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Annual Report

for the fiscal year 2019-01-01 - 2019-12-31

The Board and CEO of Nasdaq Clearing AB hereby submit the following annual report

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Registered office of the Board: Stockholm

Company's accounting currency: Swedish kronor (SEK).

All amounts are stated in thousands of Swedish kronor (SEK 000s) unless otherwise indicated.

Director's report

Review of operations

In 2019, Nasdaq Clearing continued to work closely with its clearing members and customers to develop the business in line with its strategic goals. This includes increased operational efficiency and capital efficiency, a reinforced risk management framework, creating conditions for organic growth and supporting launches of new products and services. In addition, the work to adapt to new regulations is proceeding. Net sales were somewhat lower in 2019 than 2018.

Principle activities

Nasdaq Clearing conducts authorized clearing operations, licensed under the European Market Infrastructure Regulation (EMIR), and under the supervision of the Swedish Financial Supervisory Authority.

The company's principal activity is to manage risks and provide efficient and secure counterparty clearing for both exchange- and OTC-traded financial instruments.

Nasdaq Clearing acts as a central counterparty to all transactions cleared by Nasdaq Clearing. The cleared transactions primarily pertain to underlying derivative transactions involving financial instruments (such as Swedish equities, equity index and fixed-income instruments) and underlying derivative transactions involving commodities (such as Norwegian energy derivatives). Nasdaq Clearing also clears certain spot products, such as repurchase contracts (repos) for the Swedish and Danish bond markets. Cleared instruments refer to both exchange-traded instruments and instruments traded OTC (over the counter).

In its capacity as the central counterparty in all cleared transactions, Nasdaq Clearing is the legal counterparty to, and guarantees the fulfillment of, all cleared contracts. As the legal counterparty in each cleared contract, Nasdaq Clearing assumes counterparty risks between buyers and sellers in the contracts. Nasdaq Clearing does not utilize cleared contracts for any form of trading on its own behalf, and Nasdaq Clearing continuously maintains balanced positions in all cleared contracts in its capacity as guarantor for the fulfillment of these contracts.

In accordance with Nasdaq Clearing's rules and regulations, a counterparty's positions are aggregated and netted to create a single position for each counterparty, through which margin covers are calculated (see below). Deliveries 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 healthy credit ratings to thereby minimize settlement risks.

Products and services

The company offers central counterparty clearing of financial instruments of the following asset classes:

- Share and index derivatives in the Nordic market
- Fixed-income derivatives in the Nordic market
- Commodities derivatives linked to Nordic, German, German-Austrian, UK, French, Italian, Spanish and Dutch electricity, freight, fuel oil, Dutch, German and UK gas, Norwegian-Swedish electricity certificates as well as to emission rights
- Fish derivatives linked to Norwegian salmon
- Repo contracts in bonds in the Nordic market

Customers

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

Clearing members

As of December 31, 2019, Nasdaq Clearing had a total of 220 clearing members trading in the Derivatives Markets (FIN) and Commodity Derivatives (COM). The categories of members are described below:

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

During 2019, there were 14 (24) new clearing members and 29 (46) memberships were terminated.

Risk management

Nasdaq Clearing's Board of Directors has set the company's risk appetites and tolerances. The risk appetite framework describes the limits Nasdaq Clearing must work within and is used as a guide when management considers strategic and operational decisions. The risk appetite framework also makes it possible for Nasdaq Clearing to effectively manage risks and make well-informed risk decisions.

All of Nasdaq Clearing's employees have responsibility for managing risks. Nasdaq Clearing's steering documents set the company's own minimum standards and limits for managing risks. The Board's role in the risk oversight is compatible with the company's governance structure where the management has the day-to-day responsibility for assessing and managing Nasdaq Clearing's risk exposure and the Board has the utmost responsibility for monitoring risk management with a focus on the company's most significant risks. The Board is supported in fulfilling this responsibility by Board committees and management committees, each with specified areas of responsibility.

Nasdaq Clearing uses the Enterprise Risk Management (ERM) framework, which ensures that risks are managed 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. Risk management is one of the most important components of the ERM framework, as well as a comprehensive and standardized taxonomy for risk management. The standardized taxonomy is applied throughout the Nasdaq Group and includes a standardized risk, control, root cause and process taxonomy. The standardized taxonomy enables consistent analysis and reporting within Nasdaq Clearing and the entire Group.

Nasdaq Clearing primarily manages risks associated with its clearing operations. These are mainly financial risks, such as credit and market risks, but also operational risks, legal and regulatory risks and strategic and business risks. Nasdaq Clearing has both a risk management department in the first line of defense and an independent risk management in the second line of defence. The first line of defense is responsible for managing financial risks, such as credit risks, but also non-financial risks in accordance with internal steering documents, regulatory requirements, and international industry standards, and within the permitted risk appetite established by Nasdaq Clearing's Board of Directors. The second line independent risk defense serves as an independent adviser to the first line, defines a framework for risk management and is responsible for independent risk monitoring and reporting to the Board.

The four risk categories belonging to the first level (level 1 risks) that Nasdaq Clearing has defined in its taxonomy are financial risks, strategic and business risks, operational risks and legal and regulatory risks.

Financial risk management

The financial risks consist of the following risk categories: credit risk, liquidity risk and market risk.

Credit risks

Credit risks consist of counterparty risk and credit concentration risk.

Counterparty credit risk is mainly managed within three levels:

Level 1 means that members and counterparties meet the minimum requirements stipulated in the membership agreement and that the counterparties have sufficient credit worthiness.

Level 2 means that all counterparties must pledge collateral to cover potentially negative market values, as well as additional collateral to cover market fluctuations that may occur prior to the clearing house closing the positions, should a counterparty default on payment to Nasdaq Clearing. The collateral requirements are continuously calculated during the day and new collateral is collected at least once a day. Nasdaq Clearing may also, if needed, require additional collateral from one or more counterparties over the course of a day. The continuous assessment of positions and collection of collateral facilitates the early identification of counterparties that may default on their obligations. Collateral comprises either cash funds in currencies approved by Nasdaq Clearing or securities approved by Nasdaq Clearing and pledged to Nasdaq Clearing. Collateral pledged as securities is held directly in the name of Nasdaq Clearing on external trustee accounts and is immediately available to Nasdaq Clearing in the event of a default by the counterparty. Pledged collateral in the form of cash and cash equivalents is recognized in the balance as an asset or liability when a transfer of ownership has occurred to Nasdaq Clearing, and amounted to SEK 24,432 million (38,708) as per December 31, 2019. Collateral received in the form of pledged securities is not recognized in the balance sheet because a transfer of ownership to Nasdaq Clearing has not occurred. On December 31, 2019, securities received as collateral (including pledged assets to the default reserve) totaled SEK 34,892 million (28,350). Collateral received also included excess mortgaging.

