



Preliminary Financial Statement 2018

Avanza Bank Holding AB (publ)

Fourth quarter 2018 compared to fourth quarter 2017

- **Customer growth** was good and 28,600 (42,500) new customers were added
- **Net inflow** improved by 79 per cent to SEK 6,360 million (3,550)
- **Operating income** decreased by 1 per cent due to lower brokerage income and other income, which was partly offset by higher fund commissions and improved net interest income
- **Operating expenses** decreased by 2 per cent, mainly due to lower marketing expenses. The full-year cost increase was 11.1 per cent, in line with guidance
- **The annual cost increase** going forward is estimated at 9-12 per cent, a slightly wider range than the previous guidance of 8-10 per cent. The budgeted figure for 2019 is 10.5 per cent. The aim of the new guidance is to capitalise on new growth opportunities in a responsible way while staying focused on costs
- **Net profit** amounted to SEK 95 million, a decrease of 3 per cent
- The Board of Directors proposes a dividend of SEK 10.50 (10.50) per share
- Avanza was awarded Sweden's most satisfied customers in the savings category for the ninth consecutive year by the Swedish Quality Index
- Avanza was named Bank of the Year by the magazine Privata Affärer and received an award for the Avanza Global fund, named the New Savings Product of the Year
- The holding in Stabelo was increased to nearly 30 per cent
- The Allbright report on Sweden's most gender-equal companies ranked Avanza sixth
- Avanza ranked fifth among Sweden's most recommended brands in the YouGov BrandIndex
- Åsa Mindus Söderlund assumed her position as CEO of Försäkringsaktiebolaget Avanza Pension

Quote from Rikard Josefson, CEO Avanza

"Avanza is for the customers by the employees. This means, in addition to our strong customer engagement, that we handle all development ourselves. To have the flexibility to capitalise on future growth opportunities by staying innovative with a sufficient number of employees, we have widened our cost guidance slightly to an annual cost growth of 9-12%. The budgeted figure for 2019 is 10.5%. At the same time, we are raising our long-term aim to cut the cost to savings capital ratio from 0.20% to nearly 0.16%, with our top international peers as a benchmark."

	Q4 2018	Q3 2018	Change %	Q4 2017	Change %	Jan-Dec 2018	Jan-Dec 2017	Change %
Operating income, SEK m ¹	267	267	0	271	-1	1,049	975	8
Operating expenses, SEK m ¹	-155	-135	15	-157	-2	-594	-535	11
Operating profit, SEK m	111	132	-16	114	-2	453	441	3
Net profit, SEK m	95	106	-11	98	-3	384	379	1
Earnings per share, SEK	3.13	3.54	-11	3.27	-4	12.77	12.66	1
Operating margin, % ¹	42	49	-8	42	-0	43	45	-2
Net inflow, SEK m	6,360	8,380	-24	3,550	79	27,600	26,800	3
No. of new customers (net)	28,600	32,200	-11	42,500	-33	126,500	140,000	-10
Savings capital at the end of the period, SEK m ²	300,000	331,000	-9	282,900	6	300,000	282,900	6

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

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

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

Avanza in brief

This is Avanza

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

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

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

An investment in growth

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

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

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

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



Vision & business model

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

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

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

Long-term targets

Satisfied customers:

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

Satisfied employees:

- eNPS (Employee Net Promoter Score) of at least 45

Long-term value growth:

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

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

CEO comment

Challenging quarter with a strong start but less risk tolerance toward the end

At the very least, the fourth quarter can be described as challenging. We started with high activity in October, even though the stock market was bearish. Since then concerns have grown, fuelled by continued political uncertainty, protectionism and Brexit. These circumstances created turbulence and ambiguous signs for customers to act on. One day it looked like a housing crash was imminent and the next it was stocks that were about to collapse, but in between there were hints that perhaps there was still some potential left on the upside. Clear signs were that investors reduced their risk and increased liquidity. Activity fell drastically in the latter part of the quarter as well. Despite market conditions, Avanza posted satisfactory growth during the quarter in both net inflow and number of customers. We continue to think long term and are working to improve our offer, which is why we launched the world's cheapest margin loan, with a 0% interest rate. Moreover, we implemented a stop-loss function for our most active customers in the trading application they use. Although we do so much for the large majority, we won't forget those customers who may not be as many in number, but who trade actively.

