from the termination of defaulting counterparty's positions, once the member's own pre-funded collateral and Nasdaq Clearings first skin-in-the-game (Junior Capital) has been exhausted. The default reserves form an important part of Nasdaq Clearing's Default Waterfall. Nasdaq Clearing divided the members' funds into three

reserves: one that is utilized solely for default in the financial derivatives market, one that is utilized solely for the commodity derivatives markets (excluding salmon derivatives) and one that is utilized solely in the salmon derivative market. The default reserves are funded entirely by members.

Default Fund	Amount	2022-12-31	2021-12-31
Financial Market	SEK million	4,177	3,892
Commodities Market	EUR million	848	271
Seafood Market	NOK million	45	30

The three clearing service specific default funds are sized to account for the same risks, and may therefore have increased in size. Other drivers of size increases include market volatility, the overall positions of the member base as well as the distribution of those positions. More volatility and larger positions in the largest members drive sizes.

In addition to the member-financed default reserves, members who are active in the interest-rate swap market also contribute additional risk-absorbing capital to a separate loss-sharing pool.

	Amount	2022-12-31	2021-12-31
Loss sharing pool	SEK million	671	529

Investment of pledged collateral

Pledged cash collaterals are invested in highly liquid and immediately marketable fixed income instruments issued by governments or supranational issuers with a good credit rating. Cash is also invested through short-term repurchase agreements whereby cash assets are invested against collateral in the form of government securities, supranational issuers or through short-term bank deposits in commercial banks with a good credit rating. Furthermore, cash is also invested as deposits with Central banks.

Credit concentration risk

Credit concentration risk is continuously monitored and is mitigated primarily through concentration limits on collateral posted by clearing members to Nasdaq Clearing and on investments of cash collateral done by Nasdaq Clearing.

Liquidity risk

Liquidity risk is the risk of Nasdaq Clearing not being able to fund its short term operations and meet obligations as they become due. The primary liquidity risk for Nasdaq Clearing arise from its clearing operations, including operational problems at counterparty or settlement banks, late deliveries of underlying instruments on the expiration date of derivative contract, or if a member defaults against Nasdaq Clearing. Nasdaq Clearing maintains no interest-bearing liabilities and therefore has no refinancing risks. Nasdaq Clearing manages liquidity risks by only requiring collateral of very high quality from members and by placing its own financial resources in highly liquid assets. In addition, committed lines of credit from external banks totaling 1,700 MSEK are available to Nasdaq Clearing as of December 31, 2022.

Market risk

Market risk is the risk that price changes will exceed the initial margin and also the risk of loss caused by market-price movements in the company's assets, and / or liabilities. Nasdaq Clearing is exposed to market risk in case of a clearing member default. In addition, Nasdaq Clearing is exposed to market risks linked to investments of pledged collateral and Nasdaq Clearing's own regulatory capital. Market risks includes currency risk, interest rate risk and market concentration risk further described below.

Currency risk

Currency risk arise primarily from translation risk of collateral posted in currencies other than the product denomination. Nasdaq Clearing monitors currency risk consistently to ensure appropriate actions are taken when needed. Cash collateral from members are always reinvested in the currency in which the

member has posted the collateral. As such the assets will match the liability Nasdaq Clearing has towards its members.

Interest-rate risk

The interest-rate risk is primarily linked to regulatory capital investments and pledged cash collateral investments. These investments are mainly made in Swedish and European treasury bills, bonds and balances at central banks. Nasdaq Clearing does not use derivatives in its investing activities.

Market-concentration risk

Market concentration risk is managed through imposing limits on issuers, issuance, and investment types. Assessments are performed regularly to determine whether the conditions in the financial market or the actual size of the portfolio justify immediate changes to any concentration limits.

Other

Nasdaq Clearing acts as a central counterparty to all derivative contracts cleared by Nasdaq Clearing. The fair value of these derivatives is impacted by but not limited to changes in the price of underlying instruments, interest rates and implied volatility. Since Nasdaq Clearing's transactions are always matched, this market risk has no impact on earnings or shareholders' equity, but solely impacts the balance sheet.

Non-Financial Risk Management

Strategic and business risks

Nasdaq Clearing is exposed to strategic and business risks due to changes in the business environment and adverse business decisions, inadequate implementation of decisions or inadequate response to changes in the business environment. Strategic and business risks are managed through the annual strategic planning process and integrated in the ERM framework, such as in risk assessments, RCSAs (Risk Control Self Assessments) as well as scenario analysis assessments.

Operational risks

Operational risks relates to failure of employees and systems to perform tasks or processes due to internal or external factors. Operational risks in critical processes are identified, assessed, monitored, manage and reported. Controls are identified and implemented to mitigate identified risks. Continuity plans are created and tested regularly, and the company performs continuous monitoring of outsourced functions. Independent model validations are conducted to review adequacy, appropriateness of applied models and evaluate their conceptual soundness. Stress and back testing programs are in place to assess the appropriateness, accuracy, reliability and resilience of models. Nasdaq Clearing also has a cyber-security program and a robust information security risk management framework which ensure a high level of operational resilience to potential external and internal disruptions.