Level 3 in counterparty credit risk to ensure Nasdaq Clearing's capacity to fulfill its obligations as a central counterparty, comprises the regulatory capital that Nasdaq Clearing retains which is in turn matched by highly liquid and immediately marketable assets. As of December 31, 2019, the regulatory capital requirement was SEK 5,344 million (4,509). This amount was matched by Nasdaq Clearing's own investments, primarily in Swedish government bonds amounting to SEK 1,380 million and by member-financed default reserves totaling SEK 3,964 million. Of Nasdaq Clearing's own investments, part of the SEK 865 million is to cover other risks pursuant to Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) (such as operational, business, investment and legal risks) and ensures sufficient funds are available to meet any legal requirements in the event the company's operations are ceased.

Members contribute funds to the default reserves, which, if a counterparty defaults, are utilizable by Nasdaq Clearing to cover any losses arising from the termination of the defaulting counterparty's positions. Nasdaq Clearing has chosen to divide the members' funds into four reserves: one that is utilizable solely for default in the financial derivatives market, one that is utilizable solely for commodity derivatives markets (excluding salmon derivatives), one that is utilizable solely in the salmon derivative market and finally, a mutualized reserve. The mutualized fund may be utilized regardless of the market in which the default occurs. Prior to utilizing the funds from the default reserve for the financial market, Nasdaq Clearing must use SEK 110 million of its own funds (Nasdaq Clearing's junior capital pool for the financial market). Prior to utilizing the funds from the default reserve for the commodity derivatives markets, Nasdaq Clearing must first use SEK 200 million of its own funds (Nasdaq Clearing's junior capital pool for the commodity derivatives markets). Prior to utilizing the funds from the default reserve for the salmon derivatives market, Nasdaq Clearing must first use SEK 5 million of its own funds (Nasdaq Clearing's junior capital pool for the salmon derivatives market). The mutualized reserve may only be used after Nasdaq Clearing has first used, in addition to the junior capital pool and the default reserve for the particular market, an additional SEK 200 million of its own funds (Nasdaq Clearing's senior capital).

As of December 31, 2019, the default reserve for the financial derivatives market amounted to SEK 1,880 million, the reserve for the commodities market was EUR 141 million and NOK 48 million for the salmon derivatives market. The mutualized default reserve constitutes 15% of the contributions to the other three reserves, meaning around SEK 517 million. The default reserves are entirely member financed. Contributions to the default reserve that comprise cash and cash equivalents are recognized as an asset with a corresponding liability in the balance sheet.

In addition to the regulatory capital and the member-financed default reserves, certain members who are active in the interest-rate swap market also contribute additional risk-absorbing capital to a loss-sharing pool. This extra reserve of financial resources can only be used if a member defaults and has positions in interest-rate swaps. The members' contributions to this additional reserve may decrease in the event of an auction process by a member to take over positions from the defaulted counterparty. On December 31, 2019, the loss sharing pool amounted to SEK 356 million.

Contributions in the form of cash and cash equivalents to the default reserves and loss sharing pool are recognized as an asset with a corresponding liability in the balance sheet when a transfer of ownership has occurred to Nasdaq Clearing, and as of December 31, 2019 amounted to SEK 3,622 million (3,281). Contributions to the default reserves in the form of pledged securities do not entail a transfer of ownership to Nasdaq Clearing and are therefore not recognized on the balance sheet. As of December 31, 2019, pledged securities totaled SEK 1,714 million (1,146).

The principles for managing counterparty credit risk in accordance with the above are based on high quality in the clearing operations and risk management frameworks, which include well-defined internal control documents, procedures and processes, a stable IT environment and follow-up both in the internal management risk committee and the Board Risk Committee. No one of Nasdaq Clearing's member's accounts for more than 30% of the total exposure related to counterparty credit risk in the clearing operation.

The credit risk arising from fixed-income investments is managed through an investment policy adopted by the Board. This policy stipulates that all investments of regulatory funds and the cash funds placed as collateral by counterparties or used for default reserves may only be invested in securities issued by government or supragovernment issuers with a good credit rating, through short-term repurchase agreements whereby cash assets are invested against collateral in the form of government securities or through short-term bank deposits in banks with a good credit rating. Other cash and cash equivalents are mainly to be invested in the Group's cash-pool deposits and in short-term internal interest-bearing assets.

The credit risk arising from accounts receivable is managed by the membership agreement which stipulates that a company which is to become a clearing member must fulfill the criteria of the agreement and comply by Nasdaq Clearing's regulations. The membership requirements comprise qualitative requirements, such as organizational and operational requirements, requirements to maintain a robust risk management procedures and certain regulatory and legal requirements. By setting exposure limits for each member based on the members' financial position, liquid assets, capital and credit ratings, Nasdaq Clearing also limits the risk exposure per individual clearing member. In the customer monitoring process which Nasdaq Clearing performs on an ongoing basis, members are required to provide documentation to prove that they have sufficient profitability and financial resources to conduct their business. Regarding other services and products, the fixed fees are invoiced in advance and larger variable fees are invoiced monthly in arrears to minimize the risk of losses in accounts receivable.

Credit concentration risk

Credit concentration risk is continuously monitored and reported to Nasdaq Clearing's Board of Directors. When necessary, Nasdaq Clearing has a number of tools to manage this risk, including additions to margin requirements and requirements for the default reserve.

Liquidity risks

The liquidity risk associated with Nasdaq Clearing's operations other than clearing operations is limited. Nasdaq Clearing maintains no interest-bearing liabilities and therefore has no refinancing risks. In addition, the cash flow generated by operations is positive and significantly exceeds investments. The liquidity risk that Nasdaq Clearing is mainly exposed to is of a category that may arise from clearing operations. Liquidity requirements may arise from operational problems at a counterparty or bank, problems with the delivery of underlying instruments on the expiration date of derivative contracts, or if a member defaults against Nasdaq Clearing. Nasdaq Clearing measures the potential liquidity requirement in the currencies concerned on a daily basis. Nasdaq Clearing manages these liquidity risks by only approving 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 approximately SEK 1,700 million are available to Nasdaq Clearing. It is possible to utilize these facilities in various currencies and they have been distributed between four players.

