



# Preliminary Financial Statement 2020

Avanza Bank Holding AB (publ)

## Fourth quarter 2020 compared to fourth quarter 2019

- **Customer growth** was 85,600 (37,300), an increase of 129 per cent
- **Net inflow** in the quarter was SEK 18,700 million (6,820), an increase of 174 per cent
- **Operating income** increased by 115 per cent to SEK 706 million, of which SEK 63 million is due to a reduced holding in Stabelo. All revenue lines improved
- **Operating expenses** increased by 18 per cent to SEK 221 million. The fourth quarter included a write-down of SEK 16 million for office rent on Vasagatan, as previously announced. Personnel costs were also higher
- **The cost increase** for the full year was 11.6 per cent excluding extraordinary relocation costs for 2019 and 2020, in line with previous guidance of 12 per cent. In 2021, the cost increase is estimated at about 15 per cent, as announced in December. The extraordinary relocation costs are not included in the cost growth for 2021, either. The long-term guidance on annual cost growth is 9–12 per cent
- **Net profit** amounted to SEK 418 million, an increase of 245 per cent. Profit includes SEK 63 million associated with the reduced holding in Stabelo
- When the Stabelo holding was reduced, a revaluation of SEK 144 million was recognised via other comprehensive income. Total comprehensive income after tax amounted to SEK 557 million
- The Board of Directors is proposing, in view of the Swedish Financial Supervisory Authority's recommendation to distribute not more than 25 per cent of profits for the years 2019 and 2020, a dividend of SEK 0.85 (2.30) per share. The Board has estimated remaining distributable earnings at SEK 2.95 per share, for an extraordinary general meeting to decide on when the recommendation is repealed
- Chief Operating Officer Gunnar Olsson will succeed Birgitta Hagenfeldt as Deputy CEO
- Avanza was awarded Sweden's most satisfied customers in the savings category for the eleventh consecutive year by the Swedish Quality Index
- Avanza was named Bank of the Year 2020 by the magazine Privata Affärer for the third year in a row
- In an exclusive collaboration, Avanza launched its second actively managed fund, Avanza Småbolag by Skoglund, with a focus on Swedish small-cap stocks
- Stock lending was launched, giving endowment insurance customers an opportunity for extra return
- New equity pages were launched, and in the apps a new summary page and new functions, including a stock swiping feature, were added

## Quote from Rikard Josefson, CEO Avanza

"The year finished just as strongly as it began with customer activity remaining high. Growth for the year was record high at over 300,000 new customers and a net inflow of SEK 76 billion. The strong growth, coupled with savings capital of close to SEK 600 billion and the fact that nearly one out of every five kronor of savings is now invested with Avanza, bodes well for 2021."

	Q4 2020	Q3 2020	Change %	Q4 2019	Change %	Jan-Dec 2020	Jan-Dec 2019	Change %
Operating income, SEK m	706	575	23	329	115	2,349	1,193	97
Operating expenses, SEK m	-221	-177	25	-187	18	-763	-666	15
Operating profit, SEK m	486	396	23	140	247	1,576	520	203
Net profit, SEK m	418	331	26	121	245	1,335	447	199
Earnings per share before dilution, SEK	2.70	2.15	26	0.79	243	8.66	2.94	195
Operating margin, %	69	69	0	43	26	67	44	24
Net inflow, SEK m	18,700	16,300	14	6,820	174	76,300	32,600	134
No. of new customers (net)	85,600	79,200	8	37,300	129	303,900	139,300	118
Savings capital at the end of the period, SEK m	570,500	514,200	11	407,700	40	570,500	407,700	40

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

## Avanza in brief

### This is Avanza

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

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

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

### An investment in growth

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

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

The sensitivity in the event of a decrease in savings capital due to a stock market downturn is difficult to assess, as income is dependent on, among other things, how customers choose to invest their savings capital. To manage fluctuations in the market, the aim is to broaden the offering and increase the proportion of recurring revenues.

### Vision & business model

Avanza's vision is to create a better future for millions of people through a cheaper, better and simpler offering. This is based on customer focus, a broad product range, good decision support, and on educating the public about saving and investing. Satisfied customers and a world-class customer experience are the key to Avanza's business.

Avanza is driven by a consistent focus on creating customer value, and the promise to customers is that they will get a better return on their savings with Avanza than any other bank. This makes innovation, as well as scalability and efficiency, important to Avanza's strategy. Avanza's business model is built on scalability and the industry's lowest cost to the savings capital ratio. Strong customer growth, combined with low costs, leads to long-term growth and enables Avanza to deliver value to both customers and shareholders. Continuous development, digitisation and internal efficiency also reduce operational risks and increase stability.

Sustainability is becoming increasingly important to customers and to Avanza's business. Avanza's sustainability work is focused on three areas: Sustainable investments, Educate & challenge, and Sustainable organisation.

Delivering on our vision also requires engaged employees and a strong corporate culture that draws its energy from a willingness to change. Avanza's corporate climate is characterized by collaboration and humility, and by constantly challenging and thinking innovatively.

### Long-term targets

Satisfied customers:

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

Engaged employees:

- eNPS (Employee Net Promoter Score) of at least 50, raised from at least 45

Value growth:

- Market share of at least 15 per cent of the total net inflow to the Swedish savings market 2025
- Market share of nearly 7 per cent of the Swedish savings market by the end of 2025
- Return on equity of 25-30 per cent
- Dividend of at least 70 per cent of the profit of the year

Sustainability:

- Increased share of capital in sustainable investments
- Be seen as the leading sustainable brand and the natural choice for sustainable savings as well as increase the share of female to 50 per cent of new customers
- An organisation with parity between women and men, and to become climate positive

For more information about Avanza, see [avanza.se/ir](http://avanza.se/ir) and the Annual Report.



## CEO comment

### A strong finish to a very strong year

We had another successful quarter. Even if the pandemic takes away some of the joy, we still reported a net inflow of SEK 18.7 billion in the fourth quarter and welcomed 85,600 new customers, at the same time that our customers remained very active. As a result, 2020 in total was a record year for Avanza, no matter which numbers we look at.

### Strong engagement internally is the key to satisfied customers

We far exceeded our targets. The most important is obviously to have the most satisfied customers, and despite many challenges we have been there for them and for each other. During the quarter, we won the Swedish Quality Index award for Sweden's most satisfied savings customers for the eleventh time in a row. We were also named Bank of the Year for the third straight year. No other bank has managed that for as long as Avanza has been in business. In addition, we placed a fifth in Prospera's Private Banking survey, and took first place in customers' recommendation rate, which we are very happy about. Avanza's return on equity reached 57 per cent for the full year, well above our target of 25–30%. We are also well on track to our target of a close to 7% share of the Swedish savings market by 2025, with a market share as of 30 September of 5.4% and where we accounted for 19.4% of net inflow in the last 12-month period. When it comes to employee engagement, our score was 69, and that is well above the eNPS target of 45, which is raised to at least 50 from 2021. Employee engagement is absolutely crucial to us. In sustainable savings, we achieved a great deal during the year, and the ESG score went down to 21.67, from 22.57 at the start of the year. The aim is as low a score as possible on a scale of 0–100. When we a year ago introduced our sustainability targets, we also said that we wanted to raise the share of customers who save in sustainable alternatives. Since the share of capital is more relevant to sustainable development, we have decided to take away the target regarding number of customers. One of our other sustainability targets is to increase the number of women among our new customers to 50%. Despite the positive trend with more female customers than ever in 2020, we did not reach our target as the share of new male customers increased even more.

There may be those who question whether we stretched far enough when we set our new targets nearly a year ago. Back then, they felt challenging, but we could not have dreamed that 2020 would be such a record year in terms of growth. It is still too early to revise the targets, but given the results we are now reporting, and depending on how 2021 plays out, we will take another look at whether we need to be more ambitious. Structural growth potential is still just as strong.

### Strong growth and continued growth potential was why we decided in December to raise our ambitions

As previously announced, a decision was made during the quarter to raise our costs for 2021, which means that they will be slightly higher than the long-term guidance of 9–12%. The extra costs correspond to just over SEK 20 million and mean that we now estimate cost growth at around 15% for 2021. We could just as well have stayed within the framework of the long-term guidance, but based on the extremely strong growth last year and the growth prospects we continue to see, it would be indefensible not to invest more. I feel very confident that the costs we have are good costs that will deliver even more benefits to our customers in the form of improvements and innovations.

### Well-received launches in the quarter

Talking about improvements and innovations, we achieved quite a lot during the quarter. We introduced stock lending to give our endowment insurance customers an opportunity for an extra return. Our launch of Avanza Småbolag by Skoglund was a major success and it is now the most widely owned small-cap fund on the platform. This shows the strength of teaming with a well-known and historically successful fund manager. The year's two new actively managed funds should not be seen as a completely new strategy. It is simply that the opportunity arose and filled a hole for our customers, at the same time that the funds fit in well with and complement our offering. We also launched a stock swiping feature, which was inspired by dating sites. Here customers can in a fun and easy way be inspired to diversify their savings with new stocks in various categories. In our external mortgage offering we enabled customers to digitally sign their loan documents, making us one of the few banks to offer a fully digital application process, which will also reduce lead times. Our second "Brainy Days" innovation event to be held digitally, in November, together with the year's business plan, make me very confident about the improvements and added value we will deliver to our customers in 2021.

### A record year, but the pandemic means that the large part of the dividend will have to wait

During the quarter, Stabelo, our external mortgage lending partner, issued new shares. To create a more diversified ownership structure, we decided to sell part of the holding, which now amounts to 19.8% and is a long-term investment that can generate solid appreciation over time. When we increased our ownership in autumn 2018, Stabelo was valued at SEK 350 million, compared to the current SEK 1,200 million. The sale produced a capital gain for Avanza of SEK 63 million in the quarter and a revaluation effect of SEK 144 million via other comprehensive income, but even without these effects we reported a record quarter. Net brokerage income remained strong as a result of high activity and a strong finish to the year. Activity also spilled over to currency-related income, and fund commissions were record high. Fund capital passed SEK 150 billion at year end. As our guidance indicated, costs for the full year grew by just under 12% and profit reached SEK 1,335 million, nearly three times as high as last year. Our aim in recent years has been to cut the cost to savings capital ratio to 0.16%, and we are now at 0.17%. This shows the scalability of our business.

Despite a strong year, the Board of Directors is proposing a dividend of only SEK 0.85 per share in light of the Swedish Financial Supervisory Authority's recommendation to financial institutions to be restrictive with dividends. Distributable earnings are much higher, however, and when the FSA repeals its recommendation, hopefully this autumn, the Board plans to issue another dividend proposal at an extraordinary general meeting. Despite the higher capital requirement owing to the leverage ratio that takes effect in June, there is still enough room today to distribute an additional SEK 2.95 per share.

