

Sweden's most satisfied savings customers 8 years in a row.

Annual Report 2017

Avanza Bank Holding AB (publ)

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

Sweden's leading digital platform for savings and investments

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

As a customer at Avanza, you will get a better return on your savings than anywhere else

We have the market's widest range of savings products

We inspire, educate and create tools to support investment decisions

The image shows a composite of the Avanza website and its mobile app. The website header includes market indices: OMXS30: 0,61 % 09:43 (1,29 % i år) and DJ USA: 0,61 % 05:52 (1,44 % i år). The navigation menu contains: Hem, Mina sidor, Spara & Investera, Bolån, Nyheter, Lär dig mer, and Kundservice. The main heading is "Handla aktier från 0 kr" with the subtext "Bli delägare i bolag över hela världen". Three icons represent: 1) "Kom igång snabbt & handla aktier gratis*" (represented by a starburst icon), 2) "Ta hjälp av våra verktyg för att hitta rätt aktier" (represented by a magnifying glass over a line graph), and 3) "Handla och håll koll där du är med våra appar" (represented by a globe icon). A "Personnummer" input field and a "Bli kund på 3 min" button are visible. The mobile app screenshot shows "Mitt innehav" with a total value of 386 952 SEK, a "Tillgängligt för köp" amount of 157 843 SEK, and an "Utveckling i år" of 29 888 SEK. It lists three holdings: Segelbåten (67 521 SEK), 4167714 (1 208 SEK), and Superbolånet (6 000 000 SEK).

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

Key figures for 2017

Sweden's most satisfied savings customers

for 8 years

Source: Swedish Quality Index

Number of customers

710,600

(570,600)

Savings capital

SEK 273bn

(SEK 231bn)

Share of the Swedish savings market

3.6%

(3.2%)

Market capitalisation

SEK 10bn

(SEK 11bn)

Income

SEK 985m

(SEK 919m)

Number of employees

390

(365)

Cost per savings capital

0.21%

(0.22%)

Operating margin

45%

(51%)

Return on equity

28%

(33%)

Figures in parentheses refer to previous year.

The year in brief by quarter

1

- Digital stock trading is launched on the major European exchanges and the lowest brokerage fee is reduced to 1 euro
- The Stock Generator is launched – an investment tool to filter through the wide range of stocks. Stock inspiration lists are updated as well with tools and popular lists such as “Most popular stocks in Europe” and “Analysts’ favourites”

3

- Avanza Auto is launched – a simple, cheap and automatic way to manage savings
- Customers can now track the value of cryptocurrency investments in the account overview
- The application process for margin lending is digitised

2

- CEO Johan Prom announces his resignation
- Avanza wins “Best customer service in the financial services industry” for the third consecutive year
- Digital European trading is expanded
- Small businesses can now obtain an occupational pension digitally and all sales resources are consolidated in Gothenburg and Stockholm
- Avanza’s savings economist Claes Hemberg is named Personal Finance Commentator of the Year in the Financial Awards 2017
- Awards for business journalism and the year’s best moderator are won by employees of Placera, Avanza’s subsidiary and one of Sweden’s largest financial websites

4

- Rikard Josefson takes over as CEO
- Avanza’s mortgage offer is expanded to a broader customer group in partnership with Stabelo
- Avanza wins the Swedish Quality Index’s award for Sweden’s most satisfied savings customers for the eighth consecutive year
- Quarterly record is achieved in number of new customers
- Savings capital in Avanza Auto passes SEK 1 billion
- The target of a market share of the net inflow to the Swedish savings market is raised from at least 9 per cent to at least 10 per cent from 2018

CEO's statement

We will continue to harness Avanza's innovative abilities and encourage thinking outside the box, while at the same time working to deliver a better customer experience. This will help us to grow in new product areas and in new, broader customer groups, and take us to one million customers – at least!

Customer-focused culture

Being CEO of Avanza is amazing, even though my time so far has been short. The culture and the energy I see here are incredible. At Avanza we think about our customers and how we can serve them better every day. This means we are constantly developing.

2017 was distinguished by political uncertainty and questions about what Brexit will mean, what is happening in the US and what significance could North Korea get. There are many big questions facing the world right now. As a result, we at Avanza have to keep our ear to the ground and truly think about how we can best support our customers in their decisions. At the same time, regulation in the financial sector has reached record levels. New regulations mainly affect consumer protection and financial stability, which we welcome. For as long as Avanza has been in business, we have focused on how we can make the savings market even better, while also maintaining low risk. The new rules put consumers and citizens in the driver's seat and will force more companies to be customer friendly.

The year's highlights and growth areas

Avanza has always had ambitious goals in terms of products and services. We listen to and place high value on what our customers say. Among our accomplishments during the year there were a few things that stood out. The biggest that comes to mind is that our customers for the eighth consecutive year voted Avanza as the bank with the highest customer satisfaction in the savings area. This is very gratifying and a sign that our customers truly appreciate what we are doing. Customer satisfaction is our most important target and together with innovation is the key to growing our customer base and savings capital.

Our customers want simplicity, which is why in 2017 we introduced a fully digital application process for corporate customers, minors and margin lending. We also expanded digital European trading, which still accounts for a small share of our customers' total trading but is important to more active traders. Small businesses can now get a new occupational pension online, and we have made significant progress in occupational pension transfers. In addition, we launched Avanza Auto and added more customers than we could have dreamed. This shows that our customers want support in making decisions, but they also want to decide for themselves what to do with their savings. I believe that in an increasingly complex world where we all have to take greater responsibility for our financial future, it is important to develop tools like Auto and to continue to inspire and educate.

Inspiring and educating are what our sustainability work is largely devoted to. We want at the same time make it easier for our customers to make sustainable decisions, also from an ethical perspective. For example, they can filter for sustainable funds among our wide range of choices. Heading into 2018 our aim is to take our sustainability work further. We see it as our mission to deliver the best services and tools to our customers so that they can make sustainable investment decisions.

“We will continue to develop simple decision-making support, inspire and educate”

In keeping with our aim to broaden operations and deliver an even richer customer experience – and complement our popular mortgage loan for private banking customers – we launched a broader mortgage loan together with Stabelo. Despite only doing a soft launch so far to around 2,000 customers, we have seen a fantastic response from over 25,000 people who have spontaneously expressed interest.

Even better customer experience and stronger growth going forward

In pension savings, we have a strong offering today and see major growth potential. That a pensioner should be able to decide over their savings and where to invest it should be obvious. Yet it is still complicated and time-consuming to transfer pension savings. This doesn't make sense if Swedish savers are going to have to feel and take responsibility for their own financial situation. Some improvements are planned this summer to simplify transfers. This is a good start, but more has to be done – especially when it comes to older pensions. Our current pension savers have realised that they can save a lot of money with Avanza, but still only a small share of them have wanted to make the effort to transfer their pension. Now the rules will make it easier, and we will try to make it easier still.



Rikard Josefson, CEO

We also have good growth potential in private banking. We have an offering that provides customers with excellent support and we have seen that our modern approach works. Today's private banking customers are cost-conscious and want, with the help of modern tools, to make their own investment decisions. Here Avanza is a great alternative, as also evidenced by Prospera's latest ranking, where Avanza advanced to fifth place among well-respected traditional private banking firms.

“Strong innovation culture creates growth opportunities.”

The goal going forward is to broaden our offering so that even those who are not as active feel secure with their choices and with Avanza. At the same time, we will continue to serve customers who love to trade securities and who do so often. We have to continuously improve the customer experience we deliver. Our goal is to serve as a tool to help customers successfully manage their private finances.

Accomplishments and increased investments in future growth

We have worked hard to adapt to new regulations and launch exciting products. It has been an honour to welcome 140,000 new customers to Avanza – an important step towards the target of 1 million customers 2020. We have reached our goal of having Sweden's most satisfied savings customers and we are biting off a growing piece of the savings pie and now command 11.8 per cent of the net inflow on an annual basis. Such an accomplishment would not be possible without engaged employees. This is despite major internal changes we have made to better position us for the future. For example, we have reintroduced an old business sector, Operations, and are forming new product teams. The aim is to further increase efficiency and customer benefits, but also the competence and enthusiasm in our teams. The new teams clarify responsibilities within the various product areas and will hopefully create even higher motivation among our employees.

“Perhaps the banking world's most modern IT platform gives us great flexibility and a competitive cost position.”

Technologically, I would like to mention two projects that equip Avanza for the future. We now have not only one of the banking world's most modern websites, but also one of the most modern trading platforms. We have replaced Avanza's IT core. We also completed a system update in the pension company to create even better growth opportunities. These upgrades make us more efficient, more flexible and enable us to handle an unlimited number of customers. Moreover, we strengthened our IT and product development teams to capitalise on all the exciting opportunities we see in digitisation, changing customer behaviour and new regulations. Because of this, our costs rose at a faster rate during the year, even though the cost to savings capital ratio dropped to 21 basis points. In 2018, we will again see a normal cost increase of 8–10 per cent, and given continued strong growth the cost to savings capital ratio should soon fall below 20 basis points.

In closing, I would like to thank all our employees for their wonderful efforts during the year, and our customers and owners for the confidence they have shown in us.

2017 was in many ways a record year, and now we will make sure that 2018 is even better.

Stockholm, February 2018

Rikard Josefson, CEO

This is Avanza

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

A customer focus is the basis of our offering

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

Product development and education to create customer value

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

Avanza challenges the established structures of large banks and pension providers that do not favour savers. Our aim is to drive the industry's development and underline the effect that fees have on savings. We offer customers ways to save in Swedish and international securities and in savings accounts, with no fixed fees and very low brokerage fees. They are also offered mortgages at the market's lowest average rate. Our promise is to give customers a better return on their savings than any other bank or pension company.

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

The Avanza Group

The Group consists of the listed Parent Company, Avanza Bank Holding AB (publ), and four wholly owned operating subsidiaries. Avanza has its head office in Stockholm and a sales office for occupational pensions and Private Banking in Gothenburg. Since January 2018 operations have been managed from two offices in Stockholm.

The main part of the operations is managed by the subsidiaries Avanza Bank AB (publ) and Försäkringsaktiebolaget Avanza Pension. Avanza Fonder AB offers, the commission-free fund Avanza Zero and fund-in-funds, which include the six Auto funds from Avanza Auto. Placera Media Stockholm AB, which is completely independent from Avanza's other operations, publishes news and offers impartial guidance through the online magazine Placera and the financial weekly Börsveckan.

An investment in growth

From a shareholder perspective, we see Avanza as an investment in growth. An investment in our ability to attract more customers by providing value and satisfying their needs. We are working to broaden our offering and attract and help more people. We want to be even better at supporting customers with their investment decisions. We also see strong growth potential in occupational pensions, where Avanza has a very competitive offer. Our long-term aim is that Avanza will be the tool our customers use to successfully manage their finances. Our mortgage offer is also an important piece of the puzzle, at the same time that it provides a new and stable income source. In the short term, Avanza's income is driven and affected by market conditions such as trading activity, fund volumes and interest rates, as well as changes in deposit and lending volumes.

“Our aim is to be the tool our customers use to successfully manage their finances and thereby create a better future for millions of people.”



Major opportunities for Avanza in the Swedish savings market

Changing savings habits and the impact of savings not at least on life as a pensioner, along with digitisation and regulatory changes, are creating good growth opportunities for Avanza.

The Swedish savings market

The Swedish savings market is valued at SEK 7,800 billion* and has grown by an annual average of 8 per cent over the last ten years. Factors that could limit the net inflow to the Swedish savings market include increased global uncertainty, falling property prices, rising interest rates and amortisation requirements. As a result, individuals may choose to pay off their mortgages rather than put more money in the savings market. At the same time, we are seeing growing interest in individual savings in Sweden, and historically the savings ratio has steadily increased in the last 15 years, despite the financial crisis.

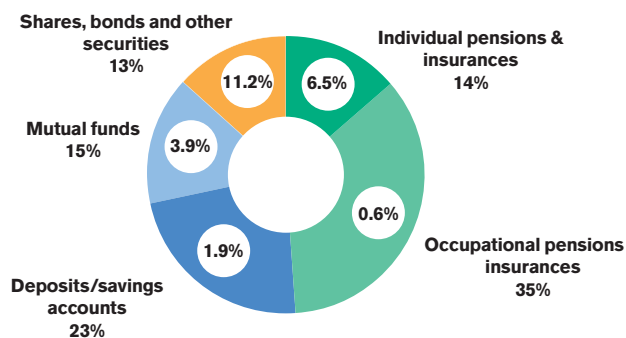
Pension and insurance savings, i.e. the life insurance market, is the single largest savings segment, accounting for just less than half of the market. Of this half, about two thirds is available to Avanza. Just over a quarter of the savings market consists of direct investments in funds and equities. An estimated 80 per cent of the Swedish population saves in funds, either directly or indirectly through their pension savings. About 13 per cent of the population invests directly in equities. The savings and insurance market is dominated by the four largest banks and major insurance brokers such as Söderberg & Partners and Max Matthiessen. Three large pension companies, Skandia, SEB Tryggliv and Folksam, fall into this category as well. In addition, there are a number of smaller banks, of which Nordnet is Avanza's primary competitor.

Avanza's position in the savings market

As of 30 September 2017, Avanza's share of the savings market was 3.6 per cent*, while its share of the total net inflow to the market in the period October 2016 – September 2017 was 11.8 per cent. Avanza's growth is dependent not only on the market's growth, since many customers transfer their capital from other banks to Avanza. Based on Avanza's large base of 710,600 customers, its market share was 7 per cent of the Swedish population. In some geographical areas the share is as high as around 20 per cent. Avanza today has a high market share among Swedes who own equities. Among fund owners, growth potential is much greater. In the life insurance market, Avanza's share of the premium inflow was 7.2* per cent. Occupational pension capital at this point accounts for a small share of Avanza's savings capital, 6 per cent, or SEK 16.1 billion at year end.

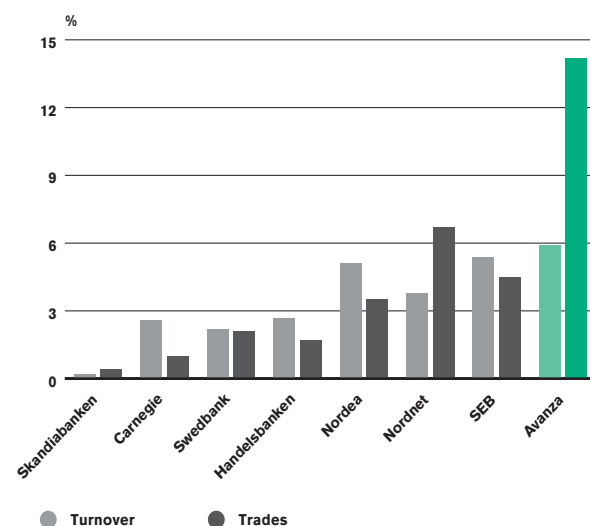
In equity trading, Avanza was in 2017 the largest Swedish player on Nasdaq Stockholm including First North in terms of both number of transactions and turnover.

Swedish savings market*



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

Market shares in Swedish stock market 2017**



* Statistics regarding the savings market (Savings barometer) are published with a lag, the latest refers to 30-09-2017.

** Market shares on Nasdaq Stockholm and First North.

The Swedish mortgage market

The Swedish mortgage market is valued at over SEK 3,800 billion* and is dominated by the four major banks, Handelsbanken, Swedbank, Nordea and SEB, but with growing market shares for SBAB and Länsförsäkringar Bank. The mortgage market is distinguished by strict lending practices, where credit decisions are based on each borrower's repayment capacity. Sweden has an efficient infrastructure in the form of property registries of first and second homes as well as easy access to credit information on borrowers. The Swedish market sees little speculative investment. Just over 65 per cent of households own their homes, of whom 89 per cent have a mortgage. Just over half of the total mortgage volume in Sweden are loans with a loan to value ratio below 60 per cent. Average gross mortgage margins have increased in recent years. During the period October 2016 – September 2017 they amounted to 1.7 per cent in average. In many cases a customer's interest rate on mortgage loans is affected by how much debt they have, rather than being looked at in relation to their loan to value ratio and risk. Another factor that possibly affects the interest expense is whether the customer saves with the same bank.

Lending is arranged mainly through special mortgage institutions, but also through banks. The mortgage fund model Avanza uses in its new cooperation with Stabelo is unique in Sweden. Mortgages are financed through a mortgage fund, where institutional investors such as pension companies invest. The model is well tested in other parts of Europe, including the Netherlands and the UK. The Dutch mortgage market is very similar to Sweden's, but about twice as large. In the Netherlands, this model has been in use for over 10 years, and there mortgage funds now account for 11 per cent of the mortgage volume and over 20 per cent of new lending.

Avanza's position in the mortgage market

The mortgage market is a relatively new area for Avanza, where we see great growth potential, although one should be aware that it takes time to build a portfolio. Avanza has since 2013 offered mortgages on a small scale to its Private Banking customers, who are required to have SEK 3 million in savings with Avanza and a loan to value ratio not exceeding 50 per cent.

Since the end of 2017, we, together with our partner offer Sweden's lowest average rate on mortgages. Avanza's borrowers are not required to purchase other services, and the same low interest rate applies to everyone, and the loan to value ratio can not exceed 60 per cent. The application process is digital.

Digitisation and changing customer preferences create good growth opportunities for Avanza

The banking market is changing rapidly, not least due to intensified digitisation and changing customer preferences. At the same time, the fact that people are taking greater responsibility for their financial situation and are paying more attention to the effect of fees on savings, especially in a low interest rate environment, has increased demand for new savings products.

Digitisation's impact on customer preferences and competition

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

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

As the number of niche players grows, customers need a better overview, so that they can see and manage their finances in one place. Few companies are there yet. Avanza has long been a distributor of various savings products. The platform includes equity trading from various marketplaces, access to nearly 1,300 funds, the Savings account+ in cooperation with several niche banks, and since the end of 2017 a mortgage offer in cooperation with Stabelo.

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

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

Greater transparency accentuates the competitiveness of Avanza's offer

The MiFID II regulation and the Insurance Distribution Directive (IDD) introduced in January 2018 both increase the requirements placed on consumer protection and transparency. Their purpose is also to prevent conflicts of interest and ban advisory fees, to ensure that investment advice is independent. The changes mean among other things higher costs for financial advice for consumers. This will increase both supply and demand for products that help savers make their own investment decisions. Greater transparency on the fees customers pay is likely to make them question the cost even more at a time when they are already becoming more price conscious and less willing to pay. The record-low interest rates in recent years have put greater focus on the importance of fees to long-term savings.

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

* Statistics regarding the mortgage market (Swedish Bankers' Association) are published with a lag, the latest refers to 30-06-2017.

Good growth opportunities in pensions when transfer rights are simplified

In Sweden, there are still limits on transferring pension savings. Today's transfer rights apply only to policies signed after 2007. Moreover, transferable capital is managed by each company, which adds complexity and means higher costs for the saver. Today the fee charged on transfers averages 2 per cent of capital. The government has had an ambition for several years to simplify the transfer market. An amendment proposed in August 2017 would cover policies signed after June 2007 and give pension savers more opportunities to impact their savings while setting limits on the fees charged by insurers. A clarification has been issued on which fees can be charged on transfers. At the same time, there is a proposal to allow policyholders to combine their different policies. As proposed, the amendments would take effect on 1 July 2018. It would also be desirable going forward if the administration of transfers were further simplified, to limit the time a transfer takes and to include older policies. Avanza is helping to make this happen. At the same time that transfer rights are being debated and cost awareness is growing, it is becoming obvious that the public pension and welfare systems are shrinking in size and that responsibility for pension savings now rests to a greater degree with the individual. More people are beginning to realise that their personal finances and quality of life in retirement depend on the savings choices they make today. Occupational pensions are now the most sought-after benefit for the majority of Sweden's population.

In December, an agreement was reached across political blocs to gradually raise the retirement age until 2026 in light of the population's increasing lifespan. The aim is to ensure sustainable pensions for today's and future pensioners. Among other things, the minimum retirement age is raised from today's 61 years to 64.

Improved pension transfer rights would positively affect Avanza's growth prospects. Our current base of over 700,000 customers offers great potential. The lower government pension and higher retirement age, also mean that those who want to retire early will have to save more on their own. Increased transparency, coupled with Avanza's pricing strategy and simplified digital offers, is also important to growth.

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

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

allowing them to receive their personal data in machine readable format. This means that companies will have to pay even more attention to serving customers, since it will be even easier to switch providers of various services and products – and this applies to every industry. PSD2 and GDPR are both very positive for consumers. They are expected to increase competition from smaller digital providers and facilitate new and innovative services, especially in the payments market, while also leading to price pressure.

For Avanza, PSD2 and GDPR offer many opportunities, not least due to our strong focus on customer value, at the same time that we will be able to improve our tools and range of services as we gain a better overview of our customers' finances.

More regulatory changes

In its budget bill for 2018, the government proposed higher taxes on investment savings accounts and endowment insurance. The proposal took effect on 1 January 2018. Both forms of savings offer tax advantages, even after the tax hike, and Avanza does not expect this to have a major impact on the inflow of savings capital.

The government's previous proposal to introduce a tax on financial services based on gross wages was withdrawn in 2017. In 2018, there will be an increase in the resolution fee, followed by a gradual reduction until 2020.

Changing market conditions are being met with new investments

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

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

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

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

Our success is dependent on listening to our stakeholders

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

Key areas are identified in dialog with our stakeholders

Avanza's most important stakeholders from a business standpoint are customers, employees and owners. In addition, there are partners, suppliers, the media, authorities and legislators. We maintain an open dialog with our stakeholders, to identify what is important to them. The areas that customers, employees and owners jointly prioritise include transparency, accessibility and working effectively with security – but most importantly our uncompromising customer focus. There are also other areas which are more specific to each stakeholder group, see the illustration on the next page.

Articulating these key areas based on the stakeholder dialog is done by our CSR group, which is made up of individuals from Group management and various parts of the organisation. This is an important part of our future work and encompasses the entire organisation, without limitations.

Closely dialoguing with customers and listening to what they want has given us Sweden's most satisfied savings customers

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

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

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

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

Many of us receive feedback from customers, but we have one employee who is dedicated to coordinating and presenting customers' viewpoints and suggestions to product owners and management. Every tenth day improvements and updates are made to our site and offers, largely based on responses from customers and changes in user preferences.

An open working environment and creative dialog encourage employee engagement

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

We monitor how employees feel about the working environment through an annual anonymous employee survey, where we identify what's working and what's not, and whether we are improving over time. The survey includes an open question where employees are encouraged to discuss what they feel needs to improve or change to make them happier and more engaged. The results are followed up in workshops within each department. To complement the survey, we occasionally take a "temperature check" to get an indication of our employees' motivation and gut feeling when they go to and from work.

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

In addition continuous conversations between employees and their managers take place. These identify needs, opinions and wants, as well as monitor and discuss each employee's development and performance. Well-defined goals strengthen motivation.

Transparency creates understanding and a fairer picture of Avanza among owners

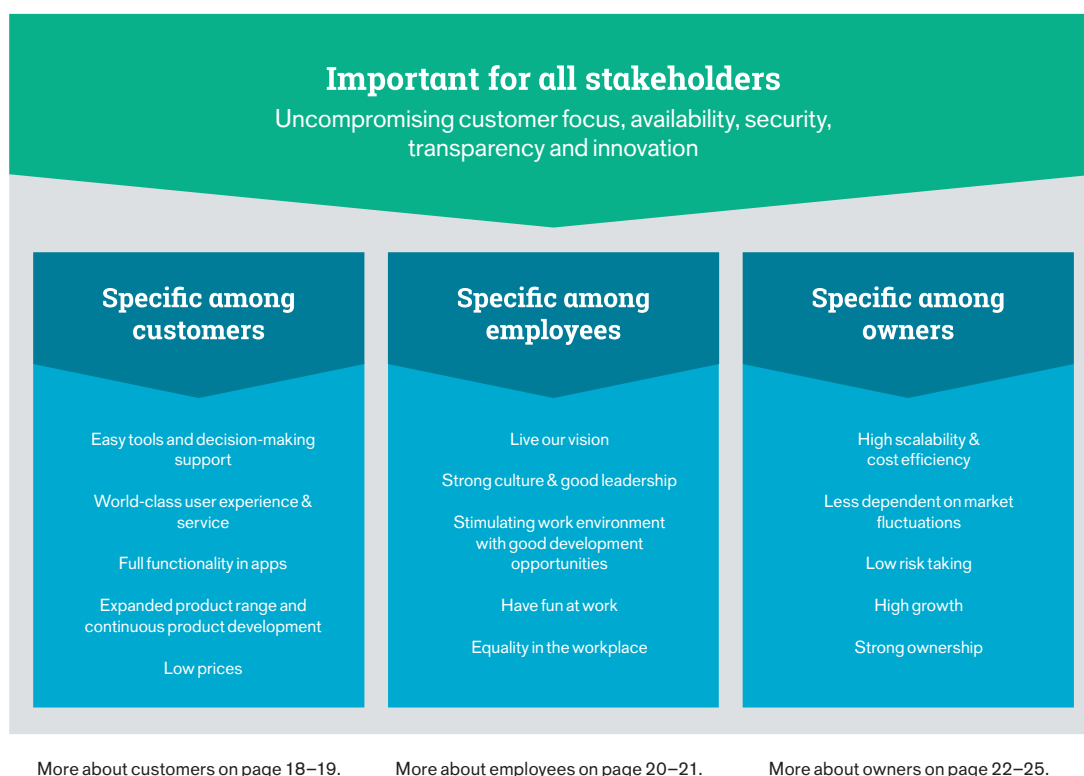
We regularly communicate with owners and potential investors through face-to-face meetings, by email or telephone. In 2017, we held 100 meetings with national and international investors. We also dialog regularly with the analysts that follow Avanza at Carnegie, DnB, SEB, Handelsbanken and Nordea.

Owners' questions and our conversations with them mainly revolve around the importance of customer satisfaction and product development, where innovative capacity and skills management are considered

key areas. Many of the comments we receive concern Avanza's sensitivity to market fluctuations, and a desire for a broader income base less impacted by market sentiment. Growth potential in the Swedish savings market is also taken up, as are opportunities for efficiencies, increased scalability and income generation. In 2017, thoughts about Avanza's costs were addressed as well. In terms of risks, IT security is the biggest concern, at the same time that many are attracted by our low financial risks. We end most meetings with an open question on their views of Avanza, which provides another opportunity to raise important issues and viewpoints.

Our owners and investors want a high level of transparency and accessibility so that they understand how the decisions that are made affect the industry as a whole as well as our financial reporting. Through our dialog and communication, and by listening to opinions, we try to build trust among owners and analysts by presenting the company as fairly as possible. Reporting and disclosures describe our progress in meeting targets and priorities, while facilitating thorough analysis and sound investment decisions.

Summary of what our stakeholders prioritise and what the dialog revolve around



The business model is built on customer focus and scale

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

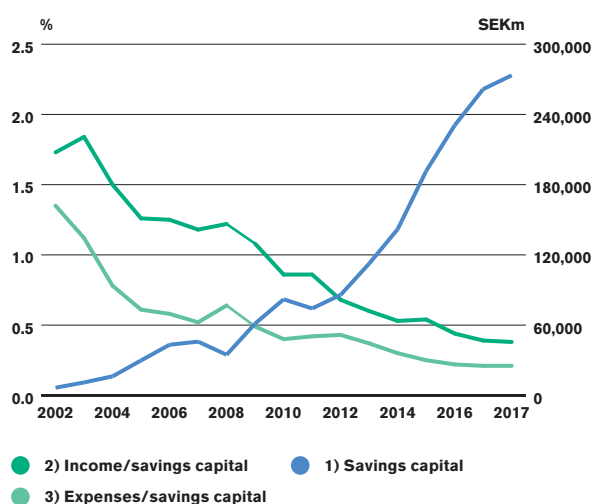
Satisfied customers drive growth

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

2) Our ratio of income to savings capital has declined over the years, which is a result of our price leadership strategy and reduced prices to make our services even more attractive. It is also due to market trends, such as changing customer preferences, mix effects in savings and, not least, the negative interest rates.

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

Timeless business model built on scale



Five year summary	2017	2016	2015	2014	2013
Operating income, SEKm ¹⁾	985	919	904	684	587
Operating profit, SEKm	441	465	485	296	227
Operating margin, % ¹⁾	45	51	54	43	38
No. of customers	710,600	570,600	467,600	371,200	316,500
No. of new customers	140,000	103,000	96,400	54,700	33,200
Net inflow, SEKm	26,800	26,500	25,200	20,100	10,900
Savings capital, SEKm	273,400	231,000	191,600	141,900	112,600
Income to savings capital ratio, % ¹⁾	0.38	0.44	0.54	0.53	0.60
Costs to savings capital ratio, % ¹⁾	0.21	0.22	0.25	0.30	0.37
Average number of employees	383	343	323	283	269

¹⁾ As of 2016, the deposit guarantee fee and the resolution fee are reported as interest expenses and has therefore been transferred from other operating expenses to net interest income. Historical numbers have been adjusted.

See definitions on page 104–105.

We achieve our vision by delivering on our goals

Our strategy is a cheaper, better and simpler offering. Our employees should at the same time have the opportunity to develop and thrive. This will lead to growth and a better future for millions of people. This is how we create value for society as a whole.

Our long-term target is to create customer satisfaction, employee engagement and long-term growth

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

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

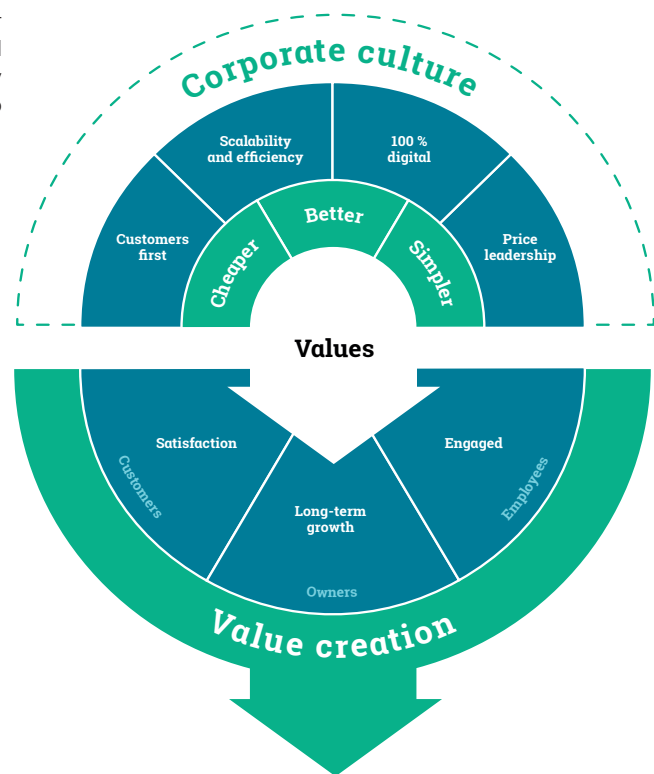
Being a price leader is important to creating long-term value for savers and to attract customers. Price leadership is closely linked to our strong focus on keeping costs low, where scalability and efficiency are critical and are achieved through continuous development, digitisation and internal efficiencies.