Market risk

Nasdaq Clearing is exposed to market risk in case of a clearing member default as the defaulted member's portfolio would then be exposed to market risk. In addition, Nasdaq Clearing is exposed to market risks linked to investments of pledged collateral and Nasdaq Clearing's own regulatory capital. Market risks mainly consist of currency risk, interest-rate risk and market-concentration risk.

Currency risk

Currency exposure at Nasdaq Clearing primarily arises from the commodities where the majority of the costs are denominated in NOK and the majority of revenue is denominated in EUR. Nasdaq Clearing has decided not to hedge this particular risk, as the assessment is that the total currency-transaction exposure from the flow described above is relatively limited and manageable. Bank funds that are denominated in other currency than SEK (and NOK for the Norwegian branch) for liquidity purposes are hedged through currency futures. The collateral pledged by members in the form of cash funds is always reinvested in the currency in which the member has pledged the collateral, which eliminates the currency risk. The translation of the Nasdaq Clearing Oslo branch to SEK is not hedged. The translation is directly recognized on the balance sheet as shareholders' equity and does not impact the reported profit or loss.

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. As of December 31, 2019, the average duration of these assets was 0.21 years (0.07). Nasdaq Clearing does not use derivatives in its investing activities.

Market-concentration risk

Nasdaq Clearing acts as a central counterparty to all derivative contracts cleared by Nasdaq Clearing. The fair value of these derivatives is impacted by changes in the price of underlying instruments (equities, fixed-income, commodities) and in market-interest rates (assessment input). 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

Nasdaq Clearing's non-financial risk categories are strategic and business, operational, legal and regulatory risks. Identification, management, measurement and reporting of non-financial risks are described in the Enterprise Risk Management (ERM) framework and in standards and guidelines that support the ERM policy, as well as a number of other relevant control documents that regulate the management of non-financial risks.

Nasdaq Clearing's Board of Directors review and approve the ERM framework. The second line independent risk function supports implementation of the framework and is responsible for a continuous monitoring and reporting of risks to Nasdaq Clearing's risk committees and Board of Directors.

Components within the ERM framework includes the performance of Risk and Control Self Assessments (RCSAs), scenario assessments, peak risk assessments and incident and case management.

Strategic and business risks

Strategic and business risks relates to unfavorable financial outcome in profit or capital resulting from changes in the business environment and adverse business decisions, incorrect implementation of decisions or inadequate response to changes in the business environment. The management of strategic and business risks is integrated in several parts of the ERM framework, such as RCSAs, scenario risk assessments and peak risk assessments. Strategic and business risks are also taken into account in Nasdaq Clearing's decision process and in the annual strategic planning process.

Top-risk assessments, aimed at identifying and managing risks that may threaten the execution of Nasdaq Clearing's strategy are performed annually.

Operational risks

Operational risks relates to failure for employees and systems to perform tasks or processes due to internal or external factors. Nasdaq Clearing strives to reduce the likelihood and the impact of operational risks to the furthest possible extent and at the same time maintain a robust business model. As part of the regular Risk and Control Self Assessments, operational risks associated with the critical processes are identified, managed, measured and reported. In addition controls are identified and evaluated to prevent these risks from arising.

The company's business continuity plan are updated and tested regularly, also the company continuously performs monitoring of outsourced functions. Independent validations and tests of risk models are performed to ensure that models are effective. Nasdaq Clearing also has a cyber-security program and robust continuity and information security frameworks to ensure resistance to external and internal disruptions.

Legal and regulatory risks

Legal and regulatory risks relates to risk of civil law consequences, including regulatory sanctions, fines and legal disputes, while business activities are conducted. 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 norms in all interactions.

The management of legal and regulatory risks is based on multiple factors, such as internal control documents, standards and regular reviews done by the function for compliance.

Nasdaq Clearing undertakes proactive monitoring and engages in a continuous dialog with supervisory authorities and other industry forums to stay abreast of any new or amended legislation.

Significant events during the fiscal year

Member default in the Norwegian energy market

In September 2018 a member active on Nasdaq Clearing's commodity market defaulted due to inability to post sufficient collateral to cover increased margin requirements for the positions of the relevant member, which had experienced losses due to sharp adverse movements in the Nordic - German power F-39market spread. Nasdaq Clearing followed default procedures and offset the future market risk on the defaulting member's positions. The default resulted in a loss of SEK 1,193 million which was first allocated to Nasdaq Clearing (the junior capital of SEK 70 million) and then allocated between the members and the default reserve for the commodity market with SEK 1,123 million in accordance with the waterfall default principle. In September 2018, these funds were replenished.

Nasdaq Clearing immediately initiated a self-assessment of its risk management after the default and developed a comprehensive plan to strengthen the company's risk management. The majority of the measures identified have been implemented.

In December 2018, Nasdaq Clearing initiated a capital relief program. The capital relief program was a voluntary program open to each commodities default fund participant; each such participant who agreed to the capital relief program received a proportion of the funds made available under the capital relief program as reflected by their proportionate share of the aggregate of the clearing members' default fund replenishments. As of December 31, 2019, Nasdaq Clearing have disbursed substantially all of the 203 MSEK offered through the program. In addition to the capital relief program, Nasdaq Clearing are pursuing recovery of assets from the defaulted member which will be allocated back to default fund participants.

Brexit

Nasdaq Clearing continued to monitor the situation in the Brexit process to ensure that British members have uninterrupted access to Nasdaq's clearing even in a "hard Brexit" where the United Kingdom leaves the European Union without an agreement. As known, a few dates have passed during the year when there was a risk of a hard Brexit, but the risk did not materialize. During the year, British members continued their own preparations by moving part of their operations to different EU countries, even if part also stayed in London. After year-end, the United Kingdom left the EU, but with a transition agreement, meaning that British members can continue their activities under the same conditions as before until further notice. Depending on how the negotiations between the EU and the UK develop during the year, Nasdaq will again activate the project to ensure that there are no obstacles to uninterrupted access to Nasdaq Clearing if relevant political and other agreements are not in place at year-end.

Review and sanctions by the Swedish Financial Supervisory Authority

In 2015, the Swedish Financial Supervisory Authority (SFS) conducted an investigation of the company's handling of cyber risks. As a result of its investigation, the SFS issued a remark and levied a fine of SEK 25 million on Nasdaq Clearing on December 13, 2016. Nasdaq Clearing appealed the decision to the Stockholm Administrative Court on January 2, 2018. In a ruling on May 3, 2018, the court reversed the SFS's decision including the fines.