### The importance of a strong culture is especially evident in a year like 2020

I can also announce that the Board of Directors has appointed Gunnar Olsson, our COO, as Deputy CEO when Birgitta Hagenfeldt now leaves her operational working life. Birgitta will play an advisory role for me for a few months, while Anna Casselblad takes over as CFO on 1 February. I cannot thank Birgitta enough for the fantastic work she has done for Avanza since she joined us in 2008.

When I look back at the last year and another quarter with high activity, I want to especially thank my amazing colleagues, who truly have the ability to go above and beyond. In a year like 2020, the importance of a strong corporate culture is especially evident. I have the privilege of working in this culture with colleagues who make it possible every day. The culture at Avanza is the reason, I feel, that we have been able to handle the last year so well.

I wish you all a happy new year!

Stockholm, 21 January 2021



Rikard Josefson, CEO Avanza



# Operations

## Activity and market shares

The Stockholm Stock Exchange developed positively with continued high volatility during the quarter. The OMX Stockholm Gross Index rose by 6 per cent.

Total turnover on the Stockholm Stock Exchange including First North increased by 12 per cent and the number of transactions was up 9 per cent compared to the previous quarter. Among Avanza's customers, turnover on these marketplaces decreased by 2 per cent while the number of transactions were at the same level.

In the fourth quarter, Avanza was again by far the largest Swedish player on the Stockholm Stock Exchange including First North in terms of number of transactions and turnover. Avanza's market shares decreased slightly compared to the record levels in the previous quarter, due to increased institutional trading through larger Swedish and foreign institutes.

According to the Swedish Investment Fund Association the fund market once again reported a strong net inflow during the quarter. Avanza's share of new savings in the fund market (excluding PPM) amounted to 18 per cent. For the full year 2020, Avanza's share was 33 (16) per cent.

The Riksbank raised the repo rate by 25 basis points on 8 January 2020 to 0 per cent. The Riksbank's own forecast indicates a zero per cent repo rate for the foreseeable future.

### *Information related to Covid-19*

Because of the coronavirus pandemic, Avanza is providing information on its impact on the company.

Avanza's operations have continued uninterrupted after the outbreak with no major disruptions during the quarter.

Avanza continue to follow the Swedish Public Health Agency's recommendations and instructions. The vast majority of employees are working remotely and the recommendation to work from home was strengthened in the quarter. During the year, new communication channels and routines have been adopted to maintain operations, the pace of development and employee engagement, and to safeguard the culture. The introduction for new employees has also been done digitally. Internal communication has been improved and adapted, e.g. with digital demos of new functions and products as well as digital project updates and monthly meetings. The almost entirely digital communication has to a large extent increased availability for employees, which is an important part in building Avanza's culture and cohesion. Many of these new routines are here to stay, at the same time as spontaneous interactions with colleagues should not be underestimated and are easier when everyone can meet face-to-face in the office. The employee survey in the quarter shows a continued high level of well-being among the employees and the eNPS for the full year reached a record high of 69, compared with the target of an eNPS of at least 45, raised to at least 50.

The Covid-19 crisis, together with various political measures and stimulus from central banks, continued to affect stock market turnover and volatility during the quarter. In the current environment, customers had a continued active interest in their savings, and trading activity among Avanza's customers remained at historically high levels. Customer growth and the net inflow also remained high. This year's high level of customer activity and strong growth meant that Avanza, somewhat earlier than expected, needed to strengthen its IT systems with e.g. investments in

complementary hardware and capacity. The site availability during the quarter was 100 per cent.

The macro variables in Avanza's IFRS 9 model, which are used to calculate expected credit losses, were updated during the second quarter to reflect among other things Covid-19's effects on the Swedish economy, such as unemployment and housing prices. The update increased the provision for expected credit losses by approximately SEK 5 million, which affected the result for the second quarter. The provision mainly relates to mortgage loans, which have a low risk with an average loan to value ratio of 37 per cent and are designed for Private Banking customers. The provision for margin lending rose slightly. No additional provisions were installed during the last six months of the year and no actual credit losses were recognised during the year. This shows that Avanza's risk tolerance, collateral and processes are working as they should even in these highly uncertain and volatile market conditions.

The large fund outflow and decrease in fund volume after the first quarter's dramatic drop in equity prices were swiftly recouped during the year and are now at record levels.

Customers' liquidity, which increased significantly at the start of the crisis, are back to normal levels since the summer.

In the occupational pension business, a number of corporate customers were initially affected by the crisis, and some companies delayed the decision to switch their occupational pension provider. Some corporate customers also chose to put on pause their occupational pension payments. In general, the coronavirus pandemic has had little impact on the pension business. The exposure in Avanza's occupational pension business to the most vulnerable sectors is very limited. The pandemic has accelerated the acceptance of digital meetings, and the increased number of online meetings has helped to improve efficiency. Even after the pandemic, the majority of interactions with customers is expected to be digital.

The aftermath of the pandemic is hard to predict. It is not unusual for customer activity to slow after great turbulence as the market stabilises. As a result of the strong growth during the year, however, our view is that our lowest level has been raised.

Although savings could be negatively impacted by high unemployment, leaving individuals with less opportunity to save, the turbulence during this past period has to an even greater degree proven the importance of savings and a capital buffer. At the same time, savings possibilities among a lot of people have increased when their leisure activities have been limited.

In connection with the strong growth and high level of activity in the wake of the pandemic, Avanza at the end of March raised its guidance on the cost increase for 2020 to 12 per cent from previously around 10 per cent. This corresponds to just over SEK 10 million in additional costs for the full year. The cost guidance was raised after several investments were brought forward and capacity is increased in Customer service and the Backoffice as well as in IT.

Due to the strong growth during the year and increased interest in savings, Avanza decided to invest more in its customer offers and user experience in 2021. Cost growth for 2021 is estimated at around 15 per cent, which means that Avanza is deviating from its long-term cost guidance next year. The increase corresponds to additional costs of just over SEK 20 million beyond the previous guidance. The long-term guidance on an annual cost growth remains at 9–12 per cent.

In response to the financial strain caused by the corona virus, the government decided, in the first quarter, to reduce

social security contributions for up to 30 employees per company. Since Avanza has not and is not expected to be negatively impacted by the pandemic, the companies in the Avanza Group have not applied for reduced security contributions.

In light of Covid-19 and the economic uncertainty in society, the Swedish FSA has encouraged financial firms to be restrictive with dividends until September 2021. The recommendation is that total dividends and buybacks should not exceed 25 per cent of aggregate earnings for the financial years 2019 and 2020. Avanza's aggregate total comprehensive income after tax for the two years amount to SEK 1,945 million, and of this SEK 354 million, or 18 per cent, has already been distributed. Because of this, the Board of Directors is recommending that the Annual General Meeting approve a dividend of SEK 0.85 per share for the financial year 2020.

Due to the pandemic and to prevent further contagion, Avanza's Annual General Meeting 2021 will not be held as a physical meeting. For more information, see page 15.

Avanza's long-term strategies and targets remain unchanged.

### Events during the fourth quarter

Avanza is increasingly consumed through the apps, and improving the user experience and expanding functionality has been a focus area in recent years.

During the quarter, the apps added a new summary page to give customers a better overview of their performance and more easily find various functions. For example, there is now a performance graph for their entire account, where different time periods and benchmark indexes can be selected and where customers can see how multiple accounts have performed together. They can also change the name on, categorise and hide accounts directly in the summary page. In addition, there is expanded information on pension accounts and clearer shortcuts.

An important part of realising your dreams is using your money, and smarter and simpler withdrawal functions were launched in the apps.

New functions were also added for monthly savings in the apps, including a way to easily add new funds to existing savings. And it is now easier on the site to exchange funds with the help of a new function.

New stock pages were launched with expanded information on holdings, returns and history. Customers can also see which funds have the highest concentration in a stock and which the largest shareholdings are in the investment companies. Another new addition is a "flash" function, which makes it easier to view orders and check their status no matter where you are on the site.

Margin lending was given a new landing page with a better overview and expanded information. The credit meter was introduced to help customers track, redistribute or increase their loans. Mortgages were included in the account summary to give them a better overview. The external mortgage was expanded with a supplemental loan for those who want to invest in green home improvements. The supplemental loan is discounted by 0.20 percentage points. Also, digital signing was added for loan documents, making the application process fully digital. This makes it even simpler to transfer mortgages to Avanza and reduces lead times.

With inspiration from dating sites and to make it easier to find interesting new stocks, a new stock swiping function was launched in the apps. The function, where customers swipe right or left depending on whether they like a company or not, is designed as a fun and easy way to diversify savings based on brief company presentations and a number of key performance indicators.

During the quarter, Avanza launched its second actively managed fund, Avanza Småbolag by Skoglund. The key themes of this small-cap fund are sustainability, digitisation and transformation. It is one of the least expensive actively managed small-cap funds for individual investors on the market, with a total fee of approximately 1.30 per cent. The fund is available exclusively to Avanza's customers and had as of 31 December, five weeks after launch, reached assets under management of nearly SEK 1.3 billion, making it Avanza's most widely owned small-cap fund.

In keeping with tradition, "Your 2020 by the numbers" was launched. With this popular feature, customers can see how their holdings performed during the year in relation to the average Avanza customer, along with their geographical exposure and their best and worst performing securities and days of the year. New this year is a fund deep dive, with information for example on ESG scores.

Stock lending was introduced as an added service for customers with endowment insurance. In a stock loan, Avanza lends the shares to Morgan Stanley with the customer receiving 60 per cent of the return and Avanza 40 per cent. This is estimated to generate an extra SEK 15–20 million of income for Avanza in the programme's first year.

Satisfied customers are the most important target and in December Avanza won the Swedish Quality Index award for Sweden's most satisfied customers in the category savings for the eleventh year in a row. The survey also includes a Net Promotor Score (NPS), which shows customers' recommendation rate. Here as well, Avanza placed first with a score of 67, compared to an average of 10.

Avanza was named Bank of the Year by the business magazine *Privata Affärer* for the third year in a row. No other company has achieved this in the last 20 years. In the motivation, Avanza's innovative services were mentioned as well as the work with education and sustainability.

In Prospera's private banking survey for 2020, Avanza ranked fifth for the fourth consecutive year, in competition with companies that offer both advice and discretionary management. Avanza's digital services and competitive prices ranked highest of any company, and in terms of sustainable investments Avanza took second place, an improvement from sixth in the previous year. Avanza was number one in customer recommendation rate.

In Corporate Finance, Avanza served as a financial advisor in Estea Omsorgsfastigheter's IPO and subsequent share issue, joint bookrunner in Stenhus Fastigheter AB's listing, retail manager in Renewcell, Offentliga Hus and Fortinova's respective listings, and retail distributor in Fasadgruppen and Thunderful Group's respective listings.

Stabelo, which Avanza has had a holding in since 2017, finalised a new share issue, in connection with which Avanza reduced its holding to 19.8 per cent from 27.3 per cent.

