

Annual report of

Nasdaq Clearing AB

556383-9058

The financial year

1 January 2021 - 31 December 2021

Contents

Directors' Report	2
Income statement	8
Balance sheet	9
Statement of equity	11
Cash flow statement	12
Notes	13
Signatures	24

Directors' Report

The Board of Directors and the CEO, for Nasdaq Clearing AB, 556383-9058, with its registered office in Stockholm, may hereby submit an annual report for the financial year ended 31 December 2021.

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 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, German-Austrian, UK, French, Italian, Spanish and Dutch electricity, Dutch, German and UK gas, Norwegian-Swedish electricity certificates as well as to emission rights.
- 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 2021, Nasdaq Clearing had a total of 155 clearing members* trading 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)).
- 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 2021, there were 1 (3) new clearing members and 26 (38) memberships were terminated.

*Some UK based members opened up a branch or a subsidiary in EU and had multiple membership during a period to mitigate suspension due to Brexit.

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.

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 Clearing's 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 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. Collateral requirements are calculated and monitored continuously and new collateral is collected at least daily. Nasdaq Clearing may, as needed, also require additional collateral from one or more counterparties over the course of a day.

Collateral comprise either cash funds in currencies approved by Nasdaq Clearing (SEK, EUR, DKK, NOK, USD and GBP) or securities approved by Nasdaq Clearing and pledged to Nasdaq Clearing. Collateral securities pledged 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, i.e. cash collateral posted to Nasdaq Clearing will legally be 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.

Financial risk management (continued)

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 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.

Nasdaq Clearing changed the structure of the default fund in September 2021, in conjunction with the segregation of the default fund Nasdaq Clearing changed the currencies for the Nasdaq Clearing Junior and Senior Capital from SEK to the applicable currency for each clearing service. As of December 2021, Nasdaq Clearing's Junior Capital amounted to approximately 396 MSEK (Financial market 185 MSEK, Commodities market 20 MEUR, Seafood 6 MNOK) and Senior Capital comprised an additional 212 MSEK (Financial market 100MSEK, Commodities Market 10 MEUR and Seafood 10MNOK) and the Article-16 capital amounted to 630 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 Clearing's 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 four 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	December 31, 2021	December 31, 2020
Financial Market	MSEK	3,892	1,537
Commodities Market	MEUR	271	197
Seafood Market	MNOK	30	40

In previous years, Nasdaq Clearing has maintained a Mutualized Default Fund. This default fund has been discontinued during 2021. 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	December 31, 2021	December 31, 2020
Loss sharing pool	MSEK	529	543

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. None of Nasdaq Clearing's members accounts for more than 30% of the total exposure related to credit risk in the clearing operation.

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, 2021.

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. Consequently the assets will match the liability Nasdaq Clearing has towards its members

Market risk (continued)

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. Monthly assessments are performed 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 changes in the price of underlying instruments and in market-interest rates. 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 and RCSAs (Risk Control Self Assessments) as well as scenario 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 always identified, managed, measured and reported. Controls are identified and implemented to mitigate risks. Continuity plans are created and tested regularly, and the company performs continuous 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 a robust information security framework to ensure resistance to external and internal disruptions. Due to the Covid-19 pandemic recurring risk assessments are performed focusing on pandemic and business disruption risks.

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.

Significant events during the financial year

Nasdaq Clearing commodities default 2018

On January 27, 2021, the SFSA issued a warning combined with an administrative fine of SEK 300 million to Nasdaq Clearing based on their review.

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 has appealed the court's recent decision and firmly believes in the merits of its appeal. Due to the recent decision by the Administrative Court, Nasdaq Clearing has determined it is appropriate to record an accrual for the full amount of the administrative fine issues by the SFSA. The accrual is included in other expenses in the Income Statement for the year ended December 31, 2021.

Significant events during the financial year (continued)

COVID-19

The outbreak of the "SARS-CoV-2" (Covid-19) pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have led to substantial restrictions on customers' activities. COVID-19 has caused significant economic and financial turmoil around the world. Nasdaq Group have implemented risk management and contingency plans and have taken preventive measures and other precautions to maintain normal business operations.