Further recognition from our customers

During the quarter, we were pleased to win the Swedish Quality Index's award for "Sweden's most satisfied customers" for the ninth consecutive year. Receiving this recognition again feels fantastic and gives us a boost of energy to do even more. Another great award was Bank of the Year from the magazine Privata Affärer. We see this as proof that our customer-centric strategy is working. Privata Affärer also gave us an award for New Savings Product of the Year for the launch of the Avanza Global fund. Avanza Global shows that we are willing to go beyond the ordinary to help our customers, and it is great to be acknowledged. During the quarter, the rate on our external mortgage was cut to 1.09%, which can be seen in lending growth. After the end of the quarter and as a result of the higher interest rate level, the rate was raised to 1.34%, which is a highly competitive offer. Our mortgage business, like everything we do, is long-term venture, and we are aware that we are just at the beginning.

Adjusted cost guidance provides flexibility when the industry changes

Profit for the fourth quarter was SEK 95 million, down from the third quarter, which has seasonally low costs. Income was unchanged compared to the third quarter. Full-year profit was slightly higher than in 2017 despite a cost increase of 11.1%, in line with our guidance. The recruitment of new employees has progressed beyond expectations and we hope to have most of them in place in the first quarter. Because of the slightly higher rate of investment, we did not reach our target to have income growth outpace cost growth. In addition, we have seen less willingness among customers to take on risk due to stock market uncertainty. Encouragingly, our growth strategy with more fund customers has produced results, even though our fund income was lower than the third quarter due

to market conditions. Fund commissions accounted for 29% of income for the full year, compared to 25% in 2017 and only 18% the year before.

One thing that clearly sets Avanza apart from many others is that we do all development ourselves. As a result, personnel related costs account for over 70% of our total cost base. A large part of the rest is tied to our website and offering and is difficult to influence. To deliver on our customer promise, more to you and less to the bank, cost efficiency and increased scalability are critical. In the last five years, we have successfully reduced the cost to savings capital ratio from 0.35% to 0.20%, and our aim is to cut it further. Here we have our top international peers as a benchmark, which means a cost to savings capital ratio of close to 0.16% long term. Digitisation is increasing and we are seeing customer preferences change. This is, and has always been, an important reason why we do not plan too far into the future and stay flexible and open to what happens in the world. Over the years, our guidance has called for a cost increase of 8-10%. We are now increasing that slightly to 9-12%, to have the flexibility to take advantage of future growth opportunities and ensure high pace of innovation. The budgeted figure for 2019 is currently at 10.5%. The new guidance allows us to capitalise on new growth opportunities in a responsible way while staying focused on costs. Today we have a broader offer and still a lot to develop and improve, which requires many engaged employees. We will never allow ourselves to be steered by short-term considerations in our long-term vision and are convinced that this is the right decision from both a customer and shareholder perspective.

The key to customer satisfaction is a culture that always puts the customer first

Our strength is our culture and employees. This is why I am proud to say that the employee pulse survey result improved significantly and we nearly reached our ambitious eNPS target of 45. Our score ended up being 44 (33) and shows that we are in the right direction.

During the quarter, 14 new employees joined us. It is essential that the right people with the right attitude are coming to Avanza, and it is fantastic to see how quickly they commit to our culture and way of seeing the world. In early December, Jesper Bonnier was named the new CEO of Avanza Fonder. After touring the building, Jesper looked at me and said that everyone seems so unbelievably engaged and open-minded. Yes, Jesper, that is our formula for success.

Avanza is for the customers by the employees, and we look forward to our continued journey.

Stockholm, 17 January 2019



Rikard Josefson, CEO Avanza

Operations

Activity and market shares

The Stockholm Stock Exchange fell by 14 per cent in the fourth quarter and the SIX Return Index finished the year with a decline of 4 per cent. Volatility increased considerably.

Total turnover and the number of transactions on the Stockholm Stock Exchange including First North rose by 14 per cent in the quarter, despite fewer trading days. October trading was especially high. Among Avanza's customers, turnover increased by 4 per cent and the number of transactions by 2 per cent on these marketplaces.

Avanza was the largest Swedish player on the Stockholm Stock Exchange including First North in the fourth quarter in terms of number of transactions and the second largest Swedish player in terms of turnover. Avanza's market share, however, decreased in the quarter in terms of both turnover and number of transactions, while foreign institutions' market share increased.

The fund market showed an outflow in the quarter, which was also reflected among Avanza's customers.

The Riksbank decided in December to raise the repo rate by 25 basis points on 9 January 2019 to -0.25 per cent. The Riksbank's own forecast indicates that the next repo rate hike will be in the second half of 2019.

