



Preliminary Financial Statement 2017

Avanza Bank Holding AB (publ)

Fourth quarter 2017 compared to fourth quarter 2016

- **Customer growth** was 42,500 (29,300), a new quarterly record
- **Net inflow** in the quarter was SEK 3,550 million, a decrease of 43 per cent and mainly due to a few large individual withdrawals amounting to SEK 2,200 million
- **Operating income** increased by 11 per cent, a result of higher fund commissions and other income. Other income increased mainly due to higher income from Corporate Finance and higher currency-related income
- **Operating expenses** increased by 23 per cent, mainly due to an increased number of employees and higher other costs. The cost increase is to a large extent attributable to expanded development capacity for further growth
- **Net profit** of SEK 98 million, a decrease of 3 per cent
- The full-year cost increase was 20 per cent, in line with previous forecast. Costs are now expected to return to a yearly growth rate of 8-10 per cent
- The Board of Directors proposes a dividend of SEK 10.50 (10.50) per share
- Avanza launched Sweden's lowest mortgage rate with no requirement of other engagement
- Avanza was awarded Sweden's most satisfied customers in the savings category for the eighth consecutive year by the Swedish Quality Index (SQI)
- Savings capital in Avanza Auto passed SEK 1 billion
- The long-term target of a market share of at least 9 per cent of the total net inflow to the Swedish savings market was adjusted upwards to a market share of at least 10 per cent
- Avanza's new CEO Rikard Josefson assumed his position on 6 November

Quote from Rikard Josefson, CEO Avanza

"I have never in all my years seen such passion for the customer and willingness to always, down to the smallest detail, try to improve Avanza's offering. Our strong culture has always been and will always be critical to Avanza's success."

	Q4 2017	Q3 2017	Change %	Q4 2016	Change %	Jan-Dec 2017	Jan-Dec 2016	Change %
Operating income, SEK m	274	229	20	247	11	985	919	7
Operating expenses, SEK m	-160	-125	28	-130	23	-544	-453	20
Operating profit, SEK m	114	104	9	117	-3	441	465	-5
Net profit, SEK m	98	89	11	101	-3	379	399	-5
Earnings per share, SEK	3.27	2.97	10	3.39	-4	12.66	13.45	-6
Operating margin, %	41	45	-4	47	-6	45	51	-6
Net inflow, SEK m	3,550	5,900	-40	6,210	-43	26,800	26,500	1
No. new customers (net)	42,500	31,200	36	29,300	45	140,000	103,000	36
Savings capital at the end of the period, SEK m	273,400	272,000	1	231,000	18	273,400	231,000	18

Numbers in the parentheses refer to the corresponding period or date in previous year unless otherwise is stated.

Avanza in brief

This is Avanza

Avanza was founded in 1999 and has since grown from a small company, dealing solely in online stock broking, into Sweden's leading digital platform for savings and investments. Avanza offers the market's broadest range of savings products, competitive occupational pension solutions and mortgages.

Avanza challenges established structures of large banks and pension providers in the Swedish savings market and drives long-term development of new financial products and services. Customers are offered to save in Swedish and foreign securities and in savings accounts, without fixed account charges and at a very low brokerage fee. Avanza primarily targets individual investors, but also offers services for professional traders, corporate customers, banks and asset managers.

Avanza is covered by the state deposit guarantee and supervised by the Swedish Financial Supervisory Authority. The Parent Company Avanza Bank Holding AB (publ) is listed on Nasdaq Stockholm Large Cap (short name AZA).

An investment in growth

To create long-term shareholder value, growth in customers and savings capital is key, since there is an underlying connection between inflow and income. Income in turn is driven and affected by:

- attractive offers
- market conditions such as trading activity, fund volumes and interest rates
- changes in deposit and lending volumes

The sensitivity in the event of a decrease in savings capital due to a stock market downturn is difficult to assess, as income is dependent on, among other things, how customers choose to invest their savings capital.

To manage fluctuations in the market, the aim is to broaden the offering.



Vision & business model

Avanza's vision is to create a better future for millions of people, where the contribution is a cheaper, better and simpler offering. This is based on price leadership, a broad product range and effective decision-making support tools, and by education increase knowledge about savings and investments. The promise is to give customers a better return on their savings than any other bank, due to lower fees and better tools. Satisfied customers and a world-class user experience are key to Avanza's business idea and critical to future growth. Avanza is driven by a consistent focus on creating customer value.

To deliver shareholder value, while the customer promise is fulfilled, cost efficiency is crucial. Avanza's business model is therefore built on scale and the market's lowest cost per transaction and customer. Strong customer growth and the market's lowest cost to savings capital ratio are what lead to long-term growth. Cost effectiveness and economies of scale are achieved through continuous development, digitisation and internal efficiencies. This also reduces operational risks and increases stability.

To deliver on the vision also requires engaged employees and a strong corporate culture that draws its energy from a willingness to change. The corporate climate is characterised by collaboration and humility, and to constantly challenge and think differently.

Long-term targets

Satisfied customers:

- Sweden's most satisfied savers according to SQI's (Swedish Quality Index) annual award

Satisfied employees:

- eNPS (Employee Net Promoter Score) over 45

Long-term value growth:

- Market share of at least 10 per cent of the total net inflow to the Swedish savings market
- 1 million customers by 2020
- Cost increase shall not exceed income growth
- Dividend of at least 70 per cent of the profit of the year

For more information about Avanza, see investors.avanza.se/en and the Annual Report.

CEO comment

Quarterly record in customer growth

In the fourth quarter, we added 42,500 new customers, a new quarterly record. In addition, we were named as having Sweden's most satisfied savings customers for the eighth consecutive year.

A continuing trend we are clearly seeing is that young people are turning to Avanza's platform for their savings, although growth is high in other age categories too. We are also seeing that those who become customers stay with Avanza and that their savings capital grows over time. In terms of net inflow for the quarter, it was negatively affected by a few large individual withdrawals and was therefore slightly lower than normal. The first two weeks of 2018 have begun strongly with a net inflow of over SEK 2 billion. As a result of the strong customer growth and product launches in 2017, we have decided to raise our long-term target for Avanza's share of the net inflow to the Swedish savings market from at least 9 to at least 10 per cent.

Great interest in the mortgage offering and Avanza Auto

A milestone during the quarter was the launch of the broader mortgage offering together with Stabelo. Interest has exceeded expectations, and although we have not yet made the offer available to everyone, over 25,000 customers have shown interest. We are now truly making a name for ourselves in the Swedish mortgage market. Together with Stabelo, we have created something totally new, thanks to which we can offer mortgages at a great rate. A rate that is always below the average of the major banks. Customers also benefit from simplicity and that we don't require them to buy other products or services. Obviously, we hope that our mortgage customers, just like our savings customers, will be inspired by Avanza's offering and decide to place their savings with us as well. The mortgage offering is continuously being broadened to more customers.

