

Sweden's most satisfied savings customers 9 years in a row.

Annual and Sustainability Report 2018

Avanza Bank Holding AB (publ)

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This Annual Report is published in Swedish and English. In the event of any differences between the English version and the Swedish original, the Swedish version shall prevail.

Sweden's leading platform for savings and investments

Avanza was founded in 1999 to offer online stock trading for individual investors at low prices. Low fees, a broad range of savings products, and education and support for investment decisions have since then been the basis of Avanza's offer. We also offer competitive occupational pension solutions and mortgage loans.

As a customer at Avanza, you will have more money left to yourself

One of the market's widest range of savings products

The image shows a desktop view of the Avanza website and a mobile app view. The website features a navigation bar with links for 'Hem', 'Mina sidor', 'Spara & Investera', 'Bolån', 'Nyheter', 'Lär dig mer', and 'Kundservice'. The main heading reads 'Handla aktier från 0 kr' (Buy stocks from 0 kr) with a sub-heading 'Bli delägare i bolag över hela världen' (Become a shareholder in companies worldwide). Below this are three icons representing quick entry, research tools, and global trading. A 'Bli kund på 3 min' (Become a customer in 3 min) button is prominent. The mobile app view shows a 'Mitt innehav' (My holdings) screen with a total value of 386 952 SEK and a list of investments including Segelbåten, 4167714, and Superbolånet.

We inspire, educate and create tools to support investment decisions

Read about our range of products and services on page 102–103.

Key figures for 2018

Sweden's most satisfied savings customers

for 9 years

Source: Swedish Quality Index

Number of customers

837,100

(710,600)

Savings capital

SEK 300bn

(SEK 283bn*)

Share of the Swedish savings market

4.0%

(3.6%)

Market capitalisation

SEK 13bn

(SEK 10bn)

Income

SEK 1,049m

(SEK 975m*)

Average number of employees

406

(383)

Cost per savings capital**

0.20%

(0.20%*)

Operating margin

40%

(45%*)

Return on equity

25%

(30%*)

Figures in parentheses refer to previous year.

* Historical figures have been adjusted from previously reported.

** 2018 excluding the Swedish Financial Supervisory Authority decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension

The year in brief by quarter

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- Avanza has Sweden's most satisfied banking customers and is by far the country's best brokerage firm, according to a survey conducted by Nordic Bench
- Avanza's ambition to meet the increased transparency requirements in Mifid2 with simplicity and clarity is appreciated by the customers
- Group Management was expanded with Gunnar Olsson, COO, and Åsa Mindus Söderlund, CEO of Avanza Fonder

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- For the fourth consecutive year Avanza was awarded for the "Best customer service" in financial services in Service Score's ranking
- Avanza Corporate Finance was named the "Best advisor" in the category quality in small cap class, according to SvD Børsplus IPO-guide
- Sustainability aspects were implemented in Avanza's own funds
- Mortgage loan+, without negotiations and full-customer requirements was broadened to the general public
- The award "Sweden's best business journalist" in the category Pharma & Healthcare by financialhearings.com was received by Lars Frick at Placera, a subsidiary to Avanza and one of Sweden's largest financial sites
- Group Management was expanded with Malin Nyblad, Head of Human Resources

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- Avanza Global, the world's cheapest global index fund for private individuals, was launched
- Avanza ranked as the most reputable bank in Nordic Brands' survey Anseendebarmetern
- Avanza climbed from 26th to 10th place on Lynxeye's list of Sweden's most purposeful brands
- Annika Saramies, CEO of Försäkringsaktiebolaget Avanza Pension decided to leave Avanza and Group Management after 11 years in the company

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- Avanza wins the Swedish Quality Index's award for Sweden's most satisfied savings customers for the ninth consecutive year
- The margin loan was improved to allow customers to borrow up to SEK 50,000 at 0 per cent interest
- Avanza increased its holding in Stabelo to nearly 30 per cent and the interest on the mortgage was cut
- Avanza was named "Bank of the Year" and received an award for the Avanza Global fund, named the "New savings product of the year" from Privata Affärer
- The Allbright report on Sweden's most gender-equal companies ranked Avanza sixth
- Avanza ranked fifth among Sweden's most recommended brands in the YouGov BrandIndex
- Åsa Minus Söderlund took over as CEO of Försäkringsaktiebolaget Avanza Pension

CEO's statement

A strong corporate culture and strong customer focus are the very essence of Avanza. This, together with engaged customers, gives us a limitless source of energy to further improve our offer.

Political turmoil and concerns led to stock market swings in 2018

2018 was a turbulent year. We saw political uncertainty around the world. In the US, there was a wave of protectionism and threats of trade barriers, which affect the global economy in general, but a small, export-dependent country like Sweden in particular. The Brexit negotiations created uncertainty among businesses and individuals. In Sweden, like other European countries, we have seen political confusion and faced major challenges forming a new government after the September election. At Avanza, all this is clearly evident in turnover and trading activity, which varied greatly over the course of the year. One word I think of directly to sum up the stock market in 2018 is volatility. One day the signals were positive and the next pitch black.

“The awards during the year are a proof of our efforts to make saving cheaper, better and simpler.”

Customer satisfaction is our most important goal and crucial to reach 1 million customers by 2020

It is always a challenge to navigate in a world of rapid change. While it is easy to be influenced by what is happening here and now, our focus is unmistakable. We are very happy therefore to have the most satisfied savings customers in Sweden for the ninth consecutive year, according to the Swedish Quality Index. For us it is proof that even in turbulent times we take care of, and can support, our customers in making decisions. We also received the award Bank of the Year by Privata Affärer magazine as well as the award for the year's New savings product of the year for our Avanza Global fund – the world's cheapest global index fund for individual investors, which has gotten a strong response while providing a good foundation for most investment portfolios. We took further steps during the year in our mortgage business. The external mortgage offered in cooperation with our partner, Stabelo, was launched on a broad basis in early April, and after further refining our processes and customer experience we were ready to further accelerate growth by cutting the rate. I see the mortgage lending as a marathon, where we have a very exciting journey ahead of us. We will continue to improve our offer and last autumn also increased our stake in Stabelo to just under 30%. We see great potential in Stabelo, and I am convinced that it will be a good investment in time.

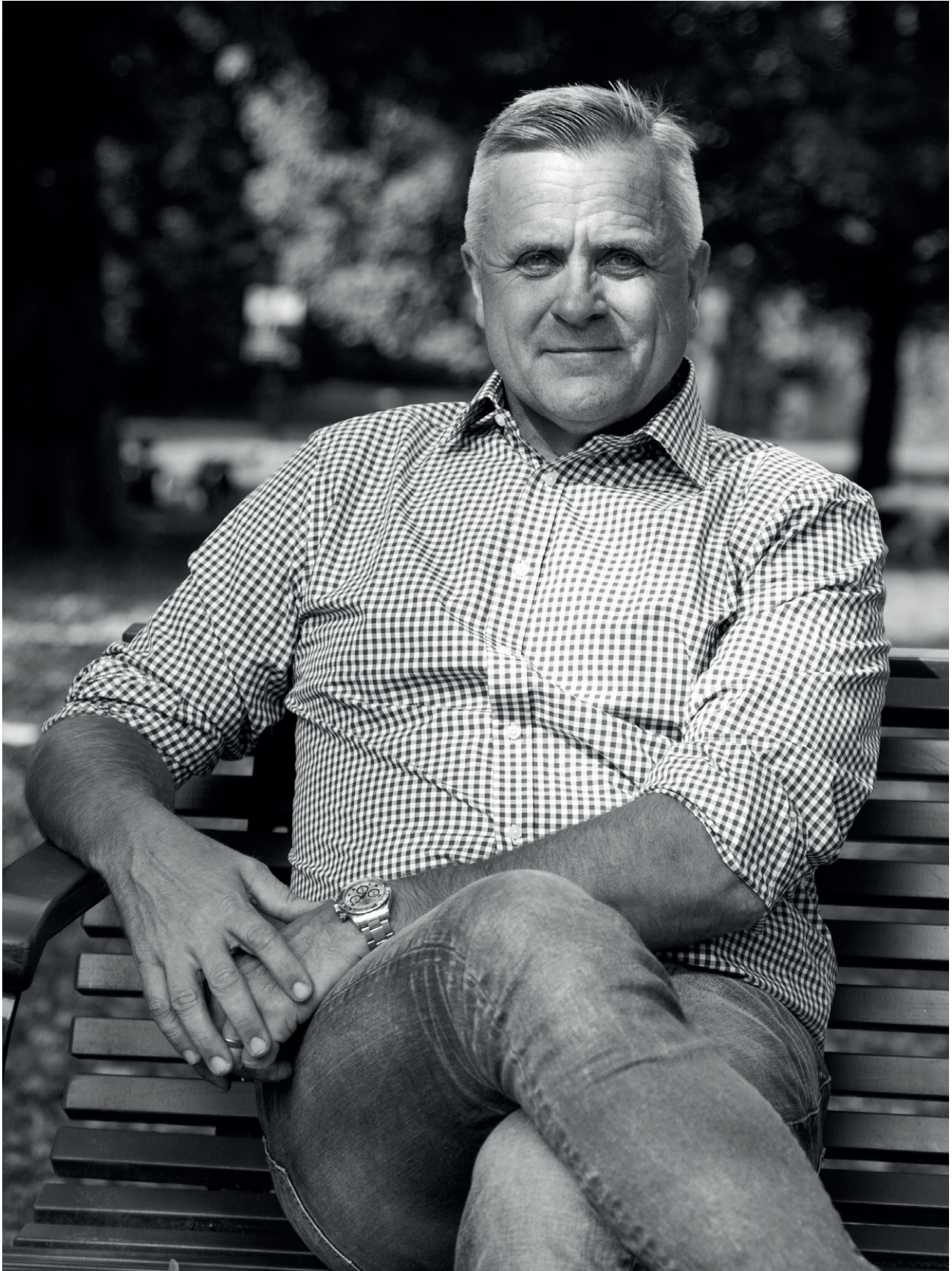
We reached our customer satisfaction target and are well on the way to the target of 1 million customers by 2020 with as many as 126,500 new customers in 2018. The target in terms of our share of the net inflow to the Swedish savings market was reached as well. This was despite that net inflow varied greatly during the year due to market concerns, which could also be seen in a lower inflow from existing customers who already have capital with Avanza and are considering where to invest.

“Our priorities are investing for the future and creating a better future for millions of people.”

Investments for future growth

In terms of costs, we stated in connection with the second-quarter report that they would increase around 11% for the full year. They rose 11.1%* as a result of investments in innovation and growth. This means, however, that our target that income growth should outpace cost growth was not reached. Strategically, it is important for us to stay innovative as we broaden Avanza to serve more people, at the same time that the pace of change in the world accelerates. It is also important that everyone involved shares our vision and values, which is why we manage all development of new functions and offers internally through our incredible employees. More than 70% of the costs are related to employees, which means that if we want to cut the costs, we also have to lower our level of ambition. For example, we don't have any offices that can be closed to compensate for higher development costs. At the same time, we want to invest for the future and will not sacrifice our long-term vision – to create a better future for millions of people – for short-term gains. Our business model is built on scalability, which means we constantly have to keep an eye on costs. As a result, the cost to savings capital ratio is now 0.20%. Our aim is to further reduce this, obviously with the international best as a benchmark, which means a cost to savings capital ratio of close to 0.16%. To have the flexibility to capitalise on future growth opportunities and ensure innovation, we are broadening our long-term guidance slightly to an annual cost increase of 9–12%, from 8–10% previously.

* In February 2019, after the end of the reporting period, the Swedish Financial Supervisory Authority imposed a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension for non-compliance with parts of the Solvency 2 regulations in 2016 to 2018. The cost is not included in 11.1 % and is not included in the estimate regarding future cost growth.



Rikard Josefson, CEO

During the year, we greatly improved the functionality for our customers. It is not only new products and services we have worked on, but also making existing processes even more customer friendly. For example, placing fund orders is now much easier, our customers can switch commission class at any time rather than once a month like before, and our active traders have a new stop-loss function in their Infront trading tool. Little things are just as important as big ones when we improve our customer experience to satisfy different types of customers and preferences.

We often talk about scalability in our business, but that doesn't mean there isn't more to be done. Our technology platform is highly scalable, but there is more we can do with our internal processes. I have identified a number of areas, both big and small, where we can definitely be better. Development going forward will focus on new products, improvements to existing offers, simplifications to the customer experience and to some extent regulatory implementations, but that does not mean overlooking the additional efficiency improvements we can make to our internal processes to free up resources for other priorities and grow a more scalable business.

Further steps to help the customers make sustainable choices

I have previously mentioned that the aim is to take our sustainability work further. After having mainly focused on low fees, education and making it easier for savers to make their own decisions, we took steps during the year to also make sustainable choices easier. We have introduced sustainability criterias in our own funds and enabled customers to filter funds based on carbon risk.

We are also doing much more, such as encouraging more women to study engineering and invest on their own. A more equal society should also be financially equal. To be trustworthy, we have to practice what we preach. That is why we are especially happy that Avanza ranked the sixth of the 47 companies in Allbright's list of Sweden's most gender diverse companies.

Rules that benefit savers and create exciting opportunities for Avanza

We saw a number of new rules take effect in 2018. Rules to increase consumer protection and transparency in the industry, which create exciting opportunities for us. As customers receive their annual statements after the turn of the year, where it from this year should be clearer what they pay for their savings, I believe many will ask exactly what they are getting for their money. Here it is also important to understand how these fees affect long-term savings.

This is especially true of pension savings, where we unfortunately did not see the regulatory improvements we had hoped for during the year. Personally, it took me 113 days to transfer my pension savings to Avanza. 113 days! In 2018! Inexplicable, you would think, and in addition many companies are charging an annual fee of around 0.60% of capital. This makes it easier to understand why there are strong forces resisting improvements to transfer rights. For me, it's a question of democracy, which should play a much bigger role in the debate.

Customer satisfaction is rooted in our strong corporate culture and values

Avanza's fantastic employees are the key to customer satisfaction. I am very pleased therefore that employee satisfaction for 2018 has increased significantly. We also see that many people want to work at Avanza and that our brand attracts talents who want to share our journey. When Avanza is at its best, it is a symbiosis between customer and employee, where the customer is the main partner in our development. This is ensured by employees who keep their ear to the ground and truly listen to what customers have to say.

“The dialog with our customers is an important part of our development.”

Every day I feel proud to be a part of Avanza. Yet I am convinced our best days are still ahead of us.

Thank you to everyone for an eventful and engaging 2018. I very much look forward to 2019 and the many challenging opportunities, which will enable us to further improve our offers.

Stockholm, February 2019



Rikard Josefson, CEO

This is Avanza

We don't see the world as it is, but as it should be. A better future for more people through the right opportunities for savings and investments is what drives us.

Customer focus is the basis of our offering

Our business is built on a strong customer focus with a world-class user experience and customer service. Through continuous innovation in product development and focus on what's best for the customer, we build trust and generate growth. Our vision is to create a better future for millions of people, where our strategy is a cheaper, better and simpler offer. Our aim is to be the best tool our customers use to successfully manage their finances.

Product development and education to create customer value

Through education and simplified decision-making support, we want to engage and create understanding for savings and investments. Education is provided through several channels, mainly our website and our tools, but also through our savings economist. We are convinced that with the right tools our customers can make the best investment decisions on their own, which is why we don't offer individual advice.

Since the start, Avanza has worked to democratise savings. Important parts of this are to drive development in the industry and underline the effect of fees on savings, challenge established structures of large banks and pension providers that do not benefit savers, and lower prices. We offer customers ways to save in a wide range of Swedish and international securities and in savings accounts, with no fixed fees and very low brokerage fees. This also includes the commission-free fund Avanza Zero and the world's cheapest global index fund, Avanza Global, as well as fund-in-funds from Avanza Auto. Highly competitive mortgages are offered as well.

Our promise is to give customers a better return on their savings than any other bank or pension company, due to low fees.

We mainly target individual investors in Sweden, but have also services for professional traders and corporate customers, such as entrepreneurs, asset managers and those looking for an occupational pension.

The Avanza Group

The Group consists of the listed Parent Company, Avanza Bank Holding AB (publ), and four wholly owned operating subsidiaries. Avanza has two offices in Stockholm, one of which serves as a head office, and a sales office for occupational pensions and Private Banking in Gothenburg. All operations are conducted in Sweden.

The large part of the operations is managed by the subsidiaries Avanza Bank AB (publ) and Försäkringsaktiebolaget Avanza Pension. Avanza Fonder AB offers our own funds and Placera Media Stockholm AB, which is fully independent from Avanza's other operations, publishes news and offers impartial guidance through the financial site Placera and the financial weekly Börsveckan.

In 2018 Avanza increased its holdings in Stabelo Group AB, which Avanza has owned an interest in since 2017, to nearly 30 per cent from just under 20 per cent. Stabelo is hereby classified as an associated company.

An investment in growth

From a shareholder perspective, we see Avanza as a growth company. An investment in our ability to attract more customers by providing value and satisfying their needs. We are working to broaden our offering and attract and help more people. We want to be even better at supporting customers with their investment decisions. We also see strong growth potential in occupational pensions, where Avanza has a very competitive offer. Our long-term aim is that Avanza will be the best tool our customers use to successfully manage their finances. Our mortgage offer is also an important piece of the puzzle, at the same time that it long term provides new, more stable income sources.



Major opportunities for Avanza in the Swedish savings market

Changing savings habits and the impact of savings on life as a pensioner, along with digitisation are creating good growth opportunities for Avanza.

The Swedish savings market

The Swedish savings market is valued at SEK 8,300 billion* and has grown by an annual average of 10 per cent over the last ten years. Factors that could limit the net inflow to the Swedish savings market include increased global uncertainty, falling property prices, rising interest rates and higher amortisation requirements. As a result, individuals may choose to pay off their mortgages rather than put more money in the savings market. At the same time, we are seeing a big interest in individual savings in Sweden. Historically, the savings ratio is at a high level.

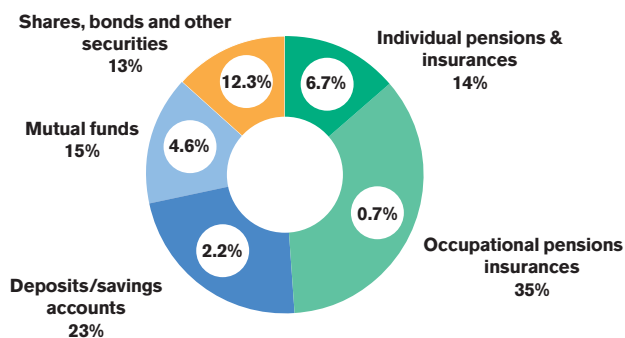
Pension and insurance savings, i.e. the life insurance market, is the single largest savings segment, accounting for nearly half of the savings market. Of this half, about two thirds is estimated as available to Avanza. Over a quarter of the market consists of direct investments in funds and equities. An estimated 80 per cent of the Swedish population saves in funds, either directly or indirectly through their pension savings. About 11 per cent invests directly in equities. The savings and insurance market is dominated by the four largest banks, Handelsbanken, Swedbank, Nordea och SEB. Large pension companies such as Skandia, SEB Tryggliv and Folksam fall into this category as well. There are also a number of younger players, of which Nordnet is Avanza's main competitor.

Avanza's position in the savings market

As of 30 September 2018, Avanza's share of the savings market was 4.0 per cent*, while the share of the total net inflow to the market in the period October 2017 – September 2018 was 11.0 per cent. Avanza's growth is dependent not only on the market's growth, since many customers transfer their capital from other banks to Avanza. For Avanza's large base of 837,100 customers, the market share was 8 per cent of the Swedish population. In some geographical areas and ages the share is as high as over 20 per cent. Avanza today has a high market share among Swedes who own equities. Among fund investors, growth potential is much greater. In the life insurance market, Avanza's share of the premium inflow for the twelve-month period was 6.7* per cent. Occupational pension capital at this point accounts for a small share of Avanza's savings capital, 6 per cent, or SEK 18.6 billion at year end.

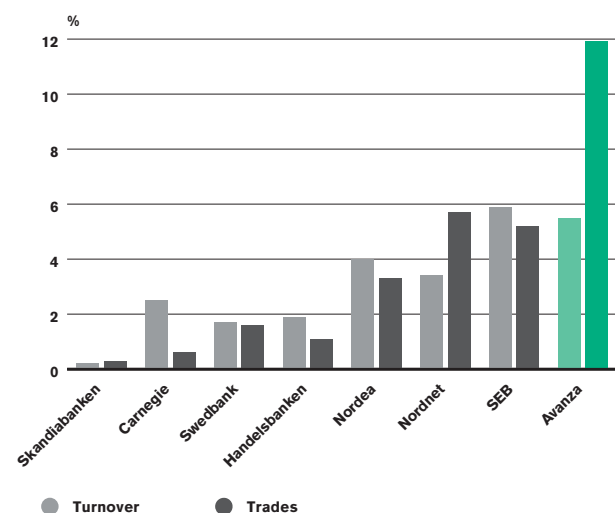
In equity trading, Avanza was in 2018 the largest Swedish player on Nasdaq Stockholm including First North in terms of number of transactions, and the second largest in terms of turnover.

Swedish savings market*



The white circles refer to Avanza's share of each market.

Market shares in Swedish stock market 2018**



* Statistics regarding the savings and life insurance market (Savings barometer and Swedish insurance) are published with a lag, the latest refers to 30-09-2018.

** Market shares on Nasdaq Stockholm and First North.

The Swedish mortgage market

In terms of households, the Swedish mortgage market is valued at over SEK 3,260 billion* and is dominated by the four major banks, but with growing market shares for SBAB and Länsförsäkringar Bank. In 2018, new players such as Stabelo together with Avanza started to gain a foothold in part by offering competitive rates and more digital application processes. The Swedish market is distinguished by strict lending practices, where credit decisions are based on each borrower's repayment capacity. Sweden has an efficient infrastructure in the form of property registries of first and second homes as well as easy access to credit information on borrowers. The Swedish market sees little speculative investment. Just over 65 per cent of households own their homes, of whom 84 per cent have a mortgage. The loan to value ratio among new borrowers was 63 per cent*. Average gross mortgage margins have steadily risen in recent years, but the increased competition in 2018 led to a decrease. In the period October 2017–September 2018, they averaged 1.6 per cent (1.7). In many cases a customer's mortgage rate is affected by how much debt they have, rather than being looked at in relation to their loan to value ratio and risk. Another factor that can affect the interest expense is whether the customer saves with the same bank.

Lending is arranged mainly through special mortgage institutions, but also through banks. The mortgage fund model Stabelo uses, in cooperation with Avanza, is unique in Sweden. Mortgages are financed through a mortgage fund, where institutional investors such as pension companies invest. The model is well tested in other parts of Europe, including the Netherlands and the UK. The Dutch mortgage market is very similar to Sweden's, but about twice as large. In the Netherlands, this model has been in use for over ten years, and there mortgage funds now account for 11 per cent of the mortgage volume and around 20 per cent of new lending.

Avanza's position in the mortgage market

The mortgage market is a relatively new area for Avanza, where we see great growth potential, although one should be aware that it takes time to build a portfolio. Avanza has since 2013 offered mortgages on a small scale to its Private Banking customers, who are required to have SEK 3 million in savings with Avanza and a maximum loan to value ratio of 50 per cent.

At the end of 2017, Avanza, together with Stabelo, launched mortgages to a small customer group, and in April 2018 the offer was broadened to the general public. Borrowers are not required to purchase other services, the same low interest rate applies to everyone, and the loan to value ratio cannot exceed 60 per cent. The application process is digital. Mortgages via Stabelo amounted to SEK 4.2 billion at year-end. This, together with Private Banking mortgages, thus accounts for only a very small market share of the Swedish mortgage market.

Digitisation and changing customer behaviours create good growth opportunities for Avanza

The Swedish banking market is highly digital. Demand for digital products and tools is increasing, and many people are managing more of their banking and savings digitally. Customers are just a few clicks away, making availability, user experience and simplicity that much more important.

Digitisation is increasing competition from smaller fintech companies, although the market is still dominated by the four major banks. In all likelihood we are still in the first stage of the banking market's digitisation. We are seeing the full-service offerings of the major banks being broken apart by niche players that focus on a single product or service and can maintain lower costs and prices. Previous changes in industries and business models due to the growth of the Internet have caused companies to shift away from more comprehensive offers where customers can combine products to a fragmentation. Similar to other industries, it is likely that banking customers will also increasingly seek out the best prices and services from different providers. Price leadership will therefore grow in importance.

As customers come to rely on more providers, they will need a better overview, where they can see and manage their finances in one place. Few companies have managed to offer the right tools yet. Avanza has long been a distributor of savings products and is therefore well-positioned for such a future, both from a business model and customer experience perspective. The platform includes equity trading from various marketplaces, access to over 1,300 funds, savings accounts and mortgages in cooperation with several niche players. In addition, Avanza is well-known and recognised for its strong customer focus and high customer satisfaction, which is an advantage in an industry where trust is highly valued.

New regulations benefit consumers and go hand in hand with Avanza's strategy and values

The financial sector is in a period of extensive regulatory changes driven by the EU, opening new opportunities for Avanza. The new regulations also create challenges and increased complexity for both Avanza and other financial companies.

Greater transparency accentuates Avanza's competitive offer

The Mifid2 regulation, which was introduced in January, and the Insurance Distribution Directive (IDD), which was introduced in October, both increase the requirements placed on consumer protection and transparency, which we welcome. Their purpose is also to prevent conflicts of interest and ban advisory fees, to ensure that investment advice is independent. The changes mean among other things higher costs for financial advice for consumers. This will increase both supply and demand for products that help savers make their own investment decisions. Greater transparency on the fees customers pay is also likely to make them question the cost even more at a time when they are already becoming more price conscious and less willing to pay. The record-low interest rates in recent years have put greater focus on the importance of fees to long-term savings.

The new regulations are likely to benefit Avanza more than many other companies, since they align with Avanza's values and customer strategy. The increased transparency and cost awareness will accentuate the competitiveness of Avanza's offering, which is based on low prices with no fixed fees. The rules banning advisory commissions do not affect Avanza directly, since we do not offer advice. Moreover, Avanza Pension is one of the few pension companies that does not pay commissions to insurance brokers. In Sweden, platforms are exempt from the ban on commissions as long as the service provides added value to the customer.

* Statistics regarding the mortgage market (Swedish Bankers' Association) are published with a lag, the latest refers to 30 June 2018.

Good growth opportunities when pension transfer rights are simplified

In Sweden, there are still limits on transferring pension savings. Today's transfer rights apply only to policies signed after 2007. Moreover, transferable capital is managed by each company, which adds complexity and means higher costs for the saver. Today the fee charged on transfers averages 2 per cent of the capital. The government has had an ambition for several years to simplify the transfer market. An amendment proposed in August 2017 would cover policies signed after June 2007 and give pension savers more opportunity to impact their savings while setting limits on the fees charged by insurers. A clarification has been issued on which fees would apply to transfers. The amendment was supposed to take effect on 1 July 2018, but has not done so yet, and no update has been issued. To simplify the transfer process, it was proposed at the same time that insureds be able to combine policies effective January 2019.

Sweden's pension savers pay several billion kronor in unnecessary fees, money that instead could grow in their accounts and contribute to a better pension. Most pension capital in Sweden is currently managed by companies that charge an annual volume-based fee on the capital of around 0.60 per cent. It would also be desirable therefore if transfer administration were simplified, such as limiting the time a transfer takes and including older policies - changes that Avanza continues to promote.

At the same time that transfer rights are being debated and cost awareness is growing, it is becoming increasingly obvious that the public pension and welfare systems are shrinking in size and that responsibility for pension savings now rests to a greater degree with the individual. More people are beginning to realise that their personal finances and quality of life in retirement depend on the savings choices they make today. Occupational pensions are a highly sought-after benefit among Swedish employees.

In light of the Swedish population's increasing lifespan, the retirement age is gradually being raised through 2026 with the aim to ensure sustainable pensions today and in the future. Among other things, the minimum retirement age is being raised from 61 to 64.

Improved pension transfer rights would positively affect Avanza's growth prospects. Our current base of over 800,000 customers offers great potential. The lower government pension and higher retirement age also mean that those who want to retire early will have to save more on their own. Greater transparency, along with Avanza's pricing strategy and simply digital offers, is also important to growth.

Rules that protect customer privacy and give them the right to their own data

The new Payment Services Directive (PSD2) implemented in 2018 regulates the relationship between banks that maintain payment accounts and so-called Third Party Players that offer payment initiation or account information services. The directive places stricter requirements on privacy protection and secure communication between parties, but also forces financial firms to share account information with TPPs at the customer's request, which had previously been unregulated. At the same time, an updated version of the General Data Protection Regulation (GDPR) designed to strengthen consumer protection and give the consumer more power over their personal data came. The directive sets the rules for how this will be accomplished. PSD2 and GDPR require banks and other companies to modify their IT systems.

Consumers have new rights in the form of data portability, allowing them to receive their personal data in machine readable format. This means that companies have to pay even more attention to serving customers, since it is even easier to switch providers of various services and products. This applies in all industries. PSD2 and GDPR are very positive for consumers. Their introduction is expected to increase competition from smaller fintech firms, but perhaps most importantly from larger digital companies that can provide the financial market with innovative services, especially in the payments market.

For Avanza, PSD2 and GDPR offer many opportunities thanks to our strong focus on customer value. They create opportunities to develop our tools and range of services as we gain an overview of our customers' finances.

Other regulations

On 1 January 2018, the tax on investment savings accounts and endowment insurance was raised. Both of these savings alternatives offer tax advantages, even after the tax hike, which so far has not had, and is not expected to have, a big impact on the inflow of savings capital.

In 2018, there was an increase in the resolution fee, after which it is gradually being reduced by 2020. The fee will be lowered in two stages, from 0.125 per cent to 0.09 per cent in 2019 and then to 0.05 per cent in 2020.

Parliament resolved in 2018 to reduce the corporate tax in two stages from 22 to 20.6 per cent from 2019 to 2021. The Avanza Group's effective tax rate is between 14 and 15 per cent, because of which only about 75 per cent of the tax cut is expected to have an impact, based on current volumes.

Changing market conditions are being met with new investments

Avanza's focus in an increasingly competitive market is to maintain a strategy of cheaper, better and simpler offers, at the same time that we stay close to customers and own the user experience. We have a strong brand, many ambassadors and high customer satisfaction, which together with our innovative strength, cost leadership and a scalable business model are a strong foundation.

Changing market conditions are expected to continue to squeeze prices in the industry and benefit consumers, while also strengthening Avanza's position. Given rate hikes and expanded product range that is less sensitive to market fluctuations, there are also good opportunities for Avanza to increase its income. Staying competitive and profitable, however, will require a lower cost to savings capital ratio and innovative product and service development.

The aim going forward is to attract broader target groups - experienced and established investors as well as new savers - who need more support in their investment decisions. Availability will be strengthened through improvements to our mobile services and decision-making support. We are also continuing to develop our offer in more niche areas to continue to meet the needs of more active traders.

Avanza's focus on pensions, coupled with our expanded mortgage offer, is important to future growth. Outside collaborations will continue if they strengthen the services we can offer and are in line with what our customers demand. Our long-term aim is that Avanza will be the best tool our customers use to successfully manage their finances.

Our success requires listening to our stakeholders

The longevity of Avanza's business is closely tied to our ability to deliver what our stakeholders demand and want. By continuously taking their opinions, needs and expectations into account, we can develop Avanza in the right direction.

Key areas are identified in dialog with our stakeholders

Avanza's most important stakeholders from a business standpoint are customers, employees and owners. In addition, there are partners, suppliers, the media, authorities and legislators. By maintaining an open dialog with our stakeholders, we are able to find out what is important to them. The areas that customers, employees and owners stress include transparency, innovation, accessibility and effective work with security – but most importantly our strong customer focus. There are also other areas more specific to each stakeholder group, which is also illustrated on the next page. This is an important part of our strategy and development and encompasses the entire organisation, without limitations.

A close dialog and listening to what customers want has given us Sweden's most satisfied savings customers

Doing what's best for customers is always our focus. Being attentive to their needs and trying to meet them helps us to improve and gives new perspective.

We dialog with our customers, mainly by phone and email, but also through social media, meetings and surveys.

Prior to new launches, we conduct user testing where we invite and interview relevant target groups. We regularly send out surveys, both general in nature and specific to products, services or functions. Each year we have a couple of surveys more specifically focused on our offers and product range, including an open question on what would make Avanza perfect. The responses, together with our market analysis, are important to improving the offers.

After every call to customer service, we send out a digital survey to make sure we have provided the best possible service. This allows us to continuously measure customer satisfaction, receive feedback and get back to customers when necessary.

Many of us receive feedback from customers, but we have one employee dedicated to coordinating and forwarding customers' views and suggestions to product teams and management. Each week improvements are made to our offers through updates on the site and in apps and infrastructure, largely based on responses from customers and changes in user preferences.

An open work environment and creative dialog encourage employee engagement

Our employees are driven by our vision and to create change. At the same time, they want to feel that they are developing professionally and having fun. An open work environment is essential to capitalise on ideas and create engagement, which then increases our innovative capacity.

We track how employees feel about the work environment through frequent, anonymous and quick pulse surveys, where we identify what's working and what's not, and whether we are improving over time. In the surveys employees are encouraged to discuss what they feel needs to improve or change to make them happier and more engaged. The pulse surveys also gauge our employees' motivation and how it feels coming to work. The results are followed up in workshops within each department.

Performance reviews over the course of the year between employees and their managers identify needs, opinions and wants, and are an opportunity to monitor and discuss each employee's development. Well-defined targets strengthen motivation.

When an employee leaves the company, we conduct an exit interview. This is an important way to get honest opinions on Avanza as an employer, our leadership and whether individuals felt they could impact their work situation. The conversations are held by HR, which compiles a semiannual report for management on the suggestions for improvements.

Besides the day-to-day communication, there are a number of ways we strengthen this dialog and ensure that our employees can express their views. We have monthly roundtable lunches where employees from different departments meet with the CEO and other senior executives to discuss suggestions and ideas, ask questions and voice opinions. Our monthly meetings, where the whole company gathers, include questions for Group Management and the CEO.

Our open office concept creates a closeness that, along with an unpretentious culture, is designed to foster internal dialog.

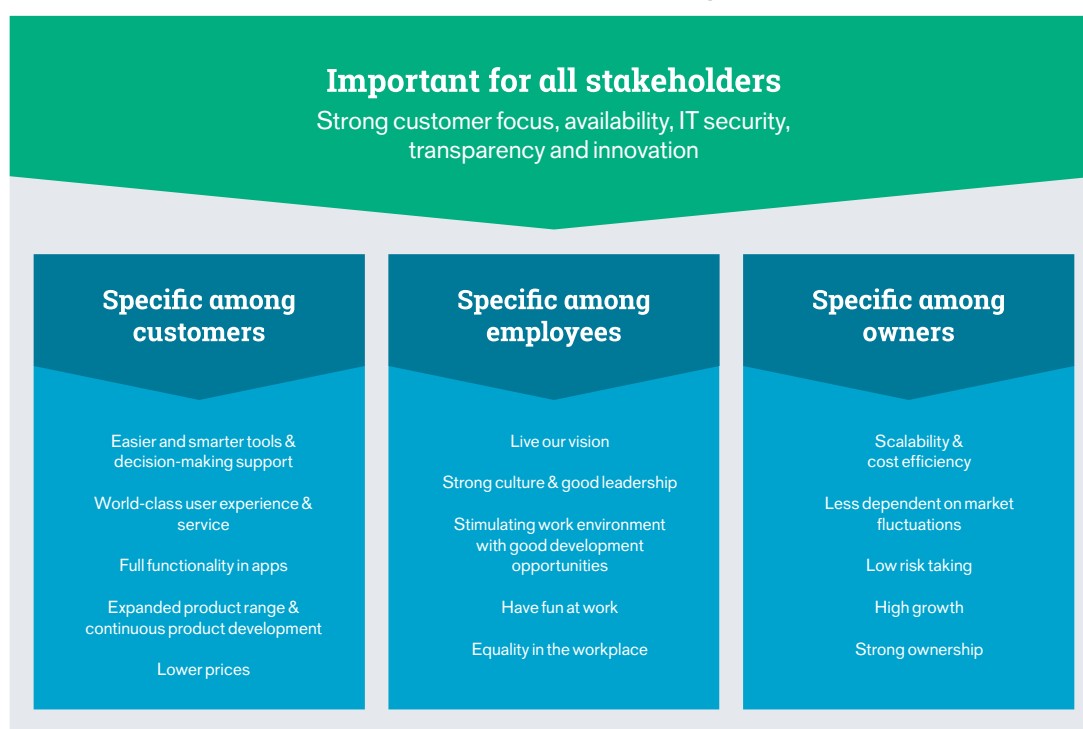
Transparency to create understanding and give a fair view of Avanza among owners

We regularly communicate with owners and potential investors face-to-face and by email and phone. In 2018, we held 180 meetings with sell-side analysts and national and international investors. Several meetings were held at our office in Stockholm, but we also had roadshows in London, Paris and Frankfurt and took part in a number of major investment seminars in Stockholm, New York and Boston. In addition, we dialog regularly with the analysts that follow Avanza at Carnegie, DnB, SEB, Handelsbanken and Nordea.

Owners and investors want a high level of transparency and availability to understand the decisions that are made, for the industry as a

whole as for our financial reporting. Through this dialog and communication, and by listening to opinions, we try to build trust among owners and analysts by presenting the company and its development as fairly as possible. Reporting and information disclosures shall describe our progress in meeting targets and priorities, while simplifying thorough analysis and sound investment decisions. Many meetings conclude with an question to investors on their views of Avanza, which provides them with another opportunity to raise important issues and opinions, and for us to be better.

What our stakeholders want and the main topics we discuss



More about customers on page 18–19.

More about employees on page 20–22.

More about owners on page 26–29.

Performance review on material analysis

Material aspects	Evaluation criterias	Page
Strong customer focus	Customer satisfaction and cheaper, better and simpler offering	16–19
Availability	Web service operational availability	30
IT security	Substantiated complaints concerning breaches of customers' integrity	30
Transparency	Transparency in supply, prices as well as in financial reporting	18–19, 23–25, 27
Innovation	Product development and efficiency	14–15, 18–21, 26–27

A business model built on customer focus and scale

Our business model is built on scalability. Strong customer growth, combined with market's lowest cost to savings capital ratio, creates long-term growth in operating income and facilitates further development.

Satisfied customers drive growth

There is a strong correlation between customer growth, growth in savings capital and income.

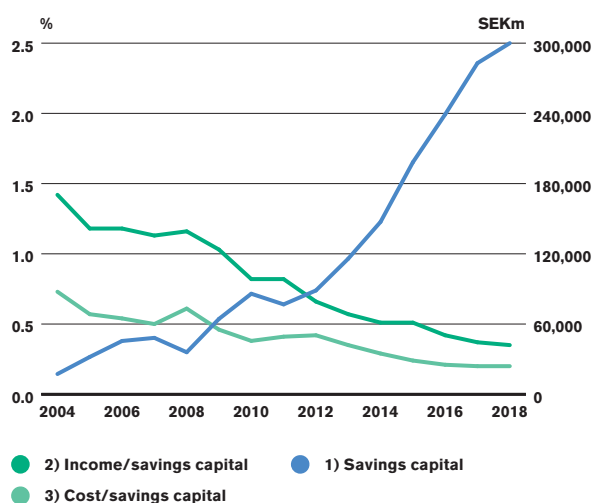
1) The inflow of savings capital is driven by new and existing customers, which places great importance on customer satisfaction. Throughout Avanza there is a very strong focus on what's best for our customers. Satisfied customers talk about us and recommend us to others, which is a desirable and cost-effective way to grow.

2) Income to savings capital ratio has declined over the years, which is a result of a price leadership strategy to make our offers more attractive. It is also due to market trends, including changing customer behaviours, mix-effects in savings, market conditions and trading activity, and not least the negative interest rates.

Income largely consists of brokerage income, although fund commissions have grown significantly in recent years, in line with Avanza's aim to better counter market swings and reduce the income volatility.

3) To deliver shareholder value while at the same time meeting our promise to customers, cost effectiveness is critical. Our business is built on creating customer growth without increasing costs to the same extent. Our success in achieving this is illustrated by the decrease in the cost to savings capital ratio.

Timeless business model built on scale



Five year summary	2018	2017	2016	2015	2014
Operating income, SEKm ¹⁾	1,049	975	909	896	678
Operating profit, SEKm	418	441	465	485	296
Operating margin, % ¹⁾	40	45	51	54	44
No. of customers	837,100	710,600	570,600	467,600	371,200
No. of new customers	126,500	140,000	103,000	96,400	54,700
Net inflow, SEKm	27,600	26,800	26,500	25,200	20,100
Savings capital, SEKm ²⁾	300,000	282,900	239,100	198,200	147,300
Income to savings capital ratio, % ^{1) 2)}	0.35	0.37	0.42	0.51	0.51
Cost to savings capital ratio, % ^{1) 2) 3)}	0.20	0.20	0.21	0.24	0.29
Average number of employees	406	383	343	323	283

¹⁾ As of 2016, the deposit guarantee fee and the resolution fee are reported as interest expenses and has therefore been transferred from other Operating expenses to Net interest income. A transfer of costs related to search engine marketing and similar services has been made from 2018. These are now reported as Commission expenses under Operating income (previously, Other operating expenses). Historical figures have been adjusted.