Legal and regulatory risks

Legal and regulatory risks relate to risk of civil law consequences, including regulatory sanctions, fines and legal disputes. Given its role in capital markets as a reliable partner to the investing public, shareholders, supervisory authorities and customers, Nasdaq Clearing maintains the highest ethical standards in all interactions. Nasdaq Clearing follows The Nasdaq Code of Ethics, or the Code, which in conjunction with other policies, procedures, standards and handbooks, outlines the responsibilities expected of Nasdaq officers, directors, and employees in conducting business in accordance with the highest standards of ethics and compliance. The Code is applicable to the Board, all of our full-time and part-time employees, contract workers and others who conduct work on behalf of Nasdaq. Management of legal and regulatory risks is achieved through the compliance programs such as the above-mentioned program. Nasdaq Clearing continuously engages in proactive monitoring and dialog with supervisory authorities and other industry forums to stay abreast of any new or amended legislation.

Environmental, Social and Governance Risk

Nasdaq Clearing AB recognizes the importance of ESG in driving greater inclusivity, diversity, enhanced governance, and ultimately supporting a marketplace ecosystem that is resilient, equitable, and sustainable. As such, Nasdaq Clearing AB will carefully weigh the impact of its actions and practices on its ESG profile. Standing with stakeholders and ratings by sustainability organizations we recognize that standards, rating methodologies and best practices in this area continue to evolve rapidly and may not be tailored to the nature of Nasdaq Clearing AB's business.

Significant events during the financial year

Appeal of SFSA warning and administrative fine

In December 2021, Nasdaq Clearing recorded a SEK 300 million charge related to a decision made by the Swedish Administrative court rejecting an appeal by Nasdaq Clearing to dismiss an administrative fine imposed by the SFSA associated with the default of a member of the Nasdaq Clearing commodities market that occurred in 2018. Nasdaq Clearing appealed the court's decision to the Swedish Administrative Court of Appeal which, in its decision of 30th November 2022, in essence upheld the decision by the Administrative Court, but lowered the fines to SEK 250 million. Nasdaq Clearing has filed an appeal to the Swedish Supreme Administrative Court and is awaiting leave to appeal. As a result of the reduced fine communication in 2022, we have released SEK 50 million related to the fine for the year ended December 31, 2022.

Russia's invasion of Ukraine

The invasion in Ukraine did not impact Nasdaq Clearing's operations. As precautionary action, Nasdaq Clearing activated BCP plans where several operational employees had a rotating schedule from the Stockholm and Vilnius office. In addition to that, Nasdaq Clearing initiated additional due diligence on members and suppliers to understand and assess the impact of the invasion of Ukraine and the sanctions on Russia. Maintaining the highest standards within cybersecurity is a main priority for Nasdaq Clearing, the invasion in Ukraine led to even more vigilance of potential cybersecurity treats, however, there has not been any cybersecurity impact on Nasdaq Clearing.

European energy crisis

The Russian invasion of Ukraine and the following sanctions worsen the energy crisis in Europe. Nasdaq Clearing, which is the dominating CCP for Nordic Power experienced rising prices and extreme volatility of the cleared contracts. This led to increased margin requirement for members active in the commodities clearing service and many members had a high utilization of their capital and liquidity limits set by Nasdaq Clearing in August 2022 when the electricity prices peaked. Equal to many other countries in Europe, the governments in the Nordic countries issued credit guarantee programs for utilities in the energy sector to relief them from potential constraints in their capital and liquidity situation. Nasdaq Clearing implemented the guarantee programs into the capital and liquidity framework in September 2022. Since then, the prices had come down significantly and situation with lower prices compared to late summer 2022 has led to less pressure on capital and liquidity on the participants in the energy market.

Organizational changes at Nasdaq Clearing

During 2022 Daniela Peterhoff - Svensson was appointed Chief Executive Officer.

Earnings trend 2022

Nasdaq Clearing AB's net sales amounted to 676 MSEK (589 MSEK). There has been a volatile year for all markets that Nasdaq Clearing clears contracts. The high volatility has had varying effects on the earnings for Nasdaq Clearing. Cleared volumes and revenues for the equity derivatives market and fixed income market has been largely in line with previous year. The energy crisis in Europe has led to very low volumes and revenues in the commodities segment, especially Nordic Power volumes has been low, mainly due to the high electricity prices in the commodity market and the high volatility which consequently led to unprecedented high levels of margin requirements. The low clearing volumes and revenues in the commodities segment were offset by increased collateral management revenues due to high collateral volumes. Operating expenses amounted to 386 MSEK (696 MSEK). Profit before depreciation, amortization, financial items and tax amounted to 300 MSEK in 2022 and (97) MSEK in 2021, corresponding to an EBITDA margin of 44% in 2022 respective (16)% in 2021.