Innovation at Avanza relates not only to product development, but is also important from a cost perspective. We work tirelessly to eliminate what is old and possibly could slow our development. Our IT platform and trading system are among the banking world's most modern. We continuously evaluate new technology and update and modernise our systems. The strategy is to never put ourselves into a dilemma with old systems and to continuously automate and simplify our processes. By not planning too far into the future, we stay flexible and can respond to

what happens around us. We constantly update the site with improvements and new functions, with a new release every ten days. The systems at the same time provide stability and economies of scale and enable us to continue to deliver high quality. Our trading system has no limit on customer growth and increasing volumes.

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

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



Create a better future for millions of people

Performance on targets

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

Sweden's most satisfied customers

One of Avanza's targets is to win Swedish Quality Index's annual award for "Sweden's most satisfied customers" in the savings category. In 2017, Avanza won the award for the eighth consecutive year. Our scores were an improvement over 2016. The study is conducted with the help of a statistical model that facilitates an analysis of the reasons for customers' choices and measures how loyal they are to their companies.

Strong engagement among employees

One of our overarching targets is satisfied and engaged employees. To gauge this, Avanza has since 2014 been using an international measure of employee loyalty called the employer Net Promoter Score (eNPS), which shows how willing employees are to recommend their workplace to others. A score over 20 is very good and one over 40 is the highest grade and an excellent result, indicating strong ambassadorship, according to Quicksearch. This year's score was 33, a sign of continued strong ambassadorship, even though the result was lower than last year. This is a product of Avanza's strong growth and our ongoing organisational changes to improve operating efficiencies, but also leadership. Our higher eNPS goal for the year of over 45 shows our high ambitions in the area and how seriously we take our employees' well-being and occupational health and safety.

Strong growth

To ensure a good growth rate and an increasing share of the savings market, our target for 2017 was to reach a market share of at least 9 per cent of the net inflow. The target has been adjusted to at least 10 per cent from 2018. A driving factor behind net inflow is new customers. Our target is to reach 1 million customers 2020.

We also have a long-term target that costs will not grow faster than income, which they have done in the last two years, however. This is mainly due to the negative interest rates and in 2017 also a result of increased investments in growth.

Our target is to distribute at least 70 per cent of profit for the year. The proposal for 2017 is a dividend corresponding to 83 per cent.



Our long-term targets and performance	2017	2016	2015	2014	2013
Customer satisfaction					
Sweden's most satisfied savers according to Swedish Quality Index	√	√	√	√	√
Customer satisfaction according to index	77.2	74.4	81.3	78.6	72.0
Engaged employees					
eNPS over 45*	–	√	√	√	N/A
eNPS according to index	33	51	46	46	N/A
Long-term value growth					
Market share of at least 9 per cent of the total net inflow to the Swedish savings market**	√	√	√	√	√
Market share of total net inflow**	11.8%	10.9%	9.3%	9.2%	5.7%
1 million customers by 2020***	√	√	√	√	√
Annual customer growth	25%	22%	26%	17%	12%
Annual customer growth in no. of customers	140,000	103,000	96,400	54,700	33,200
Cost growth should not outpace income growth	–	–	√	√	√
Income growth	7%	2%	33%	16%	6%
Cost growth	20%	8%	8%	8%	3%
Dividend of at least 70 per cent of net profit of the year	√	√	√	√	√
Dividend (2017 refers to the proposed dividend)	83%	79%	74%	81%	120%
Dividend in SEK per share (2017 refers to the proposed dividend)	10.50	10.50	10.50	7.00	8.00

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

** In 2014, Avanza's target was adjusted from 5 per cent to 7 per cent. In 2017, the target was adjusted to 9 per cent. The market share for 2017 refers to the period October 2016 – September 2017, Savings barometer is published with a lag.

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

Sweden's most satisfied savings customers 8 years in a row

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

A broad customer base with record-high growth in 2017

Avanza experienced record-high growth during the year with 140,000 new customers. The number of customers at year-end was 710,600, mainly consisting of individuals but also corporate customers. Avanza's market share of Sweden's population is 7 per cent. In urban areas, the market share is higher, and in certain age categories it is as high as 20 per cent. The majority of our customers are between the ages of 20 and 49, and the strong growth in recent years among younger customers, ages 20 to 30, intensified in 2017 – although growth was also strong in other age categories. While men are still overrepresented, accounting for 65 (66) per cent, we have seen a growing percentage of women among new customers. In 2017, customer turnover was 1.2 per cent, which shows that very few customers are leaving us.

Our customers are automatically placed in a benefit level based on their accumulated savings or how much they trade. Avanza's wealthier Private Banking customers account for the largest share of savings capital. Pro customers, who are among the more active traders, represent less than 1 per cent of the number of customers, but nearly 40 per cent of the turnover. At the same time, these two groups account for only about a quarter of brokerage fees, which shows the importance of a broad customer base.

Savings customers can be divided into three categories: those who make their own investment decisions, those who need some support, and those who want the investments to be done automatically. In cases where customers want individual advice, we work together with outside parties.

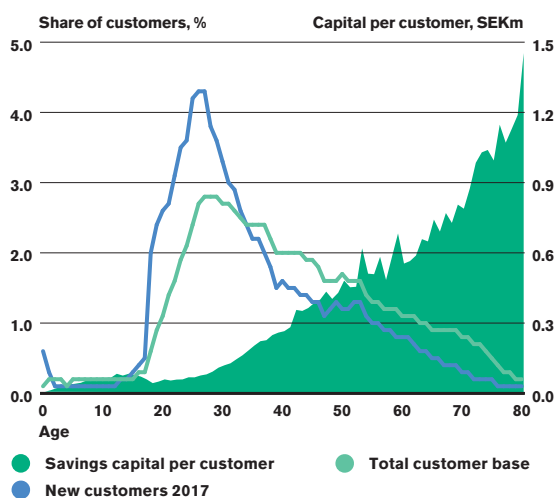
Our corporate customers mainly consist of small and medium sized businesses

Growth in occupational pensions remained strong during the year, with an increase in savings capital of 33 per cent. The majority of occupational pension customers are small businesses with less than 100 employees. In 2017, we enabled businesses with up to four employees to obtain an occupational pension digitally on the site, which 75 per cent of new customers now do. This has improved the customer experience, not least because less information has to be added manually and the process is faster. As a result, sales resources for the occupational pension business have been concentrated in Gothenburg and Stockholm, to better capitalize on the increased interest from larger companies. We also have around 50 institutional trading customers, mainly Swedish asset managers, who trade for their funds or manage them through Avanza.

In the area of Corporate Finance, we mainly advise companies that plan to or are listed on First North and the Stockholm Stock Exchange's small cap list. As a partner, we also work with medium-sized and large listed companies on ownership diversification. Our large customer base is an attractive platform for cost-effective diversification, and we have seen increased interest from companies asking for this service. During the year, we served as advisor to 11 companies and cooperated with external partners in 24 transactions, which is positive for our customers, who are able to participate in many attractive IPOs that have not always been available to individual investors.

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

Age distribution and savings capital by age



A strong offer creates value for our customers

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

Product development with an aim to simplify and improve

Much of our development work during the year continued to focus on making investing easier through decision-making support, without expensive advisory services. The Stock Generator is one example, which helps customers to filter through the large range of equities on Avanza's site. Stock Inspiration page has been updated as well with

tools and popular lists such as “The most popular stocks in Europe”, “Stocks that offer the highest dividends” and “What analysts think”. For those who feel they don't have the time or interest in managing their savings themselves, Avanza Auto was launched in autumn 2017. Avanza Auto is the collective name for six specialty funds with different risk profiles and investment horizons and is a simple, cheap and automatic way to manage money. On the same theme of making it easier for customers, the application process for margin lending was also digitised, and accounts for corporates and minors can now be opened digitally, as many customers had requested.

Over half of all logins to Avanza and new customer registrations are now done by mobile device. We continuously update our mobile offer and develop new functionality and improvements.

As a step to give customers a more comprehensive overview of their investments, we improved the account summary page on the site, where it is now possible to also track the value of cryptocurrency investments.

Cheaper offers to fulfil our customer promise

Fees are critical to the value of savings over time. This is why it is important for us to offer competitive prices. Avanza's price list is adapted to each customer's activity level and amount of capital. Since 2016, Avanza has an offer for customers with savings capital of less than SEK 50,000, which allows them to trade stocks on the Stockholm Stock Exchange with no fees. The aim is to create more interest in stock investing and lower the barriers to entry. During the spring, we digitised trading on a number of major European exchanges. At the same time, we cut the brokerage fee on European trades, so customers can now trade stocks from 1 euro. Avanza's customer promise, which is based on providing customers with a better return, together with the importance of fees to capital appreciation, is why we do not charge any fixed fees on savings accounts. This applies to occupational pensions as well.

A mortgage is the biggest expense for many households and an area where interest rates have a big impact on personal finances. In 2017, we launched Sweden's least expensive mortgage loan, which doesn't

require customers to maintain any savings capital or otherwise with Avanza. The loan has a preapproved rate. The floating rate as of 31 December 2017 was 1.29 per cent. The rate is discounted to the major lenders' list rate, which for December was 1,55 per cent in average. In 2017, our customers saved more than SEK 1 billion* in fees compared to if they had done business with any of Sweden's major banks. They can especially save on their pensions, simply by avoiding unnecessary insurance fees.

Customers continued to rate Avanza highly in 2017

One of our most important long-term goals is to win the Swedish Quality Index's (SQI's) annual award for Sweden's most satisfied savers. In December, we won the award in the savings category for the eighth consecutive year. Our score for 2017 of 77.2 on a scale of 0–100 was an improvement compared to the previous year. Simplicity, transparency and customer value are highly appreciated and contributed to the rating. The survey also showed that Avanza has by far the lowest percentage of customer complaints.

During the year, we broke our previous record with a Net Promoter Score (NPS) of 73. Scores range from -100 to 100 and show the likelihood that customers will recommend us. A score between 0 and 50 is good, and above that is extremely good and highly unusual, especially in the financial sector. Our score on the Customer Satisfaction Index was 87.

In the ServiceScore survey, we were awarded “Best service in financial services” for the third year in a row. In YouGov's latest survey, Avanza was the second most recommended Swedish brand in Sweden, after the mobile payment service Swish.

In Prospera's private banking survey for 2017, Avanza ranked fifth against competitors that offer advice as well as discretionary asset management. Among customers who make their own investment decisions, Avanza came in first. The survey also showed a very high recommendation rate among Avanza's customers.

The year's awards are recognition of our efforts to improve the customer experience by always prioritising customer value.

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

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

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

A strong corporate culture focused on the customer

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

Our employees

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

We welcome a diversity of opinions, backgrounds, ages and lifestyles. Diversity, we believe, makes the organisation dynamic and contributes to higher efficiency and an understanding of the world around us. We were an average of 383 employees at Avanza in 2017, with a relatively low average age of 35. We are more men than women, with a distribution of 65 and 35 per cent.

Many employees come to Avanza directly from university. Our customer service is an instructive and attractive place for many to begin their careers and a path to move on after a few years to other departments within Avanza. Our aim is to utilize as many internal talents as possible, even though there are certain limits in a small workplace.

Working actively to attract talents

Focus on digital decision-making support, an improved user experience and a stronger mobile offer means that we have had to bolster resources, especially in development. Competition for IT expertise is very high, and we work continuously to attract new talents, not the least women. We invite candidates to various tech events to tell them about the company, our technology and our belief in collaboration and sharing competence.

Through recruiting channels and various events, we work actively to broaden the range of candidates for open positions. We participate, for example, in projects to interest more young women in technology and engineering. Our strong corporate culture, modern IT platform and agile way of working are important to our appeal as an employer. During the year, we also participated in Agila Sverige Loves Diversity, a conference focused on diversity and how to create a more inclusive workplace.

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

Employee turnover at Avanza has increased slightly in recent years. Considering their low average age and that this is the first job for many of our employees, it is natural that turnover is slightly above the industry average. In the last year turnover has been affected by organisational changes, which created a lack of clarity about certain roles as the changes were being implemented. Things are now beginning to fall into place as roles and mandates are clarified in a new team structure. The goal of the teams is to bring together expertise in various product areas and encourage innovation when each person knows their role in product development.

Good opportunity to develop in a stimulating environment

To give our employees the best chance of realising their full potential, skills are taught daily on the job and through training. Helping employees to develop in their roles is an important parameter to retain competent, skilled people who enjoy what they do. We work to develop employees, and encourage mobility between departments.

Leadership and employeeship are a question of understanding and taking responsibility for the business, being a good ambassador for Avanza, and being able to coach others and help them develop. To ensure that everyone has the skills and tools they need, we provide both internal and external training. We also offer annual leadership programmes and leadership days for managers, as well as occupational health and safety training.

We want our employees to feel that they have a say and to find an outlet for their creativity. One example of how we encourage them to express their ideas and innovate is our recurring "Brainy Days", when they can present ideas on a wall and try to attract colleagues to join them. Over a two-day period, these ideas are then developed individually or together with others. The days begin with an inspirational event and conclude with a presentation of each idea. Some are then further developed and put into action.

Health and a positive working environment are important to an attractive workplace with motivated and happy employees. Avanza has an occupational health and safety committee that works with this and issues of equal treatment. Avanza also has an action plan and routines to handle incidents that affect our employees. During the year,

we did not receive any complaints from employees due to threats or acts of violence. This kind of complaint is highly unusual, since the business is overwhelmingly digital and we do not offer advice.

Employees at Avanza have access to a number of benefits to stay healthy and maintain a work-life balance, such as health allowances, activities through our sports association, parental benefits, health and rehabilitation insurance. In 2017, we held work-life seminars to get the tools we need to handle the high-performance environment we work in sustainably over time. Occupational health and safety are measured through absenteeism and well-being, and are followed up regularly in our employee surveys.

Employee recommendation rate stays high

The response rate to the 2017 employee survey was 97 (96) per cent, which indicates that we take our employees' opinions seriously and that they are able to have an impact. The result is expressed as a total score, which this year was 77 (81) per cent, compared to an average for the banking sector of 73 per cent and for the IT sector of 79 per cent. The survey also produced an eNPS of 33 (51), demonstrating

that our employees remain loyal and continue to recommend Avanza as an employer, even though the score was not as strong as last year. This is a product of Avanza's strong growth and our ongoing organisational changes to improve operating efficiencies, but also leadership. Our higher eNPS goal for the year of over 45 shows our high ambitions in the area and how seriously we take our employees' well-being and the working environment. The main reasons why employees recommend Avanza to others are still strongly tied to our corporate culture, where we feel pride and responsibility for the company and that what we achieve is meaningful and important.

Employee key ratios	2017	2016	2015	2014	2013
Average no. of employees	383	343	323	283	269
of which women, %	35	33	34	37	34
of which no. of managers	52	55	45	47	–
of which female managers, %	38	36	42	40	–
Average age	35	33	33	33	34
Employee turnover, %	17.9	19.1	16.5	–	–
Internal movement, %	6.3	6.4	5.3	13.0	16.6
Sick leave, %	2.7	2.6	3.3	2.3	2.1
Satisfied employees (eNPS)	33	51	46	46	–

For additional information on employees see page 94–95.

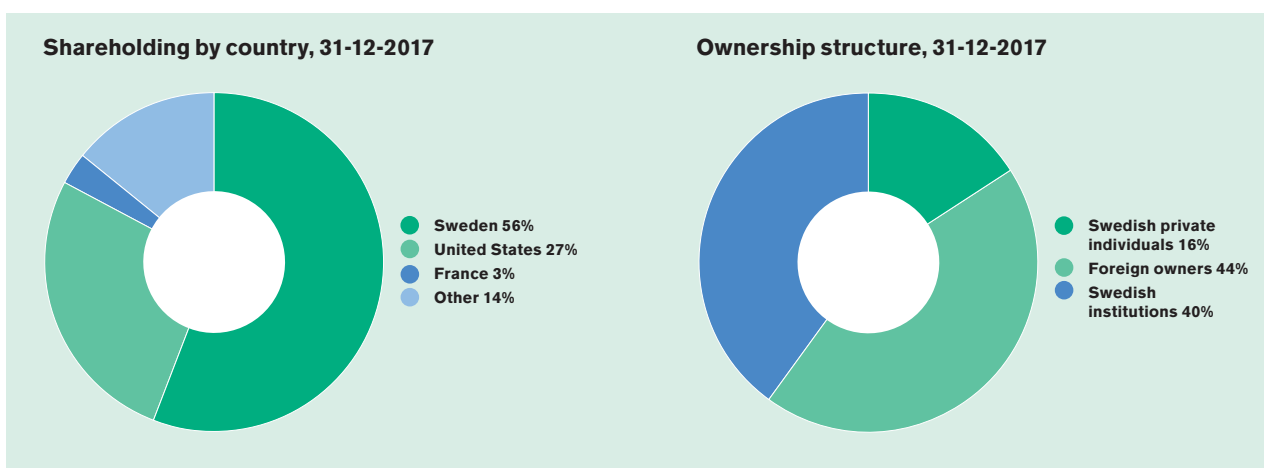
Shareholder value is created through customer value

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

Large share of foreign institutional ownership

Our owners consist of individuals and institutions, such as mutual fund and asset managers. At the end of the year, Avanza had 17,937 shareholders, according to Modular Finance. The ten largest registered owners accounted for 52.4 per cent of the total number of shares and votes. The two largest shareholders were Sven Hagströmer, including

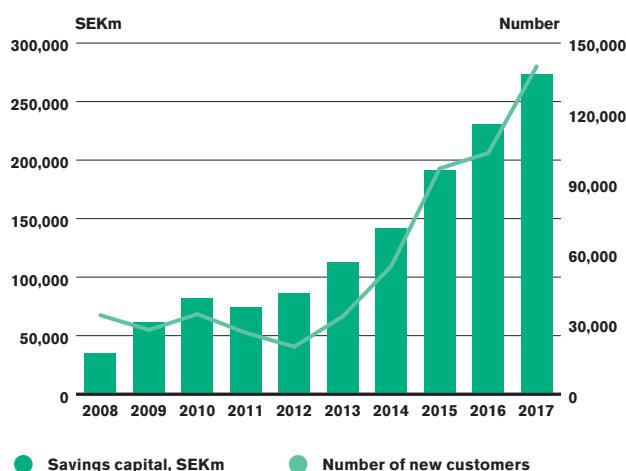
family and company, with a holding of 10.3 per cent, and Creades AB, with 10.2 per cent. Foreign share ownership increased slightly during the year to 44 per cent (42) and was highest in the US at 27 per cent. Avanza did not own any repurchased shares as of 31 December 2017.



Avanza is an investment in growth and scalability

Our aim is to make Avanza an attractive investment that delivers a good return over time. To create long-term shareholder value, customer satisfaction is critical. There is a strong correlation between customer growth, growth in savings capital and income. In 2017, the number of customers increased by 140,000 and savings capital grew by SEK 42 billion. During the period October 2016 – September 2017, Avanza’s share of the net inflow to the Swedish savings market was 11.8 per cent. This compares to our target in 2017 of a market share of at least 9 per cent of the net inflow and our total market share of 3.6 per cent.

Savings capital development and new customers



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

We also see strong growth potential in occupational pensions, where Avanza has a highly competitive offer. Improved transfer rights would positively affect Avanza's growth opportunities. Not least our current base of over 700,000 customers creates good potential for growth. Today just under 10 per cent of our customers have an occupational pension with Avanza.

Scalability and cost control are also important to deliver shareholder value. Our aim is an operating margin of around 50 per cent, at the same time that we want to remain a price leader and offer the highest quality customer service. The impacts of increased scalability and cost effectiveness are measured by the cost to savings capital ratio. In the last five years, we have successfully reduced the ratio from 43 to 21 basis points, with the aim of reaching under 20 basis points. This makes us more resilient to changing market conditions, at the same time that it is a key competitive advantage.

Avanza's long-term target is that cost increases will not outpace income growth, although this may occur at times when stock prices fall and income potential changes, or if we see new growth opportunities that benefit us in the long term but require new investments or marketing efforts, for example. In 2017, costs increased by 20 per cent at the same time income grew by 7 per cent. Profitability was solid in 2017 and the operating margin was 45 per cent.

Market conditions affect income

Avanza's income is strongly affected by market conditions, such as customers' trading activity, interest rates and changes in lending and deposit volumes. Low interest rates squeeze our interest income, but create opportunities for high income from securities trading, since the stock market becomes a more attractive alternative. In 2017, we saw historically high stock valuations create uncertainty among savers, at the same time that volatility was low. This has resulted in smaller trades despite that trading activity measured in number of transactions was record high. In a strong stock market, customers tend to be willing to take on more risk and allocate more money to emerging market

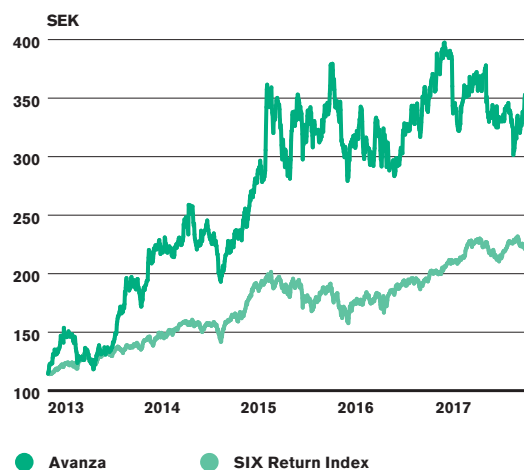
funds and funds with higher fees, for example. In an unsettled market, customers become more cautious and interest in index funds grows. During periods of higher or rising market interest rates, Avanza's interest income increases at the same time that customer growth may level off. The total sensitivity in Avanza's net interest income given a change in the repo rate of 1 percentage point, all else being equal, was around SEK 200 million on an annual basis at year-end. The sensitivity in the event of a reduction in savings capital due to a downturn in the stock market is difficult to assess, as income is dependent on, among other things, how customers choose to invest their savings capital.

Proposed dividend of SEK 10.50 per share for 2017

The Board of Directors proposes a dividend of SEK 10.50 per share, equivalent to 83 per cent of the profit in 2017. This compares with Avanza's policy to distribute at least 70 per cent of profit. The Board of Directors' statement on the allocation of profits proposal can be found on page 89.

In 2017, Avanza's share price decreased by 6.7 per cent to SEK 344.10. Including dividends, the total return on the Avanza share was -3.9 per cent during the year, compared with 9,5 per cent for the SIX Return Index.

Avanza share total return relative SIX Return Index



Share information

On 2 January 2017, Avanza Bank Holding AB (publ) moved up to the large cap list comprising companies with a market capitalisation of over EUR 1 billion. Avanza is included in the Financial Services sector under the ticker symbol AZA. During 2017, 80 (85) per cent of trading in the Avanza share was on the Stockholm Stock Exchange. The share was also traded to some extent on European MTFs. In total, 15,240,763 Avanza shares were traded on the Stockholm Stock Exchange, equivalent to a turnover of 50 (32) per cent of the year's average number of outstanding shares.

Share capital and incentive programme

The share capital and number of outstanding shares increased during the year due to the redemption of warrants through a new share issue. Avanza's outstanding warrant programmes comprise a total of 1,430,000 shares divided among three programmes, each of which expires in three years. The total dilution effect is approximately 4.7 per cent, or 1.5–1.6 per cent per year, if fully exercised. The warrants are issued on market terms and are available to all permanent employees who wish to participate in the programme. The Black & Scholes model is used to determine the value of the warrants. There is a risk of losing money if the share does not perform well enough.

For more information on the outstanding programmes, see Note 29 Equity.

Share data	31-12-2017
Share capital, SEK	74,990,555
No. of outstanding shares	29,996,222
Quotient value, SEK	2.50
Market cap, MSEK	10,322
Share price, SEK	344.10
Highest closing price (03-02-2017), SEK	409.60
Lowest closing price (09-10-2017), SEK	301.50
P/E multiple	27
Dividend yield, %	3.1
Turnover rate, %	50
Earnings per share, SEK	12.66
Earnings per share after dilution, SEK	12.66
Equity per share, SEK	47.57
Proposed dividend per share, SEK	10.50
No. of outstanding warrants	1,430,000

For definitions see page 104–105.

Change in share capital

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

The ten largest shareholders, 31-12-2017*	Country	No. of shares	Share of capital and votes, %
Sven Hagströmer (incl family and company)	Sweden	3,078,246	10.3
Creades AB	Sweden	3,060,000	10.2
Columbia Threadneedle	United States	2,162,511	7.2
Capital Group	United States	1,952,897	6.5
Sten Dybeck (incl family and company)	Sweden	1,284,600	4.3
The fourth Swedish National Pension Fund	Sweden	1,024,249	3.4
Swedbank Robur Funds	Sweden	957,283	3.2
Odin Funds	Norway	851,094	2.8
T. Rowe Price	United States	715,092	2.4
Vanguard	United States	632,932	2.1
Other owners		14,277,318	47.6
Total		29,996,222	100.0

Concentration (by group of owners), 31-12-2017*	Share of capital and votes, %
The 10 largest owners	52.4
The 20 largest owners	65.0
The 100 largest owners	77.8

Distribution of shares, 31-12-2017*	No. of shareholders	Owners, %	No. of shares	Shares, %
1 - 100	12,290	68.5	340,450	1.1
101 - 1,000	4,636	25.8	1,706,152	5.7
1,001 - 10,000	901	5.0	2,350,177	7.8
10,001 - 100,000	78	0.4	2,515,843	8.4
100,001 - 1,000,000	27	0.2	8,601,759	28.7
> 1,000,001	6	0.0	12,562,503	41.9
Anonymous ownership			1,919,338	6.4
Total	17,938	100.0	29,996,222	100

* Modular Finance, Monitor

Our contribution to a sustainable society

Our work is devoted to encouraging people to save. We do so, in among other ways, through education and by challenging established structures in the financial industry. Our vision is to create a better future for millions of people.

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

Avanza challenges the established structures of large banks and pension providers that are not beneficial to savers. The aim is to drive development in the industry and underline the effect of fees on savings. Through pension savings alone, customers pay billions of kronor in unnecessary fees - money that could instead grow and accumulate for the benefit of the savers. This is especially important now, when the individuals own responsibility for their financial future is increasing as national pension and welfare systems are scaled back.

In the last five years, the SIX Return Index has generated a return of 96 per cent. In spite of this, one fourth of the savings capital in Sweden is still held in savings accounts that do not generate any return whatsoever. According to Statistics Sweden, 13 per cent of Sweden's population owned equities as of 30 June 2017, with men overrepresented at 16 per cent. Only 11 per cent of women owned equities*.

Through education and simplified decision-making support, we want to spark an interest in savings and get more people comfortable with making their own investment decisions. The high demand for Avanza Auto, Avanza's most recently launched savings tool, certainly demonstrates the need for this. Avanza Auto has also increased the inflow of female investors to the platform, and it is also more women who are choosing Auto savings over direct investments in funds or equities.

Decision-making support and education to raise awareness of savings

In November 2016, Avanza Play was launched to help us reach broader target groups around Sweden. Avanza Play, which is an extension of the Avanza Academy, is a video decision-making support system with inspiring features in the form of interviews with representatives in savings and investments, where we discuss issues many people can identify with. The topics include current events and are designed to provide insight and information that supports savings. In the Avanza Academy, people can learn about savings and investments directly on the site. There is information on what to think about when choosing equities, funds and other securities, and how to build various types of portfolios. Answers are also provided to questions on taxes and filing returns. For more information on our other decision-making support, see page 103.

Our savings economists protect private savers, educate and inspire

Avanza's savings economists guard the interests of savers, act as opinion leaders, educate and inspire the public to take a greater interest in personal finances, and guide them to better savings. These economists speak to the entire savings market and garner media attention to savings issues. They also communicate through social media and through lectures.

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

In addition, several seminars were arranged during the year to encourage gender equality and diversity. For example, we held seminars for women who want to learn the basics of successful long-term savings. In addition, classes of recent immigrants with an academic background in economics, law and engineering visited Avanza to learn about savings and investments and the types of products available in the Swedish market. These get-togethers are also an opportunity for us and them to make contact.

In 2017, one of our savings economists, Claes Hemberg, was voted "Personal Finance Commentator of the Year" by financial analysts, investors and others in the Swedish capital market.

Structured approach to sustainability issues

Sustainability and social responsibility are an integral part of Avanza's operations, but to put greater focus on these issues we have a CSR group that discusses ideas and drives our development in specific areas. The work has been divided into three areas: Sustainable Investments and Environmental Impacts and CSR People, which engages employees in volunteer work, donations and lectures, and promotes diversity in the tech industry, for example.

Broad and transparent range of choices

Avanza's platform can be seen as a toolbox, where our aim is to offer as broad and transparent a product range as possible. Our pricing and fee model is clear and we make it easy to understand each product. Avanza Academy is also an important tool in this respect.

* Share owner statistics, Statistics Sweden June 2017.

We want to create opportunities for our customers to invest sustainably. For example, our broad product range includes close to 1,300 external funds, of which over 600 are classified as sustainable by Sweisif, a forum for sustainable investment, and can easily be filtered on the website. To help our customers build a broad fund portfolio based on various risk profiles, we offer a Portfolio Generator and our six Auto funds. The Auto funds invest in other underlying securities and are optimized on a continuous basis. Avanza's aim is to make it even easier for customers to invest sustainably.

Education in technology

While mobile usage is high in Sweden, many people do not understand how technology works. In cooperation with Dataföreningen, a Kid Hack has been arranged by Avanza several times in recent years to teach children to code and provide education for parents and teachers. These courses are an opportunity for children ages 8–13 to learn programming basics in a fun atmosphere, at the same time that the adults who support them can find effective tools. This is an important non-profit project that seeks to increase digital competence in Sweden, while also helping us to network with those interested in technology.

Avanza also participates in Sthlm JS meet up, a network for those interested in JavaScript, to share our technology choices, while also exchanging ideas and building a network for exciting collaborations.

To contribute to greater gender equality in engineering, we also participate in "Introduce a Girl to Engineering day" (IGEday), which will next be held in March 2018. The initiative aims to encourage young women to take an interest in engineering and teaches them what an engineer does, lets them meet and interact with female engineers, and provides them with ideas and role models.

Limited impact on the environment

As an online bank, Avanza has limited impact on the environment. Avanza has no branches and the majority of communications with customers are digital. The business does not require much travel or

transports, since there are only three offices in Sweden. Two are in Stockholm as of year-end, the newest of which has received the Nordic Swan Ecolabel, and one in Gothenburg. Avanza's data centres are powered by 100% renewable energy.