The launch of Avanza Auto has also exceeded expectations. At the end of the year the capital invested in the Auto funds topped SEK 1 billion. Avanza Auto is an element in Avanza's aim to make it easier for customers who want to decide for themselves, but want support in their decision-making. There is clearly a trend toward that customers want support, and during the year we also launched the Stock Generator and Stock Inspiration for this reason. Decision-making support will not become less important now that there is also a new type of segregation among Sweden's pensioners. Many of those who retire today have worked an entire career but will still struggle to live off their pension. More people in their prime working years are therefore realising that the savings choices they make today will have a big impact on their lives in retirement.

Interest in fund savings and equity trading is reflected in the strengthened quarterly result

The increased interest in securities trading is evidenced by the number of transactions executed on Avanza's platform, which rose by 25 per cent in 2017. During the quarter, interest was especially high in cryptocurrencies which accounted for 7 per cent of brokerage income. Total brokerage income increased by 15 per cent compared to the third quarter.

Fund commissions developed well during the quarter, but the increase in fund savings with Avanza is most noticeable when comparing fund commissions with the previous year.

For 2017, fund commissions were 43 per cent higher than 2016. Fund commissions are not as volatile as brokerage income, and that fact that they now represent a larger share of our revenues gives us better stability. Other income was also strong during the quarter, mainly due to the high activity in corporate transactions and increased foreign trading. Net interest income was positively affected by the mortgage and margin lending businesses.

Costs for the full year rose by 20 per cent, in line with the plan for the year. The increased costs should be seen as an investment in Avanza's growth and future. In addition to adding more employees, we updated our trading platform and made technological improvements in the pension company. Avanza now not only has one of the banking world's most modern websites, but also one of the most modern trading systems. In 2018 and beyond we estimate that costs will rise by 8–10 per cent annually, i.e. a return to the previous level. The cost to savings capital ratio decreased to 21 basis points in 2017 and we expect it to soon fall below 20. Cost efficiency and scalability remain very important in order to create customer and shareholder value.

Profit for the full year decreased as a result of the higher costs, but the target going forward is that the increase in revenue will exceed the increase in costs. The Board of Directors' dividend proposal to the Annual General Meeting is to distribute SEK 10.50 per share, corresponding to a payout ratio of 83 per cent.

A unique corporate culture with a customer focus beyond the ordinary

An important and distinguishing feature that I as a new CEO couldn't help but notice about Avanza is the enormous engagement of my colleagues. I have never in all my years seen such passion for the customer and willingness to always, down to the smallest detail, try to improve Avanza's offering. Our strong culture has always been and will always be critical to Avanza's success. The results of the most recent employee survey, which measures engagement, are still high, but not as high as before. We therefore take this very seriously.

Avanza works in symbiosis with the customer, and this is and will remain the key to our success.

Stockholm, 18 January 2018



Rikard Josefson, CEO Avanza



Operations

Activity and market shares

The Stockholm Stock Exchange had a negative development in the fourth quarter and the SIX ReTrun index fell by 2.7 per cent. Volatility remained low and the SIX Volatility Index averaged 11.9, which was slightly lower than the previous quarter. For the full year, SIX Volatility Index averaged 12.6, which compares to 19.7 in 2016.

Turnover on the Stockholm Stock Exchange including First North increased during the quarter. However, turnover among Avanza's customers fell despite a slight increase in number of transactions. For the full year, the number of transactions among Avanza's customers were up by 25 per cent, while turnover was 5 per cent lower. The number of commission-generating notes among Avanza's customers grew by 18 per cent compared to the previous quarter. One reason for this is the great interest in cryptocurrencies and certificates based on Bitcoin and Ethereum. These certificates are listed on First North and were among the most heavily traded securities by Avanza's customers, but are not included in the statistics referred to above.

In the fourth quarter, Avanza was still the largest player on the Stockholm Stock Exchange including First North in terms of transactions, and among the absolute largest in terms of turnover.

Fund inflows during the fourth quarter, increased to the market as a whole as well as among Avanza's customers.

Data on the Swedish savings market for the third quarter of 2017 were released in November. Avanza's share of the total net inflow to the Swedish savings market in the period October 2016 – September 2017 was 11.8 per cent, clearly exceeding the year's target of at least 9 per cent. Avanza's share of the Swedish savings market was 3.6 per cent at the end of the third quarter.

The Riksbank left the repo rate unchanged during the quarter. A raise is not expected until mid-2018.

Events during the fourth quarter

Rikard Josefson took over as CEO of Avanza on 6 November. Rikard served most recently as CEO of Länsförsäkringar Bank, prior to which he spent 25 years at SEB.

In November, Avanza launched in corporation with Stabelo a mortgage offering with Sweden's lowest mortgage rate, with no requirement of other engagement. Initially, the offer targeted a select group of customers and is now continuously being broadened to more customers. The offer is built on a model with a mortgage fund, which pension providers and other institutional investors will have the opportunity to invest in. Stabelo is the lender and Avanza the distributor of the mortgages.

Avanza Auto, which was launched in late September, has had a strong inflow of capital. From the launch up to the end of the year 29,000 customers have invested over SEK 1.1 bn in the funds.

In December, Avanza was awarded for Sweden's most satisfied customers in the savings category for the eighth consecutive year, based on an annual survey conducted by the Swedish Quality Index (SQI).

According to the YouGov Brand Index published during the quarter, Avanza is the second most recommended brand in Sweden across categories.

In 2017, Avanza replaced and upgraded its trading system as well as the pension company's system. These upgrades and modernisations have increased flexibility and economies

of scale and better prepare Avanza for the future. In addition, the website is continuously updated with new functions and improvements every ten days. Development of the mobile apps is also a continuous process.

Avanzas performance on targets 2017

- Received SQI's (Swedish Quality Index) annual reward Sweden's most satisfied customers in the savings category for the eighth consecutive year.
- Achieved a market share of 11.8 per cent of the total net inflow to the Swedish savings market during the period October 2016 – September 2017, clearly exceeding the target of at least 9 per cent.
- Had record high growth by adding 140,000 new customers (+25 per cent), which clearly exceeds the growth rate needed to reach the target of one million customers by 2020.
- The Board of Directors proposes a dividend payout of 83 per cent of operating profit 2017, which compares to the 70 per cent dividend policy.
- Operating costs increased by 20 per cent, which outpaced income growth. This is a result of Avanza's increased investments in the future during 2017 in order to maintain strong growth. Over the long term, income growth is expected to exceed cost increases.
- Employee Net Promotor Score of 33, which shows a continued strong ambassadorship even though the result was lower than previous year, and did not exceed the target of 45.

Development of customers and savings capital

The net inflow in the fourth quarter was 40 per cent lower than inflow in the previous quarter. Net inflow from Private Banking was negative, mainly explained by only a few withdrawals amounting to SEK 2,200m connected to customers' M&A activities. Adjusted for these transactions, 69 per cent of the net inflow came from new customers. The largest share of the net inflow was to investment savings accounts, which offer tax advantages for customers. The net inflow decreased by 43 per cent compared to the same quarter in 2016. For the full year 2017, net inflow increased by 1 per cent. Net inflow during the first two weeks of 2018 amounted to over SEK 2,000 million.