²⁾ The definition of savings capital has from 2018 been changed compared to what has been previously reported and lending is no longer deducted. Historical figures have been adjusted.

³⁾ 2018 Excluding the Swedish Financial Supervisory Authority decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension.

See definitions on page 104–105.

We achieve our vision by delivering on our targets

Our strategy is a cheaper, better and simpler offering. This will lead to high customer satisfaction, strong growth and a better future for millions of people. A prerequisite, however, is that our employees develop and thrive.

We work according to the strategy to continuously refine our offering to be cheaper, better and simpler. We concentrate on four areas to achieve this: always putting our customers first, price leadership, scalability and efficiency, and being 100% digital.

We want to offer a strong user experience, a wide range of products and good decision-making support. Continuous improvements to our systems enable us to quickly respond to changing customer behaviours.

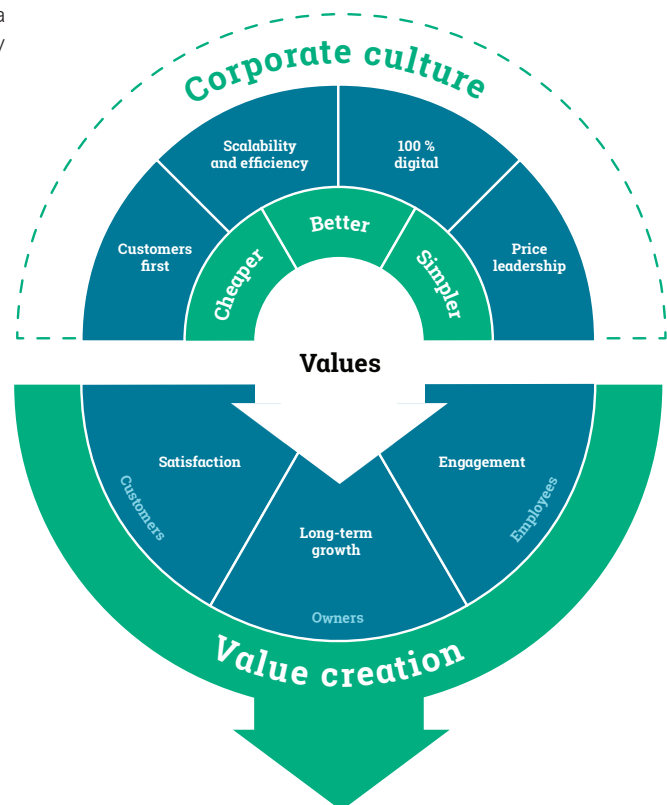
Being a price leader is important to creating long-term value for savers and to attract customers. Price leadership is closely linked to our focus on keeping costs low, where scalability and efficiency are critical and are achieved through ongoing development, digitisation and internal efficiencies.

Innovation at Avanza relates not only to product development, but is also important from a cost perspective. We work tirelessly to eliminate whatever is outdated and could slow our development. Our technological platform and trading system are among the banking world's most modern. We always evaluate new technology and update and modernise our systems. The strategy is to never put ourselves into a dilemma with old systems and to continuously automate and simplify

our processes. By not planning too far into the future, we stay flexible and can respond to what happens around us. The site is continuously updated with improvements and new functions, with a new release each week. Our systems provide stability and economies of scale and enable us to deliver high quality. Our trading system has no limit on number of customers or transactions.

All this requires a corporate culture that draws its energy from a willingness to change. The culture is important if employees are going to thrive, feel engaged and develop. We therefore place great importance on maintaining a strong culture where everyone is encouraged to think in new ways, challenge themselves and come up with new ideas. It is also characterised by collaboration and humility.

We are convinced that satisfied customers, coupled with engaged employees who enjoy going to work, create long-term value and, as a result, satisfied shareholders.



Create a better future for millions of people

Performance on targets

Our customers always come first. Performance is therefore measured by customer satisfaction, growth, scalability and cost effectiveness, and not by the income and profits we generate. We think long-term and don't focus on short-term profitability.

Sweden's most satisfied customers

One of Avanza's targets is to win Swedish Quality Index's annual award for "Sweden's most satisfied customers" in the savings category. In 2018, Avanza won the award for the ninth consecutive year. The study is conducted with the help of a statistical model that facilitates an analysis of the reasons for customers' choices and measures how loyal they are to their companies.

Strong engagement among employees

Satisfied customers requires engaged employees. Engaged employees who recommend us as an employer are also important to attract and retain talent. To measure employee satisfaction and engagement, we have since 2014 used an international measure of employee loyalty called the employer Net Promoter Score (eNPS), which shows how willing employees are to recommend Avanza as a workplace. A score over 20 is very good and one over 40 is the highest grade, an excellent result indicating strong ambassadorship. The latest score was 44, which shows very strong ambassadorship and is a clear improvement over 2017. Our eNPS goal of at least 45 is indicative of our high ambition and how seriously we take our employees' well-being and work situation.

Strong growth

To ensure a good growth rate and an increasing share of the Swedish savings market, our target is a market share of at least 10 per cent of net inflow. For the last twelve-month period the share of net inflow was 11 per cent, compared with Avanza's share of the savings market of 4 per cent. A driving factor behind net inflow is new customers. In 2018, 126,500 new customers were added. The target is to reach 1 million customers by 2020.

We also have a long-term target that costs will not grow faster than income, which they have done in recent years, however. This is mainly due to the negative interest rates and a result of increased investments in growth.

Our target is to distribute at least 70 per cent of profit for the year. The dividend proposal for 2018 corresponds to 91 per cent.



Our long-term targets and performance	2018	2017	2016	2015	2014
Customer satisfaction					
Sweden's most satisfied savers according to Swedish Quality Index	√	√	√	√	√
Customer satisfaction according to index	75.4	77.2	74.4	81.3	78.6
Employee engagement					
eNPS of at least 45*	–	–	√	√	√
eNPS according to index	44	33	51	46	46
Long-term value growth					
Market share of at least 10 per cent of the total net inflow to the Swedish savings market**	√	√	√	√	√
Market share of total net inflow, %**	11.0	11.8	10.9	9.3	9.2
1 million customers by 2020***	√	√	√	√	√
Annual customer growth, %	18	25	22	26	17
Annual customer growth in no. of customers	126,500	140,000	103,000	96,400	54,700
Cost growth should not outpace income growth	–	–	–	√	√
Income growth, % ¹⁾	8	7	1	32	17
Cost growth, % ¹⁾²⁾	11	21	8	7	8
Dividend of at least 70 per cent of net profit of the year	√	√	√	√	√
Dividend (2018 proposed), %	91	83	79	74	81
Dividend in SEK per share (2018 proposed)	10.50	10.50	10.50	10.50	7.00

* In 2017, the target was adjusted from an eNPS of 40 to 45.

** In 2014, the target was adjusted from 5 per cent to 7 per cent. In 2017, the target was adjusted to 9 per cent. The target was raised further in 2018 to 10 per cent. The market share for 2018 refers to the period October 2017 – September 2018, Savings barometer is published with a lag.

*** In 2014, the target for new customers was adjusted from 20,000 – 30,000 to 30,000 – 40,000. In 2016, the target was adjusted to a 10 per cent annual growth rate, or 46,760 new customers. In 2017, the target was set at 1 million customers 2020.

¹⁾ Historical figures have been adjusted.

²⁾ 2018 Excluding the Swedish Financial Supervisory Authority decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension.

Sweden's most satisfied savings customers 9 years in a row

Avanza primarily targets private investors in Sweden, but also has services for professional traders and corporate customers. Our promise is that customers will get a better return on their savings than anywhere else, due to low fees.

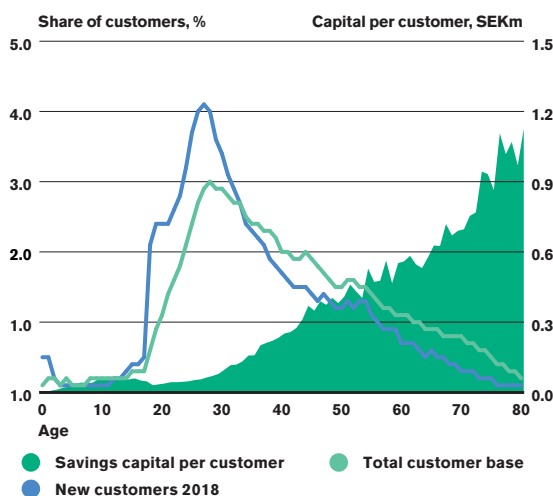
A broad customer base with strong growth

Avanza experienced strong growth during the year with 126,500 new customers. The number of customers at year-end was 837,100, which mainly consist of individuals, but also of corporate customers. Avanza's market share of Sweden's population is 8 per cent. In urban areas, the share is higher, and in certain age categories it is as high as over 20 per cent. The majority of customers are between the ages of 20 and 49, and the strong growth in recent years among younger customers, ages 20 to 30, continued – although growth was also strong in other age categories. While men are still overrepresented, accounting for 65 per cent, the share of new female customers has increased and reached 41 per cent. In 2018, customer turnover was 1.2 per cent, which shows that very few are leaving us.

Our customers are automatically placed in a benefit level based on their total savings or how much they trade. Avanza's wealthier Private Banking customers account for the largest share of savings capital. Pro customers, who are among the more active traders, represent less than 1 per cent of the number of customers and just over 35 per cent of the turnover in commission-generating securities, but a significantly smaller share of income. These two groups together account for about one fourth of brokerage income, which shows the importance of a broad customer base.

Savings customers can be divided into three categories: those who make their own investment decisions, those who need some support, and those who want investments to be handled automatically. Avanza does not offer advice but does provide various forms of decision-making support. In cases where customers still want advice, we work together with outside parties.

Age distribution and savings capital by age



Our corporate customers mainly consist of small and medium-sized businesses

The occupational pension business grew during the year, with savings capital rising 16 per cent and 22 per cent more customers. The majority of occupational pension customers are small and medium-sized businesses with less than 100 employees. Since 2017, businesses with up to four employees can set up an occupational pension digitally, which the majority of these customers now do. This has improved the customer experience, not least because less information has to be entered manually and the process is faster, which also frees up resources internally.

We have around 50 institutional trading customers, mainly Swedish asset managers, who trade for their funds and/or manage them through Avanza.

In Corporate Finance, we mainly advise companies that plan to or are already listed on First North and the Stockholm Stock Exchange's small cap list. We also partner work with medium-sized and large listed companies on ownership diversification. Our large customer base is an attractive platform for cost-effective diversification, and we have seen increased interest from companies about this service. During the year, we served as advisor to 13 companies and cooperated with other partners in 18 deals. This is positive for our customers, who are able to participate in many interesting IPOs that have not always been available to individual investors.

For more information on our customers and benefit levels, see page 100.

A strong offer creates value for our customers

Doing what's best for customers is always our focus. Being attentive to their needs and trying to meet them helps us to develop our offer and gives us new perspective. This is an integral part of our product development. At the same time, we create the most value for our customers by concentrating our business and development on what we do or can do best. A majority of our customers come to us by recommendation, which is a result of our strong customer focus, but also because when we launch new products we do so in our way, thinking innovatively.

Product development to simplify and improve

The MiFID 2 regulation that took effect on 3 January increases consumer protection and transparency, which aligns well with Avanza's values and customer strategy. Avanza's aim was to meet the increased requirements with simplicity and clarity. In our fund marketplace we go beyond the new regulations, for example, to provide information on the total fees charged by each fund, which can also be used to filter the fund list. When trading equities, investors are shown any commissions and foreign exchange fees before an order is placed.

To make sustainable investing easier, Avanza was the first company in the world to enable customers to filter and select climate-smart funds using a new, independent risk measure developed by Morningstar. Sustainability aspects were also implemented in Avanza's own funds by introducing three levels of the opt-out principle.

Securities can now be transferred from other banks in the apps, and fund trading was improved and simplified on the site. This has contributed to a higher conversion rate for fund purchases, and a large percentage of transfers are now made using the apps. The majority of traffic to Avanza is through our apps and over 50 per cent of new customers register by mobile device. Another new feature this year is "My fund portfolio analysis", where customers get an in-depth analysis of their holdings'. At the end of the year, "Your 2018 by the numbers" was launched, which gives customers a personalised summary of the investment year, covering portfolio performance, personal highlights in the form of transaction data, best and worst days, top performing securities etc. For more active traders, a stop-loss function has been added in the Infront trading tool. We continuously update our offer and develop new functionality and improvements to the user experience.

Cheaper offers to fulfil our customer promise

Fees are critical to the value of savings over time. We want the barriers to entry for savings to be low. This is why it is important for us to offer competitive prices. Avanza's price list is adapted to each customer's activity level and capital, to benefit each customer. Avanza does not charge any fixed fees on savings. This applies to occupational pensions as well.

During the year, the margin loan was improved with a 0% interest rate on margin loans of up to SEK 50,000 for customers with a maximum loan to value ratio of 10 per cent and equities as collateral. At the same time, the rate was reduced for customers with a loan to value ratio of up to 25 per cent. With this launch we now have free offers in every product area: equities, funds, pensions and fixed income products.

A mortgage is the biggest expense for many households and an area where interest rates can have a big impact on personal finances. In 2017, we made a soft launch of Sweden's cheapest mortgage loan, which doesn't require any savings or other commitments. The loan has a preapproved rate. In 2018, the offer was expanded to the general public. The floating rate as of 31 December 2018 was 1.09 per cent. The rate is discounted to the major lenders' list rate, which for December was 1.47 per cent on average.

Also launched during the year was Avanza Global, with a management fee of 0.05 per cent, making it the world's cheapest global index fund for individual investors, according to a survey by Morningstar.

In 2018, our customers saved more than SEK 1 billion* in fees compared to if they had done business with any of Sweden's major banks. They can especially save on their pensions, simply by avoiding unnecessary insurance fees.

Continued high rating from our customers in 2018

One of our most important long-term targets is to win the Swedish Quality Index's annual award for Sweden's most satisfied savers. In December, we won the award for the ninth consecutive year. Our score for 2018 was 75.4 on a scale of 0–100. Customer relations, simplicity and product quality are highly appreciated and contributed to the rating. The survey also showed that Avanza has by far the lowest percentage of customer complaints.

This year's Net Promoter Score (NPS) was 70. Scores range from -100 to 100 and show the likelihood that customers will recommend us. A score between 0 and 50 is good, and above that is extremely good and highly unusual, especially in the financial sector. Our score on the Customer Satisfaction Index was 86.

In the ServiceScore survey, we were awarded "Best service in financial services" for the fourth year in a row. According to a survey by Nordic Bench in September 2017 to January 2018, Avanza has Sweden's most satisfied banking customers and is by far the best stockbroker in Sweden. Avanza is also the bank whose customers are most likely to recommend it. Behind the high ranking are Avanza's investments in technology, value for the money and support, according to the survey. Avanza ranked as the most reputable bank and made the top 10 list of most reputable companies regardless of industry in a survey conducted by Nordic Brands. In Prospera's private banking survey for 2018, Avanza again ranked fifth against competitors that offer advice as well as discretionary asset management. Avanza's digital offers and competitive prices are ranked highest among all peers. The survey also showed the highest recommendation rate among Avanza's customers. Avanza's Corporate Finance department was named best advisor in the category "quality in small cap class", according to SvD Börsplus IPO-guide. In Lynxeye's 2018 survey on Sweden's most purposeful brands, Avanza climbed from 26th to 10th place in competition with Swish and BankID as well as major global brands such as Spotify and Google. In the annual YouGov BrandIndex survey, Avanza ranked fifth among the most recommended brands in Sweden and was the second most recommended Swedish brand. The magazine *Privata Affärer* named Avanza the Bank of the Year and an award was received for New Savings Product of the Year for the Avanza Global fund.

These awards during the year are recognition of our efforts to improve the customer experience by always prioritising customer value.

* <https://www.avanza.se/kampanj/sa-har-vi-raknat-1-miljard.html>

A strong culture with employees who want to challenge and create change

Avanza is a company of dedicated employees who want to make a difference, where everyone's ideas are listened to and enrich our development. The foundation of our culture, and what drives us, is that we feel what we accomplish is meaningful and important.

A strong corporate culture focused on the customer

We started Avanza with a simple idea – to build a company where we would want to be customers ourselves. In the same way, our aim has been to build a company where we thrive and would want to work. This has created a very strong corporate culture that draws its energy from a vision to create a better future for millions of people. It is our position as a challenger and our employees' willingness to change that has shaped the culture. The climate we have created is one of collaboration and humility, where we constantly challenge ourselves, think differently and take responsibility. Each quarter we reward an employee who has embraced our values, to encourage and nurture the entrepreneurial spirit that has gotten us to where we are today.

We have chosen to formulate our values, or guiding principles, in four short sentences. We help a colleague help a customer. We take responsibility. We challenge and think differently. We have fun together. Avanza has been and is growing strongly, at the same time that we made a number of organisational changes and added several new members to the management team. During the year, we therefore held "culture weeks" with all our employees to discuss what the principles mean for each person and department, and whether we are living up to them. The aim is to safeguard and develop the culture and ensure a common vision.

Our employees

The majority of our employees have a college or university education, usually in business, finance, computer science and programming, and a background in IT and financial services.

We welcome a diversity of opinions, backgrounds, ages and lifestyles. This, we believe, creates a positive corporate culture and dynamism and contributes to better efficiency and understanding of current and future customers. We were an average of 406 employees at Avanza in 2018, with an average age of 36. We are still more men than women, with a distribution of 64 and 36 per cent.

Working actively to attract talents

Because of our investments in digital decision-making support, an improved user experience and a stronger mobile offer, at the same time that all development is done internally, we have had to strengthen our capacity and competence, especially on our development teams. Avanza's success is closely tied to our attractiveness as an employer – that we succeed in retaining and attracting talent. The competition for talent is fierce, especially for tech skills. Our strong corporate culture, modern IT platform and agile way of working are important to our appeal as an employer. The goal of Avanza's recruitment policy is to find the most competent and engaged employees, with ambition and the ability to drive the business forward. Each manager is responsible for having the right staff, so that their department performs as effectively as possible.

We want to create opportunities for employees to grow by believing in their abilities and offering the flexibility to test new ideas and think differently. Our employees should feel that they have a say and can find an outlet for their creativity. One example of how we encourage them to express their ideas and innovate is our "Brainy Days", when they can post various ideas on an idea wall and try to convince colleagues to join developing them. These ideas are developed over a two-day period, individually or with others, and then presented. Some ideas are further developed and put into action.

In late 2017 and early 2018, we further refined our agile team structure and the way we work. The aim is to stimulate and encourage creativity in our employees and to increase the pace of development and improve our offering. The new organisational structure has also clarified roles and mandates at the same time that competence is consolidated within various product areas. The teams were formed by the members themselves, who decided which one they want to belong to. We saw this as important in order to form the best groups possible. Self-organisation was a success, and we now have 16 development teams in place, each with members with different professions.

Employee key ratios	2018	2017	2016	2015	2014
Average no. of employees	406	383	343	323	283
of which women, %	36	35	33	34	37
Average age	36	35	33	33	33
Employee turnover, %	15.7	17.9	19.1	16.5	–
Internal movement, %	7.6	6.3	6.4	5.3	13.0
Engaged employees (eNPS)	44	33	51	46	46

To ensure continuity and safeguard business-critical processes, a mapping is done of individuals and their roles. Special development plans are in place to keep Avanza an attractive workplace. To pave the way for a smooth transition when key employees move on to other roles, potential successors are identified internally.

Many employees come to Avanza directly from college. Our customer relations department is an instructive and attractive place for many to begin their career and a path to move on after a few years to other departments within Avanza. Our aim is to utilise as many internal talents as possible, although there are certain limits in a small workplace. The low average age of our employees and the fact that so many of them begin their careers with Avanza contributes to slightly higher turnover.

Opportunity to develop in a stimulating environment

To give our employees the best chance of realising their full potential, skills are taught daily on the job and through training, both internal and external. Helping employees to develop in their roles is important to retaining competent and skilled employees. In customer relations, for example, we offer various training programmes according to a special development ladder depending on the number of months or years the employee has been with Avanza. Each step qualifies the individual for new opportunities and career stages. We also work continuously to develop a feedback culture, including through "feedback buddies" for our employees' development. Through Avanza Academy, all employees also have access to regular training in our various product areas, to learn the business in greater detail. All employees receive training in risk management and IT security, as well as internal governance and control, to ensure that they understand and have the correct skills in these areas. Training is offered through continuously updated, web-based nano training.

Increased investment in leadership

Leadership and employeeship are a question of understanding and taking responsibility for the business, being a good communicator and ambassador, and being able to coach others and help them develop. To ensure that everyone has the skills and tools they need as leaders, we provide both internal and external training. During the year, we also launched a new leadership programme, since we see our leaders as an important part of Avanza's development and success. The programme includes various blocks that address the management role, leading others, communication, and cooperation and teamwork. In addition to the leadership programme, leadership days and work environment training are arranged for managers.

A concern for our employees' well-being

Health and a positive working environment are important to an attractive workplace with motivated and happy employees. Avanza has an occupational health and safety committee to work with this and issues of discrimination. Avanza also has an action plan and routines to handle incidents that affect our employees. During the year, we did not receive any complaints from employees due to threats or acts of violence. This kind of complaint is highly unusual, since the business is overwhelmingly digital and we do not offer financial advice.

We want our employees to maintain a work-life balance and be able to sustainably handle a high-performance environment. As employees of Avanza, they have access to a number of benefits to stay healthy and maintain a balance, such as health allowances, sporting activities, parental benefits, and health and rehabilitation insurance.

Avanza supports the rights of its employees to unionise and negotiate collectively. At the same time, Avanza believes in the abilities and involvement of the individual and has chosen not to enter into collective bargaining agreements. This position has the support of our employees. Avanza offers similar, or better, terms than relative collective bargaining agreements.

The working environment is measured through absenteeism and well-being, and is followed up regularly in pulse surveys.

High recommendation rate among employees

We measure employee engagement and well-being through short pulse surveys, which create a continuous dialogue on how employees are feeling, so that we can work together to create an even better workplace. The flexibility and rapidity of pulse surveys means that we can ask questions tied to current events. Managers can also create their own pulse surveys to ask more in-depth questions related to their group. More company-wide questions are tied to areas such as Engagement, Leadership and Work Environment. We see these areas, together with eNPS, as cornerstones to create a strong and engaged culture. In our latest pulse survey in October, we received an eNPS score of 44 (33), which can be largely attributed to the success of the organisational changes and our investments in leadership. The main reasons why employees recommend Avanza to others are still strongly tied to our corporate culture, where we feel pride and responsibility for the company and that what we achieve is meaningful and important. The target of an eNPS score of at least 45 shows how high our ambitions are and how seriously we take our employees' well-being and working situation.

Benefits*

Life insurance	For everyone
Health care	Work related injuries
Health insurance	For Group Management
Parental leave	For everyone
Occupational pension	For everyone > 25 years
Warrant programme	For everyone

* Refers to permanent employees, hourly employees excluded. Of the Group's total number of employees, 11 per cent are paid on an hourly basis, 1 per cent are fixed-term employees and 1 per cent are temporary positions.

Our employees

Employee key data	2018	2017	2016
Average no. of employees	406	383	343
of which no. of temporary employees	6	4	7
of which women, %	36	35	33
of which 0–29 years, %	29	31	43
of which 30–49 years, %	64	64	53
of which 50–years, %	7	5	4
Average no. of employees within IT	111	105	–
of which women, %	20	17	–
of which managers, %	8	7	–
of which female managers, %	44	42	–
Average no. of full-time employees	369	357	–
of which women, %	34	34	–
No. of recruitments	75	89	–
of which women, %	36	37	–
of which 0–29 years, %	42	47	–
of which 30–49 years, %	54	49	–
of which 50–years, %	4	3	–
No. of completed employments	62	68	–
of which women, %	34	33	–
of which 0–29 years, %	37	43	–
of which 30–49 years, %	62	56	–
of which 50–years, %	1	1	–
Sickness absence*, %	3.0	2.7	2.6
women, %	4.4	3.6	4.2
men, %	2.1	2.1	1.7
0–29 years, %	2.7	2.2	2.4
30–49 years, %	3.2	2.9	2.8
50–years, %	1.2	2.7	1.5
Average no. of parental leave	12	17	17
of which women, %	61	65	54
No. of directors at the Board	8	7	7
of which women, %	38	43	43
of which 0–29 years, %	0	0	0
of which 30–49 years, %	63	57	57
of which 50–years, %	38	43	43
No. of employees in Group Management	9	8	8
of which women, %	56	50	38
of which 0–29 years, %	0	0	0
of which 30–49 years, %	56	75	88
of which 50–years, %	44	25	13
No. of managers	57	52	55
of which women, %	44	38	36
of which 0–29 years, %	9	13	–
of which 30–49 years, %	75	73	–
of which 50–years, %	16	13	–

The above figures are calculated for permanent employees, hourly employees excluded. Of the Group's total number of employees, 10 per cent are paid on an hourly basis, 1 per cent are fixed-term employees and 1 per cent are temporary positions.

* Avanza has chosen to only report sickness absence, since accidents and injuries are not relevant to our office- and Internet-based business. Sickness absence is calculated in relation to normal working hours.

Our contribution to a sustainable society

At Avanza, we have a passion for savings. We help people through education and by challenging the industry's established structures. At the same time, we work actively to increase gender equality and diversity in the labour market and the savings community. Our vision is to create a better future for millions of people.

Avanza is driving the industry's development and providing decision-making tools

Avanza challenges the established structures of banks and pension providers that don't benefit savers. The aim is to drive development in the industry and put the focus on fees. Through pension savings alone, customers pay billions of kronor in unnecessary fees - every year. Money that could instead grow and accumulate for savers. This is especially important now, when individuals need to take greater responsibility for their financial future as national pension and welfare systems are scaled back.

In the last five years, the SIX Return Index has generated a return of 47 per cent. In spite of this, almost one fourth of the savings capital in Sweden is still held in savings accounts that generate no return whatsoever. Factoring in inflation, the value of the money is even eroding. According to Statistics Sweden, 11 per cent of Sweden's population owned equities as of 30 June 2018, with men overrepresented at nearly 14 per cent. Only 9 per cent of women owned equities. Through education and simply decision-making tools, we want to get more people interested in savings.

Inspiration, education and decision-making tools to encourage sustainable investments

An important part of helping more people make sustainable investment decisions is to offer a broad and transparent range of options, where the price and fee model are clearly indicated and where it is easy to understand each product. In January 2018, the MiFID II regulation took effect, increasing transparency requirements, which aligns well with Avanza's values and customer strategy. Our aim was to meet the increased transparency requirements with simplicity and clarity. In our fund marketplace we go beyond the new regulations, for example, to provide information on the total fees charged by each fund, which can also be used to filter the fund list. When trading equities, investors are shown any commissions and foreign exchange fees before an order is placed.

We offer over 1,300 external funds. To help customers build a diverse fund portfolio based on various risk profiles, we provide a Portfolio Generator, filtering tools and six Auto funds. Our Auto funds invest in other underlying securities and are optimised continuously. High demand for Avanza Auto shows the need for simple decision-making tools. Avanza Auto has also increased the inflow of female investors to the platform, and more women are choosing Auto savings instead of investing directly in funds or equities.

To make it easier to choose stocks, we provide the Stock Generator, which filters equities based on five simple questions for the customer. We also have inspirational pages and theme lists of various kinds.

For those who want to learn more about saving, the Avanza Academy is an important tool. There is information on what to think about when

choosing equities, funds and other securities, and how to build various types of portfolios. Answers are also provided to questions about taxes and filing returns. Through Avanza Play, we provide inspirational video interviews with representatives of the savings and investment community as well as listed companies, where we discuss issues and thoughts many people can identify with. The topics include current events and are designed to provide insight and information that support savings. The Avanza Podcast, with a new episode and theme each week, is another example, where personal finance is covered and where our customers get help finding their way through on the savings market along with suggestions how to think about savings.

Savings with other sustainability aspects in mind

In the fund list customers can filter over 200 funds with low carbon risk scores. The scores are given by Morningstar and indicate that the fund has a limited CO2 risk and exposure to fossil fuels. The risk measure shows how well the companies that the fund invests in are adapted to an economy with lower CO2 emissions and stricter regulations and climate laws.

Sustainability aspects were implemented during the year in Avanza's own funds. Three levels of the opt-out principle were introduced. The basic requirement is that none of the funds we invest in will invest in companies that generate revenue from controversial weapons. Our next level of requirement is that the companies do not generate revenue from gambling, pornography, alcohol and tobacco, or coal. Our third requirement is that they be totally fossil-free and not generate revenue from fossil fuels. The latter requirement is hard to live up to at this point due to the range of investable funds, but is something we are working toward in the future.

Our stock inspiration pages and theme lists include lists of companies focused on for example renewable energy and gender equality.

Our savings economist speaks out for private savers

Avanza's savings economist protects the interests of savers, acts as an opinion leader, educates and inspires the public to take a greater interest in personal finances, and guides them to better savings. The economist speaks to the entire savings market and helps to generate media attention for savings issues, including through social media and speaking engagements.

During the year, our savings economist took part in around ten courses arranged by "Gilla Din Ekonomi", a network led by the Swedish Financial Supervisory Authority to educate the public on financial topics. The courses were designed for legal guardians, budget and debt advisers, and union representatives.

Avanza's work with gender equality and diversity

Equal rights and opportunity are respected at Avanza. This applies regardless of gender, gender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age. Our work is reflected in internal rules and in educational and other activities in the savings market involving gender equality and diversity.

Avanza has a Group-wide diversity and equality policy and zero tolerance for harassment, discrimination and victimisation. Whether it targets an individual or a group. Internally, executive management and each individual manager are responsible for compliance, although every employee is also expected to take responsibility for their own actions. The CEO has overarching responsibility for the work with diversity and gender equality. Employees who for any reason feel despite this that they have been harassed, discriminated against or victimised are given the benefit of the doubt that what they experienced was offensive. Gender equality is addressed systematically through documentation, analyses, active measures, evaluations and follow-ups. Issues of equal treatment are monitored through employee surveys.

Avanza's operations are not deemed to pose a significant risk of violation of human rights, whether directly or indirectly. We therefore have no formalised management or performance monitoring in these areas.

Diversity and gender equality among our employees and in tech

We believe that the differences among our employees contribute to a better corporate culture, make Avanza more dynamic and create a better understanding of the market. Research confirms this and shows, for example, that more gender balanced management teams in the long run are more innovative, creative and profitable. Putting together the right teams is an important management responsibility and a natural component in long-term human resource management.

At this point, we still have more male than female employees, but the percentage is slightly better when it comes to management positions and especially Group Management. Women are still underrepresented in tech, although gains have been made in recent years. We therefore work actively through recruiting channels to broaden the range of candidates we consider. To attract new talent to the field, we invite candidates to tech events to tell them about the company, our technology and our belief in collaboration and skill sharing. We have also initiated our second trainee programme which is designed to broaden diversity on the development side. During the year, we took part in Agila Sweden Loves Diversity, a conference on inclusive workplaces.

To increase interest in engineering among young women and discuss what an engineer does, we participate in "Introduce a Girl to Engineering day" (IGEday). The initiative is aimed at increasing gender equality in tech by letting young people meet and interact with female engineers, and thereby providing them with ideas and role models. Avanza also participates in Sthlm JS meet up, a network for those interested in Java Script, to share our technology choices, while exchanging ideas and building networks for exciting collaborations.

While mobile usage is high in Sweden, many people don't actually understand how technology works. In cooperation with Dataförenigen, we have arranged a Kid Hack and hacking leadership training for teachers and parents several times in recent years. The Kid Hack is an opportunity for children ages 8–13 to learn programming basics in a fun atmosphere, at the same time that the adults who support them can find effective tools. This is an important non-profit that seeks to increase digital competence in Sweden, while also helping us to network with those interested in technology.

To increase the diversity of our employees, we have also worked for many years with companies that help immigrants, disabled and those otherwise having difficulty gaining a foothold in the labour market. Over the years, we have been fortunate to hire eight people through this collaboration and see them develop.

In the AllBright Report, which maps gender equality in the managements and boards of listed Swedish companies, Avanza ranked sixth of the 47 companies that qualified on the list.

Equal pay

Avanza works continuously to ensure equal pay. This is done in among other ways through an evaluation of every position in the company, which then serves as a basis for the annual salary survey and is used in connection with new hires and internal transfers. Each year managers are offered gender parity training as part of the salary audit. Parity is a factor in all wage-setting, and in addition to an immediate supervisor, the department manager and HR are involved to ensure a fair, equal, quality-assured process. Prior to the audit, a salary survey is conducted, along with an analysis of proposed pay adjustments during the audit and a final survey of the results. In cases where there appears to be a difference not based on objective facts, it is investigated before the audit is approved.

Salary data	2018*	2017**	2016**
Women's wages as a proportion of men's salary			
Group management (excluding CEO), %	87	100	91
Managers (excluding Group management), %	98	99	96
Senior specialists, %	103	103	107
Other employees, %	99	102	103

* Based on the salary survey in december 2018.

** Based on the salary survey in december 2017.

Activities to increase gender equality and diversity among savers

To improve gender equality, it is important to help empower women to take control of their personal finances. On its blog, Avanza introduced the #tjejersomsparrar initiative in 2018 to spread information and inspire women to start saving. Our female employees and other female guest bloggers post their saving habits and tips. In addition, our savings economist arranged a number of savings seminars during the year, including for women who want to learn the basics of long-term savings. Classes of recent immigrants with an academic background in economics, law and engineering have also visited Avanza. They learn about the types of savings and investment products that are available in the Swedish market. The meetings are a good networking opportunity for us and them.

Other social engagements

Charities

Every Christmas our employees donate their gift from Avanza to a charity. This is an opportunity to contribute to a cause that is close to our hearts without it necessarily being tied to savings and investments. The employees vote on which organisations they want to support. This year the gift of SEK 250,000 went to The Swedish Society for Nature Conservation and Fryshuset, which works with making it possible for young people to create changes in the world based on their passions, as well as to Ecpat, which works to end the sexual exploitation of children. Our customers can also contribute by donating their dividends to charity.

Memberships

To share knowledge, discuss with others in the industry and collaboratively influence the industry's development, Avanza and its companies are members of and participate actively in trade associations such as the Swedish Bankers' Association, the Swedish Securities Dealers Association and the Swedish Investment Fund Association.

In 2018, Avanza signed the Principles of Responsible Investments (PRI), an independent standard developed by the UN to show how Environmental, Social and Governance (ESG) factors affect investment decisions and support members with information. As a member of PRI, we have access to ESG research, education and information. We have also committed in our management of Avanza's funds to embrace ESG criteria as far as possible in our investment decisions and analyses.

Limited impact on the environment

Avanza is an online bank with limited impact on the environment. We have no branches and most of our communications with customers are digital. Day-to-day operations do not require transports and travel is limited. Two of our offices are in Stockholm, one of which has received the Nordic Swan Ecolabel, and one in Gothenburg. Avanza does not have a formal environmental management system, but tries to reduce its environmental impact.

A climate analysis is conducted each year to calculate emissions. The analysis is done with the help of an independent tool and is based on the methodology used in the Greenhouse Gas Protocol (GHG Protocol). The methodology is recommended by the Global Reporting Initiative (GRI). The results confirm that we have very little environmental impact. Total energy consumption for 2018 amounted to 1,271 MWh (1,190), of which 586 MWh (573) relates to internal consumption. Total emissions amounted to 79 tonnes (62) CO₂e.

The climate analysis are published on investors.avanza.se/en.

Emission per activity, tonnes CO ₂ e	2018	2017	2016	2015	2014
Business travel	29.5	18.3	22.7	61.4	42.8
Company-owned/leased vehicles	6.5	14.7	12.9	22.7	15.6
Electricity and heat	6.2	5.8	4.6	4.2	4.5
Office supply	10.7	14.9	14.6	13.2	25.0
Supplier of services	26.6	8.7	6.3	6.6	12.5
Total	79.4	62.4	61.1	108.1	100.4

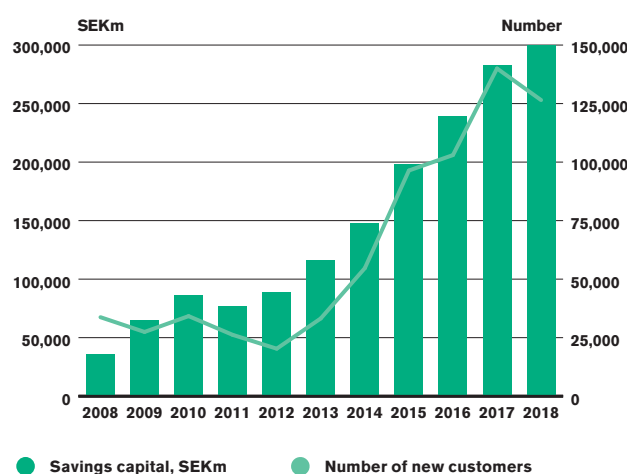
Shareholder value is created through customer value

Growth in savings capital and scalability are essential to create profitability and good returns. Income generation is also affected by trading activity, interest rates, and deposit and lending volumes.

Avanza is an investment in growth and scalability

Our aim is to make Avanza an attractive investment that delivers a good return over time. To create long-term shareholder value, customer satisfaction is critical. There is a strong correlation between customer growth, growth in savings capital and income. In 2018, the number of customers increased by 126,500 and the net inflow amounted to SEK 27.6 billion. Savings capital amounted to SEK 300 billion at the end of the year. During the period October 2017 - September 2018, Avanza's share of the net inflow to the Swedish savings market was 11 per cent. This compares to our long-term target of a market share of at least 10 per cent of the net inflow, and our total market share of 4 per cent.

Savings capital development and new customers



Avanza's continued growth is dependent on our ability to attract more customers and savings capital by providing value and greater customer satisfaction. We are working to broaden and improve our offer to attract and help more customers. Broadening the customer base among those who need support with investment decisions is expected to lead to higher growth in fund savings rather than stock trading, which together with our new mortgage offer should reduce income volatility. In the last ten years, we have attracted a large share of younger customers. Although they generally have less financial resources than older customers, which affects the relationship between customer inflow and growth in savings capital and income here and now, there is great potential if we continue to create attractive offers and good reasons for them to stay with Avanza. For more information on savings capital development and age distribution, see page 18.

We also see strong growth potential in occupational pensions, where Avanza has a highly competitive offer. Improved transfer rights would positively affect Avanza's growth opportunities, but it is still uncertain when regulatory improvements will be introduced. Not least our current base of over 800,000 customers creates good potential for growth. Today just under 10 per cent of our customers have an occupational pension with Avanza.

Scalability and cost control are also important to deliver both customer and shareholder value. Our aim is an operating margin of around 50 per cent, at the same time that we want to remain a price leader, and offer the highest quality customer experience. An operating margin of close to 50 per cent is not consistent with our customer promise. In the event of a higher margin we will invest in increased growth through price cuts or intensified development. Scalability and cost effectiveness are measured by the cost to savings capital ratio. In the last five years, we have successfully reduced the ratio from 35 to 20* basis points. Our aim is to cut it further, and here we have our top international peers as a benchmark, which means a cost to savings capital ratio of close to 16 basis points. This makes us more resilient to changing market conditions, at the same time that it is a key competitive advantage.

Avanza's long-term target is that cost increases will not outpace income growth, although this may occur at times when stock market fall and income potential changes, or if we see new growth opportunities that will benefit us in the long term and for example require new investments or marketing. Decisions were made in both 2017 and 2018 to increase investment in order to speed up development and more quickly meet our aims. On 19 February 2019, the Swedish Financial Supervisory Authority imposed a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension for non-compliance with parts of the Solvency 2 regulations. The fine is reported in 2018, which results in a higher cost increase than earlier guidance. Excluding the fine, expenses rose 11 per cent in 2018 at the same time that income growth was 8 per cent. Profitability was solid in 2018 and the operating margin was 40 per cent.

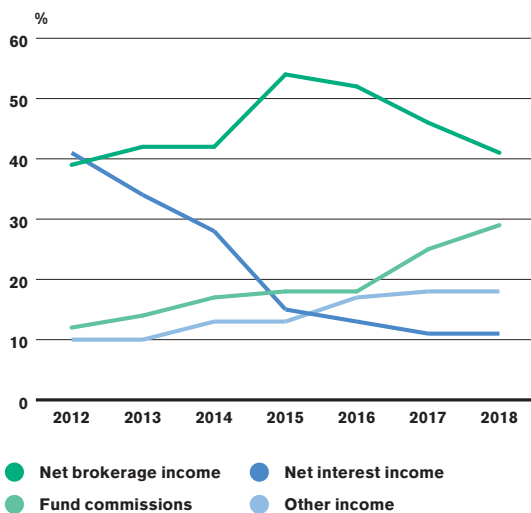
Digitisation and changing customer preferences and expectations are, and have always been, a critical reason why we do not plan too far into the future and choose to be flexible and open to what happens in the market. To have the flexibility to capitalise on future growth opportunities and stay innovative, the guidance on Avanza's annual cost increase is widened slightly to 9-12 per cent, from 8-10 per cent previously. The new guidance allows us to capitalise on new growth opportunities in a responsible way while staying focused on costs, benefitting both customers and shareholders. The fine described above is fully excluded from the guidance concerning future cost growth.