Expected future developments

In 2023 Nasdaq Clearing AB aim to strengthen its competitive landscape by continuing to offer an efficient and secure CCP-service and launch new solutions that help customers develop their business and manage challenges that arise because of regulatory requirements and market changes. The company will continue to improve and enhance our technology and processes, both within risk management and operations and will start the implementation of a new Value at Risk model. Nasdaq Clearing AB will also expand our products and service offering in equity and commodities related derivatives and clearing of OTC products. For the markets in which Nasdaq Clearing Operates, we will continue to implement processes and prepare our systems for the new ISO 20022 payment standards and upcoming regulatory changes.

Research and development

Research and development (R&D) constitute an integral part of operating activities with the primary aim of enhancing the efficiency of the operations, developing risk management, and introducing new products and services. In 2022, investments were made to support clearing integration to a new Equity Derivatives trading platform, strengthen Nasdaq Clearing's risk management framework, expand the product range with clearing derivatives on a basket of equities and new OTC products. Systems have also been enhanced to support regulatory requirements and prepared for the new T2/T2S Consolidation.

Investments in R&D are expected to continue mainly in line with previous years, with continued focus on regulatory changes, IT, risk management and launch of new products and services. Costs related to R&D are accounted for within other entities in the Nasdaq Group and are made visible in Nasdaq Clearing's accounts in the form of re-invoiced costs from the subsidiary that owns the assets.

Nasdaq Clearing's branches abroad

Nasdaq Clearing Oslo NUF is a Norwegian branch of Nasdaq Clearing. Nasdaq Oslo NUF carries out tasks related to clearing activities under Nasdaq Clearing's EMIR license. Nasdaq Clearing also has a branch in Vilnius, Nasdaq Clearing AB Vilnius Branch, which carries out operational tasks.

Use of financial instruments

Nasdaq Clearing invests in interest-bearing assets. The financial instruments utilized for this purpose primarily comprise Swedish, European and US government bonds and treasury bills. Nasdaq Clearing also uses repurchase agreements whereby cash funds are invested mainly in return for collateral in the form of Swedish, European and US government bonds and treasury bills. No derivative instruments are used for investing activities. Currency derivatives may only be used to increase liquidity. Such currency derivative contracts are entered into directly with external banks.

Environmental impact

In accordance with ARL Chapter 6, Section 11, the Company has chosen to prepare the statutory sustainability report as a separate report from the annual report, a separate sustainability report prepared by Nasdaq AB (556243-8001), with its registered office in Stockholm.

Ownership structure

Nasdaq Clearing AB is a wholly owned subsidiary of Nasdaq Nordic Ltd, org. no. 1110552-9, which in turn is a wholly owned subsidiary of Nasdaq AB, org. no. 556243-8001. The Group's parent company is Nasdaq Inc., org. no. 52-1165937 with its registered office in Delaware USA.

Five-year summary

Amounts in SEK million

	2022	2021	2020	2019	2018
Net sales	676	589	596	563	598
Profit/loss after financial items	299	(96)	291	141	(277)
Operating margin	43.7 %	(16.4)%	48.8 %	25.1 %	(45.5)%
Return on equity	12.1 %	(4.4)%	13.1 %	6.7 %	(13.0)%
Balance sheet total	109,647	64,558	46,316	43,249	68,910
Equity/assets ratio	2.3 %	3.4 %	5.1 %	5.0 %	3.1 %
Equity ratio (excl. derivatives and repurchase transactions)	84.1 %	84.0 %	95.3 %	87.9 %	66.1 %
Number of employees	81	77	71	67	66

* Key performance indicator definitions are described in Note 22.

Proposed appropriation of earnings

The Board of Directors proposes that available funds, (SEK)

Profit/loss brought forward	1,973,295,663
Net profit/loss for the year	252,178,174
	2,225,473,837

be appropriated as follows:

dividend to shareholders	400,000,000
to be carried forward	1,825,473,837
	2,225,473,837

Income Statement

(SEK thousand)

	Notes	2022	2021
Net sales	2	675,598	589,429
Other operating income		9,641	8,359
Total operating income		685,239	597,788
Other external expenses	3,4	(58,923)	(400,412)
Personnel costs	5	(114,219)	(95,155)
Depreciation/amortization and impairment of tangible and intangible assets		(436)	(404)
Other operating expenses	6,	(212,330)	(199,616)
Total operating expenses		(385,908)	(695,587)
Operating profit/loss		299,331	(97,799)
Loss from other securities and receivables which are non-current assets		(11,458)	—
Other interest income and similar income	7	15,036	9,279
Interest expenses and similar profit/loss items	8	(4,135)	(7,886)
Total income from financial items		(557)	1,393
Profit/loss after financial items		298,774	(96,406)
Profit/loss before tax		298,774	(96,406)
Tax for the year	9	(46,596)	(41,331)
Profit/loss for the year		252,178	(137,737)