## Performance on targets 2020

- Received Swedish Quality Index's reward for Sweden's most satisfied savings customers for the eleventh consecutive year.
- Employee Net Promotor Score of 69, which clearly exceeded the target of 45, demonstrates very high ambassadorship. The target is raised to an eNPS of at least 50.
- Achieved a market share of 19.4 per cent of the net inflow to the Swedish savings market in the period October 2019 – September 2020, to be compared with the long-term target of 15 per cent 2025.
- Achieved a market share of 5.4 per cent of the Swedish savings market, compared to the long-term target of close to 7 per cent 2025.
- Return on equity of 57 per cent, exceeding the target of between 25–30 per cent.
- The Board of Directors initially proposes a dividend of SEK 0.85 per share in light of the Swedish Financial Supervisory Authority's recommendation. This deviates from the policy to distribute at least 70 per cent. For more information, see page 15.
- Increased the share of capital in sustainable investments by reducing the ESG score from 22.57 to 21.67, according to sustainability information from Morningstar. The aim is as low a score as possible on a scale of 0–100. The target to increase the share of customers who save in sustainable alternatives is considered less relevant to sustainable development and has therefore been removed.
- Ranked highest in the Swedish financial industry in Kantar Sifo's reputation index. This shows the strong confidence in Avanza and is an indication of how Avanza is perceived from a sustainability perspective.
- Grew the customer base with a record number of new female customers, but did not reach the target of a share of 50 per cent since growth among men was even higher. The share of new female customers was 39 per cent.
- The share of women in Avanza's management and among managers with personnel responsibility was 47 per cent. The target is to achieve gender parity.
- Avanza's climate impact is presented in the Annual and Sustainability Report 2020.

## Development of customers and savings capital

Data on the Swedish savings market for the third quarter of 2020 were released in November. Avanza's share of net inflow to the Swedish savings market during the period October 2019–September 2020 was 19.4 per cent. Avanza's share of the Swedish savings market was 5.4 per cent at the end of the period.

Avanza's market share of premiums paid for non-collective agreement occupational pension insurance was 7.0 per cent during the period October 2019–September 2020 according to statistics from Insurance Sweden. This was an increase from 6.6 per cent during the corresponding period the previous year. The market share of the premium inflow for the entire life insurance market, i.e. including endowment insurance, was 10.9 per cent in the third quarter.

Customer growth remained strong in the fourth quarter, and 85,600 new customers were added. This was 8 per cent more than the previous quarter and 129 per cent more than the fourth quarter of 2019. The decrease in the number of Private Banking customers in the quarter is a result of a review where customers who did not qualify for the service were transferred to other benefit levels. The number of active trading customers in the Pro segment increased as a result of the highly volatile market conditions. During the year the number of occupational pension customers grew by 17 per cent. In total the number of customers grew by 303,900 during the year and the total number of customers at the end of the period was 1,280,300, an increase by 31 per cent.

The net inflow was 14 per cent higher than in the previous quarter and 174 per cent higher than the fourth quarter in 2019. The net inflow from existing customers accounted for 86 per cent in the quarter, compared to 61 per cent in the previous quarter. Recurring occupational pension premiums averaged SEK 248 million per month during the 12-month period, an increase of 10 per cent compared to 2019. One contributing factor is Avanza's digital transfer function, which makes it easier for those who want to consolidate their old occupational pensions with Avanza. The total net inflow in 2020 amounted to SEK 76.3 billion, an increase of 134 per cent compared to 2019.

Savings capital increased by 11 per cent during the quarter to a record-high SEK 571 billion, which corresponds to an increase of 40 per cent during the year. The increase during the quarter was mainly due to rising stock prices but also net inflow. At the end of the quarter, 26 per cent of customers' capital was invested in funds, 3 percentage points lower than the beginning of the year. Still, fund capital has increased by 26 per cent since the beginning of the year and by 13 per cent in the quarter. Net fund inflow was SEK 8.1 billion in the fourth quarter. Of the fund capital, 27 per cent was invested in Avanza's own funds. Monthly savings in funds by Avanza's customers is growing and at the end of the year amounted to SEK 730 million, an increase of 37 per cent compared to the previous year and more than doubled in two years.

Customers' total deposits increased by 2 per cent during the quarter. Customers' liquidity, i.e. deposits as a share of savings capital, decreased from 15 to 14 per cent. Total deposits amounted to SEK 77.6 billion, of which SEK 27.7 billion related to external deposits.

Total lending increased by 10 per cent in the fourth quarter to SEK 29.9 billion. External mortgage volume through Stabelo amounted to SEK 13.6 billion at the end of the quarter. Internally financed mortgages for Private Banking customers was just over SEK 9.3 billion, up by 6 per cent. Margin lending increased by 11 per cent and was close to SEK 7 billion.

Activity and market shares	2020 Q4	2020 Q3	Change %	2019 Q4	Change %	2020 Jan-Dec	2019 Jan-Dec	Change %
No. commission generating notes, thousands	11,600	10,800	7	4,680	147	40,800	17,500	133
Commission generating turnover, SEK m	300,400	288,200	4	149,000	102	1,148,800	557,800	106
<i>Market shares</i>								
<i>Nasdaq Stockholm and First North:</i>								
No. transactions, %	18.3	19.9	-1.6	14.5	3.8	18.1	13.7	4.4
Turnover, %	8.4	9.6	-1.2	6.0	2.4	8.5	5.4	3.1
Net inflow, SEK m	2020 Q4	2020 Q3	Change %	2019 Q4	Change %	2020 Jan-Dec	2019 Jan-Dec	Change %
Standard	17,540	13,730	27	7,970	120	63,740	31,090	105
Private Banking	1,180	2,130	-45	-950	-224	12,000	1,700	607
Pro	-20	440	-104	-200	-	560	-190	-
<b>Net inflow</b>	<b>18,700</b>	<b>16,300</b>	<b>14</b>	<b>6,820</b>	<b>174</b>	<b>76,300</b>	<b>32,600</b>	<b>134</b>
Equity & investment fund accounts	2,630	1,520	65	590	344	12,390	4,050	205
Investment savings accounts	11,600	11,000	6	4,860	138	44,800	18,100	147
Savings accounts	1,900	90	2,080	610	214	4,910	3,430	43
of which external deposit accounts	1,890	170	1,018	520	262	4,960	3,450	44
Pension- & insurance-based accounts	2,570	3,690	-30	760	237	14,200	7,020	103
of which endowment insurance	1,450	2,620	-45	-270	-635	9,800	3,380	190
of which occupational pensions	1,130	1,010	11	940	20	4,290	3,500	23
<b>Net inflow</b>	<b>18,700</b>	<b>16,300</b>	<b>14</b>	<b>6,820</b>	<b>174</b>	<b>76,300</b>	<b>32,600</b>	<b>134</b>

For definitions see page 27.

No. customers, savings capital and lending, SEK m (unless otherwise stated)	31-12-2020	30-09-2020	Change %	31-12-2019	Change %
Standard, No.	1,252,460	1,165,810	7	947,920	32
Private Banking, No.	25,000	26,400	-5	26,500	-6
Pro, No.	2,840	2,490	14	1,980	43
<b>No. of customers</b>	<b>1,280,300</b>	<b>1,194,700</b>	<b>7</b>	<b>976,400</b>	<b>31</b>
of which occupational pension customers, No.	107,900	104,000	4	92,600	17
Standard	327,700	294,000	11	228,200	44
Private Banking	221,300	200,800	10	164,500	35
Pro	21,500	19,400	11	15,000	43
<b>Savings capital</b>	<b>570,500</b>	<b>514,200</b>	<b>11</b>	<b>407,700</b>	<b>40</b>
Equity & investment fund accounts	150,000	139,300	8	121,100	24
Investment savings accounts	229,300	199,900	15	141,100	63
Savings accounts	28,600	26,500	8	23,400	22
of which external deposit accounts	27,700	25,700	8	22,500	23
Pension- & insurance-based accounts	162,600	148,500	9	122,100	33
of which endowment insurance	113,400	102,900	10	82,000	38
of which occupational pensions	34,200	31,300	9	26,700	28
<b>Savings capital</b>	<b>570,500</b>	<b>514,200</b>	<b>11</b>	<b>407,700</b>	<b>40</b>
Equities, bonds, derivatives, etc.	342,000	304,500	12	225,000	52
Investment funds	150,900	133,700	13	119,900	26
Deposits	77,600	76,000	2	62,800	24
of which external deposits (Savings account+)	27,700	25,700	8	22,500	23
<b>Savings capital</b>	<b>570,500</b>	<b>514,200</b>	<b>11</b>	<b>407,700</b>	<b>40</b>
Internally financed lending	16,300	15,100	8	13,100	24
of which margin lending	6,970	6,280	11	5,160	35
of which mortgages (Superbolånet PB)	9,320	8,830	6	7,950	17
External mortgages (Bolån+)	13,600	12,200	11	9,840	38
<b>Lending</b>	<b>29,900</b>	<b>27,300</b>	<b>10</b>	<b>23,000</b>	<b>30</b>
Deposits/Savings capital, %	14	15	-1	15	-1
Return, average account since 1 Jan, %	19	11	8	24	-5
OMX Stockholm GI since 1 Jan, %	15	8	7	35	-20

For definitions see page 27.