A total of 42,500 new customers were added during the quarter, which was a quarterly record. The number of occupational pension customers increased by 4,100 during the quarter. The full-year increase in the number of occupational pension customers was 30 per cent.

Savings capital grew by 1 per cent during the quarter despite negative Stock Exchange development of 2.7 per cent. At the end of the period, 29 per cent of customers' savings capital was invested in funds, a slight increase during the quarter, and 4 percentage points higher than the fourth quarter of 2016.

Customers' total deposits increased during the quarter by SEK 700 million, mainly related to external deposits to Savings Accounts+. Liquidity as a share of savings capital was 16 per cent at the end of the period, which was slightly higher than year-beginning. Total lending grew by 6 per cent in the fourth quarter. During the year, mortgage volume rose by 30 per cent. Margin lending was more stable, even though it increased by 7 per cent in the fourth quarter. At year end, the distribution was 44 per cent margin lending and 56 per cent mortgages.

Activity and market shares	2017 Q4	2017 Q3	Change %	2016 Q4	Change %	2017 Jan-Dec	2016 Jan-Dec	Change %
Total no. commission notes, thousands	8,420	7,290	16	7,050	19	30,800	24,600	25
Total no. commission notes/customer/month	3.8	3.6	6	4.0	-5	3.8	3.8	-
Total turnover, SEK m	180,800	170,700	6	189,200	-4	705,400	746,200	-5
Market shares								
<i>Nasdaq Stockholm and First North:</i>								
No. transactions, %	14.4	14.3	0.1	14.6	-0.2	14.2	13.5	0.7
Turnover, %	5.5	6.3	-0.8	6.5	-1.0	5.9	6.8	-0.9
Net inflow, SEK m	2017 Q4	2017 Q3	Change %	2016 Q4	Change %	2017 Jan-Dec	2016 Jan-Dec	Change %
Standard	6,600	5,350	23	5,450	21	27,090	20,020	35
Private Banking	-2,880	380	-858	620	-565	-930	6,030	-116
Pro	-170	170	-200	140	-221	640	450	42
Net inflow	3,550	5,900	-40	6,210	-43	26,800	26,500	1
Equity & investment fund accounts	-1,010	1,050	-196	1,630	-162	130	6,840	-98
Investment savings accounts	3,820	2,770	38	3,900	-2	17,900	13,400	34
Savings accounts	640	1,180	-46	110	482	3,400	1,150	194
of which external deposit accounts	640	1,180	-46	70	814	3,490	1,100	218
Pension- & insurance-based accounts	100	900	-89	570	-82	5,370	5,110	5
of which endowment insurance	-800	280	-386	-200	-	2,330	2,540	-8
of which occupational pensions	870	630	38	770	13	3,050	2,680	14
Net inflow	3,550	5,900	-40	6,210	-43	26,800	26,500	1
Net inflow/Savings capital, %	5	9	-4	11	-6	12	14	-2
No. customers and accounts, SEK m (unless otherwise stated)	31-12-2017	30-09-2017	Change %	31-12-2016	Change %			
Standard, no	687,770	646,080	6	550,910	25			
Private Banking, no	21,100	20,300	4	17,700	19			
Pro, no	1,730	1,720	1	1,990	-13			
No. customers	710,600	668,100	6	570,600	25			
of which occupational pension customers, no	63,700	59,600	7	49,100	30			
Standard	155,830	152,510	2	129,150	21			
Private Banking	108,900	111,200	-2	95,100	15			
Pro	8,670	8,290	5	6,750	28			
Savings capital	273,400	272,000	1	231,000	18			
Equity & investment fund accounts	82,800	83,800	-1	77,350	7			
Investment savings accounts	86,900	83,900	4	64,000	36			
Savings accounts	12,900	12,200	6	9,450	37			
of which external deposit accounts	12,100	11,400	6	8,580	41			
Pension- & insurance-based accounts	90,800	92,100	-1	80,200	13			
of which endowment insurance	63,600	66,100	-4	57,900	10			
of which occupational pensions	16,100	15,100	7	12,100	33			
Savings capital	273,400	272,000	1	231,000	18			
Equities, bonds, derivatives, etc.	159,510	161,630	-1	145,280	10			
Investment funds	80,200	76,800	4	58,900	36			
Deposits	43,200	42,500	2	35,000	23			
of which external deposits	12,100	11,400	6	8,580	41			
Lending	-9,510	-8,930	6	-8,180	16			
of which mortgage loans (Superbolånet PB)	-5,280	-4,990	6	-4,060	30			
of which margin lending	-4,230	-3,940	7	-4,120	3			
Savings capital	273,400	272,000	1	231,000	18			
Deposits/Lending, %	454	476	-22	428	26			
Net deposits/Savings capital, %	12	12	0	12	0			
Return, average account since 1 Jan, %	6	7	-1	6	0			
SIX Return Index since 1 Jan, %	9	12	-3	10	-1			

For definitions see page 19.

Financial overview

	2017 Q4	2017 Q3	Change %	2016 Q4	Change %	2017 Jan-Dec	2016 Jan-Dec	Change %
Income Statement, SEK m								
Brokerage income	122	106	15	122	0	449	469	-4
Fund commissions	64	62	4	48	35	240	168	43
Net interest income	27	25	5	31	-13	108	114	-6
Other income	61	36	70	47	30	188	167	12
Operating income	274	229	20	247	11	985	919	7
Personnel	-98	-74	34	-83	18	-340	-290	17
Marketing	-11	-6	99	-11	-1	-28	-32	-13
Depreciation	-3	-5	-42	-2	53	-12	-8	50
Other expenses	-48	-41	18	-34	41	-164	-123	34
Operating expenses before credit losses	-160	-125	28	-130	23	-544	-453	20
Profit before credit losses	114	104	9	117	-3	441	465	-5
Credit losses, net	0	0	-	0	-	0	-1	-102
Operating profit	114	104	9	117	-3	441	465	-5
Tax on profit for the period	-16	-15	3	-16	-3	-63	-66	-5
Net profit	98	89	11	101	-3	379	399	-5
Key ratios								
Operating margin, %	41	45	-4	47	-6	45	51	-6
Profit margin, %	36	39	-3	41	-5	38	43	-5
Earnings per share, SEK	3.27	2.97	10	3.39	-4	12.66	13.45	-6
Earnings per share after dilution, SEK	3.27	2.97	10	3.38	-3	12.66	13.44	-6
Return on shareholders' equity, %	28	28	0	32	-4	28	33	-5
Credit loss level, %	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.01
Investments, SEK m	16	9	82	15	5	50	36	41
Brokerage income/Operating income, %	44	46	-2	49	-5	46	51	-5
Fund commissions/Operating income, %	24	27	-4	19	4	24	18	6
Net interest income/Operating income, %	10	11	-1	12	-3	11	12	-2
Other income/Operating income, %	22	16	7	19	3	19	18	1
Income to savings capital ratio, %	0.40	0.34	0.06	0.44	-0.03	0.38	0.44	-0.06
Costs to savings capital ratio, %	0.24	0.19	0.05	0.23	0.01	0.21	0.22	-0.01
Brokerage income per trading day, SEK m	1.9	1.6	20	1.9	2	1.8	1.9	-3
Brokerage per commission note, SEK	33	34	-2	36	-8	34	41	-17
Brokerage/Turnover, %	0.103	0.094	0.009	0.091	0.012	0.096	0.088	0.008
No. trading days	62.5	65.0	-4	63.5	-2	249.0	251.0	-1
Average no. employees	398	392	1	360	10	383	343	12
Web service operational availability, %	99.8	100.0	-0.2	99.6	0.2	99.9	99.9	-
Key ratios	31-12-2017	30-09-2017	Change %	31-12-2016	Change %			
Shareholders' equity per share, SEK	47.57	44.30	7	43.83	9			
Capital base/Capital requirement	1.52	1.65	-8	1.66	-8			
No. employees	390	405	-4	365	7			
Market value, SEK	344.10	341.20	1	369.00	-7			
Market capitalisation, SEK m	10,300	10,200	1	11,000	-6			

For definitions see page 19.