The reasoning for the ruling stated that the decision to impose a fine on the company conflicted with the proportionality principle. According to the Administrative Court, which approved Nasdaq Clearing's arguments on this point, a decision to impose a fine must be both appropriate and necessary to be considered proportional. The Administrative Court also noted that Nasdaq Clearing had cooperated with the SFS and that it was unclear what the SFS required from Nasdaq Clearing to monitor the company's commitments under applicable legislation.

The SFS appealed the ruling to the Administrative Court of Appeal. In a decision on January 4, 2019, the Administrative Court of Appeal reversed the ruling of the Administrative Court and returned the case to the Administrative Court for a new trial in consideration of the court hierarchy principle as the Administrative Court did not decide if the company had neglected its obligations under applicable legislation. According to the Administrative Court of Appeal, the proportionality assessment can only be done after it has been established if obligations have been neglected.

On January 24, 2019, Nasdaq Clearing appealed the Administrative Court of Appeal's decision to the Supreme Administrative Court and moved that the Supreme Administrative Court reverse the Administrative Court of Appeal's decision and confirm the Administrative Court's ruling.

On October 30, 2019, the Supreme Administrative Court announced that it would not grant the appeal. The case was thus referred back to the Administrative Court for a new examination of the issue in accordance with the ruling of the Administrative Court of Appeal from January 4, 2019. A ruling is expected in 2020.

In the autumn of 2018, the SFS initiated new investigations to determine Nasdaq Clearing's compliance with certain requirements set by applicable legislation. As part of the investigations the SFS has asked written questions to Nasdaq Clearing and conducted on site visits. During 2019 the SFS sent reconciliation letters within each survey to Nasdaq Clearing, which were answered. In February 2020 the SFS requested Nasdaq Clearing to comment on the SFS's preliminary assessments and considerations. A conclusion of the investigations is expected in 2020.

Organizational changes at Nasdaq Clearing

During the year, changes were made to the management group for Nasdaq Clearing AB, which as at December 31, 2019 includes: Julia Haglind (CEO), Irina Slinko (Chief Risk Officer), Kjersti Ulset (Head of Clearing Risk) Henrik Selhammer (Chief Operating Officer), Michael Nolte (Chief Technology Officer), Mette Steinsland (Chief Compliance Officer), Göran Bolin (Head of Business Development), Gustaf von Boisman (Head of Product Development), Erica Brown (Head of International Affairs), Pauline Lundgren (Business Manager), Audrius Žakas (Branch Manager Vilnius), Erik Flingtorp (Branch Manager Oslo) and Johan Mattsson (Legal Counsel). At the end of 2019, the Clearing Group had 68 direct employees.

Earnings trend 2019

Nasdaq Clearing AB's net sales amounted to 563 MSEK (598 MSEK). Decreased net sales is mainly due to decreased income from collateral management investments as more members have pledged securities than cash as collateral during 2019 compared to 2018. Also the income from commodity clearing is slightly lower than last years as volumes were higher in 2018. Operating expenses amounted to 418 MSEK (870 MSEK). Decrease in operating expenses is mainly due to a number of one-time default-related expenses taken in 2018.

Profit before depreciation, amortization, financial items and tax amounted to 146 MSEK (-54 MSEK), corresponding to an EBITDA margin of 26% (-9%).

For the assessment of COVID-19 impact, please refer to note 25, significant events after year end.

Expected future developments

The aim for 2020 is to strengthen Nasdaq Clearing's competitiveness by offering an efficient and secure CCP-service, as well as continuing to launch new solutions that help customers develop their business and manage the challenges that arise as a result of regulatory requirements and market changes. In line with the market's expectations, Nasdaq Clearing has worked on and largely implemented an improved risk management framework. The implementation will be finalized in 2020. Regarding products and services, Nasdaq Clearing's will focus to expand the offering in equity-related derivatives, continuing to market clearing of OTC products, and preparing systems and processes for the implementation of the Central Securities Depositories Regulation (CSDR), which is taking place gradually in 2018-2021 in the markets in which Nasdaq Clearing is active. Nasdaq Clearing is also planning to introduce services for clearing of electricity trading with physical delivery for which Nasdaq Commodities has been appointed the nominated electricity market operator (NEMO) under Commission Regulation (EU) 2015/1222, this regulation establishes guidelines on capacity allocation and congestion management with Nasdaq Clearing as the central counterparty for clearing and settlement.

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 2019, investments were made to strengthen Nasdaq Clearing's risk management framework, expand the product range with clearing of spot market traded electricity and derivatives on a basket of equities. A new IT platform has been implemented to adapt systems to requirements in the Central Securities Depositories Regulation (CSDR). Investments in R&D are expected to continue to a largely unchanged extent, with continued focus on regulatory changes, IT, risk management and launch of new products and services.

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 the Annual Account Act, chapter 6, §11, Nasdaq Clearing AB has chosen to provide the Sustainability Report separated from the Annual Report. Separate sustainability report is created by Nasdaq AB. Sustainability report has been submitted to the auditors with the Annual Report.

Ownership structure

Nasdaq Clearing AB is a wholly owned subsidiary of Nasdaq Nordic Ltd., corp. ID no. 556243-8001. The Group's Parent Company is Nasdaq Inc., with registered office in Delaware, USA.

Five-year summary*	2019	2018	2017	2016
Net sales (SEK m)	563	598	576	619
Income after financial items (SEK m)	141	-277	21	47
Operating margin (%)	25,1%	-45,5%	4,7%	7,6%
Return on equity (%)	6,7%	-13,0%	0,9%	2,0%
Balance sheet total (SEK m)	43 249	68 910	66 142	64 164
Equity/assets ratio (%)	5,0%	3,1%	3,3%	3,7%
Equity/assets ratio (excl. derivatives and repurchase transactions) (%)	87,9%	66,1%	93,3%	93,0%
Average number of employees	67	66	67	70

* KPI definitions, refer to Note 27.