Balance Sheet

(SEK thousand)

	Notes	2022-12-31	2021-12-31
Assets			
Non-current assets			
Equipment, tools and installations	10	1,027	1,338
Tangible assets		1,027	1,338
Other long-term receivables	11	3,450	3,528
Financial assets		3,450	3,528
Total non-current assets		4,477	4,866
Current assets			
Derivatives	15	32,536,763	7,234,247
Receivables from repurchase transactions		1,205,429	1,259,985
Investments of collaterals received		72,961,271	53,442,906
Accounts receivables		10,859	18,508
Receivables from group companies		1,182,153	1,238,425
Current tax assets		46,379	29,646
Other receivables		44	52
Prepaid expenses and accrued income	12	3,920	30,830
Short-term investments		1,325,032	1,240,807
Cash and cash equivalents		370,251	57,427
Total current assets		109,642,101	64,552,833
Total assets		109,646,578	64,557,699

Balance Sheet

(SEK thousand)

	Notes	2022-12-31	2021-12-31
Equity and liabilities			
Equity			
Share capital	13	201,000	201,000
Statutory reserve		50,000	50,000
Total restricted equity		251,000	251,000
Retained earnings		1,973,296	2,088,677
Profit/loss for the year		252,178	(137,737)
Total non-restricted equity		2,225,474	1,950,940
Total equity		2,476,474	2,201,940
Provisions for pensions and similar commitments		89	—
Total provisions		89	—
Current liabilities			
Deferred tax liabilities		—	3
Derivatives	15	32,536,763	7,234,247
Liabilities, repurchase transactions		1,205,429	1,259,985
Liabilities to members		72,961,271	53,442,906
Accounts payables		5,083	6,397
Liabilities to group companies		3,177	39,319
Other liabilities		142,366	19,440
Accrued expenses and deferred income	14	315,926	353,462
Total current liabilities		107,170,015	62,355,759
Total equity and liabilities		109,646,578	64,557,699

Statement of Changes in Equity

(SEK thousand)

	Restricted Equity		Non-Restricted Equity	Total
	Share capital	Statutory reserve	Retained earnings	
Opening balance 2021-01-01	201,000	50,000	2,061,972	2,312,972
Foreign branches translation difference		—	26,705	26,705
Profit/loss for the year		—	(137,737)	(137,737)
Closing balance 2021-12-31	201,000	50,000	1,950,940	2,201,940
Opening balance 2022-01-01	201,000	50,000	1,950,940	2,201,940
Foreign branches translation difference	—	—	22,356	22,356
Profit/loss for the year	—	—	252,178	252,178
Closing balance 2022-12-31	201,000	50,000	2,225,474	2,476,474

Cash Flow Statement

(SEK thousand)

	Notes	2022	2021
Profit/loss after financial items		298,774	(96,406)
<i>Adjustments for non-cash items</i>			
Depreciation/amortization and impairment	10	441	404
Foreign branches translation difference		22,316	26,864
Changes in provisions		89	(184)
Income tax paid		(63,329)	(28,707)
Cash flow from operating activities before changes in working capital		258,291	(98,029)
Changes in operating receivables		90,839	(169,923)
Changes in operating liabilities		47,934	303,992
Cash flow from operating activities		397,064	36,040
Acquisition of tangible assets		(90)	(500)
Cash flow from investing activities		(90)	(500)
Changes in long-term liabilities		75	247
Cash flow from financing activities		75	247
Cash flow for the year		397,049	35,787
Cash and cash equivalents at beginning of year		1,298,234	1,262,447
Cash and cash equivalents at year-end		1,695,283	1,298,234

Notes

Amounts in SEK thousand unless otherwise stated

Note 1 Accounting policies

General information

The annual report has been prepared in accordance with the Annual Accounts Act (1995:1554) and BFNAR 2012:1 Annual Report and Consolidated Accounts (K3). The accounting principles remain unchanged from previous year.

Group affiliation

The ultimate parent company that prepares consolidated financial statements, in which the company is included in, is Nasdaq Inc., Delaware, USA, (employer ID no. 52-1165937).

Revenue recognition

The Company's revenue mainly consists of transaction income which is income generated from clearing and income from the management of pledged collateral. Revenue is recognised in the income statement when it is probable that future economic benefits will flow to the company and that this can be valued in a reliable manner.

Leasing agreements

Leases are recognized in accordance with chapter 20, BFNAR 2012:1. All leases are recognized as operating leases. This means that the leasing costs are expensed straight-lined over the lease term in the income statement.

Remuneration to employees

Remuneration of employees refers to all types of remuneration that the company pays to its employees. The company's remuneration includes salaries, paid vacation, paid absence, bonuses and compensation after retirement (pensions). Accounting for the remuneration occurs as earnings occurs. Remuneration of employees after retirement pertains to defined-contribution pension plans. Defined-contribution plans are classified as plans in which established premiums are paid and where there are no obligations, neither legal nor informal, to pay anything further beyond these premiums. The company has no other long-term remuneration arrangements with employees. Premiums for defined-contribution plans are recognized as an expense in the period in which the employees perform the services, which forms the basis of the commitment.