* Excluding the Swedish Financial Supervisory Authority decision in February 2019 imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension.

Market conditions affect income

Avanza's income is strongly affected by market conditions, such as customers' trading activity, interest rates and changes in deposit and lending volumes. In a strong stock market, customers tend to be willing to take on more risk, while a more uncertain or downward market has the opposite effect. Market volatility also affects trading activity. When volatility is high, activity is often higher, especially among frequent traders. High volatility and uncertainty can also make customers more hesitant and activity declines. Low interest rates squeeze net interest income but create opportunities for high income from securities trading, since the stock market becomes a more attractive alternative. During periods of higher or rising market interest rates, Avanza's net interest income increases at the same time that customer growth may level off. The total sensitivity in Avanza's net interest income given a change in the repo rate of 1 percentage point, all else being equal, was over SEK 250 million on an annual basis at year-end. The sensitivity in the event of a reduction in savings capital due to a downturn in the stock market is difficult to assess, as income is dependent on, among other things, how customers choose to invest their savings capital.

Breakdown of operating income



Focus from the stock market in 2018

We try to be as transparent and accessible as possible in order to provide an accurate picture of Avanza and facilitate thorough analysis and sound investment decisions. In addition to our financial reports and press releases, we publish monthly statistics and historical financial data from 2001.

In 2018, we held 180 meetings with analysts and investors, where the main topics discussed were; The importance of customer satisfaction and product development, where innovation and the ability to attract talent are key factors. Regulatory implementation during the spring, which resulted in few major launches in the first half of the year, contributed to a lower net inflow and customer growth. Many were positive about the faster launch rate during the autumn. In light of the more uncertain market, Avanza's sensitivity to market swings was also brought up. Investors request broader revenue sources less

sensitive to market gyrations, which is addressed with a strategy to increase recurring income from fund commissions and mortgage loans, for example. Growth potential in the Swedish savings market was mentioned as well. Avanza to date has a very small share of the Swedish savings market and still sees good growth opportunities in terms of both the savings capital and number of customers. Expenses and development capacity are often discussed in this context, along with additional marketing efforts to increase the growth rate. Avanza's business model is built on scalability and low costs, but the investments made in the last two years show that we will prioritise growth when new opportunities arise. Many investors are attracted by Avanza's simple balance sheet and limited financial risks, which we are committed to maintain.

Proposed dividend of SEK 10.50 per share for 2018

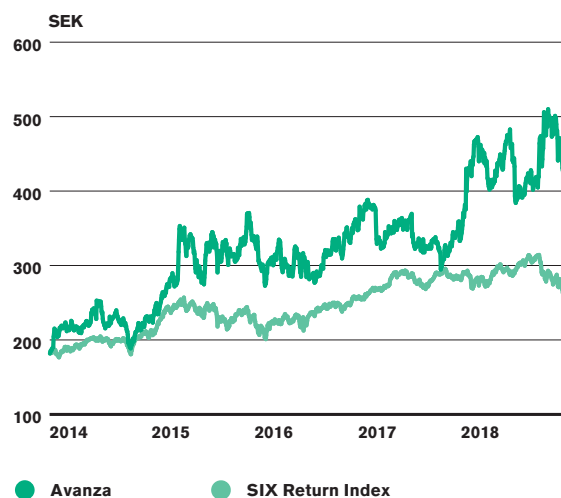
The Board of Directors proposes a dividend of SEK 10.50 per share, equivalent to 91 per cent of the profit for 2018. This compares with Avanza's policy to distribute at least 70 per cent of profit. The Board of Directors' statement on the allocation of profits proposal can be found on page 91.

Share information

Avanza Bank Holding AB (publ) is traded on the Nasdaq Stockholm Large Cap list of companies with a market capitalisation of over EUR 1 billion. Avanza is included in the Financial Services sector under the ticker symbol AZA. In 2018, 75 per cent (80) of trading in the Avanza share was on the Stockholm Stock Exchange. The share was also traded to some extent on European MTFs. In total, 21,695,313 Avanza shares were traded on the Stockholm Stock Exchange, equivalent to a turnover of 72 per cent (50) of the year's average number of outstanding shares.

In 2018, Avanza's share price rose by 23 per cent to SEK 423.60. Including the dividend paid, the total return on the Avanza share was 26 per cent for the year, compared with a decrease of over 4 per cent for the SIX Return Index.

Avanza share total return relative SIX Return Index

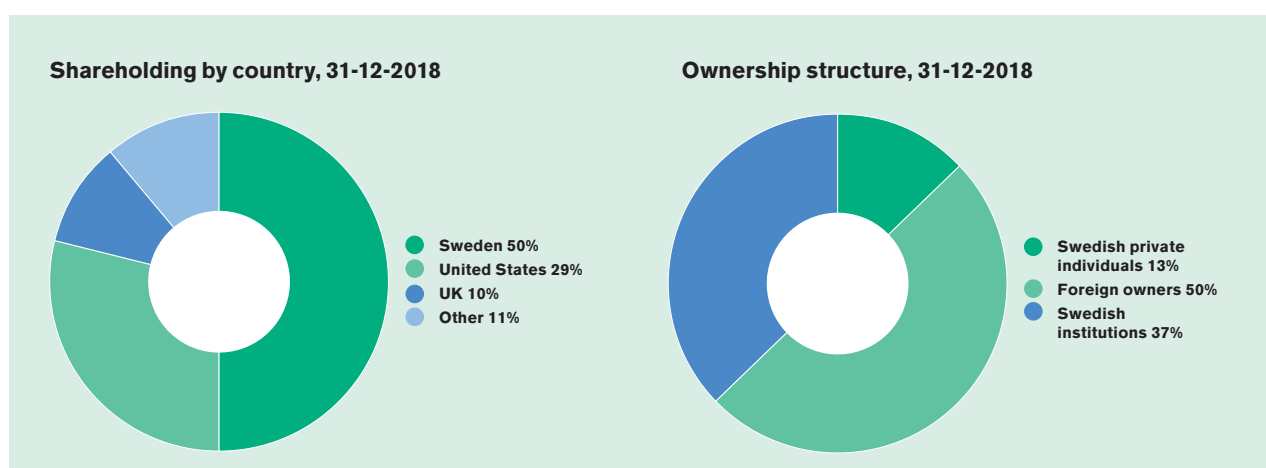


Large share of foreign institutional ownership

Our owners consist of individuals and institutions, such as fund companies and asset managers. At the end of the year, Avanza had 16,654 shareholders, according to Modular Finance. The ten largest registered owners accounted for 57 per cent of the total number of shares and votes. The two largest shareholders were Sven Hagströmer, including family and company, with a holding of 10.2 per cent, and Creades AB, with 10.1 per cent. Foreign ownership increased during the year to 50 per cent (44) and was highest in the US at 29 per cent. Avanza did not own any repurchased shares as of 31 December 2018.

Share capital and incentive programme

The share capital and number of outstanding shares increased during the year due to the redemption of warrants through a new share issue. Avanza's outstanding warrant programmes comprise a total of 1,390,000 shares divided among three programmes, each of which run for three years. The total dilution effect is just under 5 per cent, or about 1.5 cent per year, if fully exercised. The warrants are issued on market terms and are available to all permanent employees who wish to participate in the programme. The Black & Scholes model is used to determine the value of the warrants. There is a risk of losing money if the company and the share do not perform well enough. For more information on the outstanding programmes, see Note 30 Equity.



Share data	31-12-2018
Share capital, SEK	75,682,490
No. of outstanding shares	30,272,996
Quotient value, SEK	2.50
Market cap, MSEK	12,824
Share price, SEK	423.60
Highest closing price (02-11-2018), SEK	510.00
Lowest closing price (02-01-2018), SEK	349.80
P/E multiple	37
Dividend yield, %	2.5
Turnover rate, %	72
Earnings per share, SEK	11.60
Earnings per share after dilution, SEK	11.57
Equity per share, SEK	53.32
Proposed dividend per share, SEK	10.50
No. of outstanding warrants	1,390,000

For definitions see page 104–105.

Change in share capital

Year	Change	Change in number of shares	Total number of shares	Changes in share capital, SEK	Total share capital, SEK
2001	New issue	4,425,907	25,415,478	11,064,767	63,538,695
2001	New issue	1,207,396	26,622,874	3,018,490	66,557,185
2005	New issue	842,800	27,465,674	2,107,000	68,664,185
2007	Repurchase of own shares	-305,674	27,160,000	-	68,664,185
2008	Withdrawal of repurchased shares, 2007	-	27,160,000	-764,185	67,900,000
2008	New issue	435,843	27,595,843	1,089,608	68,989,608
2008	Repurchase of own shares	-18,233	27,577,610	-	68,989,608
2009	Withdrawal of repurchased shares, 2008	-	27,577,610	-45,583	68,944,025
2010	New issue	379,860	27,957,470	949,650	69,893,675
2011	New issue	580,603	28,538,073	1,451,507	71,345,183
2011	Repurchase of own shares	-275,524	28,262,549	-	71,345,183
2012	Withdrawal of repurchased shares, 2011	-	28,262,549	-688,810	70,656,373
2012	New issue	611,198	28,873,747	1,527,995	72,184,368
2015	New issue	470,341	29,344,088	1,175,852	73,360,220
2016	New issue	494,834	29,838,922	1,237,085	74,597,305
2017	New issue	157,300	29,996,222	393,250	74,990,555
2018	New issue	276,774	30,272,996	691,935	75,682,490

The ten largest shareholders, 31-12-2018*	Country	No. of shares	Share of capital and votes, %
Sven Hagströmer (incl family and company)	Sweden	3,083,246	10.2
Creades AB	Sweden	3,060,000	10.1
Baillie Gifford & Co	UK	2,307,369	7.6
HMI Capital LLC	United States	1,855,175	6.1
Columbia Threadneedle	United States	1,309,328	4.3
Sten Dybeck (incl family and company)	Sweden	1,285,600	4.2
The fourth Swedish National Pension Fund	Sweden	1,244,961	4.1
Capital Group	United States	1,240,259	4.1
Fidelity Investments (FMR)	United States	1,041,917	3.4
Swedbank Robur Funds	Sweden	966,838	3.2
Other owners		12,878,303	42.5
Total		30,272,996	100.0

Concentration (by group of owners), 31-12-2018*	Share of capital and votes, %
The 10 largest owners	57.5
The 20 largest owners	71.5
The 100 largest owners	82.3

Distribution of shares, 31-12-2018*	No. of shareholders	Owners, %	No. of shares	Shares, %
1 - 100	11,966	71.9	305,608	1.0
101 - 1,000	3,860	23.2	1,415,451	4.7
1,001 - 10,000	730	4.4	1,927,192	6.4
10,001 - 100,000	69	0.4	2,278,676	7.5
100,001 - 1,000,000	19	0.1	6,435,467	21.3
> 1,000,001	9	0.1	16,552,855	54.7
Anonymous ownership			1,357,747	4.5
Total	16,654	100.0	30,272,996	100

* Modular Finance, Monitor

Limited financial risks and strong focus on IT and information security

We are in an industry built on trust, and maintaining a clearly defined risk structure and sustainable risk culture are essential to earning the trust of our customers. Our digital platform places high demands on availability, IT and information security.

The aim of our risk management work is to maintain trust in Avanza and take measured risks

To maintain our reputation and build trust in Avanza requires clear risk ownership, a clearly delegated risk structure and a sustainable risk culture derived from the Board's and management's governance and decision-making. During the year, we worked to further improve corporate governance at Avanza, at the same time that we continued to invest in our control functions.

Strong focus on IT and information security

Practically all of Avanza's operations are fully digital. Rapid technological developments and growing digital threats are making IT and information security increasingly important. As a digital platform for savings and investments, Avanza has to have a comprehensive IT security strategy.

Demands and expectations from customers, partners, lawmakers and suppliers are high in terms of information security: how we handle customer information, digital availability and that the information is correct. Protecting customers' personal data and privacy is of the highest priority, and we therefore welcomed the new General Data Protection Regulation (GDPR), which came into force in 2018 and is designed to increase protection, transparency and clarity. Avanza's login solutions and safeguards are evaluated and upgraded regularly to ensure proper security, at the same time that the solutions have to be simple and easy to use for our customers. During the year, and in connection with the introduction of GDPR, our login procedure was strengthened with two-factor authentication. Customers had already been able to log in with BankID. Two-factor authentication is also used for account transfers to further minimise the risk of fraud. Transfers are permitted only to a customer's own account in another bank, and we do not offer electronic payment services or debit cards. Our customers also receive information on how to protect themselves against phishing attacks and other types of fraud. Avanza has not received any complaints of personal data breaches from customers or authorities. Personal data breaches are defined as unauthorised access to sensitive personal data and the theft of personal data for the purpose of damaging our customers or Avanza, as well as losses/destruction of personal data.

We work continuously to improve our IT and information security using a structured and systematic approach to ensure compliance and resilience in the event of cyberattacks. We cooperate with other banks through the Swedish Bankers' Association to share information in areas such as D-dos attacks, intrusion detection and vulnerability analyses. We regularly test, analyse and evaluate our technical and organisational safeguards. Our employees receive training in risk management, security and internal control and governance to increase

understanding in these areas. They receive regular web-based training, which is followed up to ensure that everyone has participated. IT security is part of the introductory training for new employees as well. The Board and management also receive regular training.

A very important factor for our reputation and to earn the trust of customers is the availability of our platform and services, which is ensured through redundant data centres that we can switch between seamlessly. During the year, we replaced our network hardware and implemented a new modern network that is scalable and paves the way for better IT security. We also work proactively with thorough testing before new functionality is released into production. In addition, our weekly launches of the site, with continuous updates and improvements, further reduce operational risk. If our digital platform is unavailable, orders can be placed by phone with our brokers. Avanza's site was available 100 per cent (99.9) of the time in 2018.

Anti-money laundering

We work actively to prevent and combat money laundering and terrorist financing. Using a risk-based approach, Avanza has designed measures and controls to manage risks in the business. It is critical to know your customers and understand the risk of being exploited for money laundering and terrorist financing. We work both proactively and reactively to manage risk and periodically analyse our Know-Your-Customer process and improper customer behaviour, and have routines to regularly investigate and report suspected crimes to the Financial Intelligence Unit within the Swedish Police. Avanza targets Swedish customers, and to be a customer of Avanza an individual must also have an account in another Swedish bank. Internal training programmes are in place to ensure that employees have sufficient knowledge in the area.

Third Party Players and significant counterparties

Avanza is a platform for savings and investments, where we offer our own, and distribute others', savings products and mortgages to customers. As a result, the majority of Avanza's suppliers provide financial products and services. These suppliers are overseen by the Swedish Financial Supervisory Authority (SFSA) and similar foreign authorities, and/or are subject to the rules of various stock exchanges. Close collaborations and agreements with suppliers always entail a risk, however. To better understand each counterparty, and thereby identify and minimise business or reputational risks, a methodology and structured approach are in place to control and monitor Third Party Players and significant counterparties. Counterparty assessments are done to

ensure that the counterparty is supervised and has the right authorisation, and is not involved in any legal disputes or enforcement actions that could potentially impact the company's reputation or financial stability. In certain cases, more detailed reviews and supplier visits are conducted as well. All third-party cooperations are categorised by risk. Based on the assessment and risk categorisation, a decision is made on a cooperation or contractual relationship given the possible consequences for Avanza and its customers. Follow-ups are then conducted annually or when there is an indication of a change in risk level.

Avanza's largest service suppliers are Nasdaq, Euroclear Sweden and NGM. Among the most important third-party cooperations are with outside fund management companies, our Savings account+ partners, Avanza Markets and Mortgage loan+ with Stabelo. In connection with corporate transactions, e.g. ahead of an IPO or rights issue, Avanza works exclusively with established counterparties on the Swedish financial market. In transactions where Avanza is the lead and only advisor, background checks are performed on the company to verify that it complies with stock exchange rules and listing requirements. Significant investments are also approved by Avanza's investment committee.

Low financial risks

Financial risks, such as credit risks, market risks and liquidity risks, are very limited. We do not offer consumer credit or engage in proprietary trading. The balance sheet largely consists of assets and liabilities in the insurance operations. It is the policyholders who carries the direct investment risk, so they also retain the yield on these assets. This means that the value of the insurance liabilities, by definition, tracks the value of the insurance assets. Avanza Pension does not offer any insurance products with a guaranteed return either.

The liability side of the balance sheet then consists mainly of customer deposits. Avanza is largely self-financed through shareholders' equity and customer deposits. Only a limited share of deposits is used for lending with longer contractual maturities, which creates a low liquidity risk.

With regard to credit risk, all lending is collateralised by liquid financial assets with good margins or by residential properties with a low loan to value ratio. Margin lending requires collateral in listed securities with good liquidity. Avanza offers mortgages to private banking customers with a loan to value (LTV) ratio not exceeding 50 per cent and SEK 3 million in savings requirement. The low ratio ensures that the collateral is adequate, even in the event of a sharp drop in property prices. Concentration risk is managed by limiting individual mortgages to SEK 10 million. With regard to the Mortgage loan+, Avanza is only a distributor. This means it does not affect Avanza's balance sheet nor does it mean any credit risk for Avanza. Deposits in relation to lending was 557 per cent (454) at year-end. This means we have surplus liquidity of SEK 22 billion including client fund receivables.

Surplus liquidity is managed effectively with the lowest risks and costs possible within the framework of a consistent liquidity coverage ratio (LCR). Surplus liquidity is invested mainly in covered bonds and with systemically important Nordic credit institutions. The liquidity portfolio is managed with a balanced maturity structure, normally over four years, where the average maximum interest term is three months.

For further information on risks and risk management, see Note 36 Financial risks and the corporate governance report on page 41–43.

Internal capital and liquidity assessment

Each year Avanza performs an internal capital and liquidity adequacy assessment process (ICAAP). The aim is to ensure that Avanza has sufficient capital, liquidity and assets of lasting value to cover unexpected losses, outflows and customers' liquidity needs, even under highly stressed circumstances. The ICAAP presumes that systems, processes and employees will prevent risk for the benefit of both our customers and investors. The internal capital assessment comprises all risks.

The size of Avanza's capital and liquidity is ultimately linked to the financial strength and resilience of the business model. The ICAAP models the income statement and balance sheet in a realistic base scenario and in three stressed scenarios over a three-year period.

The assumptions in the base scenario are stressed to guarantee realism, taking into account both negative and positive deviations. In the negative stress scenario, market interest rates rise sharply due to geopolitical unrest, at the same time that stock prices fall significantly for two years. We measure how this impacts the savings market, customers' savings and asset allocations as well as Avanza's costs and revenues. In the positive stress scenario, Swedish exports rise above expectations and unemployment decreases, resulting in unexpected growth of the savings market, while market interest rates and equities both rise simultaneously. In the operational stress scenario, Avanza is affected by an IT error that halts equity trading through the website. In this scenario, direct and indirect costs are affected, as is Avanza's reputation.

The result of the 2018 ICAAP reflects Avanza's low risk exposure and shows the resilience of Avanza's business model, even under highly stressed conditions. Avanza's capital base at no points falls below the capital adequacy requirements stipulated by the SFSA, and Avanza does not expose its customers to risk.

Capital planning

The Board has decided that Avanza must at all times have a capital base that exceeds the SFSA's minimum capital adequacy requirement and buffer requirement by at least two per cent – a so-called internal capital planning buffer. The internal buffer is in place to comply with new legislation and pave the way for continued growth.

Avanza's total capital requirement for the consolidated situation was 12.5 per cent (12.5) at year-end, excluding the internal capital planning buffer, at the same time that Avanza's total capital ratio was 19.3 per cent (17.5).

In the event that Avanza's capital base is at risk of falling below the minimum capital adequacy requirement and buffer requirement, we have identified a number of recovery measures to restore capital and liquidity.

Group recovery plan

We establish an annual Group recovery plan to prepare the Board and management for potentially very difficult financial situations. The 2018 Group recovery plan has been approved by Avanza's Board and sent to the SFSA.

In the plan, recovery measures are identified to restore capital, liquidity and profitability. It also includes indicators that we regularly monitor to ascertain in time if Avanza is in a situation where recovery measures are necessary. Avanza's financial situation is also simulated in several scenarios (systemic and institution-specific as well as combined scenarios). In each scenario Avanza is exposed to significant financial stress, and despite very difficult financial conditions the analysis showed that Avanza has the capacity to restore liquidity and capital without exposing customers to risk.

Risk type	Risk profile	Risk management
Credit risks The risk of a borrower failing to meet their financial obligations towards Avanza and of the pledged assets not covering the claim. Credit risk also includes counterparty risk, concentration risk and liquidation risk.	Margin lending: Avanza lends to the general public, secured by realisable listed financial collateral. Most of the collateral is comprised of listed equities with good liquidity. There is no great concentration of pledged securities within margin lending.	In addition to customers' repayment capacity, the value of the collateral and the customers' risk margin are monitored daily. The process to manage deficient collateral is monitored and controlled as well. Credit risks are stress tested daily, and Avanza uses credit limits and risk indicators to ensure that credit risks are managed in accordance with the applicable risk framework. Avanza also applies a generous risk margin to the collateral's market value to protect both the bank and customers from credit losses.
	Mortgages: Mortgages are available to our high-net-worth customers at a maximum loan to value of 50 per cent at the time the loan is authorised. This, together with a requirement that Avanza have the only pledge on the property, ensures a low risk profile. The borrower is subject to a customary credit check, where a calculation is done to ensure that they have sufficient funds to live on. The customer's ability to repay is stressed using a computation of the current interest rate of +6 per cent to measure the borrower's financial health given the loan amount applied for.	The market value of a property is arrived at through a statistical evaluation obtained from external parties. Market value is reassessed annually. An interest mark-up requirement is imposed if the loan to value ratio exceeds 50 per cent and a mortgage amortisation requirement at a loan to value exceeding 75 per cent. In addition, there are authority requirements regarding amortisation.
	Excess liquidity management: Avanza has a surplus of liquidity because deposits significantly exceed loans to the general public. Surplus liquidity is invested mainly in covered bonds and with systematically important Nordic banks and to a lesser extent in bonds issued by the Swedish government and municipalities.	Avanza has a risk framework to counter its excess liquidity risk. Among other things, the framework regulates the maximum allowable exposure to each counterparty and bond issuer. The bonds must be eligible for use as security with the Riksbank.
Market risks The risk of Avanza's earnings, equity or asset value decreasing due to changes in risk factors on the financial market. Market risk includes share price risk, interest rate risk and currency risk.	Avanza does not engage in proprietary trading. Avanza has no fixed interest contracts with customers on either deposits or loans. Management of Avanza's excess liquidity entails some interest rate risk since investments are made in fixed and floating rate notes (FRN). Avanza has very limited exposure to foreign currencies. Avanza does not engage in proprietary trading in foreign currencies, but only to facilitate customers' security trading.	Share price risk and currency risk can occur due to human error (trading error). We have internal processes and procedures in place to minimise this type of risk. The risk is classified as operational. The bank's surplus liquidity is invested at low risk with a maximum average fixed interest term (interest rate duration) of 0.25 or 3 months. In a 2 per cent parallel shift, the interest rate risk may never exceed 8 per cent of the capital base. According to the internal capital evaluation, and due to a generous liquidity buffer, the risk that the company would be required to divest bonds is deemed to be very low.
Liquidity risk The risk that Avanza cannot meet its payment commitments at maturity.	Avanza funds itself primarily through equity and customer deposits. Deposits from the general public exceed lending, creating a large amount of surplus liquidity (see above). Deposits from the general public are considered to be one of the most secure sources of funding.	To cope with short-term fluctuations in lending to/deposits from the general public, a significant percentage of the assets is held in cash in systemically important banks (spot/maturing on the following business day).
Operational risks Operational risk is defined as the risk of loss as a result of inappropriate or inadequate internal processes or routines, human error, faulty systems or external events. The definition of operational risk includes IT and information risk, legal risk and compliance risk, and it can impact the company's assets (financial impact), reputation, availability, and/or result in sanctions (regulatory impact).	Operational risks arise in all businesses. It is neither possible nor cost effective to try to eliminate all operational risks. Avanza strives to minimise them by creating the most efficient and automated processes possible, which also contributes to cost effectiveness. Unlike other banks, Avanza does not have electronic payment services, unsecured credits or debit cards, which reduces threats and the risk of fraud. Avanza conducts most of its business digitally. Information is one of Avanza's most important assets.	Avanza's continuous risk management includes evaluation of critical processes and internal controls, continuity planning, risk analyses including New Product Approval Processes (NPAP), incident management and reporting. Avanza also has insurance to protect against certain types of operating losses. To ensure in an effective and structured way that Avanza has appropriate protection for its information and that it can adjust this protection to future needs, Avanza uses an information security management system based on the international standards in the ISO 27000 series.
Actuarial risk Risks in the insurance operations or actuarial risk.	Avanza's insurance risks are low. Risks associated with mortality, survivors' pensions, waiver of premium and health insurance are transferred to external parties and are not borne by Avanza. However, Avanza covers the life insurance component of its endowment insurance contracts. Here the policyholder's survivor is paid 101 per cent of the insured sum on death.	Insurance risk is managed by basing risk premiums on statistical assumptions and by monitoring according to actuarial guidelines. To avoid major swings in earnings, Avanza reinsures risk costs in excess of SEK 250,000. The risk premium has so far more than covered the risk cost in the endowment insurance policies on death.

For further information, see Note 36.



Chairman's comment

Can companies have a soul?

In 2018, Avanza had to prove that it could cut the cost increase in half compared to 2017. We nearly reached the goal, but decided to raise it by one percentage point in the six-month report to further accelerate the pace of development. It is always a challenge to keep costs in check in a rapidly growing company in a changing and tightly regulated industry, which is why we have to analyse each cost to ensure that we invest correctly and as cost-effectively as possible. The cost increase was therefore not due to lax cost controls, but to a steady stream of ideas with a single goal – to increase customer value.

Management's role is to identify and develop good ideas. Considering the results, we have done quite well. Few of the products we have launched through the years have had to be discontinued. Many more have been successes, from Avanza Zero to the Private Banking mortgage.

Recent years' costs have resulted in important new products. I would certainly mention Avanza Global, which was named savings product of the year in Sweden, and the external mortgage from Stabelo, which was launched on a full scale in 2018. Products that will eventually show that costs can lead to income. These are good examples of "good costs", as I wrote in the last year's annual report. We have also devoted resources in recent years to reach broader customer groups and reduce our share of market-sensitive income.

As Avanza has grown, along with increasing rules and directives, the Board's work has become more time-consuming. One way for the Board to work more efficiently has been to prepare issues in committee. We already had a positive experience with the remuneration committee, and have therefore decided to also appoint an audit committee. The experience so far has been very positive. The committees have freed up time for more strategic and product-oriented discussions by the Board, which in the final analysis are what create future value for us as owners in the company.

"Costs lead to important new products"

In my opinion, 2018 probably marked the end of the big upturn in asset markets, at the same time that goods markets saw very low inflation, and even deflation in some cases. Recent opinion polls in the financial market point to Brexit, the US budget and the Chinese-US trade war as the main reasons for the slump in global stock markets. Uncertainty is record high according to some indicators. Furthermore, the largely synchronised global economy is clearly showing signs of losing steam for reasons apart from those mentioned. One sure sign of this is that the credit markets have recently been demanding a higher price for risk. This could mean that the interest rate increases we have seen recently in the US and Sweden, among other markets, may be put on hold to avoid further weakening demand, which could prevent a bigger market decline.

Our role includes not only helping customers increase the value of their savings. Just as important is to minimise losses when times are not as favourable. Our decision-making support and Avanza Auto are examples of ways for our customers to find the right combination of risks and costs in our large fund marketplace.

Low costs are nearly as important as value appreciation to generate a high return. This is certainly true for our pension offer, which is an example of very long-term savings where the cost over time can be critical to the size of the pension.

Now you are probably wondering what all this has to do with the headline. Here is the answer.

Last fall, Avanza held what we call Brainy Days, which are dedicated to creativity and new ideas. I was fortunate to be there to listen and watch. It was like looking into Avanza's heart and soul. Around 20 projects were presented, all of which shared a common denominator: Making life as a saver more profitable and, just as importantly, more enjoyable. Many see savings as boring and complicated. By adding an element of fun and making it easier, we try to engage our customers. An engagement that can lead to totally different opportunities to realise dreams without having to read boring and confusing account statements to get an understanding.

"Brainy days – dedicated to creativity and new ideas"

The joy and ingenuity our employees showed during Brainy Days was truly contagious. Some presentations were absolute showstoppers with exciting and innovative products. Other employees did not quite finish in the brief time they were given, but were just as determined to fully develop their ideas.

One of the projects was launched shortly after, at the end of the year. Our customers were given a presentation of how they did in 2018 with a number of measures presented in an easily understandable way – far removed from the printouts usually received by mail from banks and pension companies.

In the same way that I left Brainy Days, Avanza and I have now left 2018. We are well aware that Avanza, as always, faces big challenges, but even more so big opportunities – and that all of Avanza's employees have both the ambition and knowledge to embrace them.

To benefit Avanza's customers and shareholders.

Stockholm in February 2019



Sven Hagströmer
Chairman of the Board



Sven Hagströmer, Chairman of the Board

Corporate governance report

We want to create a better future for millions of people. This is why it is important that we listen to our stakeholders at the same time that we stay on the forefront of the industry. The critical factor for a company like Avanza is earning the trust of customers, employees and the world around us. They have to feel confident in how we act and why, and that we manage our business in the best way and in compliance with applicable laws and regulations.

Avanza's corporate governance report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance (the Code). Avanza Bank Holding AB (publ), hereafter "Avanza", does not deviate from the Code. As a publicly listed Swedish limited liability company, Avanza's operations are also governed by other laws and regulations, including the Swedish Companies Act, the Nasdaq rules for issuers and the International Financial Reporting Standards (IFRS). Avanza's business is subject to the supervision of the Swedish Financial Supervisory Authority, which requires strict application of various financial and ethical rules and guidelines based on Swedish and European law and the Swedish Securities Dealers Association's guidelines.

Avanza is motivated by a desire to challenge established structures and create customer value by offering products that are cheaper, better and simpler than the competition. We also inspire and educate customers to be better informed and to facilitate their investment decisions. Our promise is that customers will have more money left in their own pockets with Avanza than with any other bank. In the long term, what we do, especially for our customers, benefits the Swedish savings market and the industry's development, which in turn has a positive effect on society as a whole.

To achieve our vision and promote a better savings market in the long term, we have to dialogue with and listen to our customers, employees and other stakeholders. We have to understand them and what they want, preferably so that we can surpass their expectations and earn their trust. These stakeholders include customers, employees, owners, partners, suppliers, authorities and regulators, all of whom affect and are affected by our operations.

A. Ownership and voting rights

The share capital consists of one class of shares, all of which confer the same rights. There are no limitations on the right to transfer shares or how many votes a shareholder may cast. The Avanza share is listed on Nasdaq Stockholm's Large Cap list. The share capital at the end of 2018 amounted to SEK 75,682,490, represented by 30,272,996 shares and votes. An ownership distribution is presented on page 29 of the Annual Report for 2018. The largest shareholders – Sven Hagströmer with family and companies, and Creades AB – are represented on the Nomination Committee and in the nomination process for the election of Board members and the auditor; see table below. Avanza has outstanding warrant programmes comprising 1,390,000

warrants with a dilution effect of below five per cent. Of these warrants, 62.4 per cent were transferred to employees at year-end. For further information on the Avanza share, see pages 26–29 and Note 30 Equity.

B. Nomination process for election of Board members and auditor

The AGM 2018 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2019.

The names of the Nomination Committee's members, and the shareholders they represent, were published on 19 September 2018, which was six months prior to the AGM 2019. The Nomination Committee consists of one representative from each of the four largest shareholders wishing to appoint a representative. Appointments were based on ownership interests known immediately before the announcement, i.e. 31 August. The Nomination Committee is a governing body of the AGM with the sole purpose to prepare the AGM's resolutions on election, and directors as well as auditors fees.

The Nomination Committee is mandated to serve until a new committee is appointed. In accordance with the nomination process, the Chairman of the Committee is the member representing the largest shareholder, unless the Nomination Committee has agreed otherwise. If, after the publication of the Committee members, a shareholder represented on the Committee is no longer among the four largest, its representative must vacate his or her seat in favour of the shareholder who has become one of the four largest. Marginal changes do not have to be considered. Shareholders appointing a representative to the Committee have the right to dismiss this representative and appoint a replacement. Any changes to the composition of the Committee shall be publicly announced.

The Nomination Committee prepares proposals on the following issues for resolution at the AGM:

- Chairman of the Meeting
- Board of Directors and Chairman of the Board
- Board fees, distributed between the Chairman and other Board members, and any remuneration for committee work
- auditor and fees for the Company's auditors
- any changes in how the Nomination Committee is appointed

Composition of the Nomination Committee

Name	Representing	Holding 31-08-2018	Holding 31-12-2018
Erik Törnberg (Chairman of the Nomination Committee)	Creades AB	3,060,000 (10.2%)	3,060,000 (10.1%)
Sven Hagströmer (Chairman of the Board of Avanza)	Hagströmer family and companies	3,083,246 (10.3%)	3,083,246 (10.2%)
Sean Barrett	HMI Capital, LLC	1,544,571 (5.1%)	1,855,175 (6.1%)
Magnus Dybeck	Dybeck family and companies	1,038,737 (3.5%)	1,285,600 (4.2%)

The Nomination Committee's proposal to the Board of Directors is presented in its entirety to ensure that the compositions of the Board meets competence, diversity and independence requirements. Shareholders with views on the Board's composition or proposals for new members may submit them to the Nomination Committee well in advance of the AGM. Nomination proposals received by the Nomination Committee from shareholders are reviewed as part of the nomination process. Proposals can be sent by email to valberedningen@avanza.se or by post to:

Avanza Bank Holding AB
F.A.O.: Valberedningen
Box 1399, 111 93 Stockholm

Although Committee members are not remunerated for their work, Avanza refunds reasonable costs deemed necessary for them to undertake their duties.

The Committee has agreed that Erik Törnberg, Creades AB, will remain in the position of Chairman of the Committee. The Nomination Committee's proposals, as well as a report on its work, are published in conjunction with the notice of the AGM.

The Nomination Committee held two minuted meetings in 2018, at which all members were present. The Nomination Committee also conducted an evaluation of the Board and its work, where the size and composition of the Board were evaluated in terms of industry experience and competence.

When preparing its proposal for Board fees, the Nomination Committee uses comparisons to companies operating in similar spheres and with a similar size and complexity. Attention is paid to the reasonability of the remuneration based on the responsibility and work required and on the contribution the Board can make to the Company's value.

C. Annual General Meeting (AGM)

Shareholders exercise influence over Avanza through active participation at the AGM, which is Avanza's most senior decision-making body. In accordance with the Articles of Association, the AGM elects the Company's Board members and appoints Avanza's auditors. In addition, decisions are taken on adoption of the income statement and balance sheet, consolidated income statement and consolidated balance sheet, dividends and other profit distributions, discharge from liability of the members of the Board and the CEO, decide upon the nomination procedure, remuneration guidelines for senior management and other important issues.

The AGM is held in Stockholm during the spring and notice is issued no earlier than six weeks and no later than four weeks in advance. To exercise their vote at the AGM, shareholders must be present at the meeting in person or through a proxy. Furthermore, shareholders must be registered in their own name in the share register on the specified date prior to the meeting and also have registered to attend the meeting in accordance with the notice.

The AGM's resolutions normally pass with a simple majority, i.e. more than half of the total number of votes cast, unless otherwise specified by the Swedish Companies Act. Shareholders wishing to add a matter to the agenda at the AGM may submit a written request. Such requests must be received by the date indicated on Avanza's website, which for the AGM 2019 was 29 January 2019. Requests are to be sent to:

Avanza Bank Holding AB
F.A.O: Bolagsjuridik
Box 1399
111 93 Stockholm

The date and time of the next AGM, and information on how shareholders can exercise their right of initiative, are posted on Avanza's website under the Governance section at the latest in conjunction with the publication date of the third interim report of the year preceding the AGM. Minutes and supporting documentation from previous AGMs are also available in the same section.

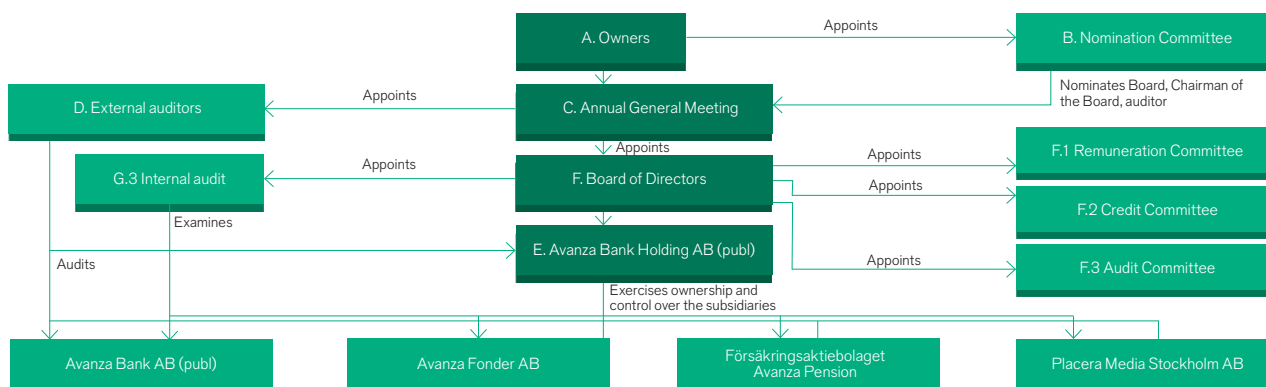
Extraordinary General Meetings may be held if the Board deems necessary or if the Company's auditor or a shareholder holding at least ten per cent of the shares requests such a meeting.

Avanza's AGM on 20 March 2018 was attended by 240 shareholders, representing 58 per cent of the total number of shares and votes. The AGM was webcast live on Avanza's website. The Company's auditor and all Board members except Mattias Miksche were present at the Meeting.

At the AGM 2018, the following resolutions were adopted:

- adoption of Avanza's income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet
- appropriation of profit according to the adopted balance sheet
- discharge from liability for the Board and the CEO
- determination of the number of Board members
- determination of Board fees and auditor's fees
- election of the Board of Directors and Chairman of the Board and appointment of the auditor
- approval of the issue of warrants for an incentive programme for employees
- authorisation for the Board to acquire own shares
- establishment of nomination procedures
- establishment of remuneration guidelines for Group Management

The above mentioned incentive programme expires in August 2021 and comprises a total of 450,000 warrants that grant entitlement to subscribe for an equal number of shares. If all the warrants are exercised, the maximum dilution effect will be 1.5 per cent.



D. External auditor

The external auditor is an independent reviewer of Avanza's financial statements and determines whether they in all material respects are accurate and provide a fair presentation of the Company and its financial position and results.

The AGM 2018 re-appointed Öhrlings PricewaterhouseCoopers AB (PwC) as auditor, with Helena Kaiser de Carolis as Auditor-in-Charge, through the AGM 2019. PwC has performed the auditing duties since the AGM held on 14 April 2011, with Helena Kaiser de Carolis as Auditor-in-Charge since 2018.

The auditor presents the AGM with an audit report on Avanza's annual report and consolidated financial statements, the appropriation of the Company's profit or treatment of its loss, and the administration of the Board and the CEO, and offers an opinion on the corporate governance report. In addition, the auditor submits reports on day-to-day management and internal control, in writing as well as orally to Avanza's Board, at least twice a year and delivers an audit report on the annual accounts and annual report.

The audit is conducted in accordance with the International Standards on Auditing (ISA), issued by the International Federation of Accountants (IFAC).

The auditor's fees are charged on an on-account basis. In 2018, fees paid to PwC for auditing duties totalled SEK 2,125 thousand. Total remuneration paid to PwC is shown in Note 10.

E. Avanza Group

Avanza strives to maintain a clear and transparent organisational structure. Reporting from subsidiaries is done on a monthly basis. Avanza's Board of Directors is also the board of directors of the subsidiary Avanza Bank. The boards of other subsidiaries consist of both internal and external members to ensure independence and a high level of overall competence for each company.