Proposed appropriation of earnings

The Board of Directors proposes that the profits available for distribution (SEK)

Profit brought forward	1 728 155 827
Net profit for the year	123 656 753
	1 851 812 580
be distributed as follows:	
to be carried forward	1 851 812 580
	1 851 812 580

Income statement

	Note	2019-01-01 -2019-12-31	2018-01-01 -2018-12-31
Net sales	2	563 282	597 833
		563 282	597 833
<i>Operating expenses</i>			
Other external expenses	3,4	-315 262	-283 754
Personnel costs	5	-72 463	-73 537
Depreciation/amortization and impairment of tangible and intangible assets		-1 380	-218 038
Other operating expenses	7	-29 095	-294 706
		-418 200	-870 035
Operating profit		145 082	-272 203
<i>Income from financial items</i>			
Other interest income and similar profit/loss items	8	5 417	4 432
Interest expenses and similar profit/loss items	9	-9 011	-9 628
		-3 594	-5 196
Income after financial items		141 488	-277 399
Appropriations	10	0	53 000
Profit before tax		141 488	-224 399
Tax on profit for the year	11	-17 831	18 319
Net profit for the year		123 657	-206 079

Balance sheet

	Note	2019-12-31	2018-12-31
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Capitalized expenditure for research and development work and similar work	12	332	1 002
		332	1 002
<i>Tangible assets</i>			
Equipment, tools, fixtures and fittings	13	1 428	1 169
		1 428	1 169
<i>Financial assets</i>			
Deferred tax assets	14	0	2 011
Other long-term receivables	15	5 001	9 721
		5 001	11 732
Total non-current assets		6 761	13 903
Current assets			
<i>Current receivables</i>			
<i>Financial instruments subject to clearing</i>			
Derivatives	20	9 815 566	19 499 908
Receivables from repurchase transactions		2 986 066	4 107 157
Investments of collaterals recieved as default reserve and margin requirement		28 054 277	42 011 245
Accounts receivable		10 623	10 905
Receivables from Group companies		619 306	920 673
Current tax assets		0	86 869
Other receivables		317 784	155 146
Prepaid expenses and accrued income	16	12 379	21 582
		41 816 001	66 813 485
<i>Short-term investments</i>		1 383 731	1 080 479
<i>Cash and bank balances</i>		42 275	1 001 710
Total current assets		43 242 007	68 895 674
TOTAL ASSETS		43 248 768	68 909 576

Balance sheet

	Note	2019-12-31	2018-12-31
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders' equity			
<i>Restricted equity</i>			
Share capital		201 000	201 000
Statutory reserve		50 000	50 000
		251 000	251 000
<i>Non-restricted equity</i>			
Profit brought forward		1 728 156	1 915 628
Net profit for the year		123 657	-206 079
		1 851 813	1 709 549
Total shareholders' equity		2 102 813	1 960 549
Provisions			
	18		
Provisions for pensions and similar commitments		121	381
Deferred tax liability		0	246
Provisions other		0	203 118
		121	203 745
Current liabilities			
<i>Financial instruments subject to clearing</i>			
Derivatives	20	9 815 566	19 499 908
Liabilities, repurchase transactions		2 986 066	4 107 157
Liabilities to members pertaining to default reserve and collateral pledged		28 054 277	42 011 245
Accounts payable		4 149	15 622
Liabilities to Group companies		42 340	39 184
Current tax liabilities		15 277	111
Other liabilities		157 190	1 011 625
Accrued expenses and deferred income	19	70 969	60 432
		41 145 834	66 745 283
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		43 248 768	68 909 576

Statement of changes in equity

	Share capital	Statutory reserve	Profit brought forward	Net profit for the year	Total
Opening balance 2018-01-01	201 000	50 000	1 901 775	-5 964	2 146 811
Transfer of profit/loss from previous year	0	0	-5 964	5 964	0
Equity effect of changed tax rate for IA	0	0	19 650	0	19 650
Translation difference, foreign branches	0	0	168	0	168
Net profit for the year	0	0	0	-206 079	-206 079
Closing balance 2018-12-31	201 000	50 000	1 915 629	-206 080	1 960 549
Opening balance 2019-12-31	201 000	50 000	1 915 629	-206 080	1 960 549
Transfer of profit/loss from previous year	0	0	-206 080	206 080	0
Translation difference, foreign branches	0	0	0	18 607	18 607
Net profit for the year	0	0	0	123 657	123 657
Closing balance 2019-12-31	201 000	50 000	1 709 549	142 264	2 102 813

Cash flow statement

	2019-01-01	2018-01-01
	-2019-12-31	-2018-12-31
Operating activities		
Operating profit	145 082	-272 203
Adjustments for non-cash items, etc.		
Depreciation/amortization and impairment	1 388	218 039
Capital gain	0	-28
Group contribution	0	53 000
Changes in provisions	-203 164	202 903
Exchange-rate differences	-14	177
	-56 708	201 888
Interest received	5 417	4 432
Interest Paid	-9 011	-9 627
Income tax paid	85 970	-86 795
Cash flow from operating activities before changes in working capital	25 668	109 898
<i>Changes in working capital</i>		
Changes in operating receivables	149 825	31 054
Changes in operating liabilities	-854 026	976 410
Cash flow from operating activities	-678 533	1 117 361
<i>Investing activities</i>		
Acquisitions of non-current assets	-637	-3 718
Disposal of non-current assets	-332	656
Sale of non-current assets	4 712	0
Cash flow from investing activities	3 743	-3 062
<i>Financing activities</i>		
<i>Translation difference, foreign branches</i>	18 607	19 649
Cash flow from financing activities	18 607	19 649
Cash flow for the year	-656 183	1 133 948
Cash and cash equivalents at beginning of year	2 082 189	948 241
Exchange rate differences in cash and cash equivalents	0	0
Cash and cash equivalents at year-end	1 426 006	2 082 189

* Cash and cash equivalents are defined as highly liquid assets in cash in bank and short term investments

Notes

Note 1 Accounting policies, etc.

General accounting policies

The Annual Accounts have been prepared in accordance with the Annual Accounts Act (1995:1554) and BFNR 2012:1 Annual Accounts and Consolidated Financial Statements (K3).

Group affiliation

Company's financial information is consolidated within the results of its immediate parent entity Nasdaq Inc, incorporated in Delaware, USA.(employer ID no. 52-1165937). www.nasdaq.com

Revenue recognition

The company's main revenue comprises transaction revenue, which is revenue generated from clearing, and revenue from safekeeping of collateral. Revenue is recognized in the income statement when it is probable that future economic benefits will accrue to the company and that these can be reliably measured.

Leases

The company recognizes all leases, both finance and operating, as operating leases. Operating leases are recognized on a straight line basis as a cost over the leasing period. Also refer to Note 4.

Remuneration of employees

Employee remuneration relates to all remuneration which the company pays to the employees. These remunerations includes salaries, paid vacation, paid absence, bonuses and compensation after retirement (pensions). Remuneration is recognized in the books as the remuneration is earned by the employee. 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 there are no obligations, either legal or constructive, to pay anything further beyond these premiums. The company has no other long-term remuneration arrangements to employees. Premiums for defined-contribution plans are recognized as an expense in the period in which the employees perform the defined-contribution services.