Notwithstanding the broader economic consequences of COVID-19, the Company's underlying sales and margins remain stable. However, given the wide ranging economic uncertainty of the COVID-19 pandemic, management continues to take mitigating actions to reduce costs, limit losses, optimise the Company's cash flows and preserve liquidity. The Nasdaq Group 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.

Organizational changes at Nasdaq Clearing

During the year, changes were made to the management group for Nasdaq Clearing AB, which as at 31 December 2021 includes: Göran Bolin (acting CEO), Irina Slinko (Chief Risk Officer), Patrik Löhr (Head of Clearing Risk) Henrik Selhammer (Chief Operating Officer), Michael Nolte (Chief Technology Officer), Jan Axelsson (Chief Compliance Officer), Gustaf von Boisman (Head of Product Management), Erica Brown (Head of International Affairs), Linus Bengtsson (Head of CCP finance and Business Management), Evelina Valiukoniene (Branch Manager Vilnius), Ying Wang (Branch Manager Oslo) and Ida Nordenström (Legal Counsel). During the end of 2021 Julia Haglind (CEO) decided to leave Nasdaq Clearing.

Earnings trend 2021

Nasdaq Clearing AB's net sales amounted to 593 MSEK (595 MSEK). The Covid-19 pandemic has contributed to uncertainty in the financial markets which for Nasdaq Clearing has resulted in lower volumes of cleared index products. Also cleared volumes of Nordic Power has been low, mainly due to the rise in electricity prices in the commodity market which has led to high volatility and increased margin requirements. Lower clearing volumes are partly compensated by increased collateral management revenues due to high collateral volumes. Operating expenses amounted to 684 MSEK (301 MSEK). Increase in operating expenses is mainly due to regulatory reserve of 300 MSEK in relation to the sanction fee issued by the Swedish Financial Supervisory Authority, refer to "Significant events during the financial year".

Profit before depreciation, amortization, financial items and tax amounted to -90 MSEK in 2021 and 294 MSEK in 2020, corresponding to an EBITDA margin of -15% in 2020 respective 49% in 2020.

Expected future developments

In 2022 we aim to strengthen Nasdaq Clearing's 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 as a result of regulatory requirements and market changes. We have completed our implementation of an improved risk management framework and we will continue to improve and enhance our technology and processes, both within risk management and operations. We will also expand our products and service offering in equity-related derivatives and clearing of OTC products. We are 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. 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.

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 2021, continued 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 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

Amount in tSEK

	2021	2020	2019	2018	2017
Net sales	594	596	563	598	576
Profit/loss after financial items	(96)	291	141	(277)	21
Operating margin (%)*	(16.2)%	48.8%	25.1%	(45.5)%	4.7%
Return on equity (%)*	(4.3)%	13.1%	6.7%	(13.0)%	0.9%
Balance sheet total	64,558	46,316	43,249	68,910	66,142
Equity ratio (%)*	3.5%	5.1%	5.0%	3.1%	3.3%
Equity ratio (excl. derivatives and repurchase transactions) (%)*	84.7%	95.3%	87.9%	66.1%	93.3%
Number of employees	77	71	67	66	67

* Key performance indicator definitions are described in Note 25.

Proposal for profit distribution

The Board proposes that available funds, SEK

Profit/loss brought forward	2,088,675,747
Net profit/loss for the year	(137,736,779)
	1,950,938,968

be appropriated as follows:

to be carried forward	1,950,938,968
	1,950,938,968

Income statement

(Amounts in tSEK)

	Note	2021-01-01 - 2021-12-31	2020-01-01 - 2020-12-31
Operating income			
Net sales	2	593,560	595,826
		593,560	595,826
Operating expenses			
Other external expenses	3,4	(574,494)	(238,145)
Personnel costs	5,6	(93,499)	(82,584)
Depreciation and write-downs of tangible and intangible assets		(404)	(343)
Other operating expenses	8	(15,115)	19,390
		(683,512)	(301,682)
Operating profit	7	(89,952)	294,144
Income from financial items			
Interest income and similar profit/loss items	9	1,319	4,350
Interest expenses and similar profit/loss items	10	(7,773)	(7,646)
		(6,454)	(3,296)
Profit/loss after financial items		(96,406)	290,848
Profit/loss before tax		(96,406)	290,848
Tax for the year	11	(41,331)	(50,704)
Net profit/loss for the year		(137,737)	240,144