## Financial overview

	2020 Q4	2020 Q3	Change %	2019 Q4	Change %	2020 Jan-Dec	2019 Jan-Dec	Change %
<b>Income Statement, SEK m</b>								
Net brokerage income	291	283	3	123	137	1,102	466	137
Fund commissions	125	109	14	91	36	418	332	26
Net interest income <sup>1</sup>	73	74	-1	48	50	283	165	71
Other income <sup>1</sup>	217	110	97	66	230	545	230	137
<b>Operating income</b>	<b>706</b>	<b>575</b>	<b>23</b>	<b>329</b>	<b>115</b>	<b>2,349</b>	<b>1,193</b>	<b>97</b>
Personnel	-135	-103	31	-115	18	-469	-414	13
Marketing	-5	-7	-29	-3	80	-22	-19	17
Depreciation	-34	-19	78	-22	53	-84	-63	33
Other expenses	-48	-49	-2	-48	0	-188	-169	11
<b>Operating expenses before credit losses</b>	<b>-221</b>	<b>-177</b>	<b>25</b>	<b>-187</b>	<b>18</b>	<b>-763</b>	<b>-666</b>	<b>15</b>
<b>Profit before credit losses</b>	<b>485</b>	<b>398</b>	<b>22</b>	<b>142</b>	<b>242</b>	<b>1,586</b>	<b>528</b>	<b>200</b>
Credit losses, net	1	0	-	0	-	-4	0	-
Profit/loss from participations in associated companies	-	-1	-100	-2	-100	-6	-8	-29
<b>Operating profit</b>	<b>486</b>	<b>396</b>	<b>23</b>	<b>140</b>	<b>247</b>	<b>1,576</b>	<b>520</b>	<b>203</b>
Tax on profit for the period	-68	-65	4	-19	257	-242	-73	231
<b>Net profit</b>	<b>418</b>	<b>331</b>	<b>26</b>	<b>121</b>	<b>245</b>	<b>1,335</b>	<b>447</b>	<b>199</b>
<b>Key ratios</b>								
Operating margin, %	69	69	0	43	26	67	44	24
Profit margin, %	59	58	2	37	22	57	37	19
Earnings per share before dilution, SEK	2.70	2.15	26	0.79	243	8.66	2.94	195
Earnings per share after dilution, SEK	2.66	2.12	25	0.79	238	8.58	2.94	192
Return on shareholders' equity, %	58	55	2	26	32	57	27	30
Return on assets, %	0.8	0.7	0.1	0.3	0.5	0.8	0.3	0.4
Credit loss level, %	0.00	-0.00	0.00	0.00	-	-0.03	0.00	-0.03
Investments, SEK m	17	13	37	5	272	63	10	551
Net brokerage income/Operating income, %	41	49	0	37	4	47	39	8
Fund commissions/Operating income, %	18	19	-1	28	-10	18	28	-10
Net interest income/Operating income, % <sup>1</sup>	10	13	-3	15	-4	12	14	-2
Other income/Operating income, % <sup>1</sup>	31	19	12	20	11	23	19	4
Income to savings capital ratio, %	0.52	0.48	0.04	0.34	0.19	0.51	0.34	0.17
Costs to savings capital ratio, %	0.16	0.15	0.02	0.19	-0.03	0.17	0.19	-0.02
Income per customer, SEK	2,280	1,990	15	1,370	66	2,090	1,320	58
Costs per customer, SEK	-710	-610	16	-780	-9	-680	-740	-8
Net brokerage income per trading day, SEK m	4.7	4.3	9	2.0	133	4.4	1.9	135
Brokerage/Turnover, %	0.113	0.114	-0.001	0.098	15	0.111	0.100	0.011
No. trading days	62.5	66.0	-5	61.5	2	250.0	248.0	1
Average no. employees	506	487	4	444	14	478	429	11
Web service operational availability, %	100.0	99.8	0.2	99.9	0.1	99.9	99.9	-

1) Income related to Savings account+ has been transferred from Net interest income to Other commission income. Historical figures have been adjusted.

<b>Key ratios</b>	<b>31-12-2020</b>	<b>30-09-2020</b>	<b>Change %</b>	<b>31-12-2019</b>	<b>Change %</b>
Shareholders' equity per share before dil., SEK	20.47	16.88	21	12.65	62
Own funds/Capital requirement	1.74	1.45	20	1.30	34
No. employees	510	502	2	445	15
Share price, SEK	233.00	175.80	33	97.80	138
Market capitalisation, SEK m	36,100	27,200	33	15,000	141

For definitions see page 27.

Extended financial history is available at Avanza's website, [avanza.se/keydata](http://avanza.se/keydata).

## Fourth quarter compared to the previous quarter

Operating profit for the fourth quarter increased by 23 per cent compared to the previous quarter, mainly as a result of higher revenues. Excluding the result related to the sale of shares in Stabelo, the revenues increased by 12 per cent. The operating margin was unchanged at 69 per cent (69) and the return on equity was 58 per cent. When Avanza reduced its holding in Stabelo, such that it is no longer considered an associated company, the remaining shareholding was revalued with SEK 144 million, which contributed to the total comprehensive income after tax of SEK 557 million.

### Revenues

Total operating income increased by 23 per cent compared to the previous quarter. Mainly, other income increased, but fund commission and net brokerage income rose as well. Other income includes higher net result of financial transactions associated with the reduced holding in Stabelo.

Net brokerage income increased by 3 per cent, despite 3.5 fewer trading days in the quarter. The commission-generating turnover increased by 4 per cent and the number of commission-generating notes were up by 7 per cent. Both turnover per note and brokerage income per SEK of turnover decreased slightly. The brokerage income per SEK of turnover decreased to 11.3 basis points, a result of a larger share of the brokerage income generated by Private Banking customers. The number of commission-generating customers increased by 13 per cent compared to the third quarter.

Fund commissions increased by 14 per cent, mainly due to higher average fund capital. The fund capital increased by 13 per cent during the period. The net inflow amounted to SEK 8.1 billion. The share of index and fixed income funds decreased slightly and income per SEK of fund capital increased to 0.36 per cent (0.35).

Net interest income decreased by 1 per cent, mainly due to lower returns on surplus liquidity as a result of lower average STIBOR (3M). The average STIBOR (3M) was 8 basis points lower than the third quarter. Together the resolution fee and the state deposit guarantee fee amounted to SEK 8 million (7). The higher lending volumes, mainly the margin lending contributed positively. The subordinated loan, which has affected net interest income negatively with just under SEK 1 million per quarter, was redeemed early in December.

Other income increased by 97 per cent. This normally consists mainly of currency-related income, income from Avanza Markets and Corporate Finance, but due to the sale of the Stabelo shares in the quarter, the net result of financial transactions increased by SEK 63 million. The increase is attributable to a capital gain of SEK 39 million and reversals of a previous share revaluation of SEK 10 million and previous accumulated losses of SEK 14 million. In addition, other income increased mainly as a result of higher currency-related income and higher income from Corporate Finance. Currency-related income increased to SEK 114 million (88) as a result of increased trading in foreign equities. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 22.6 per cent (15.9) of transactions and 17.5 per cent (13.3) of turnover. Trading volumes in foreign funds increased to 9.3 per cent (8.9) while the share of fund trades remained at 8.1 per cent. Corporate Finance income increased to SEK 17 million (3) and the income from Avanza Markets amounted to SEK 23 million (24). Other commission expenses increased mainly due to higher costs for payment service commissions, which is a result of increased customer activity.

### Operating expenses

Operating expenses increased by 25 per cent, primarily as a result of higher personnel cost which are seasonally low during the third quarter. Depreciation increased as a result of a one-off write-down of SEK 16 million, which was communicated in December. The write-down refers to rental costs for the entire remaining rental period on Vasagatan, which has not yet been sublet. The write-down is not included in the cost guidance for 2020. Marketing cost decreased following the third quarters additional brand building advertisement. Other expenses decreased slightly.

### Credit losses

Reported credit losses are attributable to calculations of expected credit losses according to IFRS 9.

### Result from participations in associated companies

During the fourth quarter of 2020 Stabelo completed a new share issue with a market valuation of SEK 1.2 billion (pre money). With the new share issue, Avanza reduced its holding in Stabelo to 19.8% of outstanding shares, from the previous 27.3%. After the reduced ownership, Stabelo is classified as a shareholding and thus no longer as an associated company of Avanza. As a result, in the future Avanza will value the holding at fair value via other comprehensive income.

The share sale generated a capital gain of SEK 39 million. Aside from the capital gain, income was positively affected in the quarter by a previous share revaluation of SEK 10 million which was reversed to the result via other comprehensive income, together with accumulated losses of SEK 14 million. The book value of Avanza's remaining shares in Stabelo amounts to SEK 237 million, which resulted in a revaluation of the remaining shares of SEK 144 million via other comprehensive income. See also page 16.

### Taxes

During the quarter, the corporate tax rate decreased to 14.0 (16.5) per cent. This is because the gain on the reduced holding in Stabelo is tax exempt, since it is considered a holding for business purposes.

### Investments

The investments in the fourth quarter relates to IT equipment and to a project that was initiated to replace the backoffice system. The new system will enable Avanza to use smarter technology and solutions in order to increase efficiency while at the same time improving scalability and conditions for product development. The estimated total cost for replacing the backoffice system during 2020 and 2021 amounts to between SEK 80–100 million and will thereafter be depreciated over 5-10 years.

## Full year 2020 compared to full year 2019

Operating profit increased by 203 per cent compared to 2019. Operating income nearly doubled, while operating expenses rose by 11.6 per cent, excluding the extraordinary relocation costs.

The operating margin increased to 67 from 44 per cent.

In connection with Avanza's reduced holding in Stabelo, which is no longer treated as an associated company, the remaining shareholding was revalued with SEK 144 million, which contributed to total comprehensive income after tax of SEK 1,483 million.

The return on equity amounted to 57 per cent.

## Revenues

Revenues increased by 97 per cent compared to 2019, mainly due to higher net brokerage income but also higher other income, even though all revenue lines improved significantly.

Net brokerage income increased by 137 per cent, as a result of increased customer activity and a larger customer base. The number of commission-generating customers was 76 per cent higher at the end of 2020 compared to 2019. The commission-generating notes increased by 133 per cent and the commission-generating turnover was up by 106 per cent. Brokerage income per SEK of turnover increased from 10.0 to 11.1 basis points. This is a result of an increased share of brokerage income generated in lower brokerage fee classes, in line with the strong customer growth. The share of brokerage income generated in the Private Banking and Pro customer segments during 2020 accounted for 20 per cent of income, compared to 26 per cent in 2019.

Fund commissions increased by 26 per cent due to higher average fund capital. Fund capital was 26 per cent higher at the end of 2020 compared to 2019. The net inflow to funds during 2020 amounted to SEK 15.4 billion. Income per SEK of fund capital increased to 0.35 from 0.34 per cent. The share of index funds decreased by 3 per cent during the year.

Net interest income increased by 71 per cent, mainly due to increased income from lending and improved return on surplus liquidity. The repo rate was raised by 25 basis points on 8 January 2020 to 0 per cent. In connection with the repo rate hike in January, the interest rates on margin lending and Private Banking mortgages were raised by 25 and 20 basis points respectively. The internally financed lending volume increased by 24 per cent during the year. The average STIBOR (3M) was 13 basis points higher than last year which affected the return on surplus liquidity positively. The bond portfolio is managed with an average interest duration of 3 months linked to STIBOR. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point change in the repo rate with today's volumes would affect full-year net interest income by around SEK 400 million. The effect is smaller on the downside than the upside because of the interest rate floor on Private Banking mortgages of -20 basis points against the repo rate. However, the Riksbank's own forecast indicates a zero per cent repo rate for the foreseeable future. The deposit guarantee fee and resolution fee decreased to SEK 30 million (34). The percentage rate used to calculate the resolution fee was reduced in 2020 from 0.09 per cent to 0.05 per cent, which was somewhat counteracted by the higher volumes.

Other income increased by 137 per cent, mainly due to significantly higher currency-related income, which amounted to SEK 355 million (125). Income from Avanza Markets was also significantly higher and amounted to SEK 103 million (76). Income from Corporate Finance increased to SEK 37 million (27). Other income also includes the net result of financial transactions, which was positively affected by SEK 63 million by the sale of shares in Stabelo in October 2020. These SEK 63 million consist of a capital gain of SEK 39 million as well as reversals of a previous share revaluation of SEK 10 million and accumulated losses of SEK 14 million, since Stabelo is no longer classified as an associated company to Avanza. Other commission expenses increased, mainly due to higher payment service commissions which was a result of increased customer activity. Since the beginning of the year, Stabelo has taken over administrative costs for external mortgages, which has reduced other commission expenses. Distribution compensation was only marginally affected by this.