Long-term incentive program

All employees participate in Nasdaq Inc.'s long-term incentive program. The program includes the allocation of shares and warrants in Nasdaq Inc. based on satisfying completion of performance requirements and a requirement of continued employment in the company. Incentives are exercised within a period of three to five years. The company is charged for current costs for the warrants program by the Parent Company. The costs charged by the Parent Company are based on the value of the shares or warrants at the time of allocation and is spread over the expected vesting period. Social security expenses arising from these share-based programs are determined on the exercise date, but provisions are made on an ongoing basis over the vesting period based on the market value.

Social security expenses for share-based remuneration

In accordance with Chapter 26, share-based remuneration, in BFNR 2012:1 Annual Accounts and Consolidated Financial Statements (K3), 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.

Remuneration policy

A report on the remuneration policy in accordance with the Swedish Financial Supervisory Authority's general guidelines on remuneration policies, FFFS 2016:21, is published on the company's website, <http://business.nasdaq.com/trade/clearing/nasdaq->

Translation of items in foreign currencies

Receivables and liabilities in foreign currencies are valued at the closing day 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 expenses.

Group contributions

Group contributions received and paid are recognized as appropriations.

Taxes

Current and deferred income tax is recognized under the heading "Taxes" in the income statement. National income tax in Sweden is calculated on nominally entered earnings with additions for non-deductible items, deductions for non-taxable revenues and other deductions. Deferred tax assets are recognized for all 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 reduced 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, and increased to the corresponding extent. 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 recognized at cost less accumulated depreciation/amortization and any impairment.

Tangible assets were divided into significant components when the components have highly varying useful periods.

The depreciable amount consists of acquisition value reduced with a calculated residual value if this is significant. Amortization/depreciation is recognized on a straight-line basis over the expected useful life.

The following amortization/depreciation periods are applied:

Intangible assets

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

Tangible assets

Equipment, tools, fixtures and fittings	5 years
---	---------

The company applies the so-called capitalization model for internally created intangible assets. The method entails that all charges that fulfill the criteria in BFAR 2012:1 are capitalized as intangible assets and amortized over the estimated useful life of the asset.

Financial instruments

Financial instruments are recognized according to BFAR 2012:1 (K3), Chapter 12. Also refer to the description of each category of financial instruments.

Financial assets/liabilities held for trading

Short-term investments

The Nasdaq Clearing's short-term investments comprise treasury bills, bonds and other securities issued by the state, municipalities, Swedish commercial banks and Swedish mortgage institutions. These investments are measured at fair value. The return and changes in value are recognized net in the income statement.

Derivative instruments – currency futures

Derivative instruments are measured at fair value and changes in fair value are reflected in the income statement. Fair value is based on listed market prices. The carrying amount of currency futures is recognized in the balance sheet under "Accrued income and deferred expenses" or "Accrued expenses and deferred income" depending on their value on the closing date.

Financial instruments subject to clearing

Derivative contracts

Through its clearing operations, Nasdaq Clearing AB act as counterparty in each derivative contract, thereby guaranteeing the fulfillment of each contract. The fair value of outstanding derivative contracts is measured gross in the balance sheet as a receivable towards the acquiring counterparty and liability towards the selling counterparty. Receivables and liabilities are netted to the extent a contractual entitlement exists and the intention is to simultaneously settle the items. The company does not conduct any proprietary trading in these instruments on its own, and thus receivables and liabilities will always be balanced and no effect on earnings will arise. 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 using standard models based on observable market data, including implicit volatility, interest rates and spot prices of underlying financial instruments. The determination of the fair value of future contracts is based on listed market prices and average listed market interest rates.

Repurchase contracts (repo contracts)

Through its clearing operations, Nasdaq Clearing AB act as counterparty in each derivative contract, thereby guaranteeing the fulfillment of each contract. These repurchase agreements are not used for the company's own financing operations. In the balance sheet, the contracts are measured gross at fair value. Receivables and liabilities have been netted to the extent there is a legal right of offset and the intention is to simultaneously settle the items.

Pledged collateral for clearing operations

Through the clearing operations, Nasdaq Clearing AB serves as the counterparty in each derivative contract thereby guaranteeing the fulfillment of each contract. Customers, who through a derivative contract incur a financial obligation towards the company, must pledge collateral against this obligation in accordance with the specific rules regulating this area. Collateral received and default reserve contributions received in the form of cash and cash equivalents are recognized in the balance sheet as an asset and liability. Collateral received and default reserve contributions in the form of pledged securities and guarantees are not recognized in the balance sheet because a transfer of ownership to Nasdaq Clearing AB has not occurred.

Guarantee obligation

Through the clearing operations, Nasdaq Clearing AB serves as the counterparty in each derivative contract thereby guaranteeing the fulfillment of each contract. Realization of such guarantee obligation which arises from a default is recorded in the balance sheet as a short term liability with corresponding restricted cash asset held for the obligation.

Loans and receivables

Loans and receivables comprise accounts receivable and receivables from Group companies measured at cost. All changes in value are recognized in profit and loss.

Other financial liabilities

Other financial liabilities pertain to liabilities to Group companies, accrued expenses and other financial liabilities and recognized at cost. All changes in value are recognized in profit and loss.

Investments in Group companies

Investments in Group companies are exempted from BFNAR 2012:1 (K3) Chapter 12 and recognized at cost less any impairment.

Branches abroad

Receivables and liabilities in foreign currencies are revaluated according to the day-rate-method in which assets and liabilities in foreign currency in the branches are revaluated at closing rate and revenues and expenses are revaluated at average rate of the reporting period. 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 expenses.

Cash flow statement

The company applies the indirect method to 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, and cash and bank balances.

Receivables, liabilities and provisions

Current receivables are recognized at the lower of cost and the amount expected to result from settlement, unless otherwise indicated. After the initial valuation, long-term receivables and liabilities are recognized at amortized cost. Other liabilities and provisions are recognized in the amounts expected to result from settlement. Other assets are recognized at cost, unless otherwise indicated above.