Extended financial history is available at Avanza's website, avanza.se/keydata.

Fourth quarter compared to third quarter

Operating profit during the fourth quarter increased by 9 per cent compared to previous quarter. Operating income grew during the quarter, as well as operating costs. Operating margin decreased to 41 per cent.

Revenues

Compared to the previous quarter, total revenues increased by 20 per cent to a record-high level.

Brokerage income increased as a result of larger transaction volumes. Turnover and number of commission

notes increased, and number of brokerage customers was record high.

A contributing factor to the increase was the strong interest in cryptocurrencies among Avanza's customers. Trading in certificates based on cryptocurrencies accounted in the fourth quarter for 7 per cent of brokerage income. During the first nine months of 2017, this trading had a marginal impact on brokerage income.

Fund commissions increased by 4 per cent as a result of higher fund volumes. Equity funds increased as a share of

fund capital, while the share of fixed income funds and hedge funds lowered.

Net interest income increased by 5 per cent, mainly due to increased lending.

Other income increased by 70 per cent due to higher income from Corporate Finance, but also due to increased currency-related income connected to higher trading in foreign equities and funds. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 7.3 per cent of turnover. Avanza Markets accounted for 22 per cent, currency-related income for 51 per cent and Corporate Finance income for 27 per cent of other income.

Operating expenses

Operating expenses increased by 28 per cent due to seasonally low personnel costs in the third quarter, but also due to increased number of employees within IT and innovation. Other costs increased as a result of higher consultancy costs.

Full year 2017 compared to full year 2016

Operating profit decreased by 5 per cent compared to 2016, a net of higher operating costs and increased income. The operating margin declined to 45 per cent.

Revenues

Income increased mainly due to higher fund commissions, but also higher other income. Lower net interest income and brokerage income had the opposite effect.

Brokerage income decreased by 4 per cent, even though the number of commission-generating notes increased by 10 per cent and the number of commission-generating customers rose by 20 per cent. Volatility in the equity market was low in 2017, which slowed trading activity, although activity rose in the fourth quarter partly as a result of the increased interest in cryptocurrencies. Customer's securities transactions are still being done in smaller volumes and involve lower commission classes. This contributed to an increase in brokerage income per SEK of turnover compared to 2016, from 8.8 to 9.6 basis points.

Fund commissions increased by 43 per cent, mainly due to a strong fund inflow. Of the new customers added in 2017, fund investors accounted for the largest share, in line with Avanza's growth objectives.

Net interest income fell, mainly as a result of higher expenses for the deposit guarantee fee and resolution fee, but also because of increased expenses for surplus liquidity. This was to a large extent offset by higher lending. The deposit guarantee fee and resolution fee amounted to SEK 26.8 million. The repo rate was -0.50 per cent in 2017, compared to an average of -0.48 per cent in 2016. STIBOR (3M) was on average on same level as in 2016. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point change in interest rate with today's volumes would affect full-year net interest income by around SEK 200 million.

Other income increased, largely due to higher currency-related income caused by increased trading in foreign securities. Corporate Finance income were slightly up compared to the previous year. This was due to a strong year-end 2017. The revenues from Avanza Markets were slightly up from 2016. In 2017, Avanza Markets accounted for 29 per cent, currency-related income for 53 per cent and Corporate Finance income for 18 per cent of other income.

Operating expenses

The cost increase in 2017 was 20 per cent, in line with previous forecast. Operating expenses increased mainly due to an increased number of employees and higher other costs, to a large extent attributable to expanded development capacity.

Depreciation of a new trading system began in the third quarter. In the fourth quarter, a decision was made to extend the depreciation period for the new trading system from 5 to 10 years.

From 2018, the cost growth is expected to return to a yearly rate of 8–10 per cent; see Future outlook.

Seasonal effects

Avanza has no major seasonal variations, except from the third quarter which is characterized by lower personnel costs, based on employees' summer vacation, and also seasonally low Corporate Finance activity. The company's financial results are rather impacted by cyclical market factors such as stock market development, volatility and the repo rate. Customer and net inflow are normally higher at the beginning of the year.

Future outlook

Avanza's share of the Swedish savings market is growing and Avanza is well-positioned to meet the changing conditions facing the financial services industry.

The greater focus on the importance of fees and the negative interest rates create a favourable growth climate for Avanza. When interest rates eventually turn higher, we expect to see the positive results of the sharp increase in savings capital, even though stock market activity could decline. The national and collective pension gradually deteriorate, and at the same time, an agreement was reached across political blocs whereby the minimum retirement age will gradually be raised from 61 to 64 years by 2026. Taken together, this increases the need for individual savings, not least for those who want to retire earlier.

Mobile usage has increased customer activity. Digitisation makes them more willing to switch banks, at the same time that new fintech companies are being started and competition in the financial market is increasing.

New regulation increases consumer protection and transparency in the market, which is positive for customers. However, these requirements mean greater complexity and higher costs for Avanza as well as other financial players, even though companies that offer financial advice for private individuals will be more affected. The new rules banning advisory fees, which was introduced in the MiFID II regulations on 3 January 2018, do not affect Avanza directly, since Avanza does not offer advice. In Sweden, platforms are exempt from the ban on commissions as long as the service provides value for the customer.

Avanza expects these trends and changes to further drive customer offerings and digitisation, especially digital decision-making support. Here Avanza is on the forefront. Its modern platform, low prices and broad range of products enable Avanza to meet savers' changing needs and preferences. Not least as the need for a better overview increases as consumers use several providers for their banking services.

In August, the government proposed an amendment that would make it easier to repurchase and transfer life insurance. The proposal covers policies signed after June 2007 and is intended to give savers more options. The proposal limits the fees that can be charged by insurance companies and specifies those that can be charged for transfers. At the same time, it would be possible to combine policies with a single

insurer. The amendments are proposed to take effect on 1 July 2018.

In its budget bill for 2018, the government proposed higher taxes on investment savings accounts and endowment insurance. The increase took effect on 1 January 2018. Both savings forms are advantageous from a tax perspective, even after the tax increase, and Avanza does therefore not expect it to have a large impact on the inflow of savings capital.