A climate analysis is conducted each year to calculate emissions. The analysis is done with the help of an independent tool and is based on the methodology used in the Greenhouse Gas Protocol (GHG Protocol). The methodology is recommended by the Global Reporting Initiative (GRI). The results confirm that we have very little environmental impact. Total energy consumption for 2017 amounted to 1,190 (1,210) MWh, of which 573 (542) MWh relates to internal consumption. Total emissions amounted to 62 (61) tonnes of CO₂e. Avanza does not have a formal environmental management system, but seeks to reduce its environmental impact. Work is under way to improve and further increase recycling in our offices.

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

Charities

Every Christmas our employees donate their gift from Avanza to a charity. This is an opportunity to contribute to a cause that is close to our hearts without it necessarily being tied to savings and investments. The employees vote on which organisations they want to support. This year the gift of SEK 200,000 went to Save the Baltic Sea, Children's rights in Society and UNHCR. Our customers can also contribute by donating their stock dividends to charity.

Memberships

The various companies within Avanza are members and participate actively in trade associations such as the Swedish Bankers' Association, the Swedish Securities Dealers Association and the Swedish Investment Fund Association.

Emission per activity, tonnes CO ₂ e	2017	2016	2015	2014
Business travel	18.3	22.7	61.4	42.8
Company-owned/leased vehicles	14.7	12.9	22.7	15.6
Electricity and heat	5.6	4.5	4.2	4.5
Office supply	14.9	14.6	13.2	25.0
Supplier of services	8.7	6.3	6.5	12.5
Total	62	61	108	100

Limited financial risks and continued focus on IT and information security

A clearly defined risk structure and a sound risk culture are cornerstones of our business and the foundation to earning the trust of our customers. Our digital platform places high demands on availability, IT and information security. In terms of financial risks, Avanza has a low risk appetite.

IT and information security grow in importance

Practically all of Avanza's operations are fully digital. Rapid technological developments and growing digital threats are making IT and information security ever more important. It is also one of our highest priorities. As a digital platform for savings and investments, Avanza must have a comprehensive IT security strategy.

Demands and expectations from customers, partners, legislators and suppliers are high when it comes to information security, i.e. how we handle customer information, digital availability and that the information is correct. Protecting customers' personal information and privacy is of the highest priority. No customer privacy incidents occurred during the year.

On 25 May 2018, a new General Data Protection Regulation (GDPR) comes into force. It replaces the current Personal Data Act (PuL) and is designed to better protect personal data while increasing transparency. Work is under way to ensure that our operations meet the requirements, with modifications to affected systems and internal processes well before the GDPR takes effect. Avanza benefits in this work from a modern IT infrastructure, which enables us to quickly develop and implement new functionality.

We work continuously to improve our IT and information security through a structured and systematic approach to ensure compliance and resilience in the event of cyberattacks. We regularly test, analyse and evaluate our technical and organisational safeguards. During the year, we further strengthened our IT security through investments in hard- and software, processes and competence. In addition, we cooperate with other banks through the Swedish Bankers' Association to learn from each other in areas such as D-dos attacks, intrusion detection and vulnerability analyses.

Avanza's login solutions and safeguards are evaluated and upgraded regularly to ensure proper security, at the same time that the solutions have to be easy for customers. Our customers also receive information on how to protect themselves against phishing attacks and other types of fraud.

To minimise the risk of fraud, we use two-step authorisation for account transfers. Transfers are permitted only to a customer's own account in another bank, and we do not offer electronic payment services or debit cards.

A very important factor for our reputation and earning the trust of customers is the availability of our platform and services, which would be assured through redundant data centres that we can switch seamlessly between. We also work proactively with thorough testing before new functionality is released into production. If our digital platform is unavailable, orders can be placed by phone with our brokers. Avanza's site was available 99.9 per cent (99.9) of the time in 2017.

Low financial risks

In terms of financial risks, such as credit risks, market risks and liquidity risks, we have a low risk appetite. We do not offer consumer credit or engage in proprietary trading. Our mortgages have a low loan to value ratio to ensure that collateral is adequate, even in the event of a sharp drop in property prices. In addition, they are funded with only a small percentage of customer deposits.

Avanza is mainly self-financed through shareholders' equity and customer deposits. Only a limited share of deposits is used for lending, which creates a low liquidity risk. Deposits in relation to lending was 454 per cent (428) as of 31 December 2017. This means we have surplus liquidity of nearly SEK 17 billion.

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

With regard to credit risk, all lending is collateralised by liquid financial assets with good margins or by residential properties with a low loan to value ratio. In the case of Avanza's new mortgage offer with Stabelo, we act as a distributor, which means that it does not affect Avanza's balance sheet.

Avanza Pension does not offer any insurance products with a guaranteed return. This means that the insurance liabilities, by definition, track the value of the insurance assets in the financial reporting.

The aim of the risk work is to maintain trust in Avanza and maintain low and controlled risks

Inadequate management and control of Avanza's risks creates a reputational risk. To maintain our reputation and build trust in Avanza requires strong risk awareness throughout the organisation. During the year, we worked on clarifying risk ownership and compliance responsibility in the business operations, at the same time that we further invested in our control functions.

Avanza is a platform for savings and investments. This means that we have our own, and distribute others', savings products and mortgages. Close collaborations and agreements with various suppliers always entails a risk. To minimise this risk, we in 2017 refined our methodology and the way we control and monitor Third Party Players (TPPs) and significant counterparties. The aim is to better understand each counterparty and identify any risks, both business risks and reputational risks. Based on the control, an evaluation is done, and the risk feasibility of the collaboration or contractual relationship. Given the outcome and the possible consequences for Avanza and our custom-

ers, we evaluate whether we want to be associated with the company or not. A follow-up assessment of the counterparty is made annually or more often if needed.

Avanza's largest suppliers are Nasdaq, Euroclear Sweden and NGM. Among the most important Third-Party suppliers are fund management companies, our Savings account+ partners and the cooperation with Stabelo to distribute mortgage loans. Our fund providers consist of Swedish and international fund management companies that are subject to supervision by the Swedish Financial Supervisory Authority (SFSA) and similar foreign authorities. Both new and existing cooperations with fund providers are screened according to the improved methodology. Our Savings account+ providers are large, established credit market companies that are supervised by the SFSA and offer state deposit guarantees. Several of them are also publicly listed. Unlike many of our other partners, Stabelo is a small start-up, although it is also subject to supervision by the SFSA. Before partnering with Stabelo, we performed a detailed examination of the company and background checks on its founders. Avanza also has access to information through its ownership and the CEO's representation on the board of directors. In connection with corporate transactions, e.g. ahead of an IPO or retail distribution in an IPO or rights issue, Avanza works exclusively with established counterparties on the Swedish financial market, which are reviewed on a continuous basis. In transactions where Avanza is the lead and only advisor, background checks and due diligence are performed on the company. The transaction is also approved by Avanza's investment committee.

An important part of the risk work is to engender a sustainable risk culture and risk-taking that never jeopardises Avanza's survival. The culture is derived from the Board's and management's governance and decision-making. For further information on our risks and risk management, see Note 35 Financial risks and the corporate governance report on page 40.

Internal capital and liquidity assessment

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

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

The assumptions in the base scenario are stressed to guarantee realism, taking into account both negative and positive deviations. In the negative stress scenario, market interest rates rise sharply due to geopolitical unrest, at the same time that stock prices fall significantly for two years. We measure how this impacts the savings market, customers' savings and asset allocations as well as Avanza's costs and

revenues. In the positive stress scenario, Swedish exports rise above expectations and unemployment decreases, resulting in unexpected growth of the savings market, while market interest rates and equities both rise simultaneously. In the operational stress scenario, Avanza is affected by an IT error that halts equity trading through the website. In this scenario, direct and indirect costs are affected, as is Avanza's reputation.

The result of the 2017 ICAAP reflects Avanza's low risk exposure and shows the resilience of Avanza's business model, even under highly stressed conditions. Avanza's capital base at no points falls below the capital adequacy requirements stipulated by the SFSA, and Avanza does not expose its customers to risk.

Capital planning

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

Avanza's total capital requirement for the consolidated situation was 12.5 per cent (12.0) at year-end, excluding the internal capital planning buffer, at the same time that Avanza's total capital ratio was 16.5 per cent (19.9).

In the event that Avanza's capital base is at risk of falling below the minimum capital adequacy requirement and buffer requirement, a capital conservation plan is in place with activities that Avanza can take to restore capital and liquidity.

Group recovery plan

Avanza prepares an annual Group recovery plan to prepare the Board and management for a potentially very difficult financial situation. The 2017 Group recovery plan has been approved by Avanza's Board and sent to the SFSA.

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

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



Chairman's comment

The dromedary we won't let become a camel

Avanza announced in autumn 2016 that costs would rise significantly in 2017. We expected them to shoot up 15–20 per cent. Increased investment in product development and development capacity were the main cost drivers, but adjustments to new regulations were needed as well. After the fact, the increase for the year turned out to be 20 per cent. Now we are going back to our usual rate of 8–10 per cent. In other words, the higher rate last year was an aberration. We promised our shareholders a dromedary in 2017, and we will deliver a dromedary. There won't be another hump in 2018 that turns our dromedary into a camel.

We usually talk about positive and negative costs. Product development is an example of the former. Regulatory costs the latter, since they are not negotiable, though we also see many opportunities with the new regulations, especially from a customer perspective. The new regulations make it possible, for example, for customers to use more innovative online services now that it becomes easier to access customer data from other providers. This creates opportunities to build new customer interfaces that will give the customer a better overview of their personal finances and will make it easier to compare prices and interest rates, which in the long run should mean even better prices for them. Avanza has always safeguarded the interests of savers and kept prices low. We will continue to do so, and the new regulations will help.

“New regulations will help us to safeguard the interests of savers”

Although the new regulations contribute to greater transparency and stronger consumer rights, they have not been welcomed with open arms by all. We, on the other hand, feel it is important to be involved, have a say and stand up for the customers' rights, whether it be their right to freely transfer pension savings or to control their personal data. On our own we may not have a big impact on these issues, but together with several other fintech companies in the Swedish banking market we can make a difference. This is why in 2017 we joined the Swedish Fintech Association, where we are working actively to promote our customers' interests and greater freedom of choice.

When I founded Avanza, I saw it as a public interest. After starting out strictly as an online broker, Avanza has refined its offering over nearly 20 years with lower prices, more user-friendly options and more products. We will continue developing and expand our range of products, and we will continue to do it in our own way. Our mortgage products are an example of what I mean. They show that we can have our own products and at the same time cooperate with others to create the best possible offerings. Here lies a strategically important issue for


Avanza. For customers, the Avanza brand has become synonymous with products and services you can trust and for us it's important that the customer feels the connection with Avanza, no matter who we are cooperating with.

“For us it is important to be involved, have a say and stand up for the customer”

Avanza replaced its CEO during the year. Rikard Josefson has taken over, succeeding Johan Prom. Like his predecessors, Johan had no prior industry experience. Avanza has always looked for a CEO driven to provide unsurpassed customer value at low prices. Experience from the banking industry was seen at the time as almost a disadvantage. New thinking usually requires an outsider's perspective. All the new regulations and products have made banking more complex, however, so we abandoned this philosophy when looking for Johan's successor. Rikard has grown up in the finance industry. He has many years of experience with a leading commercial bank and most recently served as CEO of another of Sweden's niche banks, which, like Avanza, is focused on customer satisfaction and a strong digital offering. That Rikard's values and drive align with Avanza's was apparent when the Swedish Quality Index announced the winner of its award for the country's most satisfied savers. Avanza took the prize for the eighth consecutive year, and Länsförsäkringar Bank, where Rikard came from, came in second. What's more, Rikard's knowledge, energy and contagious enthusiasm for the job are unmistakable.

Heading into 2018, we cannot promise other than that we will do everything in our power to satisfy our customers and shareholders. I, like everyone here at Avanza, is passionate about helping our 700,000 customers to save simply and profitably. Satisfied customers lead to satisfied shareholders. It's no more difficult than that.

Stockholm in February 2018



Sven Hagströmer
Chairman of the Board



Sven Hagströmer, Chairman of the Board

Corporate governance report

Avanza's vision is to create a better future for millions of people. To achieve this it is important that we listen to what our stakeholders want and that they can trust how we act and manage our business.

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

Avanza is motivated by a desire to challenge accepted structures and create customer value through a strategy of offering products that are less expensive, better, and simpler than our competitors'. We inspire and educate our customers to be better informed and help them with their investment decisions. Our promise to customers is that they will get a better return on their savings with Avanza than with any other bank. In the long term, what we do for our stakeholders and the Swedish savings market also benefits society as a whole.

To achieve our vision and promote a better savings market in the long term, we have to listen to what our stakeholders want, live up to their expectations and earn their trust. These stakeholders include our customers, employees, owners, investors, partners, suppliers, government authorities and regulators, all of whom affect and are affected by our operations.

A. Ownership and voting rights

The share capital consists of one class of shares, whereby all shares confer the same rights. There are no limitations on the right to transfer shares or how many votes a shareholder may cast. The share capital at the end of 2017 amounted to SEK 74,990,555, represented by 29,996,222 shares and votes. An ownership distribution is presented on page 25 of the Annual Report for 2017. The largest shareholders – Sven Hagströmer with family and companies, and Creades AB – are represented on the Nomination Committee and thus in the nomination process for the election of Board members and the auditor; see table below.

B. Nomination process for election of Board members and auditor

The AGM 2017 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2018.

The names of the Nomination Committee members, and the shareholders they represent, were published on 20 September 2017, which was six (6) months prior to the AGM 2018. The Nomination Committee consists of one representative from each of the four largest shareholders wishing to appoint a representative. The appointments were based on ownership interests known immediately before the announcement, i.e. 31 August. The Nomination Committee is the AGMs' governing body with the sole purpose of preparing the AGM's resolutions on election and remuneration issues.

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

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

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

The Nomination Committee's proposal to the Board of Directors is presented in its entirety to ensure that the Board meets competence, diversity and independence requirements. Shareholders with views on

Composition of the Nomination Committee

Name	Representing	Holding 31-08-2017	Holding 31-12-2017
Erik Törnberg (Chairman of the Nomination Committee)	Creades AB	3,060,000 (10.3%)	3,060,000 (10.2%)
Sven Hagströmer (Chairman of the Board of Avanza)	Hagströmer family and companies	3,048,246 (10.2%)	3,078,246 (10.3%)
Magnus Dybeck	Dybeck family and companies	1,136,550 (3.8%)	1,284,600 (4.3%)
Per Colleen	Fjärde AP-fonden	1,014,249 (3.4%)	1,024,249 (3.4%)

the Board's composition or proposals for new members may submit them to the Nomination Committee well in advance of the AGM. Nomination proposals received by the Nomination Committee from shareholders are reviewed as part of the nomination process. Proposals can be sent by email to valberedningen@avanza.se or by post to:

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

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

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

The Nomination Committee held two recorded meetings in 2017, at which all members were present. The Nomination Committee also conducted an evaluation of the Board and its work, where the size and composition of the Board were evaluated in terms of industry experience and competence.

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

C. Annual General Meeting (AGM)

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

The AGM is held in Stockholm during the spring and notice is issued no earlier than six weeks and no later than four weeks in advance.

In order to exercise their vote at the AGM, shareholders must be present at the meeting either in person or through a proxy. Furthermore, shareholders must be registered in their own name in the share register on the specified date prior to the meeting and also have registered to attend the meeting in accordance with the notice.

The AGM's resolutions normally pass with a simple majority, i.e. more than half of the total number of votes cast, unless otherwise specified by the Swedish Companies Act. Shareholders wishing to add a matter to the agenda at the AGM may submit a written request. Such requests must be received by the date indicated on Avanza's website, which for the AGM 2018 was 30 January 2018. Requests are to be sent to:

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

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

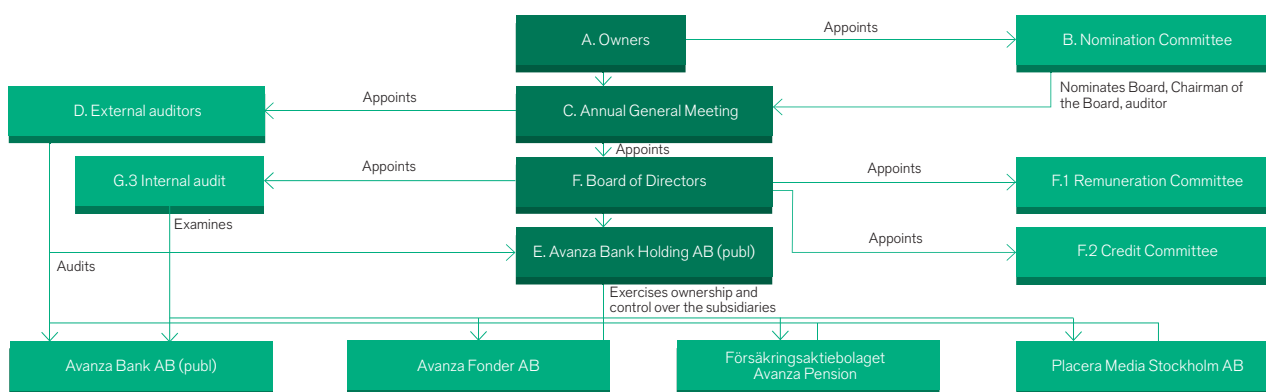
Extraordinary General Meetings may be held if the Board deems necessary or if the Company's auditor or a shareholder holding at least ten per cent of the shares requests such a meeting.

At Avanza's AGM held on 31 March 2017, 238 shareholders were represented, corresponding to 51 per cent of the total number of shares and votes. The AGM was webcast live on Avanza's website. The Company's auditor and all Board members were present at the Meeting.

At the AGM 2017, the following resolutions were adopted:

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

The proposal to issue warrants for the incentive programme for employees of the Avanza Group did not receive the support of a sufficient majority. Consequently, an Extraordinary General Meeting was held on 5 July 2017. The EGM resolved to establish a new incentive programme based on warrants for employees of the Avanza Group. The



incentive programme expires in August 2020 and comprises a total of 450,000 warrants that grant entitlement to subscribe for an equal number of shares. If all the warrants are exercised, the dilution effect will be 1.5 per cent. A total of 147 shareholders were represented at the EGM, or 52 per cent of the total number of shares and votes.

D. External auditor

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

At the AGM 2017, Öhrlings PricewaterhouseCoopers AB (PwC), with Catarina Ericsson as Auditor-in-Charge, was re-appointed auditor for the period until the AGM 2018. PwC, with Catarina Ericsson as Auditor-in-Charge, has performed the auditing duties since the AGM on 14 April 2011.

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

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

The auditor's fees are charged on an on-account basis. In 2017, fees paid to PwC for auditing duties totalled SEK 2,208 thousand. The total remuneration paid to PwC is shown in Note 10.

E. Avanza Group

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

CEO and Group Management

The CEO is responsible for the day-to-day management of the company in accordance with the Swedish Companies Act and Avanza's instruction for the CEO, which is laid down by the Board. The CEO is responsible for keeping the Board informed on the Company's operations and ensuring that the Board has the information that members need to make informed decisions. In addition, the CEO ensures that the Chairman is continuously kept abreast of the Group's development. In 2017, the Board of Directors appointed Rikard Josefson as the new CEO. He took over the position from Johan Prom in November.

Avanza Group Management consisted at year-end 2017 of:

- Rikard Josefson, CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Birgitta Hagenfeldt, CFO and Deputy CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Gustav Berggren, Head of the Private Banking
- Maria Christofi Johansson, Head of Customer Relations
- Teresa Schechter, Chief Legal Officer
- Peter Strömberg, CIO
- Annika Saramies, CEO of Försäkringsaktiebolaget Avanza Pension
- Peter Westling, Marketing Director

More information on Group Management is available on Avanza's website and on pages 44–45.

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

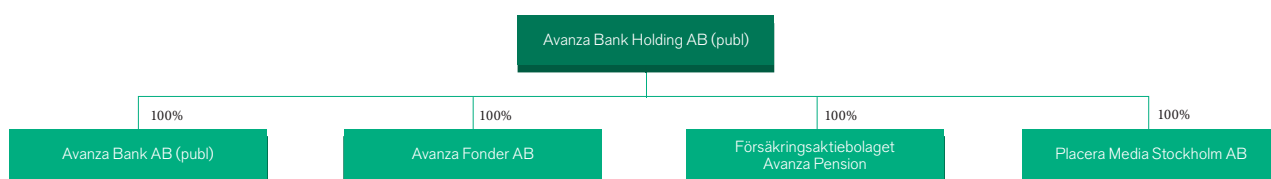
Suitability assessment

Avanza has internal guidelines on the suitability assessment of the CEO and other members of Group Management as well as the heads of control functions. Assessments are made in conjunction with new appointments and regularly as required, to determine whether the person in question has adequate knowledge, insight and experience and is suited to the role. Potential conflicts of interest are also taken into consideration. Background checks are conducted at least once a year. Internal suitability assessments are done as well of persons with responsibility for the Group's AML work, which is a consequence of the Fourth Anti-Money Laundering Directive and the new anti-money laundering law. This is done to ensure that the risk analysis and work are performed correctly.

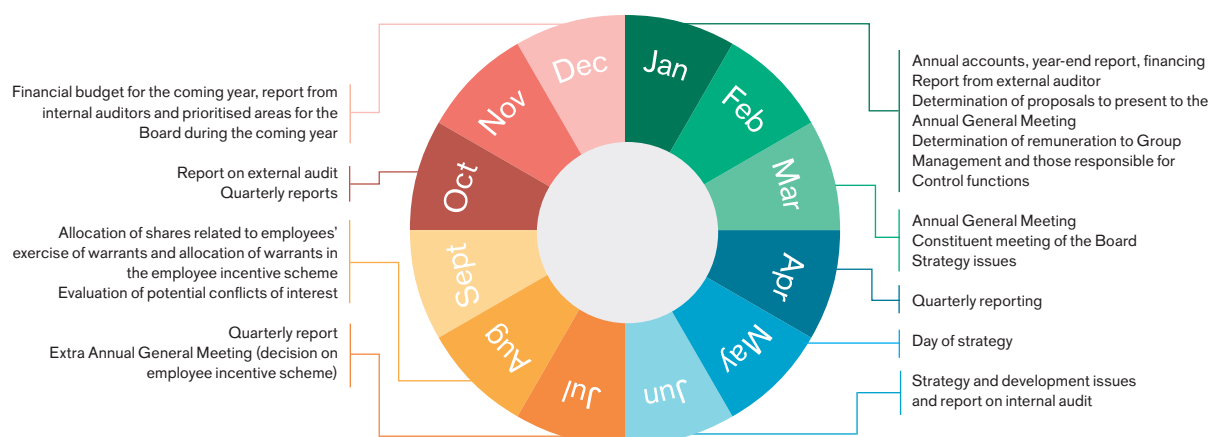
Remuneration to Group Management

Group Management's remuneration shall reflect each individual's experience, competence and performance. Remuneration comprises a fixed salary and a variable portion based on performance. The variable remuneration is based on a qualitative assessment of individual performance in relation to established individual targets and the Company's earnings. An appropriate balance is struck between fixed salary and variable remuneration, and it must be possible to set the variable remuneration at SEK 0. Variable remuneration for members of Group Management may never exceed 100 per cent of fixed salary for the same financial year.

E. The Avanza Group



Board meetings 2017



The criteria governing variable remuneration must not encourage irresponsible risk-taking or behaviour that may cause conflicts of interest in relation to customers, partners, other companies in the Group or other activities within Avanza.

Members of Group Management have acquired warrants on prevailing market terms in accordance with the warrant programme approved by the Extraordinary General Meeting on 5 July 2017.

Matters concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and approved by the Board. Remuneration to other members of Group Management is determined by the Board, based on proposals from the Committee, following consultation with the CEO.

Corporate culture and policies

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

Avanza has a Group-wide diversity and equality policy. For us, diversity and equality mean capitalising on the knowledge, experience and views of all our employees in order to enrich and influence every area of the Company. Avanza feels that groups of employees with different experiences and perspectives are more effective and dynamic than those that are more alike. The policy also ensures that all employees are treated fairly and that there is no discrimination. Issues of equal treatment are monitored through employee surveys. Gender equality is reflected in every part of the business. Avanza's management has an even gender distribution with 4 women and 4 men. Among the managers, 20 are women and 32 men; see also Note 9 and page 94–95.

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

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

Regulatory training

Avanza has a code of conduct that includes our ethical guidelines. This code applies to all employees and provides guidance on how we build long-term relationships with our stakeholders by describing the responsibility that comes with being an employee. The code contains Avanza's views on business ethics and routines for reporting as well as how we expect employees to act in ethical dilemmas. An important aspect is preventing unethical behaviour, which is why we encourage our employees to report improprieties. Avanza has a whistleblower function where they can anonymously report suspected improper behaviour.

All employees have a responsibility to understand the laws and internal rules that affect and are pertinent to their work. After they are hired, new employees are informed of current rules, which is then followed up on a regular basis. In addition, individual departments arrange separate training in specific areas.

As a company in the financial market, we have an obligation to help maintain trust in the market. Avanza abides by Sweden's anti-corruption laws and practices and under no circumstances accepts active or passive bribery or other illegal payments. The Avanza Group works continuously to fight corruption and has an internal anti-bribery policy that complies with Swedish law. The anti-bribery policy applies to every employee of the Avanza Group and is established by the Board of Directors. The policy is included in Avanza's Code of Conduct and in the mandatory compliance training for new employees. Supplemental training is provided every three years for all employees. The compliance training also provides information on the work being done in the areas of anti-money laundering and terrorist financing as well as on central laws and regulations and other key guidelines and policies. The purpose is to stress the importance of these policies, increase understanding and address any questions. Neither the Avanza Group nor any of Avanza's employees or senior management have been convicted of bribery or other crimes related to corruption. Avanza works proactively to fight money laundering and terrorist financing, with all employees sharing a responsibility to prevent the company from being exploited and to report suspicious activity. We have an anti-money laundering programme that includes a Group-wide policy and a risk and vulnerability analysis. We also have internal training programmes for affected departments. All customers are managed using a risk-based assessment, where identity information is obtained when opening an account and verified on a regular basis.

All of Avanza's policies are easily available to employees, and it is their responsibility to stay updated on internal and external regulations as well as policies and instructions. As part of this, Avanza is affiliated to Swedsec, which sets proficiency requirements, issues licenses and requires compliance of those who work in the securities market. All employees in brokerage operations, corporate finance and control functions have Swedsec licenses, in addition to several in management, Pro/PB and our savings coaches.

F. Board of Directors

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

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

The AGM 2017 re-elected all current Board members. According to the Articles of Association, the Board shall consist of no fewer than five and no more than eight members. Avanza's Board consisted in 2017 of seven members elected until the next AGM and no deputies. The Chairman of the Board is Sven Hagströmer. The Board held its first meeting following election on 22 March 2017. Information about the members of the Board can be found on Avanza's website and on pages 42–43.

Diversity and suitability

Avanza has a policy to achieve diversity on the Board and guidelines on suitability assessments for Board members. The aim of the diversity policy is to produce a Board with a range of educational and professional backgrounds and qualities, together contributing to an independent, critically thinking body. The Board shall also consist of members of varying age with an equal gender distribution. Information on the Board's composition, age and background is shown on pages 42–43.

The suitability guidelines set forth how Avanza evaluates appointees for their assignments, while taking into account possible conflicts of interest. The Board shall be made up of members who collectively contribute to an understanding of relevant regulations and have the ability to identify the risks caused and faced by the Company. New members are also evaluated in terms of the number of executive and/or non-executive positions they hold, to ensure they have the time needed for Board work. These assessments are made in conjunction with new appointments and periodically as needed. Background checks were made on all Board members in 2017.

The boards of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension follow the policy on board diversity and strive to maintain an even gender and age distribution. Subsidiary boards consist of members with varying experience and education, which raises their overall competence, and are made up of 50 per cent women and 50 per cent men.

Work of the Board in 2017

During the year, the Board held a total of 24 meetings, including 6 scheduled meetings, 4 extra meetings, 1 meeting following election and 13 telephone/mail meetings. Board meetings by telephone/mail mainly addressed decisions relating to Avanza's incentive scheme and appointment of a new CEO.

At scheduled meetings, the following are always discussed:

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

In addition to the permanent items on the agenda, the Board during the year discussed the matters in the illustration presented at the previous page. The Board also focused on the implementation in the Group of the EU's new rules and the measures being taken to fully comply with them, which affects Group operations in different ways. These rules include MiFID 2, GDPR and PRIIP.

The Board also worked on and participated in the process that led to Avanza Bank's distribution of mortgages through the cooperation with Stabelo as well as the investment in Stabelo, where Avanza owns nearly 20 per cent.

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

Competence development in the Board of Directors

Each year the Board establishes a training plan that is appended to its work plan to give members a better understanding of the various areas, future rules and risks that affect the business as well as new products and services Avanza is launching. Board members also visit various parts of Avanza on their own initiative to better familiarise themselves with specific areas. The Board's training needs are reviewed and specific measures are taken as needed to provide information and improve competence in key areas. In 2017, the Board underwent training with a focus on future regulations and risk management.

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

Attendance at recorded Board meetings 2017

Member of the Board	Attendance	In relation to the company and its management	In relation to the company's largest shareholders
Sven Hagströmer, Chairman	24/24	Independent member	Not independent member
Sophia Bendz	24/24	Independent member	Independent member
Jonas Hagströmer	24/24	Independent member	Not independent member
Birgitta Klasén	24/24	Independent member	Independent member
Mattias Miksche	24/24	Independent member	Independent member
Hans Toll	24/24	Independent member	Not independent member
Jacqueline Winberg	24/24	Independent member	Independent member

Formal work plan of the Board of Directors

The Board operates according to a formal work plan, which is reviewed and adopted on an annual basis and regulates the division of duties, decision-making, signatories, meeting procedures and the duties of the Chairman. The Board's responsibilities and duties are also covered, as are identification and management of potential conflicts of interest. The work of the Board follows a plan that fulfils the Board's information requirements and is otherwise governed by established procedures for division of duties between the Board and the CEO. In addition, the auditor presents the audit and observations to the Board. In 2017, the Company's auditor was present and reported to the Board at two Board meetings. Company employees participate in the meetings as rapporteurs and secretary.

Remuneration for Board members and attendance at Board meetings

The AGM 2017 resolved that the Chairman and other Board members are each to receive annual remuneration of SEK 300,000. In addition, fees of SEK 42,000 were set for members of Avanza Bank's Credit Committee and of SEK 38,000 for members of the Company's Remuneration Committee. Board members who receive a salary through their employment with the Company are not entitled to Board fees.