## Operating expenses

Operating expenses increased by 15 per cent. Excluding extraordinary relocation costs, expenses increased by 11.6 per cent, in line with earlier guidance. This includes neither the write-down of leased asset of SEK 8.3 million for 2019 and SEK 16 million for 2020 nor the extraordinary costs associated with the relocation of SEK 13 million for 2020. The cost increase is mainly due to higher personnel costs but also increased other expenses. Personnel costs increased due to more employees, mainly to expand development capacity. Other expenses increased mainly due to higher costs for IT and premises as well as share price information. Marketing costs were slightly higher. Depreciation increased due to a new lease and thus higher depreciation of leased assets as well as IT investments. Depreciation includes the write-down of SEK 16 million for the remaining rent on the office on Vasagatan, which has not yet been sublet.

The cost increase for 2021 is estimated at around 15 per cent, as communicated in December. The cost increase for 2021 corresponds to slightly over SEK 110 million, up just over SEK 20 million compared to the previous guidance of an increase of not more than 12 per cent. The cost increase is to accommodate the very strong growth as well as the increased interest in savings and will be invested in customer offers and an improved user experience. The long-term guidance for annual cost increase remains at 9–12 per cent.

The long-term annual cost increase will give Avanza the opportunity to responsibly and cost-effectively respond to new growth opportunities through further innovations and thereby maintain a leading position for the benefit of both customers and shareholders.

The cost to savings capital ratio decreased by 2 basis points to 0.17 per cent, while the income to savings capital ratio rose by 17 basis points during the year. This demonstrates the scalability of Avanza's business model. In recent years, the long-term aim has been to cut the cost to savings capital ratio to 0.16 per cent. Given continued strong growth and efficiency improvements, there is potential to cut it slightly further, although this could fluctuate depending on market developments and the value of the savings capital. High cost efficiency makes Avanza resilient in various market conditions, at the same time that it provides an important competitive advantage.

## Credit losses

Reported credit losses are attributable to calculations of expected credit losses according to IFRS 9. The macro variables in Avanza's IFRS 9 model were updated in the second quarter of 2020. This resulted in a higher provision for expected credit losses. No actual credit losses were recognised in 2020.

## Taxes

The tax rate during the year increased to 15.3 per cent (14.1) as a higher share of revenues was generated in the bank, where the ordinary corporate tax rate applies, in contrast with the insurance company, where most revenues are taxed according to the laws for life insurance companies. The Swedish corporate tax rate is 21.4 per cent. A tax cut to 20.6 per cent will take effect in 2021.

## 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 growth and net inflow are normally higher at the beginning of the year.

### Future outlook

The Swedish financial market is becoming highly digitised, which is making it easier for customers to switch banks, at the same time that mobile usage has increased customer activity. Transparency has increased, as has the understanding of the impact that fees have on savings in a low interest rate environment. Customers today also have more rights when it comes to data portability, i.e. the right to receive their data in a format that can be shared with other companies. This is often called Open Banking. Because of this, the banking market is fragmenting with new competition, which is increasing the importance of customer satisfaction as well as a strong brand and innovation. Avanza operates in an industry built on trust. As customers spread their personal finances between multiple companies, there is also a growing need for a better overview.

Demographic trends and the increasing financial burden being placed on the working population, as well as the gradual deterioration of the public and collective pension and welfare systems, are raising the importance of individual savings. Here the stricter loan to value requirements for mortgage loans have also focused attention on the need for savings. In pension savings, a new law to improve transfer rights for occupational pensions is expected to positively contribute to Avanza's business. The new law will limit the fees charged on transfers and make it easier for savers to transfer their policies to less expensive alternatives. Education is still needed, however, to increase awareness in the population.

The UN's Sustainable Development Goals have brought to the forefront the financial industry's opportunities to positively impact climate change. There has also been talk about climate risks: how a company's products or services could be affected by climate change and how profitability is affected by stricter regulations and climate laws. ESG screening your savings will become an important economic issue when corporate profits are affected by stricter regulations and climate laws. By educating, inspiring and making it easier for customers to find sustainable choices, Avanza can contribute to the Sustainable Development Goals and at the same time provide savings options that are well-suited for the times we live in.

These trends and changes are expected to continue to drive development in the future regarding digitisation, customer offers and digital decision support, and provide a favorable growth climate for Avanza. Avanza's growth objectives include attracting broader target groups – experienced and established investors as well as new ones – and attracting a larger proportion of existing customer's savings by offering new products and services. Avanza's modern platform, high user experience, low prices and broad range of products and services provide ample opportunity to meet savers' changing needs and habits. Growth among new customers is expected to increase the share of fund savings at Avanza, which, together with the growth objectives in pensions and mortgages, reduce sensitivity to market fluctuations.

Also read the section about Covid-19 and its effects on Avanza's operations on page 5 of this report. More information about the long-term trends can be found in Avanza's Annual Report at [www.avanza.se/ir](http://www.avanza.se/ir).

## Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q4-2020	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018
Net brokerage income	291	283	260	268	123	126	105	112	111
Fund commissions	125	109	88	96	91	86	83	72	74
Net interest income <sup>1</sup>	73	74	73	64	48	45	42	30	21
Other income <sup>1</sup>	217	110	104	114	66	56	55	53	61
<b>Operating income</b>	<b>706</b>	<b>575</b>	<b>526</b>	<b>542</b>	<b>329</b>	<b>313</b>	<b>284</b>	<b>268</b>	<b>267</b>
Personnel	-135	-103	-120	-111	-115	-90	-107	-103	-97
Marketing	-5	-7	-2	-8	-3	-4	-3	-8	-4
Depreciation <sup>2</sup>	-34	-19	-17	-14	-22	-14	-14	-14	-5
Other expenses <sup>2,3</sup>	-48	-49	-46	-45	-48	-40	-42	-40	-84
<b>Operating expenses before credit losses</b>	<b>-221</b>	<b>-177</b>	<b>-185</b>	<b>-179</b>	<b>-187</b>	<b>-148</b>	<b>-166</b>	<b>-164</b>	<b>-190</b>
Credit losses, net	1	0	-5	1	0	0	2	-1	0
Profit/loss from participations in associated companies	-	-1	-2	-2	-2	-2	-2	-2	-1
<b>Operating profit</b>	<b>486</b>	<b>396</b>	<b>333</b>	<b>361</b>	<b>140</b>	<b>163</b>	<b>117</b>	<b>100</b>	<b>76</b>
Operating margin, %	69	69	63	67	43	52	41	37	29
Earnings per share before dil., SEK <sup>4</sup>	2.70	2.15	1.83	1.98	0.79	0.91	0.67	0.57	0.40
Shareholders' equity per share before dilution, SEK <sup>4</sup>	20.47	16.88	14.13	11.95	12.65	11.96	10.10	9.35	10.66
Return on shareholders' equity, %	58	55	56	64	26	33	27	23	15
Net inflow	18,700	16,300	19,400	21,900	6,820	9,940	8,270	7,570	6,360
No. of new customers (net)	85,600	79,200	53,000	86,100	37,300	36,800	31,500	33,600	28,600
No. of customers at the end of the period	1,280,300	1,194,700	1,115,500	1,062,500	976,400	939,100	902,300	870,800	837,100
Savings capital at the end of the period	570,500	514,200	444,600	368,200	407,700	377,100	359,300	335,700	300,000
Income to savings capital ratio, %	0.52	0.48	0.52	0.56	0.34	0.34	0.33	0.34	0.34
Costs to savings capital ratio, % <sup>5</sup>	0.16	0.15	0.18	0.18	0.19	0.16	0.19	0.21	0.20

1) Income related to Savings account+ has been transferred from Net interest income to Other commission income. Historical figures have been adjusted.

2) Due to the introduction of IFRS 16 Leases in 2019, leases on premises are now recognised in the balance sheet, which results in reduced reported costs for premises, while depreciation increases. Depreciation includes a write-down of SEK 8.3 m in Q4-2019 and SEK 16 m in Q4-2020.

3) Other expenses for the fourth quarter 2018 includes the administrative fee of SEK 35 million imposed on Försäkringsaktiebolaget Avanza 4) Adjusted in accordance with the share split in April 2019.

5) Excluding the administrative fee of SEK 35 million imposed on Försäkringsaktiebolaget Avanza Pension by the Swedish Financial Supervisory Authority, reported in the fourth quarter of 2018.

## Financial position

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

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

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

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and 2020 total actual and expected credit losses amounted to SEK 14 million, which is the equivalent, on average, to less than 0.03 per cent per year.

## Significant risks and uncertainty factors

Avanza's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary,

acted upon, in order to protect the company's capital and reputation. The manner in which Avanza identifies, follows up and manages these risks has a bearing on the soundness of the business and on the company's long-term profitability.

A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2019, Note 36 and pages 32–35. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this report.

## The Parent Company Avanza Bank Holding AB (publ)

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result for 2020 was SEK -25 million (SEK -22m). The Parent Company does not report any revenues. Anticipated dividends from subsidiaries of SEK 0 million (160) were recognised for 2020.

A dividend payment, related to 2019, of SEK 354 million (SEK 318m) has been made to the shareholders in March 2020, following the decision at the Annual General Meeting.

## Capital surplus

SEK m	31-12-2020	31-12-2019
<b>Own funds</b>		
Shareholders' equity, the Group	3,172	1,945
Solvency capital	1,794	1,294
Less non-distributable solvency capital <sup>1</sup>	-294	-186
Subordinated loan	-	80
Additional value adjustments	-7	-20
Intangible assets and deferred tax receivables <sup>2</sup>	-82	-76
<b>Own funds before dividend adjustments</b>	<b>4,583</b>	<b>3,037</b>
<b>Capital requirements</b>		
Capital requirement Pillar 1	-2,225	-1,721
of which Solvency capital requirement <sup>1</sup>	-1,500	-1,108
Buffer requirement	-224	-378
Capital requirement Pillar 2	-286	-113
<b>Capital requirements</b>	<b>-2,735</b>	<b>-2,212</b>
<b>Capital surplus before dividend</b>	<b>1,849</b>	<b>825</b>
Capital surplus per share, SEK	11.93	5.36

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

2) *Intangible assets and deferred tax receivables are not included in own funds under the capital adequacy rules and are thus not distributable and should be deducted from the shareholders' equity. See also Note 7.*

The capital surplus, i.e. the maximum amount available for dividend payments and repurchases of the company's own shares, totaled SEK 1,849 million as of 31 December 2020.