Balance sheet

(Amounts in tSEK)

	Note	2021-12-31	2020-12-31
Assets			
Non-current assets			
Tangible assets			
Equipment, tools and installations	12	1,338	1,401
		1,338	1,401
Financial assets			
Deferred tax assets	13	-	39
Other long-term receivables	14	3,527	3,733
		3,527	3,772
Total non-current assets		4,865	5,173
Current assets			
Current receivables			
Financial instruments subject to clearing			
Derivatives	19	7,234,247	9,367,378
Receivables from repurchase transactions		1,259,985	2,082,315
Investments of collaterals received as default reserve and margin requirement		53,442,906	32,438,194
Accounts receivable - trade		18,508	11,698
Receivables from group companies		1,238,425	1,087,348
Current tax receivables		21,986	39,113
Other receivables		7,712	3,211
Prepaid expenses and accrued income	15	30,830	18,792
		63,254,599	45,048,049
Short-term investments		1,240,807	1,203,606
Cash and bank	21	57,427	58,841
Total current assets		64,552,833	46,310,496
Total assets		64,557,698	46,315,669

Balance sheet

(Amounts in tSEK)

	Note	2021-12-31	2020-12-31
Equity and liabilities			
Equity	16		
Restricted equity			
Share capital		201,000	201,000
Statutory reserve		50,000	50,000
		251,000	251,000
Non-restricted equity			
Retained earnings		2,088,677	1,821,828
Profit/loss for the year		(137,737)	240,144
		1,950,940	2,061,972
Total equity		2,201,940	2,312,972
Provisions			
Deferred tax liability	17	2	-
		2	-
Current liabilities			
Financial instruments subject to clearing			
Derivatives	19	7,234,247	9,367,378
Liabilities, repurchase transactions		1,259,985	2,082,315
Liabilities to members pertaining to default reserve and collateral pledged		53,442,906	32,438,194
Liabilities to customer		9,310	5,829
Liabilities to group companies		39,319	46,977
Other liabilities		19,246	13,019
Accrued expenses and prepaid income	18	350,745	48,985
		62,355,758	44,002,697
Total equity and liabilities		64,557,698	46,315,669

Statement of equity

(Amounts in tSEK)

	<i>Restricted equity</i>		<i>Non-restricted equity</i>	Total
	Share capital	Statutory reserve	Retained earnings	
Opening balance 2020-01-01	201,000	50,000	1,851,813	2,102,813
Foreign branches translation difference	-	-	(29,985)	(29,985)
Profit/loss for the year	-	-	240,144	240,144
Closing balance 2020-12-31	201,000	50,000	2,061,972	2,312,972
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

Cash flow statement

(Amounts in tSEK)

	Note	2021-12-31	2020-12-31
Operating activities			
Operating profit		(89,952)	294,144
Adjustments for non-cash items, etc.			
Depreciation/amortization and impairment		404	343
Changes in provisions		-	(121)
Exchange rate differences		145	(103)
Interest received		1,319	4,350
Interest paid		(7,773)	(7,646)
Income tax paid		(24,163)	(105,132)
Cash flow from operating activities before changes in working capital		(120,020)	185,835
Changes in working capital			
Changes in operating receivables		(174,220)	(159,690)
Changes in operating liabilities		303,809	(159,838)
Cash flow from operating activities		9,569	(133,693)
Investing activities			
Acquisition of tangible assets		(486)	(213)
Disposal of intangible assets		-	332
Cash flow from investing activities		(486)	119
Financing activities			
Foreign branches translation difference		26,704	(29,985)
Cash flow from financing activities		26,704	(29,985)
Cash flow for the year		35,787	(163,559)
Cash and cash equivalents at beginning of year	21	1,262,447	1,426,006
Cash and cash equivalents at year-end	21	1,298,234	1,262,447

* Cash and cash equivalents are defined as immediately marketable assets in cash and bank and short-term investments.