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

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

F.1 Remuneration Committee

The Board appoints the Remuneration Committee, which in the financial year 2017 consisted of Sven Hagströmer and Jacqueline Winberg (Chairman), and since October with Mattias Miksche as a deputy. The Committee is responsible for evaluating and recommending the principles for remuneration.

The Committee prepares proposals for fixed and variable remuneration for Group Management and the managements of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, and for the heads of the control functions Risk Control and Compliance. Remuneration is set by the Board.

The Committee also prepares issues relating to the CEO's terms of employment and benefits for approval by the Board. The CEO's variable salary is reviewed annually and is dependent on achievement of the

CEO's individual goals, which are closely tied to Avanza's overarching goals with a focus on customer satisfaction, employee engagement and growth. To ensure that the decisions achieve long-term results the CEO has no goals tied to revenue or profit generation.

In 2017, the Committee held 14 meetings, at which all members participated, and also kept regular contact.

F.2 Credit Committee

The Board of Directors of Avanza Bank AB appoints the members of the Credit Committee, which during the financial year 2017 consisted of Board members Sven Hagströmer, Birgitta Klasén and Hans Toll. The Committee is tasked with taking decisions on credit matters that the entire Board has previously resolved, with the exception of credit matters involving a potential conflict of interest, in which case the entire Board will still take the decision. The Committee's meetings and decisions are recorded, and the minutes provided to the Board at its next meeting.

In 2017, the Credit Committee held 11 meetings, at which all members participated, and also kept regular contact.

F.3 Audit Committee

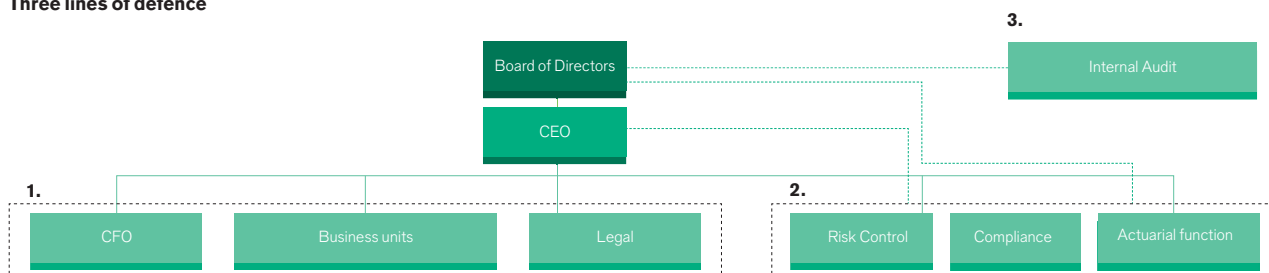
The Board of Directors of Avanza has chosen not to establish an Audit Committee. Instead, the Board as a whole performs the work of the committee. The Board meets the independence requirements of the Swedish Companies Act and the Code, as well as accounting or auditing competence requirements. To fulfil the committee's duties, the Board must ensure that the financial reporting is of high quality and evaluate the work of the auditors. Guidelines for procuring services from the Group's accounting firm have been set forth. The Board also assists the Nomination Committee in preparing the proposal to the AGM on the auditor's election. One Board member – Chairman Sven Hagströmer since 2013 – always participates when Group Management has reporting meetings with the Company's auditor, in accordance with a previous AGM resolution.

The Board maintains contact with the Company's auditor to stay informed on the scope of the audit and to discuss the auditor's view of the Company's risks. The auditor reported on the progress of her audit and presented her recommendations to the Board on two occasions in 2017. Internal Audit reported the results of the year's independent review to the Board on two occasions in 2017.

G. Internal control and risk management

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

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



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

Three lines of defence principle

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

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

Risk management primarily takes place in the first line of defence, which consists of business and support functions with specific responsibility for each department. Within the regulatory framework for internal governance and control is a sub-framework for risk management with policies, guidelines, instructions, routines, processes and limits for each type of risk.

2. Second line of defence

2.1 Risk Control

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

Risk follow-up and control are performed in among other ways through validation of risk measurement models, testing and evaluation of the internal control environment, evaluation of risk maturities and, not least, approval of major changes by Risk Control. Risk Control provides an overview of the Group's risk exposure and limit utilisation to management and the Board on both a monthly and quarterly basis.

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

2.2 Compliance

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

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

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

The subsidiaries Försäkringsaktiebolaget Avanza Pension and Avanza Fonder AB since 2017 have their own compliance functions, which previously had been outsourced within the Group.

In 2017, the SFSA conducted two supervisory visits to Försäkringsaktiebolaget Avanza Pension. Avanza has not received any sanctions for failure to comply. The SFSA in 2017 upgraded the subsidiary Avanza Bank to supervisory category 2. This mainly means expanded supervision and a more continuous dialog with the SFSA, including semiannual risk reviews. Moreover, the SFSA has reversed its previous decision to simplify Avanza Bank's obligations with regard to its recovery plan.

2.3 Actuarial function

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

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

3. Third line of defence – Internal Audit

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

Internal auditing has been outsourced to external consultants to ensure the quality and independence of the evaluation and review. In 2017, the Board of Directors commissioned the external consultancy OMEQ Financial Consulting AB (OMEQ) to perform the internal audit.

Internal Audit's reviews of Avanza Bank in 2017 comprised lending, counterparty risk management and cash management. For Avanza Pension, Internal Audit primarily reviewed regulations regarding notification of changes in major shareholdings, investment rules, counterparty evaluations and Solvency II rules. For Avanza Fonder, transparency and counterparty evaluations and the fund management process were the focus of the review.

The results of the year's internal audits were reported at the Board meetings in June and December 2017.

Board of Directors' report on internal control over financial reporting

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

System of internal control and risk management over financial reporting

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

Control environment

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

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

Risk management

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

Control activities

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

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

Information and communication

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

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

Follow-up

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

The control functions Risk Control, Compliance and Internal Audit monitor compliance with policies, guidelines and instructions. Additionally, Avanza has an internal management organisation to follow up and evaluate internal control and risk management with a focus on the financial reporting. The internal management organisation, which consists of representatives from Finance, Back Office, Trade, Pension, IT, Risk Control and Compliance, held four recorded meetings in 2017.

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

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

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

Assessment and position on internal audits

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

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

Board of Directors and Auditors



Sven Hagströmer
Chairman

Born
Elected
Committees
Education

1943
1997
Remuneration & Credit Committee
Studies at Stockholm University

Diversity and suitability

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

Relevant employment history

Founded Sven Hagströmer Fondkommission AB 1981. Chairman of Avanza's Board of Directors since 1999

Other significant assignments

Chairman of Creades AB and Biovestor AB, Board member of Doberman AB and Doberman Group AB

Holdings on 31 December 2017 (incl. family and companies)

6,138,246 (of which Creades 3,060,000)



Sophia Bendz

1980
2015
–
Business Management and Marketing at Stockholm University, Arts at Baruch College, New York and studies at Hyper Island, New York

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

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

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

0



Jonas Hagströmer

1982
2015
–
MBA from Lund University, studies at Hong Kong University of Science and Technology

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

2012– Investment Manager at Creades AB, 2007–2011 Associate and analyst in Corporate Finance at Keystone Advisers

Chairman of Inet AB, Board member of Biovestor AB and Apotea AB

3,000 and indirect shareholding via Biovestor and Creades



Birgitta Klasén

1949
2014
Credit Committee
MSc Engineering Physics from the Royal Institute of Technology in Stockholm, Economics at Stockholm University and MA Education from the Stockholm Institute of Education

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

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

Senior IT Advisor, Board member of Assa Abloy AB

9,000

**Mattias Miksche**

Born	1968
Elected	2008
Committees	Remuneration Committee deputy
Education	Master of Science in Business and Economics, Stockholm School of Economics
Diversity and suitability	Extensive expertise in Internet and mobile services. Experience developing and improving digital interaction with customers and users in various industries. Entrepreneur and executive who has built successful companies in the digital world and experience from various board assignments.
Relevant employment history	2005–2016 Founder and CEO of Glorious Games Group AB (formerly Stardoll), 2009–2016 Board member of Sportamore AB, 2003–2005 Founder and CEO of Boxman AB (now Lovefilm Nordic), 2003–2005 Board member of E*TRADE Sverige, 2002–2003 CEO of E*TRADE BANK AG (Germany), 2000–2002 CEO of E*TRADE Sverige
Other significant assignments	Chairman of Glorious Games Group AB (formerly Stardoll), Board member of Dustin Group AB, Euroflorist Intressenter AB and PriceRunner Group AB
Holdings on 31 December 2017 (incl. family and companies)	2,790

**Hans Toll**

Born	1970
Elected	2014
Committees	Credit Committee
Education	Master of Science in Business and Economics, Stockholm School of Economics
Diversity and suitability	20 years of experience from the financial sector with broad network of contacts. Thorough understanding of Avanza's operations and challenges after his previous role as Deputy Managing Director at Avanza Bank. Background as financial analyst with deep understanding of the financial services sector, its players and financial instruments.
Relevant employment history	2010–2013 Deputy Managing Director and Head of Bank and Investments at Avanza Bank, 2002–2010 Portfolio Manager at RAM One – Rational Asset Management AB, 1999–2002 Analyst at Investor Trading AB, 1995–1999 Financial Analyst at Investor AB
Other significant assignments	Board member of Creades AB and Bright Sunday AB
Holdings on 31 December 2017 (incl. family and companies)	25,000

**Jacqueline Winberg**

Born	1959
Elected	2003
Committees	Remuneration Committee
Education	Master of Science in Business and Economics, Stockholm School of Economics
Diversity and suitability	Broad expertise in corporate governance, the impact of corporate culture and different types of leadership. Experience from the banking sector and with board assessments and directors' duties. Contributes knowledge in succession planning, executive search and compensation issues.
Relevant employment history	2006–ff Managing Partner, Stanton Chase, 1996–2005 Partner at Ray & Berndtson in Sweden, 1995–1996 Consultant at Michaël Berglund Chefsrekrytering, 1985–1990 Handelsbanken, 1984–1985 PK-banken
Other significant assignments	CEO, Founder, Managing Partner and board member of Stanton Chase International AB, Board member of Aktiebolaget Fastator and Offentliga Hus i Norden AB
Holdings on 31 December 2017 (incl. family and companies)	1,700

**Auditors****Öhrlings Pricewaterhouse Coopers AB**

Auditor-in-Charge
Catarina Ericsson
Born 1966
Authorised Public Accountant

Group Management



Rikard Josefson

Born	1965
Position	CEO
Employed	2017
Education	B.A Economics Stockholm University



Gustav Berggren*

Born	1980
Position	Head of the Private Bank
Employed	2007
Education	LL.M. European Law from Ghent University, Law at Stockholm University, Political Science at Stockholm Univer- sity, Business Administration and Leadership at Suffolk University



**Maria Christofi
Johansson**

Born	1970
Position	Head of Customer Relations
Employed	2000
Education	LL.M. Stockholm University



Birgitta Hagenfeldt

Born	1961
Position	CFO, Deputy CEO
Employed	2008
Education	MBA, Örebro University

Employment history	2011–2017 CEO of Länsförsäkringar Bank, 2000–2004 CEO of SEB Finans, 2011 Head of Global Transaction Services at SEB, 2004–2010 Deputy Head of Retail Sverige SEB, 1999–2000 CEO of Latvijas Unibanka (SEB), 1998–1999 Project Manager at SEB	2006–2007 Management Trainee Blendow Consulting	1996–2000 Account Manager for external funds at SEB	2002–2008 Head of Administration at RAM One Rational Asset Management AB, 1980–2002 Authorised Public Accountant and Head of Financial Auditing at KPMG
Holdings on 31 December 2016 (incl. family)				
Shares	2,000	600	8,600	62,660
Warrants (corresponding number of shares)	10,000	66,380	43,090	58,570

* Gustav Berggren left Avanza on 31 December 2017.
Gunnar Olsson will take over as COO and a member of Group Management by 1 March 2018.

**Annika Saramies****Teresa Schechter****Peter Strömberg****Peter Westling**

Born	1975	1970	1972	1971
Position	CEO Försäkringsaktiebolaget Avanza Pension	CLO	CIO	Head of Innovation and Marketing
Employed	2007	2006	2014	2012
Education	Studies at University of Western Sydney and Örebro University	LL.M. University of Gothenburg	MSc Business Administration & Information Technology, Gotland University College/ Stockholm University	MBA, Stockholm University
Employment history	2005–2007 Corporate Sales at SEB TryggLiv, 2001–2004 Pension insurance broker at Max Matthiessen, 2000–2001 Pension insurance broker at Jahaya AB, 1998–2000 Insurance advisor at Capena Fond och Försäkring	2006–2017 Head of Compliance/Legal/Surveillance at Avanza Bank AB, 2004–2006 Compliance Officer and Corporate counsel at Aktieinvest FK AB, 2002–2004 Legal Council at Swedish Shareholders' Association, 1999–2001 Corporate Counsel at Aktiesparinvest / HQ.se AB	2010–2014 IT Director IT-Service Management RSA Scandinavia 1998–2010 Vice President OMX Technology Nasdaq OMX	2002–2011 CEO, Partner and Communication Strategist at Garbergs advertising firm
Holdings on 31 December 2016 (incl. family)				
Shares	99	0	0	800
Warrants (corresponding number of shares)	12,570	5,120	26,360	63,520

Stockholm, 22 February 2018

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Board member

Jonas Hagströmer
Board member

Birgitta Klasén
Board member

Mattias Miksche
Board member

Hans Toll
Board member

Jacqueline Winberg
Board member

Rikard Josefson
CEO

Auditor's statement on the Corporate governance report

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

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 34–46 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act regarding the parent company and with the Annual Accounts Act for Credit Institutes and Securities Companies regarding the consolidated accounts.

Stockholm, 22 February 2018

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorized Public Accountant

Administration report

The Board of Directors and the CEO of Avanza Bank Holding AB (publ), Corporate Identity Number 556274-8458, hereby present the annual report for 2017. A Corporate Governance Report is provided separately from the administration report on pages 34–46. Avanza's annual report is available at investors.avanza.se/en.

Group structure

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

Description of the operations

Avanza offers leading digital services for savings at low prices and a broad range of savings products, simple decision-making tools and a strong occupational pension offering. Customers are offered cost-effective ways to save in Swedish and foreign securities, currency and savings accounts with no fixed fees and very low brokerage fees. Avanza also offers mortgages at the market's lowest average rate. Avanza primarily targets individual savers in Sweden, but also offers

services for professional traders and corporate customers, such as entrepreneurs, asset managers and those looking for occupational pensions.

Market and sales

The total value of the Swedish savings market is SEK 7,800 billion, of which 51 per cent is comprised of direct savings and the remaining 49 per cent is comprised of pension-based savings.* As of 30 September 2017 Avanza had 3.6 per cent of the total savings market in Sweden, an increase from 3.2 per cent in the last twelve months. During October 2016 – September 2017 Avanza's share of the total net inflow to the Swedish savings market amounted to 11.8 per cent, which was significantly higher than the goal of taking at least 9 per cent in 2017.

Of the pension-based savings in Sweden, about two thirds is available to Avanza. According to data from Svensk Försäkring, Avanza's share of life insurance premiums paid during the period October 2016 – September 2017 increased from a market share of 6.6 per cent to 7.2 per cent. During the same period Avanza was the sixth largest player in pension capital transfers in the Swedish life insurance market.

Activity and market shares	2017	2016	Change %
No. commission notes, thousands	30,800	24,600	25
No. commission notes per customer and month	3.8	3.8	–
Total turnover, SEK m	705,400	746,200	–5
<i>Market shares Nasdaq Stockholm including First North:</i>			
No. transactions, %	14.2	13.5	0.7
Turnover, %	5.9	6.8	–0.9
Net inflow, SEK m			
Standard	27,090	20,020	35
Private Banking	–930	6,030	–116
Pro	640	450	42
Net inflow	26,800	26,500	1
Equity & investment fund accounts	130	6,840	–98
Investment savings accounts	17,900	13,400	34
Savings accounts	3,400	1,150	194
of which, external deposit accounts	3,490	1,100	218
Pension- & insurance-based accounts	5,370	5,110	5
of which, endowment insurance	2,330	2,540	–8
of which, occupational pensions	3,050	2,680	14
Net inflow	26,800	26,500	1
Net inflow/Savings capital, %	12	14	–2

For definitions see page 104-105.

* Savings barometer, published with a lag, the latest refers to 30-09-2017.

In 2017 the SIX Return Index gained 9 per cent while volatility was lower than the previous year, SIX Volatility Index averaged 12.6, which compares to 19.7 in 2016. The number of transactions among Avanza's customers were up by 25 per cent, while turnover was 5 per cent lower. Avanza's share of the transactions on the Stockholm Stock Exchange including First North was 14.2 per cent, Avanza was thereby still the largest player in terms of transactions.

The repo rate was unchanged during the year at -0.50 per cent. A raise is not expected until earliest mid-2018.

The Swedish mortgage market is valued at over SEK 3,800 billion.* The mortgage market is a relatively new area for Avanza. Avanza has since 2013 offered mortgages on a small scale to its Private Banking customers, Superbolånet PB. Since the end of 2017 Avanza offers Bolån+ to a broader customer group.

In 2017, the net inflow was SEK 26.8 billion, 1 per cent higher than the previous year and hence the highest yearly inflow in Avanza's his-

tory, this despite a few large withdrawals connected to Private Banking customers' M&A activities. The largest share of the net inflow was to ISA (Investment savings accounts), which offer tax advantages for customers in the current interest rate environment.

The number of customers rose in 2017 by 140,000, a growth rate of 25 per cent. Within occupational pension the number of customers rose by 30 per cent. At the end of the year, Avanza had 710,600 customers which is in line with Avanza's goal to reach 1 million customers by 2020.

Savings capital at Avanza grew considerably in 2017 driven by the high customer growth and net inflow as well as the the positive stock market development. Savings capital amounted to SEK 273,4 billion at year-end, an increase of 18 per cent from the beginning of the year. During the same period, the stock market was up 9 per cent. Savings capital in ISA grew by 36 per cent and savings capital invested in occupational pension accounts increased by 33 per cent. At the end of the

Customers and accounts, SEK m (unless otherwise stated)	31-12-2017	31-12-2016	Change %
Standard, no.	687,770	550,910	25
Private Banking, no.	21,100	17,700	19
Pro, no.	1,730	1,990	-13
No. customers	710,600	570,600	25
of which occupational pension customers, no	63,700	49,100	30
Standard	155,830	129,150	21
Private Banking	108,900	95,100	15
Pro	8,670	6,750	28
Savings capital	273,400	231,000	18
Equity & investment fund accounts	82,800	77,350	7
Investment savings accounts	86,900	64,000	36
Savings accounts	12,900	9,450	37
of which, external deposit accounts	12,100	8,580	41
Pension- & insurance-based accounts	90,800	80,200	13
of which, endowment insurance	63,600	57,900	10
of which, occupational pensions	16,100	12,100	33
Savings capital	273,400	231,000	18
Equities, bonds, derivatives, etc.	159,510	145,280	10
Investment funds	80,200	58,900	36
Deposits	43,200	35,000	23
of which, external deposits	12,100	8,580	41
Lending	-9,510	-8,180	16
of which, mortgage loans (Superbolånet PB)	-5,280	-4,060	30
of which, margin lending	-4,230	-4,120	3
Savings capital	273,400	231,000	18
Deposits/Lending, %	454	428	26
Net deposits/Savings capital, %	12	12	0
Return, average account since 1 Jan, %	6	6	0
SIX Return Index since 1 Jan, %	9	10	-1

For definitions see page 104-105.

* Swedish Bankers' Association, published with a lag, the latest refers to 30-06-2017.

period, 29 per cent of customer capital was invested in investment funds, an increase of four percentage points compared to the beginning of 2017. Also, deposits share of savings capital, 16 per cent, was higher than in the beginning of the year. Deposits increased in total by 23 per cent and lending rose by 16 per cent. Mortgage volume rose by 30 per cent while margin lending was more stable. At the end of the year lending was comprised of 56 per cent mortgage loans and 44 per cent margin lending.

Seasonal effects

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

Product and business development

In the first half of 2017, digital trading in the largest companies on several of the major European stock exchanges was introduced on the website and apps. Brokerage fees were reduced at the same time for European trading, to as low as from 1 euro. As part of an effort to create better offers, Avanza introduced the Stock Generator, an investment support which makes it easier to filter through the wide range of stocks on the website. Also, the stock inspiration were updated with tools and popular inspiration lists.

During the year, Avanza introduced a fully digital application process for corporate customers, minors and margin lending. Avanza also enabled small companies, with up to four employees, to obtain an occupational pension with the help of BankID. By simplifying the process, applications can be filed digitally in just minutes. Moreover, sales resources were consolidated in Gothenburg and Stockholm. The Malmö office was closed and the Malmö region is being served from Gothenburg ahead.

In September, Avanza Auto was launched – a simple, cheap and automatic way to manage savings for all those who want to improve their savings, but don't feel that they have the time, interest or know-how. Avanza Auto is the collective name of six investment funds with different risk profiles and investment horizons. Each fund comprises a portfolio of securities managed by Avanza Fonder AB. The fund management is optimised continuously based on modern portfolio theory developed by Nobel laureates and world-leading research. Avanza Auto has had a strong inflow of capital. From the launch 29,000 customers have invested over SEK 1.1 billion in the funds.

During the fall, as part of an effort to give customers a better overview of their investments, Avanza added a feature that allows customers to track the value of cryptocurrencies in their account overview.

In November, Avanza launched, in cooperation with Stabelo, Bolån+, a mortgage offering with Sweden's lowest mortgage rate with no requirement of other engagement. The purpose is to, as a complement to Superbolånet PB, distribute mortgages to a broader customer group. Stabelo is the lender and Avanza the distributor of the mortgages. The offer is built on a model with a mortgage fund, which pension providers and other institutional investors will have the opportunity to invest in and will generate new and stable revenues for Avanza. Avanza's ownership interest in the parent company, Stabelo Group AB, is just under 20 per cent.

In 2017, Avanza replaced and upgraded its trading system, Avanza's IT core, as well as completed a system update in Avanza Pension. These upgrades and modernisations have increased flexibility and economies of scale and better prepare Avanza for the future. In addition, the website was continuously updated with new functions and improvements every ten days. Development of the mobile apps is also done on a continuous process. New features include the ability to follow

the online magazine Placera's stock forum, set price alarms, save in Avanza Auto, sign up as a customer through the apps, an introduction of securities guides, allow customers to track share issues and other offers and the option to track monthly savings.

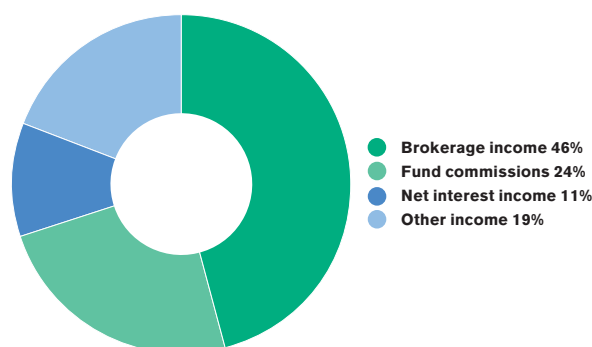
Results

Income for 2017 rose by 7 per cent compared to last year mainly due to higher fund commissions, but also higher other income. Lower net interest income and brokerage income had the opposite effect.

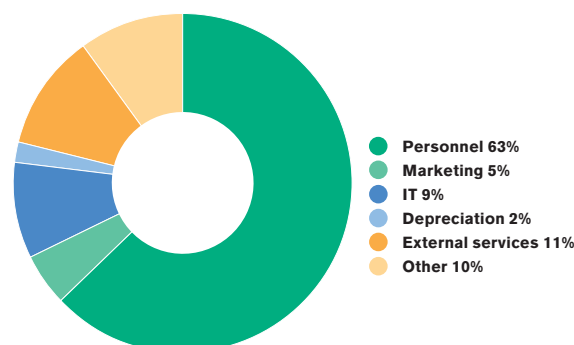
Brokerage income decreased by 4 per cent even though the number of commission-generating notes increased by 10 per cent and the number of commission-generating customers rose by 20 per cent. Volatility in the equity market was low, which slowed trading activity. Customer's securities transactions was still being done in smaller volumes and involved lower commission classes. This contributed to an increase in brokerage income per SEK of turnover in 2017, from 8.8 to 9.6 basis points. Fund commissions increased by 43 per cent, mainly due to a strong fund inflow.

Net interest income decreased by 6 per cent compared to last year mainly as a result of higher expenses for the deposit guarantee fee and resolution fee, but also because of increased expenses for surplus liquidity. This was to a large extent offset by higher lending. The repo rate was -0.50 per cent in 2017, compared to an average of -0.48 per cent in 2016. STIBOR (3M) was on average on same level as in 2016.

Breakdown of operating income 2017



Breakdown of operating expenses 2017



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

Income Statements, SEK m	2017	2016	2015	2014	2013
Net commission	875	801	764	492	391
Net interest income*	108	114	139	192	195
Other income	2	3	2	0	1
Total income*	985	919	904	684	587
Operating expenses before credit losses*	-544	-453	-420	-388	-360
Profit before credit losses	441	465	485	296	227
Credit losses, net	0	-1	0	0	-1
Operating profit	441	465	485	296	226
Taxes	-63	-66	-70	-46	-33
Net profit for the year	379	399	415	250	193
Balance Sheets, SEK m	31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
Treasury bills eligible for refinancing	-	-	250	-	165
Lending to credit institutions	1,731	1,583	1,701	4,535	9,078
Lending to the public	9,507	8,175	6,540	5,349	4,188
Bonds	14,420	13,244	11,850	6,070	-
Shares and participations	22	5	0	34	0
Assets in insurance operations	86,041	75,934	66,566	50,898	42,573
Other assets	4,399	1,675	1,714	410	631
Total assets	116,120	100,616	88,621	67,296	56,635
Deposits by the public	27,901	22,832	20,446	15,038	12,987
Liabilities in insurance operations	86,041	75,934	66,566	50,898	42,573
Other liabilities	651	443	384	545	281
Subordinated liabilities	99	99	99	-	-
Total liabilities	114,693	99,308	87,495	66,481	55,841
Shareholders' equity	1,427	1,308	1,126	815	794
Total liabilities and shareholders' equity	116,120	100,616	88,621	67,296	56,635
Key ratios	2017	2016	2015	2014	2013
Operating margin, %*	45	51	54	43	38
Profit margin, %*	38	43	46	37	33
Earnings per share, SEK	12.66	13.45	14.23	8.64	6.67
Earnings per share after dilution, SEK	12.66	13.44	14.10	8.56	6.67
Return on shareholders' equity, %	28	33	45	32	25
Credit loss level, %	0.00	0.01	0.00	0.00	0.00
Income to savings capital ratio, %*	0.38	0.44	0.54	0.53	0.60
Costs to savings capital ratio, %*	0.21	0.22	0.25	0.30	0.37
Brokerage income per trading day, SEK m	1.8	1.9	1.9	1.2	1.0
Brokerage per commission note, SEK	34	41	55	68	71
Brokerage/Turnover, %	0.096	0.088	0.081	0.091	0.093
No. trading days	249.0	251.0	248.5	247.0	248.0
Average no. employees	383	343	323	283	269
Web service operational availability, %	99.9	99.9	100.0	99.7	99.9
Key ratios	31-12-2017	31-12-2016	31-12-2015	31-12-2014	31-12-2013
Shareholders' equity per share, SEK	47.57	43.83	38.37	28.22	27.49
Capital base/Capital requirement	1.52	1.66	1.67**	1.72	1.82
Cash dividend per share, SEK (2017; proposal)	10.50	10.50	10.50	7.00	8.00
No. shares, thousand	29,996	29,839	29,344	28,874	28,874
Average no. shares, thousand	29,890	29,660	29,172	28,874	28,874
Average no. shares after dilution, thousand	29,890	29,682	29,441	29,139	28,874
Market capitalisation, SEK m	10,300	11,000	10,800	7,450	6,030
Share price, SEK	344.10	369.00	367.50	258.00	209.00
No. employees	390	365	334	296	264

For definitions see page 104-105.

* As of 2016, the deposit guarantee fee and the resolution fee are reported as interest expenses and a transfer has been made from other operating expenses to net interest income. Historical numbers have been adjusted.

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

Other income increased, largely due to higher currency-related income caused by increased trading in foreign securities. Corporate Finance income were slightly up compared to the previous year as were the revenues from Avanza Markets.

Operating expenses before credit losses increased by 20 per cent year on year, in line with previous forecast. Operating expenses increased mainly due to an increased number of employees due to expanded development capacity. Personnel costs rose by 17 per cent.

The operating profit for 2017 was SEK 441 million, a decrease of 5 per cent compared to 2016. The operating margin was 45 per cent. Profit after tax decreased by 5 per cent to SEK 379 million which corresponds to earnings per share of SEK 12.66. The profit for the year implies a return on shareholders' equity of 28 per cent.

Future outlook

The conditions for future growth in profits in Avanza are impacted by, among other things, the growth of the savings market, which has grown by an average of 8 per cent a year in the last ten years. Global uncertainty and concerns about falling property prices, rising interest rates and amortisation requirements could lead to Swedish customers choosing to save by paying off more on their mortgages rather than put more money in the savings market. This in turn could have a negative impact on the growth of the Swedish savings market in the short run. However, Avanza's growth opportunities are not limited by the growth of the savings market, since many customers transfer their capital from other banks to Avanza.

Another factor affecting Avanza's growth opportunities are the rapidly changing conditions for the financial industry, partly due to new user preferences and new regulations. Avanza has a strong brand and high customer satisfaction, which together with a modern IT platform, innovative strength and a scalable business model create opportunities to capitalise on these changing market conditions.

Digitisation and changing customer behaviour

Many people of today are managing more of their banking and savings by desktop and mobile phone. Demand for digital products and tools is increasing, making availability, user experience and simplicity more important. Mobile usage and digitisation has increased customer mobility and the full-service offerings of the major banks is being broken apart by niche players. Price leadership will become increasingly important and customers will need a better overview.

Due to the negative interest rates and continued focus on the importance of fees, savers are turning to the stock market in search of yield. The low interest rates are also positively affecting customers' disposable income and savings potential. At the same time, low interest rates are keeping pressure on net interest income. When interest rates eventually turn higher, we expect to see the positive results of the sharp increase in savings capital, even though customer growth may slow slightly as stock market activity could decline. All else being equal, without taking changes in customer behaviour into account, a one percentage point change in interest rates with today's volumes would affect net interest income by about SEK 200 million.

Greater responsibility for the own future financial situation, not least as a result of the gradual deterioration of national and collective pension and welfare systems, increases the need for individual savings, which is also leading to higher demand for easy information, freedom of choice, digital services and lower fees. Avanza benefits from this.