Share-based payments

All employees participate in Nasdaq Inc.'s long-term incentive program. The program includes, based on the individual's personnel category, the allotment of shares and options in Nasdaq Inc. to which performance requirements and requirements for continued employment are linked to a certain extent. Incentives will be exercised within a period of three to five years. The company is charged for current costs for the warrants program by the Ultimate Parent Company. The costs charged by the Ultimate Parent Company are based on the value of the stock or warrants at the time of allocation and are spread over the expected vesting period. The company applies the accounting policy in chapter 26, BFNAR 2012:1 regarding the long-term share-based incentive programs for all permanent employees. This policy outlines that social security expenses are calculated and period-allocated based on the number of shares earned during the entire length of the program, i.e. over the entire vesting period, based on the market value.

Remuneration policy

A report on the remuneration policy according to Finansinspektionen's general advice on this remuneration policy, FFFS 2020: 15, is published on the company's website together with a remuneration report for 2022, <http://business.nasdaq.com/trade/clearing/nasdaq-clearing>

Translation of items in foreign currencies

The company applies chapter 30 BFAR 2012:1 for the translation of items in foreign currencies. Assets and liabilities in foreign currencies are valued at the closing day rate. Income statement items are valued using the monthly average rate. Exchange gains and losses on operating receivables and operating liabilities are recognized in operating income while exchange gains and losses on financial receivables and liabilities are recognized as financial items.

Group contribution

Received and paid group contributions are reported as appropriations within the income statement.

Tax

Current and deferred income tax is recognized under the heading "Tax for the year" in the income statement. National income tax in Sweden is calculated on earnings with additions for non-deductible items, deductions for non-taxable revenues and other deductions. Deferred tax assets are recognized for deductible temporary differences and unutilized loss carry-forwards, to the extent it is probable that future taxable profit will be available against which the temporary differences or unutilized loss carry-forwards can be used. The deferred tax assets' carrying amounts are reviewed on each closing date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Deferred tax assets and liabilities are calculated by applying the tax rates (and laws) that have been decided or announced on the closing date and that are expected to apply for the period in which the deferred tax asset is realized or when the deferred tax liability is settled.

Non-current assets

Tangible and intangible assets are reported at acquisition value less accumulated depreciation and any write-downs. Tangible assets have been divided into significant components, when the components have significantly different useful lives. Depreciable amount consists of the acquisition value less an estimated residual value if this is significant. Depreciation takes place on a straight-line basis over the expected useful life. The following depreciation periods are applied:

Capitalized expenditure for research and development work and similar work	5 years
Equipment	3 - 5 years

The company applies the so-called the "capitalization model" for internally generated intangible assets. The method means that all expenses that meet the criteria as per chapter 18, BFAR 2012: 1 are capitalized as intangible assets and depreciated during the asset's estimated useful life. A transfer from unrestricted equity to a fund for development fees within restricted equity is made for the corresponding amount capitalized during the year. Reclassifications from the fund to unrestricted equity takes place with the corresponding amount as reported activated assets.

Financial instruments

Financial instruments are reported at fair value in accordance with BFAR 2012: 1 (K3), Chapter 12. Refer to Chapter 12 for further detail relating to each category of financial instruments.

Financial assets / liabilities held for trading

Short-term investments

Nasdaq Clearing's short-term investments consist of treasury bills, bonds and other securities issued by the state, municipalities, Swedish bank limited companies and Swedish housing finance institutions. These investments are valued at fair value. The net return and change in value are reported within the income statement.

Derivative instruments - currency futures

Derivative instruments are valued at fair value and changes in value are recognized in the income statement. Fair value is based on quoted market prices. The book value of currency futures is reported in the balance sheet under accrued income and prepaid expenses or accrued expenses and prepaid income depending on its value on the balance sheet date.

Financial instruments subject to clearing operations

Derivative contract

Through the clearing business, Nasdaq Clearing AB is a counterparty in each derivative contract and thus guarantees the fulfillment of the contracts. The fair value of outstanding derivative contracts is reported gross in the balance sheet as a receivable from an acquiring counterparty and a liability to a selling counterparty, respectively. To the extent that there is contractual law in place and that the intention is to settle the items at the same time, receivables and liabilities are reported net. The company does not conduct its own trading in these instruments, which is why receivables and liabilities will always be in balance and why no profit effect arises. The fair value of forward contracts is determined using standard models based on observable market information including LIBOR and spot prices of underlying financial instruments. The fair value of option contracts is determined through the use of standard models based on observable market information including implicit volatility, interest rates and spot prices of underlying financial instruments. The fair value of futures contracts is determined based on quoted market prices and average quoted market interest rates.