Notes

Amounts in tSEK unless otherwise stated.

Note 1 Accounting principles

General accounting policies

The Annual Accounts have been prepared in accordance with the Annual Accounts Act (1955:1554) and BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3). The accounting principles are unchanged from the previous year.

Group affiliation

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

Revenue recognition

The Company's main income consists partly of transaction income which is income generated from clearing and partly of income from the management of pledged collateral. Income is reported in the income statement when it is probable that future economic benefits will accrue to the company and that these can be calculated in a reliable manner.

Leasing agreement

The Company reports all leasing agreements (both financial and operational) as well as operational leasing agreements. Operational leasing agreements are reported as an expense on a straight-line basis over the leasing period. See further Note 4.

Remuneration to employees

Remuneration to employees refers to all types of remuneration that the company provides to the employees. The company's remuneration includes, among other things, salaries, paid vacation, paid absence, bonuses and post-employment benefits (pensions). Reporting takes place in line with earnings. Remuneration to employees after termination of employment refers to defined-contribution or defined-benefit pension plans. Plans are defined as defined contribution plans where fixed fees are paid and where there are no obligations, either legal or informal, to pay anything additional, in addition to these fees. The company makes no other long-term remuneration to employees. Expenses for defined contribution plans are reported as an expense during the period in which the employees perform the services that form the basis for the obligation.

Long-term incentive programs

All employees participate in Nasdaq Inc's long-term incentive program. The program includes, based on the 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. Utilization will take place within 3-5 years. The company is charged current costs for the option program from the parent company. The cost charged by the parent company is based on the value of the shares and options at the time of issue and is spread over the expected vesting period. Social costs regarding these share-related programs are finally determined upon utilization but are reserved on an ongoing basis over the vesting period based on the market value.

Social security costs on share-based payments

According to Chapter 26, share-based payments, in BFNAR 2012: 1 Annual Report and Consolidated Financial Statements (K3), the social security costs of share-based payments are calculated and accrued on the number of shares received throughout the program, i.e. over the entire vesting period.

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 2021, <http://business.nasdaq.com/trade/clearing/nasdaq-clearing>

Translation of items into foreign currency

Receivables and liabilities in foreign currency have been valued at the exchange rate on the balance sheet date. Exchange rate gains and losses on operating receivables and operating liabilities are reported in operating profit, while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

Group contribution

Received and paid group contributions are reported as appropriations.

Tax

Under the heading Taxes in the income statement, current and deferred income tax is reported. The state income tax in Sweden is calculated on nominal book profit with additions for non-deductible items and with deductions for non-taxable income and other deductions. Deferred tax assets are reported for all deductible temporary differences and unutilized loss carryforwards, to the extent that it is probable that future taxable profits will be available against which the temporary differences or unutilized loss carryforwards can be utilized. The carrying amounts of deferred tax assets are tested at each balance sheet date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the deferred tax assets and increase to that extent. Deferred tax assets and liabilities are calculated using the tax rates that are expected to apply for the period in which the receivables are settled or when the liabilities are settled, based on the tax rates (and the tax legislation) that exist or in practice exist on the balance sheet date.

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:

Intangible assets

Capitalized expenses for research and development work and similar work 5 years

Tangible assets

Equipment, tools and installations 5 years

The Company applies the capitalization model for internally generated intangible assets.

The method means that all expenses that meet the criteria in BFAR 2012: 1 are capitalized as intangible assets and depreciated over the asset's estimated useful life.

Financial instruments

Financial instruments are reported 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.

Shares in group companies

Shares in Group companies are exempt from BFNAR 2012: 1 (K3), Chapter 12, and are reported at acquisition value after deductions for any write-downs.