New regulations

The financial sector is in a period of extensive regulatory changes driven by the EU. The MiFID II regulation and the Insurance Distribution Directive (IDD) introduced in January 2018 both increase the requirements placed on consumer protection and transparency. Their purpose is also to prevent conflicts of interest and ban advisory fees,

to ensure that investment advice is independent. The new regulations create challenges and increased complexity for financial companies, especially for companies offering financial advice for consumers. More financial institutions will have to embrace cost-effective digitisation and digital decision-making support at a time when savers are becoming more price conscious and less willing to pay. The assessment is that new regulations are likely to benefit Avanza more than others, since they align with Avanza's values and customer strategy and the competitiveness of Avanza's offering will be accentuated. Avanza does not offer individual advice and Avanza Pension is one of the few pension providers in Sweden which does not pay commissions to insurance brokers. As a result, a ban on commissions for advice does not affect Avanza negatively but will rather benefit the company when it is clear to savers what they are paying for advice and can question whether they really need it.

In 2018 the new Payment Services Directive (PSD2) will be implemented, regulating the relationship between banks that maintain payment accounts and so-called Third Party Players (TPPs), which offer payment initiation services or account information services. The directive places stricter requirements on customer protection and secure communication between parties, but also forces financial firms to share account information with TPPs at the customer's request. At the same time, an updated version of the General Data Protection Regulation (GDPR) will strengthen consumer protection, and will give consumers more power over their personal data. PSD2 and GDPR will give consumers rights to receive their personal data in machine readable format. It will be even easier for customers to switch providers of various services and products. This is expected to increase competition from smaller digital providers while also leading to price pressure. For Avanza, the regulatory changes opens new opportunities to gain a better overview of customers' finances which in turn creates opportunities to offer new and innovative services, especially in the payments market, and improved tools.

The government has had an ambition for several years to simplify the transfer market. An amendment proposed in August 2017 would cover policies signed after June 2007 and give pension savers more opportunities to impact their savings while setting limits on the fees charged by insurers. As proposed, the amendments would take effect on 1 July 2018 and is expected to positively impact Avanza's growth opportunities. Avanza has a strong occupational pension offer and considering the stable growth and revenue model in pension savings, it is a long-term shock absorber in the event of market fluctuations.

In its budget bill for 2018, the government proposed higher taxes on investment savings accounts and endowment insurance. The proposal was taken in effect on 1 January 2018. Both forms of savings offer tax advantages, even after the tax increase, and Avanza does not expect this to have a major impact on the inflow of savings capital.

The government's previous proposal to introduce a tax on financial services based on gross wages was withdrawn in 2017. Instead, from 2018, the resolution fee will be raised and then gradually reduced through 2020.

Good opportunities to become more competitive and grow earnings

Changing market conditions are expected to continue to squeeze prices in the industry and benefit consumers, while also strengthening Avanza's position when the competitiveness of Avanza's offer becomes clear. Given a coming increase in interest rates and expanded product range that provides new, more stable income sources less sensitive to market fluctuations, there are good opportunities for Avanza to increase its income.

Staying competitive and profitable will require a lower cost to savings ratio and innovative product development. To ensure customers the highest possible quality and enhance Avanza's position, Avanza

will continue to focus on efficiency improvements and digitisation. Expenses are expected to rise at a yearly rate of 8–10 per cent. Given continued strong growth in customers and savings capital, we see good opportunities to soon lower the cost to savings capital ratio to below 20 basis points.

Financial position

Avanza is mainly self-financed by equity and customer deposits. Since 2017, Avanza is a participant in RIX, the Riksbank's fund transfer system.

All of Avanza's assets have a high level of liquidity and the majority of the assets can be transferred within a couple of days. Surplus liquidity is mainly invested in secured mortgage bonds and with systemically important Nordic banks and, to a lesser extent, in bonds issued by the Swedish government, municipalities and county council. Of the liquid assets of SEK 1,731 million as per the end of the year, SEK 50 million were pledged as collateral mainly referring to Swedish credit institutions and the stock exchange.

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

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

The Parent Company

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

A dividend payment for 2016 of SEK 313 million (SEK 308m) was made to the shareholders in 2017.

Sustainability report

Avanza's sustainability report is an important part of an open and balanced presentation of Avanza's position, activities and achievements in key areas. Avanza has a positive view of the new legislation on sustainability reporting that entered into force in 2017. In accordance with the Annual Accounts Act, chap. 6, section 11, Avanza has chosen to prepare the sustainability report separately from the administration report and the formal financial statements. The sustainability report is integrated in the parts of the annual report that are not reviewed by the auditor, and consequently the auditors have prepared a separate statement. The sustainability report was submitted to the auditors at the same time as the annual report. The sustainability report comprises Avanza and its subsidiaries and its scope is indicated on pages 96–98.

Avanza reports according to the GRI Standards as well as GRI's specific guidelines for the industry (Financial Services Sector Supplement) according to the Core option. A transition from the fourth version (GRI G4) occurred in 2017. Avanza's operations have little environmental impact and implies little risk of violations of human rights, because of which the sustainability disclosures focus on issues such as societal value, social conditions, personnel and anti-corruption.

The previous sustainability report for the calendar year 2016 was published on 24 April 2017. It was prepared according to GRI G4 as well as GRI's specific guidelines for the industry (Financial Services Sector Supplement).

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

Employees

In 2017, the Avanza Group had, on average, a total of 383 (343) employees of whom 35 (33) per cent were women. The average age was 35 (33) years. The Parent Company had, on average, 2 (1) employees during the year. All employees have individual targets, based on Avanza's overall targets, which are followed up through regular development discussions. Additional information about Avanza's employees is provided on pages 20–21.

Significant risks and uncertainly factors

Avanza has a conservative approach to risk and strives to keep risks low. In its operations, Avanza is mainly exposed to financial risks in form of credit risk and operational risk. IT risk and information security is also of great importance to Avanza. Risks are measured, controlled and, where necessary, acted upon, in order to protect the company's capital and reputation. The manner in which Avanza identifies, follows up and manages these risks has a bearing on the soundness of the business and on the company's long-term profitability. Additional information about the Group's risk exposure and risk management is provided on pages 28–30, 39–40 and in Note 35 Financial Risks.

Guidelines for determining remuneration payable to senior management

The guidelines for salaries and other remuneration payable to senior management was decided at the Annual General Meeting 2017 and are presented in Note 9 Employees and personnel costs. Details of Avanza's remuneration policy are also available on investors.avanza.se/en.

The Board of Director's proposal to the Annual General Meeting, to be held on 20 March 2018, will mainly be in line with remuneration principles in previous years. The Board of Directors proposes to the Annual General Meeting 2018 that the Group Managements' salary consist of a base salary and a performance based remuneration. The variable remuneration will be based on a qualitative assessment of individual performance, in relation to established individual targets and the company's earnings. There will be an appropriate balance between the fixed salary and the variable remuneration, and it will be possible to set the variable remuneration at SEK 0. The variable remuneration for members of the Group Management will never exceed 100 per cent of the fixed salary for the same financial year.

Criteria, which govern the potential for variable remuneration, must not encourage anyone to take major risks or encourage anyone to act in a way that may cause conflicts of interest in relation to customers, colleagues, other companies in the Group or other activities within Avanza. Remuneration of members in Group Management will reflect the person's experience, competence and performance.

Questions concerning the CEO's conditions of employment, remuneration and benefits are prepared by the Remuneration Committee and decided by the Board of Directors. Remuneration of other people, who are part of the Group Management, are decided by the Board of Directors based on a proposal from the Remuneration Committee, following consultation with the CEO. Additional information is provided in the Corporate Governance Report on pages 34–46.

The Board of Directors and Group Management

The Articles of Association state that the Board of Directors shall comprise a minimum of five and a maximum of eight members. The Board in 2017 consisted of seven Board members and no deputies elected until the Annual General Meeting.

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

¹ Non-distributable solvency capital = solvency capital - solvency capital requirement

² Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the shareholders' equity. See Note 34 Capital base and capital requirements.

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

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

Chief Legal Officer Teresa Schechter joined Group Management in April.

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

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

Additional information about the Board of Directors and Group Management is provided in the Corporate Governance Report on pages 34–46.

The Avanza share

In 2017 the Avanza share was listed on Nasdaq Stockholm Large Cap. The list comprises companies with a market capitalisation of over EUR 1 billion. At year-end there were a total of 29,996,222 shares in Avanza. Each share entitles to one vote and there are no limitations as to the number of votes a shareholder may exercise at an Annual General Meeting. There is no rule in Avanza's Articles of Association limiting the right to disposal of shares.

Avanza had two owners who each directly or indirectly represented at least one tenth of the voting rights for all shares on 31 December 2017, Sven Hagströmer including family and companies representing 10.3 per cent and Creades AB representing 10.2 per cent.

Outstanding warrant programmes include 1,430,000 warrants corresponding to a maximum dilution effect of almost five per cent. Of these warrants, 70 per cent have been transferred to employees.

For further information on the Avanza share, refer to pages 22–25 and Note 29 Equity.

Repurchase of the company's own shares

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

Capital surplus

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

Due to the Solvency 2 rules the conglomerate's largest sector is insurance. As a result, the Group's capital base is increased by additional solvency capital at the same time that the capital requirement rises. However, the net effect, which is positive, does not constitute distributable capital and is therefore deducted as non-distributable solvency capital. For 2018, assumptions for calculating Solvency Capital have been revised. For additional information, see Note 34 Capital base and capital requirements.

Proposed allocation of profits

The Board of Directors of Avanza Bank Holding AB (publ) proposes that the Annual General Meeting on 20 March 2018 agree to that the accumulated profit, including net profit for the year and share premium reserve, of SEK 669,892,753, in accordance with the established balance sheet, be allocated in such a way that a dividend of SEK 10.50 per share is distributed to the shareholders and the remaining sum transferred into new accounts. This corresponds to a dividend of SEK 315 million (SEK 313m) and to 83 (79) per cent of operating profit. See Note 39 Proposed allocation of profits.

Consolidated income statements*

SEK m	Note	2017	2016
Operating income			
Commission income	4	1,023	934
Commission expenses	5	-148	-133
Interest income	6	218	211
Interest expenses	6	-110	-97
Net result of financial transaction	7	2	3
Other operating income		0	0
Total operating income	3	985	919
Operating expenses			
General administration costs	8-11	-489	-397
Depreciation and write-downs of tangible and intangible fixed assets	22-23	-12	-8
Other operating expenses	12	-43	-48
Total operating expenses		-544	-453
Operating profit before credit losses		441	465
Credit losses, net	13	0	-1
Operating profit		441	465
Tax on the profit for the	15	-63	-66
Net profit for the year**		379	399
Earnings per share, SEK	16	12.66	13.45
Earnings per share after dilution, SEK	16	12.66	13.44

* Corresponds to total comprehensive income in that no other total comprehensive income exists.

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

Consolidated balance sheet

SEK m	Note	31-12-2017	31-12-2016
Assets	31,32		
Lending to credit institutions	17	1,731	1,583
Lending to the public	18	9,507	8,175
Bonds	19	14,420	13,244
Shares and participations	20	22	5
Assets in insurance operations	21	86,041	75,934
Intangible fixed assets	22	88	62
Tangible fixed assets	23	30	18
Other assets	15,24	4,113	1,432
Prepaid costs and accrued income	25	168	164
TOTAL ASSETS		116,120	100,616
Liabilities and shareholders' equity			
Liabilities	31-33		
Deposits by the public		27,901	22,832
Liabilities in insurance operations	21	86,041	75,934
Other liabilities	15,26	544	353
Accrued costs and prepaid income	27	107	89
Subordinated liabilities	28	99	99
Total liabilities		114,693	99,308
Shareholders' equity	29		
Share capital		75	75
Other capital contributed		442	449
Retained earnings		910	784
Total shareholders' equity		1,427	1,308
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		116,120	100,616

Changes in the Group's shareholders' equity

SEK m	Share capital	Other capital contributed	Retained earnings	Total
Shareholders' equity, 31-12-2015	73	362	690	1,126
Total comprehensive income for the period	-	-	399	399
<i>Transactions with owners</i>				
Dividend paid	-	-4	-304	-308
Exercise of share warrants	1	82	-	83
Warrants issue	-	8	-	8
Shareholders' equity 31-12-2016	75	449	784	1,308
Total comprehensive income for the period	-	-	379	379
<i>Transactions with owners</i>				
Dividend paid	-	-61	-252	-313
Exercise of share warrants	0	49	-	50
Warrants issue	-	4	-	4
Shareholders' equity, 31-12-2017	75	442	910	1,427

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

Consolidated cash flow statements

SEK m	Note	2017	2016	
Operating activities				
Profit before tax		441	465	
whereof interest payments received		218	211	
whereof interest expenses paid		-110	-97	
Adjustment for items not included in cash flow				
Depreciation/write-downs of tangible and intangible fixed assets	23-24	12	8	
Income tax paid		-83	-196	
Cash flow from operating activities before changes in operating activities' assets and liabilities		370	277	
Changes in operating activities' assets and liabilities				
Increase (-)/decrease (+) in lending to credit institutions	33	80	-27	
Increase (-)/decrease (+) in lending to the public		-1,332	-1,634	
Increase (-)/decrease (+) in securities		-1	0	
Increase (-)/decrease (+) in other assets		-2,666	183	
Increase (+)/decrease (-) in deposits by the public		5,069	2,386	
Increase (+)/decrease (-) in other liabilities		209	66	
Cash flow from operating activities' assets and liabilities		1,359	973	
Cash flow from operating activities		1,730	1,250	
Investment activities				
Change in treasury bills eligible for refinancing		-	250	
Acquisition of intangible fixed asset	22	-30	-24	
Acquisition of tangible fixed assets	23	-20	-6	
Acquisition of shares and participations		-16	-5	
Investment in bonds		-1,176	-1,393	
Cash flow from investment activities		-1,242	-1,179	
Financing activities				
Cash dividend		-313	-308	
Subordinated bond		0	0	
Warrants issue		50	83	
Exercise of share warrant		4	8	
Cash flow from financing activities		-259	-217	
Cash flow for the year		228	-146	
Liquid assets at beginning of year		1,453	1,599	
Liquid assets at end of year		1,681	1,453	
Change		228	-146	
COMPOSITION OF LIQUID ASSETS, SEK m				
		31-12-2017	31-12-2016	
Lending to credit institutions		1,731	1,583	
Pledged assets		-50	-130	
Total		1,681	1,453	
Reconciliation of liabilities arising from financial activities				
SEK m	31-12-2016	Cash flow	Non-cash changes	31-12-2017
Subordinated bond	99	0	-	99
Total	99	0	-	99

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

Parent Company income statements*

SEK m	Note	2017	2016
Operating expenses			
Administration expenses	9	-11	-6
Other operating expenses	10	-6	-5
Operating profit/loss		-16	-11
Profit/loss from financial investments			
Profit/loss from participations in Group companies	14	264	218
Interest income and similar items		0	0
Interest expenses and similar items		0	0
Profit/loss before tax		248	207
Tax on profit for the period	15	0	0
Net profit/loss for the period		248	207

* Corresponds to total comprehensive income in that no other total comprehensive income exists.

Parent Company balance sheet

SEK m	Note	31-12-2017	31-12-2016
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Share and participations in Group companies	30	409	409
Other long-term securities holdings		21	5
Total fixed assets		430	414
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		324	352
Current tax receivable		0	0
Prepaid costs and accrued income		1	1
Total current receivables		325	354
Cash and bank balances		0	0
Total current assets		325	353
TOTAL ASSETS		755	767
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	29		
<i>Restricted equity</i>			
Share capital		75	75
Total restricted equity		75	75
<i>Non-restricted equity</i>			
Share premium reserve		422	429
Retained earnings		248	257
Total non-restricted equity		670	686
Total shareholder's equity		745	761
Current liabilities			
Accounts payable		0	0
Tax liability		0	0
Liabilities to Group companies		0	0
Other liabilities		1	0
Accrued costs and prepaid income		9	6
Total current liabilities		10	7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		755	767

Changes in the Parent Company's shareholders' equity

SEK m	Share capital	Share premium reserve	Retained earnings	Total
Shareholders' equity, 31-12- 2015	73	347	359	779
Total comprehensive income for the period	-	-	207	207
<i>Transactions with owners</i>				
Dividend paid	-	-	-308	-308
Exercise of share warrants	1	82	-	83
Shareholders' equity, 31-12- 2016	75	429	257	761
Total comprehensive income for the period	-	-	248	248
<i>Transactions with owners</i>				
Dividend paid	-	-56	-257	-313
Exercise of share warrants	0	49	-	50
Shareholders' equity, 31-12- 2017	75	422	248	745

Parent Company cash flow statements

SEK m	2017	2016
Operating activities		
Profit before tax	248	207
whereof interest payments received	0	0
whereof interest expenses paid	0	0
<i>Adjustment for items not included in cash flow</i>		
Depreciations/write-downs	-	-
Anticipated dividend	-248	-207
Income tax paid	0	0
Cash flow from operating activities before changes in operating activities' assets and liabilities	0	0
Changes in operating activities' assets and liabilities		
Increase (-) / decrease (+) in other assets	276	231
Increase (-) / decrease (+) in other liabilities	3	-1
Cash flow from operating activities' assets and liabilities	279	230
Cash flow from operating activities	279	230
Investment activities		
Acquisition of shares and participations	-16	-5
Cash flow from investment activities	-16	-5
Financing activities		
Cash dividend	-313	-308
Exercise of share warrants	50	83
Shareholder contribution paid	-	-
Cash flow from financing activities	-263	-225
Cash flow for the year	0	0
Liquid assets at beginning of year	0	0
Liquid assets at end of year	0	0
Change	0	0

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

Notes

Note 1 Corporate information

The Parent Company, Avanza Bank Holding AB, (publ) Corporate Identity Number 556274-8458, is a Swedish registered limited company whose registered office is in Stockholm. As of 2 January 2017, the Parent Company's shares moved up to the Large Cap list of Nasdaq Stockholm, comprising companies with a market capitalisation of over EUR 1 billion. The address of the head office is Regeringsgatan 103, Box 1399, SE-111 93 Stockholm, Sweden.

The Consolidated Accounts for 1 January 2017 –31 December 2017 comprise the Parent Company and its subsidiaries, referred to collectively as "the Group". The Group's operations are described in the Administration Report. The Consolidated Accounts and the Annual Report for Avanza Bank Holding AB (publ) for the 2017 financial year were approved for publication on 22 February 2018 by the Board of Directors and the CEO. The Consolidated Accounts and the Annual Report are adopted by the Annual General Meeting on 20 March 2018.

Note 2 Accounting principles

(a) Compliance with standards and legislative requirements

The Consolidated Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretative comments issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Commission for application within the EU. The Swedish Financial Reporting Board Recommendation RFR 1, Complementary accounting regulations for corporate groups, has also been applied, together with the directives and general guidelines issued by the Swedish Financial Supervisory Authority regarding the annual accounts of credit institutions and securities companies (FFFS 2008:25).

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

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

Assets and liabilities are recognised at historic acquisition values, with the exception of certain financial assets and liabilities, which are valued at their fair value. Financial assets and liabilities that are valued at their fair value are assets and liabilities within the insurance business and shares and participations.

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

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

(c) New IFRS and interpretations

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

New IFRS and interpretations introduced in 2017

No new or amended IFRS, IFRIC interpretations or changes as a result of IASB's annual improvement project, which entered into force on 1 January 2017, are assessed as having had any significant impact on the Group.

IFRS and interpretations to be applied in 2018 or later

The new standards, amendments to standards and statements of interpretation entering into force during the financial year 2018, or later, have not been early adopted in the preparation of these financial statements. Only those changes which are assessed as having a possible future impact on the Group are described.

Accounting standards applicable from 1 January 2018

IFRS 9 FINANCIAL INSTRUMENTS

Transfer information

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

Classification and measurement:

According to the classification and measurement requirements in IFRS 9, financial assets are classified as and measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Avanza has analysed the cash flows from the financial assets in 2017 to determine whether they consist only of payments of principal and interest. This analysis and the business model assessment has resulted in a change whereby Avanza as of 1 January 2018 has transitioned to recognising bonds at fair value through profit or loss. This is done to facilitate sales before maturity in order to optimise management of the liquidity portfolio. The transition otherwise has not resulted in any significant changes compared with how the financial instruments are measured according to IAS 39. Because of this, equity will be affected by the difference between the amortised cost and fair value of the bonds. The transition effect is shown in the table further ahead.

Impairment:

The impairment requirements according to IFRS 9 are based on a model for expected credit losses, in contrast to the previous model for incurred credit losses in IAS 39. IFRS 9 states that all assets measured at amortised cost and fair value through profit or loss, as well as off-balance sheet commitments including guarantees and credit obligations, must be tested for impairment. The liquidity portfolio recognised at fair value through other comprehensive income has low credit risk for which the assumption will be made that the credit risk has not increased significantly. Assets that are impairment tested are divided into three

categories depending on the degree of credit impairment. Avanza has developed models in order to divide the credits into three different categories. The item that for Avanza is mainly affected by a transition effect is lending to the public. The transition effect, which is reported in the table below, causes an increase in the reserve for expected credit losses. The effect is not considered material. On the other hand, the methodology to reach these conclusions has entailed extensive work to develop the final models for assets in lending to the public.

Macro analysis:

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

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

Transition effects for shareholders' equity, provisions for bad debts and capital adequacy

SEK m

Shareholders' equity 31-12-2017 before transition effects	1,427
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Items that affect shareholders' equity at the transition to IFRS 9

Increased reserves for expected credit losses	-3
of which Lending to the public	-3
of which Bonds	-
Change in value of bonds ¹⁾	31
Shareholders' equity 01-01-2018 after transition effects	1,455

Provisions for bad debts

Accumulated reserve 31-12-2017	-8
Increased reserve due to transition	-3
Total reserve after transition to IFRS 9 per 01-01-2018	-11

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

Capital adequacy:

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

The new requirements will increase the provisions for credit losses and reduce equity after the transition. No significant impacts are otherwise expected on Avanza's financial position, financial results or equity from the transition. Nor is there expected to be other significant impacts on Avanza's capital adequacy, large exposures, risk management or alternative performance measures from the transition.

Accounting principles from 1 January 2018

Classification and measurement:

According to the classification and measurement requirements in IFRS 9, financial assets are classified as and measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Equity instruments and derivatives measured at fair value through profit or loss mainly consist of equities, participations and interest-bearing securities held by the insurance business. The classification of a debt instrument is based on the business model for the portfolio in which the instrument is included and whether the cash flows consist only of payments of principal and interest. Financial instruments measured at amortised cost mainly consist in Avanza's case of lending to credit institutions and lending to the public. The category fair value through other comprehensive income consists of bonds. Financial liabilities mainly consist of deposits by the public, which are recognised at amortised cost, and liabilities in the insurance business (investment contracts), which are recognised at fair value through profit or loss.

In order to assess the business model, Avanza has divided its financial assets into portfolios based on how various groups of financial assets are managed together to achieve a specific business objective. In its assessment of the business model for each portfolio, Avanza has analysed the purpose of the financial assets as well as how they are managed and monitored. Avanza has analysed the cash flows from the financial assets in 2017 to determine whether they consist only of payments of principal and interest.

Impairment:

Assets that are impairment tested are divided into three categories depending on the degree of credit impairment. Category 1 comprises assets where there has not been a significant increase in the credit risk, category 2 comprises assets where there has been a significant increase in the credit risk, and category 3 comprises defaulted assets. Significant assets in category 3 are tested on an individual basis, while a collective assessment is made for insignificant assets. Linked to this are forward-looking scenarios where macro factors are taken into account in the categorisation. In category 1, the provisions correspond to expected credit losses in the coming 12 months. In categories 2 and 3, the provisions correspond to lifetime expected credit losses.

Impairment lending to the public

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

Category 1: Margin lending where the borrowers abide by the current credit and account terms. Mortgages where the borrowers have made their interest payments during the latest rolling 12-month period.

Category 2: Margin lending where the borrowers are overleveraged, but where the value of the collateral exceeds the active liability for more than 10 days or loans that have been categorised in category 3 in the last 90 days. Mortgages where the borrowers during the latest 12-month period have had at least one violation of interest payment deadlines lasting longer than 10 days.

Category 3: Margin lending where the borrowers are overleveraged at the same time that the value of the collateral is less than the active liability or a violation of the credit and account terms has continued for

longer than 90 days. Mortgages where the borrowers during the latest 3-month period have had a violation of interest payment deadlines lasting 90 days or more.

The provisions will be calculated as exposure upon default times the probability of default times the loss in the event of default. For assets in category 1, the calculation is based strictly on the coming 12 months, while for assets in category 2 it is based on their expected life.

Impairment lending liquidity portfolio

Avanza's portfolio of bonds that are recognised as of 1 January 2018 at fair value through other comprehensive income is considered to be of the highest possible credit quality, with low credit risk and all bonds are market listed. The bonds are placed in category 1 and Avanza does not allocate any provisions to the reserve for expected credit losses for bonds as the portfolio as a whole has a high rating and is assessed according to the exception for holdings with low credit risk as per IFRS 9. See Note 35 Financial risks for further information on the composition and credit quality of the bond portfolio.

Macro analysis:

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

Held-to-maturity financial assets

As of 1 January 2018 the liquidity portfolio, which mainly consists of bonds, will be measured at fair value through other comprehensive income. The business model's goals can be achieved by collecting contractual cash flows and by selling the financial assets. Through 31 December 2017 these financial assets were measured at amortised cost.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Transfer information

IFRS 15 "Revenue from Contracts with Customers" is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts as well as all related interpretations (IFRIC and SIC). Under IFRS 15 revenue is recognised when the customer obtains control over the sold good or service, which replaces the previous principle where revenue was recognised when the risks and benefits had transferred to the buyer. The basic principle in IFRS 15 is that a company recognises revenue in the way that best reflects the transfer of the promised good or service to the customer. A company can choose between a fully retroactive approach or forward-looking application with additional disclosures.

The principles on which IFRS 15 builds will provide users of financial statements more useful information on the company's earnings. The extended disclosure obligation means that information on types of income, time of regulation, uncertainties connected with income reporting and cash flow attributable to the company's customer contracts must be supplied. The standard is applicable from 1 January 2018 and is adopted by EU. Early application was permitted, but Avanza has not applied the standard in advance. The standard does not apply to financial instruments, insurance contracts or leases. The

standard will not have a significant impact on Avanza's financial reports, capital adequacy or large exposures.

Accounting principles from 1 January 2018

Avanza has reviewed all revenue flows and related contracts where revenue recognition is not governed by another standard, which in Avanza's case refers IAS 39/IFRS 9 with respect to revenue from financial instruments as well as IAS 17/IFRS 16 with respect to leasing. Avanza has analysed the contracts based on the five steps in IFRS 15 and determined that the standard does not impact Avanza's revenue recognition. The standard will, however, lead to increased disclosure requirements in coming annual reports. The revenue standard applies to all contracts with customers. In accordance with IFRS 15, income must be recognised when the customer obtains control over the sold goods or service and has the potential to use or obtain benefit from the goods or service. A customer of Avanza according to IFRS 15 is a party that enters into a contract with Avanza to obtain services that are the result of Avanza's ordinary activities. Customers mainly consist of private savers in Sweden, small and medium-sized companies, and partners in third-party relationships.

Accounting standards applicable after 2018

IFRS 16 Leasing

In January 2016, IASB issued a new lease standard that will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. This model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. The accounting for lessors will in all material aspects be unchanged. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. EU has adopted the standard in 2017. The Group is currently assessing the impact of IFRS 16.

(d) Segment reporting

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

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

All operations are conducted in Sweden and both income from external customers and fixed assets are attributable to Sweden. See Note 3 Operating income.

(e) Classification

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

(f) Consolidation principles

Subsidiaries are all companies over which the Group has a controlling interest. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company.

Subsidiaries are included in the consolidated accounts from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts from the date on which the controlling influence ends.

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

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

Restrictions on the transfer of funds to the Parent Company

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

Transactions eliminated on consolidation

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

(g) Foreign currencies

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

(h) Income**Commission income**

Commission income primarily comprises brokerage, investment fund and other commissions. Brokerage is recognised as income on the transaction date. Investment fund commissions are received from external fund managers and comprise the entry commission recognised in conjunction with fund unit purchases and commissions based on fund volume, which are recognised on a monthly basis, based on actual volume. Other commissions chiefly arise from securities

brokered in conjunction with new share issues, the sale of structured products, guaranteed share issues and currency exchanges related to customers' securities and fund trades, in addition to income related to working capital loans. Other commissions are recognised upon completion of transactions.

Interest income

Interest income from lending to credit institutions and to the public is recognised as income as it is earned, which implies that interest income is allocated to the period to which it refers in accordance with the effective interest method. The effective interest method is a method for calculating the accrued acquisition cost for a financial asset and for allocating interest income to appropriate periods.

Interest expenses

Interest expenses regarding lending to credit institutions refer to interest fees for periods with negative interest, which are expensed as incurred, meaning that interest expenses are allocated to the period to which they refer. Interest expenses are also incurred on deposits from the public, subordinated liabilities and the deposit guarantee fee and the resolution fee, which are recognised according to the same principle.

Net result of financial transactions

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

The information above in (h) Revenue still applies as of 1 January 2018, along with the information in section (c) New IFRS and interpretations, where the accounting principles as of 1 January 2018 with respect to IFRS 15 Revenue from Contracts with Customers are indicated.

(i) Financial instruments

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

A financial asset or financial liability is recognised in the Balance Sheet on the transaction date, i.e. when the company becomes party to the instrument's contractual terms. Financial assets and liabilities are eliminated from the Balance Sheet when the rights to cash flows from the financial asset are realised, expire or the company loses control over them in some other way or when the obligation contained in the agreement is fulfilled or otherwise expires. The same applies to any part of a financial asset or financial liability.

Financial instruments are initially recognised at the instrument's fair value, which corresponds to the acquisition cost plus direct transaction costs. Those instruments that fall within the category of "Financial instruments at fair value through profit or loss" are, however, measured excluding transaction costs. Subsequent recognition is determined by the categories within which the instruments have been classified. See Note 32 Financial instruments.

Financial assets at fair value through profit or loss

Assets at fair value through profit or loss consist of shares and participations, as well as interest-bearing securities held as part of insurance operations.

Interest-bearing securities held as part of insurance operations are assets used as liability coverage for the Group's insurance contracts. Agreements in which significant insurance risks are transferred from the policyholder to the underwriter are referred to as insurance agreements and recognised in accordance with IFRS 4. Agreements which have the legal form of an insurance agreement but which do not expose the underwriter to a significant insurance risk are referred to as investment agreements and recognised in accordance with IAS 39. All insurance agreements within the Avanza Group have conditional dividends in which the policyholder bears the risk of changes in value and these agreements are consequently recognised as financial agreements in accordance with IAS 39. As of 1 January 2018, IAS 39 has been replaced by IFRS 9, see section (c) New IFRS and interpretations.