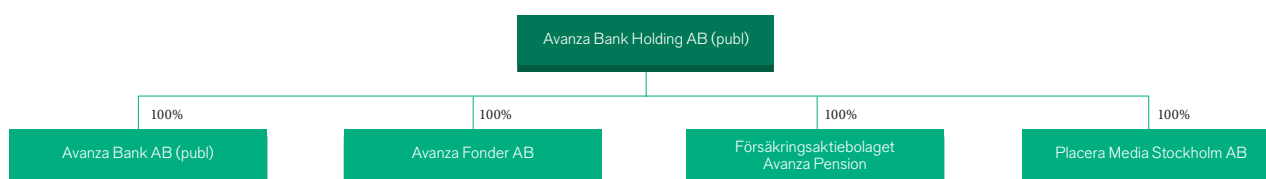
CEO and Group Management

The CEO is responsible for the day-to-day management of the company in accordance with the Swedish Companies Act and Avanza's CEO instruction, which is adopted by the Board. The CEO is responsible for keeping the Board informed of the Company's operations and ensuring that Board members have all the information they need. The CEO also keeps the Chairman updated on the Group's development.

In 2018, Åsa Mindus Söderlund, Gunnar Olsson and Malin Nybladh became new members of Group Management. Annika Saramies, CEO of Försäkringsaktiebolaget Avanza Pension, left Avanza in November. Åsa Mindus Söderlund succeeded Annika as CEO of the pension company on November 1. In December, it was announced that Jesper Bonnier, incoming CEO of Avanza Fonder, will also join Group Management. Jesper Bonnier will take up his new post by summer 2019. Avanza Group Management consisted at year-end 2018 of:

- Rikard Josefson, CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Birgitta Hagenfeldt, CFO and Deputy CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Maria Christofi Johansson, Head of Customer Relations

E. The Avanza Group



- Åsa Mindus Söderlund, CEO of Försäkringsaktiebolaget Avanza Pension (CEO of Avanza Fonder until 1 November 2018)
- Malin Nybladh, Head of Human Resources
- Gunnar Olsson, COO
- Teresa Schechter, Chief Legal Officer
- Peter Strömberg, CIO
- Peter Westling, Head of Innovation and Marketing

More information on Group Management is available on Avanza's website and on pages 46–47.

Group Management holds formal meetings every two weeks and informal meetings as needed. The meetings address Avanza's results and strategy, priorities and the status of major projects and initiatives, with regular reports from Compliance and Risk Control.

Suitability assessment

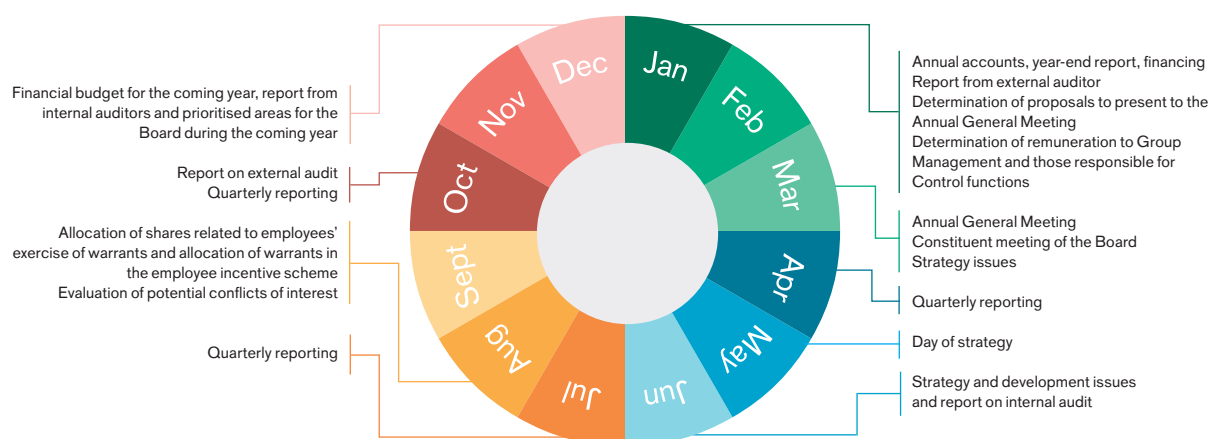
Avanza has internal guidelines for suitability assessments of the CEO, other members of Group Management, the heads of control functions and those responsible for the Group's AML work. Assessments are made in conjunction with new appointments and followed at least annually to determine whether the person in question has adequate knowledge, insight and experience and is suited to the role. Potential conflicts of interest are evaluated as well. Background checks are conducted at least once a year. Based on the suitability assessments, annual training plans are then formulated.

Remuneration to Group Management

Group Management's remuneration shall reflect each person's experience, competence and performance. Remuneration comprises a fixed salary and a variable portion based on performance. The variable remuneration is based on a qualitative performance assessment relative to individual goals, tied to the Group's goals, as well as the Company's earnings. An appropriate balance is struck between fixed and variable remuneration, and the variable remuneration can be set at SEK 0. Variable remuneration paid to members of Group Management shall never exceed 100 per cent of fixed remuneration for the same financial year.

In 2018, the Board's Remuneration Committee proposed a transition from the remuneration model for the CEO and Group Management to one with only fixed remuneration while retaining the possibility to purchase warrants. The rationale for eliminating the variable remuneration for the CEO and Group Management is that no single individual in Group Management has such an influence over the Group's results that variable remuneration can be motivated or withheld without cause. The Board resolved, in accordance with the Remuneration Committee's proposal, to transition to a remuneration model with only fixed remuneration and reduce variable remuneration to zero. To compensate for the lost opportunity for variable remuneration, the fixed remuneration for the CEO and Group Management was adjusted for 2018. The revised remuneration model with only fixed remuneration means, based on the variable remuneration paid in recent years, lower costs and greater predictability. Avanza's remuneration policy can be found at investors.avanza.se/en under Governance.

Board meetings 2018



Members of Group Management have acquired warrants on prevailing market terms in accordance with the warrant programme approved by the AGM on 20 March 2018.

Questions concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and approved by the Board. Remuneration to other members of Group Management is determined by the Board, based on the Committee's proposal, following consultation with the CEO. Remuneration guidelines for senior management are adopted by the AGM and presented in Note 9 Employees and personnel costs.

Corporate culture and policies

Avanza's corporate culture draws its energy from a vision to create a better future for millions of people. The key is that what we achieve is meaningful and important. The climate we have created is one of collaboration and humility, where we constantly challenge ourselves to think differently. Decision-making channels are short and there is room to grow.

Avanza has a Group-wide diversity and equality policy. For us, diversity and equality mean utilising everyone's knowledge, experience and views to enrich and influence every part of the Company. We feel that groups of employees with different experiences and perspectives are more effective and dynamic than those that are too alike. The policy also ensures that all employees are treated fairly and that there is no discrimination. Gender equality is reflected in every part of the business. The CEO has overarching responsibility for diversity and gender equality. The work is done systematically with updated documentation, analysis, active measures, evaluations and follow-ups. Equality issues are tracked through employee surveys. Avanza's management at the end of 2018 was comprised of 5 women and 4 men. Among managers, 25 are women and 32 men; see also Note 9 and the section on employees and our social engagement on pages 20–25.

Occupational health and safety is a priority. Healthy employees make for a better, more effective organisation and higher profitability. The overarching goal of Avanza's health and safety work is to create and maintain an environment where employees have the right opportunities given their position and goals. Avanza has a dedicated committee that deals with the overall structure for systematic occupational health and safety work and equality issues.

Taken together, this should produce higher quality and a positive working climate that strengthens Avanza.

Regulatory training

Avanza has a code of conduct that includes our ethical guidelines. The code applies to all employees and provides guidance on how we build long-term relationships with our stakeholders by describing the responsibility that comes with being an employee. The code contains Avanza's stance on business ethics and reporting routines as well as how we expect employees to act in ethical dilemmas. Avanza has a whistleblower function where employees can anonymously report suspected improprieties.

All employees have a responsibility to understand the laws and internal rules that affect and are relevant to their work. After hiring, new employees are introduced to current rules, which is then followed up on a regular basis. In addition, individual departments arrange separate, in-depth training in specific areas. In 2018, employees received web-based training in IT and information security and the GDPR regulation as well as follow-up training in MiFID II.

As a company in the financial market, we have an obligation to help maintain trust in the market. Avanza abides by Sweden's anti-corruption laws and practices and under no circumstances accepts active or passive bribery or other illegal payments. The Avanza Group works continuously to fight corruption and has an internal anti-bribery policy that complies with Swedish law. The anti-bribery policy applies to all employees of the Avanza Group and is adopted by the Board of Directors. Compliance has overarching responsibility for compliance with the policy, which is part of Avanza's Code of Conduct and mandatory compliance training for new employees. Supplemental training is provided every three years for all employees. Compliance training includes the work being done in anti-money laundering and terrorist financing, central laws and regulations, and other key guidelines and policies. The aim is to stress the importance of these policies, increase understanding and address any questions. Neither Avanza nor any of Avanza's employees have been convicted of bribery or other crimes related to corruption.

All of Avanza's policies are easily available to employees, and it is their responsibility to stay updated on internal and external regulations as well as policies and instructions. Avanza is also affiliated with Swedsec, which sets proficiency requirements, issues licenses and requires compliance of those who work as specialists, with mortgages or with management or control functions.

F. Board of Directors

The Board of Directors sets forth the business framework, appoints the CEO and exercises control over the Company's management. The Board's duty is to manage the Group's affairs in the best interests of Avanza and its shareholders in order to create the best conditions for a sustainable business. The duties of the Board are governed by the Swedish Companies Act, the Code and the formal plan that the Board has established for its work.

Avanza's Board takes decisions on matters concerning the Group's strategic direction, major investments, organisational issues, acquisitions and divestments. Furthermore, each Board establishes policies and guidelines, as well as the terms of reference for the CEO. Where applicable, subsidiaries establish work plans for those responsible for Risk Control, Compliance, Internal Audit and the Actuarial function.

The AGM 2018 re-elected all previously elected Board members, in addition to which Viktor Fritzén was elected as a new member. According to the Articles of Association, the Board shall consist of no fewer than five and no more than eight members. Avanza's Board consisted in 2018, as of the AGM, of eight members elected until the next AGM and no deputies. The Chairman of the Board is Sven Hagströmer. The Board held its first meeting following election on 21 March 2018. Information about the members of the Board can be found on Avanza's website and on pages 44–45.

Diversity and suitability

The guidelines on suitability assessments set forth how Avanza evaluates appointees for their assignments, how conflicts of interest are addressed and how a suitably diverse board is achieved. The Board's composition of individuals of varying age, with gender parity and with varying educational and professional backgrounds should contribute to that the Board collectively has the ability to critically review and understand relevant regulations and can identify the risks caused and faced by the Company. New members are also evaluated in terms of the number of executive and/or non-executive positions they hold, to ensure they have the time needed for the Board's work. These assessments are made in conjunction with new appointments and followed up at least annually. Based on the suitability assessments, annual training plans are then formulated. Background checks were made of all Board members in 2018. Information on the Board's composition, age and background is shown on pages 44–46.

The boards of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension follow their own guidelines on suitability assessments adapted to the requirements of a suitable composition and collective competence for the board of each company. Subsidiary boards consist of members with varying experience and education, which contributes to a suitable composition of competences.

Work of the Board in 2018

During the year, the Board held a total of 18 meetings, including 6 scheduled meetings, 1 following election and 11 by telephone/mail. Board meetings by telephone/mail mainly addressed decisions relating to Avanza's incentive scheme.

At scheduled meetings, the following are always discussed:

- financial reporting
- operational reporting
- reporting from Risk Control and Compliance
- credit reporting for the subsidiary Avanza Bank

In addition to the permanent items on the agenda, the Board during the year discussed the matters in the illustration on the previous page. The Board also focused on the Group's implementation of and alignment with new rules affecting various parts of its operations.

The Board also worked on and participated in strategic business planning in order to continuously adapt and improve Avanza's customer offering.

At the end of each calendar year, an evaluation is undertaken to improve the Board's work procedures and competence, where each member is asked to fill in two documents. The results are communicated to the Nomination Committee and compiled in a report, which then forms the basis for any changes or upskilling.

Competence development for the Board of Directors

Each year the Board establishes a training plan that is appended to its work plan to give members a better understanding of various areas, future rules and risks that affect the business as well as new products and services Avanza is launching. Board members also visit various parts of Avanza on their own initiative to better familiarise themselves with specific areas. The Board's training needs are reviewed and specific measures are taken as needed to provide information and improve competence in key areas. In 2018, the Board underwent training with a focus on new regulations, mortgages and risk management.

New members receive introductory training to quickly gain an overview of the Group and its operations and an understanding of Avanza's values and culture.

Formal work plan of the Board of Directors

The Board follows a formal work plan it adopts on an annual basis, which regulates the division of duties, decision-making, signatories, meeting procedures and the Chairman's duties. It also covers the Board's responsibilities and duties as well as how to identify and manage potential conflicts of interest.

Attendance at recorded Board meetings 2018

Member of the Board	Attendance	In relation to the company and its management	In relation to the company's largest shareholders
Sven Hagströmer, Chairman	18/18	Independent member	Not independent member
Sophia Bendz	18/18	Independent member	Independent member
Viktor Fritzén	14/14	Independent member	Independent member
Jonas Hagströmer	18/18	Independent member	Not independent member
Birgitta Klasén	18/18	Independent member	Independent member
Mattias Miksche	18/18	Independent member	Independent member
Hans Toll	18/18	Independent member	Not independent member
Jacqueline Winberg	18/18	Independent member	Independent member

The Board's work follows a plan that meets the Board's information needs and is otherwise governed by established procedures for dividing duties between the Board and the CEO. In addition, the Company's auditor attends and reports to the Board at one Board meeting as well as to the Audit Committee at one meeting in 2018. Company employees participate in the Board's meetings as rapporteurs and secretary.

Remuneration for Board members and attendance at Board meetings

The AGM 2018 resolved to pay annual remuneration of SEK 350,000 each to the Chairman of the Board and other Board members. In addition, a fee of SEK 50,000 was set for members of Avanza Bank's Credit Committee and SEK 40,000 for members of the Company's Remuneration Committee. For the Audit Committee, SEK 160,000 was paid to the Chairman and SEK 80,000 to each member. Board members who receive a salary through their employment with the Company are not entitled to Board fees. See Note 9 for more information on the Board's remuneration.

Board work requires all members to engage and participate in issues concerning the Company's and the Group's organisation and management of its affairs, establishment of qualitative and quantitative operating goals, and approval of the Company's strategy to achieve these goals. This is in addition to Avanza's long-term financial interests, the risks Avanza and its subsidiaries are and may potentially be exposed to, and the capital required to cover these risks. The duties of the Board are delegated to the committees as described below. On issues that require specific expertise and integrity, the Board discusses which of its members are the most qualified to oversee or investigate them. The Board continuously evaluates the competence needs of each committee.

Board members have no individual areas of responsibility other than the above and the committees specified below.

F.1 Remuneration Committee

The Board appoints the Remuneration Committee, which in the financial year 2018 consisted of Sven Hagströmer, Jacqueline Winberg (Chairman) and Mattias Miksche. The Committee is responsible for evaluating and recommending remuneration principles.

The Committee prepares proposals for fixed and variable remuneration for Group Management and the managements of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, and for the heads of the control functions Risk Control and Compliance. Remuneration is set by the Board. The Committee also prepares issues relating to the CEO's terms of employment and benefits for approval by the Board.

In 2018, the Committee held 15 meetings, which all members attended, and also maintained regular contact.

F.2 Credit Committee

The Board of Directors of Avanza Bank AB appoints the members of the Credit Committee, which during the financial year 2018 consisted of Board members Sven Hagströmer, Birgitta Klasén and Hans Toll. The Committee is tasked with taking decisions on credit matters that the entire Board has previously resolved, with the exception of credit matters involving a potential conflict of interest, in which case the entire Board will still take the decision. The Committee's meetings and decisions are minuted, and the minutes provided to the Board at its next meeting.

In 2018, the Credit Committee held 6 meetings, which all members attended, and also maintained regular contact.

F.3 Audit Committee

After the AGM 2018, the Board of Directors of Avanza appointed an Audit Committee, whose duties were previously performed by the entire Board. The Audit Committee consists of Birgitta Klasén (Chairman), Hans Toll and Viktor Fritzén and meets the independence requirements of the Swedish Companies Act and the Code, as well as accounting or auditing competence requirements. The Audit Committee maintains regular contact with the Company's auditor to stay informed on the scope of the audit and discuss the auditor's view of the Company's risks. The Audit Committee monitors to ensure that the financial reporting maintains high quality, receives reports from the auditor, reviews and monitors the auditor's impartiality and independence, evaluates the auditor's auditing performance and provides input to the Nomination Committee on the AGM proposal on the auditor's election.

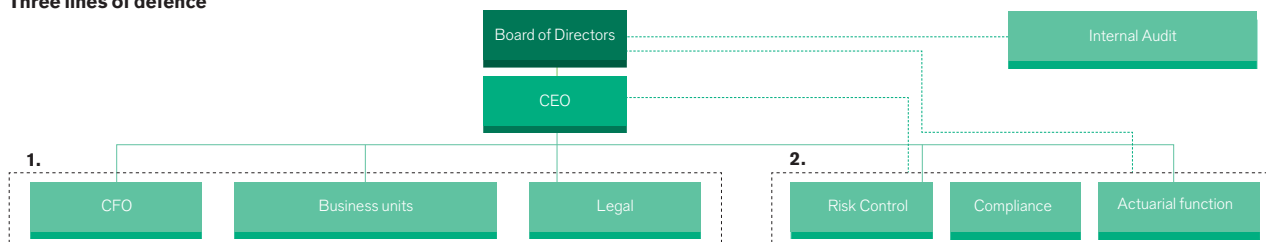
The auditor reported on the audit and presented recommendations to the Board through the Audit Committee on one occasion in 2018. Internal Audit reported twice in 2018 on the results of the year's independent review to the Board and the Audit Committee.

G. Internal control and risk management

The Avanza Group is distinguished by good internal governance, risk management and control, and operates in an ethically responsible and professional manner with clearly defined roles and areas of responsibility. The risk management processes are designed to be effective and purposeful and include an independent risk control function with responsibility for governance, monitoring and reporting on the Group's aggregate risks.

As a rule, the subsidiaries apply the same principles for governance, risk management and control at a company-specific level as those at the Group level. Exceptions are made for specific legal or supervisory requirements and, in terms of proportionality, for the subsidiary's operations, scope and/or complexity, and when specific types of risk only exist in a single subsidiary.

G. Internal control and risk management, Three lines of defence



Three lines of defence principle

Risk management and risk control in the Group and its subsidiaries are based on the three lines of defence principle. The first line of defence is comprised of the business operations. The second line of defence is comprised of Risk Control, Compliance and, for Försäkringsaktiebolaget Avanza Pension, the Actuarial function, which are independent of each other and independent of other operations. The third line of defence is comprised of Internal Audit, which reports directly to each board.

1. First line of defence – risk management in the business operations

Risk management primarily takes place in the first line of defence, which consists of business and support functions with specific responsibility for each department. Within the Company's regulatory framework are specific frameworks for risk management with policies, guidelines, instructions, risk appetites and limits for each type of risk.

2. Second line of defence

2.1 Risk Control

An important part of risk management is to promote a sustainable risk culture and risk-taking that never threatens the Company's survival. The culture is derived from the Board's and management's governance and decision-making. Within the framework of the Group's financial capacity, the Board has formulated a risk appetite, which has been further broken down in the form of CEO limits. To ensure that risk-taking stays within the risk appetite and limit structures, risk management and control processes have been put in place to identify, value, manage, report and monitor every type of risk that the Company, including its subsidiaries, is exposed to.

Risk monitoring and control are performed in among other ways by limiting and measuring financial risks, self-assessments of non-financial risks, incident reporting and follow-ups, and risk analysis and approval of major changes by Risk Control. Risk Control provides an overview of the Group's risk exposure and limit utilisation to management on a monthly basis and to the Board a quarterly basis.

The Chief Risk Officer reports directly to the CEO and presents reports at all scheduled Board meetings, in addition to regularly reporting to Group Management. The CRO also reports directly to the CEO and the Chairman of the Board as needed.

2.2 Compliance

Compliance verifies that subsidiaries with licensing requirements follow applicable laws, regulations, internal directives and accepted practices. Compliance monitors and regularly assesses whether the measures and routines that Avanza and its subsidiaries have introduced are appropriate and effective. Compliance proposes internal rules, routines and measures that are needed to minimise the risk of non-compliance and to assist the Swedish Financial Supervisory Authority (SFS) in its supervisory capacity.

Compliance is also responsible for educating Avanza's employees on the applicable rules for subsidiaries with licensing requirements. These rules are disseminated, for example, through the Group's internal regulations, training programmes and other types of information.

Compliance falls directly under the supervision of the CEO of each subsidiary and reports at all scheduled Board meetings and regularly to Group Management, in addition to reporting directly to the CEO and the Chairman of the Board as needed.

2.3 Actuarial function

The Actuarial function is responsible for formulating and verifying that the actuarial calculations by the subsidiary Försäkringsaktiebolaget Avanza Pension meet established limits, and to assist the Board and the CEO on matters involving methods, calculations and assessments of technical provisions and insurance risks as well as reinsurance protection and other risk reduction techniques.

The Actuarial function, which has been outsourced to Northern Actuarial AB, reports to the CEO. The Actuarial function regularly reports at the board meetings of Försäkringsaktiebolaget Avanza Pension.

3. Third line of defence – Internal Audit

The internal audit function is appointed by and directly under the supervision of the respective board of directors. Internal Audit's work is based on an audit plan established by the Board. The plan is based on a risk analysis and the work comprises an examination and assessment of whether systems, internal control activities and routines are appropriate and effective, including work performed by the control functions in the second line of defence. Internal Audit also issues recommendations and verifies that they are followed, reporting in writing at least once a year to the CEO and the Board of Directors.

Internal auditing has been outsourced to external consultants to ensure the quality and independence of the evaluation and review. In 2018, the Board of Directors hired the external consultancy OMEGA Financial Consulting AB to perform the internal audit.

Internal Audit's reviews of Avanza Bank in 2018 covered governance of operational risks, remuneration policy, AML/CTF work, implementation of IFRS 9, implementation of mortgage amortisation rules, key cooperation agreements and assessments of important counterparties, the equity trading process, regulatory reporting processes and management of conflicts of interest. For Avanza Pension, Internal Audit primarily reviewed remuneration policy, AML/CTF work, the outcome of adaptations to the Solvency II rules, regulatory reporting processes, the Risk function's work and the Actuarial function's work. For Avanza Fonder, Internal Audit has primarily reviewed the investment process, AML/CTF work, regulatory reporting processes and the Risk function's work.

The results of the year's internal audits were reported at the meetings of the Board of Directors and the Audit Committee in June and December 2018.

Board of Directors' report on internal control over financial reporting

The Board is responsible, under the provisions of the Swedish Companies Act (SFS 2005:551), the Swedish Annual Accounts Act (SFS 1995:1554) and the Swedish Code of Conduct for Corporate Governance ("the Code"), for internal control for both Avanza Bank Holding AB (publ), referred to below as "Avanza", and the entire Avanza Group. This description is limited to internal control over financial reporting and constitutes a part of the Corporate governance report, which is appended to the Company's Annual.

System of internal control and risk management over financial reporting

Internal control over financial reporting is a process, the purpose of which is to ensure compliance with the established principles for internal control and financial reporting, and that the financial reporting is prepared in accordance with laws, regulations, applicable accounting standards and generally accepted accounting principles, as well as all other requirements for companies with transferable securities listed for trade in a regulated market.

Control environment

The keys to Avanza's internal control over financial reporting are the control environment described in the Corporate governance report, a clear and transparent organisational structure, the distribution of responsibilities, and governing internal documents such as policies, guidelines and instructions. Examples include the work plans for the Board and CEO as well as for Risk Control, Compliance, the Actuarial function and Internal Audit. Guidelines are also in place for internal governance and control, reporting, authorisation instructions and the information policy.

Another component of the control environment is risk assessment, i.e. identification and management of risks that can affect financial reporting, as well as the control activities to prevent, identify and rectify errors and discrepancies.

Risk management

Management within Avanza of risks related to financial reporting is proactive and emphasises continuous assessments, controls and training. Avanza applies available techniques and methods in a cost-effective manner. Risk management is an integral part of the business operations. Refer to previous page for more information.

Control activities

Control activities are integrated into the financial reporting process. They include both general and more detailed controls, which are designed to prevent, identify and rectify errors and discrepancies. Control activities are formulated and documented at a Company-wide and department level, based on a reasonable level of risk of errors and their impacts. Each department manager has primary responsibility for managing the risks associated with the department's operations and financial reporting processes.

A high level of IT security is also crucial to effective internal control over financial reporting. For this reason, rules and guidelines have been established to ensure the availability, accuracy, confidentiality and traceability of the information in the business systems.

Information and communication

Avanza's information and communication channels are designed to promote thoroughness and accuracy in the financial reporting. Governing documents applying to the financial reporting have been made available and known to appropriate employees through the Company's intranet and have been supplemented with relevant routines and process descriptions.

Continuous information, dialogue, training and controls ensure that the employees are aware of and understand the internal regulations. This ensures a high standard of financial reporting. The entire Group applies the same system for financial reporting.

Follow-up

Avanza's Controller function compiles and reports financial and operating data and analyses to department managers, Group Management and the Board. Moreover, the accounting and control department actively monitors operating expenses in relation to budgets and forecasts. This work is undertaken in close cooperation with Group Management and managers in the organisation.

The control functions Risk Control, Compliance and Internal Audit monitor compliance with policies, guidelines and instructions. Additionally, Avanza has an internal management organisation to follow up and evaluate internal control and risk management with a focus on the financial reporting. The internal management organisation, which consists of representatives from Finance, Back Office, Trade, Pension, IT, Risk Control and Compliance, held four recorded meetings in 2018.

The Board receives monthly financial reports, and the financial situation is addressed at every Board meeting. Prior to each meeting, the Board receives a report from Risk Control and Compliance. All these reports are based on an evaluation of the Group's activities and cover the entire organisation.

The Board also reviews the quarterly financial reports and annual accounts, as well as the observations and conclusions of the external and internal auditors.

The Group's information and communication channels are monitored on a regular basis to ensure they are appropriate for the financial reporting.

Assessment and position on internal audits

Internal Audit's work is based on an audit plan established annually by the Board of each subsidiary. The plan is based on a risk analysis and the work comprises an examination and assessment of whether systems, internal control activities and routines are appropriate and effective, as well as issuing recommendations, controlling that these recommendations are followed and reporting in writing at least once a year to the CEO and the Board of Directors.

Internal auditing is managed by external consultants for the purpose of ensuring the quality and independence of the evaluation and review. The Chairman of the Board of each subsidiary meets with the internal auditors to discuss which issues to focus on.

Board of Directors and Auditors



Sven Hagströmer, Chairman

Born: 1943
Elected: 1997

Committees: Remuneration & Credit Committee

Education: Studies at Stockholm University

Diversity and suitability: Over 40 years of experience in the finance industry. Highly skilled business executive and entrepreneur who has founded several companies and co-financed others outside the finance industry. Strongly engaged in various social projects, including projects in gender equality and diversity. Thorough knowledge of and keen feel for the financial markets.

Relevant employment history: Founder of Sven Hagströmer Fondkommission AB 1981. Chairman of Avanza's Board of Directors since 1999

Other significant assignments: Chairman of Creades AB and Biovestor AB, Board member of Doberman AB and Doberman Group AB

Holdings on 31 December 2018 (incl. family and companies): 6,143,246 (of which Creades 3,060,000)



Sophia Bendz

Born: 1980
Elected: 2015

Committees: –

Education: Business Management and Marketing at Stockholm University, Arts at Baruch College, New York and studies at Hyper Island, New York

Diversity and suitability: Experience in public relations and e-commerce, including helping to build and grow the groundbreaking company Spotify. Contributes a valuable perspective on the digital future.

Relevant employment history: 2013–2016 Norstedts, Board member. 2007–2014 Spotify, Global Marketing Director. 2010–2011 Happy socks, Board member. 2010–2011 AllBright.se, Board member and co-founder. 2006–2007 Prime PR, PR consultant. 2005–2006 Deloitte, Risk Management Consultant. 2000–2005 Handelsbanken Capital Markets, Trading Assistant

Other significant assignments: Executive in Residence at Atomico, Board member of Kindred Group, Telia Division X's Advisory and Race for the Baltic

Holdings on 31 December 2018 (incl. family and companies): 426



Jonas Hagströmer

Born: 1982
Elected: 2015

Committees: –

Education: MBA from Lund University, studies at Hong Kong University of Science and Technology

Diversity and suitability: Experience from corporate finance, investment companies and board assignments for a number of companies. Broad knowledge of the financial market. Contributes an investor's and shareholder's perspective as well as expertise in the inner workings of the financial services sector.

Relevant employment history: 2012– Creades AB, Investment Manager. 2007–2011 Keystone Advisers, Corporate Finance Associate and analyst

Other significant assignments: Chairman of Inet AB, Board member of Biovestor AB and Apotea AB

Holdings on 31 December 2018 (incl. family and companies): 3,000 and indirect shareholding via Biovestor and Creades



Viktor Fritzen

Born: 1985
Elected: 2018

Committees: Audit Committee

Education: Master of Science, Stockholm School of Economics, Major in Finance

Diversity and suitability: Background in the financial industry and experience from growth companies, building strong company culture, IT and compliance.

Relevant employment history: 2018– LeoVegas Group, Senior Advisor. 2012–2018 LeoVegas Group, CFO. 2011–2012 GP Bullhound, Corporate Finance Analyst. 2007–2011 Goldman Sachs, Global Investment research analyst

Other significant assignments: Board member of Appjobs Sweden AB

Holdings on 31 December 2018 (incl. family and companies): 1,000



Birgitta Klasén

Born: 1949

Elected: 2014

Committees: Credit & Audit Committee

Education: MSc Engineering Physics from the Royal Institute of Technology in Stockholm, Economics at Stockholm University and MA Education from the Stockholm Institute of Education

Diversity and suitability: Extensive IT experience and expertise. 19 years as an executive at IBM, a member of a number of boards in the banking and IT industries, and experience as an IT consultant for corporate managements and boards. Realistic and fact-based understanding of the technology Avanza uses and what is required for Avanza to stay on the technological forefront.

Relevant employment history: 2008–2016 Acando AB, Board member. 2009–2016 IFS AB, Board member. 2006–2008 Telelogic AB, Board member. 2005–2008 OMX AB, Board member. 2004–2005 EADS, CIO. 2000–2005 Föreningsparbanken, Board member. 1996–2001 Pharmacia & Upjohn, CIO. 1995–1996 Telia, CIO. 1976–2004 IBM, Various executive positions including VP of its wholly owned outsourcing company Responsor AB

Other significant assignments: Senior IT Advisor and Board member of Assa Abloy AB and Benefie Ltd.

Holdings on 31 December 2018 (incl. family and companies): 10,000



Mattias Miksche

Born: 1968

Elected: 2008

Committees: Remuneration Committee

Education: Master of Science in Business and Economics, Stockholm School of Economics

Diversity and suitability: Extensive expertise in Internet and mobile services. Operational experience from developing and improving digital interaction with customers and users in various industries. Experience from various board assignments and private investments in tech-companies

Relevant employment history: 2005–2016 Glorious Games Group AB (formerly Stardoll), Founder and CEO. 2009–2016 Sportamore AB, Board member. 2008–2011 Eniro AB, Board member. 2003–2005 Boxman AB (later on Lovefilm Nordic), Founder and CEO. 2003–2005 E*TRADE Sverige AB, Board member. 2002–2003 E*TRADE Bank AG (Germany), CEO. 2000–2002 E*TRADE Sverige AB, CEO

Other significant assignments: Chairman of Hem och Design Studio AB, Board member of Dustin Group AB, Euroflorist Intressenter AB and PriceRunner Group AB, Advisor on technical issues to Altor Equity Partners.

Holdings on 31 December 2018 (incl. family and companies): 2,790



Hans Toll

Born: 1970

Elected: 2014

Committees: Credit & Audit Committee

Education: Master of Science in Business and Economics, Stockholm School of Economics

Diversity and suitability: 20 years of experience from the financial sector with broad network of contacts. Thorough understanding of Avanza's operations and challenges after his previous role as Deputy Managing Director at Avanza Bank. Background as financial analyst with deep understanding of the financial services sector, its players and financial instruments.

Relevant employment history: 2010–2013 Avanza Bank AB, Deputy Managing Director and Head of Bank and Investments. 2002–2010 RAM One – Rational Asset Management AB, Portfolio Manager. 1999–2002 Investor Trading AB, Analyst. 1995–1999 Investor AB, Financial Analyst

Other significant assignments: Board member of Creades AB and Bright Sunday AB

Holdings on 31 December 2018 (incl. family and companies): 25,000



Jacqueline Winberg

Born: 1959

Elected: 2003

Committees: Remuneration Committee

Education: Master of Science in Business and Economics, Stockholm School of Economics

Diversity and suitability: Broad expertise in corporate governance, the impact of corporate culture and different types of leadership. Experience from the banking sector and with board assessments and directors' duties. Contributes knowledge in succession planning, executive search and compensation issues.

Relevant employment history: 2010–Stanton Chase, Managing Partner. 1996–2005 Ray & Berndtson in Sweden, Partner. 1995–1996 Michaël Berglund Chefsrekrytering, Consultant. 1985–1990 Handelsbanken. 1984–1985 PK-banken

Other significant assignments: CEO, Founder, Managing Partner and Board member of Stanton Chase International AB, Board member of Aktiebolaget Fastator and Offentliga Hus i Norden AB

Holdings on 31 December 2018 (incl. family and companies): 1,700



Auditors

**Öhrlings
Pricewaterhouse
Coopers AB**

Auditor-in-Charge: Helena Kaiser de Carolis

Born: 1971

Authorised Public Accountant

Group Management



Rikard Josefon, CEO

Born: 1965

Employed: 2017

Education: B.A Economics Stockholm University

Employment history: 2011–2017 Länsförsäkringar Bank, CEO. 2011 SEB, Head of Global Transaction Services. 2004–2010 SEB, Deputy Head the Swedish retail banking operations. 2000–2004 SEB Finans, CEO. 1999–2000 Latvijas Unibanka (SEB), Deputy CEO. 1998–1999 SEB, Project Manager

Holdings on 31 December 2018 (incl. family and companies):

Shares: 3,000

Warrants (corresponding number of shares): 20,000



Maria Christofi Johansson, Head of Customer Relations

Born: 1970

Employed: 2000

Education: LL.M. Stockholm University

Employment history: 1996–2000 SEB, Account Manager for external funds

Holdings on 31 December 2018 (incl. family and companies):

Shares: 8,701

Warrants (corresponding number of shares): 38,980



Birgitta Hagenfeldt, CFO, Deputy CEO

Born: 1961

Employed: 2008

Education: MBA, Örebro University

Employment history: 2002–2008 RAM One –Rational Asset Management AB, Head of Administration. 1980–2002 KPMG, Authorised Public Accountant and Head of Financial Auditing

Holdings on 31 December 2018 (incl. family and companies):

Shares: 62,260

Warrants (corresponding number of shares): 53,090



Åsa Mindus Söderlund, CEO Försäkringsaktiebolaget Avanza Pension

Born: 1965

Employed: 2017

Education: Bachelor Financial Economics, Stockholm School of Economics and Business Administration

Employment history: 2017–2018 Avanza Fonder, CEO. 2012–2017 SPP, CEO SPP Consultant and member of Group Management SPP Pension & Insurance. 2010–2012 mindUS Consulting, Project leader with focus on international outsourcing within the fund and asset management industry. 2005–2010 Atos Consulting, Director and CEO. 1998–2005 Capgemini Ernst&Young, Senior Manager Ernst & Young Management Consulting. 1991–1997 Ministry of Finance, Head of Section.

Holdings on 31 December 2018 (incl. family and companies):

Shares: 50

Warrants (corresponding number of shares): 2,040



Malin Nybladh, Head of Human Resources

Born: 1965

Employed: 2018

Education: The HR Programme, at Stockholm University

Employment history: 2014–2018 Swedavia AB, HR Change leader. 2010–2014 Swedavia AB, Head of HR Strategy. 2007–2010 Telenor Sweden AB, Head of HR. 2005–2007 Telenor AB, Head of HR

Holdings on 31 December 2018 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 2,250



Gunnar Olsson, COO

Born: 1972

Employed: 2018

Education: MBA, Mittuniversitetet

Employment history: 2012–2018 Länsförsäkringar Bank AB, Head of business development and products. 2000–2012 SEB, Head of third party sales and Business developer. 1998–2000 PAR AB (Now Bisnode), Account Manager

Holdings on 31 December 2018 (incl. family and companies):

Shares: 500

Warrants (corresponding number of shares): 2,720



Teresa Schechter, CLO

Born: 1970

Employed: 2006

Education: LL.M. University of Gothenburg

Employment history: 2006–2017 Avanza Bank AB, Head of Compliance, Legal and Surveillance. 2004–2006 Aktieinvest FK AB, Compliance Officer and Corporate counsel. 2002–2004 Swedish Shareholders' Association, Legal Council. 1999–2001 Aktiesparinvest / HQ.se AB, Corporate Counsel

Holdings on 31 December 2018 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 6,340



Peter Strömberg, CIO

Born: 1972

Employed: 2014

Education: MSc Business Administration & Information Technology, Gotland University College/ Stockholm University

Employment history: 2010–2014 RSA Scandinavia IT-Service Management, IT Director. 1998–2010 Nasdaq OMX, Vice President OMX Technology

Holdings on 31 December 2018 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 22,340



Peter Westling, Head of Innovation and Marketing

Born: 1971

Employed: 2012

Education: MBA, Stockholm University

Employment history: 2002–2011 Garbergs advertising firm, CEO, Partner and Communication Strategist

Holdings on 31 December 2018 (incl. family and companies):

Shares: 800

Warrants (corresponding number of shares): 60,770

Stockholm, 25 February 2019

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Board member

Viktor Fritzen
Board member

Jonas Hagströmer
Board member

Birgitta Klasén
Board member

Mattias Miksche
Board member

Hans Toll
Board member

Jacqueline Winberg
Board member

Rikard Josefson
CEO

Auditor's statement on the Corporate governance report

To the general meeting of the shareholders in Avanza Bank Holding AB, corporate identity number 556274-8458

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2018 on pages 36–48 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts, and are in accordance with the Annual Accounts Act.

Stockholm, 25 February 2019

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant

Administration report

The Board of Directors and the CEO of Avanza Bank Holding AB (publ), Corporate Identity Number 556274-8458, hereby present the annual report for 2018. A Corporate governance report is provided separately from the administration report on pages 36–48. Avanza's annual report is available at investors.avanza.se/en.

Group structure

Avanza Bank Holding AB (publ) is the Parent Company of the Avanza Group. The operational activities are conducted by the wholly-owned subsidiaries Avanza Bank AB (publ), Försäkringsaktiebolaget Avanza Pension ("Avanza Pension") and Avanza Fonder AB, the operations of which are supervised by the Swedish Financial Supervisory Authority. Placera Media Stockholm AB is also included in the Group, a media company that publishes topical news and independent advice on the financial website Placera and the weekly financial magazine Börsveckan. The subsidiary Avanza Förvaltning AB is responsible for holding of all warrants which are acquired to be sold to the personnel under the terms of the established warrant program.

In 2018 Avanza increased its holdings in Stabelo Group AB, which Avanza has owned an interest in since 2017, to nearly 30 per cent from just under 20 per cent. Stabelo is therefore classified as an associated company in the Parent Company and the consolidated accounts.

Description of the operations

Avanza offers digital services for savings at low prices and a broad range of savings products, simple decision-making tools and a strong occupational pension offering. Customers are offered cost-effective ways to save in Swedish and foreign securities and on savings accounts with no fixed fees and very low brokerage fees. The offering also includes Avanza's own funds and mortgages at competitive interest rates. Avanza primarily targets individual savers in Sweden, but also offers services for professional traders and corporate customers, such as entrepreneurs, asset managers and those looking for occupational pensions.

Market and sales

The total value of the Swedish savings market is SEK 8,300 billion.* As of 30 September 2018, Avanza had 4.0 per cent of the total savings market in Sweden, an increase from 3.6 per cent in the last twelve months. During October 2017 – September 2018 Avanza's share of the total net inflow to the Swedish savings market amounted to 11 per cent, which was higher than the goal of taking at least 10 per cent.

Pension and insurance savings, i.e. the life insurance market, is the single largest savings segment, accounting for just less than half of the Swedish market. Of this half, an estimate of about two thirds is available to Avanza. According to data from Swedish insurance, Avanza's share of life insurance premiums paid during the period October 2017 – September 2018 was 6.7 per cent. During the same period Avanza increased the share of premium inflows in occupational pensions from 3.9 per cent to 4.8 per cent and was the fifth largest player in pension capital transfers in the Swedish life insurance market.

2018 was marked by political uncertainty both globally and in Sweden, and during the year the SIX Return Index fell 4 per cent. Trading activity on the Stockholm Stock Exchange and First North was high, the number of transactions increased 15 per cent and turnover climbed 8 per cent compared to the previous year. Avanza's share of the transactions on the Stockholm Stock Exchange including First North was 11.9 per cent, Avanza was thereby still the largest player in terms of transactions.