On 28 June 2021, a new leverage requirement of 3 per cent will be introduced. In addition, the Swedish FSA is introducing leverage ratio guidance of between 0.2 and 0.5 per cent. To ensure that Avanza has a ratio that exceeds the requirement regardless of market conditions, it has to maintain a capital surplus. As of 31 December, the leverage ratio for the consolidated situation was 4.9 per cent, compared to 3.5 per cent at the end of the previous year and the internal target value of 3.8 per cent. The target will ensure an adequate

margin to the requirement regardless of market conditions. The ratio is negatively affected by increased deposits.

The Solvency 2 rules means that the conglomerate's largest sector is the insurance sector. As a result, the Group's own funds is increased by additional solvency capital at the same time that the capital requirement rises. The net effect, which is positive, does not constitute distributable capital. Consequently, this is deducted as non-distributable solvency capital.

## Other corporate events

### Executive Management

Anna Casselblad will take over as the new CFO on the 1 of February 2021. Anna replaces Birgitta Hagenfeldt, the current CFO, who last spring announced that she will leave Avanza and no longer serve in an operational capacity. Anna will also join Group Management. Anna started as an operational manager in Avanza's compliance department in autumn 2012 and since spring 2017 has been the head of the Avanza Group's compliance function, including overall responsibility for the companies under the supervision of the Swedish FSA. Anna also has several years of experience as a financial sector auditor at PwC in Stockholm.

Gunnar Olsson, COO, is taking over as Deputy CEO on 1 February, succeeding Birgitta Hagenfeldt.

### Annual General Meeting 2020

The Annual General Meeting on 17 March 2020 resolved on a change in the articles of association to allow a maximum of nine Board members elected by the Annual General Meeting. The resolved change in the articles of association also enable shareholders to exercise their voting rights by mail before the Annual General Meeting as well as enable the Board to collect proxy forms in accordance with the procedure set out in Chapter 7 Section 4 of the Swedish Companies Act.

The Annual General Meeting resolved to reelect the Chairman of the Board and the Board members, with the exception of Jacqueline Winberg who declined re-election. Magnus Dybeck, Catharina Eklöf and Johan Roos were newly elected as Board members. The Board of Directors thus consists of nine members.

As proposed, a dividend of SEK 2.30 per share was authorised.

The income statements and balance sheets for the Parent Company and the Group for the financial year 2019 were adopted.

Avanza's Annual and Sustainability Report for 2019 was published on 21 February 2020.

### Annual General Meeting 2021

The Annual General Meeting on 30 March 2021 will, due to the pandemic, not be held as a physical meeting, but carried out with electronic aids. Shareholders will be able to vote their shares by mail.

The annual report is scheduled to be made available at the company's office and on the website, [www.avanza.se/ir](http://www.avanza.se/ir), on 26 February 2021.

### Nomination committee

The Nomination Committee comprises the Chairman of the Board Sven Hagströmer, Erik Törnberg representing Creades AB, Moritz Sitte representing Baillie Gifford & Co and Sean Barrett representing HMI Capital, LLC. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, please visit Avanza's website at [www.avanza.se/ir](http://www.avanza.se/ir).

### Dividend

The Board of Directors proposes a dividend of SEK 0.85 (2.30) per share, corresponding to 10 (79) per cent of net profit, in light of the Swedish Financial Supervisory Authority's recommendation to distribute not more than 25 per cent of profits for the years 2019 and 2020. If the AGM approves a dividend in accordance with the Board's proposal, another SEK 457 million will be available for distribution, corresponding to SEK 2.95 per share or a total of SEK 3.80 per share for the financial year 2020. This after the previous decision to strengthen Tier 1 capital to achieve a resilient leverage ratio when the 3 per cent requirement is introduced in June 2021. The policy of a dividend of at least 70 per cent of net profit remain.

### Incentive programmes

The incentive programme authorized by the Extraordinary General Meeting on 5 July 2017 had exercise period from 26 August 2020 to 30 August 2020. After recalculation of the warrant programme the exercise price was SEK 82.60 per share. 1,167,688 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 30 December 2020 amounts to 154,954,010.

The Annual General Meeting 2020 authorised a new incentive programme based on warrants. The programme runs for three years and comprises a maximum of 2,250,000 warrants, each of which grants entitlement to subscribe for one share in the company. Warrants corresponding to 591 890 shares have been transferred. If all the warrants are exercised, the dilution effect is a maximum of 1.5 per cent. The programme has an exercise price of SEK 194.09 per share and the expiration date is 23 November 2023. The warrant programme has been implemented on market terms.

### Repurchase of the company's own shares

The Board of Directors has from the Annual General Meeting 2020 been authorised to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during 2020 and the company holds no repurchased shares as of 31 December 2020.

### Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2019, Note 37. No significant changes have taken place since then.

### Significant events after the end of the reporting period

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

## Consolidated Income Statement

SEK m	Note	2020 Q4	2019 Q4	2020 Jan-Dec	2019 Jan-Dec
<b>Operating income</b>					
Commission income <sup>1</sup>	1, 2	657	329	2,310	1,228
Commission expenses	3	-88	-50	-312	-200
Interest income calculated using the effective interest method		95	71	364	253
Other interest and similar income <sup>1</sup>		-	-	-	-
Interest expenses		-22	-23	-80	-87
Net result of financial transactions		65	0	67	0
Other operating income		0	0	0	0
<b>Total operating income</b>		<b>706</b>	<b>329</b>	<b>2,349</b>	<b>1,193</b>
<b>Operating expenses</b>					
General administrative expenses		-178	-158	-640	-569
Depreciation of tangible and intangible fixed assets		-34	-22	-84	-63
Other operating expenses		-9	-6	-38	-34
<b>Total operating expenses before credit losses</b>		<b>-221</b>	<b>-187</b>	<b>-763</b>	<b>-666</b>
<b>Operating profit before credit losses</b>		<b>485</b>	<b>142</b>	<b>1,586</b>	<b>528</b>
Credit losses, net		1	0	-4	0
Profit/loss from participations in associated companies		-	-2	-6	-8
<b>Operating profit</b>		<b>486</b>	<b>140</b>	<b>1,576</b>	<b>520</b>
Tax on profit for the period		-68	-19	-242	-73
<b>Net profit for the period<sup>2</sup></b>		<b>418</b>	<b>121</b>	<b>1,335</b>	<b>447</b>
Earnings per share before dilution, SEK		2.70	0.79	8.66	2.94
Earnings per share after dilution, SEK		2.66	0.79	8.58	2.94
Average no. shares before dilution, thousands		154,954	153,786	154,150	152,115
Average no. shares after dilution, thousands		157,130	153,786	155,581	152,115
Outstanding no. shares before dilution, thousands		154,954	153,786	154,954	153,786
Outstanding no. shares after dilution, thousands		157,940	154,125	157,940	154,125
No. shares upon full dilution, thousands		161,704	160,536	161,704	160,536

1) Income related to Savings account+ has been transferred from Net interest income to Other commission income. Historical figures have been adjusted.

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

## Consolidated statement of comprehensive income

SEK m	2020 Q4	2019 Q4	2020 Jan-Dec	2019 Jan-Dec
<b>Net profit for the period</b>	<b>418</b>	<b>121</b>	<b>1,335</b>	<b>447</b>
<i>Items that will be reversed to the Income Statement</i>				
Changes in fair value of financial instruments <sup>1</sup>	6	-19	18	19
Tax on changes in fair value of financial instruments <sup>1</sup>	-1	4	-4	-4
Changes in value of associated companies	-10	-	-10	-
Tax on changes in value of associated companies	-	-	-	-
<i>Items that will not be reversed to the Income Statement</i>				
Changes in value of share and participations	144	-	144	-
Tax on changes in value of shares and participations	-	-	-	-
<b>Other comprehensive income after tax</b>	<b>139</b>	<b>-15</b>	<b>149</b>	<b>15</b>
<b>Total comprehensive income after tax<sup>2</sup></b>	<b>557</b>	<b>106</b>	<b>1,483</b>	<b>462</b>

1) Refers to financial instruments at fair value via other comprehensive income.

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

## Consolidated Balance Sheet

SEK m	Note	31-12-2020	31-12-2019
<b>Assets</b>			
Balances at central banks		1,428	1,340
Treasury bills eligible for refinancing		245	-
Lending to credit institutions	4	2,272	1,766
Lending to the public	5	16,287	13,106
Bonds		25,572	19,782
Shares and participations		244	0
Shares and participations in associated companies		-	108
Assets in insurance operations		155,931	116,369
Intangible fixed assets		82	76
Right-of-use asset		153	76
Tangible fixed assets		64	35
Other assets		2,153	3,022
Prepaid expenses and accrued income		344	262
<b>Total assets</b>		<b>204,775</b>	<b>155,942</b>
<b>Liabilities and shareholders' equity</b>			
Deposits by the public		43,987	36,400
Liabilities in insurance operations		155,933	116,370
Lease liability		171	86
Other liabilities		1,380	945
Accrued expenses and prepaid income		133	97
Subordinated liabilities		-	100
Shareholders' equity		3,172	1,945
<b>Total liabilities and shareholders' equity</b>		<b>204,775</b>	<b>155,942</b>

## Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
<b>January - December 2019</b>					
<b>Shareholders' equity 31-12-2018</b>	<b>76</b>	<b>484</b>	<b>-6</b>	<b>1,061</b>	<b>1,614</b>
Net profit for the period	-	-	-	447	447
Other comprehensive income for the period	-	-	15	-	15
Total comprehensive income for the period	-	-	15	447	462
<b>Transactions with owners</b>					
Dividend paid	-	-6	-	-312	-318
New issue (exercise of warrants)	1	181	-	-	183
Warrants issue	-	4	-	-	4
<b>Shareholder's equity 31-12-2019</b>	<b>77</b>	<b>663</b>	<b>9</b>	<b>1,196</b>	<b>1,945</b>
<b>January - December 2020</b>					
<b>Shareholders' equity 31-12-2019</b>	<b>77</b>	<b>663</b>	<b>9</b>	<b>1,196</b>	<b>1,945</b>
Net profit for the period	-	-	-	1,335	1,335
Other comprehensive income for the period	-	-	149	-	149
Total comprehensive income for the period	-	-	149	1,335	1,483
<b>Transactions with owners</b>					
Dividend paid	-	-202	-	-152	-354
New issue (exercise of warrants)	1	100	-	-	101
Warrants issue	-	6	-	-	6
Changed accounting principle interest-bearing securities	-	-	-8	-	-8
<b>Shareholders' equity 31-12-2020</b>	<b>77</b>	<b>568</b>	<b>150</b>	<b>2,378</b>	<b>3,172</b>

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

## Consolidated Cash Flow Statement

SEK m	2020 Q4	2019 Q4	2020 Jan-Dec	2019 Jan-Dec
<b>Operating activities</b>				
Operating profit	486	140	1,576	520
Adjustment for items not included in cash flow	12	14	28	32
Taxes paid	238	1,030	915	859
Changes in operating activities' assets and liabilities	473	-989	4,370	819
<b>Cash flow from operating activities</b>	<b>1,209</b>	<b>195</b>	<b>6,890</b>	<b>2,230</b>
<b>Investment operations</b>				
Acquisition and disposals of intangible and tangible fixed asset	-17	-5	-63	-9
Investment in treasury bills eligible for refinancing	842	-	-245	-
Investment in bonds	200	440	-5,637	-2,809
<b>Cash flow from investment operations</b>	<b>1,024</b>	<b>436</b>	<b>-5,945</b>	<b>-2,819</b>
<b>Financial operations</b>				
Cash dividend	-	-	-354	-318
Subordinated bond	-100	0	-100	0
New issue (exercise of warrants)	-	-	101	183
Warrants issue	-	-	6	4
<b>Cash flow from financial operations</b>	<b>-100</b>	<b>0</b>	<b>-347</b>	<b>-131</b>
<b>Cash flow for the period</b>	<b>2,133</b>	<b>631</b>	<b>598</b>	<b>-720</b>
Liquid assets at the beginning of the period <sup>1</sup>	1,542	2,446	3,077	3,797
Liquid assets at the end of the period <sup>1</sup>	3,675	3,077	3,675	3,077
<b>Change</b>	<b>2,133</b>	<b>631</b>	<b>598</b>	<b>-720</b>

1) Liquid assets are defined as balances at central banks plus lending to credit institutions excluding pledged assets. At the end of the period SEK 25 million (SEK 29m) of consolidated liquid assets are pledged as collaterals.