Repurchase agreement (Scratch)

Through the clearing business, Nasdaq Clearing AB is the counterparty in each repurchase transaction and thus guarantees the fulfillment of the contracts. These repurchase agreements are not used for the company's own financing operations. In the balance sheet, the contracts are reported gross at fair value. Receivables and liabilities have been netted to the extent that there is a legal right of set-off and that the intention is to regulate the items at the same time.

Collateral provided to the clearing business

Through the clearing business, Nasdaq Clearing AB is a counterparty in each derivative agreement and thereby guarantees the fulfillment of each contract. Customers who through a derivative agreement receive an obligation to the company must provide collateral for this obligation in accordance with special rules for this. Collateral received and default fund contributions received in the form of cash and cash equivalents are reported in the balance sheet as assets and liabilities. Pledges and default fund contributions in the form of pledged securities and guarantees are not reported in the balance sheet as ownership has not been transferred to Nasdaq Clearing AB.

Warranty connections

Through the clearing business, Nasdaq Clearing AB is a counterparty in each derivative agreement and thereby guarantees the fulfillment of each contract. Realization of this guarantee obligation that has arisen in connection with insolvency is reported in the balance sheet as a current liability and also since restricted cash and cash equivalents are held for the obligation to settle the liability.

Loan receivables and accounts receivable

This refers to accounts receivable and receivables from Group companies that are valued at acquisition value. All changes in value are recognized within the income statement.

Other financial liabilities

Other financial liabilities refer to liabilities to Group companies, accrued expenses and other financial liabilities and are reported at acquisition value. All changes in value are recognized within the income statement.

Foreign branches

The company applies the current day rate method, which means that assets and liabilities are translated at the closing day rate and income and expenses are translated at the average exchange rate.

Cash flow statement

The company applies the indirect method for the preparation of the cash flow statement. Cash and cash equivalents are defined as short-term investments with maturity terms of less than three months, including cash and bank balances.

Receivables, liabilities and provisions

Unless otherwise stated above, current receivables are valued at the lower of their acquisition value and the amount by which they are expected to be settled. Long-term receivables and long-term liabilities are valued after the first valuation at accrued acquisition value. Other liabilities and provisions are valued at the amounts by which they are expected to be settled. Other assets are reported at acquisition value unless otherwise stated above.

Note 2 Distribution of net sales

Net sales are divided into business segments as follows:

	2022	2021
Stock & index products	165,698	149,102
Interest rate products	131,960	125,555
Commodity products	98,071	151,525
Collateral management	245,345	120,675
Other revenue	34,524	42,572
Total	675,598	589,429

The company presents the distribution of net sales per business segment as reliable information on net sales by geographic unit cannot be prepared as the company is not governed that way.

Note 3 Auditors' fees

	2022	2021
<i>Ernst & Young AB</i>		
Auditors' fees	1,064	1,015
Other auditing activities	110	439
Total	1,174	1,454

Note 4 Leases

	2022	2021
<i>Period's paid lease charges</i>		
Premises	4,836	4,295
Total	4,836	4,295
	2022	2021
<i>Future minimum leasing charges for non-terminable operating leases:</i>		
To be paid within 1 year	3,548	4,244
To be paid within 2-5 years	—	707
Total	3,548	4,951

Note 5 Employees and personnel costs

Average number of employees	2022 Number of employees	2021 Number of employees
Men	39	39
Women	42	38
Total	81	77

Remuneration and other benefits

	2022	2021
Board of Directors and CEO	3,064	4,628
(of which bonus)	—	837
(of which share-based remuneration)	339	1,014
Remuneration and other benefits	78,628	63,183
(of which share-based remuneration)	5,424	1,795
Total	81,692	67,811

Pension and other social security expenses

	2022	2021
Pension expenses for the Board and CEO	963	1,368
Pension	8,210	6,345
Social security expenses	23,353	19,631
Total	32,527	27,344

Remuneration structure 2022

Nasdaq employee's remuneration consists of fixed and variable remuneration, as well as pension and other benefits. Variable remuneration is divided into short and long-term incentive programs. The short-term incentive program includes all permanent employees and is a cash-based remuneration, linked to various targets of the business.

Incentive program

The long-term incentive program for all permanent employees is unchanged from last year. This program consists of share-based instruments linked to the Nasdaq share, which is listed on the Nasdaq Stock Market in the US. The principles of share-based remuneration and its components are presented in more detail below. The amount of an employee's share-based remuneration depends on the company's earnings, the business area's earnings and the employee's position in the company.

- "Performance Share Units (PSUs) with 1-Year performance", one-third transferred to employees per year. The number of shares transferred is linked to Nasdaq's corporate operating income with a payment interval of 0-150%, meaning that the number of shares transferred can be lower or higher.

- "Performance Share Units (PSUs) with 3-Year performance", 100% transferred after three years. The number of shares transferred is linked to the "Total Shareholder Return" (TSR) and to "S&P 500 result". The number of shares transferred can be lower or higher.