The repo rate was unchanged during the year at -0.50 per cent. The Riksbank decided in December to raise the repo rate by 25 basis points on 9 January 2019 to -0.25 per cent. The Riksbank's own forecast indicates that the next repo rate increase will be in the second half of 2019. In the opinion of many, the low rate is an important reason for the growth in mortgage lending in recent years. The Swedish mortgage market regarding households is valued at over SEK 3,260 billion.** The mortgage market is a relatively new area for Avanza. Avanza has since 2013 offered mortgages on a small scale to its Private Banking customers, Superbolånet PB. Since the end of 2017 Avanza also offers, in cooperation with Stabelo, an external mortgage, Mortgage loan+, to a broader customer group.

The number of customers rose in 2018 by 126,500, or by 18 per cent. Within occupational pension the number of customers rose by 22 per cent. By year-end, Avanza had 837,100 customers, which is in line with Avanza's goal of 1 million customers by 2020.

During the year, the net inflow was SEK 27.6 billion, 3 per cent higher than the previous year and the highest yearly inflow in Avanza's history.

Activity and market shares	2018	2017	Change %
No. commission notes, thousands	35,900	30,800	17
No. commission notes per customer and month	3.6	3.8	-5
Total turnover, SEK m	738,200	705,400	5
<i>Market shares Nasdaq Stockholm and First North:</i>			
No. transactions, %	11.9	14.2	-2.3
Turnover, %	5.5	5.9	-0.4

* Savings barometer, published with a lag, the latest refers to 30-09-2018.

** Swedish Bankers' Association, published with a lag, the latest refers to 30-06-2018.

Net inflow, SEK m	2018	2017	Change %
Standard	26,300	27,090	-3
Private Banking	730	-930	-
Pro	570	640	-11
Net inflow	27,600	26,800	3
Equity & investment fund accounts	4,570	130	3,761
Investment savings accounts	12,300	17,900	-31
Savings accounts	6,930	3,400	104
of which, external deposit accounts (Sparkonto+)	6,850	3,490	96
Pension- & insurance-based accounts	3,800	5,370	-29
of which, endowment insurance	460	2,330	-80
of which, occupational pensions	3,330	3,050	9
Net inflow	27,600	26,800	3
Net inflow/Savings capital, % ¹⁾	10	11	-1
No. customers, savings capital and lending, SEK m (unless otherwise stated)	31-12-2018	31-12-2017	Change %
Standard, no.	810,990	687,770	18
Private Banking, no.	24,200	21,100	15
Pro, no.	1,910	1,730	10
No. customers	837,100	710,600	18
of which occupational pension customers, no	77,700	63,700	22
Standard	166,400	157,170	6
Private Banking	122,000	115,800	5
Pro	11,600	9,930	17
Savings capital¹⁾	300,000	282,900	6
Equity & investment fund accounts	94,900	93,400	2
Investment savings accounts	94,200	85,800	10
Savings accounts	19,900	12,900	54
of which, external deposit accounts	19,000	12,100	57
Pension- & insurance-based accounts	91,000	90,800	0
of which, endowment insurance	61,800	63,600	-3
of which, occupational pensions	18,600	16,100	16
Savings capital¹⁾	300,000	282,900	6
Equities, bonds, derivatives, etc.	161,000	159,500	1
Investment funds	81,100	80,200	1
Deposits	57,900	43,200	34
of which, external deposits	19,000	12,100	57
Savings capital¹⁾	300,000	282,900	6
Internally financed lending	10,400	9,510	9
of which, margin lending	4,370	4,230	3
of which, mortgage loans (Superbolånet PB)	5,980	5,280	13
External mortgage volume (Mortgage loan+)	4,210	-	-
Lending	14,600	9,510	54
Deposits/Lending, %	557	454	103
Net deposits/Savings capital, % ¹⁾	16	12	4
Return, average account since 1 Jan, % ¹⁾	-4	6	-10
SIX Return Index since 1 Jan, %	-4	9	-13

¹⁾ The definition of savings capital has from 2018 been changed compared to what has been previously reported and lending is no longer deducted. Historical figures have been adjusted for comparability.

For definitions see page 104–105.

The net inflow to external deposit accounts, Sparkonto+, nearly doubled compared to 2017.

Savings capital at Avanza grew in 2018 driven by the high customer growth and net inflow but the growth rate was offset by the negative stock market development. At year-end savings capital amounted to SEK 300 billion, an increase of 6 per cent from the beginning of the year. Savings capital invested in occupational pension accounts increased by 16 per cent and fund capital by 1 per cent. Deposits share of savings capital, 19 per cent at year-end, was 4 per cent higher than in the beginning of the year, affected by the customers' reduced risk appetite as a result of the negative stock market development at the end of the year.

Lending rose by 54 per cent. External mortgage volume through Stabelo as creditor, Mortgage loan+, amounted to SEK 4.2 billion at the end of the year. The internally financed mortgage for Private Banking customers, Superbolånet PB, amounted to nearly SEK 6 billion, an increase of 13 per cent from the beginning of the year. Margin lending decreased slightly.

Seasonal effects

Avanza has no major seasonal variations, except from the third quarter which is characterised by lower personnel costs, due to 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.

Product and business development

Avanza's offer is continuously updated with new functions and improvements. In 2018, among other, the index fund Avanza Global was launched with a management fee of 0.05 per cent, making it the world's cheapest global index fund for individual investors, according to a survey by Morningstar.

In April 2018, the offer Mortgage loan+, Sweden's cheapest mortgage loan with no requirement of savings or other commitments, was broadened to the general public. The mortgage offer, launched in cooperation with Stabelo to a small customer group in November 2017, provides new, more stable income sources further on for Avanza. Stabelo Group AB, which Avanza has owned an interest in since 2017, completed a new share issue, in connection with which Avanza increased its holding to nearly 30 per cent from just under 20 per cent.

During the autumn, Avanza improved its existing margin loan, Superlånet, by offering 0 per cent interest for customers with a maximum loan to value ratio of 10 per cent and up to SEK 50,000, with eligible securities as collateral. At the same time, the rate was cut for customers with a loan to value ratio up to 25 per cent.

Sustainability and corporate social responsibility are an integral part of Avanza's operations and during the year, sustainability aspects were implemented by Avanza's own funds, which means that three different levels of the principle of "exclusion" have been introduced. Towards the end of the year Avanza was the first bank in the world to let customers filter and select climate-smart funds with a low carbon footprint.

Development of the website and mobile apps continued during the year with new functions and improvements to further enhance the user experience. For instance, "My fund portfolio analysis" was introduced, giving customers exciting insight and a deeper understanding of their fund holdings. For more active traders, a stop-loss function was added in the trading tool Infront as well. Avanza gave customers the option to transfer securities from other banks using the app, and the fund order process was improved and simplified on the website. In order to meet the increased requirements placed on consumer protection and

transparency, not least as a result of the MiFID2 regulation entering into force in the beginning of the year, information on the total fees charged by each fund was provided in the fund marketplace, and could also be used as a filter in the fund list. In stock trading, the commission and foreign exchange fees are shown before an order is placed.

Results

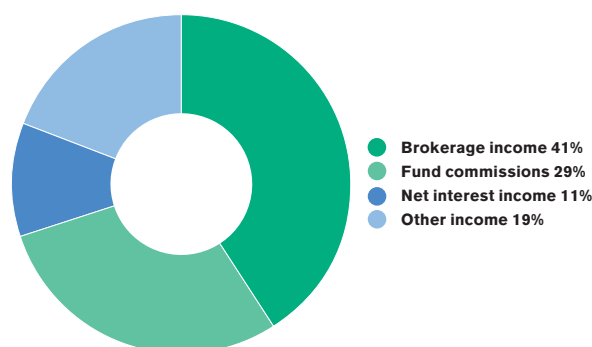
Revenues for 2018 increased by 8 per cent compared to last year mainly as a result of higher fund commissions, but also improved net interest income and higher other commission income. Net brokerage income decreased by 3 per cent.

Net brokerage income decreased due to lower turnover in commission-generating notes and higher transaction costs, mainly for foreign trading. The number of commission generating customers and notes increased. However, customers were trading securities at lower volumes and in lower brokerage fee classes. Brokerage income per SEK of turnover was thus 0.2 basis points higher than in 2017.

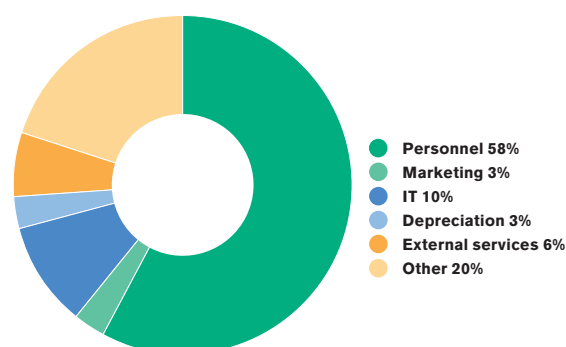
Fund commissions increased by 26 per cent mainly due to fund inflow, in line with Avanza's growth ambition to broaden the customer base and create added value. Fund commissions accounted for 29 per cent of total income, compared to 25 per cent in 2017.

Net interest income increased mainly due to higher lending. The average STIBOR (3M) rate was 11 basis points higher than last year, which resulted in lower costs for surplus liquidity. In 2018, the resolution fee was increased, raising costs by SEK 3 million. The percentage rate to calculate the resolution fee will be reduced in two steps, from

Breakdown of operating income 2018



Breakdown of operating expenses 2018



Five-year overview, summary of the Group's performance

Income Statements, SEK m	2018	2017	2016	2015	2014
Net commission ¹⁾	928	865	792	755	486
Net interest income ²⁾	119	108	114	139	192
Other income	2	2	3	2	0
Total income^{1) 2)}	1,049	975	909	896	678
Operating expenses before credit losses ¹⁾²⁾	-629	-535	-443	-411	-383
Profit before credit losses	420	441	465	485	296
Credit losses, net	-1	0	-1	0	0
Profit/loss from participations in associated companies	-1	-	-	-	-
Operating profit	418	441	465	485	296
Taxes	-69	-63	-66	-70	-46
Net profit for the year	349	379	399	415	250
Balance Sheets, SEK m	31-12-2018	31-12-2017	31-12-2016	31-12-2015	31-12-2014
Lending to credit institutions	2,907	-	-	-	-
Treasury bills eligible for refinancing	-	-	-	250	-
Lending to credit institutions	914	1,731	1,583	1,701	4,535
Lending to the public	10,339	9,507	8,175	6,540	5,349
Bonds	16,958	14,420	13,244	11,850	6,070
Shares and participations	1	22	5	0	34
Shares and participations in associated companies	116	-	-	-	-
Assets in insurance operations	86,457	86,041	75,934	66,566	50,898
Other assets	4,449	4,399	1,675	1,714	410
Total assets	122,138	116,120	100,616	88,621	67,296
Deposits by the public	33,317	27,901	22,832	20,446	15,038
Liabilities in insurance operations	86,458	86,041	75,934	66,566	50,898
Other liabilities	650	651	443	384	545
Subordinated liabilities	100	99	99	99	-
Total liabilities	120,524	114,693	99,308	87,495	66,481
Shareholders' equity	1,614	1,427	1,308	1,126	815
Total liabilities and shareholders' equity	122,138	116,120	100,616	88,621	67,296
Key ratios	2018	2017	2016	2015	2014
Operating margin, % ¹⁾²⁾	40	45	51	54	44
Profit margin, % ¹⁾²⁾	33	39	44	46	37
Earnings per share, SEK	11.60	12.66	13.45	14.23	8.64
Earnings per share after dilution, SEK	11.57	12.66	13.44	14.10	8.56
Return on shareholders' equity, %	25	30	33	45	32
Credit loss level, %	0.01	0.00	0.01	0.00	0.00
Income to savings capital ratio, % ¹⁾²⁾	0.35	0.37	0.42	0.51	0.51
Costs to savings capital ratio, % ¹⁾²⁾⁵⁾	0.20	0.20	0.21	0.24	0.29
Net brokerage income per trading day, SEK m	1.8	1.8	1.9	1.9	1.2
Brokerage per commission note, SEK	31	34	41	55	68
Brokerage/Turnover, %	0.098	0.096	0.088	0.081	0.091
No. trading days	247.5	249.0	251.0	248.5	247.0
Average no. employees	406	383	343	323	283
Web service operational availability, %	100.0	99.9	99.9	100.0	99.7
Key ratios	31-12-2018	31-12-2017	31-12-2016	31-12-2015	31-12-2014
Shareholders' equity per share, SEK	53.32	47.57	43.83	38.37	28.22
Capital base/Capital requirement	1.35	1.55 ³⁾	1.66	1.67 ⁴⁾	1.72
Cash dividend per share, SEK (2018; proposal)	10.50	10.50	10.50	10.50	7.00
No. shares, thousand	30,273	29,996	29,839	29,344	28,874
Average no. shares, thousand	30,086	29,890	29,660	29,172	28,874
Average no. shares after dilution, thousand	30,165	29,890	29,682	29,441	29,139
Market capitalisation, SEK m	12,800	10,300	11,000	10,800	7,450
Share price, SEK	423.60	344.10	369.00	367.50	258.00
No. employees	422	390	365	334	296

For definitions see page 104–105.

¹⁾ A transfer of costs related to search engine marketing and similar services has been made in 2018. These are now reported as Net commission, previously Operating expenses. Historical figures have been adjusted.

²⁾ As of 2016, the deposit guarantee fee and the resolution fee are reported as interest expenses and a transfer has been made from Operating expenses to Net interest income. Historical numbers have been adjusted.

³⁾ A reinterpretation has been made in the calculation of the capital requirement for a credit facility to Stabelo AB. The facility was terminated during the second quarter of 2018.

⁴⁾ The figure of 31-12-2015 have been restated compared with the Annual Report 2015 in order to be comparable with the figure of 2016, which is adjusted to the new Solvency 2 rules that took effect on 1 January 2016. Adjustments for previous years have not been made.

⁵⁾ 2018 Excluding the Swedish Financial Supervisory Authority decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension in February 2019.

0.125 to 0.09 per cent in 2019 and thereafter to 0.05 per cent in 2020. The deposit guarantee fee and resolution fee amounted to a total of SEK 29.6 million for the year. The repo rate in 2018 was -0.50 per cent, unchanged from the previous year. All else being equal, without taking changes in customer behavior into account, a 1 percentage rate increase with today's volumes would affect full-year net interest income by over SEK 250 million. In late December, the Riksbank announced that the repo rate would be raised by 25 basis points on 9 January 2019 to -0.25 per cent. This repo rate hike has no impact on the mortgage offer for private banking customers. The margin loan is not directly tied to the repo rate and instead is adjusted based on overall interest rate levels and the competition.

Other income increased, which was largely due to higher currency-related income caused by increased trading in foreign stocks. Income from Avanza Markets was also higher. Income from Corporate Finance was lower compared to 2017, which ended particularly strong.

On 19 February 2019, the Swedish Financial Supervisory Authority imposed a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension for non-compliance with parts of the Solvency 2 regulations. The fine is reported in 2018 and is not tax-deductible. This results in deviations from what has previously been reported for the fiscal year 2018. For more information about the fine, see page 90. Operating expenses increased by 18 per cent in 2018. Excluding the fine, the operating expenses increased by 11 per cent. Avanza's long-term target is that cost increases will not outpace income growth, although this may occur if we see new growth opportunities that will benefit us in the long term but require new investments or marketing. A decision was made in 2018 to increase investment in order to speed up development and more quickly meet our aims. Thus, personnel costs rose due to an increased number of employees and other expenses increased among others as a result of added office space. IT costs associated with regulatory changes, not least due to Mifid2 and GDPR, also increased. Depreciation was higher due to the new trading system, which began being depreciated in the third quarter of 2017.

Digitisation and changing customer behaviours and expectations are critical for why Avanza does not plan its development too far into the future and instead tries to be flexible and open to what happens in the world. To have the flexibility to take advantage of future growth opportunities and ensure high pace of innovation, the guidance on Avanza's annual cost increase is widened slightly to 9–12 per cent, from 8–10 per cent previously. The guidance allows Avanza to capitalise on new growth opportunities in a responsible way while staying focused on costs, benefitting both customers and shareholders. The fine of SEK 35 million is fully excluded in the estimate of future cost growth.

The cost to savings capital ratio was 0.21 per cent in 2018, but excluding the fine it was unchanged at 0.20 per cent. Given continued strong growth in customers and savings capital as well as further efficiency improvements, the long-term aim is to reduce the cost to savings capital ratio to 0.16 per cent, with the very best international peers in the industry as a benchmark. This makes Avanza resilient in various market conditions at the same time that it provides an important competitive advantage. In the last five years, Avanza has cut its cost to savings capital ratio from 0.35 to 0.20 per cent, excluding the fine.

Reported credit losses are attributable to new models used to calculate expected credit losses according to IFRS 9.

As a result of Avanza's increased holding in Stabelo to nearly 30 per cent from just under 20 per cent, Stabelo is classified as an associated company in Avanza's accounts. Stabelo's results are included in the consolidated accounts in accordance with the equity method.

The operating profit for 2018 was SEK 418 million, an decrease of 5 per cent compared to 2017. The operating margin was 40 per cent. Excluding the fine of SEK 35 million, the operating profit increased by 3 per cent.

During the year, the Swedish Tax Agency decided to tax Avanza Pension for intermediary commissions. This resulted in an increased tax expense of SEK 4 million for the years 2016 and 2017 and SEK 2 million for 2018. The Swedish parliament decided in 2018 to lower the corporate tax rate, which will be done in two steps from 22 to 20.6 per cent from 2019 to 2021. In the first two years, the tax will be cut to 21.4 per cent, and then to 20.6 per cent. The Avanza Group's effective tax rate is between 14 and 15 per cent, and consequently only around 75 per cent of the tax cut will have an impact, based on current volumes.

Profit after tax decreased by 8 per cent to SEK 349 million which corresponds to earnings per share of SEK 11.60. The profit for the year implied a return on shareholders' equity of 25 per cent. Excluding the fine of SEK 35 million, profit after tax increased by 1 per cent to SEK 384 million, which corresponds to earnings per share of SEK 12.77 and return on shareholders' equity of 27 per cent.

The book value of the shareholding in Stabelo was set at market value in connection with an additional share purchase. As a result book value increased by SEK 40 million which affected both the Parent Company's and the Group's total result for 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 increased transparency and fragmentation from new competition in the banking market in both savings and mortgages increase the importance of customer satisfaction, a strong brand and innovation. This has been accentuated by digitisation, which makes it easier for customers to switch banks, at the same time that mobile usage has made them more active. Avanza expects these trends and changes to continue to drive development in the future with regard to digitisation, customer offers and digital decision-making support. Greater focus on the impact of fees on savings in a low interest rate environment, coupled with the gradual deterioration of national collective pension and welfare systems and thereby greater responsibility for the own future financial situation, create a favourable growth outlook for Avanza. The new regulations align with Avanza's values and customer strategy and the competitiveness of Avanza's offering will be accentuated. For Avanza, the regulatory changes creates opportunities to offer new and innovative services and improved tools.

Avanza's growth objective going forward is to attract broader target groups – experienced and established investors as well as new ones. Avanza's modern platform, low prices and broad range of products and services provide ample opportunity to meet savers' changing needs and habits. In addition, Avanza's growth objectives in pensions and mortgages are expected to reduce sensitivity to market fluctuations. When interest rates turn higher, Avanza is likely to benefit from the big increase in savings capital, even if stock market activity levels off.

Financial position

Avanza is mainly self-financed by equity and customer deposits.

All of Avanza's assets have a high level of liquidity and the majority of the assets can be transferred within a couple of days. Surplus liquidity is mainly invested in systemically important Nordic banks, the Riksbank, in covered bonds and, to a lesser extent, in bonds issued by the Swedish government, municipalities and county council. Of the liquid assets of SEK 3,821 million as per the end of the year, SEK 24 million were pledged as collateral mainly referring to Swedish credit institutions and the stock exchange. 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 2018 total credit losses amounted to SEK 11 million, which is the equivalent, on average, to less than 0.03 per cent per year.

The Parent Company

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result in 2018 was SEK –17 million (SEK –16m). The Parent Company does not report any revenues. Anticipated dividend from subsidiaries of SEK 267 million (SEK 248m) was reported for 2018.

A dividend payment for 2017 of SEK 315 million (SEK 313m) was made to the shareholders in 2018.

Sustainability reporting

Avanza's sustainability reporting is an important part of an open and balanced presentation of Avanza's position, activities and achievements in key areas. In accordance with the Annual Accounts Act, chap. 6, section 11, Avanza has chosen to prepare a sustainability report separately from the administration report and largely from the formal financial statements. The sustainability report was submitted to the auditors at the same time as the annual report. A separate statement on the sustainability report has been prepared. Avanza reports according to the Global Reporting Initiatives, GRI, Standards, as well as GRI's specific guidelines for the industry (Financial Services Sector Supplement) according to the Core option. A transition from the fourth version (GRI G4) occurred in 2017. The statutory sustainability report comprises Avanza and its subsidiaries and its scope is indicated on page 98.

Avanza's operations are not deemed to pose any significant negative environmental impact or risk of violation on human rights, whether directly or indirectly. Avanza therefore has no formalised management or performance monitoring in these areas. The sustainability disclosures focus on issues such as social benefit, social conditions, equality, personnel and anti-corruption.

The previous sustainability report for the calendar year 2017 was published on 23 February 2018.

Avanza's sustainability policy is published on investors.avanza.se/en.

Employees

In 2018, the Avanza Group had, on average, a total of 406 (383) employees of whom 36 (35) per cent were women. The average age was 36 (35) years. The Parent Company had, on average, 3 (2) employees during the year. All employees have individual targets, based on Avanza's overall targets, which are followed up through regular development discussions. One of Avanza's long term goals is engaged employees, measured by an international measure of employee loyalty called the employer Net Promoter Score (eNPS). The latest score was 44 (33), which shows a very strong ambassadorship. Additional information about Avanza's employees is provided on pages 20–22 and in note 9 Employees and personnel costs.

Significant risks and uncertainly factors

Avanza has a conservative approach to risk and strives to keep risks low. In its operations, Avanza is mainly exposed to financial risks in form of credit risk and operational risk. IT risk and information security is also of great importance to Avanza. 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. Additional information about the Group's risk exposure and risk management is provided on pages 30–32, 41–42 and in Note 36 Financial Risks.

Guidelines for determining remuneration payable to senior management

The guidelines for salaries and other remuneration payable to senior management were approved by the Annual General Meeting 2018 and are presented in Note 9 Employees and personnel costs. Details of the remuneration policy are available on investors.avanza.se/en.

The Board of Directors' proposal to the Annual General Meeting on 19 March 2019 means unlike earlier guidelines that no variable remuneration will be paid to members of Group Management. Group Management's salaries consist solely of a fixed base salary. Remuneration for members of Group Management will reflect the person's experience, competence and performance.

Questions concerning the CEO's conditions of employment, remuneration and benefits are prepared by the Remuneration Committee and decided by the Board of Directors. Remuneration of other employees, who are part of the Group Management, are decided by the Board of Directors based on a proposal from the Remuneration Committee, following consultation with the CEO. Additional information is provided in the Corporate governance report on pages 36–48.

The Board of Directors and Group Management

The Annual General Meeting on 20 March 2018 re-elected all previously elected Board members, in addition to which Viktor Fritzén was elected as a new member. The Articles of Association state that the Board of Directors shall comprise a minimum of five and a maximum of eight members. Avanza's Board consisted in 2018, as of the Annual General Meeting, of eight members elected until the next AGM and no deputies.

On 1 March 2018, Gunnar Olsson joined Group Management and took up his duties as 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.

Malin Nybladh took over on 28 May as Head of HR and a member of Group Management. Malin has extensive experience from customer-centric and value-creating organisations, serving most recently in an HR position at Swedavia.

The CEO of Försäkringsaktiebolaget Avanza Pension, Annika Saramies, left Avanza in November after 11 years. Annika was a member of Group Management since 2014. Åsa Mindus Söderlund, CEO of Avanza Fonder AB since August 2017 and a member of Group Management since February 2018, has taken over as the new CEO of the pension company. Jesper Bonnivier has been named new CEO of Avanza Fonder and member of Group Management. Jesper has over 18 years of experience in asset management and for the last 13 years has held senior positions at Länsförsäkringar Fonder. He will take up his position no later than the summer of 2019.

Additional information about the Board of Directors and Group Management is provided in the Corporate governance report on pages 36–48.

The Avanza share

The Avanza share is listed on Nasdaq Stockholm Large Cap, included in the Financial Services sector under the ticker symbol AZA. At year-end there were a total of 30,272,996 shares in Avanza. There is only one class of shares, each share entitles to one vote and there are no limitations as to the number of votes a shareholder may exercise at

Capital surplus, SEK m	31-12-2018	31-12-2017 ⁴⁾
Capital base		
Shareholders' equity, the Group	1,614	1,427
Solvency capital ¹⁾	909	2,523
Less non-distributable solvency capital ²⁾	-138	-960
Subordinated bond ³⁾	74	99
Intangible fixed assets and deferred tax receivables	-85	-89
Capital base before dividend adjustments	2,375	3,001
Capital requirements		
Capital requirement Pillar 1 ⁴⁾	-1,254	-2,018
of which Solvency capital requirements ¹⁾	-771	-1,563
Buffer requirement ⁴⁾	-293	-254
Capital requirement Pillar 2	-83	-81
Capital requirements	-1,629	-2,352
Capital surplus before dividend	745	648
Capital surplus per share, SEK	24.62	21.61

¹⁾ For 2018, assumptions for calculating Solvency capital and Solvency capital requirements have been revised. See Note 35 Capital base and capital requirements.

²⁾ Non-distributable solvency capital (future profits) = solvency capital – solvency capital requirement

³⁾ A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. See Note 35 Capital base and capital requirements.

⁴⁾ A reinterpretation has been made in the calculation of the capital requirement for a credit facility to Stabelo AB as per 31-12-2017, which has also been reported to the Swedish Financial Supervisory Authority. See Note 35 Capital base and capital requirements. The facility was terminated during the second quarter of 2018.

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.

an Annual General Meeting. There is no rule in Avanza's Articles of Association limiting the right to disposal of shares.

Avanza had two owners who each directly or indirectly represented at least one tenth of the voting rights for all shares on 31 December 2018: Sven Hagströmer including family and companies representing 10.2 per cent and Creades AB representing 10.1 per cent.

Outstanding warrant programmes include 1,390,000 warrants corresponding to a maximum dilution effect of almost five per cent, if fully exercised. Of these warrants, 62.4 per cent have been transferred to employees.

For further information on the Avanza share, refer to pages 26–29 and Note 30 Equity.

Repurchase of the company's own shares

On 20 March 2018, 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 in 2018 and the company holds no repurchased shares as of 31 December 2018.

Capital surplus

The capital surplus, i.e. the maximum scope available for dividend payments and repurchase of the company's own shares, totalled SEK 745 million as of 31 December 2018.

Due to the Solvency 2 rules the conglomerate's largest sector is insurance. As a result, the Group's capital base is increased by additional solvency capital at the same time that the capital requirement rises. However, the net effect, which is positive, does not constitute distributable capital and is therefore deducted as non-distributable solvency capital. For additional information, see Note 35 Capital base and capital requirements.

Proposed allocation of profits

The Board of Directors of Avanza Bank Holding AB (publ) proposes that the Annual General Meeting on 19 March 2019 agree to that the accumulated profit, including net profit for the year and share premium reserve, of SEK 779,276,887, in accordance with the established balance sheet, be allocated in such a way that a dividend of SEK 10.50 per share is distributed to the shareholders and the remaining sum transferred into new accounts. This corresponds to a dividend of SEK 318 million (SEK 315m) and to 91 (83) per cent of operating profit. Avanza's policy is to distribute at least 70 per cent of profit for the year. For the Board of Directors' statement on the proposed allocation of profits, see page 91 Note 40 Proposed allocation of profits.

Consolidated income statements

SEK m	Note	2018	2017
Operating income			
Commission income	4	1,111	1,023
Commission expenses ¹⁾	5	-183	-157
Interest income calculated using the effective interest method	6	212	190
Other interest and similar income	6	29	28
Interest expenses	6	-122	-110
Net result of financial transaction	7	2	2
Other operating income		0	0
Total operating income¹⁾	3	1,049	975
Operating expenses			
General administration costs	8-11	-541	-489
Depreciation and write-downs of tangible and intangible fixed assets	23-24	-20	-12
Other operating expenses ¹⁾	12	-69	-34
Total operating expenses before credit losses¹⁾		-629	-535
Operating profit before credit losses		420	441
Credit losses, net	13	-1	0
Profit/loss from participations in associated companies	21	-1	-
Operating profit		418	441
Tax on the profit for the	15	-69	-63
Net profit for the year²⁾		349	379
Earnings per share, SEK	16	11.60	12.66
Earnings per share after dilution, SEK	16	11.57	12.66

¹⁾ A transfer of costs related to search engine marketing and similar services has been made in 2018. These are now reported as Commission expenses (previously, Other operating expenses). Historical figures have been adjusted.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - SEK m	Note	2018	2017
Net profit for the year		349	379
Items that will be reversed to the income statement			
Changes in value of available-for-sale assets		-39	-
Tax on changes in value of available-for-sale assets		9	-
Items that will not be reclassified to the income statement			
Changes in value of financial investments ¹⁾	21	40	-
Other comprehensive income after tax		9	-
Total comprehensive income after tax²⁾		359	379

¹⁾ The book value of the shareholding in Stabelo Group AB has been set at market value in connection with additional share purchase.

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

Consolidated balance sheet

SEK m	Note	31-12-2018	31-12-2017
Assets	32,33		
Balances at central banks		2,907	–
Lending to credit institutions	17	914	1,731
Lending to the public	18	10,339	9,507
Bonds	19	16,958	14,420
Shares and participations	20	1	22
Participation in associated companies	21	116	–
Assets in insurance operations	22	86,457	86,041
Intangible fixed assets	23	84	88
Tangible fixed assets	24	40	30
Other assets	15,25	4,104	4,113
Prepaid costs and accrued income	26	221	168
Total assets		122,138	116,120
Liabilities and shareholders' equity			
Liabilities	32–34		
Deposits by the public		33,317	27,901
Liabilities in insurance operations	22	86,458	86,041
Other liabilities	15,27	508	544
Accrued costs and prepaid income	28	142	107
Subordinated liabilities	29	100	99
Total liabilities		120,524	114,693
Shareholders' equity	30		
Share capital		76	75
Other capital contributed		484	442
Fair value reserve		–6	–
Retained earnings		1,061	910
Total shareholders' equity		1,614	1,427
Total liabilities and shareholders' equity		122,138	116,120

Changes in the Group's shareholders' equity

SEK m	Share capital	Other capital contributed	Fair value reserve	Retained earnings	Total
Shareholders' equity 31-12-2016	75	449	–	784	1,308
Total comprehensive income	–	–	–	379	379
<i>Transactions with owners</i>					
Dividend paid	–	–61	–	–252	–313
Exercise of share warrants	0	49	–	–	50
Warrants issue	–	4	–	–	4
Shareholders' equity 31-12-2017	75	442	–	910	1,427
Adjustment of shareholder's equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)					
Increased provision for anticipated credit losses in accordance with IFRS 9	–	–	–	–3	–3
Valuation of bonds at fair value through other comprehensive income	–	–	24	–	24
Changes in value of shares and participations ¹⁾	–	–	10	–	10
Adjusted shareholders' equity 01-01-2018	75	442	34	907	1,458
Net profit for the year	–	–	–	349	349
Other comprehensive income	–	–	–40	50	9
Total comprehensive income	–	–	–40	399	359
<i>Transactions with owners</i>					
Dividend paid	–	–70	–	–245	–315
Exercise of share warrants	1	108	–	–	108
Warrants issue	–	5	–	–	5
Shareholders' equity, 31-12-2018	76	484	–6	1,061	1,614

¹⁾ Changed compared to previously reported.
There are no minority shareholdings included in the shareholders' equity.

Consolidated cash flow statements

SEK m	Note	2018	2017	
Operating activities				
Profit before tax		418	441	
whereof interest payments received		241	218	
whereof interest expenses paid		-122	-110	
Adjustment for items not included in cash flow				
Depreciation/write-downs of tangible and intangible fixed assets	23-24	20	12	
Income tax paid		3	-83	
Cash flow from operating activities before changes in operating activities' assets and liabilities		441	370	
Changes in operating activities' assets and liabilities				
Increase (-)/decrease (+) in lending to credit institutions	34	26	80	
Increase (-)/decrease (+) in lending to the public		-835	-1,332	
Increase (-)/decrease (+) in securities		-38	-1	
Increase (-)/decrease (+) in other assets		-113	-2,666	
Increase (+)/decrease (-) in deposits by the public		5,416	5,069	
Increase (+)/decrease (-) in other liabilities		-1	209	
Cash flow from operating activities' assets and liabilities		4,454	1,359	
Cash flow from operating activities		4,895	1,730	
Investment activities				
Acquisition of intangible fixed asset	23	-4	-30	
Acquisition of tangible fixed assets	24	-21	-20	
Acquisition of shares and participations		-	-16	
Acquisition of shares and participations in associated companies		-46	-	
Investment in bonds		-2,506	-1,176	
Cash flow from investment activities		-2,577	-1,242	
Financing activities				
Cash dividend		-315	-313	
Subordinated bond		0	0	
Warrants issue		108	50	
Exercise of share warrant		5	4	
Cash flow from financing activities		-202	-259	
Cash flow for the year		2,116	228	
Liquid assets at beginning of year		1,681	1,453	
Liquid assets at end of year		3,797	1,681	
Change		2,116	228	
Composition of liquid assets, SEK m				
		31-12-2018	31-12-2017	
Balances at central banks		2,907	-	
Lending to credit institutions		914	1,731	
Pledged assets		-24	-50	
Total		3,797	1,681	
Reconciliation of liabilities arising from financial activities				
SEK m	31-12-2017	Cash flow	Non-cash changes	31-12-2018
Subordinated bond	99	-	0	100
Total	99	-	0	100

See Note 2 Accounting principles for the basis for preparing cash flow statements.

Parent Company income statements and balance sheets

SEK m	Note	2018	2017
Operating expenses			
Administration expenses	9	-10	-11
Other operating expenses	10	-7	-6
Operating profit/loss		-17	-16
Profit/loss from financial investments			
Profit/loss from participations in Group companies	14	284	264
Interest income and similar items		-	0
Interest expenses and similar items		0	-
Profit/loss before tax		267	248
Tax on profit for the period	15	0	0
Net profit/loss for the period*		267	248

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – SEK m		2018	2017
Net profit for the year		267	248
Items that will be reversed to the income statement			
Changes in value of financial investments ¹⁾	21	40	-
Other comprehensive income after tax		40	-
Total comprehensive income after tax		307	248

¹⁾ The book value of the shareholding in Stabelo Group AB has been set at market value in connection with additional share purchase.

SEK m	Note	31-12-2018	31-12-2017
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Share and participations in Group companies	31	417	409
Participation in associated companies	21	117	-
Other long-term securities holdings		-	21
Total fixed assets		533	430
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		336	324
Current tax receivable		0	0
Prepaid costs and accrued income		1	1
Total current receivables		337	325
Cash and bank balances		1	0
Total current assets		338	325
Total assets		871	755
Shareholders' equity and liabilities			
Shareholders' equity	30		
Share capital		76	75
Share premium reserve		463	422
Retained earnings		317	248
Total shareholders' equity		855	745
Current liabilities			
Accounts payable		-	0
Liabilities to Group companies		8	0
Tax liability		0	0
Other liabilities		1	1
Accrued costs and prepaid income		7	9
Total current liabilities		16	10
Total shareholders' equity and liabilities		871	755

Changes in the Parent Company's shareholders' equity

SEK m	Share capital	Share premium reserve	Retained earnings	Total
Shareholders' equity, 31-12-2016	75	429	257	761
Total comprehensive income for the year	–	–	248	248
<i>Transactions with owners</i>				
Dividend paid	–	–56	–257	–313
Exercice of share warrants	0	49	–	50
Shareholders' equity, 31-12-2017	75	422	248	745
Adjustment of shareholder's equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)				
Changes in value of shares and participations ¹⁾	–	–	10	10
Adjusted shareholders' equity 01-01-2018	75	422	258	755
Net profit for the year	–	–	267	267
Other comprehensive income for the year	–	–	40	40
Total comprehensive income for the year	–	–	307	307
<i>Transactions with owners</i>				
Dividend paid	–	–67	–248	–315
Exercice of share warrants	1	108	–	108
Shareholders' equity, 31-12-2018	76	463	317	855

¹⁾ Changed compared to previously reported.

Parent Company cash flow statements

SEK m	2018	2017
Operating activities		
Profit before tax	267	248
whereof interest payments received	0	0
whereof interest expenses paid	0	0
<i>Adjustment for items not included in cash flow</i>		
Anticipated dividend	–267	–248
Income tax paid	0	0
Cash flow from operating activities before changes in operating activities' assets and liabilities	0	0
Changes in operating activities' assets and liabilities		
Increase (–) / decrease (+) in other assets	255	276
Increase (–) / decrease (+) in other liabilities	7	3
Cash flow from operating activities' assets and liabilities	262	279
Cash flow from operating activities	262	279
Investment activities		
Acquisition of shares and participations	–	–16
Acquisition of shares and participations in associated companies	–46	–
Cash flow from investment activities	–46	–16
Financing activities		
Cash dividend	–315	–313
Exercice of share warrants	108	50
Shareholder contribution paid	–8	–
Cash flow from financing activities	–214	–263
Cash flow for the year	1	0
Liquid assets at beginning of year	0	0
Liquid assets at end of year	1	0
Change	1	0

The basis for preparing Parent company cash flow statements are the same as those for the Group. See Note 2 Accounting principles

Notes

Note 1 Corporate information

The Parent Company, Avanza Bank Holding AB, (publ) Corporate Identity Number 556274-8458, is a Swedish registered limited company whose registered office is in Stockholm. The Parent Company's shares is listed on the Large Cap list of Nasdaq Stockholm, comprising companies with a market capitalisation of over EUR 1 billion. The address of the head office is Regeringsgatan 103, Box 1399, SE-111 93 Stockholm, Sweden.

The Consolidated Accounts for 1 January 2018–31 December 2018 comprise the Parent Company, its subsidiaries and associated companies, referred to collectively as "the Group". The Group's operations are described in the Administration Report. The Consolidated Accounts and the Annual Report for Avanza Bank Holding AB (publ) for the 2018 financial year were approved on 25 February 2019 by the Board of Directors and the CEO. The Consolidated Accounts and the Annual Report are adopted by the Annual General Meeting on 19 March 2019.

Note 2 Accounting principles

(a) Compliance with standards and legislative requirements

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations of these standards adopted by the EU. The complementary rules in the Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) and the regulations and general advice of the Swedish Financial Supervisory Authority (FFFS 2008:25) are applied as well. The consolidated financial statements also apply recommendation RFR 1 Complementary accounting rules for groups and the statement from the Swedish Financial Reporting Board.

Accounting principles for the Parent Company are specified in section (u), Parent Company accounting principles.

(b) Preconditions with regard to the preparation of financial reports of the Parent Company and Group

The Parent Company's functional currency is Swedish kronor, which also constitutes the reporting currency for both the Parent Company and the Group. The financial reports are accordingly presented in Swedish kronor. All amounts, unless otherwise indicated, are rounded to the nearest million.

Assets and liabilities are recognised at historic acquisition values, with the exception of certain financial assets and liabilities, which are valued at their fair value via income statement or via other comprehensive income. Financial assets and liabilities that are valued at their fair value via income statement are assets and liabilities in the insurance business and shares and participations. Financial assets and liabilities that are valued at their fair value via other comprehensive income are bonds and shares and participations in associated companies.

The accounting principles described below for the Group have been applied consistently to all periods presented in the Group's financial reports, unless otherwise indicated below.

The Parent Company applies the same accounting principles as the Group other than in the cases specified below under section (u), Parent Company accounting principles.

(c) New IFRS and interpretations

Only those IFRS and interpretations that are currently considered relevant to Avanza's consolidated financial statements are reported below.

New IFRS and interpretations introduced in 2018

IFRS 9 Financial instruments

IFRS 9 specifies the classification, measurement and impairment of financial assets and has replaced the previous requirements in these areas in IAS 39. IFRS 9 was effective as of 1 January 2018, earlier application was permitted, but Avanza has not applied the standard in advance. Nor has Avanza restated the comparative figures for 2017 in the annual report 2018 due to IFRS 9.

Classification and measurement:

According to the classification and measurement requirements in IFRS 9, financial assets are classified as and measured at amortised cost, fair value via other comprehensive income or fair value via income statement. Avanza analysed the cash flows from the financial assets in 2017 to determine whether they consist only of payments of principal and interest. In order to assess the business model, Avanza divided its financial assets into portfolios based on how various groups of financial assets are managed together to achieve a specific business objective. In its assessment of the business model for each portfolio, Avanza analysed the purpose of the financial assets as well as how they are managed and monitored. The analysis of the cash flows and the business model assessment resulted in a change whereby Avanza as of 1 January 2018 has transitioned to recognising bonds at fair value via income statement. This enabled sales before maturity, which optimise management of the liquidity portfolio. In the transition to IFRS 9, an item within shares and participations was valued at fair value from previously amortised cost. Because of this, equity was affected by the difference between the amortised cost and fair value of the bonds adjusted for tax and the unrealised change in value of shares and participations. The transition effect is shown in the table further ahead. The transition otherwise has not resulted in any significant changes compared with how the financial instruments were measured according to IAS 39.