Foreign branches

The company's foreign branches are accounted for according to the current exchange rate method, which means that receivables and liabilities in foreign currency from these branches have been valued at the exchange rate on the balance sheet date whilst, income and expenses are translated at the average exchange rate. Exchange rate gains and losses on operating receivables and operating liabilities are reported within operating profit, while exchange rate gains and losses on financial receivables and liabilities are reported as financial items.

Cash flow analysis

The Company applies an indirect method when preparing the cash flow analysis. Cash and cash equivalents are defined as short-term investments with a maturity of less than three months.

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 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:

	2021	2020
Stock & index products	149,102	162,603
Interest rate products	125,555	121,988
Commodity products	151,524	178,779
Collateral management	120,675	97,494
Other income	46,704	34,962
	593,560	595,826

Note 3 Auditor's remuneration

	2021	2020
<i>Ernst & Young AB</i>		
Audit assignment	1,014	1,035
Other auditing activities	439	636
	1,453	1,671

Note 4 Leasing agreements - lessee

Operational leases

	2021	2020
Expensed leasing charges related to operational leases	4,296	4,386
Future minimum leasing charges for non-terminable operational leases:		
To be paid within 1 year	4,244	4,420
To be paid within 2-5 years	707	5,157
Total	4,951	9,577

Note 5 Employees

	2021	2020
Men	39	41
Women	38	30
	77	71

Note 6 Personnel costs

	2021	2020
Salaries and other remuneration		
Board of Directors and CEO	4,628	2,737
(of which variable part)	(837)	(541)
(of which share-based part)	(1,014)	(233)
Other employees	59,656	56,192
(of which share-based part)	(2,809)	(3,231)
	64,284	58,929
Social costs and pension costs		
Pension costs for the Board and the CEO	1,368	773
Pension costs for other employees	6,345	6,775
Other social costs according to law and agreement	21,502	15,528
	29,215	23,076

Remuneration structure 2021

Nasdaq's remuneration of employees consists of fixed and variable remuneration as well as pensions and other benefits. The variable remuneration is divided into a short-term and long-term incentive program. The short-term incentive program covers all employees and is a cash-based remuneration linked to various business goals. No remuneration was paid to the Directors other than salary.

Share-based compensation

The long-term incentive program for all permanent employees is unchanged from last year. This program consists of stock-related instruments linked to Nasdaq's shares which are listed on the Nasdaq Stock Market in the USA. The long-term incentive program is a performance-based program. The measure of performance is Nasdaq's operating profit for each year. The principles for share-based payment and its components are described in more detail below.

The size of an employee's share-based compensation depends on the company's results, the business area's results, the team's goals and results and what position the employee has 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", 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 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

The Nasdaq Group offers its employees a market occupational pension that is a premium-based pension plan. Retirement age is 65 years.

Other benefits

In addition to the above-mentioned occupational pensions, Nasdaq has taken out health insurance and occupational injury insurance (TFA) for the above-mentioned occupational pensions. Employees also have the opportunity to supplement their policies via Nasdaq's voluntary group insurance.

	2021	2020
Gender distribution among senior executives		
Proportion of women on the board	29%	50%
Proportion of men on the board	71%	50%
Proportion of women among other senior executives	42%	33%
Proportion of men among other senior executives	58%	67%

Note 7 Purchasing and sales between group companies

	2021	2020
Percentage of total purchases during the year from other group companies	9%	9%
Percentage of total sales to other group companies	8%	17%

Note 8 Other operating expenses

<i>Default related costs</i>	2021	2020
Other operational default costs	-	(29,000)
Other operating expenses	15,115	9,610
	15,115	(19,390)

Note 9 Interest income and similar profit/loss items

	2021	2020
Interest income from group companies	1,284	2,112
Other interest receivables	28	277
Income from short-term investments	7	1,961
	1,319	4,350

Note 10 Interest expenses and similar profit/loss items

	2021	2020
Interest payables to group companies	106	43
Other interest expenses	4,287	4,702
Expenses from short-term investments	-	643
Other financial expenses	3,380	2,258
	7,773	7,646