## Parent Company Income Statement

SEK m	2020 Jan-Dec	2019 Jan-Dec
<b>Operating expenses</b>		
Administration expenses	-17	-15
Other operating expenses	-8	-7
<b>Operating profit/loss</b>	<b>-25</b>	<b>-22</b>
<b>Profit from financial investments</b>		
Profit/loss from participations in Group companies	-	160
Profit/loss from sales of financial investments	49	-
Interest expenses and similar items	0	0
<b>Profit/loss before tax and appropriations</b>	<b>24</b>	<b>138</b>
<b>Appropriations</b>		
Group contribution	51	22
<b>Profit/loss before tax</b>	<b>75</b>	<b>160</b>
Tax on profit/loss for the period	-6	0
<b>Net profit/loss for the period</b>	<b>69</b>	<b>160</b>

## Parent Company statement of comprehensive income

SEK m	2020 Jan-Dec	2019 Jan-Dec
<b>Net profit/loss for the period</b>	<b>69</b>	<b>160</b>
<i>Items that will be reversed to the income statement</i>		
Changes in value of associated companies	-10	-
Tax on changes in value of associated companies	-	-
<i>Items that will not be reversed to the income statement</i>		
Changes in value of shares and participations	144	-
Tax on changes in value of shares and participations	-	-
<b>Other comprehensive income after tax</b>	<b>134</b>	<b>-</b>
<b>Total comprehensive income after tax</b>	<b>203</b>	<b>160</b>

## Parent Company Balance Sheet

SEK m	31-12-2020	31-12-2019
<b>Assets</b>		
Financial fixed assets	657	533
Current receivables <sup>1</sup>	124	354
Liquid assets	62	0
<b>Total assets</b>	<b>843</b>	<b>887</b>
<b>Shareholders' equity and liabilities</b>		
Restricted shareholders' equity	77	77
Non-restricted shareholders' equity	752	803
Current liabilities	13	7
<b>Total shareholders' equity and liabilities</b>	<b>843</b>	<b>887</b>

1) Of which receivables from subsidiaries SEK 121 million (SEK 352m as of 31-12-2019).

## Accounting principles

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

In the third quarter 2020, the business model for management of interest-bearing securities such as bonds and treasury bills eligible for refinancing was changed. As a result, the existing portfolio, which previously had been recognised in its entirety at fair value through other comprehensive income, has been divided up into two portfolios, one of which is now recognised at amortised cost, while the other continues to be recognised at fair value through other comprehensive income. The financial assets that have been reclassified are measured as if they had always been measured at amortised cost. Amortised cost for the reclassified share of the portfolio amounts as of 31 December 2020 to SEK 17,799 million and the fair value of the same amounts to SEK 17,854 million, which would correspond to the carrying amount if the reclassification was not carried out. As of 31 December 2020, 73.9 per cent of the total nominal value is measured at amortised cost and 26.1 per cent at fair value through other comprehensive income.

In the fourth quarter 2020, the holding in Stabelo Group AB was reclassified from shares and participations in associated companies to shares and participations after Avanza reduced its holding in Stabelo from 27.3 per cent to 19.8 per cent in connection with a new share issue in Stabelo during the fourth quarter.

Except for above mentioned, the accounting principles and calculation methods for both the Group and the Parent Company remain unchanged from those applied in the Annual Report 2019.

The information on pages 1-14 is an integrated part of this financial report.

## Notes

### Note 1 Revenue from contracts with customers

SEK m	2020	2019	2020	2019
	Q4	Q4	Jan-Dec	Jan-Dec
Trading in commission-generating securities	441	171	1,586	654
Fund savings	137	98	459	359
Corporate services	17	13	37	27
Other commission income <sup>1</sup>	62	48	229	187
<b>Total<sup>1</sup></b>	<b>657</b>	<b>329</b>	<b>2,310</b>	<b>1,228</b>
<i>Timing of revenue recognition</i>				
Service or goods transferred to customer at a specific point in time	657	329	2,310	1,228
Service or goods transferred to customer over time	–	–	–	–
<b>Total</b>	<b>657</b>	<b>329</b>	<b>2,310</b>	<b>1,228</b>

1) Income related to Savings account+ has been transferred from Net interest income to Other commission income. Historical figures have been adjusted.

Revenue from contracts with customers largely comes from securities trading and includes profit from exchange income of SEK 114 million (SEK 31m) in the lines Trading in commission-generating securities and Fund savings for the fourth quarter 2020.

### Note 2 Commission income

SEK m	2020	2019	2020	2019
	Q4	Q4	Jan-Dec	Jan-Dec
Gross brokerage income	339	146	1,272	556
Fund commissions	125	91	418	332
Other commission income <sup>1 2</sup>	193	92	621	339
<b>Total</b>	<b>657</b>	<b>329</b>	<b>2,310</b>	<b>1,228</b>

1) Includes mainly currency-related income and income from Avanza Markets, but also income from Corporate Finance, compensation for distribution, advertising sales, subscriptions and customer's ad-on services.

2) Income related to Savings account+ has been transferred from Net interest income to Other commission income. Historical figures have been adjusted.

### Note 3 Commission expenses

SEK m	2020	2019	2020	2019
	Q4	Q4	Jan-Dec	Jan-Dec
Transaction costs <sup>1</sup>	-48	-23	-170	-90
Payment services commissions	-25	-14	-86	-54
Other commission expenses <sup>2</sup>	-16	-13	-57	-56
<b>Total</b>	<b>-88</b>	<b>-50</b>	<b>-312</b>	<b>-200</b>

1) Costs directly related to brokerage income.

2) Include application costs related to mortgages, SEO costs, costs for traders systems as well as a number of smaller costs.

### Note 4 Lending to credit institutions

Client fund receivables, attributable to banking business, amounted at the end of the period to SEK 1,630 million (SEK 1,421m as of 31 December 2019) which are reported net against client fund payables of SEK 1,630 million (SEK 1,421m as of 31 December 2019). Of the liquid assets of SEK 3,700 million as per the end of the period, SEK 25 million were pledged as collateral, mainly referring to Swedish credit institutions and the stock exchange.

### Note 5 Lending to the public

Lending to the public is reported after deduction for confirmed and expected credit losses. At the end of the period the accumulated provisions for expected credit losses amounted to SEK 14 million (SEK 10m as of 31 December 2019). Thus, the change in the accumulated provision for expected credit losses has affected the result for the period January–December 2020 by SEK –4 million.

At the end of the period, lending to the public amounted to SEK 16,287 million, of which SEK 6,970 million (SEK 5,156m as of 31 December 2019) with collateral in the form of securities and SEK 9,317 million (SEK 7,949m as of 31 December 2019) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 10,129 million (SEK 8,936m as of 31 December 2019) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 804 million (SEK 984m as of 31 December 2019).

## Note 6 Financial instruments

### Classification of financial instruments

31-12-2020 SEK m	Fair value via Income Statement	Amortised cost	Fair value via Other comprehensive income	Non-financial instruments	Total
<b>Assets</b>					
Balances at central banks	–	1,428	–	–	1,428
Treasury bills eligible for refinancing	–	245	–	–	245
Lending to credit institutions	–	2,272	–	–	2,272
Lending to the public	–	16,287	–	–	16,287
Bonds	–	18,828 <sup>1</sup>	6,744	–	25,572
Shares and participations	7	–	237	–	244
Shares and participations in associated companies	–	–	–	–	–
Assets in insurance operations	144,685	11,247	–	–	155,931
Intangible assets	–	–	–	82	82
Right-of-use asset	–	–	–	153	153
Tangible assets	–	–	–	64	64
Other assets	–	2,153	–	0	2,153
Prepaid expenses and accrued income	–	308	–	37	344
<b>Total assets</b>	<b>144,692</b>	<b>52,768</b>	<b>6,981</b>	<b>335</b>	<b>204,775</b>
<b>Liabilities</b>					
Deposits by the public	–	43,987	–	–	43,987
Liabilities in insurance operations	155,931	–	–	1	155,933
Lease liabilities	–	–	–	171	171
Other liabilities	–	1,202	–	178	1,380
Accrued expenses and prepaid income	–	78	–	54	133
Subordinated liabilities	–	–	–	–	–
<b>Total liabilities</b>	<b>155,931</b>	<b>45,267</b>	<b>–</b>	<b>404</b>	<b>201,603</b>

1) Fair value amounts to SEK 18,884 million.

### Financial instruments valued at fair value

31-12-2020, SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	86,181	0	237	86,418
Fund units	55,096	0	–	55,096
Bonds and other interest-bearing securities	8,444	466	–	8,910
Other securities	1,078	170	–	1,248
<b>Total assets</b>	<b>150,799</b>	<b>637</b>	<b>237</b>	<b>151,673</b>
<b>Liabilities</b>				
Liabilities in insurance operations (investment agreements)	–	155,931	–	155,931
<b>Total liabilities</b>	<b>–</b>	<b>155,931</b>	<b>–</b>	<b>155,931</b>

#### Fair value

All financial instruments recognised at amortised cost with the exception of bonds (which were partly reclassified at amortised cost in the third quarter 2020) carry variable interest or have short maturities, because of which book value and fair value coincide. The fair value of those financial instruments reported at fair value, primarily assets in the insurance operations and bonds in Avanza's liquidity portfolio, is determined as shown below.