In 2018, there will be an increase in the resolution fee, followed by a gradual reduction until 2020.

Competition and profitability will have to be generated through cost efficiency and innovative product development. Avanza's focus on pensions and new products is expected to contribute as a long term shock absorber if the market fluctuates.

From 2018, expenses are expected to rise at a yearly rate of 8–10 per cent. Given continued strong growth in customers and savings capital, we estimate the cost to savings capital ratio to fall below 20 basis points soon.

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015
Brokerage income	122	106	100	122	122	113	110	125	146
Fund commissions	64	62	61	53	48	44	38	37	38
Net interest income	27	25	27	29	31	25	27	31	30
Other income	61	36	48	44	47	38	50	33	38
Operating income	274	229	236	247	247	220	225	226	253
Personnel	-98	-74	-87	-82	-83	-62	-74	-72	-75
Marketing	-11	-6	-4	-7	-11	-5	-8	-7	-6
Depreciation	-3	-5	-2	-2	-2	-2	-2	-2	-2
Other expenses	-48	-41	-39	-36	-34	-29	-30	-30	-29
Operating expenses before credit losses	-160	-125	-133	-126	-130	-98	-113	-112	-112
Operating profit	114	104	103	121	117	122	111	115	140
Operating margin, %	41	45	44	49	47	55	49	51	56
Earnings per share, SEK	3.27	2.97	2.97	3.46	3.39	3.53	3.18	3.35	4.03
Shareholders' equity per share, SEK	47.57	44.30	39.75	36.78	43.83	40.44	36.64	41.71	38.37
Return on shareholders' equity, %	28	28	31	34	32	37	32	33	44
Net inflow	3,550	5,900	8,710	8,620	6,210	5,920	9,430	4,960	5,790
No. new customers (net)	42,500	31,200	27,900	38,400	29,300	24,500	23,100	26,100	23,700
No. customers at the end of the period	710,600	668,100	636,900	609,000	570,600	541,300	516,900	493,800	467,600
Savings capital at the end of the period	273,400	272,000	261,600	246,300	231,000	222,900	199,200	188,900	191,600
Income to savings capital ratio, %	0.40	0.34	0.37	0.41	0.44	0.42	0.46	0.48	0.56
Costs to savings capital ratio, %	0.24	0.19	0.21	0.21	0.23	0.19	0.23	0.24	0.25

Financial position

Avanza is mainly self-financed by equity and customer deposits. All of Avanza's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within a couple of days.

The surplus liquidity is mainly invested in covered bonds and with systemically important Nordic banks and to a lesser extent in bonds issued by the Swedish Government and Municipalities.

Avanza does not conduct, and has not previously conducted, trading in securities on its own behalf.

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and 2017 total credit losses amounted to SEK 10 million, which is the equivalent, on average, to less than 0.03 per cent per year.

Significant risks and uncertainly factors

Avanza's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary, acted upon, in order to protect the company's capital and reputation. The manner in which Avanza identifies, follows up

and manages these risks has a bearing on the soundness of the business and on the company's long-term profitability.

A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2016, Note 36 and pages 28–30. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this Preliminary Financial Statement.

The Parent Company Avanza Bank Holding AB (publ)

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result for 2017 was SEK -16 million (SEK -11m). The Parent Company does not report any revenues. Anticipated dividend from subsidiaries of SEK 248 million (SEK 207m) was reported for 2017.

A dividend payment, related to 2016, of SEK 313 million (SEK 308m) has in March 2017 been made to the shareholders, following the decision at the Annual General Meeting.

Capital surplus

SEK m	31-12-2017	31-12-2016
Capital base		
Shareholders' equity, the Group	1,427	1,308
Solvency capital	2,523	2,340
Less non-distributable solvency capital ¹	-960	-908
Subordinated bond	99	92
Intangible fixed assets and deferred tax receivables	-89	-63
Capital base before dividend adjustments	3,001	2,769
Capital requirements		
Capital requirement Pillar 1	-2,045	-1,810
of which Solvency capital requirements	-1,563	-1,432
Buffer requirement	-269	-184
Capital requirement Pillar 2	-81	-35
Capital requirements	-2,394	-2,029
Capital surplus before dividend	606	740
Capital surplus per share, SEK	20.22	24.79

1) *Non-distributable solvency capital = Solvency capital - Solvency capital requirement*

Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the shareholders' equity. See also Note 4, page 15.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 606 million as of 31 December 2017.

The Solvency 2 rules means that the conglomerate's largest sector is insurance. Due to this, the Group's capital base is increased by additional solvency capital at the same

time that the capital requirement rises. The net effect, which is positive, does not constitute distributable capital, however, due to which this is deducted as non-distributable solvency capital. Before 2018, assumptions for calculating Solvency Capital have been revised. For more information, see Note 4.

Other corporate events

Executive Management

On 6 November, Rikard Josefson took over as CEO from Johan Prom. Rikard served most recently as CEO of Länsförsäkringar Bank, prior to which he spent 25 years at SEB.

Henrik Källén, COO and deputy CEO of Avanza, left Group Management in April and his role in June. Birgitta Hagenfeldt, CFO, was named deputy CEO in April.

Gustav Berggren, Head of the Private Banking and member of Group Management, left his position at the end of December.

Chief Legal Officer Teresa Schechter joined Group Management in April.

By no later than 1 March 2018, Gunnar Olsson will join Group Management and take up his duties as Chief Operating Officer (COO). Gunnar has nearly 20 years of experience from the Swedish banking market and was most recently with Länsförsäkringar Bank, where he in the last three years has been responsible for digitisation issues and the bank's development portfolio.

Annual General Meeting 2018

The Annual General Meeting of the company's shareholders will be held in Stockholm on Tuesday 20 March 2018 at IVA Konferenscenter (Wallenbergsalen), Grev Turegatan 16 in Stockholm. The annual report is scheduled to be made available at the company's office and on the website, investors.avanza.se/en, on 23 February 2017.

Nomination committee

The Nomination Committee comprises the Chairman of the Board Sven Hagströmer representing the Hagströmer family and companies, Erik Törnberg representing Creades AB, Magnus Dybeck representing the Dybeck family and companies and Per Colleen representing Fjärde AP-fonden. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, please visit Avanza's website at investors.avanza.se/en.

Dividend

The Board of Directors proposes a dividend of SEK 10.50 (SEK 10.50) per share, which corresponds to 83 (79) per cent of

operating profit in 2017. The dividend shall amount to at least 70 per cent of operating profit long-term.

Incentive programmes

Sub-programme 1 of the stock option programme 2014–2017 had exercise period from 25 August 2017 to 1 September 2017. After recalculation of the option programme the exercise price was SEK 315.74 per share and 157,300 shares were possible to subscribe for. All 157,300 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 31 December 2017 amounts to 29,996,222.