Impairment:

The impairment requirements according to IFRS 9 are based on a model for expected credit losses, in contrast to the previous model for incurred credit losses in IAS 39. IFRS 9 states that all assets measured at amortised cost and fair value via other comprehensive income, as well as off-balance sheet commitments including guarantees and credit obligations, must be tested for impairment. Assets that are impairment tested are divided into three categories depending on the degree of credit impairment. Avanza has developed models in order to divide the credits into three different categories. The item that for Avanza is mainly affected by a transition effect is lending to the public. The transition effect, which is reported in the table below, causes an increase in the reserve for expected credit losses. The effect is not considered material. The methodology to reach these conclusions has entailed extensive work to develop the final models for assets in lending to the public. The liquidity portfolio recognised at fair value via other comprehensive income has low credit risk for which the assumption will be made that the credit risk has not increased significantly.

Macro analysis:

The calculation of lifetime losses according to IFRS 9 is based on probability-weighted, forward-looking information. Avanza has decided to use three macroeconomic scenarios to account for the non-linear aspects of expected credit losses. The various scenarios are used to adjust the current parameters to calculate expected credit losses, and a probability-weighted average of the expected losses according to each scenario are recognised as provisions.

The calculation of impairment according to IFRS 9 requires more experience-based credit assessments than previously required by IAS 39. The use of forward-looking information increases complexity and makes provisions more dependent on management's view of the economic outlook.

Capital adequacy:

In connection with the transition to recognising the bond portfolio at fair value via other comprehensive income, the capital base increased by the difference between cost and market value at the same time that the exposure of the asset item bonds increased as well, producing an increased capital requirement for bonds. The net effect for the capital surplus is positive as long as the market value exceeds the amortised cost.

Transition effects IFRS 9

SEK m	
Shareholders' equity 31-12-2017 before transition effects	1,427
<i>Items that affect shareholders' equity at the transition to IFRS 9</i>	
Increased reserves for expected credit losses	-3
of which Lending to the public	-3
of which Bonds	-
Change in value of bonds ¹⁾	24
Revaluation of shares and participations	10
Shareholders' equity 01-01-2018 after transition effects	1,458
Provision for expected credit losses	
Accumulated reserve 31-12-2017	-8
Increased reserve due to transition	-3
Reserve after transition to IFRS 9 per 01-01-2018	-11

¹⁾ As of 1 January 2018 bonds are recognised at fair value through other comprehensive income. The amount refers to the difference between amortised cost and market value adjusted for tax as of 31 December 2017.

There has been no other significant impacts on Avanza's financial position, financial results or equity from the transition. Nor has the transition had any significant impacts on Avanza's capital adequacy, large exposures, risk management or alternative performance measures.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is the new standard for revenue recognition. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as all related interpretations (IFRIC and SIC). The standard does not apply to financial instruments, insurance contracts or leases. Under IFRS 15 revenue is recognised when the customer obtains control over sold goods or services, which replaces the previous principle where revenue was recognised when the risks and benefits had transferred to the buyer. The basic principle in IFRS 15 is that a company recognises revenue in the way that best reflects the transfer of promised goods or services to the customer. In connection with the transition to IFRS 15, a company could choose between a fully retroactive approach or forward-looking application with additional disclosures. Avanza chose a forward-looking application.

Avanza has reviewed all revenue flows and related contracts where revenue recognition is not governed by another standard, which in Avanza's case refers IAS 39/IFRS 9 with respect to revenue from financial instruments as well as IAS 17/IFRS 16 with respect to leasing. IFRS 15 applies to Avanza's commission income. Avanza has analysed the contracts based on the five steps in IFRS 15 and determined that the standard does not impact Avanza's revenue recognition. The revenue standard applies to all contracts with customers.

The principles on which IFRS 15 builds will provide users of financial statements more useful information on the company's earnings. The extended disclosure obligation means that information on types of income, time of regulation, uncertainties connected with income reporting and cash flow attributable to the company's customer contracts must be supplied.

IFRS 15 was effective as of 1 January 2018. Early application was permitted, but Avanza has not applied the standard in advance. The standard has not had a significant impact on Avanza's financial reports, capital adequacy or large exposures.

No other new or amended IFRS, IFRIC interpretations or changes as a result of IASB's annual improvement project, which entered into force on 1 January 2018, are assessed as having had any significant impact on the Group.

Accounting standards applicable in 2019 or after

The new standards, amendments to standards and statements of interpretation entering into force during the financial year 2019, or later, have not been early adopted in the preparation of the financial statements. Only those changes which are assessed as having a possible future impact on the Group are described below.

IFRS 16 Leasing

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective on 1 January 2019. Early adoption is permitted but Avanza has not applied the standard in advance.

Avanza applies the simplified transition method and the main impact on Avanza's accounts arises from the reporting of leases of premises. The effect on the opening consolidated balance sheet as of 1 January 2019 is shown in the table below.

Transition effects IFRS 16

SEK m	
Assets 31-12-2018 before transition effects	122,138
Access rights (additional asset item)	119
Assets 01-01-2019 after transition effects	122,257
Liabilities 31-12-2018 before transition effects	120,524
Leasing debt (additional debt item)	119
Liabilities 01-01-2019 after transition effects	120,643

(d) Segment reporting

A segment is a part of the Group that can be identified in accounting terms and which engages in commercial operations, which receives income and incurs costs for which independent financial information exists, and whose operating profit is monitored by the management.

Avanza's internal monitoring is conducted on the basis of the result for the Group as a whole and expenditure per cost unit. This business is connected with the customers' accounts and Avanza is guided by total customer volume rather than financial information for different product categories. The operating profit is only followed up at a group level. Avanza as a whole, therefore, constitutes a total segment in accordance with the criteria in IFRS 8.

(e) Classification

Fixed assets and long-term liabilities in the Parent Company and the Group comprise, in every significant respect, amounts that are expected to be recovered or paid more than twelve months after the closing day. Current assets and current liabilities in the Parent Company and the Group comprise, in every significant respect, amounts that are expected to be recovered or paid within twelve months of the closing day.

(f) Consolidation principles

Subsidiaries are all companies over which the Group has a controlling interest. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are included in the consolidated accounts from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts from the date on which the controlling influence ends.

The acquisition method of accounting is used for reporting the Group's business combinations. The purchase sum for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities that the Group assumes to the previous owners of the acquired company and shares issued by the Group. The purchase sum also includes the fair value of all assets and liabilities resulting from any agreement on a conditional purchase sum. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the acquisition date. For each acquisition the Group determines whether holdings without controlling influence in the acquired company should be recognised at fair value or as the proportional share of the holding in the carrying amount of the identifiable net assets of the acquired company. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the amount with which the total purchase sum and fair value of the holding without controlling influence exceed fair value of identifiable acquired assets and assumed liabilities. If the purchase sum is less than the fair value of the net assets of the acquired company, the difference is recognised directly in the income statement.

Associated companies are companies over which the Group exercises control. Control is assumed when the Group directly or indirectly holds between 20 and 50 per cent of the votes in the company. The equity method is applied once the holding has been classified as shares in associated companies. Profit shares are recognised as profit/loss from participations in associated companies.

Restrictions on the transfer of funds to the Parent Company

The subsidiaries Avanza Bank AB (publ), Försäkringsaktieföretaget Avanza Pension and Avanza Fonder AB are, in accordance with external regulations and legislative requirements, obliged to maintain a certain amount of shareholders' equity within the company, and restrictions thereby exist on the transfer of funds to the Parent Company, Avanza Bank Holding AB (publ).

Transactions eliminated on consolidation

Intra-group receivables, liabilities and transactions, including income or expenses and unrealised gains or losses arising from Intra-group transactions, are eliminated in their entirety. The accounting principles for subsidiaries have been amended as appropriate in order to guarantee the consistent application of the Group's principles.

(g) Foreign currencies

Transactions in foreign currencies are converted to Swedish kronor at the exchange rate applicable on the transaction date. Monetary assets and liabilities in foreign currencies are converted to Swedish kronor at the closing day exchange rate. Exchange rate differences arising in conjunction with the conversions are recognised in the income statement.

(h) Income

The accounting principles applied to revenue for the comparative year 2017 are shown in Note 2 Accounting principles in the annual report for 2017.

Net commission

Commission income primarily comprises brokerage, fund commissions and other commissions and is, according to IFRS 15, recognised as revenue when the customer obtains control over the sold goods or services and has the potential to use or obtain benefit from the goods or services. A customer is a party that enters into a contract with Avanza to obtain services that are the result of Avanza's ordinary activities. Brokerage is recognised as income on the transaction date. Fund commissions are received from external fund managers and essentially comprise commissions based on fund volume, which are recognised on a monthly basis. Other commissions chiefly arise from securities brokered in conjunction with new share issues, the sale of structured products and currency exchanges related to customers' securities and fund trades. Other commissions are recognised upon completion of transactions.

Commission expenses mainly consist of transaction costs directly related to brokerage income, payment commissions and mortgage administration.

Net interest income

Income from financial instruments is reported in accordance with IFRS 9. Interest income related to assets measured at amortised value and fair value via other comprehensive income is recognised in interest income in profit or loss according to the effective interest method, while other interest income is recognised in other interest income. Interest income from lending to credit institutions and to the public is recognised as income as it is earned, which implies that interest income is allocated to the period to which it refers in accordance with the effective interest method. The effective interest method is a method for calculating the amortised cost for a financial asset and for allocating interest income to appropriate periods. Bonds generate net interest income in periods with positive rates as an effect of the sum of amortisation of premiums and the coupon rate, where the coupon rate exceeds the interest expense for amortisation of premiums.

Interest expenses regarding lending to credit institutions refer to interest fees for periods with negative interest, which are expensed as incurred, meaning that interest expenses are allocated to the period to which they refer. Bonds generate net interest expenses in periods with negative rates as an effect of the sum of amortisation of premiums and the coupon rate, where the coupon rate is below the interest expense for amortisation of premiums. Interest expenses are also incurred on deposits from the public, subordinated liabilities and the deposit guarantee fee and the resolution fee, which are recognised according to the same principle.

Net result of financial transactions

Income from financial instruments is reported in accordance with IFRS 9. Profit/loss from financial transactions comprises realised and unrealised profits/loss from the sales and holdings of securities, participations and currencies. Profit/loss on assets and liabilities in the insurance operations is also reported here.

(i) Financial instruments

The accounting principles applied to financial instruments for the comparative year 2017 are shown in note 2 Accounting principles, section (i) on page 62–63, in the annual report for 2017.

Financial instruments are defined in accordance with IAS 32 as agreements that give rise to a financial asset in a company and a financial liability or equity instrument in another company. A financial asset is an equity instrument in another company or assets that entail a contractual entitlement to immediate receipt of cash or other financial asset. A financial liability is a contractual obligation to pay cash or other financial asset to another company.

A financial asset or financial liability is recognised in the Balance Sheet on the transaction date, i.e. when the company becomes party to the instrument's contractual terms. Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows expire or have essentially been transferred to a third party. Financial liabilities are derecognised when the obligation has been discharged, cancelled or expired. The same applies to any part of a financial asset or financial liability.

Financial instruments are initially recognised at the instrument's fair value, which normally corresponds to the acquisition cost plus direct transaction costs. Those instruments that fall within the category of fair value via income statement are, however, measured excluding transaction costs. Subsequent recognition is determined by the categories within which the instruments have been classified.

According to the classification and measurement requirements in IFRS 9, financial assets are classified as and measured at amortised cost, fair value via other comprehensive income or fair value via income statement. The classification is determined by a business model assessment for different groups of instruments and in a so-called SPPI test (Solely Payment of Principal and Interest), which determines whether the asset's cash flow consists solely of repayments of principal and interest. The SPPI test must be passed in order for financial instruments to be classified at amortised cost or at fair value via other comprehensive income. If the SPPI test is not passed, the financial instrument is classified at fair value via income statement.

Financial assets at fair value via income statement

Equity instruments and derivatives measured at fair value via income statement mainly consist of shares and participations, as well as interest-bearing securities held as part of insurance operations.

Interest-bearing securities held as part of insurance operations are assets used as liability coverage for the Group's insurance contracts. Agreements in which significant insurance risks are transferred from the policyholder to the underwriter are referred to as insurance agreements and recognised in accordance with IFRS 4. Agreements which have the legal form of an insurance agreement but which do not expose the underwriter to a significant insurance risk are referred to as investment agreements and recognised in accordance with IFRS 9. All insurance agreements within the Avanza Group have conditional divi-

dends in which the policyholder bears the risk of changes in value and these agreements are consequently recognised as financial agreements in accordance with IFRS 9.

Instruments are measured at fair value and have initially been identified as financial instruments at fair value via income statement less transaction costs to avoid differing valuations of insurance-related assets and liabilities. The policyholders are authorised to manage the assets themselves, while at the same time being responsible for all risks related to changes in value as a consequence of this management, which is why insurance-related assets and debts (conditional dividends) are of equal size at all times. As of 2018, there is also a minor item for outstanding claims included among insurance-related liabilities (guaranteed return), due to which total insurance-related liabilities slightly exceed insurance-related assets. The policyholders carries risk of change in value of the assets in the insurance operations corresponding to the part of liabilities in the insurance operations which regards conditional dividends, the net effect of change in value is therefore zero. Change in the remaining insurance debt, which relates to outstanding claims, is guaranteed by the insurance company.

Financial assets measured 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. Fair value is determined by using the official bid rate on the closing date. The majority of the shares pertaining to the insurance operations are included in this category.
- Level 2 – The fair value of securities without an active market is determined, initially, by obtaining pricing information from operators who quote daily prices, mainly the 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. Funds (not exchange traded) are included in this category and based on prices set by fund administrators. Bonds that are less liquid can be found at this level and are measured on the yield curve. 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 value to which a financial instrument is classified is determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety.

Financial assets at fair value via other comprehensive income

Assets measured at fair value via other comprehensive income are initially recognised in the balance sheet at fair value with addition to acquisition value costs. Following first reporting, instruments in this category are measured at fair value via other comprehensive income. Financial instruments in this category constitute covered bonds, and to a lesser extent, securities issued by the Swedish government, municipalities and county councils which are held as a part of administration of the Group's excess liquidity. The business model consists of both generating value by obtaining contractual payments or by obtaining contractual payments and through certain sales of the financial assets. The terms of the instruments mean cash flows passing the SPPI test.

Financial assets at amortised cost

This category primarily includes balances at central banks, lending to credit institutions, lending to the public, securities trading receivables, tax receivables of which the majority refers to the balance of the tax account and accounts receivable. The business model consists of generating value by obtaining contractual payments. The terms of the instruments mean cash flows passing the SPPI test.

Loan receivables and accounts receivable are measured at amortised cost less confirmed credit losses and probable write-downs. Avanza has no corporate financing or consumer credits normally associated with banking operations. Concerning loans to the public, so-called account credits have collateral in the form of securities or cash, while mortgage loans have collateral in the form of real estate.

Financial liabilities at fair value via income statement

Insurance operations liabilities excluding a provision for outstanding claims are reported in this category because corresponding assets are measured at fair value via income statement. All insurance agreements within the Avanza Group have conditional dividends in which the policyholder bears the risk of changes in value and these agreements are consequently recognised as financial agreements in accordance with IFRS 9. The liabilities have initially been identified as financial liabilities at fair value via income statementless transaction costs. The measurement is based on the fair value of the underlying assets.

Financial liabilities at amortised cost

Financial liabilities in this category refer to deposits by the public, subordinated bonds, accounts payable, securities trading liabilities and other liabilities. Interest expenses for subordinated bonds are distributed over the term of the loan applying the effective interest method.

Impairment:

IFRS 9 states that all assets measured at amortised cost and fair value via income statement, as well as off-balance sheet commitments including guarantees and credit obligations, must be tested for impairment. Assets that are impairment tested are divided into three categories depending on the degree of credit impairment according to IFRS 9. Category 1 comprises assets where there has not been a significant increase in the credit risk, category 2 comprises assets where there has been a significant increase in the credit risk, and category 3 comprises defaulted assets. Significant assets in category 3 are tested on an individual basis, while a collective assessment is made for insignificant assets. Linked to this are forward-looking scenarios where macro factors are taken into account in the categorisation.

Impairment lending to the public

Margin lending and mortgage loans are classified in categories 1–3 according to the above-mentioned changes in credit deterioration. The macro factors described below are used for forward-looking scenarios.

- Category 1: Margin lending where the borrowers abide by the current credit and account terms. Mortgages where the borrowers have made their interest payments during the latest rolling 12-month period.
- Category 2: Margin lending and mortgage loans with a significant increase in credit risk are moved from category 1 to category 2 when the following conditions are met. Margin lending where the borrowers are overleveraged, but where the value of the collateral exceeds the active liability for more than 10 days or loans that have been categorised in category 3 in the last 90 days. Mortgages where the borrowers during the latest 12-month period have had at least one violation of interest payment deadlines lasting longer than 10

days. A return to category 1 requires management according to the requirements of category 1 and a time factor with delay, which means that the mortgage is not moved immediately as the borrower again fulfills the requirements of category 1.

- Category 3: Margin lending with a significant increase in credit risk compared to category 2 are moved to category 3 when the following conditions are met. Margin lending where the borrowers are overleveraged at the same time that the value of the collateral is less than the active liability or a violation of the credit and account terms has continued for longer than 90 days. Mortgages where the borrowers during the latest 3-month period have had a violation of interest payment deadlines lasting 90 days or more. A return to category 2 requires management according to the requirements of category 1 and a time factor with delay, which means that the mortgage is not moved immediately as the borrower again fulfills the requirements of category 1. The return is always to category 2, never directly to category 1.

The provisions will be calculated as exposure upon default times the probability of default times the loss in the event of default. In category 1, the provisions correspond to expected credit losses in the coming 12 months. In categories 2 and 3, the provisions correspond to lifetime expected credit losses.

If the write-down is considered to be definitive, it is reported as a confirmed credit loss and the value of the lending and the associated provisions for credit losses are removed from the balance sheet.

Impairment lending liquidity portfolio

Avanza's portfolio of bonds, which as of 1 January 2018 is recognised at fair value via other comprehensive income, is considered to be of the highest possible credit quality with low credit risk. All bonds are market listed. The bonds are placed in category 1 and Avanza does not allocate any provisions to the reserve for expected credit losses for bonds as the portfolio as a whole has a high rating and is assessed according to the exception for holdings with low credit risk as per IFRS 9.

Macro analysis:

Avanza uses three macroeconomic scenarios with data from the National Institute of Economic Research, the Swedish Financial Supervisory Authority and the Riksbank in order to take into account the non-linear aspects of expected credit losses; a base scenario, a negative scenario and a positive scenario. The analysis uses three scenarios to determine whether there was any impact on PD (probability of default), LGD (loss given default) and EAD (exposure at default). The objective of this analysis is to impartially estimate expected credit losses in accordance with the standard.

(j) Tangible fixed assets

Tangible fixed assets are recognised in the Balance Sheet if it is likely that future economic benefits will accrue to the company and the acquisition value of the asset can be reliably calculated.

Tangible fixed assets are recognised in the Group at acquisition value after deducting accumulated depreciation and any write-downs. Acquisition value includes the purchase price and costs directly attributable to the asset. The accounting principles for depreciation and amortisation are shown below under (l) Depreciation and amortisation and the principles for write-downs under (m) Write-downs.

Tangible fixed assets are eliminated from the Balance Sheet in conjunction with retirement or disposal. Profits and losses are recognised as Other operating income/expenses.

(k) Intangible fixed assets

Intangible assets are recognised in the balance sheet if it is probable that future financial benefits will accrue to the company and the acquisition value of the asset can be calculated in a reliable way.

An intangible asset is initially measured at acquisition value when recognised in the balance sheet. After first reporting, an intangible asset is recognised in the balance sheet at acquisition value, following deduction of any accumulated amortisation and write-downs. Amortisation is applied on a straight-line basis over the asset's useful life down to an estimated residual value, and amortisation first starts when the asset can be taken into use.

The residual value and useful life of intangible assets are reassessed, regardless of whether a reduction in value is indicated, at a minimum at the end of each financial year, at which time an adjustment of the amortisation schedule and/or write-down is made as required. The accounting principles for write-downs are shown below under (m) Write-downs. Intangible assets that have not yet been taken into use are also tested annually even if there is no indication of impairment.

Goodwill

Goodwill represents the difference between the acquisition value of a business combination and the acquired fair value of assets, assumed liabilities and any contingent liabilities. Goodwill is measured at the acquisition value less any accumulated write-downs.

Development expenditure

Development expenditure comprises externally purchased services and capitalised personnel costs. Expenditures relate to the development of a trading system and other applications that will generate long-term economic advantages for the Group through either increased income or cost savings, and are recognised among assets when they arise. Capitalised development is added to the balance sheet at acquisition value less amortisation and write-downs. Amortisation of capitalised development occurs once the asset is ready and over its estimated useful life.

Development expenditure is recognised as an asset in the balance sheet when a number of criteria are met:

- the product or process is technically and commercially viable
- the Company has sufficient resources to complete development
- the Company has the ability to use or sell the intangible asset
- the acquisition cost can be calculated in a reliable manner

Avanza has marketing expenditures that are expensed immediately rather than capitalised. In other cases, development expenditure is expensed as incurred.

Customer relations

Customer relations are recognised at estimated fair value when the Group assumed risks and benefits regarding affected subsidiaries. Customer relations have a limited useful life and are recognised at acquisition value less accumulated depreciation and any write-downs.

(l) Depreciation/amortisation

Depreciation and amortisation are recognised on a straight-line basis in the income statement over the assets' estimated useful lives. The estimate useful lives are:

- computers and other technical installations 3 or 5 years
- equipment 5 years

- patents and trademarks 5 years
- development expenditure 5 years
- development expenditure trading system 10 years
- customer relations 5 years

An assessment of an asset's residual value and useful life is made annually. Intangible assets subject to amortisation are amortised from the date they become available for use.

(m) Write-downs

The carrying amounts for the Group's assets are tested each closing day to determine whether there is any indication of a write-down requirement. If any such indication exists, the asset's recoverable amount is calculated. A write-down is reported when the carrying amount of an asset exceeds the recoverable amount. A write-down is charged to the income statement. The recoverable amount of goodwill and other intangible assets with indeterminable useful lives, and intangible assets not yet ready for use, is calculated annually.

The majority of Avanza's customers are private individuals and the risk of credit losses is related to the collateral of each individual customer. Provisions for probable credit losses are reported in accordance with the paragraph Impairment in section (i) Financial instruments.

Calculation of the recoverable amount

The recoverable amount is the greater of the asset's fair value, less selling expenses, and its value in use. When calculating value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest rates and the risk associated with the specific asset. The recoverable amount for the cash-generating unit to which the asset belongs is calculated for any asset that does not generate cash flows and is significantly independent of other assets.

Reversal of write-downs

Write-downs are reversed if a subsequent increase in the recoverable amount can objectively be attributed to an event that occurred after the write-down occurred. Goodwill write-downs are not reversed.

(n) Leasing

Operational leasing implies that the financial risks and benefits associated with the ownership of an asset are retained by the lessor. Payments made during the leasing period are expensed on a straight-line basis in the income statement over the term of the lease. All of Avanza's lease agreements are operational lease agreements.

(o) Dividend paid

Dividends are recognised as liabilities once the Annual General Meeting has approved the Board's dividend proposal.

(p) Employee benefits

Pension costs refer to occupational pension premiums and special employer's contribution. Occupational pensions are obtained through defined contribution pension plans equivalent to the ITP 1 plan. Payment obligations for defined-contribution plans are expensed in the income statement as they arise. In contrast to defined benefit pensions, where the employee is guaranteed a specific predetermined pension, the value of the pension for the employee depends on the premiums that have been paid in and the returns that the investments have generated.

(q) Provisions

A provision is recognised in the Balance Sheet when the Group has an existing legal or informal obligation as a result of an event that has

occurred, and it is probable that an outflow of economic resources will be required to regulate the obligation and a reliable estimate of the amount can be made.

(r) Taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income or directly to shareholders' equity, at which point the associated fiscal effect is recognised in the corresponding manner.

Current tax is the tax payable or which is received in respect of the current year, applying the rates of taxation approved, or approved in practice, as of the closing day. This also includes adjustments of current tax attributable to previous periods.

Deferred tax is calculated using the balance sheet method on the basis of temporary differences between the recognised and fiscal values of assets and liabilities. The following temporary differences are not taken into account: temporary differences that arose in conjunction with the first reporting of goodwill, the first reporting of assets and liabilities that do not constitute business combinations and which, at the time of the transaction, did not affect either the reported or the fiscal profit/loss. The valuation of deferred tax is based on the way in which the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the rates of taxation and taxation rules approved, or approved in practice, as of the closing day. Deferred tax receivables in respect of deductible temporary differences and deficit deductions are only recognised to the extent that it is likely it will be possible to utilise them.

The subsidiary Försäkringsaktiebolaget Avanza Pension also pays a yield tax based on an approximation of the return on assets managed on behalf of policyholders. The yield tax is deducted from policyholders' assets.

(s) Pledged assets and contingent liabilities

Pledged assets consist of pledged assets for items other than liabilities in the balance sheet. Pledged assets refers mainly to Swedish credit institutions and the stock exchange. Pledged securities on behalf of customers relate partly to stock lending, where Avanza pledges security in the form of liquid assets at Swedish banks that offer Avanza customers equity loans, partly bonds at Nasdaq Stockholm to meet the security requirements of the stock exchange for customer derivative positions Avanza has, in turn, equivalent coverage in assets pledged by Avanza customers. Other pledged securities and securities primarily relate to liquid assets and obligations pledged as security for securities settlement with parties on different markets.

A contingent liability is recognised when there is a possible obligation that arises from events that have occurred and whose existence is only confirmed by one or more uncertain future events, or when there is an obligation that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required or the size of the obligation cannot be calculated with sufficient reliability.

(t) Cash flow statement

The cash flow statements for the Group and the Parent Company are prepared using the indirect method and show the payments received and made by the operating activities, investing activities and financing activities during the financial year.

Cash flows attributable to operating activities derive primarily from the Group's revenue-generating operations. The net of the operating

activities' payments received and made are calculated by adjusting the operating profit/loss for the year for items that do not affect the cash flow for changes in operating assets and operating liabilities during the period and for other items for which the effect on cash flow can be attributed to investing or financing activities. The most important types of incoming and outgoing payments attributable to the investing and financing activities are recognised separately in the cash flow statement. Amounts are reported gross.

Liquid assets

Liquid assets mainly comprise balances held with banks and equivalent institutions that can be reinvested with one day's or a maximum of one month's notice. Balances held with banks and equivalent institutions relating to assets pledged as collateral are excluded from liquid assets.

(u) The Parent Company's accounting principles

The Parent Company has prepared its Annual Report in accordance with the provisions of the Swedish Annual Accounts Act (1995:1554) and RFR 2 Accounting for legal entities of the Swedish Financial Reporting Board. Under RFR 2 the Parent Company, in its annual accounts for the legal entity, shall apply all IFRS regulations and statements approved by the EU, as far as possible, within the framework of the Swedish Annual Accounts Act and with regard to the connection between accounting and taxation. The differences between the accounting principles of the Group and the Parent Company are shown below.

The accounting principles for the Parent Company described below have been applied consistently to all periods presented in the Parent Company's financial reports.

Shares and participations in Group companies

Participations in Group companies are recognised by the Parent Company in accordance with the acquisition value method of accounting. Dividends received are recognised as income when the right to receive payment is adjudged to be certain.

Shares and participations in associated companies

Shares and participations in associated companies are recognised in the Parent Company's balance sheet, in contrast to the Group, where the value is adjusted for Avanza's share of the associated company's result (net after tax) in accordance with the equity method.

Group contributions

Group contributions from the Parent Company to subsidiaries are expensed in the income statement. The tax effect is reported in the income statement in accordance with IAS 12. Group contributions from subsidiaries are recognised in accordance with the same principles as customary dividends from subsidiaries. This means that Group contributions are reported as financial income. Tax on Group contributions is reported in accordance with IAS 12 in the income statement.

(v) Notes that have no direct reference to income statements or balance sheets:

Note 1	Corporate information
Note 2	Accounting principles
Note 35	Capital base and capital requirements
Note 36	Financial risks
Note 37	Related parties
Note 38	Important estimates and assessments
Note 39	Events after the closing day
Note 40	Proposed allocation of profit

Note 3 Revenue from contracts with customers

SEK m – The Group	2018	2017
Trading in commission-generating securities	621	602
Fund trading	327	266
Corporate services	24	35
Other commission income	140	121
Revenue from external customers	1,111	1,023
<i>Timing of revenue recognition</i>		
Service or goods transferred to customer at a specific point in time	1,111	1,023
Service or goods transferred to customer over time	–	–
Total	1,111	1,023

Avanza's customers mainly consist of private investors in Sweden, corporate customers and partners in third-party relationships. Revenue from contracts with customers largely comes from securities trading and includes profit from exchange income of SEK 127 million (100) in the lines Trading in commission-generating securities and Fund trading.

No assessments are needed that would materially affect the size or timing of the above-mentioned revenue. Nor has Avanza incurred any expenditures to secure or fulfil the contracts with customers.

No single external customer generates more than 10 per cent of the Group's revenue. Avanza offers a diversified portfolio of savings

and loans in strongly competitive markets. As a result, the Group's dependence on individual customers is limited. The largest single customer in 2018 generated brokerage income of SEK 1.7 million and interest income of SEK 1.3 million. The largest customer in the business service category generated revenue of SEK 11.7 million. In external fund trades, Avanza receives a commission from the partner and does not charge a fee to the customer. From the fund company that brokered the largest single commission in 2018 Avanza received revenue of SEK 31 million.

All operations are conducted in Sweden and both income from external customers and fixed assets are attributable to Sweden.

Note 4 Commission income

SEK m – The Group	2018	2017
Brokerage, gross	520	528
Fund commissions	301	240
Other commission income	290	255
Total	1,111	1,023

Note 5 Commission expenses

SEK m – The Group	2018	2017
Transaction costs ¹⁾	–85	–79
Payment services commissions	–49	–41
Other commission expenses ²⁾	–49	–37
Total	–183	–157

¹⁾ Costs directly related to brokerage income.

²⁾ A transfer of costs related to search engine marketing and similar services has been made from 2018. These are now reported as Other commission expenses, previously Other expenses. Historical figures and key ratios have been adjusted.

Note 6 Net interest income

SEK m – The Group	2018	2017
<i>Interest income</i>		
<i>Interest income using the effective interest method</i>		
Interest income from lending to credit institutions	4	0
Interest income from lending to the public	208	190
Total interest income using the effective interest method	212	190
<i>Other interest income</i>		
Other interest income	29	28
Total other interest income	29	28
Total interest income	241	218
<i>Interest expenses</i>		
Interest expenses for lending to credit institutions	-32	-30
Interest expenses for liabilities to credit institutions	0	0
Interest expenses for deposits from the public	-30	-22
Interest expenses for interest-bearing securities	-28	-28
Interest expenses for subordinated bond	-3	-3
Other interest expenses	-30	-27
Total interest expenses	-122	-110
Net interest income	119	108

The average lending rate to account customers during the year was 1.80 (1.90) per cent and the average deposits rate from accounts with surplus liquidity during the year was 0.00 (0.00) per cent.

Note 7 Net result of financial transactions

SEK m – The Group	2018	2017
Realised profit/loss in respect of shares, etc	2	2
Exchange rate fluctuations	0	0
Change in value of insurance operations assets	-3,483	4,755
Change in value of insurance operations liabilities	3,483	-4,755
Total	2	2

Note 8 General administration costs

SEK m – The Group	2018	2017
Personnel costs	-367	-340
Consultancy services purchased	-36	-61
Market information costs	-34	-31
Other general administration costs	-103	-57
Total	-541	-489

Note 9 Employees and personnel costs

SEK m – The Group	2018	2017
Salaries and other remuneration	-241	-223
Pension costs	-33	-29
Social insurance charges	-75	-70
Other staff overhead	-17	-19
Total personnel costs	-367	-340

The Group has no employees outside Sweden. At the end of the year there was a total of 422 (390) Group employees. Normal employment terms comprise salary and benefits. Pension costs refer to occupa-

tional pension premiums and special employer's contribution. Occupational pensions, through defined contribution pension plans, are obtained for all employees over 25 years.

Salaries, other remuneration and social insurance charges

SEK m	2018		2017	
	Salaries and other remuneration	Social insurance charges (of which pension costs)	Salaries and other remuneration	Social insurance charges (of which pension costs)
The Group	241	109	223	99
		(33)		(29)
of which the Board of Directors and senior executives	24	15	22	12
		(7)		(5)
Parent Company	8	4	9	3
		(1)		(1)
of which the Board and CEO	6	3	6	2
		(1)		(1)

Average no. employees	2018		2017	
	No. employees	Of whom, men	No. employees	Of whom, men
Parent Company	3	1	2	1
Subsidiaries	403	268	381	257
Total	406	269	383	258

2018 SEK thousand – The Group	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Total
Chairman of the Board	425	–	–	425
Members of the Board	2,693	–	–	2,693
CEO	6,435	–	2,632	9,067
Deputy CEO	2,289	–	1,076	3,365
Other senior executives	12,567	–	3,338	15,904
Total	24,409	–	7,045	31,454

2017 SEK thousand – The Group	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Total
Chairman of the Board	371	–	–	371
Members of the Board	1,873	–	–	1,873
CEO	3,160	1,025	1,260	5,445
of which remuneration to the CEO for the period 1 Jan–5 Nov	2,296	413	756	3,466
Deputy CEO ¹⁾	1,730	697	654	3,082
of which remuneration to the CEO for the period 1 Jan–31 Mar	439	108	175	723
Other senior executives	9,595	3,247	3,133	15,976
Total	16,729	4,970	5,047	26,746

SEK thousand – Parent Company	2018		2017	
	Directors' fees	Other remuneration	Directors' fees	Other remuneration
Board members				
Sven Hagströmer	425	–	371	–
Sophia Bendz	338	–	292	–
Viktor Fritzen	323	–	–	–
Jonas Hagströmer	338	–	292	–
Birgitta Klasén	506	–	334	–
Mattias Miksche	368	–	292	–
Hans Toll	446	–	334	–
Jacqueline Winberg	377	–	330	–
Total	3,118	–	2,244	–

The Board of Avanza Bank Holding AB (publ) has 8 (7) members, 5 (4) of whom are men.

Information regarding senior executives

The term, senior executive, refers to the CEO and 8 (6) other persons at the end of the year who hold senior positions. Together, they make up the Group Management. There were 10 (8) senior executives in the Group during the year, 4 (4) of whom were men. For the composition of the Group Management at the end of the financial year, see page 46–47.

Remuneration to senior executives during the financial year

Fees have been paid to the Chairman of the Board and Board Members in accordance with the resolutions of the 2018 Annual General Meeting. The Chairman of the Board has not received any remuneration in addition to Director's fees.

Remuneration to the CEO and other senior executives has, in accordance with Avanza's guidelines, comprised basic salary and variable remuneration. Deferred variable remuneration that has not fallen due for payment amounts to SEK 7.5 million, (SEK 8.3m) of which SEK 1.9 million (SEK 3.9 million) was paid to the CEO who left his position. The amount has, however, been reported as an expense for the financial year the remuneration refers to. The expensed variable remuneration to senior executives in 2018 totalled SEK – million (SEK 5.0m), of which SEK – million (SEK 0.7m) to the deputy CEO and SEK – million (SEK 1.0m) to the CEO. Remuneration to the CEO for the 2018 financial year has been prepared by the Board's Remuneration Committee and decided by the Board of Directors.

Remuneration to other senior executives has been decided by the Board of Directors after recommendations by the CEO and the

Board's Remuneration Committee. Variable remuneration for 2018 for the CEO and other senior executives has been reduced to SEK 0, in line with several departments within the company that have stopped paying variable remuneration. Fixed salary has been adjusted in connection with a review of the company's remuneration structure. Based on the variable remuneration paid in recent years, the change means lower costs and greater predictability.

The CEO has a 6-month period of notice if he terminates his employment contract himself, and a severance pay corresponding to 12 monthly salaries if the contract is terminated by the company. The period of notice for other senior executives if they themselves terminate their contracts of employment is 6 months, and 6 months if the contracts of employment are terminated by the company. There are no severance pay agreements for other senior executives. The retirement age for the CEO and other senior executives is 65. Avanza has no pension commitments for senior executives.

Members of the Group Management have during the year acquired warrants, on market terms in accordance with the warrant programme approved by the the Annual General Meeting held on 20 March 2018. The total remuneration paid to members of the Group Management is on market terms.

Details of the company's remuneration policy are provided on the corporate web investors.avanza.se/en.

Financial instruments, warrants

Subsidiary programme 2016–2019		Warrants		Market value	
SEK thousand	Number	Value ¹⁾	Acquisition	Benefit	31-12-2018
CEO	–	–	–	–	–
Other senior executives	90,280	1,451	1,451	–	4,322
Total	90,280	1,451	1,451	–	4,322

Subsidiary programme 2017–2020		Warrants		Market value	
SEK thousand	Number	Value ¹⁾	Acquisition	Benefit	31-12-2018
CEO	10,000	174	174	–	440
Other senior executives	61,870	1,077	1,077	–	2,725
Total	71,870	1,251	1,251	–	3,165

Subsidiary programme 2018–2021		Warrants		Market value	
SEK thousand	Number	Value ¹⁾	Acquisition	Benefit	31-12-2018
CEO	10,000	367	367	–	494
Other senior executives	36,380	1,337	1,337	–	1,798
Total	46,380	1,704	1,704	–	2,292

¹⁾ Market value on acquisition date

Subsidiary programmes were acquired at market price in August 2016, August 2017 and August 2018 respectively. The market value

has been calculated in accordance with the Black & Scholes valuation model, see note 30 Equity where terms and exercise prices also appear.

Note 10 Auditors' fees and reimbursement of expenses

SEK thousand – The Group	2018	2017
Öhrlings PricewaterhouseCoopers		
Audit engagements	-2,125	-2,208
Audit business over and above audit engagements	-896	-516
Tax consultancy	-69	-96
Other services	-112	-460
Total	-3,202	-3,280
SEK thousand – Parent Company		
Öhrlings PricewaterhouseCoopers		
Audit engagements	-396	-383
Audit business over and above audit engagements	-436	-392
Other services	-25	-
Total	-857	-775

The term, audit engagement, refers to the auditing of the Annual Report and the bookkeeping and of the administration by the Board of Directors and the CEO, to other duties incumbent upon the company's

auditors, and to the provision of advice or other assistance occasioned by observations in conjunction with such audits or the performance of other such duties.

Note 11 Leasing charges for operational leasing

SEK m – The Group	2018	2017
<i>Assets held via operational leasing agreements (refers to leasing of premises)</i>		
Minimum leasing charges	-30	-20
Total leasing costs	-30	-20
<i>Agreed future minimum leasing charges in respect of uncancellable contracts and which fall due for payment:</i>		
Within one year	-33	-28
Between one and five years	-86	-144
Later than five years	-	-
Total	-119	-172

Note 12 Other operating expenses

SEK m – The Group	2018	2017
Marketing costs ¹⁾	-17	-19
Other operating expenses ²⁾	-52	-15
Total	-69	-34

¹⁾ A transfer of costs related to search engine marketing and similar services has been made from 2018. These are now reported as Other income, previously, Marketing expenses. Historical figures and key ratios have been adjusted.

²⁾ 2018 including the Swedish Financial Supervisory Authority decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension.

Note 13 Credit losses, net

SEK m – The Group	2018	2017
Year's write-down of confirmed credit losses	0	0
Year's write-down of expected credit losses	-1	0
Total	-1	0

Reported credit losses in 2018 are attributable to new models used to calculate expected credit losses according to IFRS 9. See Note 2 Accounting principles, section (c), for information on the transition to IFRS 9 with respect to the methodology for provisions for expected credit losses.