The portion of the bond portfolio that was reclassified in the third quarter 2020 was removed from level 1 and is no longer included in the table. During the period, no other transfers between the levels have taken place. Pension and insurance customers (assets in the insurance operations) are, in principle, only permitted to hold securities traded on a regulated market or a multilateral trading facility (MTF), investment funds or securities on unlisted securities markets managed electronically by Avanza.

#### Financial assets valued at fair value via the Income Statement or via Other comprehensive income

The majority of securities in this category, mainly assets in the insurance business and bonds (the portion of the bond portfolio measured at fair value through other comprehensive income) in Avanza's liquidity portfolio, comprise listed securities, and fair value is determined using the official bid rate on the closing date. The fair value of securities without an active market is determined, initially, by obtaining pricing information from operators who quote daily prices, mainly the net asset values quoted by the fund companies, where the issuer values every individual security, and secondarily, by assessing the most recently completed market transaction between two mutually independent parties.

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

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

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares and funds pertaining to the insurance operations and bonds and other interest-bearing securities in Avanza's liquidity portfolio are included in this category.

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

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

## Note 7 Capital requirement for the financial conglomerate

SEK m	31-12-2020	31-12-2019
<b>Own funds</b>		
Shareholders' equity, the Group	3,172	1,945
Less profits which are not audited	–	–
Assumed/Proposed dividend	–132	–354
<b>Shareholders' equity, financial conglomerate</b>	<b>3,040</b>	<b>1,592</b>
<i>Additional</i>		
Solvency capital <sup>1</sup>	1,794	1,294
Subordinated loan	–	80
<i>Less</i>		
Additional value adjustments	–7	–20
Intangible assets	–82	–76
Deferred tax receivables	–	–
<b>Total own funds</b>	<b>4,745</b>	<b>2,870</b>
<b>Own funds per sector</b>		
Own funds for regulated units in the insurance sector <sup>1</sup>	2,598	1,492
Own funds for regulated units within the banking and investment services sector	2,147	1,378
<b>Total own funds</b>	<b>4,745</b>	<b>2,870</b>
<b>Capital requirement per sector</b>		
Capital requirement for regulated units in the insurance sector <sup>1</sup>	1,500	1,108
Capital requirement for regulated units within the banking and investment services sector	1,235	1,105
of which additional buffer requirement	224	378
of which additional Pillar 2 requirement	286	113
<b>Total capital requirement</b>	<b>2,735</b>	<b>2,212</b>
<b>Capital surplus</b>	<b>2,010</b>	<b>657</b>
<b>Own funds/Capital requirement</b>	<b>1.74</b>	<b>1.30</b>

1) Avanza Pension's solvency capital requirement and own funds are calculated using the Solvency 2 directive's standard model. The standard model requires assumptions that are determined partly by the authorities and partly by Avanza Pension's Board of Directors.

The above table refers to the financial conglomerate, including Avanza Bank Holding AB (publ) and all of its subsidiary companies Avanza Bank AB (publ), Försäkringsaktiebolaget Avanza Pension, Avanza Fonder AB, Placera Media Stockholm AB and Avanza Förvaltning AB. The financial conglomerate's own funds and capital requirement have been calculated using the consolidation method (fully consolidated).

During the year only audited profits are included in the calculation of shareholder's equity for the financial conglomerate. Adjustments are made for assumed or proposed dividend if the profit for the period has been audited. Assumed dividend refers to the current period and the proposed dividend is dividend proposed by the Board of Directors to the Annual General Meeting for the full financial year.

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

## Note 8 Own funds and capital requirement for the consolidated situation

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

Own funds, SEK m	31-12-2020	31-12-2019
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	642	729
of which: Instrument type 1	77	77
of which: Instrument type 2	564	652
Retained earnings	961	721
Accumulated other comprehensive income (and other reserves)	149	15
Independently reviewed interim profits net of any foreseeable charge or dividend	795	46
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>2,546</b>	<b>1,511</b>
Additional value adjustments	-7	-20
Intangible assets (net of related tax liability)	-82	-76
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-30	-5
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-119</b>	<b>-101</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>2,427</b>	<b>1,411</b>
Additional Tier 1 (AT1) capital	-	-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>2,427</b>	<b>1,411</b>
<b>Tier 2 (T2) capital: instruments and provisions</b>		
Capital instruments and the related share premium accounts	-	80
<b>Tier 2 (T2) capital</b>	<b>-</b>	<b>80</b>
<b>Total capital (TC = T1 + T2)</b>	<b>2,427</b>	<b>1,490</b>
<b>Total risk weighted assets</b>	<b>9,957</b>	<b>8,367</b>
<b>Capital ratios and buffers</b>		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	24.4	16.9
Tier 1 (as a percentage of total risk exposure amount)	24.4	16.9
Total capital (as a percentage of total risk exposure amount)	24.4	17.8
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer (buffer for global systemically important institution or other systemically important institution) expressed as a percentage of total risk exposure amount)	2.5	5.0
of which: capital conservation buffer requirement	2.5	2.5
of which: countercyclical buffer requirement	-	2.5
of which: system risk buffer requirement	-	-
of which: global systemically important institution or other systemically important Institution buffer	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	16.4	9.8
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Direct or indirect holdings by the institution of CET1 instrument in financial sector entities where the institution has a significant investment (amount below the threshold of 10% and net of eligible short positions)	246	142

1) An adjustment has been made in the calculation of CET1 capital available as buffer per 31-12-2019

SEK m	31-12-2020		31-12-2019	
<b>Risk exposure amount and capital requirement</b>				
<b>Risk exposure amount</b>				
Credit risk according to the standardised approach	7,970		6,530	
of which exposures to institutions risk weight 20%	450		350	
of which exposures to corporates risk weight 100%	94		73	
of which retail exposures risk weight 75%	306		310	
of which exposures secured by mortgages on immovable property risk weight 35%	3,272		2,809	
of which exposures in default risk weight 100%/150%	6		–	
of which exposures to covered bonds risk weight 10%	2,475		1,879	
of which exposures to equity risk weight 250%	614		353	
of which exposures to other items risk weight 100%	754		756	
Market risk (position risk)	14		0	
Settlement risk	0		2	
Credit valuation adjustment risk according to the standardised method	0		–	
Operational risk according to the standardised approach	1,973		1,836	
<b>Total risk exposure amount<sup>1</sup></b>	<b>9,957</b>		<b>8,367</b>	
<b>Capital requirement</b>				
Credit risk according to the standardised approach	638	6.4%	522	6.2%
of which exposures to institutions risk weight 20%	36	0.4%	28	0.3%
of which exposures to corporates risk weight 100%	8	0.1%	6	0.1%
of which retail exposures risk weight 75%	24	0.2%	25	0.3%
of which exposures secured by mortgages on immovable property risk weight 35%	262	2.6%	225	2.7%
of which exposures in default risk weight 100%/150%	0	0.0%	–	0.0%
of which exposures to covered bonds risk weight 10%	198	2.0%	150	1.8%
of which exposures to equity risk weight 250%	49	0.5%	28	0.3%
of which exposures to other items risk weight 100%	60	0.6%	60	0.7%
Market risk (position risk)	1	0.0%	0	0.0%
Settlement risk	0	0.0%	0	0.0%
Credit valuation adjustment risk according to the standardised method	0	0.0%	–	0.0%
Operational risk according to the standardised approach	158	1.6%	147	1.8%
<b>Capital requirement</b>	<b>797</b>	<b>8.0%</b>	<b>669</b>	<b>8.0%</b>
Own funds in relation to capital requirement	3.05		2.23	
Total own funds	2,427	24.4%	1,490	17.8%
Capital requirement (8%)	–797	–8.0%	–669	–8.0%
Buffer requirement	–249	–2.5%	–418	–5.0%
Additional Pillar 2 requirement	–295	–3.0%	–120	–1.4%
Total capital requirement	–1,340	–13.5%	–1,208	–14.4%
Capital surplus after buffer requirement and Pillar 2	1,087	10.9%	283	3.4%
<b>Leverage ratio</b>				
Total exposure amount leverage ratio	50,032		40,868	
Tier 1 capital	2,427		1,411	
Leverage ratio, %	4.9		3.5	

1) The measurement method used to calculate the own funds requirement for operational risk changed from the basic indicator approach to the standardised approach during Q1 2020. Comparative figures for 2019-12-31 have not been adjusted.

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

Stockholm, 21 January 2021

Sven Hagströmer  
Chairman of the Board

Magnus Dybeck  
Member of the Board

Catharina Eklöf  
Member of the Board

Viktor Fritzen  
Member of the Board

Jonas Hagströmer  
Member of the Board

Birgitta Klasén  
Member of the Board

Mattias Miksche  
Member of the Board

Johan Roos  
Member of the Board

Hans Toll  
Member of the Board

Rikard Josefson  
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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07.45 (CET) on 21 January 2021.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 21 January 2021 at 10.00 (CET). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at [avanza.se/ir](http://avanza.se/ir). Phone number for participants:

- Sweden: +46 (0)8 566 426 51
- UK: +44 33 330 008 04
- US: +1 63 191 314 22
- Confirmation code: 83237775#

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

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

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

## Contact information

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## Financial calendar

Annual Report 2020	26 February 2021
Annual General Meeting	30 March 2021
Interim Report January – March 2021	20 April 2021
Interim Report January – June 2021	14 July 2021

# Definitions

The measures and key ratios used in the financial 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 Interim 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 note<sup>2)</sup>

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/Turnover<sup>2)</sup>

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.

## Client funds<sup>2)</sup>

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

## Commission note

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

## Costs per customer<sup>2)</sup>

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 ratio<sup>2)</sup>

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

## Credit loss level<sup>1)</sup>

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 (Bolån+).

## Deposits

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

## Deposits/Savings capital

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

## Earnings per share<sup>1)</sup>

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

## eNPS

Employee Net Promoter Score, i.e. employees' recommendation level, according to Avanza's pulse surveys.

## Equity per share<sup>1)</sup>

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

## External deposits

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

## Fund commissions<sup>2)</sup>

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

## Income per customer<sup>2)</sup>

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 ratio<sup>2)</sup>

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

## 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 income<sup>2)</sup>

Gross brokerage income less direct costs.

## Net inflow

Deposits, less withdrawals, of liquid assets and securities.

## Operating expenses<sup>1)</sup>

Operating expenses before credit losses.

## Operating margin<sup>1)</sup>

Operating profit/loss in relation to operating income.

## Own funds<sup>3)</sup>

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 own funds and the capital requirement are determined.

## Profit margin<sup>1)</sup>

Profit/loss after tax in relation to operating income.

## Return on assets<sup>1)</sup>

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

## Return on equity<sup>1)</sup>

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

## Savings capital

The combined value of accounts held with Avanza.

## Solvency capital<sup>3)</sup>

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

## Solvency capital requirement<sup>3)</sup>

Estimated capital requirements under Solvency 2 rules.

## Turnover

Turnover in security trading.

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

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

3) Key ratios that are reported with respect to FI's regulations and general guidelines, see Note 7 and 8 of capital adequacy.