- "Restricted Stock Units (RSUs) that vest over time" (non-performance-based), vest as per the approved global policy. The number of shares allotted is always the same as the number transferred. Employees, depending on their position held, have been allotted a number of RSUs, a combination of RSUs and PSUs, or alternatively a combination of one-year PSUs and three-year PSUs.

Social security expenses for share-based remuneration

In accordance with chapter 26, BFNAR 2012:1, social security expenses on share-based remuneration are calculated and allocated based on the number of shares received over the entire length of the program, meaning over the entire vesting period.

Pensions

The company offers its employees a market-rate, premium-based occupational pension according to Nasdaq's pension plan. The retirement age is 65 years.

Other benefits

In addition to the above occupational pension, the company takes out health insurance, group life insurance (TGL), medical expenses insurance and occupational injury insurance (TFA) for its employees. Employees are also able to supplement their coverage via Nasdaq's voluntary group insurance.

Gender distribution among senior executives

	2022	2021
Percentage of women on the Board	29 %	29 %
Percentage of men on the Board	71 %	71 %
Percentage of women, other senior executives	58 %	42 %
Percentage of men, other senior executives	42 %	58 %

Note 6 Intra-group purchases and sales

	2022	2021
Percentage of total sales to other group companies	1 %	1%
Percentage of total purchases during the year from other group companies	56 %	27%

Note 7 Interest income and similar profit/loss items

	2022	2021
Interest income from group companies	13,088	1,284
Other interest income	1,837	—
Exchange rate differences	111	7,995
Total	15,036	9,279

Note 8 Interest expenses and similar profit/loss items

	2022	2021
Interest expenses to group companies	561	107
Other interest expenses	621	4,255
Exchange rate differences	12	148
Other financial expenses	2,941	3,376
Total	4,135	7,886

Note 9 Tax on profit/loss for the year

	2022	2021
Current tax	40,939	47,287
Adjustments in deferred tax	113	81
Tax adjustment related to prior years	5,544	(6,037)
Total recognized tax	46,596	41,331
Average effective tax rate	15.6%	42.9%

Reconciliation of effective tax rate

	2022	2021
Recognized profit/loss before tax	298,774	(96,406)
Tax on recognized profit as per applicable tax rate 20.6%:	61,547	(19,860)
Tax effect of:		
Other non-deductible expenses	(10,451)	61,930
Non-taxable income	(12)	(30)
Translation difference, branch	3,541	5,247
Tax attributable to earlier years	5,544	(6,037)
Adjustment of deferred tax attributable to branch	113	81
Other	(13,687)	—
Recognized tax	46,596	41,331

Note 10 Equipment, tools and installations

	2022	2021
Opening cost	5,493	4,898
Acquisitions for the year	90	486
Translation difference	193	109
Closing accumulated cost	5,777	5,493
Opening depreciation/amortization	(4,155)	(3,497)
Translation difference	(153)	(254)
Depreciation/amortization for the year	(441)	(404)
Closing accumulated depreciation/amortization	(4,750)	(4,155)
Closing carrying amount	1,027	1,338

Note 11 Other long term receivables

	2022	2021
Prepaid pension premium	3,450	3,528
	3,450	3,528
Incoming acquisition values	3,528	3,734
Outgoing payments	(78)	(206)
Closing carrying amount	3,450	3,528

Note 12 Prepaid expenses and accrued income

	2022	2021
Prepaid rent costs	1,399	1,154
Prepaid interest expenses	—	25,770
Prepaid insurance premiums	23	224
Other prepaid expenses	2,498	3,683
Total	3,920	30,830

Note 13 Number of shares

	2022	2021	2022	2021
	Quotient value	Quotient value	No. of	No. of
Class A shares	100	100	2,010,000	2,010,000

Note 14 Accrued expenses and deferred income

	2022	2021
Accrued salaries and other remuneration	19,794	13,678
Accrued holiday pay	10,800	8,784
Accrued social security expenses	4,588	—
Other accrued expenses*	280,744	331,000
Total	315,926	353,462

*Other accrued expenses includes a provision for the Financial Supervisory Authority's administrative fine, which in 2022 was reduced by SEK 50 million to SEK 250 million. As of 2021, the provision was SEK 300 million. For further information regarding the Financial Supervisory Authority's fine and the company's appeal, please see the management report.