Note 14 Profit/loss on group participations

SEK m – Parent Company	2018	2017
Dividend received (2018 anticipated)	267	248
Group contribution received	17	17
Group contribution paid	0	0
Total	284	264

Note 15 Tax on profit/loss for the year

SEK m	The Group		Parent Company	
	2018	2017	2018	2017
<i>Current tax expense (-)/tax income (+)</i>				
Tax expense (-)/tax income (+) for the period	-69	-63	0	0
Total current tax	-69	-63	0	0
<i>Deferred tax expense (-)/tax income (+)</i>				
Deferred tax in respect of temporary differences	0	0	-	-
Total deferred tax	0	0	-	-
Total reported tax expense	-69	-63	0	0
<i>Reconciliation of effective tax</i>				
Profit/loss before tax	418	441	267	248
Tax at current rate of taxation	22.0 %	22.0 %	22.0 %	22.0 %
Non-deductible costs	2.6 %	0.2 %	0.0 %	0.0 %
Non-taxable income	-0.1 %	-0.1 %	-22.0 %	-22.0 %
Other tax base in insurance operations	-8.9 %	-8.1 %	-	-
Other	0.9 %	0.0 %	-	-
Effective tax	16.5 %	14.1 %	0.0 %	0.0 %
Deferred tax in temporary differences				
SEK m - The Group			31-12-2018	31-12-2017
Deferred tax receivable			2	0
Deferred tax liability			-	-
Net			2	0

The temporary differences refer to depreciation of computers which are, for accounting purposes, depreciated over three years, and for tax purposes, over five years. There are no loss carry forwards in the Group.

Note 16 Earnings per share

SEK - The Group	2018	2017
Earnings per share	11.60	12.66
Earnings per share after dilution	11.57	12.66

Avanza's outstanding warrant programmes comprise a total of 1,390,000 shares divided among three programmes, each of which expires in three years: 2016–2019 the exercise price of which is SEK 375.52 per share, 2017–2020 the exercise price of which is SEK 430.33 per share, and 2018–2021 the exercise price of which is SEK 504.30 per share.

The market price, as of 31 December 2018 was SEK 423.60. The total dilution effect is just under five per cent, if fully exercised. For more information, see Note 30 Equity.

Number of shares	2018	2017
Average no. shares before dilution	30,086,431	29,889,744
Average no. shares after dilution	30,165,484	29,889,744
Outstanding no. shares before dilution	30,272,996	29,996,222
Outstanding no. shares after dilution	30,328,613	29,996,222
No. shares on full dilution	31,662,996	31,426,222

Note 17 Lending to credit institutions

The Group

Client fund receivables, attributable to banking business, amount to SEK 1,575 million (SEK 1,199m) which are reported net against client fund payables of SEK 1,575 million (SEK 1,199m).

Note 18 Lending to the public

SEK m – The Group	31-12-2018	31-12-2017
<i>Account credit with collateral in the form of:</i>		
– securities	4,361	4,179
– mortgage (Stabelo AB)	–	43
<i>Mortgage loans with collateral in the form of:</i>		
– houses	3,895	3,397
– tenant-owned apartments	2,086	1,887
Total	10,339	9,507

Lending to the public is secured through securities and real estate. SEK 6,979 million (SEK 6,466m) in mortgage loans had been granted as of 31-12-2018, of which SEK 998 million (SEK 1,182m) was commitment for granted, undisbursed mortgage loans. The credit facility to Stabelo AB was terminated during the second quarter of 2018. Lending to the public is reported after deduction of confirmed and expected credit losses. As of 31 December 2018, the provision for expected

credit losses amounted to SEK 12 million (8), of which SEK 3 million related to an adjustment due to the transition to IFRS 9 and SEK 1 million to the change in the accumulated provision for expected credit losses calculated according to the new methodology in IFRS 9; see table below. See also Note 36 Financial risks and Note 2 Accounting principles, section (c).

Provisions for expected credit losses

SEK m – The Group	31-12-2018	31-12-2017
Reserve at beginning of year	–8	–8
Adjustment from 1 January 2018 as a result of the transition to IFRS 9	–3	–
Provision for expected losses	–1	0
Provisions at end of year	–12	–8

SEK m – The Group	Mortgage loans 31-12-2018		Margin lending 31-12-2018		Mortgage loans 01-01-2018		Margin lending 01-01-2018	
	Lending	Reserve	Lending	Reserve	Lending	Reserve	Lending	Reserve
Category 1	5,252	0	4,288	–1	5,004	–1	4,217	–2
Category 2	694	–2	74	0	272	0	5	0
Category 3	35	0	8	–8	9	0	8	–8
Total	5,981	–3	4,369	–9	5,285	–1	4,230	–10

Note 19 Bonds

SEK m – The Group	31-12-2018	31-12-2017
Issued by municipalities	606	455
Issued by credit institutions	16,352	13,965
Total	16,958	14,420

SEK m – The Group	31-12-2018	31-12-2017
Bonds, quoted	16,958	14,420
Total	16,958	14,420

As of 31 december 2018 SEK 1,679 million (SEK 1,550m) of bonds were pledged as collaterals. All bonds can be pledged to the Riksbank and are traded OTC in which indicative prices are published on Bloomberg. All covered bonds issued by banks have the highest bond rating with Standard & Poor's, AAA, or Moody's, Aaa. The bonds are placed in category 1 and Avanza does not allocate any provisions for expected credit losses, since the portfolio qualifies for the exemption for low credit risk holdings in accordance with IFRS 9.

Note 20 Shares and participations

SEK m – The Group	31-12-2018	31-12-2017
Shares and participations, quoted	1	1
Shares and participations, unquoted ¹⁾	–	21
Total	1	22

¹⁾ Stabelo Group AB, which Avanza has owned an interest in since 2017, completed at the end of 2018 a new share issue, in connection with which Avanza increased its holding to nearly 30 per cent. Stabelo is therefore classified as an associated company in Avanza's accounts as per 31-12-2018.

Note 21 Participation in associated companies

SEK m	Corporate ID no	Main business location	No. of shares	% of shares	The Group		The Parent Company	
					31-12-2018	31-12-2017	31-12-2018	31-12-2017
Associated companies								
Stabelo Group AB	559030-7996	Stockholm	2,254	29.8	116	–	117	–
Total					116	–	117	–

The partnership with Stabelo is a strategic investment that creates opportunities to offer Avanza's customers mortgages without negotiations or other commitments, financed by large pension and insurance companies. The investment is measured according to the equity method, and Avanza's share of Stabelo's profit/loss is included in the consolidated accounts. The holding is the same as the share of voting rights.

In connection with the transition to IFRS 9, the holding in Stabelo Group AB (then Shares and participations) was revalued from SEK

21 million as of 31 December 2017 to SEK 31 million as of 1 January 2018, as indicated in the table "Changes in the Group's shareholders' equity" regarding transition effects. In 2018, the holding in Stabelo Group AB increased with SEK 46 million to nearly 30 per cent of the shares, after which the holding was reclassified to Shares and participations in associated companies. A market valuation of the holding in connection with the additional acquisition led to an increase in book value of SEK 40 million which affected the Parent Company's and the Group's comprehensive income.

Note 22 Assets and liabilities in insurance operations

SEK m – The Group	31-12-2018	31-12-2017
<i>Financial assets in insurance operations</i>		
Shares and participations	74,471	75,942
Interest-bearing securities	2,359	2,302
Liquid assets	9,627	7,797
Total	86,457	86,041
<i>Financial liabilities in insurance operations</i>		
Conditional bonus	86,457	86,041
Provision for outstanding claims	1	–
Total	86,458	86,041

All assets in insurance operations refer to assets for which the policyholders carry direct investment risk. Corresponding liabilities in insurance operations refer to conditional bonuses for which the policyholders bear the direct risk. This means that the policyholders receive yields but also cover the risk entailed by the insurance operations assets and liabilities.

The Group has no entitlement to the cash flow attributable to invested funds. Both assets and liabilities (conditional dividends) are valued at fair value via the Income Statement. The net effect on profit/loss of unrealised changes in value, realised changes in value, interest and dividends received and premiums paid and changes in value of the liability is zero.

Note 23 Intangible fixed assets

SEK m – The Group	31-12-2018	31-12-2017
Goodwill		
<i>Acquisition values</i>		
At beginning of year	26	26
At end of year	26	26
<i>Write-downs</i>		
At beginning of year	–3	–3
At end of year	–3	–3
Carrying amount at end of year	23	23
Other intangible assets		
<i>Acquisition values</i>		
At beginning of year	96	66
Year's investments	4	30
At end of year	100	96
<i>Depreciation</i>		
At beginning of year	–31	–27
Year's depreciation	–8	–4
At end of year	–39	–31
Carrying amount at end of year	61	65
Total intangible fixed assets	84	88

Goodwill in the Group derives from the acquisitions in 2001 of parts of the operations now conducted within the Group and totalling SEK 23 million. No write-down requirement has been identified in this year's impairment testing. The banking operations' profit/loss exceeds the goodwill value by a good margin on a per year basis.

Other intangible assets consist of software licenses and customer relationships from the acquisition of Placera Media Stockholm AB, which are fully amortized, and capitalized development costs of SEK 72 million for a new trading system, which was reprocessed in 2014–2018, of which SEK 3.5 million in 2018. Depreciation of the trading system began in the end of 2017 and the depreciation schedule is 10 years.

Note 24 Tangible fixed assets

SEK m – The Group	31-12-2018	31-12-2017
<i>Acquisition values</i>		
At beginning of year	106	86
Year's investments	21	20
Year's disposals	-20	0
At end of year	107	106
<i>Write-downs</i>		
At beginning of year	-76	-68
Year's depreciation	-11	-8
Year's disposals	20	0
At end of year	-67	-76
Carrying amount at end of year	40	30

Note 25 Other assets

SEK m – The Group	31-12-2018	31-12-2017
Securities trading receivables	347	316
Current tax assets	3,540	3,612
Deferred tax assets	2	0
Other	214	185
Total	4,104	4,113

Note 26 Prepaid costs and accrued income

SEK m – The Group	31-12-2018	31-12-2017
Prepaid costs	28	19
Accrued income	193	149
Total	221	168

Note 27 Other liabilities

SEK m – The Group	31-12-2018	31-12-2017
Tax deduction	3	2
Securities trading liabilities	259	340
Accounts payable	13	15
Current tax liabilities	0	0
Other	233	187
Total	508	544

Note 28 Accrued costs and prepaid income

SEK m – The Group	31-12-2018	31-12-2017
Personnel-related liabilities	48	54
Other	94	53
Total	142	107

Note 29 Subordinated liabilities

SEK m – The Group	31-12-2018	31-12-2017
Dated subordinated liabilities	100	99
Total	100	99

Interest rates	Nominal amount	Maturity date
Quarterly coupon rate STIBOR 3M + 3 % annualy	100	10-12-2025

The term is 10 years. The subordinated bond has a built-in call option, where Avanza has the right, but is not required, to buy back the bond at its nominal value of SEK 100 on the call date, i.e. 5 years after issuance.

Note 30 Equity

As of 31 December 2018, the registered share capital comprised 30,272,996 (29,996,222) ordinary shares with a quotient value of SEK 2.50 per share. During 2018, Avanza did not repurchase any of its own shares. Retained profit, including net profit/loss for the year, includes profits earned in the Parent Company and its subsidiaries.

Warrants

The warrant programme comprises 1,390,000 warrants, representing dilution of approximately five per cent, if fully exercised. Of these warrants, 867,770 were transferred to employees. The warrant programme is divided into three sub-programmes and the total warrant programme runs from August 2016 to September 2021.

- Outstanding warrants 2016–2019 grant entitlement to subscribe to a total of 490,000 shares at an exercise price of SEK 375.52 per share. The expiration date is 2 September 2019. The warrants may be exercised from 26 August 2019 to 2 September 2019.
- Outstanding warrants 2017–2020 grant entitlement to subscribe to a total of 450,000 shares at an exercise price of SEK 430.33 per share. The expiration date is 30 August 2020. The warrants may be exercised from 26 August 2020 to 30 August 2020.
- Outstanding warrants 2018–2021 grant entitlement to subscribe to a total of 450,000 shares at an exercise price of SEK 504.30 per share. The expiration date is 2 September 2021. The warrants may be exercised from 27 August 2021 to 2 September 2021.

The warrant programme 2015–2018 had an exercise period from 27 August 2018 to 3 September 2018. The exercise price was SEK 391.60 per share. A total of 276,774 shares were available for subscription. 276,774 shares were subscribed for and all such shares have been issued.

All warrants are issued on market terms, with the Black & Scholes model being applied to determine the value. In applying the Black & Scholes model, the following parameters have been applied:

- Risk-free interest – defined as the interest on a government bond with the same maturity as the warrant
- Exercise price – according to the resolution of the Annual General Meeting, this has been determined as 120–130 per cent of the weighted average of the share price over a period determined by the General Meeting
- Volatility – based on the historical volatility of the Avanza Bank Holding's share on the stock exchange
- Dividend – consideration has been given to the estimated dividend that will be paid during the term of the option
- Liquidity discount 30 per cent – a discount for illiquidity has been applied due to the fact that the options are not traded on an active market

Parent Company	No. outstanding shares
31-12-2017	29,996,222
Warrants issue due to exercise of share warrants	276,774
31-12-2018	30,272,996

Note 31 Shares and participations in Group companies

SEK m – Parent Company	31-12-2018	31-12-2017
<i>Acquisition value</i>		
At beginning of year	415	415
Shareholder contribution paid (Avanza Fonder AB)	8	–
At end of year	423	415
<i>Accumulated write-downs</i>		
At beginning of year	–7	–7
At end of year	–7	–7
Carrying amount at end of year	417	409

Subsidiary ¹⁾	Corporate ID no	Registered office	No. shares	% of shares	Book value, SEK m
Avanza Bank AB (publ) ²⁾	556573-5668	Stockholm	550,000	100	366
Avanza Fonder AB	556664-3531	Stockholm	31,000	100	12
Försäkringsaktiefbolaget Avanza Pension	516401-6775	Stockholm	350,000	100	39
Placera Media Stockholm AB	556642-9592	Stockholm	1,000	100	0
Avanza Förvaltning AB	556840-0286	Stockholm	50,000	100	0
Total					417

¹⁾ Unquoted securities.

²⁾ Holdings in credit institutions.

Note 32 Terms for assets and liabilities

Remaining term (undiscounted cash flows)

31-12-2018 SEK m – The Group	Upon request	<3 months	3–12 months	1–5 years	>5 years	Perpetual	Total
<i>Assets</i>							
Balances at central banks	2,907	–	–	–	–	–	2,907
Lending to credit institutions	914	–	–	–	–	–	914
Lending to the public	–	4,361	–	–	5,978	–	10,339
Bonds	–	1,320	2,985	12,387	–	–	16,692
Shares and participations	–	–	–	–	–	1	1
Shares and participations in associated companies	–	–	–	–	–	116	116
Assets in insurance operations ¹⁾	–	43,327	101	5,112	37,917	–	86,457
Intangible assets	–	–	–	–	–	84	84
Tangible fixed assets	–	–	–	–	–	40	40
Other assets	–	4,104	–	–	–	–	4,104
Prepaid costs and accrued income	–	221	–	–	–	–	221
Total assets	3,821	53,333	3,086	17,499	43,895	241	121,875
<i>Liabilities</i>							
Deposits by the public	33,317	–	–	–	–	–	33,317
Liabilities in insurance operations ¹⁾²⁾	–	43,327	101	5,112	37,917	1	86,458
Other liabilities	–	508	–	–	–	–	508
Accrued costs and prepaid income	–	142	–	–	–	–	142
Subordinated liabilities ³⁾	–	1	2	13	106	–	122
Total liabilities	33,317	43,978	103	5,125	38,023	1	120,547

¹⁾ 100 per cent of the distribution of endowment insurance terms is within <3 months. 2 per cent of the terms for endowment pensions are within <3 months, 4 per cent are between 3–12 months, 74 per cent are of 1–5 years and 20 per cent are >5 years. 15 per cent of private pension insurance terms are 1–5 years and 85 per cent are >5 years. 8 per cent of the terms for occupational pensions are 1–5 years and 92 per cent are >5 years.

²⁾ See also the section on Liquidity risks in Note 36 Financial risks.

³⁾ Interest payments during the entire duration are calculated using STIBOR 3M + 3 %.

31-12-2017 SEK m – The Group	Upon request	<3 months	3–12 months	1–5 years	>5 years	Perpetual	Total
<i>Assets</i>							
Lending to credit institutions	1,731	–	–	–	–	–	1,731
Lending to the public	–	4,180	43	–	5,284	–	9,507
Bonds	–	1,039	4,211	9,023	–	–	14,273
Shares and participations	–	–	–	–	–	22	22
Assets in insurance operations ¹⁾	–	46,695	108	4,628	34,610	–	86,041
Intangible assets	–	–	–	–	–	88	88
Tangible fixed assets	–	–	–	–	–	30	30
Other assets	–	4,113	–	–	–	–	4,113
Prepaid costs and accrued income	–	168	–	–	–	–	168
Total assets	1,731	56,195	4,362	13,651	39,894	140	115,973
<i>Liabilities</i>							
Deposits by the public	27,901	–	–	–	–	–	27,901
Liabilities in insurance operations ¹⁾²⁾	–	46,695	108	4,628	34,610	–	86,041
Other liabilities	–	544	–	–	–	–	544
Accrued costs and prepaid income	–	107	–	–	–	–	107
Subordinated liabilities	–	1	3	17	107	–	128
Total liabilities	27,901	47,347	111	4,645	34,717	–	114,721

¹⁾ 100 per cent of the distribution of endowment insurance terms is within <3 months. 2 per cent of the terms for endowment pensions are within <3 months, 4 per cent are between 3–12 months, 73 per cent are of 1–5 years and 21 per cent are >5 years. 15 per cent of private pension insurance terms are 1–5 years and 85 per cent are >5 years. 7 per cent of the terms for occupational pensions are 1–5 years and 93 per cent are >5 years.

²⁾ See also the section on Liquidity risks in Note 36 Financial risks.

Note 33 Financial instruments

Classification of financial information

31-12-2018 SEK m – The Group	Fair value via Income Statement	Amortised cost	Fair value via Other com- prehensive income	Non financial instruments	Total
<i>Assets</i>					
Balances at central banks	–	2,907	–	–	2,907
Lending to credit institutions	–	914	–	–	914
Lending to the public	–	10,339	–	–	10,339
Bonds	–	–	16,958	–	16,958
Shares and participations	1	–	–	–	1
Shares and participations in associated companies	–	–	116	–	116
Assets in insurance operations	86,457	–	–	–	86,457
Intangible assets	–	–	–	84	84
Tangible fixed assets	–	–	–	40	40
Other assets	–	4,104	–	0	4,104
Prepaid costs and accrued income	–	193	–	28	221
Total assets	86,457	18,456	17,074	152	122,138
<i>Liabilities</i>					
Deposits by the public	–	33,317	–	–	33,317
Liabilities in insurance operations	86,457	–	–	1	86,458
Other liabilities	–	508	–	0	508
Accrued costs and prepaid income	–	59	–	83	142
Subordinated liabilities	–	100 ¹⁾	–	–	100
Total liabilities	86,457	33,983	–	84	120,524

¹⁾ The fair value corresponds with the book value.

Financial instruments valued at fair value

31-12-2018 SEK m – The Group	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	42,345	0	0	42,345
Fund units	1,067	31,060	–	32,127
Bonds and other interest-bearing securities	18,545	476	–	19,022
Other securities	252	43	–	295
Liquid assets	–	–	–	9,627
Total assets	62,208	31,580	0	103,415
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	86,457	–	86,457
Total liabilities	–	86,457	–	86,457

SEK m – The Group

	Level 3
31-12-2017	21
Change in value	0
Reclassification	–21
Sale	0
31-12-2018	0

Classification of financial information

31-12-2017 SEK m – The Group	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non financial instrument	Total
<i>Assets</i>						
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	86,041	–	–	–	–	86,041
Intangible assets	–	–	–	–	88	88
Tangible fixed assets	–	–	–	–	30	30
Other assets	–	–	4,112	–	0	4,113
Prepaid costs and accrued income	–	7	142	–	19	168
Total assets	86,063	14,427	15,492	–	137	116,120
<i>Liabilities</i>						
Deposits by the public	–	–	–	27,901	–	27,901
Liabilities in insurance operations	86,041	–	–	–	–	86,041
Other liabilities	–	–	–	544	0	544
Accrued costs and prepaid income	–	–	–	49	59	107
Subordinated liabilities	–	–	–	99 ²⁾	–	99
Total liabilities	86,041	–	–	28,593	59	114,693

¹⁾ The fair value amounts to SEK 13,263 million, of which SEK 13,263 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, see Note 2 Accounting principles chapter (i) Financial instruments.

²⁾ The fair value amounts to SEK 100 million.

Financial instruments valued at fair value

31-12-2017 SEK m – The Group	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	43,623	0	21	43,644
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	60,872	31,824	21	100,514
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	86,041	–	86,041
Total liabilities	–	86,041	–	86,041

SEK m – The Group	Level 3
31-12-2016	5
Change in value	0
Purchase	16
Sale	0
31-12-2017	21

Fair value

In the case of financial instruments reported at accrued acquisition cost, incurring variable interest, or with short maturities, the carrying amount and fair value are equal. Fair value of lending to the public with financial instruments or housing as collateral is estimated to be the same as book value.

The fair value of those financial instruments reported at fair value through profit and loss, primarily comprising assets within the insurance operations, is determined on the basis of the listed bid prices for the instruments in question on the closing date. If no active market

exists, the valuation methods described in Note 2 Accounting principles, are applied. The value of liabilities within the insurance operations is indirectly linked to the value of assets, for which reason all liabilities pertaining to the insurance operations are reported at level 2.

During the year, 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.

Not 34 Pledged assets and contingent liabilities

SEK m – The Group	31-12-2018	31-12-2017
<i>Pledged assets on behalf of customers</i>		
Stock lending	153	153
Collateral requirement, Nasdaq derivatives	459	484
Nasdaq Default fund	21	28
<i>Other pledged collateral and security</i>		
Nasdaq OMX MRAH	2	2
Securities liquidation, Euroclear	668	511
Securities liquidation, EMCF	200	200
The Riksbank clearing	–	20
The Riksbank	200	201
Total pledged assets	1,703	1,600

Pledged assets

Pledged assets total SEK 1,703 million (SEK 1,600m) which refers mainly to credit institutions and the stock exchange. The pledged assets are comprised of cash and cash equivalents of SEK 24 million (SEK 50m) and bonds of SEK 1,679 million (SEK 1,550m).

Pledged securities on behalf of customers relate partly to stock lending, where Avanza pledges security in the form of liquid assets at Swedish banks that offer Avanza customers stock lending, and partly to bonds at Nasdaq Stockholm to meet the security requirements of the stock exchange for customer derivative positions. Avanza has, in turn, equivalent coverage in assets pledged by Avanza customers.

Other pledged collateral and securities primarily relate to liquid assets, and obligations pledged as security for securities settlement with parties on different markets. These funds are held on account in Swedish banks and arise as a consequence of the security requirements, calculated for participants in the settlement of trades via a central clearing counterpart. The Riksbank clearing relates to securities for the settlement of transactions via Dataclearing.

Contingent liabilities

Avanza has no contingent liabilities as per 31 December 2018.

SEK m – Parent Company	31-12-2018	31-12-2017
Pledged assets	None	None
Contingent liabilities	None	None

Note 35 Capital base and capital requirements

Information on capital adequacy regarding the Conglomerate, the Consolidated situation and Avanza Bank AB (publ)

Information on Avanza's capital adequacy in this note relates to information that must be published in accordance with 6 chap. 3-4 §§ Swedish Financial Supervisory Authority's provisions and general advice (FFFS 2008:25) on annual reports of credit institutions and securities firms and that relates to information in articles 92, 436, 437 and 438 in regulation (EU) no 575/2013 and of 8 chap. 7 § of the Swedish Financial Supervisory Authority provisions and general advice (FFFS 2014:12) on prudential requirements and capital buffers and column a appendix 6 in Commission implementing regulation (EU) no. 1423/2013. Other information, that is mandatory in accordance with FFFS 2014:12 and regulation (EU) no 575/2013, is available at the Avanza website investors.avanza.se/en.

The conglomerate's capital base and capital requirements

In 2008, the Swedish Financial Supervisory Authority ruled that Avanza Bank Holding AB (publ) (Corporate Identity Number 556274-8458) and its subsidiary companies constitute a financial conglomerate. The financial conglomerate comprises all companies within the Group. The Solvency 2 rules took effect on 1 January 2016, as a result of which the conglomerate's largest sector is insurance. Previously, the banking and securities sector was the largest sector. 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.

The conglomerate's capital base and capital requirements have been calculated using the consolidation method. The conglomerate's capital base must cover the prescribed minimum capital requirements as regulated in regulation (EU) no 575/2013 and the solvency requirements regulated in the Swedish Insurance Operations Act. The regulations help boost the Group's resilience to unforeseen financial losses and thereby protect customers. The Swedish Financial Conglomerates Special Supervision Act (2006:531) and the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2011:26) concerning special supervision of financial conglomerates apply when determining the statutory capital requirement of the financial conglomerate. The conglomerate's capital base complies with financial conglomerate's capital requirements.

The Board of Directors resolved in 2015 to strengthen the capital base, and a 10-year, SEK 100 million subordinated bond was issued in December 2015. The first day of trading on Nasdaq Stockholm was 3 February 2016.

SEK m – The financial conglomerate	31-12-2018	31-12-2017
Capital base		
Shareholders' equity, the Group	1,614	1,427
Proposed/assumed dividend	-318	-315
Shareholders' equity, financial conglomerate (Tier 1 capital)	1,296	1,112
<i>Additional</i>		
Solvency capital ¹⁾	909	2,523
Subordinated bond ²⁾	74	99
<i>Less</i>		
Intangible fixed assets	-84	-88
Deferred tax receivables	0	0
Total capital base	2,195	3,646
Capital base per sector		
Capital base for regulated units in the insurance sector	1,071	2,683
Capital base for regulated units within the banking and securities sector	1,124	963
Total capital base	2,195	3,646
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector ¹⁾	-771	-1,563
Capital requirement for regulated units within the banking and securities sector ³⁾	-859	-790
of which additional buffer requirement ³⁾	-293	-254
of which additional Pillar 2 requirement	-83	-81
Total capital requirement	- 1,629	- 2,352
Capital surplus	566	1,293
Capital base/Capital requirement	1.35	1.55

¹⁾ In 2018 insurance technical guidelines and the basis for actuarial calculation, as well as assumptions, have been adjusted, resulting in a change in solvency capital and solvency capital requirements as of 31-12-2018. Figures as per 31-12-2017 have not been recalculated.

²⁾ A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. As a result, Avanza Bank's subordinated bond of SEK 100 million can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement. Eligible Tier 2 capital thus amounts to SEK 74 million. If the same interpretation had been made as of 31 December 2017, eligible Tier 2 capital would have decreased by SEK 18 million, from SEK 99 million to SEK 81 million.

³⁾ At year-end 31-12-2017 Avanza calculated a capital requirement for a credit facility to Stabelo AB. During 2018 a reinterpretation of the rules was made which increased the risk-weight from 35 to 100. The reinterpretation has been reported to the Swedish Financial Supervisory Authority. The credit facility was terminated during the second quarter of 2018.

The consolidated situation's and Avanza Bank AB's (publ) capital base and capital requirements

Here, consolidated situation means Avanza Bank Holding AB (publ) and the subsidiaries Avanza Bank AB (publ) ("Avanza Bank") and Avanza Fonder AB.

The following applies to ratification of statutory capital requirements for the consolidated situation and the institution Avanza Bank: Act (2014:968) on specific inspection of credit institutions and securities companies, capital adequacy regulation (EU) no 575/2013, the Capital Buffers Act (2014:966) and the Swedish Financial Supervisory Authority provisions and general advice on prudential requirements and capital buffers (FFFS 2014:12).

These rules seek to ensure that companies manage their risks and protect customers' deposits. The rules state that the capital base must cover the minimum capital requirement (capital requirements for credit risk, market risk, settlement risk and operational risk), buffer requirements (capital conservation and contracyclical buffer) and additional Pillar 2 requirements (interest rate risk in the banking book, concentration and pension risk).

Avanza calculate capital requirements according to the capital adequacy regulation's regulation (EU) no 575/2013 standard models. Accordingly, capital requirements for various risks are calculated based on established requirements as a percentage multiplied by amounts taken from Avanza's income statement and balance sheet. The product is a capital requirement in SEK. Avanza's capital requirement essentially stems from credit risk and operational risk.

In the category of credit risk, it is mainly Avanza's mortgage loans and portfolio of covered bonds that require capital. The risk-weighted exposure amount for credit risk for mortgage loans is calculated as the mortgage loan exposure multiplied by a risk weight of 35 per cent and for covered bonds as the exposure multiplied by a risk weight of 10 per cent. Avanza's margin lending also require capital, but to a lesser extent, since this exposure category allows exposure adjustments. The risk-weighted exposure amount for credit risk secured against listed securities is calculated as:

- The credit risk mitigation applied is comprised of cash and cash equivalents, as well as shares included on indices defined by ESMA as stipulated in CRD IV. Swedish shares are creditable to a maximum of 78 per cent if they are included on the OMXSPI.
- Securities received are revalued daily in line with current market value. The lending value comprises a certain percentage of this market value.
- The exposure is in SEK and the majority of the securities comprise shares and fund units (99,9 per cent), and the majority of the collateral is listed in SEK (93 per cent).
- No guarantees are received or issued for customers or other parties. Nor are there any OTC dealings with regard to any types of derivatives.

Avanza also invests surplus liquidity in government, municipal and county council bonds. They have a risk weight of 0.

The capital requirement for operational risk is calculated according to the capital adequacy regulation's base method. Accordingly, the requirement is calculated as 15 per cent of the last three financial years' average operating income.

Pillar 2 capital requirements have been added to the minimum harmonisation requirements in the capital adequacy regulation. These capital requirements are calculated according to a methodology established by the Swedish Financial Supervisory Authority. This means that Avanza faces additional institution-specific capital requirements due to concentration risk within name, industry and region, and also due to interest risk in the bankbook.

Capital adequacy analyses for the consolidated situation and the institution Avanza Bank AB (publ) are provided on the following pages. Total capital ratio for the consolidated situation was 19.3 per cent as of 31 December 2018 and 18.7 per cent for Avanza Bank which can be compared to total requirements and buffers of 12.5 per cent. The capital ratio have historically always been above requirements.

Internal capital adequacy assessment process (ICAAP)

According to the EU's capital adequacy directive 2013/36/EU article 73 and the Swedish Financial Supervisory Authority's provisions (FFFS 2014:12 chap. 10), companies must describe in a special document their assessment of their total capital need. This document is called the company's internal capital adequacy assessment, ICAAP. The ICAAP is done annually, and in the document the company makes an internal assessment of the capital requirement for each type of risk. The internal capital requirement is compared to the company's regulatory capital requirement. The purpose of the ICAAP is for companies to make an independent analysis of their capital needs, not mechanically use prescribed practices.

In conjunction with the annual ICAAP, a detailed stress test is made of Avanza's exposures to value all risks to ensure that Avanza's business model is sustainable. A capital need is calculated for each risk, which is then compared to the prescribed minimum requirement and buffer requirement. Included in the forward-looking analysis are several highly stressed scenarios, as well as their consequences for the capital base, to ensure that Avanza does not expose its depositors to risk.

The result of the ICAAP is approved by Avanza's Board of Directors and submitted to the Swedish Financial Supervisory Authority upon request. The ICAAP is used as the basis for decisions regarding the capital structure, e.g. in conjunction with decisions to exercise the authorisation granted by the Annual General Meeting to repurchase the company's own shares and decisions on dividend payments.

The latest ICAAP for Avanza Bank was prepared in the first quarter of 2018 with referens date as of 31 December 2017. The internal capital need was estimated at SEK 199 million. The total capital need, including Pillar 1 and Pillar 2 requirements excluding buffer requirement, amounted to SEK 494 million on the same date, while Avanza Bank's actual capital base was SEK 959 million. Including the buffer requirement, the total capital requirement amounted to SEK 747 million. The ICAAP concluded that Avanza did not expose depositors or customers to risk.

An ICAAP is also prepared for the consolidated situation based on the ICAAP prepared for Avanza Bank. The consolidated situation's ICAAP as of 31 December 2017 estimated the internal capital need at SEK 199 million, the total capital requirement at SEK 496 million and the actual capital base at SEK 984 million. Including the buffer requirement, the total capital requirement amounted to SEK 750 million. The consolidated situation's ICAAP stated that Avanza's depositors and customers are not exposed to risk.

SEK m – Consolidated situation	31-12-2018	31-12-2017³⁾
Tier 1 capital		
Shareholders' equity, the consolidated situation	1,585	1,327
Proposed/assumed dividend	-318	-315
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,267	1,012
Intangible fixed assets	-84	-88
Deferred taxes	0	0
Avanza Bank Holding AB:s (publ) holding in Försäkringsaktiebolaget Avanza Pension ¹⁾	-	-39
Common equity tier 1 capital	1,184	885
Subordinated bond ²⁾	74	99
Tier 2 capital	74	99
Total capital base	1,258	984
Capital requirement		
Credit risk ³⁾	391	338
Market risks	0	0
Settlement risk	0	0
Operational risk	130	113
Capital requirement	521	451
Risk exposure amount		
Credit risk according to standard model	4,892	4,227
of which Institutions (risk-weight 20 %)	182	345
of which Corporates (risk-weight 35 %/100 %) ³⁾	37	55
of which Households (risk-weight 75 %)	161	175
of which Collateral in real estate (risk-weight 35 %)	2,092	1,850
of which Covered bonds (risk-weight 10 %)	1,645	1,397
of which Shares (risk-weight 250 %) ¹⁾	386	52
of which Other items (risk-weight 100 %)	389	354
Market risk	1	3
Settlement risk	3	0
Operational risk	1,620	1,410
Total risk exposure amount	6,516	5,641
Capital ratios and buffers		
Common equity tier 1 ratio, %	18.2	15.7
Tier 1 ratio, %	18.2	15.7
Total capital ratio, %	19.3	17.5
Capital base in relation to capital requirement	2.41	2.18
Common equity tier 1 capital requirement, %	4.5	4.5
Additional tier 1 capital requirement, %	1.5	1.5
Tier 1 capital requirement, %	6.0	6.0
Tier 2 capital requirement, %	2.0	2.0
Total minimum capital requirement, %	8.0	8.0
Buffer requirement, %	4.5	4.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	2.0
Total capital requirement including buffer requirement, %	12.5	12.5
Common equity tier 1 capital available for use as a buffer, %	13.7	11.2
Total capital base	1,258	984
Capital requirement (8%)	-521	-451
Buffer requirement	-293	-254
Additional requirement with reference to Pillar 2	-83	-81
Total requirements	-897	-786
Capital surplus after buffer requirement and Pillar 2	362	199

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

- ¹⁾ As of 2018, the holding is treated by calculating the capital requirement for shareholdings with a risk weight of 250 per cent instead of for a deduction directly in the capital base.
- ²⁾ A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking. As a result, Avanza Bank's subordinated bond of SEK 100 million can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement. Eligible Tier 2 capital thus amounts to SEK 74 million. If the same interpretation had been made as of 31-12-2017, eligible Tier 2 capital would have decreased by SEK 18 million, from SEK 99 million to SEK 81 million.
- ³⁾ At year-end 31-12-2017 Avanza calculated a capital requirement for a credit facility to Stabelo AB. During 2018 a reinterpretation of the rules was made which increased the risk-weight from 35 to 100. The reinterpretation has been reported to the Swedish Financial Supervisory Authority. The credit facility was terminated during the second quarter of 2018.

SEK m – Avanza Bank AB (publ)	31-12-2018	31-12-2017 ¹⁾
Capital base		
Shareholders' equity	1,131	1,044
Proposed/assumed dividend	-57	-118
Equity (adjusted for assumed/proposed dividend)	1,074	925
Intangible assets	-62	-66
Deferred taxes	0	0
Common equity tier 1 capital	1,012	859
Subordinated bond	100	99
Tier 2 capital	100	99
Total capital base	1,112	959
Capital requirement		
Credit risk ¹⁾	367	344
Market risks	0	0
Settlement risk	0	0
Operational risk	109	106
Capital requirement	476	450
Risk exposure amount		
Credit risk according to standard model	4,582	4,298
of which Institutions (risk-weight 20 %)	181	345
of which Corporates (risk-weight 35 %/100 %) ¹⁾	37	55
of which Households (risk-weight 75 %)	161	175
of which Collateral in real estate (risk-weight 35 %)	2,092	1,850
of which Covered bonds (risk-weight 10 %)	1,645	1,397
of which Other items (risk-weight 100 %)	466	477
Market risk	1	3
Settlement risk	3	0
Operational risk	1,368	1,320
Total risk exposure amount	5,954	5,621
Capital ratios and buffers		
Common equity tier 1 ratio, %	17.0	15.3
Tier 1 ratio, %	17.0	15.3
Total capital ratio, %	18.7	17.1
Capital base in relation to capital requirement	2.33	2.13
Common equity tier 1 capital requirement, %	4.5	4.5
Additional tier 1 capital requirement, %	1.5	1.5
Tier 1 capital requirement, %	6.0	6.0
Tier 2 capital requirement, %	2.0	2.0
Total minimum capital requirement, %	8.0	8.0
Buffer requirement, %	4.5	4.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	2.0
Total capital requirement including buffer requirement, %	12.5	12.5
Common equity tier 1 capital available for use as a buffer, %	12.5	10.8
Total capital base	1,112	959
Capital requirement (8%)	-476	-450
Buffer requirement	-268	-253
Additional requirement with reference to Pillar 2	-83	-81
Total requirements	-827	-783
Capital surplus after buffer requirement and Pillar 2	285	176

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

¹⁾ At year-end 31-12-2017 Avanza calculated a capital requirement for a credit facility to Stabelo AB. During 2018 a reinterpretation of the rules was made which increased the risk-weight from 35 to 100. The reinterpretation has been reported to the Swedish Financial Supervisory Authority. The credit facility was terminated during the second quarter of 2018.

Note 36 Financial risks

The Group's exposure to financial risks

Avanza is primarily exposed to credit risks and operational risks, but also has a certain exposure to market risks, liquidity risks and actuarial risks.

No major changes affected Avanzas's risk profile or exposure to risks during 2018. For further information on risks and risk management in business operations, see pages 30–32 and the Corporate governance report pages 41–43.

Credit risks

Avanza's lending and management of the surplus liquidity expose the business to credit risk, that is to say the risk that borrowers will not fulfill their financial commitments to Avanza and the risk that financial securities will not cover the claim. Counterparty risk also arises in customer security trading.

No significant concentrations of risks arise with any individual financial security, counterparty, sector or region. The limited concentration risk that does exist is with credit institutions and interest-bearing investments with Swedish credit institutions and the Riksbank related to surplus liquidity management. See also the section Liquidity management.

On the closing day, lending to the general public amounted to SEK 10,339 million (SEK 9,507m). Average lending in 2018 was SEK 9,923 million (SEK 8,830m). Lending to the public is reported after deduction for confirmed and expected credit losses. As of 31 December 2018 provisions for expected credit losses amounted to SEK 12 million (SEK 8m), of which SEK 3 million was an adjustment made at the beginning of the year as a result of the transition to IFRS 9. The write-down of expected credit losses in 2018 of SEK 1 million was calculated based on the new methodology in accordance with IFRS 9. See also Note 18 Lending to the public and Note 2 Accounting principles.

The majority of all exposure is to customers residing in Sweden. Loans are only made to customers resident outside the Nordic countries in exceptional circumstances. Avanza's lending to the general public takes the form of margin lending and mortgage loans.

Margin lending

All margin lending is secured against listed securities. As of year-end, lending to the general public against listed securities totalled SEK

4,361 million (SEK 4,179m). The market value of pledged securities was SEK 29,001 million (SEK 34,419m). The financial effects of securities held are calculated on a customer by customer basis, meaning that any surplus value in a security for one customer cannot be offset against that of another customer. The majority of the securities are Swedish listed equities with good liquidity that are measured at fair value on the particular market. Avanza makes an assessment of the appropriate loan to value ratio based on the liquidity of the security, volatility and net asset value and sets a substantial risk margin to protect Avanza as well as its customers against credit losses.

The repayment capacity of each borrower is evaluated and a credit limit set. In the lending process, a joint limit is set for all borrowers belonging to the same sphere. The spread in Avanza's lending is very good. There is no great concentration of pledged securities within margin lending. As of 31 December 2018, 33(37) margin loans exceeded SEK 10 million. The combined total of these loans was SEK 910 million (SEK 887m), of which the highest was SEK 101 million (SEK 87m).

Lending is monitored on a daily basis. At so-called excess leverage, that is to say where debt is covered by pledged securities but the loan exceeds the value of the security and the security margin is no longer covered, the customer is contacted and notified of when the situation must be rectified. The customer can either rectify the excess leverage by depositing money or securities in the account or settling securities. If no action is taken, Avanza has the right to sell enough of the securities pledged as collateral as required to rectify the excess leverage. In the event of volatile markets or other extreme events, excess leverage is actioned immediately on the day it arises, through the sale of securities. As of 31 December 2018, excess leverage amounted to SEK 7.1 million (SEK 5.4m) or 0.16 (0.05) per cent of security-backed lending. Average excess leverage during the year amounted to SEK 5.1 million (SEK 4.7m) or 0.11 (0.05) per cent of margin lending.