An Extraordinary General Meeting held on 5 July 2017 authorized a new incentive programme comprising a maximum of 450,000 warrants, each of which grants entitlement to subscribe for one share in the company. If all the warrants are exercised, the company's share capital will increase by a maximum of SEK 1,125,000, corresponding to a dilution effect of 1.5 per cent. The programme has an exercise price of SEK 430.33 and the expiration date is 30 August 2020. The stock option programme has been implemented on market terms.

Repurchase of the company's own shares

On 21 March 2017, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during 2017 and the company holds no repurchased shares as of 31 December 2017.

Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2016, Note 37. During the fourth quarter of 2017, Stabelo AB was granted a bridge loan by Avanza for a maximum of SEK 350 million to finance the payout of mortgage loans before they are acquired by Stabelo's mortgage fund.

Significant events after the end of the reporting period

No significant events have occurred after the end of the reporting period.

Consolidated Income Statements ¹

SEK m	2017 Q4	2016 Q4	2017 Jan-Dec	2016 Jan-Dec
Operating income				
Commission income	290	250	1,023	934
Commission expenses	-43	-34	-148	-133
Interest income	56	56	218	211
Interest expenses	-29	-26	-110	-97
Net result of financial transactions	0	1	2	3
Other operating income	0	0	0	0
Total operating income	274	247	985	919
Operating expenses				
General administrative expenses	-144	-113	-489	-397
Depreciation of tangible and intangible fixed assets	-3	-2	-12	-8
Other operating expenses	-14	-15	-43	-48
Total operating expenses before credit losses	-160	-130	-544	-453
Operating profit before credit losses	114	117	441	465
Credit losses, net	0	0	0	-1
Operating profit	114	117	441	465
Tax on profit for the period	-16	-16	-63	-66
Net profit²	98	101	379	399
Earnings per share, SEK	3.27	3.39	12.66	13.45
Earnings per share after dilution, SEK	3.27	3.38	12.66	13.44
Average no. shares before dilution, thousands	29,996	29,839	29,890	29,660
Average no. shares after dilution, thousands	29,996	29,892	29,890	29,682
Outstanding no. shares before dilution, thousands	29,996	29,839	29,996	29,839
Outstanding no. shares after dilution, thousands	29,996	29,908	29,996	29,908
No. shares upon full dilution, thousands	30,976	31,309	30,976	31,309

1) Corresponds to total comprehensive income in that no other total comprehensive income exists.

2) The entire profit accrues to the Parent Company's shareholders.

Consolidated Balance Sheet

SEK m	Note	31-12-2017	31-12-2016
Assets			
Lending to credit institutions	1	1,731	1,583
Lending to the public	2	9,507	8,175
Bonds		14,420	13,244
Shares and participations		22	5
Assets in insurance operations		86,058	75,934
Intangible fixed assets		88	62
Tangible fixed assets		30	18
Other assets		4,113	1,432
Prepaid costs and accrued income		168	164
Total assets		116,137	100,616
Liabilities and shareholders' equity			
Deposits by the public		27,901	22,832
Liabilities in insurance operations		86,058	75,934
Other liabilities		544	353
Accrued costs and prepaid income		107	89
Subordinated liabilities		99	99
Shareholders' equity		1,427	1,308
Total liabilities and shareholders' equity		116,137	100,616

Changes in the Group's shareholders' equity

SEK m	2017	2016
	Jan-Dec	Jan-Dec
Shareholders' equity at the beginning of the period	1,308	1,126
Dividend paid	-313	-308
Exercise of share warrants	50	83
Warrants issue	4	8
Net profit for the period (also total comprehensive income)	379	399
Shareholders' equity at the end of the period	1,427	1,308

There are no minority shareholdings included in the shareholders' equity.

Consolidated Cash Flow Statements

SEK m	2017	2016	2017	2016
	Q4	Q4	Jan-Dec	Jan-Dec
Cash flow from operating activities before changes in operating activities' assets and liabilities	-880	-148	-2,080	277
Cash flow from operating activities' assets and liabilities	326	-486	3,793	973
Cash flow from investment operations	698	281	-1,226	-1,179
Cash flow from financial operations	0	0	-259	-217
Cash flow for the period	145	-353	228	-146
Liquid assets at the beginning of the period ¹	1,536	1,806	1,453	1,599
Liquid assets at the end of the period ¹	1,681	1,453	1,681	1,453

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 50 million (SEK 130m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

SEK m	2017	2016
	Jan-Dec	Jan-Dec
Operating expenses		
Administration expenses	-11	-6
Other operating expenses	-6	-5
Operating profit/loss	-16	-11
Profit from financial investments		
Profit/loss from participations in Group companies	264	218
Interest income and similar items	0	0
Profit before tax	248	207
Tax on profit for the period	0	0
Net profit/loss for the period	248	207

Parent Company Balance Sheets

SEK m	31-12-2017	31-12-2016
	Assets	
Financial fixed assets	430	414
Current receivables ¹	325	354
Liquid assets	0	0
Total assets	755	767
Shareholders' equity and liabilities		
Restricted shareholders' equity	75	75
Non-restricted shareholders' equity	670	686
Current liabilities	10	7
Total shareholders' equity and liabilities	755	767

1) Of which receivables from subsidiaries SEK 324 million (SEK 353m as of 31-12-2016)

Accounting principles

The Preliminary Financial Statement for the Group has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Preliminary Financial Statement for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR 2) has been applied. Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the 2016 Annual Report.

As of 1 January 2018, Avanza applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the portions of IAS 39 that address the classification and measurement of financial instruments. IFRS 9 retains a mixed measurement model but simplifies it in certain respects. During 2017, development of models and processes has been ongoing, primarily concerning the classification based on business model and the characteristics of the contractual cash flows as well as assumptions regarding expected credit losses. The part of the standard that will have the biggest impact on the Group is the new model for calculating the credit loss reserve. This impact primarily involves a changed way for the organization to monitor and analyze existing and new credits. The financial results are not significantly impacted. The cumulative provision for anticipated credit losses of SEK 8 million as of 31 December 2017 will initially, at the start of 2018, increase by SEK 3 million due to the transition to IFRS 9. The balance sheet items that are affected by this are "Lending to the public" and "Shareholders' equity".

The liquidity portfolio that is recognised according to "Held to maturity" through 31 December 2017 will be classified according to "Hold to collect and sell" as of 1 January 2018. This was decided while working on IFRS 9 on the basis of Avanza's business model for managing these assets as of 2018 together with the properties of the contractual cash flows from these financial assets. The accounting effect of this means a transition to the valuation category "Fair value through other comprehensive income". On 31 December 2017, the book value of bonds amounted to SEK 14,420 million and the market value to SEK 14,451 million.

IFRS 15 contains a single model for recognizing revenue from contracts with customers that is not encompassed by other standards. The Group's work in 2017 has shown that the effects of IFRS 15 will not have a material effect on the Group's financial reports.

The information on pages 1-10 is an integrated part of this Preliminary Financial Statement.

Notes

Note 1 Lending to credit institutions

Client fund receivables, attributable to banking business, amounted at the end of the period to SEK 1,199 million (SEK 1,143 m as of 31 December 2016) which are reported net against client fund payables of SEK 1,199 million (SEK 1,143 m as of 31 December 2016). Of the liquid assets of SEK 1,731 million as per the end of the period, SEK 50 million were pledged as collateral mainly referring to Swedish credit institutions and the stock exchange.