Instruments are measured at fair value and have initially been identified as financial instruments at fair value through profit or loss less transaction costs to avoid differing valuations of insurance-related assets and liabilities. The policyholders are authorised to administer the assets themselves, while at the same time being responsible for all risks related to changes in value as a consequence of this administration, which is why insurance-related assets and debts are of equal size at all times. The majority of the securities in this category comprise listed securities and fair value is determined by using the official bid rate on the closing date. The fair value of securities without an active market is determined, initially, by obtaining pricing information from operators who quote daily prices, mainly the 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 measured at fair value are classified through the use of a hierarchy for fair value that reflects the significance of the input data used in the valuations. The hierarchy contains the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares pertaining to the insurance operations are included in this category.
- Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Funds (not exchange traded) are included in this category and based on prices set by fund administrators. Bonds that are less liquid can be found at this level and are measured on the yield curve. Liabilities in the insurance operations are included in this category as the value of the entire balance sheet item is indirectly related to the value of the assets in the insurance operations.
- Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).

The level of the hierarchy for fair value to which a financial instrument is classified is determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety. See Note 32 Financial instruments.

Held-to-maturity investments

Financial assets held to maturity are initially recognised in the balance sheet at acquisition value. Following first reporting, instruments in this category are measured at amortised cost. Financial instruments in this

category constitute treasury bills eligible for refinancing and covered mortgage bonds, and to a lesser extent, securities issued by the Swedish government, municipalities and county councils which are held as a part of administration of the Group's excess liquidity. This applies through 31 December 2017. For information on what applies as of 1 January 2018, see section (c) New IFRS and interpretations and Financial assets held to maturity and available for sale.

Loan receivables and accounts receivable

This category primarily includes lending to credit institutions, lending to the public, securities trading receivables and accounts receivable.

Loan receivables and accounts receivable are measured at amortised cost, less confirmed credit losses and probable writedowns. Lending to credit institutions constitutes bank balances. The majority of other assets comprise trading receivables.

Avanza has no corporate financing or consumer credits normally associated with banking operations. Concerning loans to the public, so-called account credits have collateral in the form of securities or cash, while mortgage loans have collateral in the form of real estate. A single credit has been granted to Stabelo AB, from which Avanza has collateral in the form of mortgages issued by Stabelo.

Other assets that are not financial instruments

This category mainly includes tax assets. The large part relates to the balance in the tax account, which is recognised at amortised cost.

Financial liabilities at fair value through profit or loss

Insurance operations liabilities are reported in this category because corresponding assets are measured at fair value through profit or loss. The liabilities have initially been identified as financial liabilities at fair value through profit or loss less transaction costs. The measurement is based on the fair value of the underlying assets; see Financial assets at fair value through profit or loss. All insurance contracts within the Avanza Group have conditional dividends in which the policyholder bears the risk of changes in value, because of which these contracts are recognised as financial agreements in accordance with IAS 39. As of 1 January 2018, IAS 39 has been replaced by IFRS 9, see section (c) New IFRS and interpretations.

Other financial liabilities

Financial liabilities in this category refer to deposits by the public, subordinated bonds, accounts payable and other liabilities. Interest expenses for subordinated bonds are distributed over the tenor of the loan applying the effective interest method. Other financial liabilities, like loan receivables and accounts receivable, are measured at the amortised cost.

(j) Tangible fixed assets

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

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

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

(k) Intangible fixed assets

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

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

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

Goodwill

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

Development expenditure

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

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

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

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

Customer relations

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

(l) Depreciation/amortisation

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

- | | |
|---|--------------|
| • computers and other technical installations | 3 or 5 years |
| • equipment | 5 years |
| • patents and trademarks | 5 years |
| • development expenditure | 5 years |
| • development expenditure trading system | 10 years |
| • customer relations | 5 years |

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

The new trading system developed and capitalised in 2014–2017 has an estimated useful life of at least 10 years, due to which the depreciation schedule covers the same period. The new trading system began to be depreciated during 2017.

(m) Write-downs

The carrying amounts for the Group's assets are tested each closing day to determine whether there is any indication of a write-down requirement. If any such indication exists, the asset's recoverable amount is calculated. A write-down is reported when the carrying amount of an asset exceeds the recoverable amount. A write-down is charged to the Income Statement.

The recoverable amount of goodwill and other intangible assets with indeterminable useful lives, and intangible assets not yet ready for use, is calculated annually.

Financial receivables no longer covered by collateral are written down to the present value of their expected cash flows. The majority of Avanza's customers are private individuals and the risk of credit losses is related to the collateral of each individual customer. Provisions for probable credit losses are reported if the collateral does not cover the borrowed amount, i.e. the principal loan amount plus interest.

Calculation of the recoverable amount

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

Reversal of write-downs

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

(n) Leasing

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

(o) Dividend paid

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

(p) Employee benefits

Occupational pensions are obtained through defined contribution pension plans equivalent to the ITP 1 plan. Payment obligations for defined-contribution plans are expensed in the Income Statement as they arise. Pension costs refer primarily to pension and health insurance contributions.

(q) Provisions

A provision is recognised in the Balance Sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of economic resources will be required to regulate the obligation and a reliable estimate of the amount can be made.

(r) Taxes

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

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

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

(s) Contingent liabilities

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

(t) Cash flow statement

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

Cash flows attributable to operating activities derive primarily from the Group's revenue-generating operations. The net of the operating activities' payments received and made are calculated by adjusting the operating profit/loss for the year for items that do not affect the cash

flow for changes in operating assets and operating liabilities during the period and for other items for which the effect on cash flow can be attributed to investing or financing activities. The most important types of incoming and outgoing payments attributable to the investing and financing activities are recognised separately in the cash flow statement. Amounts are reported gross.

Liquid assets

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

(u) The Parent Company's accounting principles

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

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

Participations in Group companies

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

Group contributions

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

Notes that have no direct reference to Income Statements or Balance Sheets:

Note 1	Corporate information
Note 2	Accounting principles
Note 34	Capital base and capital requirements
Note 35	Financial risks
Note 36	Related parties
Note 37	Important estimates and assessments
Note 38	Events after the closing day
Note 39	Proposed allocation of profit

Note 3 Operating income

SEK m- The Group	2017	2016
Direct savings products	734	674
Indirect savings products	229	223
Other income	22	22
Total	985	919

The operating income breaks down into the product areas and service groups above. Direct and indirect savings products include brokerage fees, fund commissions, interest income from lending to the public and interest expenses for deposits from the public. Direct savings products refers to shares, investment fund and savings accounts as well as individual pension savings accounts and investment savings accounts. Indirect savings products refers to pension and insurance accounts. Other income refers to profit/loss from exchange income, Corporate

Finance income, Avanza Markets, various commission income less commission expenses and interest expenses.

There is no single customer who generates income that exceeds 10 per cent of the Group's income. Avanza offers a diversified portfolio of savings services in strongly competitively markets and the Group's reliance on individual customers is therefore limited.

Note 4 Commission income

SEK m - The Group	2017	2016
Brokerage, gross	528	543
Fund commissions	240	167
Other commissions	255	224
Total	1,023	934

Note 5 Commission expenses

SEK m - The Group	2017	2016
Transaction costs*	-79	-73
Payment services commissions	-41	-32
Other commissions	-28	-28
Total	-148	-133

* Costs directly related to brokerage income.

Note 6 Net interest income

SEK m – The Group	2017	2016
<i>Interest income</i>		
Interest income from lending to credit institutions	0	0
Interest income from lending to the public	190	172
Other interest income	28	39
Total interest income	218	211
<i>Interest expenses</i>		
Interest expenses for lending to credit institutions	-30	-31
Interest expenses for liabilities to credit institutions	0	0
Interest expenses for deposits from the public	-22	-20
Interest expenses for interest-bearing securities	-28	-26
Interest expenses for subordinated bond	-3	-3
Other interest expenses	-27	-17
Total interest expenses	-110	-97
Net interest income	108	114

The average lending rate to account customers during the year was 2.10 (2.50) per cent and the average deposits rate from accounts with surplus liquidity during the year was 0.10 (0.10) per cent.

Note 7 Net result of financial transactions

SEK m – The Group	2017	2016
Realised profit/loss in respect of shares, etc	2	3
Exchange rate fluctuations	0	0
Change in value of insurance operations assets*	4,755	4,267
Change in value of insurance operations liabilities*	-4,755	-4,267
Total	2	3

* Have been identified, in conjunction with reporting, as financial instruments valued at fair value via the Income Statement.

Note 8 General administration costs

SEK m – The Group	2016	2015
Personnel costs	-340	-290
Consultancy services purchased	-61	-31
Market information costs	-31	-27
Other general administration costs	-57	-49
Total	-489	-397

Note 9 Employees and personnel costs

SEK m – The Group	2016	2015
Salaries and other remuneration	-223	-192
Pension costs	-31	-26
Social insurance charges	-70	-60
Other staff overhead	-17	-12
Total personnel costs	-340	-290

The Group has no employees outside Sweden. At the end of the year there was a total of 390 (365) Group employees. Normal employment terms comprise salary and benefits. Occupational pensions, through

defined contribution pension plans, are obtained for all employees over 25 years. Pension costs refer primarily to service pension premiums and health insurance premiums.

Salaries, other remuneration and social insurance charges

SEK m	2017		2016	
	Salaries and other remuneration	Social insurance charges (of which pension costs)	Salaries and other remuneration	Social insurance charges (of which pension costs)
The Group	223	100	192	86
		(31)		(26)
of which the Board of Directors and senior executives	22	12	21	12
		(5)		(5)
Parent Company	9	3	7	2
		(1)		(0)
of which the Board and CEO	6	2	7	2
		(1)		(0)
Average no. employees	No. employees	Of whom, men	No. employees	Of whom, men
Parent Company	2	1	1	1
Subsidiaries	381	257	342	230
Total	383	258	343	231

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

SEK k - The Group	2016			
	Basic salary/Directors' fees	Variable remuneration	Pension cost	Total
Chairman of the Board	342	-	-	342
Members of the Board	1,711	-	-	1,711
CEO	3,058	2,154	1,740	6,952
of which remuneration to the CEO for the period 1 Jan - 31 May	1,293	946	759	2,998
of which remuneration to the CEO for the period 1 Jun - 6 Nov	1,407	1,008	793	3,208
Deputy CEO ¹⁾	879	502	299	1,680
Other senior executives	8,642	3,442	2,954	15,038
Total	14,631	6,098	4,993	25,723

¹⁾ Refers to the period 1 Jan - 31 May and 7 Nov - 31 Dec.

SEK k - Parent Company	2017		2016	
	Directors' fees	Other remuneration	Directors' fees	Other remuneration
Sven Hagströmer	371	-	342	-
Sophia Bendz	292	-	266	-
Jonas Hagströmer	292	-	266	-
Birgitta Klasén	334	-	306	-
Mattias Miksche	292	-	266	-
Hans Toll	334	-	306	-
Jacqueline Winberg	330	-	302	-
Total	2,244	-	2,054	-

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

Information regarding senior executives

The term, senior executive, refers to the CEO and 6 (7) other persons who hold senior positions. Together, they make up the Group Management. There were 8 (8) senior executives in the Group during the year, 4 (5) of whom were men. During the year, Avanza had two CEO's as the former CEO ended his employment.

Remuneration to senior executives during the financial year

Fees have been paid to the Chairman of the Board and Board Members in accordance with the resolutions of the 2017 Annual General Meeting. The Chairman of the Board has not received any remuneration in addition to Director's fees.

Remuneration to the CEO and other senior executives has, in accordance with Avanza's guidelines, comprised basic salary and variable remuneration. Variable remuneration has been paid for performances over and above those normally expected. Deferred variable remuneration that has not fallen due for payment amounts to SEK 8.3 million, (SEK 8.0m) of which SEK 3.9 million (SEK 3.5 million) was paid to the CEO who left his position. The amount has, however, been reported as an expense for the financial year the remuneration refers to. The expensed variable remuneration to senior executives in 2017 totalled SEK 5.0 million (SEK 6.1m), of which SEK 0.7 million (SEK 0.5m) to the deputy CEO and SEK 1.0 million (SEK 2.2m) to the CEOs, distributed according to the tabel on the previous page. Remuneration to the CEO for the 2017 financial year has been prepared by the Board's Remuneration Committee and decided by the Board of Directors.

Variable remuneration to other senior executives has been decided by the Board of Directors after recommendations by the CEO and the Board's Remuneration Committee. The term, senior executives, refers to the seven persons who, together with the CEO, comprise the Group Management at the end of the financial year. For the composition of the Group Management at the end of the financial year, see page 44–45.

The CEO has a 6-month period of notice if the contract of employment is terminated by the CEO himself, and 12 months if the contract of employment is terminated by the company. The period of notice for other senior executives if they themselves terminate their contracts of employment is 6 months, and 6 months if the contracts of employment are terminated by the company. There are no severance pay agreements for the CEO or senior executives. Resigning CEO has not received any severance pay in 2017. The retirement age for the CEO and other senior executives is 65. Avanza has no pension commitments for senior executives.

Members of the Group Management have during the year acquired warrants, on market terms in accordance with the warrant programme approved by the the Extraordinary General Meeting held on 5 July 2017. The total remuneration paid to members of the Group Management shall be on market terms.

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

Financial instruments, warrants

Subsidiary programme 2015–2018		Warrants		Market value	
SEK k	Number	Value*	Acquisition	Benefit	31-12-2017
CEO	–	–	–	–	–
Other senior executives	48,870	896	896	–	496
Total	48,870	896	896	–	496

Subsidiary programme 2016–2019		Warrants		Market value	
SEK k	Number	Value*	Acquisition	Benefit	31-12-2017
CEO	–	–	–	–	–
Other senior executives	93,900	1,509	1,509	–	2,340
Total	93,900	1,509	1,509	–	2,340

Subsidiary programme 2017–2020		Warrants		Market value	
SEK k	Number	Value*	Acquisition	Benefit	31-12-2017
CEO	10,000	174	174	–	266
Other senior executives	66,460	1,156	1,156	–	1,765
Total	76,460	1,330	1,330	–	2,030

* Market value on acquisition date

Subsidiary programmes were acquired at market price in August 2015, August 2016 and August 2017 respectively. The market value has been calculated in accordance with the Black & Scholes valuation model, see note 29 Equity where terms and exercise prices also appear.

Avanza's new CEO has not participated in the warrant programmes but has acquired 10,000 warrants from Creades AB and Biovestor AB on market terms.

Note 10 Auditors' fees and reimbursement of expenses

SEK k – The Group	2017	2016
Öhrlings PricewaterhouseCoopers		
Audit engagements	-2,208	-1,556
Audit business over and above audit engagements	-516	-342
Tax consultancy	-96	-263
Other services	-460	-
Total	-3,280	-2,161
SEK k – Parent Company		
Öhrlings PricewaterhouseCoopers		
Audit engagements	-383	-372
Audit business over and above audit engagements	-392	-131
Total	-775	-503

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

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

Note 11 Leasing charges for operational leasing

SEK m – The Group	2017	2016
<i>Assets held via operational leasing agreements (refers to leasing of premises)</i>		
Minimum leasing charges	-20	-16
Total leasing costs	-20	-16
<i>Agreed future minimum leasing charges in respect of uncancellable contracts and which fall due for payment:</i>		
Within one year	-28	-24
Between one and five years	-144	-88
Later than five years	-	-
Total	-172	-113

Note 12 Other operating expenses

SEK m – The Group	2017	2016
Marketing costs	-28	-32
Other operating expenses	-15	-17
Total	-43	-48

Note 13 Credit losses, net

SEK m – The Group	2017	2016
Year's write-down of confirmed credit losses	0	0
Year's write-down of expected credit losses	0	-1
Total	0	-1

See Note 2 Accounting principles, section (c), for information on the transition to IFRS 9 from 2018 with respect to the methodology for provisions for expected credit losses.

Note 14 Profit/loss on group participations

SEK m – The Group	2017	2016
Dividend received (anticipated)	248	207
Group contribution received	17	11
Group contribution paid	0	0
Total	264	218

Note 15 Tax on profit/loss for the year

SEK m	The Group		Parent Company	
	2017	2016	2017	2016
<i>Current tax expense (-)/tax income (+)</i>				
Tax expense (-)/tax income (+) for the period	-63	-66	0	0
Total current tax	-63	-66	0	0
<i>Deferred tax expense (-)/tax income (+)</i>				
Deferred tax in respect of temporary differences	0	0	-	-
Total deferred tax	0	0	-	-
Total reported tax expense	-63	-66	0	0
<i>Reconciliation of effective tax</i>				
Profit/loss before tax	441	465	248	207
Tax at current rate of taxation	22.0 %	22.0 %	22.0 %	22.0 %
Non-deductible costs	0.2 %	0.3 %	0.0 %	0.0 %
Non-taxable income	-0.1 %	-0.3 %	-22.0 %	-22.0 %
Other tax base in insurance operations	-8.1 %	-8.0 %	-	-
Other	0.0 %	0.0 %	-	-
Effective tax	14.1 %	14.1 %	0.0 %	0.0 %

Deferred tax in temporary differences and loss carry forwards

SEK m - The Group	31-12-2017	31-12-2016
Deferred tax receivable	0	1
Deferred tax liability	0	0
Net	0	1

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

Note 16 Earnings per share

SEK - The Group	2017	2016
Earnings per share before dilution	12.66	13.45
Earnings per share after dilution	12.66	13.44

Earnings per share before dilution

The calculation of earnings per share has been based on the profit/loss for the year after tax, which totalled SEK 379 million (SEK 399m) relative to a weighted average number of shares outstanding before dilution in 2017.

Earnings per share after dilution

The calculation of earnings per share after dilution has been based on the profit/loss for the year, after tax, which totalled SEK 379 million

(SEK 399m) relative to a weighted average number of shares outstanding after dilution in 2017.

Avanza has three outstanding warrant programmes: 2015–2018 the exercise price of which is SEK 393.58 per share and 2016–2019 the exercise price of which is SEK 375.52 per share, 2017–2020 the exercise price of which is SEK 430.33 per share. For more information, see Note 29 Equity. The market price, as of 31 December 2017 was SEK 344.10.

Number of shares	2017	2016
Average no. shares before dilution	29,889,744	29,660,143
Average no. shares after dilution	29,889,744	29,681,739
Outstanding no. shares before dilution	29,996,222	29,838,922
Outstanding no. shares after dilution	29,996,222	29,908,292
No. shares on full dilution	31,426,222	31,308,922

Note 17 Lending to credit institutions

The Group

Client fund receivables, attributable to banking business, amount to SEK 1,199 million (SEK 1,143m) which are reported net against client fund payables of SEK 1,199 million (SEK 1,143m).

Note 18 Lending to the public

SEK m – The Group	31-12-2017	31-12-2016
<i>Account credit with collateral in the form of:</i>		
– securities	4,179	4,118
– mortgage (Stabelo AB)	43	–
<i>Mortgage loans with collateral in the form of:</i>		
– houses	3,397	2,600
– tenant-owned apartments	1,887	1,457
Total	9,507	8,175

Lending to the public is reported after deduction of confirmed and expected credit losses. As per 31-12-2017, expected credit losses amounted to SEK 8 million (SEK 8m), see the table below. Lending to the public is secured through securities and real estate.

In total, SEK 6,466 million (SEK 5,074m) in mortgage loans had been granted as at 31-12-2017, of which SEK 5,284 million (SEK 4,056m) has been paid out, implying that the commitment for granted, undischarged mortgage loans amounts to SEK 1,182 million (SEK 1,018m). See also Note 35 Financial risks and Note 2 Accounting principles for information on the transition to IFRS 9 from 2018.

Provisions for bad debts

SEK m – The Group	31-12-2017	31-12-2016
Provisions at beginning of year	8	8
Provision for expected losses	0	0
Provisions at end of year	8	8

See Note 2 Accounting principles section (c) for information on the transition to IFRS 9 from 2018 regarding the method of provision for bad debts.

Note 19 Bonds

SEK m – The Group	31-12-2017	31-12-2016
Issued by municipalities	455	499
Issued by credit institutions	13,965	12,744
Total	14,420	13,244
SEK m – The Group	31-12-2017	31-12-2016
Bonds, quoted	14,420	13,244
Total	14,420	13,244

All bonds can be pledged to the Swedish Central Bank and are traded OTC in which indicative prices are published on Bloomberg.

Note 20 Shares and participations

SEK m – The Group	31-12-2017	31-12-2016
Shares and participations, quoted	1	0
Shares and participations, unquoted*	21	5
Total	22	5

* Avanza Bank Holding AB (publ) owns shares in Stabelo Group AB, amounting to SEK 21 million (SEK 5 million), which is stated in the table above.

Note 21 Assets and liabilities in insurance operations

SEK m – The Group	31-12-2017	31-12-2016
<i>Financial assets in insurance operations</i>		
Shares and participations	75,942	67,533
Interest-bearing securities	2,302	1,534
Liquid assets	7,797	6,867
Total	86,041	75,934
<i>Financial liabilities in insurance operations</i>		
Conditional bonus	86,041	75,934
Net	-	-

All assets in insurance operations refer to assets for which the policyholders carry direct investment risk. All liabilities in insurance operations refer to conditional bonuses for which the policyholders bear the direct risk. This means that the policyholders receive yields but also cover the risk entailed by the insurance operations assets and liabilities. The Group has no entitlement to the cash flow attributable to invested funds.

Both the assets and liabilities are valued in accordance with the financial assets and liabilities category valued at fair value via the Income Statement. The net effect on profit/loss of unrealised changes in value, realised changes in value, interest and dividends received and premiums paid and changes in value of the liability is zero.

Note 22 Intangible fixed assets

SEK m – The Group	31-12-2017	31-12-2016
Goodwill		
<i>Acquisition values</i>		
At beginning of year	26	26
At end of year	26	26
<i>Write-downs</i>		
At beginning of year	-3	-3
At end of year	-3	-3
Carrying amount at end of year	23	23
Other intangible assets		
<i>Acquisition values</i>		
At beginning of year	66	42
Year's investments	30	24
At end of year	96	66
<i>Depreciation</i>		
At beginning of year	-27	-27
Year's depreciation	-4	-
At end of year	-31	-27
Carrying amount at end of year	65	39
Total intangible fixed assets	88	62

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

ships from the acquisition of Placera Media Stockholm AB, which are fully amortized, and capitalized development costs of SEK 68 million for a new trading system, which was reprocessed in 2014–2017.

The new trading system began to be depreciated during the year; the depreciation schedule is 10 years.

Note 23 Tangible fixed assets

SEK m – The Group	31-12-2017	31-12-2016
<i>Acquisition values</i>		
At beginning of year	86	93
Year's investments	20	6
Year's disposals	0	-13
At end of year	106	86
<i>Write-downs</i>		
At beginning of year	-68	-73
Year's depreciation	-8	-8
Year's disposals	0	13
At end of year	-76	-68
Carrying amount at end of year	30	18

Note 24 Other assets

SEK m – The Group	31-12-2017	31-12-2016
Securities trading receivables	316	194
Current tax assets	3,612	1,142
Deferred tax assets	0	1
Other	185	95
Total	4,113	1,432

Note 25 Prepaid costs and accrued income

SEK m – The Group	31-12-2017	31-12-2016
Prepaid costs	19	14
Accrued income	149	150
Total	168	164

Note 26 Other liabilities

SEK m – The Group	31-12-2017	31-12-2016
Tax deduction	2	2
Securities trading liabilities	340	240
Accounts payable	15	12
Current tax liabilities	0	0
Deferred tax liabilities	0	0
Other	187	99
Total	544	353

Note 27 Accrued costs and prepaid income

SEK m – The Group	31-12-2017	31-12-2016
Personnel-related liabilities	54	53
Other	53	36
Total	107	89

Note 28 Subordinated liabilities

SEK m – The Group	31-12-2017	31-12-2016
Dated subordinated liabilities	99	99
Total	99	99

Interest rates	Nominal amount	Maturity date
STIBOR 3M + 3 % annually	100	10-12-2025

Note 29 Equity

As of 31 December 2017, the registered share capital comprised 29,996,222 (29,838,922) ordinary shares with a quotient value of SEK 2.50 per share. During 2017, Avanza did not repurchase any of its own shares. Retained profit, including net profit/loss for the year, includes profits earned in the Parent Company and its subsidiaries.

Warrants

The warrant programme comprises 1,430,000 warrants, representing adilution of approximately five per cent. Of these warrants, 1,000,870 were transferred to employees. The warrant programme is divided into three sub-programmes and the total warrant programme runs from August 2015 to September 2020.

- Outstanding warrants 2015–2018 grant entitlement to subscribe for a total of 490,000 shares at an exercise price of SEK 393.58 per share. The programme expires on 3 September 2018. The warrants may be exercised from 27 August 2018 to 3 September 2018.
- Outstanding warrants 2016–2019 grant entitlement to subscribe to a total of 490,000 shares at an exercise price of SEK 375.52 per share. The expiration date is 2 September 2019. The warrants may be exercised from 26 August 2019 to 3 September 2019.
- Outstanding warrants 2017–2020 grant entitlement to subscribe to a total of 490,000 shares at an exercise price of SEK 430.33 per share. The expiration date is 30 August 2020. The warrants may be exercised from 26 August 2020 to 30 August 2020.

The warrant programme 2014–2017 had an exercise period from 25 August 2017 to 1 September 2017. The exercise price was SEK 315.74 per share. A total of 157,300 shares were available for subscription. 157,300 shares were subscribed for and all such shares have been issued.

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

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

No. outstanding shares – Parent Company

	2017
At beginning of year	29,838,922
Warrants issue due to exercise of share warrants	157,300
At end of year	29,996,222

Note 30 Shares and participations in Group companies

SEK m – Parent Company	31-12-2017	31-12-2018
<i>Acquisition value</i>		
At beginning of year	415	415
At end of year	415	415
<i>Accumulated write-downs</i>		
At beginning of year	-7	-7
At end of year	-7	-7
Carrying amount at end of year	409	409

Subsidiary*	Corporate ID no	Registered office	No. shares	% of shares	Book value, SEK m
Avanza Bank AB (publ)**	556573-5668	Stockholm	550,000	100	366
Avanza Fonder AB	556664-3531	Stockholm	31,000	100	4
Försäkringsaktiefbolaget Avanza Pension	516401-6775	Stockholm	350,000	100	39
Placera Media Stockholm AB	556642-9592	Stockholm	1,000	100	0
Avanza Förvaltning AB	556840-0286	Stockholm	50,000	100	0
Total					409

* Unquoted securities.

** Holdings in credit institutions.

Note 31 Terms for assets and liabilities

Remaining term (book value)

SEK m – The Group 31-12-2017	Upon request	<3 months	3–12 months	1–5 years	>5 years	Perpetual	Total
<i>Assets</i>							
Lending to credit institutions	1,731	–	–	–	–	–	1,731
Lending to the public	–	4,180	43	–	5,284	–	9,507
Bonds	–	1,039	4,234	9,146	–	–	14,420
Shares and participations	–	–	–	–	–	22	22
Assets in insurance operations*	–	46,695	108	4,628	34,610	–	86,041
Intangible assets	–	–	–	–	–	88	88
Tangible fixed assets	–	–	–	–	–	30	30
Other assets	–	4,113	–	–	–	–	4,113
Prepaid costs and accrued income	–	168	–	–	–	–	168
Total assets	1,731	56,195	4,385	13,774	39,894	140	116,120
<i>Liabilities</i>							
Deposits by the public	27,901	–	–	–	–	–	27,901
Liabilities in insurance operations*/**	–	46,695	108	4,628	34,610	–	86,041
Other liabilities	–	544	–	–	–	–	544
Accrued costs and prepaid income	–	107	–	–	–	–	107
Subordinated liabilities	–	–	–	–	99	–	99
Total liabilities	27,901	47,346	108	4,628	34,709	–	114,693

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

** See also the section on Liquidity risks in Note 35 Financial risks.

SEK m – The Group 31-12-2016	Upon request	<3 months	3–12 months	1–5 years	>5 years	Perpetual	Total
<i>Assets</i>							
Lending to credit institutions	1,583	–	–	–	–	–	1,583
Lending to the public	–	4,118	–	–	4,056	–	8,175
Bonds	–	819	2,559	9,866	–	–	13,244
Shares and participations	–	–	–	–	–	5	5
Assets in insurance operations*	–	45,116	169	3,964	26,685	–	75,934
Intangible assets	–	–	–	–	–	62	62
Tangible fixed assets	–	–	–	–	–	18	18
Other assets	–	1,432	–	–	–	–	1,432
Prepaid costs and accrued income	–	164	–	–	–	–	164
Total assets	1,583	51,650	2,728	13,830	30,741	85	100,616
<i>Liabilities</i>							
Deposits by the public	22,832	–	–	–	–	–	22,832
Liabilities in insurance operations*/**	–	45,116	169	3,964	26,685	–	75,934
Other liabilities	–	353	–	–	–	–	353
Accrued costs and prepaid income	–	89	–	–	–	–	89
Subordinated liabilities	–	–	–	–	99	–	99
Total liabilities	22,832	45,558	169	3,964	26,784	–	99,308

* 100 per cent of the distribution of endowment insurance terms is within <3 months. 2 per cent of the terms for endowment pensions are within <3 months, 7 per cent are between 3–12 months, 71 per cent are of 1–5 years and 20 per cent are >5 years. 14 per cent of private pension insurance terms are 1–5 years and 86 per cent are >5 years. 7 per cent of the terms for occupational pensions are 1–5 years and 93 per cent are >5 years.

** See also the section on Liquidity risks in Note 35 Financial risks.

Note 32 Financial instruments

Classification of financial information

SEK m – The Group 31-12-2017	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non financial instruments	Total
<i>Assets</i>						
Lending to credit institutions	–	–	1,731	–	–	1,731
Lending to the public	–	–	9,507	–	–	9,507
Bonds	–	14,420*	–	–	–	14,420
Shares and participations	22	–	–	–	–	22
Assets in insurance operations	86,041	–	–	–	–	86,041
Intangible assets	–	–	–	–	88	88
Tangible fixed assets	–	–	–	–	30	30
Other assets	–	–	500	–	3,612	4,113
Prepaid costs and accrued income	–	7	142	–	19	168
Total assets	86,063	14,427	11,880	–	3,749	116,120
<i>Liabilities</i>						
Deposits by the public	–	–	–	27,901	–	27,901
Liabilities in insurance operations	86,041	–	–	–	–	86,041
Other liabilities	–	–	–	544	0	544
Accrued costs and prepaid income	–	–	–	49	59	107
Subordinated liabilities	–	–	–	99**	–	99
Total liabilities	86,041	–	–	28,593	59	114,693

* The fair value amounts to SEK 14,451 million, of which SEK 14,451 million is attributed to level 1 and SEK – million to level 2 in the hierarchy for fair value. The valuation principles are the same as for similar instruments that are reported at fair value in the balance sheet, see Note 2 Accounting principles chapter (i) Financial instruments. See Note 2 Accounting principles, section (c), for information on the transition to IFRS 9 from 2018.