Note 2 Distribution of net sales

Net sales are distributed over the business areas as follows:

	2019	2018
Equity derivative products	167 456	170 115
Index products	119 361	127 894
Commodity products	158 636	182 281
Collateral management	84 524	100 672
Other income	33 304	16 871
	563 282	597 833

Note 3 Auditors' fee

	2019	2018
<i>Ernst & Young</i>		
Statutory audit	1 522	1 010
Other auditing service	50	603
	1 572	1 613

Note 4 Leases

	2019	2018
<i>Operating leases</i>		
Operating lease expenses	4 771	4 400
Future minimum leasing charges for non-cancellation operating leases:		
To be paid within 1 year	4 420	4 247
To be paid within 1-5 years	9 577	13 449
	13 997	17 696

Note 5 Employees and personnel costs

<i>Average number of employees</i>	2019	2018
Men	34	34
Women	33	32
	67	66

	2019	2018
<i>Remuneration and other benefits</i>		
Board and CEO	3 390	2 703
<i>(of which variable component)</i>	(571)	(317)
<i>(of which share-based component)</i>	(348)	(363)
Other employees	47 072	47 876
<i>(of which share-based component)</i>	(2 916)	(4 186)
	50 462	50 579

No board remuneration except salary were paid during the period

<i>Pension expenses for Board and CEO</i>	261	530
Pension expenses for other employees	5 905	4 977
<i>Other social security expenses by law and agreement</i>	15 046	15 354
	21 212	20 861

No board remuneration except salary were paid during the period

Remuneration structure

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

Share-based remuneration

In December 2008, the Nasdaq Board of Directors implemented a long-term incentive program (LTIP) for all permanent employees. This program consists of share-based instruments linked to the Nasdaq share, which is listed on the Nasdaq Stock Market in the US. The LTIP is a performance-based program. The ratio used for measuring performance is Nasdaq's operating income in the year concerned. 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, the team's targets and the employee's position in the company.

The LTIP's share-based instruments comprise three different instruments:

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, one-third transferred to employees at 100% after 3 years. The number of shares transferred is linked to the Total Shareholder Return (TSR) and to S&P 500 earnings. The number of shares transferred can be

Restricted Stock Units (RSUs) that are vested over time (non-performance-based), 25% transferred after two years, 25% after three years and 50% after four years. The number of shares allotted is always the same as the number transferred.

The employees, depending on the 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.

Pensions

Nasdaq offers its employees a premium-based Nasdaq pension plan, for employees in Sweden the company offers its employees a competitive market-rate occupational pension. The retirement age is 65 years.

Other benefits

In addition to the above occupational pension, Nasdaq offers health insurance and an occupational injury insurance (TFA) for its employees in Sweden. Employees are also able to supplement their coverage through Nasdaq's voluntary group insurance.

<i>Gender distribution among senior executives</i>	2019	2018
Percentage of women on the Board	57%	43%
Percentage of men on the Board	43%	57%
Percentage of women, other senior executives	50%	45%
Percentage of men, other senior executives	50%	55%

Note 6 Intra-Group purchase and sales

	2019	2018
Percentage of total purchases during the year from other Group companies	10%	27%
Percentage of total sales during the year to other Group companies	13%	8%

Note 7 Other Operating expenses

	2019	2018
<i>Default related expenses</i>		
Direct loss from default	0	-70 000
Cost for Capital Relief Program	0	-203 118
Other default related operating expenses	-1 815	-345
Cost for transition of Default Portfolio	-10 816	0
Other operating expenses	-16 465	-21 243
	-29 095	-294 706

Note 8 Other interest income and similar profit/loss items

	2019	2018
Interest income from Group companies	5 415	3 995
Other interest income	2	29
Result from short-term investments	0	408
	5 417	4 432

Note 9 Interest expense and similar profit/loss items

	2019	2018
Interest expenses to Group companies	-254	-99
Other interest expense	-8 325	-9 528
Result from short-term investments	-426	0
Other financial items	-6	0
	-9 011	-9 628

Note 10 Appropriations

	2019	2018
Group contribution	0	53 000
	0	53 000

Note 11 Tax on profit of the year

	2019	2018
Current tax	-33 804	-249
Adjustment related to previous years	18 069	315
Change in deferred tax for temporary differences	0	-18 385
Change in deferred tax related to loss carried forward	-2 096	0
Total recognized tax	-17 831	-18 319

Average effective tax rate - -

Reconciliation of effective tax rate

Recognized profit before tax	141 488	-224 447
Tax on recognized profit as per applicable tax rate (21,4%)	-30 278	-49 378
Tax effect of:		
Other non-deductible expenses	-55	69
Non-deductible goodwill impairment	0	31 754
Tax effect of translation differences	-3 697	2 248
Non-taxable income	67	-31
Settlement foreign tax paid by branch previously not activated	18 069	0
Tax effect of loss carried forward used	159	0
Adjustment of opening balance deferred tax	-2 096	0
Other	0	-3 296
Recognized tax	-17 831	-18 634
Effective tax rate	12,6%	8,2%

*Disclosures on deferred tax assets, see Note 14

*For the change in deferred tax liabilities, see note 18

Note 12 Capitalized expenditure for research and development and similar work

	2019-12-31	2018-12-31
Opening cost	34 448	34 448
Acquisitions	332	0
Closing accumulated cost	34 780	34 448
Opening amortization	-21 866	-17 139
Amortization	-1 002	-4 727
Closing accumulated amortization	-22 868	-21 866
Opening impairment	-11 580	-11 580
Closing accumulated impairment	-11 580	-11 580
Closing carrying amount	332	1 002

Note 13 Equipment, tools, fixtures and fittings

	2019-12-31	2018-12-31
Opening cost	3 825	3 612
Acquisitions	637	0
Sales/disposals	0	213
Closing accumulated cost	4 462	3 825
Opening depreciation	-2 655	-2 257
Sales/disposals	0	-13
Depreciation	-379	-387
Closing accumulated depreciation	-3 034	-2 655
Closing carrying amount	1 428	1 169

Note 14 Deferred tax asset

	2019-12-31	2018-12-31
Opening balance	2 011	567
Adjustment of opening balance deferred tax	-2 096	0
Reversed/Additional tax assets	85	1 444
	0	2 011

Also refer to Note 11 Tax on profit for the year.