Note 2 Lending to the public

Lending to the public is reported after deduction for confirmed and anticipated credit losses. At the end of the period anticipated credit losses amounted to SEK 8 million (SEK 8 m as of 31 December 2016).

Lending to the public totaled SEK 9,507 million at the end of the period, of which SEK 4,222 million (SEK 4,118m as of 31 December 2016) with collateral in the form of securities and SEK 5,284 million (SEK 4,056 m as of 31 December 2016) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 6,466 million (SEK 5,074 m as of 31 December 2016) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 1,182 million (SEK 1,018 m as of 31 December 2016).

Note 3 Financial instruments

Classification of financial instruments

31-12-2017 SEK m	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non-financial instruments	Total
Assets						
Lending to credit institutions	-	-	1,731	-	-	1,731
Lending to the public	-	-	9,507	-	-	9,507
Bonds	-	14,420 ¹	-	-	-	14,420
Shares and participations	22	-	-	-	-	22
Assets in insurance operations	86,058	-	-	-	-	86,058
Intangible assets	-	-	-	-	88	88
Tangible assets	-	-	-	-	30	30
Other assets	-	-	500	-	3,612	4,113
Prepaid costs and accrued income	-	7	142	-	19	168
Total assets	86,080	14,427	11,880	-	3,749	116,137
Liabilities						
Deposits by the public	-	-	-	27,901	-	27,901
Liabilities in insurance operations	86,058	-	-	-	-	86,058
Other liabilities	-	-	-	544	0	544
Accrued costs and prepaid income	-	-	-	48	59	107
Subordinated liabilities	-	-	-	99	-	99
Total liabilities	86,058	-	-	28,593	59	114,710

1) The fair value amounts to SEK 14,451 million, of which SEK 14,451 million is attributed to Level 1 and SEK - million to Level 2 in the hierarchy for fair value. The valuation principles are the same as for similar instruments that are reported at fair value in the balance sheet.

Financial instruments valued at fair value

31-12-2017, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	43,640	0	21	43,661
Fund units	1,272	31,048	-	32,320
Bonds and other interest-bearing securities	15,579	638	-	16,217
Other securities	397	138	-	535
Liquid assets	-	-	-	7,797
Total assets	60,889	31,824	21	100,531
Liabilities				
Liabilities in insurance operations (investment agreements)	-	86,058	-	86,058
Total liabilities	-	86,058	-	86,058

Fair value

In the case of financial instruments reported at accrued acquisition cost, incurring variable interest, or with short maturities, the reported value and fair value are equal. The fair value of those financial instruments reported at fair value via the Income Statement, primarily Assets in the insurance operations, is determined as shown below.

During the period, no transfers between the levels have taken place. Pension and insurance customers (assets in the insurance operations) are, in principle, only permitted to hold securities traded on a regulated market or a multilateral trading facility (MTF), investment funds or securities on unlisted securities markets managed electronically by Avanza.

Financial assets valued at fair value via the Income Statement

The majority of the securities in this category, primarily comprising Assets within the insurance operations, comprise listed securities and the fair value is determined by using the official bid rate on the closing date. The fair value of securities without an active market is determined, initially, by obtaining pricing information from operators who quote daily prices, mainly the net asset values quoted by the fund companies, where the issuer values every individual security, and secondarily, by assessing the most recently completed market transaction between two mutually independent parties.

Changes in the value of assets in the insurance operations correspond to changes in the value of liabilities in the insurance operations and the net result is, therefore, zero.

Financial assets valued at fair value are classified through the use of a hierarchy for fair value that reflects the significance of the input data used in the valuations. The hierarchy contains the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares pertaining to the insurance operations are included in this category.
- Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Funds (not traded on a stock exchange) are included in this category. Liabilities in the insurance operations are included in this category as the value of the entire balance sheet item is indirectly related to the value of the assets in the insurance operations.
- Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).

The level of the hierarchy for fair values where the valuation at fair value is categorized in its entirety shall be determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety.

Note 4 Capital requirement for the financial conglomerate

SEK m	31-12-2017	31-12-2016
Capital base		
Shareholders' equity, the Group	1,427	1,308
Assumed/Proposed dividend	-315	-313
Shareholders' equity, financial conglomerate	1,112	994
<i>Additional</i>		
Solvency capital	2,523	2,340
Subordinated bond	99	92
<i>Less</i>		
Intangible fixed assets	-88	-62
Deferred tax receivables	-0	-1
Total capital base	3,646	3,364
Capital base per sector		
Capital base for regulated units in the insurance sector	2,683	2,482
Capital base for regulated units within the banking and securities sector	963	882
Total capital base	3,646	3,364
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector	1,563	1,432
Capital requirement for regulated units within the banking and securities sector	831	597
of which additional buffer requirement	269	184
of which additional Pillar 2 requirement	81	35
Total capital requirement	2,394	2,029
Capital surplus	1,251	1,334
Capital base/Capital requirement	1.52	1.66

The above table refers to the financial conglomerate, including Avanza Bank Holding AB (publ) and all of its subsidiary companies. The financial conglomerate's capital base and capital requirement have been calculated using the consolidation method.

When calculating the shareholder's equity for the financial conglomerate during the course of an ongoing year, audited profits only are included in the calculations. If the profit for the period has been audited, adjustments are made for the assumed or proposed dividend. Assumed dividend refers to the current period and the proposed dividend is dividend proposed by the Board of Directors to the Annual General Meeting for the full financial year.

When the new Solvency 2 rules took effect on 1 January 2016, insurance became the largest sector. Previously, banking and securities had been the largest sector. As a result of the new solvency rules, a line has been added to the above table for solvency capital, which refers to the estimated future present value of the insurance company Avanza Pension's profits generated from policyholders' assets. Capital requirements for regulated units in the insurance sector refers to the estimated Solvency Capital Requirement, which is also based on policyholders' assets.

Avanza Pension's solvency capital requirement and capital base are calculated using the Solvency 2 directive's standard model. The standard model requires assumptions that are determined partly by authorities and partly by Avanza Pension's Board of Directors. Leading up to the calendar year 2018, Avanza Pension's Board of Directors have decided to adjust a number of assumptions. If these assumptions had been applied on holdings as of 31 December 2017, Avanza Pension's aggregate capital requirement decreases from SEK 1,563 million to SEK 810 million, at the same time that Avanza Pension's solvency capital would decrease from SEK 2,643 million to SEK 1,309 million.

Not 5 Capital base and capital requirement in the consolidated situation

In accordance with the European capital requirements regulation (CRR), Avanza's consolidated situation refers to Avanza Bank Holding AB (publ) and the subsidiaries Avanza Bank AB (publ) and Avanza Fonder AB. The capital requirements reported in this note refer to Pillar 1, Pillar 2 and additional buffer requirements, according to the capital adequacy rules in effect at the time.