Note 15 Financial instruments in the clearing business, derivatives

<i>Market value of outstanding derivatives, gross</i>	2022	2021
Stock options and futures	1,472,552	1,331,103
Index options and futures	449,119	719,619
Interest rate options and futures	23,793,288	2,632,026
Commodity options and futures	6,821,804	2,551,499
Total	32,536,763	7,234,247

Note 16 Collateral received for the clearing business

	2022	2021
Obtained securities held "off-balance"	81,315,819	60,782,686
Total	81,315,819	60,782,686

Note 17 Contingent liabilities

	2022	2021
Guarantees	46,103	41,071
Total	46,103	41,071

Note 18 Information on financial instruments

Assets at 2022-12-31	Financial assets held for trading	Financial assets held for sale	Loans and customer receivables	Non-financial assets	Total
Financial instruments subject to clearing	33,742,192	72,961,271	—	—	106,703,463
Receivables from group companies	—	—	1,182,153	—	1,182,153
Accounts receivables	—	—	10,859	—	10,859
Current tax assets	—	—	—	46,379	46,379
Other receivables	—	—	—	44	44
Prepaid expenses and accrued income	—	—	—	3,920	3,920
Short-term investments	1,325,032	—	—	—	1,325,032
Cash and cash equivalents	—	—	370,251	—	370,251
Total	35,067,224	72,961,271	1,563,263	50,343	109,642,101

Assets at 2021-12-31	Financial assets held for trading	Financial assets held for sale	Loans and customer receivables	Non-financial assets	Total
Financial instruments subject to clearing	8,494,232	53,442,906	—	—	61,937,138
Receivables from group companies	—	—	1,238,425	—	1,238,425
Accounts receivables	—	—	18,508	—	18,508
Current tax assets	—	—	—	29,646	29,646
Other receivables	—	—	—	52	52
Prepaid expenses and accrued income	—	—	—	30,830	30,830
Short-term investments	1,240,807	—	—	—	1,240,807
Cash and cash equivalents	—	—	57,427	—	57,427
Total	9,735,039	53,442,906	1,314,360	60,528	64,552,833

Liabilities at 2022-12-31	Financial liabilities held for trading	Financial liabilities held for sale	Other financial liabilities	Non-financial liabilities	Total
Financial instruments subject to clearing	33,742,192	72,961,271	—	—	106,703,463
Liabilities to group companies	—	—	3,177	—	3,177
Accounts payables	—	—	5,083	—	5,083
Current tax liabilities	—	—	—	—	—
Accrued expenses and deferred income	—	—	280,744	35,182	315,926
Total	33,742,192	72,961,271	289,004	35,182	107,027,649

Liabilities at 2021-12-31	Financial liabilities held for trading	Financial liabilities held for sale	Other financial liabilities	Non-financial liabilities	Total
Financial instruments subject to clearing	8,494,232	53,442,906	—	—	61,937,138
Deferred tax liabilities	—	—	3	—	3
Liabilities to group companies	—	—	39,319	—	39,319
Accounts payables	—	—	6,397	—	6,397
Accrued expenses and deferred income	—	—	331,000	22,462	353,462
Total	8,494,232	53,442,906	376,719	22,462	62,336,319

Note 19 Reclassifications

Reclassifications have been made to better reflect the company's financial position and results. The adjustments have not affected results after financial items.

	Annual Statement 2021	Reclassification	Reclassified 2021 balances
Income Statement			
Operating income			
Net sales	593,560	4,131	589,429
Other operating income	—	(8,359)	8,359
Operating expenses			
Other external expenses	(574,494)	(174,082)	(400,412)
Personnel costs	(93,499)	1,656	(95,155)
Other operating expenses	(15,115)	184,501	(199,616)
Income from financial items			
Other interest income and similar income	1,319	(7,960)	9,279
Interest expenses and similar profit/loss items	(7,773)	113	(7,886)
Total	(96,002)	—	(96,002)
Balance Sheet			
Current assets			
Current tax assets	21,986	(7,660)	29,646
Other receivables	7,712	7,660	52
Total	29,698	—	29,698
Current liabilities			
Accounts payables	9,310	2,913	6,397
Other liabilities	19,246	-194	19,440
Accrued expenses and deferred income	350,743	(2,719)	353,462
Total	379,299	—	379,299

Note 20 Proposed appropriate of earnings

	2022
Profit/loss brought forward	1,973,295,663
Net profit/loss for the year	252,178,174
	2,225,473,837

be appropriated as follows:

dividend to shareholders (SEK 199.00 per share)	400,000,000
to be carried forward	1,825,473,837
	2,225,473,837

Note 21 Significant events after the end of the financial year

There have been no significant events to report since the date of the balance sheet.

Note 22 Definitions of key performance indicators

Balance sheet total

The Company's total assets.

Operating margin

Operating profit as a percentage of net sales.

Adjusted equity

Equity plus untaxed reserves less deferred tax.

Return on equity

Profit after financial items as a percentage of average adjusted equity.

Equity/assets ratio

Adjusted equity (equity and untaxed reserves less deferred tax) as a percentage of total assets.

Nasdaq Clearing AB
556383-9058

Signatures

Stockholm 2023 -

Björn Sibbern
Chairman of the board

Daniela Peterhoff - Svensson
CEO

Laura DeLorenzo
Board member

John Zecca
Board member

Lars Nyberg
Board member

Sonja Daltung
Board member

Roland Chai
Board member

Per Strömberg
Board member

Our audit report was submitted on 2023 -

Ernst & Young AB

Daniel Eriksson
Authorized Public Accountant