Note 15 Other long-term receivables

	2019-12-31	2018-12-31
VAT claim	0	3 728
Prepaid pension premium	4 903	5 686
Endowment insurance	98	307
	5 001	9 721
Opening cost	9 721	6 831
Payments received	0	3 718
Sales/disposals	-984	-856
Revisions	0	28
Wright-downs	-8	0
Reclassifications	-3 728	0
Carrying amount	5 001	9 721

Note 16 Prepaid expenses and accrued income

	2019-12-31	2018-12-31
Prepaid rent	8	1 096
Prepaid interest	11 827	18 514
Prepaid insurance premiums	297	381
Other prepaid expenses	247	1 591
	12 379	21 582

Note 17 Number of shares

	2019-12-31 <i>Quotient value</i>	2018-12-31 <i>Quotient value</i>	2019-12-31 No. Of	2018-12-31 No. Of
Class A shares	100	100	2 010 000	2 010 000
			2 010 000	2 010 000

Note 18 Provisions

	2019-12-31	2018-12-31
<i>Pensions and similar obligations</i>		
Amount at beginning of year	381	596
Amounts reversed during the year	-260	-215
	121	381
<i>Deferred tax liability</i>		
Amount at beginning of year	246	17 147
Provisions for the year	0	246
Amounts reversed during the year	-246	-17 147
	0	246

Specification of deferred tax liabilities

	2019-12-31	2018-12-31
<i>Deferred tax liabilities</i>		
Deferred tax liability on intangible assets	0	17 147
Total deferred tax liabilities	0	17 147

Also refer to Note 11 Tax on profit of the year

	2019-12-31	2018-12-31
<i>Other provisions</i>		
Amount at beginning of year	-203 118	0
Provisions for the year	0	-203 118
Amounts reversed during the year	203 118	0
	0	-203 118

Specification of other provisions

Capital relief program		-203 118
	0	-203 118

Note 19 Accrued expenses and deferred income

	2019-12-31	2018-12-31
Accrued remuneration and other benefits	9 919	8 370
Accrued vacation pay	7 288	6 006
Accrued social security expenses	1 204	1 150
Accrued volume discounts	0	1 661
Other accrued expenses	52 558	43 245
	70 969	60 432

Note 20 Financial instruments in clearing operations, derivatives

	2019-12-31	2018-12-31
Market value, derivative positions outstanding		
Share options and futures	1 065 285	2 395 825
Index options and futures	611 802	1 199 615
Interest-rate options and futures	5 642 341	5 315 202
Commodity options and futures	2 496 137	10 589 266
	9 815 566	19 499 908

Note 21 Securities collateral received for clearing operations

	2019-12-31	2018-12-31
Pledged securities held "off balance sheet"	34 891 914	28 350 560
Total pledged securities collateral	34 891 914	28 350 560

Note 22 Guarantee and restricted cash related to active contracts in DF portfolio

	2019-12-31	2018-12-31
<i>Guarantee and restricted cash related to active contracts in DF portfolio</i>		
Guarantee/obligation related to open contracts in default portfolio	0	-976 664
Restricted cash for settlement	0	976 664
	0	0
<i>Specification of guarantee related to open contracts in default portfolio</i>	2019-12-31	2018-12-31
Delivery	0	-219
Rounding	0	-2
Settlement T+1	0	25 988
Accrued PnL (non-delivery)	0	-999 418
Overlap	0	1 861
Debt vs Members	0	-4 873
Total guarantee related to open contracts in default portfolio	0	-976 664
<i>Specification of restricted cash for settlement</i>	2019-12-31	2018-12-31
Remaining collateral for settlement	0	976 664
Total specification of restricted cash for settlement	0	976 664

Risk neutralized default portfolio was transferred to external clearing member in June 2019 and is no longer controlled by Nasdaq Clearing.

Note 23 Contingent liabilities

	2019-12-31	2018-12-31
Guarantees	41 836	40 994
	41 836	40 994

Note 24 Disclosures on financial instruments

Assets at 2019-12-31	Financial assets held for trading	Financial assets available for sale	Loans and receivables	Non-financial assets	Total
Financial instruments subject to clearing	12 801 632	28 054 277			40 855 909
Receivables from Group companies			619 306		619 306
Accounts receivable			10 623		10 623
Other receivables				317 784	317 784
Prepaid expenses and accrued income				12 379	12 379
Short-term investments	1 383 731				1 383 731
Cash and bank balances			42 275		42 275
	14 185 363	28 054 277	672 204	330 163	43 242 007
Assets at 2018-12-31	Financial assets held for trading	Financial assets available for sale	Loans and receivables	Non-financial assets	Total
Financial instruments subject to clearing	23 607 065	42 011 245			65 618 310
Receivables from Group companies			920 673		920 673
Accounts receivable			10 905		10 905
Other receivables				155 146	155 146
Prepaid expenses and accrued income				21 582	21 582
Short-term investments	1 080 479				1 080 479
Cash and bank balances			1 001 710		1 001 710
	24 687 544	42 011 245	1 933 288	176 728	68 808 805

Liabilities at 2019-12-31	Financial liabilities held for trading	Financial liabilities available for sale	Other financial liabilities	Non-financial liabilities	Total
Financial instruments subject to clearing	12 801 632	28 054 277			40 855 909
Other provisions			121		121
Liabilities to Group companies			42 340		42 340
Accounts payable			4 149		4 149
Accrued expenses and deferred revenue			52 558	18 411	70 969
	12 801 632	28 054 277	99 168	18 411	40 973 488

Liabilities at 2018-12-31	Financial liabilities held for trading	Financial liabilities available for sale	Other financial liabilities	Non-financial liabilities	Total
Financial instruments subject to clearing	23 607 065	42 011 245			65 618 310
Other provisions			381		381
Liabilities to Group companies			15 622		15 622
Accounts payable			39 184		39 184
Accrued expenses and deferred revenue			44 635	15 797	60 432
	23 607 065	42 011 245	99 822	15 797	65 733 928

Note 25 Significant events after the end of the fiscal year

In March 2020, the World Health Organization declared COVID-19 a global pandemic. Companies around the world have been affected by the pandemic and market restrictions have negatively impacted several of the Nasdaq Group's customers operations. The company has considered the effects of COVID-19 in estimates used in the calculation of the company's assets and liabilities. No significant effects on the company's operations have been identified since the balance sheet date.

Note 26 Proposed appropriation of earnings

Proposed appropriation of earnings	2019-12-31	2018-12-31
The Board of Directors proposes that the unappropriated earnings		
Profit brought forward	1 728 156	1 915 628
Net profit for the year	123 657	-206 079
	1 851 813	1 709 549
be appropriated as follows:		
to be carried forward	1 851 813	1 709 549
	1 851 813	1 709 549

Note 27 Definitions of key performance indicators

Operating margin

Operating income as a percentage of net sales

Adjusted equity

Equity plus untaxed reserves less deferred tax.

Return on equity

Income after financial items as a percentage of average adjusted equity

Equity/assets ratio

Adjusted equity as a percentage of total assets

Nasdaq Clearing AB
556383-9058

Stockholm,

Bjorn Sibbern
Chairman of the Board

Julia Haglind
CEO

Lars Nyberg
Board member

Chantal Wessels
Board member

Pia Warnerman
Board member

Tomas Thyblad
Board member

Karolina Ekholm
Board member

Our audit report was submitted on

Ernst & Young AB

Daniel Eriksson
Authorized Public Accountant