Note 11 Tax on profit for the year

	2021	2020
Current tax	47,287	50,897
Adjustment related to prior years	(6,037)	317
Adjustments in deferred tax related to temporary differences	81	(510)
Tax on profit for the year	41,331	50,704

Reconciliation effective tax rate

Recognized profit before tax	(96,406)	290,848
Tax on recognized result according to applicable tax rate 20.6% (21.4%)	(19,860)	62,241
Tax effect of:		
Other non-deductible expenses	61,930	74
Tax effect of translation difference	5,247	(6,013)
Non-taxable income	(30)	(5,405)
Adjustment of deferred tax attributable to branch	81	(510)
Adjustment for previous years	(6,037)	317
Recognized tax	41,331	50,704
Effective tax rate	42.87%	17.43%

Note 12 Equipment, tools and installations

	2021-12-31	2020-12-31
Opening cost	4,898	4,462
Additions	486	213
Currency exchange effect	109	223
Closing accumulated cost	5,493	4,898
Opening depreciation	(3,497)	(3,034)
Currency exchange effect	(254)	(120)
Depreciation for the year	(404)	(343)
Closing accumulated depreciation	(4,155)	(3,497)
Closing carrying amount	1,338	1,401

Note 13 Deferred tax assets

	2021-12-31	2020-12-31
Opening cost	39	-
Adjustment of opening balance deferred tax	(41)	-
Reversal/Additional tax receivables	2	39
	-	39

Note 14 Other long-term receivables

	2021-12-31	2020-12-31
Prepaid pension premium	3,527	3,733
	3,527	3,733
Incoming acquisition values	3,733	5,001
Outgoing payments	(206)	(1,268)
Closing carrying amount	3,527	3,733

Note 15 Prepaid expenses and accrued income

	2021-12-31	2020-12-31
Prepaid rental expenses	1,154	14
Prepaid interest expenses	25,770	13,637
Prepaid insurance premiums	224	264
Other prepaid expenses	3,682	4,877
	30,830	18,792

Note 16 Number of shares

	2021-12-31 Quota value	2020-12-31 Quota value	2021-12-31 Number of shares	2020-12-31 Number of shares
A-class shares	100	100	2,010,000	2,010,000

Note 17 Provisions

	2021-12-31	2020-12-31
<i>Pensions and similar obligations</i>		
Amount at the beginning of the year	-	121
Amounts returned during the year	-	(121)
	-	-
<i>Deferred tax liability</i>		
Provisions for the year	2	-
	2	-

Note 18 Accrued expenses and prepaid income

	2021-12-31	2020-12-31
Accrued salaries and other remuneration	13,678	11,016
Accrued holiday pay	8,784	7,815
Accrued social security expenses	-	24
Other accrued expenses*	326,477	28,875
Accrued volume discounts	1,806	1,255
	350,745	48,985

*In December 2018, the Swedish Financial Supervisory Authority (SFSA) initiated a review of Nasdaq Clearing. On January 27, 2021, the SFSA issued a warning combined with an administrative fine of SEK 300 million to Nasdaq Clearing based on their review. 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 has appealed the court's recent decision and firmly believes in the merits of its appeal. Due to the recent decision by the Administrative Court, Nasdaq Clearing has determined it is appropriate to record an accrual for the full amount of the administrative fine issues.

Note 19 Financial instruments in the clearing business, derivatives

<i>Market value of outstanding derivatives, gross</i>	2021-12-31	2020-12-31
Stock options and futures	1,331,103	1,441,944
Index options and futures	719,619	561,035
Interest rate options and futures	2,632,026	6,357,041
Commodity options and futures	2,551,499	1,007,358
	7,234,247	9,367,378

Note 20 Collateral received for the clearing business

	2021-12-31	2020-12-31
Obtained securities held "off balance"	60,782,686	46,163,490
Total collateral received	60,782,686	46,163,490

Note 21 Cash and bank

	2021-12-31	2020-12-31
Available balances with banks	57,427	58,841
Investments in securities	1,240,807	1,203,606
	1,298,234	1,262,447