Margin loans are tested for impairment by classifying the loans in categories 1–3 according to note 2 Accounting principles section (i) on page 65. Avanza had confirmed credit losses during the year on margin lending of SEK 0 million (SEK 0m). As of 31 December 2018, there were no past due loans, no loans written down where security had not yet been utilised and no seized collateral not yet sold. On the closing day, accumulated provisions for expected credit losses on margin lending amounted to SEK 9 million (SEK 8m). See also Note 13 Credit losses, net and Note 18 Lending to the public. Exchange rate gains/losses or other revaluations do not arise.

Pledged financial assets for margin lending

31-12-2018	Market value, SEK m	Credit exposure, SEK m	Share of balanced exposure, %
Shares	26,802	3,999	92
Funds	2,142	357	8
Other	58	5	0
Total	29,001	4,361	100

Currency for pledged financial assets for margin lending

31-12-2018	Market value, SEK m	Credit exposure, SEK m	Share of balanced exposure, %
SEK	26,979	4,049	93
USD	1,116	176	4
DKK	263	48	1
NOK	282	42	1
EUR	264	34	1
Other	98	12	0
Total	29,001	4,361	100

Avanza regularly stress tests its margin lending in a number of hypothetical scenarios. Margin lending portfolios are stress tested in terms of margin losses and losses arising due to a lack of diversification (concentration risk).

All margin lending to customers is subject to a month's notice and can therefore be given notice to terminate, should exposure need to be rapidly reduced.

Mortgage loans

Avanza has offered mortgage loans since the end of 2013. The offer "Superbolånet" targets Avanza's high net worth Private Banking customers with at least SEK 3 million in overall savings with Avanza and a low loan to value ratio of a maximum 50 per cent at the time the mortgage loan is granted. Employees can also take advantage of the offer, where the maximum loan to value ratio is 70 per cent at the time the loan is granted. As of 31 December 2018, mortgage lending amounted to SEK 5,978 million (SEK 5,284m). Accumulated provisions for expected credit losses on mortgage loans amounted to SEK 3 million (–) as a result of new calculation models due to the transition to IFRS 9. All mortgage loans are secured with pledges on houses and tenant-owned apartments in Sweden. The average loan to value ratio was 36 (36) per cent at the end of the year. The market value of a prop-

erty is reassessed each year through a statistical evaluation, which is purchased from external parties. The last reassessment occurred in november 2018.

Avanza is required to act as the only pledgee for the security. Normal credit assessment occurs, in which a remain-to-live-calculation (RTL) is performed to see whether the borrower satisfies a scenario with the current interest rate plus 6 per cent, given the amount applied for. Repayment is introduced if the borrower's loan to value ratio exceeds 75 per cent. If the loan to value ratio exceeds 50 per cent, interest premiums accrue according to a fixed interest rate tier. In addition to this, authority requirements regarding amortisation are added. On 1 March 2018, the amortisation requirement was raised for new mortgage loans, so that households that borrow more than 4.5 times gross income must amortise more. In credit risk stress test with stress of the market value by 35 per cent, the expected credit loss amounts to SEK 5.2 million (SEK 3.9m), which is a result of a low loan to value ratio.

In addition to the Superbolån mortgage, Avanza offers an external mortgage product, Mortgage loan+, to a broader customer group. This is done in collaboration with Stabelo with Stabelo AB as the lender, because of which this lending is not included in Avanza's balance sheet and does therefore not imply a credit risk for Avanza.

Pledged assets for mortgage loans

31-12-2018	Credit limit, SEK m	Lending, SEK m	Loan-to-value ratio (credit limit), %	Loan-to-value ratio (lending), %
Houses	4,248	3,893	38	35
Tenant-owned apartments	2,298	2,085	41	37
Total	6,546	5,978	39	36

Liquidity management

The credit and finance department is responsible for Avanza's liquidity management. In addition to investments, this includes regulatory compliance, measuring and reporting relevant risk and return measures, and the portfolio's composition.

Avanza has considerably more deposits from the general public than lending to the public. Investable liquidity, i.e. surplus liquidity, consists of liquid assets (excluding client funds) placed with credit institutions, the Riksbank and Swedish government counterparties as well as interest-bearing securities less pledges. Holdings in securities consist of covered mortgage bonds with short terms issued by Swedish banks and at a lesser extent securities issued by the Swedish government, municipalities and county councils.

The holdings of bonds including pledged assets at the closing day amounted to SEK 16,958 million (SEK 14,420m), of which bonds issued by Swedish municipalities and county councils amounted to SEK 606 million (SEK 455m). Other surplus liquidity is invested primarily in systemically important Nordic credit institutions and the Riksbank and amounted at year-end to SEK 3,821 million (SEK 1,731m).

Avanza has a diversified portfolio with limited concentration risk vis-à-vis individual counterparties. Liquidity is invested in accordance with the company's internal regulations, which regulate allowed bond issuers, set a maximum average interest duration of 3 months and require that the bonds be allowed as security at the Riksbank. Regulation also safeguards the quality of counterparties and pledged securities. All covered bonds have the highest bond rating with Standard & Poor's (AAA) or Moody's (Aaa). Avanza does not allocate a reserve for expected credit losses for the portfolio, since it is assessed according to the exemption for holdings with low credit risk according to IFRS 9.

Counterparty risk within security trading on customers' behalf

Avanza has a limited exposure to counterparty risk within securities trading. Avanza is a member of the Stockholm, Oslo, Copenhagen and Helsinki stock exchanges. The counterparty risks primarily arise as a consequence of business flow in these marketplaces. Avanza only trades on customers' behalf in standardised derivatives, settled over Nasdaq. No OTC dealings occur. The risks are limited by Avanza's use of recognised clearing houses, e.g. Euroclear and Nasdaq in Sweden, to settle executed transactions.

Administration of liquidity

31-12-2018	Book value, SEK m	Share, %
Balances at central banks	2,907	14
Lending to credit institutions, including pledged assets	914	4
Bonds ¹⁾ , including pledged assets	16,958	82
of which Swedish government, municipalities and county councils	606	3
of which covered bonds	16,352	79

¹⁾ Average duration of bondholders is 0.19.

Operational risks

Operational risks are defined as the risk of loss as a result of inappropriate or inadequate internal processes, human error, incorrect systems or external events. The definition includes legal risk.

The work involved in managing operational risks is structured and follows methods and guidelines for identifying risks. This approach facilitates a satisfactory management of risks considered to be serious within the risk appetite applicable at any given time. Avanza works towards preventative operational risk management.

Risks are valued according to a model measuring probability and consequence. The consequences are assessed in four areas: financial impact, reputation impact, accessibility impact and regulatory impact. Both qualitative and quantitative measures constitute grounds for the Board's determination of the risk appetite within operational risk. In addition, the CEO sets tolerance limits.

Business consequence analyses are undertaken on Avanza's critical processes. By establishing tolerable disruption times in these activities, the requirements in terms of resources such as infrastructure, systems, personnel and premises are clarified.

Avanza's employees are trained in risk management, security, internal control and governance in order to raise understanding of and competence in these fields. All employees whose work duties require so are licensed according to the SwedSec AB's requirements. This strengthens the environment for establishing a sound risk culture.

Incident reporting in the operations sharpens the focus on the prevailing situation and the actual outcome of the risks to which Avanza is exposed. The incidents are measured, analysed and reported to those responsible for managing the risks, in order to facilitate improvements but also to inform the valuation of risks in the operations.

Changes in the operations follow an approval process whereby the relevant considerations are given the appropriate significance. Commercial, technical, legal, risk and security considerations are made before any decision is taken as to implementation.

Avanza's IT risks and information security, i.e. the risk that IT and information assets are not sufficient, correct or safe, is of major significance. Information is one of Avanza's most important assets, and digitisation is increasing the amount of information at the same time that managing the information is becoming more complex. Information security and cybersecurity are very much a management and board issue. To ensure in an effective and structured way that it has the right protection for its information and that it can adapt the protection to future needs, Avanza uses an information security management system based on the international standards in the ISO 27000-series.

Market risks

Market risk is the risk of a loss due to changes in the market value of positions caused by changes in market variables. Market risk includes stock price risk, interest rate risk and currency risk. Avanza is not exposed to any market risk of major significance, which is why in no sensitivity analysis has been conducted in accordance with IFRS 7.

Stock price risk

Stock price risk is the risk that the fair value of, or future cash flow from a share will vary due to changes in market prices. Avanza does not conduct any proprietary trading. The company only performs trading on behalf of customers. In addition, Avanza must manage the market risk that arises as a consequence of 'faulty trades'.

Interest risk

Interest risks arise through an imbalance in the terms of Avanza's assets and liabilities. Changes in interest rates can affect the market value of assets and liabilities. Avanza has no fixed interest agreements with customers. Avanza lends at a variable interest rate and adjusts to normal market conditions only in the event of interest rate changes by the Riksbank. Lending is financed by variable rate deposits.

In 2015, Avanza issued a bond in the form of a subordinated loan with a tenor of 10 years. The nominal value is SEK 100 million. The bondholders are paid coupons (interest) on a quarterly basis. The interest on the subordinated loan is reset quarterly and the interest mark-up is 300 basis points over STIBOR 3M.

Avanza's surplus deposits are invested within the investment restrictions in Avanza's internal regulations. To effectively manage the liquidity, the Board has established risk appetites for interest risk. The investment of the bank's surplus liquidity is made at a maximum average fixed interest rate duration of 0.25, i.e. three months. Furthermore, the interest risk, measured as a parallel displacement of two percentage units of the interest curve, may never exceed 8 per cent of the bank's capital base in accordance with Avanza's risk appetite and limit frameworks.

Surplus liquidity excluding pledged assets amounted to a value of SEK 19,076 million (SEK 14,550m) at year-end. Interest sensitivity in the portfolio is measured and internally reported on a weekly basis. Interest risk is limited as Avanza intends, and has the capacity, to hold all reported bondholdings to maturity. This is also reflected in the financial statements. Consequently, the risk of having to sell bondholdings in advance at a different market value is also limited. Of the bonds, 95 per cent have variable coupons (FRN – Floating Rate Notes) with quarterly interest revaluations, and the remaining 5 per cent have fixed interest coupons and a remaining tenor of under one year. A sensitivity analysis of the portfolio is performed at the end of each quarter when an interest report is submitted to the Swedish Financial Supervisory Authority. From 1 January 2018, as a result of the transition to IFRS 9, the liquidity portfolio is measured at fair value through other comprehensive income. Through 31 December 2017 these financial assets were measured at amortised cost, see Note 2 Accounting principles section (c) and Note 33 Financial instruments.

Currency rate risk

Avanza does not conduct trading in currency on its own behalf. Assets and liabilities in the balance sheet are measured primarily in SEK. Customers may hold foreign currency in their account, including for settling transactions in a foreign currency. Such currency balances are matched in full by the equivalent balance in Avanza's bank accounts. No significant currency exposure exists outside the balance sheet.

Liquidity risks

Information on liquidity risks shall be provided annually in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2010:7) on management and disclosure of liquidity risks in credit institutions and investment firms. Avanza's Credit and Finance department bears operational responsibility to manage Avanza's liquidity risk. The department reports to the COO.

Liquidity risk is defined as the risk that the company will be unable to meet its payment commitments when due, or will only be able to do so by incurring a significantly increased cost. Liquidity risk can be divided into two aspects. The first aspect is the risk of not being able to finance the operations, and the other aspect is the risk of not being able to convert investment assets to liquidity.

Avanza's operations are conducted without significant external financing requirements and have low exposure to liquidity risks. Avanza funds itself through equity, a subordinated bond and customer deposits. Deposits from the general public are considered to be one of the most secure sources of financing compared to other forms of financing. The liquidity risk is reduced because the financing being spread across a very large number of households. Historically, deposits from the public have exhibited little movement, a relatively high degree of so called "stickiness". Avanza's current financing structure exceeds liquidity requirements many times over, giving Avanza substantial surplus liquidity.

Good payment readiness requires that the asset side of the balance sheet is liquid. To have sufficient funds at all times to meet its payments and ensure customer withdrawals, Avanza makes continuous forecasts and performs stress tests to assess its need for means of payment. The stress tests build on historical data and are based on a number of scenarios specific to Avanza. Avanza estimates and monitors liquidity risks with the help of various risk measures according to Avanza's risk appetite and limit frameworks. Avanza has a low tolerance for liquidity risk. This is ensured by adding an extra liquidity buffer to the regulatory requirement in effect at any given time. Avanza's Treasury department regularly calculates the liquidity coverage ratio (LCR) and the control function Risk Control reports the results to the Board of Directors and management.

Forecasts are performed daily to manage short-term liquidity risks. Special contingency funding plans have been established to manage

serious disruptions to the liquidity situation. The purpose of contingency plans is to be able to effectively and efficiently take measures to restore the liquidity situation. In order to cope with short-term fluctuations in deposits and lending from/to the general public, a significant part of the assets is held in cash at spot rates or maturing on the following business day.

SEK 24 million (SEK 50m) of lending to credit institutions has been pledged as security. This means that lending to credit institutions, excluding pledged securities, of SEK 890 million (SEK 1,681m) and balances at the Riksbank of SEK 2,907 million (–) can be withdrawn by customers by the next banking day at the latest. Besides from mortgage loans with a usual term of 30 years, Avanza's other larger balance sheet items have a short term. Covered mortgage bonds and interest-bearing securities issued by the Swedish government, municipalities and county councils are managed daily and can normally be converted to cash within a few days. The bond portfolio has an even maturity structure annually, quarterly and to a certain extent monthly, meaning that large negative changes in surplus liquidity are managed with the help of ongoing maturities. Avanza has no individual large deposit customers of significance for liquidity. Instead, deposits are spread among many customers and payment readiness is considered very good. See also Note 32 Terms for assets and liabilities.

Liabilities in the insurance business do not affect the liquidity risk. The reason for this is that there are equivalent assets and that it is policyholders' own funds, and thus the customers themselves, that are responsible for the risk. Nor are there any contractual due dates.

Remaining term (undiscounted cash flows)

SEK m – The Group 31-12-2018	Upon request	<3 months	3–12 months	1–5 years	>5 years	Perpetual	Total
Deposits by the public	33,317	–	–	–	–	–	33,317
Other liabilities	–	508	–	–	–	–	508
Accrued costs and prepaid income	–	142	–	–	–	–	142
Subordinated liabilities ¹⁾	–	1	2	13	106	–	122
Total liabilities²⁾	33,317	651	2	13	106	–	34,089

¹⁾ Interest payments during the full term are calculated with STIBOR 3M + 3%.

²⁾ Total liabilities excluding liabilities in insurance operations for which policyholders are exposed to the risk of changes in value. These liabilities do not affect the liquidity risk.

Liquidity and financing, SEK m	31-12-2018	Term
Balances at central banks	2,907	1 day
Lending to credit institutions, excluding client funds	914	1 day
Lending to the public – margin lending	4,361	1 month
Lending to the public – mortgage loans	5,978	At least 30 years
Bonds	16,958	28 months
Deposits by the public, excluding client funds	33,317	On spot basis

Actuarial risks

The actuarial risks in the business operations are small. Mortalities, survivors' pensions, waivers of premium and sickness insurance are relayed of an external party and the risks are not borne by Avanza. However, the company provides its own life insurance linked to endowment insurance contracts, where payment to the insured's survivor amounts to 101 per cent of the sum assured upon death.

The risk premium so far has more than covered the risk cost associated with mortalities arising from endowment insurances. The insurance risk is managed by basing risk premiums on statistical assumptions and through monitoring according to actuarial guidelines. To avoid large fluctuations in earnings, Avanza reinsures risk costs in excess of SEK 250 thousand.

Note 37 Related parties

Transactions with related parties are priced on market terms.

Transactions with key individuals in senior positions and other related parties

No transactions with related companies have been undertaken in 2018. In 2017 a company closely related to the Board of Directors was hired during the year to recruit a new CEO. The company invoice at a market rate.

In 2017, Stabelo AB was granted a bridgeloan by Avanza for a maximum of SEK 350 million to finance the payout of Mortgage loan+ before they are acquired by Stabelo's mortgage fund. The credit facility was terminated during the second quarter of 2018.

No transactions over and above normal account management have been undertaken by Group Management, Board of Directors, close family members of the same, or companies over which any of these individuals exercise a controlling influence. Nor have any provisions or costs for bad debts associated with related parties been reported during the financial year. Lending to key individuals in senior positions and to other related parties is a part of Avanza's normal operations.

Senior executives participate in the Group's warrant programme on market terms, see Note 9 Employees and personnel costs.

Transactions with related parties

Transactions with key individuals in senior positions and other related parties	31-12-2018	31-12-2017
Lending, SEK m	21	31
Deposits, SEK m	331	390
	2018	2017
Brokerage fees, SEK thousand	870	470
Interest income, SEK thousand	159	283
Interest expenses, SEK thousand	49	44
Invoicing from related parties' limited companies, SEK thousand	–	1,393
Transactions with subsidiaries	2018	2017
Parent Company interest income from Group companies, SEK m	–	–
Parent Company interest expenses to Group companies, SEK m	0	–
	31-12-2018	31-12-2017
Parent Company receivables from Group companies, SEK m	336	324
Parent Company liabilities to Group companies, SEK m	8	0

Transactions with associated companies

The Parent Company has not reported any transactions with associated companies.

Note 38 Important estimates

The assessments and estimations are reviewed regularly. Changes in assessments are reported in the period in which the change is made if such change has had an effect only during that period, or in the period in which the change is made and also in future periods if the change affects both the period in question and future periods. According to management, critical assessments regarding the accounting principles applied and the source of uncertainty in estimations primarily refer to credit assessments.

Credit assessment

Credit losses are written down using a model where credits are divided into three categories based on assessments of when material increases in credit risk will arise. Additional assessments factor macroeconomic scenarios into the calculation of the impairment need. See Note 2 Accounting principles, section (i) Financial instruments.

Note 39 Events after the closing day

On 19 February the Swedish Financial Supervisory Authority decided to issue Försäkringsaktiebolaget Avanza Pension a warning and an administrative fee of SEK 35 million for past shortcomings in compliance. The shortcomings relate to the implementation of the Solvency 2 regulations that came into effect in 2016, and the calculation of technical provisions and reporting routines in 2016 to 2018. Since then, Avanza Pension has made investments to improve internal governance and controls. The company has a new CEO and largely a new Board of

Directors. The shortcomings have been rectified and improvements continue, and there has not at any time been any risk that Avanza Pension could not fulfil its obligations. Furthermore, Avanza Pension has always had a comfortable margin to the solvency capital requirement. The administrative fee amount was expensed during 2018. The fee is excluded in the cost growth estimate of 9–12 per cent for 2019.

Note 40 Proposed allocation of profits

Dividend policy

Avanza Bank Holding AB (publ) will issue a dividend to shareholders, comprising the part of the company's profits that is not considered to be necessary to fulfil the requirements that the nature, scope and risk of the activities place on the size of equity and the company's consolidation requirement, liquidity and position in general, or to develop activities. The dividend may be combined with other measures, such as redemption or repurchase of own shares. In the long-term it is expected that at least 70 per cent of profits will be issued as dividends.

The Board of Directors' proposal for allocation of the company's profits

The Board of Directors of Avanza Bank Holding AB (publ) proposes that the Annual General Meeting on 19 March 2019 agree to a dividend of SEK 10.50 per share for 2018. Thursday, 21 March 2019 is proposed as the record day for the dividend. If the Annual General Meeting agrees to the proposal, the dividend is expected to be paid by Euroclear Sweden AB on Tuesday, 26 March 2019.

The Board of Directors' statement on the proposed allocation of profits

The Parent Company's and Group's profit and position are good, which is evident from the most recent profit and loss statement and balance sheet. It is the opinion of the Board of Directors that the proposed dividend is covered by equity, and is within the remit of the company's dividend policy. The capital ratio and liquidity, following the proposed dividend, will be satisfactory in relation to the activities within which the Group operates. The Board of Directors thereby considers that the proposed dividend is justified with regards to:

1. the requirements, that the nature, scope and risks of the activities (the company's and the Group's respectively), place on the amount of equity, and
2. the company's and the Group's consolidation requirements, liquidity and position in general.

SEK – The Parent Company	31-12-2018
The following profits are at the disposal of the Annual General Meeting	
Share premium reserve	462,625,186
Retained profit	9,867,200
Net profit for the year	306,784,501
Total	779,276,887
The Board of Directors propose that the profits be disposed as follows:	
Dividend to shareholders, SEK 10.50 per share	317,866,458
To be carried forward	461,410,429
Total	779,276,887

The undersigned hereby attest that the consolidated and annual accounts have been prepared in accordance with IFRS international accounting standards, as adopted by the EU, and with generally accepted accounting principles, and that they provide a fair presentation of the Group's and the company's position and results, and that

the consolidated Administration Report constitutes a fair review of the performance of the Group's and the company's operations, position and results, and describe significant risks and uncertainty factors faced by the companies that make up the Group.

Stockholm, 25 February 2019

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Board member

Viktor Fritzen
Board member

Jonas Hagströmer
Board member

Birgitta Klasén
Board member

Mattias Miksche
Board member

Hans Toll
Board member

Jacqueline Winberg
Board member

Rikard Josefson
CEO

Our Audit Report was submitted on 25 February 2019

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant

Auditor's report

To the General Meeting of the shareholders of Avanza Bank Holding AB (publ),
Corporate Identity Number 556274-8458

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Avanza Bank Holding AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 49–92 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Parent Company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Security Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the General Meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We have organised the audit work by testing centralised systems and processes, which is supplemented by review of systems and processes within each legal entity. Full scope audit is performed at entities with high significance and risk to the group; Avanza Bank Holding AB (publ), Avanza Bank AB (publ) and Försäkringsaktiebolaget Avanza Pension. The procedures applied generally include an assessment and testing of controls over key business processes, tests of accounting records combined with analytical procedures of individual account balances.

The audit is conducted during the year. In October, we report to the Board of Directors on our audit of internal control over financial reporting and management's administration. We also conduct a review of the Interim Report on 30 September 2018. At year-end, we report the results of our audit of the annual accounts and management's administration to the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Key audit matters

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

Key audit matter

Recognition of commission income

Avanza handles large amounts of transactions generated from customers' activities - buying and selling of securities. The revenue streams that arise from customers trade in securities are characterized by the fact that there are many similar transactions that are handled in common processes. Agreements are standardized and the risk of significant errors in individual transactions is low, which is why the complexity lies rather in securing the process flow that leads to the reporting of commission income. The Group's commission income also includes collected fees from the policyholders in the subsidiary Försäkringsaktiebolaget Avanza Pension. The fees for pension- and endowment insurances are based on the value of assets held for insurers.

Commission income is a significant part of the Group's revenue, and the area is therefore a key audit matter.

Avanza has control activities to ensure that the fees are correct.

Refer to Annual Report, Note 3 and 4.

How our audit addressed the Key audit matter

Our auditing measures have included:

- We assessed and tested the design and effectiveness of a sample of the controls implemented by Avanza for accounting of commission income.
- We have also performed data analysis of commission income, which implies comparison of the data in the sub ledger system with the data in the general ledger in order to ensure proper transfer between the two systems. To ensure that the data in the sub ledger system is correct, we have for a sample of transactions examined that individual transactions have been properly recorded in the system.
- For a sample of insurance policies, we have verified the calculation of fees against underlying agreements.

Valuation and existence of Assets in insurance operations

Assets in insurance operations primarily consist of financial instruments where there is an active market and quoted prices. To a lesser extent, there are holdings where the valuation is based on other data than quoted prices.

The valuation of liabilities in the insurance business is based on the fair value of the underlying assets with the addition of provisions for unsettled claims attributable to the risk element of endowment insurance.

Assets and liabilities in the insurance operations are a significant part of the consolidated balance sheet of Avanza.

Avanza has implemented control activities in order to prevent and detect errors in Avanza Group's financial statements.

Refer to Annual Report, Note 22 and 33.

Our auditing measures have included:

- We assessed and tested the design and effectiveness of the pricing and monitoring controls in Avanza's process of valuation of financial instruments.
- For those instruments that are listed, we have evaluated Avanza's controls for obtaining prices from external sources. We have also conducted test of price against external sources.
- For instruments that are not listed, we have evaluated the models used by Avanza for valuation. We have also conducted tests of market data used for independent data sources.
- For the liabilities in the insurance business, we have assessed the methods, models and assumptions against industry practice and we have recalculated provisions.

IT systems supporting processes over financial reporting

The Group's business and financial reporting are highly dependent on IT systems and the accounting is mainly automatised. The area is therefore a key audit matter.

To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.

For description of Avanza's IT risks and security strategy, see Note 36 page 84.

Our auditing measures have included:

- We have assessed the design and tested effectiveness of controls related to access and control of program changes for the IT systems that support financial reporting.
- For access to programs and information, our review included testing of setup, removal and monitoring of access rights. Our testing has also covered program and software changes.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–48 and pages 96–107. The Board of Directors and the CEO are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the CEO

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Avanza Bank Holding AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the CEO

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm was appointed auditor of Avanza Bank Holding AB (publ) by the General Meeting of the shareholders on the 20 March 2018 and has been the company's auditor since the 14 April 2011.

Stockholm, 25 February 2019

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant

Sustainability reporting

Avanza's sustainability reporting is an important part of an open and balanced presentation of Avanza's position, activities and achievements in key areas.

In accordance with the Annual Accounts Act, chap. 6, section 11, Avanza has chosen to prepare a sustainability report separately from the administration report and largely from the formal financial statements. Avanza's sustainability report is prepared according to the Global Reporting Initiatives guidelines, GRI Standards as well as GRI's specific guidelines for the industry (Financial Services Sector Supplement) according to the Core option. A transition from the fourth version (GRI G4) occurred in 2017.

The statutory sustainability report comprises the entire Group and its scope can be found on page 98. Avanza's operations are not deemed to pose any significant negative environmental impact or risk of violation on human rights, whether directly or indirectly. Avanza therefore have no formalised management or performance monitoring in these areas.

A separate statement on the sustainability report has been prepared by an external party.

Previous sustainability report concerned the calendar year 2017 and was published on 23 February 2018.

Avanza's sustainability policy is published on investors.avanza.se/en.

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Contact

Questions about the sustainability report and its contents will be answered by:

Sofia Svavar, Head of Investor Relations
 E-mail: sofia.svavar@avanza.se
 Phone: + 46 (0)8 409 420 17



Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Avanza Bank Holding AB (publ),
corporate identity number 556274-8458

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 96–98 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinion

A statutory sustainability report has been prepared.

Stockholm 25 February 2019

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis
Authorised Public Accountant

Customers and benefit levels

Our customers are automatically placed in a benefit level depending on their total savings or the brokerage fees they pay per month. Customers can change their level by depositing money or transferring securities and pension savings to Avanza. The higher the benefit level, the better offers they receive.



Bronze



Silver



Gold



Platinum

Standard offer

Most of our customers are included in our standard offer and are categorised as either Bronze, Silver, Gold or Platinum. In addition to receiving better interest rates and offers if they move to a higher benefit level, they can get help faster when they contact us by phone or email.

New customers are assigned to benefit level Bronze, where there is no requirement of minimum deposit or number of transactions. To qualify for Silver, customers need to have SEK 100,000 in savings with

us or pay SEK 100 in brokerage fees per month. To reach Gold, they need to have SEK 250,000 or pay SEK 250 in brokerage fees per month. Platinum is our highest benefit level in the standard offer where customers need to have SEK 1 million in savings or pay SEK 1,000 in brokerage fees per month.

Customers can pool their family's savings to reach a higher benefit level and receive better offers.



Private Banking



Pro

Private Banking

Private Banking serves our high-net-worth customers with savings capital of at least SEK 3 million. We offer a digital and personal service with a wide range of securities and very attractive interest rates on margin loans and mortgages. In addition, our Private Banking customers have access to services such as tax advice and legal aid. They also receive prompt and personal service from our specialised brokers and account managers.

Pro

Our Pro offering is designed for more active customers and professional day traders. As a Pro customer, you make at least two trades a day at the minimum brokerage fee or trade at least SEK 280,000 daily. Customers receive favourable terms, low brokerage fees and access to a trading tool. Our Pro customers also have access to prompt, personal service from our specialised brokers and our account managers.

Corporate customers

Corporate customers have access to the same services as private customers and qualify for either our standard offer or Private Banking.

Our corporate customers also have access to an occupational pension solution and can receive preferential rates on life insurance, health and accident insurance and health care.

For institutional investors we offer a highly competitive alternative distinguished by high quality, premium service and fast and secure order processing by phone, our website and trading tool.

In Corporate Finance, we mainly target small and medium-sized companies as an advisor in connection with IPOs, fund raising, mergers and acquisitions, and as a partner to medium-sized and large companies. Avanza is a party in most transactions that occur on the Stockholm Stock Exchange.

Brokerage fee classes

We offer various brokerage fee classes suited to customers' trading activity. We have something for everyone, from those who do small trades to those who trade large sums and want to pay a flat fee. Customers can choose a brokerage fee class and can switch classes when they want, but at the earliest one day after the last change. Fund trading is commission free.

Start	Mini	Small	Medium	Fast Pris
Variable brokerage fee	Variable brokerage fee	Variable brokerage fee	Variable brokerage fee	Variable brokerage fee
0 %	0.25 %	0.15 %	0.069 %	0 %
Lowest brokerage fee	Lowest brokerage fee	Lowest brokerage fee	Lowest brokerage fee	Lowest brokerage fee
SEK 0	SEK 1	SEK 39	SEK 69	SEK 99
Selectable if you have less than SEK 50,000*	Suitable for trades below SEK 15,600	Suitable for trades between SEK 15,600 – 46,000	Suitable for trades between SEK 46,000 – 143,500	Suitable for trades over SEK 143,500

PB Mini	PB	PB Fast Pris	Pro
Variable brokerage fee	Variable brokerage fee	Variable brokerage fee	Variable brokerage fee
0.15 %	0.055 %	0 %	0.034 % and below
Lowest brokerage fee	Lowest brokerage fee	Lowest brokerage fee	Lowest brokerage fee
SEK 1	SEK 59	SEK 99	SEK 49 and below

The prices in our brokerage fee classes apply to equity trading on the Stockholm Stock Exchange including First North, with the exception of Start, which applies only to equity trading on the Stockholm Stock Exchange. For more information on our prices, please visit our website, avanza.se (in Swedish only).

* Brokerage fee class Start can be chosen if you have never had SEK 50,000 or more in total savings capital with us. If you reach SEK 50,000 or trade more than 500 brokerage-free trades during a 12-month period you are automatically placed in brokerage fee class Mini, and can not choose Start again.

Product range

Providing customers with a world-class user experience requires a broad product range, access to extensive market data, various filtering tools and decision-making support, and not least an easy to navigate site. At Avanza, you don't pay any fixed fees either.

Our accounts

Share and fund account

Traditional holding account where customers can offset gains against losses in their tax returns and vote their shares. Capital gains tax of 30 per cent is paid when selling securities at a profit or receive dividends.

Investment savings account

Account for equities, funds and other securities that allows customers to vote their shares and is subject to a standard tax. The tax is paid annually and does not have to be declared in a tax return.

Endowment insurance

Account for equities, funds and other securities where standard tax is automatically withheld each quarter and does not have to be declared in a tax return. Companies can also qualify for endowment insurance. A beneficiary can be named to receive the entire holding if the policyholder dies.

Child savings

Endowment insurance where a child is the beneficiary. The entire account or the holding can be assigned to the child at any time.

External deposit account

A simple and safe interest-bearing account with or without a minimum term. Through partnerships with Klarna, Nordax, Santander, Collector and Resurs Bank, customers receive competitive interest rates compared to normal bank accounts and multiple deposit guarantees. The government's deposit guarantee of SEK 950,000 applies per institution.

Occupational pension

Pension savings for an individual or their employees. Customers can choose a standard solution or create personalised pension plans. Through our corporate customer website, business customers can manage their pension schemes quickly and easily without forms. For firms with up to four employees, the application process is fully digital.

Pension insurance

Insurance policy for those who want to privately save for retirement in equities, funds and other securities, where an annual yield tax is charged. Repayment protection is an option, where a beneficiary receives the holding if the policyholder dies. Without repayment protection, the pension instead passes to savers who have also declined repayment protection.

Individual pension plan

Bank account for customers who want to privately save for retirement in equities, funds and other securities, where here an annual yield tax is charged. Repayment protection is always included in the plan, and if the policyholder dies the holding is paid out to the selected beneficiaries.

Securities trading

Equities

Trade shares on our website or apps in the Nordic countries, on major exchanges in Europe, and in the US and Canada. Trading on other markets through our trading desk. Automatically updated real time market data for all Nordic securities (excluding Norway), for securities included in European trading, and for US and Canadian equities when placing an order.

Funds

Trade over 1,300 funds from around the world, through the app or the website. The offer includes Avanza Global, the world's cheapest global fund, and Avanza Zero, Sweden's first no-fee fund. In addition to Sweden's broadest range of low-cost funds, trading is available in exchange-traded funds (ETFs) that track various stock indices among other things. Climate-smart funds can be filtered out as well.

Other securities

Around 15,000 ETPs linked to commodities, currencies, individual shares and indices across the globe as well as bonds, options, futures, warrants, certificates and structured products. Brokerage-free trades (over SEK 1,000) in Avanza Markets or Bull & Bear certificates, Mini Futures, warrants and trackers from eight different issuers.

Lending

External mortgage

In cooperation with Stabelo, we offer higher competitive mortgages without requiring saving capital or other commitments. The rate is set in advance and the application is fully digital. The loan requires a loan to value ratio not exceeding 60 per cent.

Private Banking mortgage

Private Banking customers can qualify for a special mortgage rate based on the Swedish Riksbank's repo rate (with a floor of -0.2 per cent) plus 0.99* per cent, 3 months floating. The borrower has the flexibility to deposit or withdraw funds up to the approved credit limit without a new application or credit check. The maximum flexibility is SEK 1 million.

Margin loan

Margin lending with no minimum term or fees and the possibility to borrow at a rate as low as 0* per cent. The rate depends on the size of the loan, the holding in the account and the benefit level that the customer qualifies for.

* Interest rate as of 31 December 2018.

Inspiration and decision-making support

Avanza Auto

Decision-making support that filters through our six Auto funds based on savings horizon and risk level. A smart, cheap and automatic way to manage money.

Portfolio Generator

Makes it easy and quick to create a well-diversified portfolio of five-star funds at low fees.

Stock inspiration

Find favourite new stocks with the help of theme lists such as Sport, Gender Equality or Fashion; popular lists such as Millionaires' and Women's favourites; and specific portfolios that, for example, replicate what Avanza's employees invest in.

Stock generator

Filters through thousands of equities to create a list of favourite stocks, simply by answering five easy questions.

Avanza Academy

For those who want to learn everything they need to know about investing in equities, funds and other securities.

Avanza Play

Learn the basics of better investing and get the best savings returns. Offers exciting interviews with CEOs of listed companies or fund managers, and helps you stay updated on current savings and investment topics.

Avanza Podcast

Discusses everything to do with managing your money. It guides and supports savers and shares its best tips on the week's theme.

Apps

Through our apps, customers can trade Avanza's entire range of products, make deposits and withdrawals, and transfer securities from other banks. The apps also contain news, watch lists, inspiration lists and decision-making support. Customers are notified of orders, deposits, dividends and price targets. The apps are continuously updated with new functionality.

Placera

One of Sweden's largest financial sites, which writes daily on equities, funds, savings issues and current market events. Placera also includes Sweden's largest equities forum and analysis services from Redeye, News Agency Direkt, SME Direkt and Introduce. Editorially independent from Avanza.

Börsveckan

Stockpicking magazine focused on analysis. Annually writes 300 analyses on over 250 listed companies and editorial columns, and also puts together portfolios. Published since 1985 with the aim of finding the best stocks and inspiring investors. Editorially independent from Avanza.

Trader programme

The market's hottest trader and trading application on the market, Infront, at highly competitive prices.

Portfolio report

Gives customers a unique overview of their savings. Each page is packed with information on their holdings and includes various charts and tables.

Monitoring and alarm

Create watch lists of specific shares or funds and set alarm triggers when they reach a specific price.

Tax return

Completing a tax return should be easy. Our customers receive pre-printed forms with everything they need to know about their accounts and transactions for filing purposes.

Signal list

Newsletter with daily buy and sell signals for all publicly listed stocks, emailed to customers so that they can quickly check stock movements. Contains a brief technical analysis of the market.

For more information on our range of products and services, visit our website, avanza.se.

* Interest rate as of 31 December 2018.

Definitions

The measures and key ratios used in the Annual Report 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 Annual Report 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.

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 charges are levied.

Costs per customer²⁾

Operating expenses on an annual basis in relation to the average number of customers during the period. The ratio shows how a focus on scalability and cost efficiency yields results.

Costs to savings capital ratio²⁾

Operating expenses in relation to average savings capital during the year. 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 or an external mortgage.

Deposits

Deposits by the public as per the bank's 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.

Deposits/lending

Deposits in relation to internally financed lending. The measure shows how large a share of customer deposits is used for lending.

Dividend yield

Dividend per share relative to share price at year-end.

Earnings per share¹⁾

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

Earnings per share after dilution¹⁾

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

eNPS

Employee Net Promoter Score, ie employees' recommendation level, according to Avanza's puls surveys.

Equity per share¹⁾

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

External deposits

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

Fund commission²⁾

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

Income per customer²⁾

Operating income on an annual basis in relation to the average number of customers during the period. The ratio shows the effect of price reductions and gives an indication of changes in the customer base and trading in various price tiers.

Income to savings capital ratio²⁾

Operating income in relation to average savings capital during the year. 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.

Internally financed lending

Lending to the public as per the balance sheet less the portion which is covered in its entirety by cash pledged on endowment insurance accounts, without deducting provisions for bad debt.

Net brokerage income²⁾

Gross brokerage income less direct costs.

Net deposits/Savings capital

Deposits minus internally financed lending in relation to the savings capital at the end of the year. 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 year's net inflow in relation to savings capital at the beginning of the year.

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

P/E multiple

Share price in relation to earnings per share.

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 year.

Savings capital

The combined value of accounts held with Avanza.

Stock market

Refers to the share index SIX Return Index, which shows the average performance on the Stockholm Stock Exchange, including dividends.

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.

Total return

Movements in share price including reinvested dividends.

Turnover

Turnover in security trading.

Alternative performance measures

¹⁾ Financial key ratio directly cited in the financial reports.

²⁾ Financial key ratio that can be traced in financial histories, published quarterly on avanza.se/keydata.

³⁾ Key ratios reported pursuant to the Swedish Financial Supervisory Authority's regulations and general guidelines, see Note 35 Capital base and capital requirements.

Annual General Meeting

The Avanza Bank Holding AB (publ) ("Avanza") Annual General Meeting will be held at Nalen, Regeringsgatan 74, in Stockholm on Tuesday 19 March 2019 at 3.00 pm.

Entitlement to participate in the Annual General Meeting

Shareholders shall be entitled to participate in the Annual General Meeting if they:

- are listed in the shareholder register maintained by Euroclear Sweden AB no later than Wednesday, 13 March 2019
- have notified Avanza of their intention to attend the Annual General Meeting no later than 13 March 2019.

How to register as a shareholder

Avanza's shareholder register is maintained by Euroclear Sweden AB. Only owner-registered holdings are listed in the shareholder's own name in the share register.

In order for shareholders with nominee registered shares to be entitled to participate in the Annual General Meeting, the shares must be registered in the shareholder's own name. Such re-registration is to be completed by Wednesday, 13 March 2019. The institution which is responsible for the administration of the shares must be instructed in time to assist the shareholder with this.

Notification of participation

Shareholders must notify Avanza of their intention to participate at the Annual General Meeting by telephone on +46 (0)8 402 90 18, at the Company's website investors.avanza.se/en, or by post to:

Avanza Bank Holding AB
"Årsstämman"
c/o Euroclear Sweden AB
Box 191
101 23 Stockholm

The notification is to include the name, Personal/Corporate Identity Number, and e-mail address or daytime telephone number of the shareholder, as well as details of any assistants.

If a shareholder intends to be represented by proxy, the power of attorney and other authorising documents are to be sent by post to:

Avanza Bank Holding AB
Att: Bolagsjuridik
Box 1399
SE-111 93 Stockholm

Power of attorney forms are available on the Company's website, investors.avanza.se/en, and are sent free of charge, upon request, to shareholders who have submitted their postal address or E-mail address.

Entitlement to submit proposals for inclusion in the Meeting's agenda

Shareholders are entitled to submit items for inclusion in the agenda of Avanza's Annual General Meeting, provided that a written request is submitted to the Board in sufficient time for the item to be included in the Notice convening the Meeting. The shareholders' written request should be submitted to Avanza's Board of Directors no later than Tuesday, 29 January 2019 and should be sent by post to:

Avanza Bank Holding AB
Att: Bolagsjuridik
Box 1399
SE-111 93 Stockholm

Financial calendar

19 **March**
2019

Annual General Meeting

16 **April**
2019

Interim Report January–March

11 **July**
2019

Interim Report January–June

Published

26 **February**
2019

Annual Report 2018

23 **February**
2018

Annual Report 2017

Our financial reports are digitally distributed via the corporate website.

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Website: avanza.se
Corporate web: investors.avanza.se/en

This Annual Report is published in Swedish and English. In the event of any differences between the English version and the Swedish original, the Swedish version shall prevail.