SEK m	31-12-2017	31-12-2016
Tier 1 capital		
Shareholders' equity, the Group	1,427	1,308
Assumed/Proposed dividend	-315	-313
Equity not part of the consolidated situation	-100	-66
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,012	928
<i>Deducted items</i>		
Intangible assets	-88	-62
Deferred taxes	0	-1
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension	-39	-39
Common equity tier 1 capital	885	827
Subordinated bond	99	92
Tier 2 capital	99	92
Total capital base	984	919
Capital requirement		
Credit risk according to standardised approach	365	275
Market risks	0	1
Settlement risk	0	0
Operational risk	113	93
Capital requirement	478	369
Risk exposure amount		
Credit risk according to standardised approach	4,562	3,436
of which Institutions	345	316
of which Corporates	390	28
of which Households	175	172
of which Collateral in real estate	1,850	1,420
of which Covered bonds	1,397	1,276
of which Equity	52	-
of which Other items	354	224
Market risks	3	11
Settlement risk	0	0
Operational risk	1,410	1,162
Total risk exposure amount	5,976	4,609
Capital ratios and buffers		
Common equity tier 1 ratio, %	14.8	17.9
Tier 1 ratio, %	14.8	17.9
Total capital ratio, %	16.5	19.9
Capital base in relation to capital requirement	2.06	2.49
Institution-specific buffer requirement, %	4.5	4.0
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	1.5
Total capital requirement including buffer requirement, %	12.5	12.0
Common equity tier 1 capital available for use as a buffer, %	10.3	13.4
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	237	366
Additional Pillar 2 requirement	81	35
Capital surplus after buffer requirement and Pillar 2	157	331

Information is only provided regarding the buffer requirements which have come into force.

The Board of Directors and the CEO ensures that the Preliminary Financial Statement gives a fair overview of the company and Group activities, balance and results, and describes the material risks and uncertainties that the company and the companies of the Group are facing.

Stockholm, 18 January 2018

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Member of the Board

Jonas Hagströmer
Member of the Board

Birgitta Klasén
Member of the Board

Mattias Miksche
Member of the Board

Hans Toll
Member of the Board

Jacqueline Winberg
Member of the Board

Rikard Josefson
CEO

For additional information



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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 (CET) on 18 January 2018.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 18 January 2018 at 10.00 (CET). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at investors.avanza.se/en. Phone number for participants:

- Sweden: +46 (0)8 505 564 74
- UK: +44 20 336 453 74
- US: +1 855 753 22 30

This report has not been subject to review by the company's auditors.

Avanza also publishes an Excel document containing its financial history. The information is provided in English and is updated quarterly. The document can be accessed at avanza.se/keydata.

This Preliminary Financial Statement is published in Swedish and English. In the event of any difference between the English version and the Swedish original, the Swedish version shall prevail.

Contact information

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Corporate web: investors.avanza.se/en

Financial calendar

Annual Report 2017	23 February 2018
Annual General Meeting	20 March 2018
Interim Report January – March 2018	18 April 2018
Interim Report January – June 2018	12 July 2018

Definitions

The measures and key ratios used in the Preliminary Financial Statement are defined below. The majority of the financial key ratios are considered to be widely accepted and are such that they are expected to be presented in the Preliminary Financial Statement to provide an indication of the Group's results, profitability and financial position. Information on financial measures which are not defined in IFRS and are presented outside the financial statements, so-called Alternative Performance Measures, follows from the note references below.

Account

An open account with holdings.

Brokerage income²⁾

Gross brokerage income less direct costs.

Brokerage per commission note²⁾

Gross brokerage income in relation to the number of commission notes excluding investment fund commission notes and free-of-charge notes concerning Avanza Markets. The ratio shows the effect of price reductions and gives an indication of changes in the customer base and trading in different price tiers.

Brokerage/Turnover²⁾

Gross brokerage income in relation to turnover excluding investment fund trading and free-of-charge trading in Avanza Markets. The ratio shows the effect of price reductions and gives an indication of changes in the customer base and trading in different price tiers.

Capital base³⁾

Equity adjusted for deductions in accordance with the provisions governing credit institutions, fund management companies and insurance companies with regard to the way in which the capital base and the capital requirement are determined.

Client funds²⁾

Liquid assets with Avanza which are held on behalf of a third party and which consequently are not reported in the balance sheet.

Commission note

A customer's buying and selling assignments involving a specific security. A commission note may comprise one or more transactions. A commission note constitutes the basis on which brokerage is levied.

Costs to savings capital ratio²⁾

Operating expenses on annual basis in relation to average savings capital during the period. The ratio shows how focus on scalability and cost efficiency pay off. A low relation indicates high competitiveness and is needed to be able to deliver high margins regardless of interest rate level.

Credit loss level¹⁾

Net credit losses in relation to opening balance for lending to credit institutions and lending to the public.

Customer

Individual or company with at least one account with holdings.

Deposits

Deposits by the public as per balance sheet with deduction for the portion which represents cash pledged on endowment insurance accounts and which entirely corresponds to the lending to the public, and the addition of client fund deposits and external deposits.

Earnings per share¹⁾

Profit/loss after tax in relation to the average number of shares during the period.

eNPS

Employee Net Promoter Score, i.e. employees' recommendation level, according to Avanza's annual employee survey.

Equity per share¹⁾

Shareholders' equity in relation to the number of outstanding shares before dilution at the end of the period.

External deposits

Savings accounts in external banks and credit market companies, Sparkonto+, opened and managed by customers via Avanza's website.

Income to savings capital ratio²⁾

Operating income on annual basis in relation to average savings capital during the period. There is a strong correlation between savings capital and income. This ratio shows the effect of price reductions, mix-effects in the savings capital and effects of interest rate changes.

Investment fund commissions²⁾

Kickbacks from fund management companies (comprises entry commission and commission based on fund volume) and management fees from Avanza funds.

Lending

Lending to the public as per balance sheet with deduction for the portion which are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. Provisions for bad debt are not deducted.

Net deposits/Savings capital

Deposits minus lending, in relation to the savings capital at the end of the period. The ratio shows how much liquidity the customers hold and indirectly how much is invested in securities.

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Net inflow/Savings capital

The period's net inflow on an annual basis in relation to savings capital at the beginning of the period.

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

Profit margin¹⁾

Profit/loss after tax in relation to operating income.

Return on equity¹⁾

Profit/loss after tax in relation to the average shareholders' equity during the period. The return on shareholders' equity for interim periods is recalculated at a yearly rate.

Savings capital

The combined value of accounts held with Avanza.

Solvency capital³⁾

Estimated future present value of the insurance company Avanza Pension's profits generated from policyholders' capital.

Solvency capital requirement³⁾

Estimated capital requirements under Solvency 2 rules.

Turnover

Turnover in security trading.

1) Financial key ratios that are directly cited in the financial reports.

2) Financial key ratios that can be traced in Avanza's Excel spreadsheets with financial histories, published quarterly on avanza.se/keydata.

3) Key ratios that are reported with respect to FI's regulations and general guidelines, see Note 5 of capital adequacy.