Note 22 Contingent liabilities

	2021-12-31	2020-12-31
Warranties	41,071	38,375
	41,071	38,375

Note 23 Information on financial instruments

Assets at 2021-12-31	Financial assets held for trading	Financial assets which can be sold	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 receivable - trade	-	-	18,508	-	18,508
Current tax receivables	-	-	-	21,986	21,986
Other receivables	-	-	-	7,712	7,712
Prepayments and accrued income	-	-	-	30,830	30,830
Short-term investments	1,240,807	-	-	-	1,240,807
Cash and bank	-	-	57,427	-	57,427
	9,735,039	53,442,906	1,314,360	60,528	64,552,833

Note 23 Information on financial instruments (continued)

Assets at 2020-12-31	Financial assets held for trading	Financial assets which can be sold	Loans and customer receivables	Non-financial assets	Total
Financial instruments subject to clearing	11,449,693	32,438,194	-	-	43,887,887
Receivables from group companies	-	-	1,087,348	-	1,087,348
Accounts receivable - trade	-	-	11,698	-	11,698
Current tax receivables	-	-	-	39,113	39,113
Other receivables	-	-	-	3,211	3,211
Prepayments and accrued income	-	-	-	18,792	18,792
Short-term investments	1,203,606	-	-	-	1,203,606
Cash and bank	-	-	58,841	-	58,841
	12,653,299	32,438,194	1,157,887	61,116	46,310,496
Liabilities at 2021-12-31	Financial liabilities held for trading	Financial liabilities which can be sold	Other financial liabilities	Non-financial liabilities	Total
Financial instruments subject to clearing	8,494,232	53,442,906	-	-	61,937,138
Deferred tax liability	-	-	2	-	2
Liabilities to group companies	-	-	39,319	-	39,319
Liabilities to customer	-	-	9,310	-	9,310
Accrued expenses and prepaid income	-	-	328,283	22,462	350,745
	8,494,232	53,442,906	376,914	22,462	62,336,514
Liabilities at 2020-12-31	Financial liabilities held for trading	Financial liabilities which can be sold	Other financial liabilities	Non-financial liabilities	Total
Financial instruments subject to clearing	11,449,693	32,438,194	-	-	43,887,887
Liabilities to group companies	-	-	46,977	-	46,977
Liabilities to customer	-	-	5,829	-	5,829
Accrued expenses and prepaid income	-	-	29,945	19,040	48,985
	11,449,693	32,438,194	82,751	19,040	43,989,678

Note 24 Significant events after the end of the financial year

Organizational changes

The recruitment process for a new CEO was initiated and Daniela Peterhoff was appointed CEO for Nasdaq Clearing. Daniela joined Nasdaq in March 2022. During the recruitment period Göran Bolin was acting CEO. Furthermore, Michael Nolte (CTO) has changed position internally within Nasdaq and Gustaf von Boisman has taken on the responsibilities as CTO for Nasdaq Clearing in addition to his current role as Head of Product Management.

Geopolitical situation

The geopolitical situation in Eastern Europe intensified on February 24, 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. Global companies should consider the impact of the events on economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. Nasdaq have considered the war's effect on the business operations and the financial market in general. The short-term impact to the Company is that while it does not have any direct exposure to Russia, and therefore no direct impact on its operations and customers, we have seen significant market fluctuations in price and transaction volume. The restrictive measures imposed have had no significant impact on the Company's performance, no operations has been suspended and no significant direct losses have been incurred. The degree to which the Company is or will be affected by the war largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. In the event that the military actions extend to the long-term, we expect to continue to experience market volatility and pressure on stock prices. However, as at the date of approval of this report, neither companies that have been considering listing nor advisors in the market have indicated changes in plans.

Note 25 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.

Signatures

Stockholm 2022 -

Björn Sibbern
Chairman of the Board

Daniela Peterhoff - Svensson
CEO

Lars Nyberg
Board member

Chantal Wessels
Board member

John Zecca
Board member

Sonja Daltung
Board member

Roland Chai
Board member

Our audit report was submitted on 2022 -

Ernst & Young AB

Daniel Eriksson
Authorized Public Accountant