** The fair value amounts to SEK 100 million.

Financial instruments valued at fair value

SEK m – The Group 31-12-2017	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	43,623	0	21	43,644
Fund units	1,272	31,048	–	32,320
Bonds and other interest-bearing securities	15,579	638	–	16,217
Other securities	397	138	–	535
Liquid assets	–	–	–	7,797
Total assets	60,872	31,824	21	100,514
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	86,041	–	86,041
Total liabilities	–	86,041	–	86,041

SEK m – The Group Level 3

31-12-2016	5
Change in value	0
Purchase	16
Sale	0
31-12-2017	21

Classification of financial information

SEK m – The Group 31-12-2016	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non financial instrument	Total
<i>Assets</i>						
Lending to credit institutions	–	–	1,583	–	–	1,583
Lending to the public	–	–	8,175	–	–	8,175
Bonds	–	13,244*	–	–	–	13,244
Shares and participations	5	–	–	–	–	5
Assets in insurance operations	75,934	–	–	–	–	75,934
Intangible assets	–	–	–	–	62	62
Tangible fixed assets	–	–	–	–	18	18
Other assets	–	–	289	–	1,143	1,432
Prepaid costs and accrued income	–	16	133	–	14	164
Total assets	75,939	13,260	10,180	–	1,237	100,616
<i>Liabilities</i>						
Deposits by the public	–	–	–	22,832	–	22,832
Liabilities in insurance operations	75,934	–	–	–	–	75,934
Other liabilities	–	–	–	353	0	353
Accrued costs and prepaid income	–	–	–	32	57	89
Subordinated liabilities	–	–	–	99**	–	99
Total liabilities	75,934	–	–	23,317	57	99,308

* The fair value amounts to SEK 13,263 million, of which SEK 13,263 million is attributed to level 1 and SEK – million to level 2 in the hierarchy for fair value. The valuation principles are the same as for similar instruments that are reported at fair value in the balance sheet, see Note 2 Accounting principles chapter (i) Financial instruments.

** The fair value amounts to SEK 100 million.

Financial instruments valued at fair value

SEK m – The Group 31-12-2016	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	41,598	0	5	41,603
Fund units	1,347	24,308	–	25,655
Bonds and other interest-bearing securities	14,506	291	–	14,797
Other securities	166	114	–	280
Liquid assets	–	–	–	6,867
Total assets	57,617	24,713	5	89,202
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	75,934	–	75,934
Total liabilities	–	75,934	–	75,934

SEK m – The Group
Level 3

31-12-2015	0
Change in value	0
Purchase	5
Sale	0
31-12-2016	5

Fair value

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

The fair value of those financial instruments reported at fair value through profit and loss, primarily comprising assets within the insurance operations, is determined on the basis of the listed bid prices for the instruments in question on the closing date. If no active market exists, the valuation methods described in Note 2 Accounting principles, are applied. The value of liabilities within the insurance operations is indirectly linked to the value of assets, for which reason all liabilities pertaining to the insurance operations are reported at level 2.

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

The accounting principles regarding financial instruments are described in Note 2 Accounting principles. See the same note, section (c), for more information on the transit to IFRS 9 from 2018.

Not 33 Pledged assets and contingent liabilities

SEK m – The Group	31-12-2017	31-12-2016
<i>Pledged assets on behalf of customers</i>		
Margin lending	153	90
Collateral requirement, Nasdaq derivatives	484	364
Nasdaq Default fund	28	18
<i>Other pledged collateral and security</i>		
Nasdaq OMX MRAH	2	2
Securities liquidation, Euroclear	511	513
Securities liquidation, EMCF	200	180
Swedish Central Bank clearing	20	20
Swedish Central Bank	201	–
Total pledged assets	1,600	1,187

Pledged assets

Pledged assets total SEK 1,600 million (SEK 1,187m) which refers mainly to credit institutions and the stock exchange. The pledged assets are comprised of cash and cash equivalents of SEK 50 million (SEK 130m) and bonds of SEK 1,550 million (SEK 1,057m).

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

Other pledged sureties and securities primarily relate to liquid assets, and obligations pledged as security for securities settlement with

parties on different markets. These funds are held on account in Swedish banks and arise as a consequence of the security requirements, calculated for participants in the settlement of trades via a central clearing counterpart. The Swedish Central Bank clearing relates to securities for the settlement of transactions via Dataclearing. Security for Swedish Central Bank refers to collateral to handle the bank's liquidity management via RIX on an intraday basis.

Funds managed on behalf of third parties (client fund accounts) which are not reported in the balance sheet amount to SEK 1,199 million (SEK 1,143m).

Contingent liabilities

Avanza has no contingent liabilities as per 31 December 2017.

SEK m – Parent Company	31-12-2017	31-12-2016
Pledged assets	None	None
Contingent liabilities	None	None

Note 34 Capital base and capital requirements

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

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

The conglomerate's capital base and capital requirements

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

Due to the new solvency rules, a line has been added in the following table for solvency capital, which refers to the estimated discounted future value of Avanza Pension's cash flows generated by policyholders' capital. The capital requirements for regulated units in the insurance sector include the estimated solvency capital adequacy requirement, which affects policyholders' assets.

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

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

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

SEK m – The financial conglomerate	31-12-2017	31-12-2016
Capital base		
Shareholders' equity, the Group	1,427	1,308
Proposed/assumed dividend	-315	-313
Shareholders' equity, financial conglomerate (Tier 1 capital)	1,112	995
<i>Additional</i>		
Solvency capital	2,523	2,340
Subordinated bond*	99	92
<i>Less</i>		
Intangible fixed assets	-88	-62
Deferred tax receivables	0	-1
Total capital base	3,646	3,364
Capital base per sector		
Capital requirement for regulated units in the insurance sector	2,683	2,482
Capital requirement for regulated units within the banking and securities sector	963	882
Total capital base	3,646	3,364
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector	1,563	1,432
Capital requirement for regulated units within the banking and securities sector	831	598
of which additional buffer requirement	269	184
of which additional Pillar 2 requirement	81	35
Total capital requirement	2,394	2,030
Capital surplus	1,251	1,334
Capital base/Capital requirement	1.52	1.66

* See Note 28 Subordinated liabilities.

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

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

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

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

Avanza has not received the Swedish Financial Supervisory Authority's permission to apply internal models for calculating capital adequacy. This means that capital requirements are calculated according to the capital adequacy regulation's (regulation (EU) no 575/2013) standard models. Accordingly, capital requirements for various risks are calculated based on established requirements as a percentage multiplied by amounts taken from Avanza's income statement and balance sheet. The product is a capital requirement in SEK. Avanza's capital requirement essentially stems from credit risk and operational risk.

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

- The credit risk mitigation applied is comprised of cash and cash equivalents, as well as shares included on indices defined by ESMA as stipulated in CRD IV. Swedish shares are creditable to a maximum of 78 per cent if they are included on the OMXSPI.
- Securities received are revalued daily in line with current market value. The lending value comprises a certain percentage of this market value.
- Exposure is in SEK and the majority of the securities comprise shares and fund units (93 per cent), and the majority of the collateral is listed in SEK (90 per cent).
- No guarantees are received or issued for customers or other parties. Nor are there any OTC dealings with regard to any types of derivatives.

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

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

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

Capital adequacy analyses for the consolidated situation and the institution Avanza Bank AB (publ) are provided on the following pages.

Internal capital adequacy assessment process (ICAAP)

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

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

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

The latest ICAAP for Avanza Bank was prepared in the fourth quarter of 2017 with referens date as of 30 June 2017. The internal capital need was estimated at SEK 170 million. The total capital need, including Pillar 1 and Pillar 2 requirements excluding buffer requirement, amounted to SEK 477 million on the same date, while Avanza Bank's actual capital base was SEK 952 million. The ICAAP concluded that Avanza did not expose depositors or customers to risk.

An ICAAP is also prepared for the consolidated situation based on the ICAAP prepared for Avanza Bank. The consolidated situation's ICAAP as of 30 June 2017 estimated the internal capital need at SEK 170 million, the total capital requirement at SEK 469 million and the actual capital base at SEK 944 million. The consolidated situation's ICAAP stated that Avanza's depositors and customers are not exposed to risk.

SEK m – Consolidated situation	31-12-2017	31-12-2016
Capital base		
Shareholders' equity, the Group	1,427	1,308
Proposed/assumed dividend	-315	-313
Equity not part of the consolidated situation	-100	-66
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,012	929
Intangible assets	-88	-62
Deferred taxes	0	-1
Avanza Bank Holding AB:s (publ) holding in Försäkringsaktiebolaget Avanza Pension	-39	-39
Common equity tier 1 capital	885	827
Subordinated bond*	99	92
Tier 2 capital	99	92
Total capital base	984	919
Capital requirement		
Credit risk according to standardised approach	365	275
Market risks	0	1
Settlement risk	0	0
Operational risk according to the base method	113	93
Total capital requirement	478	369
Risk exposure amount		
Credit risk according to standardised approach	4,562	3,436
of which Institutions (risk-weight 20 %)	345	316
of which Corporates (risk-weight 100 %)	390	28
of which Households (risk-weight 75 %)	175	172
of which Collateral in real estate (risk-weight 35 %)	1,850	1,420
of which Covered bonds (risk-weight 10 %)	1,397	1,276
of which Shares (risk-weight 250 %)	52	-
of which Other items (risk-weight 100 %)	354	224
Market risk	3	11
Settlement risk	0	0
Operational risk according to the base method	1,410	1,162
Total risk exposure amount	5,976	4,609
Capital ratios and buffers		
Common equity tier 1 ratio, %	14.8	17.9
Tier 1 ratio, %	14.8	17.9
Total capital ratio, %	16.5	19.9
Capital base in relation to capital requirement	2.06	2.49
Common equity tier 1 capital requirement, %	4.5	4.5
Additional tier 1 capital requirement, %	1.5	1.5
Tier 1 capital requirement, %	6.0	6.0
Tier 2 capital requirement, %	2.0	2.0
Total minimum capital requirement, %	8.0	8.0
Institution-specific buffer requirement, %	4.5	4.0
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	1.5
Total capital requirement including buffer requirement, %	12.5	12.0
Common equity tier 1 capital available for use as a buffer, %	10.3	13.4
Total capital base	984	919
Capital requirement (8%)	-478	-369
Buffer requirement	-269	-184
Additional requirement with reference to Pillar 2	-81	-35
Total requirements	-828	-588
Capital surplus after buffer requirement and Pillar 2	157	331

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

* See Note 28 Subordinated liabilities.

SEK m – Avanza Bank AB (publ)	31-12-2017	31-12-2016
Capital base		
Shareholders' equity	1,044	824
Proposed/assumed dividend	-118	0
Equity (adjusted for assumed/proposed dividend)	925	824
Intangible assets	-66	-39
Deferred taxes	0	-1
Common equity tier 1 capital	859	784
Subordinated bond*	99	93
Tier 2 capital	99	93
Total capital base	959	877
Capital requirement		
Credit risk according to standardised approach	371	281
Market risks	0	0
Settlement risk	0	0
Operational risk according to the base method	106	93
Total capital requirement	476	374
Risk exposure amount		
Credit risk according to standardised approach	4,633	3,514
of which Institutions (risk-weight 20 %)	345	316
of which Corporates (risk-weight 100 %)	390	28
of which Households (risk-weight 75 %)	175	172
of which Collateral in real estate (risk-weight 35 %)	1,850	1,420
of which Covered bonds (risk-weight 10 %)	1,397	1,276
of which Other items (risk-weight 100 %)	477	302
Market risk	3	1
Settlement risk	0	0
Operational risk according to the base method	1,320	1,156
Total risk exposure amount	5,956	4,671
Capital ratios and buffers		
Common equity tier 1 ratio, %	14.4	16.8
Tier 1 ratio, %	14.4	16.8
Total capital ratio, %	16.1	18.8
Capital base in relation to capital requirement	2.01	2.35
Common equity tier 1 capital requirement, %	4.5	4.5
Additional tier 1 capital requirement, %	1.5	1.5
Tier 1 capital requirement, %	6.0	6.0
Tier 2 capital requirement, %	2.0	2.0
Total minimum capital requirement, %	8.0	8.0
Institution-specific buffer requirement, %	4.5	4.0
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	1.5
Total capital requirement including buffer requirement, %	12.5	12.0
Common equity tier 1 capital available for use as a buffer, %	9.9	12.3
Total capital base	959	877
Capital requirement (8%)	-476	-374
Buffer requirement	-268	-187
Additional requirement with reference to Pillar 2	-81	-35
Total requirements	-825	-596
Capital surplus after buffer requirement and Pillar 2	134	281

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

* See Note 28 Subordinated liabilities.

Note 35 Financial risks

The Group's exposure to financial risks

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

No major changes affected Avanzas's risk profile or exposure to risks during 2017. For further information on risks and risk management in business operations, see pages 28–30 and the Corporate Governance Report pages 34–41.

Credit risks

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

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

On the closing day, lending to the general public amounted to SEK 9,507 million (SEK 8,175m). Average lending in 2017 was SEK 8,830 million (SEK 7,110m). The majority of all exposure is to customers residing in Sweden. Loans are only made to customers resident outside the Nordic countries in exceptional circumstances. Avanza's lending to the general public takes the form of margin lending and mortgage loans.

Margin lending

All margin lending is secured against listed securities. As of year-end, lending to the general public against listed securities totalled SEK 4,179 million. The market value of pledged securities was SEK 34,419 million. The financial effects of securities held are calculated on a customer by customer basis, meaning that any surplus value in a security for one customer cannot be offset against that of another customer. The majority of such securities are Swedish listed equities with good liquidity that are measured at fair value on the particular market. Avanza makes an assessment of the appropriate loan to value ratio based on the liquidity of the security, volatility and net asset value and sets a substantial risk margin to protect the bank as well as its customers against credit losses.

The repayment capacity of each borrower is evaluated and a credit limit set in line with the borrower's credit score. In the lending process, a joint limit is set for all borrowers belonging to the same sphere. The spread

in Avanza's lending is very good. There is no great concentration of pledged securities within margin lending. As of 31 December 2017, 37(25) margin lending exceeded SEK 10 million. The combined total of these margin lending was SEK 887 million (SEK 745m), of which the highest was SEK 87 million (SEK 85m).

Lending is monitored on a daily basis. At so-called excess leverage, that is to say where debt is covered by pledged securities but the loan exceeds the value of the security and the security margin is no longer covered, the customer is contacted and notified of when the situation must be rectified. The customer can either rectify the excess leverage by depositing money or securities in the account or settling securities. If no action is taken, Avanza has the right to sell enough of the securities pledged as collateral as required to rectify the problem. In the event of volatile markets or other extreme events, excess leverage is actioned immediately on the day it arises, through the sale of securities. As of 31 December 2017, excess leverage amounted to SEK 5.4 million (SEK 2.4m) or 0.05 (0.03) per cent of security-backed lending. Average excess leverage during the year amounted to SEK 4.7 million (SEK 5.1m) or 0.05 (0.07) per cent of margin lending.

If pledged securities do not cover the customer's liabilities, an assessment is made of the necessary writedown. The writedown is preceded by an individual assessment of the borrower and what can be expected to be covered. Avanza had credit losses during the year on margin lending of SEK 0 million (SEK 0m). As of 31 December 2017, there were no past due loans, no loans written down where security had not yet been utilised and no seized collateral not yet sold. On the closing day, accumulated provisions for expected credit losses amounted to SEK 8 million (SEK 8m). Exchange rate gains/losses or other revaluations do not arise. See also Note 13 Credit losses and Note 18 Lending to the general public.

Avanza stress tests its margin lending in a number of hypothetical scenarios. Margin lending portfolios are stress tested in terms of margin losses and losses arising due to a lack of diversification (concentration risk). The method for testing margin stress means that all shares drop in value according to risk class/credit quality pursuant to the loan to value ratio or risk margin.

All margin lending to customers is subject to a month's notice and can therefore be given notice to terminate, should exposure need to be rapidly reduced.

Pledged financial assets for margin lending

31-12-2017	Currency	Market value, SEK m	Credit exposure, SEK m	Share of balanced exposure, %
Shares	SEK	28,094	3,530	84
Funds	SEK	2,846	396	10
Shares	USD	1,214	124	3
Other		2,265	129	3
Total		34,419	4,179	100

Mortgage loans

Avanza has offered mortgage loans since the end of 2013. The offer targets Avanza's high net worth Private Banking customers with at least SEK 3 million in overall savings with Avanza and a low loan to value ratio of a maximum 50 per cent at the time the mortgage loan is granted. Employees can also take advantage of the offer with preferred terms, where the maximum loan to value ratio is 70 per cent at the time the loan is granted. As of 31 December 2017, mortgage lending amounted to SEK 5,284 million (SEK 4,056m). All mortgage loans are secured with pledges on houses and tenant-owned apartments in Sweden. The average loan to value ratio was 36 (36) per cent at the end of the year. The market value of a property is reassessed each year through a statistical evaluation, which is purchased from external parties. The last reassessment occurred in november 2017.

Avanza is required to act as the only pledgee for the security. Normal credit assessment occurs, in which a "remain-to-live-calculation" (RTL) is performed to see whether the borrower satisfies a scenario with the current interest rate plus 6 per cent, given the amount applied for.

Repayment is introduced if the borrower's loan to value ratio exceeds 75 per cent. If the loan to value ratio exceeds 50 per cent, interest premiums accrue according to a fixed interest rate tier. In addition to this, authority requirements regarding amortisation are added. In a credit risk stress test with stress of the market value by 35 per cent, the expected credit loss amounts to SEK 3.9 million, which is a result of a low loan to value ratio.

Pledged assets for mortgage loans

31-12-2017	Credit limit, SEK m	Lending, SEK m	Loan-to-value ratio (credit limit), %	Loan-to-value ratio (lending), %
Houses	3,702	3,397	38	35
Tenant-owned apartments	2,068	1,887	41	37
Total	5,770	5,284	39	36

Working capital loan

In 2017 Avanza granted a working capital loan to the consumer loan company Stabelo AB. The working capital loan is a short-term financing solution to finance the payment of mortgage loans. The mortgages are distributed through Avanza, issued by Stabelo's mortgage lending institution and then purchased by Stabelo's Mortgage fund, which manages them until maturity or redemption. The working capital loan is considered a bridge loan until the mortgage volume generated is sold to the Mortgage fund. The loan, which takes the form of an overdraft facility, extends for one year and is maximised at SEK 350 million. As collateral for the loan, Stabelo has at any given time pledged the part of the mortgage portfolio that has not yet been assigned to the Mortgage fund. As of 31 December 2017 the utilised amount was SEK 43.2 million.

The holdings of bonds at the closing day amounted to SEK 14,420 million (SEK 13,244m), of which bonds issued by Swedish municipalities and county councils amounted to SEK 455 million (SEK 499m). Other surplus liquidity is invested primarily in systemically important Nordic credit institutions and amounted at year-end to SEK 1,731 million (SEK 1,583m).

Liquidity management

The credit and finance department is responsible for Avanza's liquidity management. In addition to investments, this includes regulatory compliance, measuring and reporting relevant risk and return measures, and the portfolio's composition.

Avanza has a diversified portfolio with limited concentration risk vis-a-vis individual counterparties. Liquidity is invested in accordance with the company's financial guidelines, which regulate allowed bond issuers, set a maximum average interest duration of 3 months and require that the bonds be allowed as security at the Swedish Riksbank. Regulation also safeguards the quality of counterparties and pledged securities. All covered bonds have the highest bond rating, AAA, with Standard & Poor's or Moody's.

Avanza has considerably more deposits from the general public than lending to the public. Investable liquidity, i.e. surplus liquidity, consists of liquid assets (excluding client funds) placed with credit institutions and interest-bearing securities less pledges. Holdings in securities consist of covered mortgage bonds with short terms issued by Swedish banks and at to a lesser extent securities issued by the Swedish government, municipalities and county councils.

Counterparty risk within security trading on customers' behalf

Avanza has a limited exposure to counterparty risk within securities trading. Avanza is a member of the Stockholm, Oslo, Copenhagen and Helsinki stock exchanges. The counterparty risks primarily arise as a consequence of business flow in these marketplaces. Avanza only trades on customers' behalf in standardised derivatives, settled over Nasdaq. No OTC dealings occur. The risks are limited by Avanza's use of recognised clearing houses, e.g. Euroclear and Nasdaq in Sweden, to settle executed transactions.

Administration of liquidity

31-12-2017	Book value, SEK m	Share, %
Lending to credit institutions	1,731	11
Bonds*	14,420	89
of which Swedish government, municipalities and county councils	455	3
of which secured mortgage bonds	13,965	86

* Average duration of bondholders is 0.18.

Operational risks

Operational risks are defined as the risk of loss as a result of inappropriate or inadequate internal processes, human error, incorrect systems or external events. The definition includes legal risk.

The work involved in managing operational risks is structured and follows methods and guidelines for identifying risks. This approach facilitates a satisfactory management of risks considered to be serious within the risk appetite applicable at any given time. Avanza works towards preventative operational risk management.

Risks are valued according to a model measuring probability and consequence. The consequences are assessed in three areas: financial impact, customer/reputation impact and regulatory impact. Both qualitative and quantitative measures constitute grounds for the Board's determination of the risk appetite within operational risk. In addition, the CEO sets tolerance limits.

Business consequence analyses are undertaken on Avanza's critical processes. By establishing tolerable disruption times in these activities, the requirements in terms of resources such as infrastructure, systems, personnel and premises are clarified.

Avanza's employees are trained in risk management, security, internal control and governance in order to raise understanding and competence in these fields. All employees whose work duties require so are licensed according to the SwedSec AB's requirements. This strengthens the environment for establishing a sound risk culture.

Incident reporting in the operations sharpens the focus on the prevailing situation and the actual outcome of the risks to which Avanza is exposed. The incidents are measured, analysed and reported to those responsible for managing the risks, in order to facilitate improvements but also to inform the valuation of risks in the operations.

Changes in the operations follow an approval process whereby the relevant considerations are given the appropriate significance. Commercial, technical, legal, risk and security considerations are made before any decision is taken as to implementation.

Avanza's IT risks and information security, i.e. the risk that IT and information assets are not sufficient, correct or safe, is of major significance. Information is one of Avanza's most important assets, and digitisation is increasing the amount of information at the same time that managing the information is becoming more complex. Information security and cybersecurity are very much a management and board issue. To ensure in an effective and structured way that it has the right protection for its information and that it can adapt the protection to future needs, Avanza uses an information security management system based on the international standards in the ISO 27000-series.

Market risks

Market risk is the risk of Avanza's earnings, equity or value decreasing due to changes in risk factors on the financial market. Market risk includes stock price risk, interest rate risk and currency risk. Avanza is not exposed to any market risk of major significance, which is why in no sensitivity analysis has been conducted in accordance with IFRS 7.

Stock price risk

Stock price risk is the risk that the fair value of, or future cash flow from a share will vary due to changes in market prices. Avanza does not conduct any proprietary trading. The company only performs trading on behalf of customers. In addition, Avanza must manage the market risk that arises as a consequence of 'faulty trades'.

Interest risk

Interest risks arise through an imbalance in the terms of Avanza's assets and liabilities. Changes in interest rates can affect the market value of assets and liabilities. Avanza has no fixed interest agreements with customers. Avanza lends at a variable interest rate and adjusts to normal market conditions only in the event of interest rate changes by the Riksbank. Lending is financed by variable rate deposits.

In 2015, Avanza issued a bond in the form of a subordinated loan with a tenor of 10 years. The nominal value is SEK 100 million. The bondholders are paid coupons (interest) on a quarterly basis. The interest on the subordinated loan is reset quarterly and the interest mark-up is 300 basis points over STIBOR 3M.

Surplus deposits are invested within the investment restrictions in Avanza's financial guidelines. To effectively manage the liquidity, the Board has established limits on allowable interest risk. The investment of the bank's surplus liquidity is made at a maximum average fixed interest rate duration of 0.25, i.e. three months. Furthermore, the interest risk, measured as a parallel displacement of two percentage units of the interest curve, may never exceed 8 per cent of the bank's capital base.

Management of surplus liquidity amounted to a value of SEK 14,550 million (SEK 13,639m) at year-end. Interest sensitivity in the portfolio is measured and internally reported on a weekly basis. Interest risk is limited as Avanza intends, and has the capacity, to hold all reported bondholdings to maturity. This is also reflected in the financial statements.

Consequently, the risk of having to sell bondholdings in advance at a different market value is also limited. Of the bonds, 95 per cent have variable coupons (FRN – Floating Rate Notes) with quarterly interest revaluations, and the remaining 5 per cent have fixed interest coupons and a remaining tenor of under one year. A sensitivity analysis of the portfolio is performed at the end of each quarter when an interest report is submitted to the Swedish Financial Supervisory Authority. As of 1 January 2018, as a result of the transition to IFRS 9, the liquidity portfolio will be measured at fair value through other comprehensive income. Through 31 December 2017 these financial assets were measured at amortised cost, see Note 2 Accounting principles section (c).

Currency rate risk

Assets and liabilities in the balance sheet are measured primarily in SEK. Customers may hold foreign currency in their account, including for settling transactions in a foreign currency. Such currency balances are matched in full by the equivalent balance in Avanza's bank accounts. No significant currency exposure exists outside the balance sheet.

Liquidity risks

Information on liquidity risks shall be provided annually in accordance with the Swedish Financial Supervisory Authority's regulations (FFFS 2010:7) on management and disclosure of liquidity risks in credit institutions and investment firms. Avanza's Credit and Finance department bears operational responsibility to manage Avanza's liquidity risk. The department reports to the CFO.

Liquidity risk is defined as the risk that the company will be unable to meet its payment commitments when due, or will only be able to do so by incurring a significantly increased cost. Liquidity risk can be divided into two aspects. The first aspect is the risk of not being able to finance the operations, and the other aspect is the risk of not being able to convert investment assets to liquidity.

Avanza it is not a liquidity provider on the financial market. Furthermore, operations are conducted without significant external financing requirements and have low exposure to liquidity risks. Avanza funds itself through equity, a subordinated bond and customer deposits. Deposits from the general public are considered to be one of the most secure sources of financing compared to other forms of financing. The liquidity risk is reduced because the financing being spread across a very large number of households. Historically, deposits from the public have exhibited little movement, a relatively high degree of so called "stickiness". Avanza's current financing structure exceeds liquidity requirements many times over, giving Avanza substantial surplus liquidity.

Good payment readiness requires that the asset side of the balance sheet is liquid. To have sufficient funds at all times to meet its payments and ensure customer withdrawals, Avanza makes continuous forecasts and performs stress tests to assess its need for means of payment. The stress tests build on historical data and are based on a number of scenarios specific to Avanza.

Forecasts are performed daily to manage short-term liquidity risks. Special contingency funding plans have been established to manage serious disruptions to the liquidity situation. This contingency plan is based on the size of surplus liquidity in relation to the bank's lending. The plan follows a tiered structure where measures are taken as various predetermined limits on the size of the surplus liquidity in relation

to lending to the public are passed. In order to cope with short-term fluctuations in deposits and lending from/to the general public, a significant part of the assets is held in cash at spot rates or maturing on the following business day.

SEK 50 million (SEK 130m) of lending to credit institutions has been pledged as security. This means that lending to credit institutions, excluding pledged securities, of SEK 1,681 million (SEK 1,453m) can be withdrawn by customers by the next banking day at the latest. In addition to mortgage loans with a usual term of 30 years, Avanza's other larger balance sheet items have a short term. Covered mortgage bonds and interest-bearing securities issued by the Swedish government, municipalities and county councils are managed daily and can normally be converted to cash within a few days. The bond portfolio has an even maturity structure annually, quarterly and to a certain extent monthly, meaning that large negative changes in surplus liquidity are managed with the help of ongoing maturities. Avanza has no individual large deposit customers of significance for liquidity. Instead, deposits are spread among many customers and payment readiness is considered very good. See also Note 31 Terms for assets and liabilities.

Liabilities in the insurance business do not affect the liquidity risk. The reason for this is that there are equivalent assets and that it is policyholders' own funds, and thus the customers themselves, that are responsible for the risk. Nor are there any contractual due dates.

Remaining term (undiscounted cash flows)

SEK m – The Group 31-12-2017	Upon request	<3 months	3–12 months	1–5 years	>5 years	Perpetual	Total
Deposits by the public	27,901	–	–	–	–	–	27,901
Other liabilities	–	544	–	–	–	–	544
Accrued costs and prepaid income	–	107	–	–	–	–	107
Subordinated liabilities*	–	1	3	17	107	–	128
Total liabilities**	27,901	652	3	17	107	–	28,680

* Interest payments during the full term are calculated with STIBOR 3M + 3% as per 31-12-32017.

** Total liabilities excluding liabilities in insurance operations for which policyholders are exposed to the risk of changes in value. These liabilities do not affect the liquidity risk.

Liquidity and financing, SEK m	31-12-2017	Term
Lending to credit institutions	1,731	1 day
Lending to the public – margin lending	4,179	1 month
Lending to the public – mortgage loans	5,284	At least 30 years
Bonds	14,420	22 months
Deposits by the public, excluding client funds	27,901	On spot basis

Actuarial risks

The actuarial risks in the business operations are small. Mortalities, survivors' pensions, waivers of premium and sickness insurance are relayed of an external party and the risks are not borne by Avanza. However, the company provides its own life insurance linked to endowment insurance contracts, where payment to the insured's survivor amounts to 101 per cent of the sum assured upon death.

The risk premium so far has more than covered the risk cost associated with mortalities arising from endowment insurances. The insurance risk is managed by basing risk premiums on statistical assumptions and through monitoring according to actuarial guidelines. To avoid large fluctuations in earnings, Avanza reinsures risk costs in excess of SEK 250 thousand.

Note 36 Related parties

Transactions with related parties are priced on market terms.

Related party transactions with key individuals in senior positions and other related parties

A company closely related to the Board of Directors was hired during the year to recruit a new CEO. The company invoiced at a market rate.

In 2017, Stabelo AB was granted a bridgeloan by Avanza for a maximum of SEK 350 million to finance the payout of mortgage loans before they are acquired by Stabelo's mortgage fund.

Except from this, no transactions, over and above normal account management, have been undertaken by the Group Management, Board of Directors, close family members of the same, or companies over which any of these individuals exercise a controlling influence. Nor have any provisions or costs for bad debts associated with related parties been reported during the financial year. Lending to key individuals in senior positions and to other related parties is a normal part of our operations.

Senior executives participate in the Group's warrant programme on market terms, see Note 9 Employees and personnel costs.

Transactions with related parties

Transactions with key individuals in senior positions and other related parties	31-12-2017	31-12-2016
Lending, SEK m	31	45
Deposits, SEK m	390	181
	2017	2016
Brokerage fees, SEK k	470	472
Interest income, SEK k	283	302
Interest expenses, SEK k	44	38
Invoicing from related parties' limited companies, SEK k	1,393	705
Transactions with subsidiaries	2017	2016
Parent Company interest income from Group companies, SEK m	-	-
Parent Company interest expenses to Group companies, SEK m	-	-
	31-12-2017	31-12-2016
Parent Company receivables from Group companies, SEK m	324	352
Parent Company liabilities to Group companies, SEK m	0	0

Note 37 Important estimates

According to management, critical assessments regarding the accounting principles applied and the source of uncertainty in estimations primarily refer to credit assessments. The assessments and estimations are reviewed regularly. Changes in assessments are reported in the period in which the change is made if such change has had an effect only during that period, or in the period in which the change is made and also in future periods if the change affects both the period in question and future periods.

Credit assessment

The write-down of credit losses is made on the basis of an individual assessment and is based on the management's best estimation of the present value of the cash flow expected to be received. In estimating these cash flows, an assessment is made of the counterparty's financial situation and the sale value of each underlying collateral item.

Note 38 Events after the closing day

No significant events have occurred after the closing day.

Note 39 Proposed allocation of profits

Dividend policy

Avanza Bank Holding AB (publ) will issue a dividend to shareholders, comprising the part of the company's profits that is not considered to be necessary to fulfil the requirements that the nature, scope and risk of the activities place on the size of equity and the company's consolidation requirement, liquidity and position in general, or to develop activities. The dividend may be combined with other measures, such as redemption or repurchase of own shares. In the long-term it is expected that at least 70 per cent of profits will be issued as dividends.

The Board of Directors' proposal for allocation of the company's profits

The Board of Directors of Avanza Bank Holding AB (publ) proposes that the Annual General Meeting on 20 March 2018 agree to a dividend of SEK 10.50 per share for 2017. The ex-dividend date is Wednesday, 21 March 2018. Thursday, 22 March 2018 is proposed as the record day for the dividend. If the Annual General Meeting agrees to the proposal, the dividend is expected to be paid by Euroclear Sweden AB on Tuesday, 27 March 2018.

The Board of Directors' statement on the proposed allocation of profits

The Parent Company's and Group's profit and position are good, which is evident from the most recent profit and loss statement and balance sheet. It is the opinion of the Board of Directors that the proposed dividend is covered by equity, and is within the remit of the company's dividend policy. The capital ratio and liquidity, following the proposed dividend, will be satisfactory in relation to the activities within which the group operates. The Board of Directors thereby considers that the proposed dividend is justified with regards to:

1. the requirements, that the nature, scope and risks of the activities (the company's and the group's respectively), place on the amount of equity, and
2. the company's and the group's consolidation requirements, liquidity and position in general.

The Parent Company	SEK
The following profits are at the disposal of the Annual General Meeting	
Share premium reserve	422,143,298
Retained profit	0
Net profit for the year	247,749,455
Total	669,892,753
The Board of Directors and the CEO propose that the profits be disposed as follows:	
Dividend to shareholders, SEK 10.50 per share	314,960,331
To be carried forward	354,932,422
Total	669,892,753

The undersigned hereby attest that the consolidated and annual accounts have been prepared in accordance with IFRS international accounting standards, as adopted by the EU, and with generally accepted accounting principles, and that they provide a fair presentation of the Group's and the company's position and results, and that

the consolidated Administration Report constitutes a fair review of the performance of the Group's and the company's operations, position and results, and describe significant risks and uncertainty factors faced by the companies that make up the Group.

Stockholm, 22 February 2018

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Board member

Jonas Hagströmer
Board member

Birgitta Klasén
Board member

Mattias Miksche
Board member

Hans Toll
Board member

Jacqueline Winberg
Board member

Rikard Josefson
CEO

Our Audit Report was submitted on 22 February 2018

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Avanza Bank Holding AB (publ),
Corporate Identity Number 556274-8458

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Avanza Bank Holding AB (publ) for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 47-90 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Parent Company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act of Credit Institutions and Security Companies and present fairly, in all material respects, the financial position of the Group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act of Credit Institutions and Security Companies.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the General Meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's board of directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We have organised the audit work by testing centralised systems and processes, which is supplemented by review of systems and processes within each legal entity. Full scope audit is performed at entities with high significance and risk to the group; Avanza Bank Holding AB (publ), Avanza Bank AB (publ) and Försäkringsaktiebolaget Avanza Pension. The procedures applied generally include an assessment and testing of controls over key business processes, tests of accounting records combined with analytical procedures of individual account balances.

The audit is conducted during the year. In October, we report to the Board of Directors on our audit of internal control over financial reporting and management's administration. We also conduct a review of the Interim Report on 30 September 2017. At year-end, we report the results of our audit of the annual accounts and management's administration to the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the Key audit matter

Recognition of commission income

Avanza handles large amounts of transactions generated from customers' activities - buying and selling of securities. Customers' activities generate commission income, which is a significant part of the Group revenues.

The Group's commission income also includes fees from policyholders in the subsidiary Försäkringsaktiebolaget Avanza Pension. The fees for pension- and endowment insurances are based on the value of assets held for insurers.

Avanza has control activities to ensure that the fees are correct.

See Annual Report, Note 3 and 4.

We assessed and tested the design and effectiveness of a sample of the controls implemented by Avanza for accounting of commission income.

We have also performed data analysis of commission income, which implies comparison of the data in the sub ledger system with the data in the general ledger in order to ensure proper transfer between the two systems. To ensure that the data in the sub ledger system is correct, we have examined that individual transactions have been properly recorded in the system.

For a sample of insurance policies, we have verified the calculation of fees against underlying agreements.

Valuation and existence of Assets in insurance operations

Assets in insurance operations primarily consist of financial instruments where there is an active market and quoted prices. To a lesser extent, there are holdings where the valuation is based on other data than quoted prices.

Assets in insurance operations are a significant part of the consolidated balance sheet of Avanza.

Avanza has implemented control activities in order to prevent and detect errors in Avanza Group's financial statements.

See the Annual Report, Note 21 and 32.

We assessed and tested the design and effectiveness of the pricing and monitoring controls in Avanza's process of valuation of financial instruments.

For those instruments that are listed, we have evaluated Avanza's controls for obtaining prices from external sources. We have also conducted test of price against external sources.

For instruments that are not listed, we have evaluated the models used by Avanza for valuation. We have also conducted tests of market data used for independent data sources.

IT systems supporting processes over financial reporting

The Group's financial reporting is highly dependent on IT systems supporting automated accounting and reconciliation procedures. To ensure complete and accurate financial records it is important that controls over appropriate access rights, program development and changes are designed and operates effectively.

For description of Avanza's IT risks and security strategy, see Note 35 page 86.

We have assessed the design and tested effectiveness of controls related to access and control of program changes for the IT systems that support financial reporting.

For access to programs and information, our review included testing of setup, removal and monitoring of access rights. Our testing has also covered program and software changes.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46 and pages 94–107. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with the Annual Accounts Act for Credit institutions and Securities Companies as well as IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements**Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Avanza Bank Holding AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act, Annual Accounts Act for Credit institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm was appointed auditor of Avanza Bank Holding AB (publ) by the General Meeting of the shareholders on the 21 March 2017 and has been the company's auditor since the 14 April 2011.

Stockholm, 22 February 2018

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

Additional information on employees

Collective bargaining agreements

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

Wage differences

Avanza works continuously to ensure equal wages. This is done in among other ways through an evaluation of every position in the company, which serves as a basis for the annual salary survey and is used in connection with new hires and internal transfers. All managers are offered training each year within the framework of the salary audit where gender parity is treated in particular. Parity is a factor in all wage-setting, and in addition to an immediate supervisor, the department manager

and HR are involved to guarantee a fair, equal, quality-assured process. Prior to the salary audit, a survey is done of the current situation, along with analyses of proposed salary adjustments during the audit and a final analysis based on the results. In cases where there appears to be a differentiation that is not based on objective facts, it is investigated before the audit is approved. The latest wage survey prior to the salary audit reported the following results.

Salary data	2017	2016	2015
Women's wages as a proportion of men's salary*			
Group management (excluding CEO), %	100	91	–
Managers (excluding Group management), %	99	96	–
Senior specialists, %	103	107	–
Other employees, %	102	103	–

* Based on the outcome of the salary survey in 2017. Figures not available for 2015.

Benefits*

Life insurance	For everyone
Health care	Work related injuries
Health insurance	No
Parental leave	For everyone
Occupational pension	For everyone > 25 years
Warrant programme	For everyone

* Refers to permanent employees, hourly employees excluded. Of the Group's total number of employees, 10 per cent are paid on an hourly basis, 1 per cent are fixed-term employees and 0 per cent are temporary positions.

Employee key data	2017	2016	2015
Average no. of employees	383	343	323
of which no. of temporary employees	4	7	11
of which women, %	35	33	34
of which 0-29 years, %	31	43	44
of which 30-49 years, %	64	53	54
of which 50-years, %	5	4	3
Average no. of full-time employees	357	–	–
of which women, %	34	–	–
Employee turnover, %	17.9	19.1	16.5
No. of recruitments	89	–	–
of which women, %	37	–	–
of which 0–29 years, %	47	–	–
of which 30–49 years, %	49	–	–
of which 50-years, %	3	–	–
No. of completed employments	68	–	–
of which women, %	33	–	–
of which 0–29 years, %	43	–	–
of which 30–49 years, %	56	–	–
of which 50-years, %	1	–	–
Sickness absence*, %	2.7	2.6	3.3
women, %	3.6	4.2	5.0
men, %	2.1	1.7	2.3
0–29 years, %	2.2	2.4	2.6
30–49 years, %	2.9	2.8	3.8
50- years, %	2.7	1.5	–
Average no. of parental leave	17	17	–
of which women, %	65	54	–
No. of directors at the Board	7	7	8
of which women, %	43	43	38
of which 0–29 years, %	0	0	0
of which 30–49 years, %	57	57	63
of which 50-years, %	43	43	38
No. of employees in Group Management	8	8	8
of which women, %	50	38	38
of which 0–29 years, %	0	0	0
of which 30–49 years, %	75	88	88
of which 50-years, %	25	13	13
No. of managers	52	55	45
of which women, %	38	36	42
of which 0–29 years, %	13	–	–
of which 30–49 years, %	73	–	–
of which 50-years, %	13	–	–

The above figures are calculated for permanent employees, hourly employees excluded. Of the Group's total number of employees, 10 per cent are paid on an hourly basis, 1 per cent are fixed-term employees and 0 per cent are temporary positions.

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

Sustainability report

This is Avanza's statutory sustainability report. It is an important part of an open and balanced presentation of Avanza's position, activities and achievements in key areas.

In accordance with the Annual Accounts Act, chap. 6, section 11, Avanza has chosen to prepare the sustainability report separately from the administration report and largely from the formal financial statements. The sustainability report comprises the entire Group and its scope is indicated in the GRI Index and the page references below. A separate statement on the sustainability report has been prepared by an external party.

The GRI report addresses issues of relevance to the company, including social conditions, HR and anti-corruption. Sustainability risks connected to anti-money laundering and corruption is described on page 37. Avanza's operations are not deemed to pose any signif-

icant negative environmental impact or risk of violation on human rights, whether directly or indirectly. We therefore have no formalised management or performance monitoring in these areas. Avanza has a diversity and gender equality policy based on the equal rights and opportunities of all people; see pages 20–21 and 26 as well as 36–38 for more information. The information on our environmental impact can be found on page 27 and in the climate analysis on investors.avanza.se/en, where Avanza's sustainability policy is published as well.

Avanza's GRI report is prepared according to the GRI Standards as well as GRI's specific guidelines for the industry (Financial Services Sector Supplement) according to the Core option. A transition from the fourth version (GRI G4) occurred in 2017.

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Contact

Questions about the sustainability report and its contents will be answered by:

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 Phone: + 46 (0)8 409 420 17

Auditor's report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 96–97 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

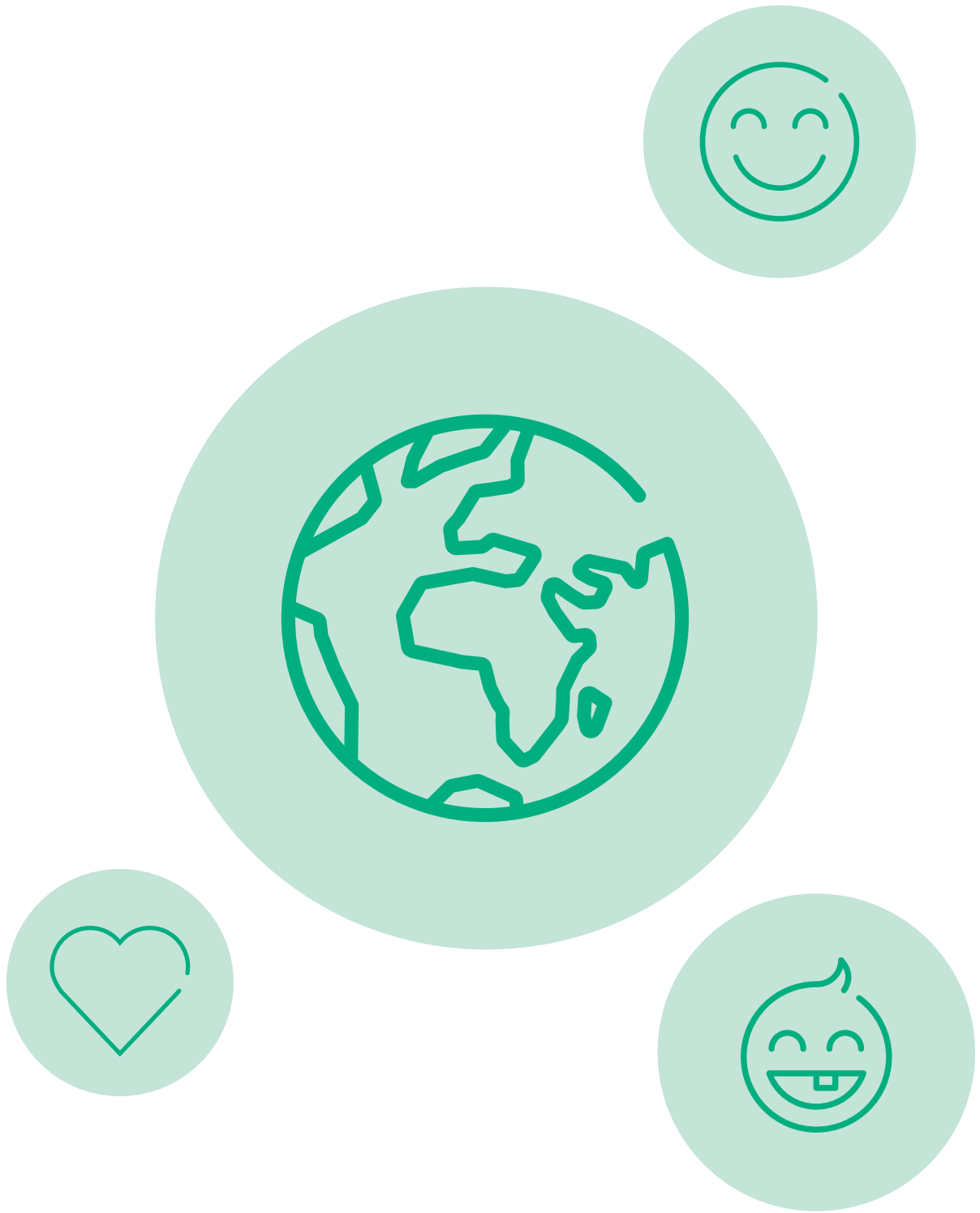
Opinion

A statutory sustainability report has been prepared.

Stockholm 22 February 2018

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant



Customers and benefit levels

Our customers are automatically placed in a benefit level depending on their accumulated savings or the brokerage fees they pay per month. Customers can change their level by depositing money or transferring equities or pension savings to Avanza. The higher the benefit level, the better offers they receive.



Bronze



Silver



Gold



Platinum

Standard offer

Most of our customers are included in our standard offer and are categorised as either Bronze, Silver, Gold or Platinum. In addition to receiving better interest rates and offers if they move to a higher benefit level, they can get help faster when they contact us by phone or email.

New customers are assigned to benefit level Bronze, where there is no minimum deposit requirement. To qualify for Silver, they have to have SEK 100,000 with us or pay SEK 100 in brokerage fees per month.

To reach Gold, they have to have SEK 250,000 or pay SEK 250 in brokerage fees per month, and to be a Platinum customer, our highest benefit level in the standard offer, they have to have aggregate capital of SEK 1 million or pay SEK 1,000 in brokerage fees per month.

Customers can pool their family's savings to reach a higher benefit level and receive better offers.



Private Banking



Pro

Private Banking

Private Banking serves our high-net-worth customers with savings capital of at least SEK 3 million. We offer a digital and personal service with a wide range of securities and very attractive interest rates on margin loans and mortgages. In addition, our Private Banking customers have access to services such as tax advice and legal aid. They also receive prompt and personal service from our specialised brokers and account managers. Private Banking customers who want investment advice can get it through collaborations with a number of external asset managers.

Pro

Our Pro offering is designed for more active customers and professional day traders. As a Pro customer, you make at least two trades a day at the minimum brokerage fee or trade at least SEK 280,000 daily. Customers receive favourable terms, low brokerage fees and access to tools that simplify trading. Our Pro customers also have access to prompt, personal service from our specialised brokers and our account managers.

Corporate customers

Corporate customers have access to the same services as private customers and qualify for either our standard offer or Private Banking.

Our corporate customers also have access to an occupational pension solution and can receive preferential rates on life, health and accident insurance.

For institutional investors we offer a highly competitive alternative distinguished by high quality, premium service and fast and secure order processing by phone, our website and our various trading apps.

In Corporate Finance, we mainly target small and medium-sized companies as an advisor in connection with IPOs, fund raising, mergers and acquisitions, and as a partner to medium-sized and large companies. Avanza is a party in most transactions that occur on the Stockholm Stock Exchange.

Brokerage fee classes

We offer various brokerage fee classes suited to customers' trading activity. We have something for everyone, from those who trade rarely to those who trade large sums and want to pay a flat fee. Customers can choose a brokerage fee class and can switch classes once a month. Fund trading is commission free.

Start Variable brokerage fee 0 % Lowest brokerage fee 0 Selectable if you have less than SEK 50,000*	Mini Variable brokerage fee 0.25 % Lowest brokerage fee SEK 1 Suitable for trades below SEK 15,600	Small Variable brokerage fee 0.15 % Lowest brokerage fee SEK 39 Suitable for trades between SEK 15,600 – 46,000	Medium Variable brokerage fee 0.069 % Lowest brokerage fee SEK 69 Suitable for trades between SEK 46,000 – 143,500	Fast Pris Variable brokerage fee 0 % Lowest brokerage fee SEK 99 Suitable for trades over SEK 143,500
PB Mini Variable brokerage fee 0.15 % Lowest brokerage fee SEK 1	PB Variable brokerage fee 0.055 % Lowest brokerage fee SEK 59	PB Fast Pris Variable brokerage fee 0 % Lowest brokerage fee SEK 99	Pro Variable brokerage fee 0.034 % and below Lowest brokerage fee SEK 49 and below	

The prices in our brokerage fee classes apply to equity trading on the Stockholm Stock Exchange including First North, with the exception of Start, which applies only to equity trading on the Stockholm Stock Exchange. For more information on our prices, please visit our website, avanza.se (in Swedish only).

* Brokerage fee class Start can be chosen if you have never had SEK 50,000 or more in total savings capital with us. If you reach SEK 50,000 or trade more than 500 brokerage-free trades during a 12-month period you are automatically placed in brokerage fee class Mini.

Products and range

Providing customers with a world-class user experience requires a broad product range, access to extensive market data, various filtering tools and decision-making support, and not least an easy to navigate site. Avanza does not charge fixed fees.

Our accounts

Share and fund account

A traditional holding account where customers can offset gains against losses in their tax returns as well as vote their shares. The capital gains tax of 30 per cent is paid when they sell securities at a profit or receive dividends.

Investment savings account (ISK)

This account for equities, funds and other securities gives holders the right to vote their shares and is subject to a standard tax. Customers pay an annual percentage rate based on the value of their holding and deposits during the year and do not have to itemise in their tax returns.

Endowment insurance

This account for equities, funds and other securities is subject to a standard tax, where customers pay a percentage rate that is automatically deducted from the account each quarter and do not have to itemise in their tax returns. The tax is based on the account value and deposits that have been made. Companies can also qualify for endowment insurance. An account beneficiary can be named who receives the entire holding if the policyholder dies.

Child savings

Endowment insurance where a child is the beneficiary. The entire account or the holding can be assigned to the child at any time.

Occupational pension

Pension savings for an individual or their employees. Customers can choose a standard solution or create personalised pension plans. Through our corporate customer website, business customers can manage their pension schemes quickly and easily without forms. For firms with up to four employees, the application process is fully digital.

Pension insurance

Insurance policy for those who want to privately save for retirement in equities, funds and other securities. Customers pay a yield tax once a year based on the account's value at year-end. Repayment protection is an option, which means that a beneficiary receives the holding if the policyholder dies. Without repayment protection, the pension instead passes to others who have also declined repayment protection.

Individual pension plan (IPS)

Bank account for customers who want to privately save for retirement in equities, funds and other securities. The tax is paid once a year based on the account's value at year-end. Repayment protection is always included in the plan, and if the policyholder dies the holding is paid out to the selected beneficiaries.

Savings account+

A simple and safe interest-bearing account with or without a minimum savings period. Through partnerships with Klarna, Nordax, Santander, Collector and Resurs Bank, customers receive competitive interest rates compared to normal bank accounts and multiple deposit guarantees. The government's deposit guarantee of EUR 100,000 applies per institution.

Securities trading

Equities

Trade shares on our website or apps in the Nordic countries, on the large exchanges in Europe, and in the US and Canada. Trading on other markets through our trading desk. Automatically updated real time market data for all Nordic securities (excluding Norway), for securities included in European trading, and for US and Canadian equities when placing an order.

Funds

Trade close to 1,300 funds from around the world, including Avanza Zero, Sweden's first fund with zero fees, through the app or website. Sweden's broadest range of low-cost funds and trading in exchange-traded funds (ETFs) that track various stock indices, among other things.

Other securities

Over 10,000 ETPs linked to commodities, currencies, individual shares and indices across the globe as well as bonds, options, futures, warrants, certificates and structured products. Brokerage-free trades (over SEK 1,000) with Avanza Markets or Bull & Bear certificates, Mini Futures, warrants and trackers from eight different issuers.

Interest-bearing investments

Credit linked notes

In addition to savings accounts, customers can save with credit linked notes, which offer a higher interest rate than savings accounts but lower risk than equities, and quarterly interest payments. The notes are traded free of brokerage fees at Avanza.

Loans

Mortgage loan

In cooperation with Stabelo, we offer a three-month mortgage rate of 1.29* per cent, the market's lowest average rate without a savings capital requirement at Avanza. The rate is set in advance, the application is fully digital and no other commitments are required. Customers must have a loan to value ratio of not more than 60 per cent.

* Interest rate as of 31 December 2017.

Mortgage loan Private banking

Private Banking customers can qualify for a special mortgage rate based on the Swedish Riksbank's repo rate (with a floor of -0.2 per cent) plus 0.99 per cent, 3 months floating. The borrower has the flexibility to deposit or withdraw funds up to the approved credit limit without a new application or credit check. The maximum ceiling is SEK 1 million.

Margin lending

Margin lending with no minimum period or fees, divided into two levels: Super Loan and standard lending rate. The Super Loan has a very favourable borrowing rate of 1.75 per cent, while the standard lending rate ranges from 5.54 per cent and up.

Inspiration and decision-making support**Avanza Auto**

Decision-making support that filters among our six Auto funds based on savings horizon and risk level. A smart, inexpensive and automatic way to manage money.

Portfolio Generator

Makes it easy and quick to create a well-diversified portfolio of five-star funds at low fees.

Stock inspiration

Find favourite new stocks with the help of theme lists, such as Sport, Gaming or Fashion; popular lists such as Millionaires' and Women's favourites; and specific portfolios that, for example, replicate what Avanza's management invests in.

Stock generator

Filters through thousands of equities to create a list of favourite stocks, simply by answering five easy questions.

Avanza Academy

Avanza Academy is for those who want to learn all they need to know about investing in equities, funds and other securities.

Avanza Play

Teaches the basics to become a better investor and get the best returns. Includes exciting interviews with CEOs of listed companies or fund managers. Stay updated on current topics in savings and investments.

Apps

Through our apps, customers can trade Avanza's entire range, make direct deposits from other banks and transfers between their Avanza accounts. The apps also contain news, watch lists, inspiration lists and decision-making support. Customers are notified of orders, deposits, dividends and price targets. The apps are continuously updated with new functionality.

Placera

One of Sweden's largest financial sites. Writes daily on equities, funds, savings issues and current events. Placera also includes Sweden's largest equities forum and analysis services from Redeye, News Agency Direkt, SME Direkt and Introduce. Editorially independent from Avanza.

Börsveckan

Stockpicking magazine focused on analysis. Follows 250 listed companies. Annually writes 300 stock analyses as well as columns, puts together portfolios and provides technical analysis. Published since 1985 for the purpose of finding the best stocks and inspire investors.

Trader programme

The market's hottest trader and trading application on the market, Infront, at highly competitive prices.

Portfolio report

Gives customers a unique overview of their savings. Each page is packed with information with a breakdown in different charts and tables.

Monitoring and alarm

Option to create watch lists of specific shares or funds and set alarm triggers when they reach a specific price.

Tax return

Completing a tax return should be easy. Our customers receive pre-printed forms with everything they need to know about their accounts and transactions for filing purposes.

Signal list

Newsletter with daily buy and sell signals for all publicly listed stocks, emailed to customers so that they can quickly check stock movements. Contains a brief technical analysis of the market.

For more information on our range of products and services, visit our website, avanza.se.

* Interest rate as of 31 December 2017.

Definitions

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

Account

An open account with holdings.

Brokerage income ²⁾

Gross brokerage income less direct costs.

Brokerage per commission note ²⁾

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 ²⁾

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

Capital base ³⁾

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

Client funds ²⁾

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

Commission note

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

Costs to savings capital ratio ²⁾

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

Credit loss level ¹⁾

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

Customer

Individual or company with at least one account with holdings.

Deposits

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

Dividend yield

Dividend per share relative to share price at year-end.

Earnings per share

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

eNPS

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

Equity per share ¹⁾

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

External deposits

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

Income to savings capital ratio ²⁾

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

Investment fund commission ²⁾

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

Lending

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

Net deposits/Savings capital

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

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Net inflow/Savings capital

The year's net inflow in relation to savings capital at the beginning of the year.

Operating expenses ¹⁾

Operating expenses before credit losses.

Operating margin ¹⁾

Operating profit/loss in relation to operating income.

P/E multiple

Share price in relation to earnings per share.

Profit margin ¹⁾

Profit/loss after tax in relation to operating income.

Return on equity¹⁾

Profit/loss after tax in relation to the average shareholders' equity during the year.

Savings capital

The aggregate value of accounts with Avanza.

Stock market

Refers to the share index SIX Return Index, which shows the average performance on the Stockholm Stock Exchange, including dividends.

Solvency capital ³⁾

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

Solvency capital requirement ³⁾

Estimated capital requirements under Solvency 2 rules.

Total return ¹⁾

Movements in share price including reinvested dividends.

Turnover

Turnover in security trading.

¹⁾ Financial key ratio directly cited in the financial reports.

²⁾ Financial key ratio that can be traced in financial histories, published quarterly on avanza.se/keydata.

³⁾ Key ratios reported pursuant to the Swedish Financial Supervisory Authority's regulations and general guidelines, see Note 34 Capital base and capital requirements.

Annual General Meeting

The Avanza Bank Holding AB (publ) ("Avanza") Annual General Meeting will be held in Wallenbergsalen at IVA Konferenscenter, Grev Turegatan 16, in Stockholm on Tuesday 20 March 2018 at 3.00 pm.

Entitlement to participate in the Annual General Meeting

Shareholders shall be entitled to participate in the Annual General Meeting if they:

- are listed in the shareholder register maintained by Euroclear Sweden AB no later than Wednesday, 14 March 2018
- have notified Avanza of their intention to attend the Annual General Meeting no later than 14 March 2018.

How to register as a shareholder

Avanza's shareholder register is maintained by Euroclear Sweden AB. Only owner-registered holdings are listed in the shareholder's own name in the share register.

In order for shareholders with nominee registered shares to be entitled to participate in the Annual General Meeting, the shares must be registered in the shareholder's own name. Such re-registration is to be completed by Wednesday, 14 March 2018. The institution which is responsible for the administration of the shares must be instructed in time to assist the shareholder with this.

Notification of participation

Shareholders must notify Avanza of their intention to participate at the Annual General Meeting by telephone on +46 (0)8 402 90 18, at the Company's website investors.avanza.se/en, or by post to:

Avanza Bank Holding AB
"Årsstämman"
c/o Euroclear Sweden AB
Box 191
101 23 Stockholm

The notification is to include the name, Personal/Corporate Identity Number, and e-mail address or daytime telephone number of the shareholder, as well as details of any assistants.

If a shareholder intends to be represented by proxy, the power of attorney and other authorising documents are to be sent by post to:

Avanza Bank Holding AB
Att: Bolagsjuridik
Box 1399
SE-111 93 Stockholm

Power of attorney forms are available on the Company's website, investors.avanza.se/en, and are sent free of charge, upon request, to shareholders who have submitted their postal address or E-mail address.

Entitlement to submit proposals for inclusion in the Meeting's agenda

Shareholders are entitled to submit items for inclusion in the agenda of Avanza's Annual General Meeting, provided that a written request is submitted to the Board in sufficient time for the item to be included in the Notice convening the Meeting. The shareholders' written request should be submitted to Avanza's Board of Directors no later than Tuesday, 30 January 2018 and should be sent by post to:

Avanza Bank Holding AB
Att: Bolagsjuridik
Box 1399
SE-111 93 Stockholm

Financial calendar

20 **March**
2018
Annual General Meeting

18 **April**
2018
Interim Report January–March

12 **July**
2018
Interim Report January–June

Published

23 **February**
2018
Annual Report 2017

24 **February**
2017
Annual Report 2016

Our financial reports are digitally distributed via the corporate website.

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Corporate web: investors.avanza.se/en

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