Events during the fourth quarter

Early in the fourth quarter, Avanza improved its existing margin loan by offering 0 per cent interest for customers with a maximum loan to value ratio of 10 per cent and up to SEK 50,000, with eligible securities as collateral. At the same time, the rate was cut for customers with a loan to value ratio up to 25 per cent. The improved offer has been well received and more customers today have credit agreements. This has likely contributed to a steady volume of margin loans despite market conditions and the reluctance of customers to take on risk.

Avanza was the first bank in the world to let customers to filter and select funds with a low carbon footprint. The classification is done using a new, independent risk measure from Morningstar.

Satisfied customers are Avanza's most important target, and in December Avanza received an award for Sweden's most satisfied customers in the savings category for the ninth consecutive year, according to the Swedish Quality Index.

The magazine *Privata Affärer* named Avanza the Bank of the Year and the global index fund Avanza Global was named the New Savings Product of the Year.

According to the YouGov BrandIndex, which was published during the quarter, Avanza is the second most recommended Swedish brand in Sweden, regardless of category.

In October, the Allbright Foundation presented its report on Sweden's most gender-equal companies. Avanza placed sixth on the list. Only 47 companies qualified.

Avanza's offer is continuously updated with new functions and improvements to enhance the user experience. During the quarter, "My fund portfolio analysis" was introduced, giving customers exciting insight and a deeper understanding of their fund holdings. For more active traders, a stop-loss function was added in the trading tool Infront as well.

Stabelo, which Avanza has owned an interest in since 2017, completed a new share issue, in connection with which Avanza increased its holding to nearly 30 per cent from just under 20 per cent.

Performance on targets 2018

- Received Swedish Quality Index's reward for Sweden's most satisfied savings customers for the ninth consecutive year.
- Achieved a market share of 11 per cent of the total net inflow to the Swedish savings market during the period October 2017 – September 2018, exceeding the target of at least 10 per cent.
- Added 126,500 new customers, which is a great step towards the target of one million customers 2020.
- The Board of Directors proposes a dividend payout of 83 per cent of net profit, which compares to the dividend policy of at least 70 per cent.
- Operating expenses increased by 11 per cent, which outpaced income growth. This is a result of Avanza's deliberate investments for the future and increased investments to maintain strong growth. Over the long term, income growth is expected to exceed cost increases.
- Employee Net Promoter Score of 44. Significantly improved from previous year and shows a very strong ambassadorship, even if the result was just under the target of 45.

Development of customers and savings capital

During the quarter, 28,600 new customers were added. The number of occupational pension customers grew by 4,000. The total number of new customers for the full year was 126,500, the second highest annual growth in Avanza's history. By year-end the number of customers amounted to 837,100, which is a great step towards the goal of 1 million customers 2020.

The net inflow in the fourth quarter was affected by the declining market and was 24 per cent lower than the inflow in the previous quarter. The net inflow from existing customers lowered during the quarter and accounted for 40 per cent, compared to 48 per cent in the third quarter. Among Private Banking and Pro customers there was a net outflow due to higher risk aversion as well as tax payments. The largest percentage of the net inflow was to external deposit accounts. Compared to the fourth quarter of 2017, which was negatively affected by several large individual withdrawals, the net inflow increased by 79 per cent. The net inflow for the full year amounted to SEK 27.6 billion, which exceeded the previous year by 3 per cent and was the highest annual inflow to date.

Savings capital fell by 9 per cent in the quarter due to the negative stock market development. The reluctance of customers to take on risk is reflected in total deposits, which increased by SEK 7.3 billion, of which SEK 4.1 billion related to external deposits. Liquidity as a share of savings capital was 19.3 per cent at the end of the period, 4.0 percentage points higher than the beginning of the quarter. At the end of the period, customer capital invested in funds decreased to 27 per cent, which was 2 percentage points lower compared to the beginning of the quarter.

Total lending grew by 12 per cent in the fourth quarter to SEK 14.6 billion. External mortgage volume through the co-operation with Stabelo amounted to SEK 4.2 billion at the end of the quarter. The offer was launched on a limited scale in mid-November 2017 and made available to the public in early April. The internally financed mortgage for Private Banking customers amounted to nearly SEK 6 billion, an increase of 4 per cent in the quarter. Margin lending decreased slightly.

Activity and market shares	2018 Q4	2018 Q3	Change %	2017 Q4	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Total no. commission notes, thousands	9,130	9,100	0	8,420	8	35,900	30,800	17
Total no. commission notes/customer/month	3.5	3.6	-3	3.8	-8	3.6	3.8	-5
Total turnover, SEK m	188,700	186,200	1	180,800	4	738,200	705,400	5
Market shares								
<i>Nasdaq Stockholm and First North:</i>								
No. transactions, %	11.7	13.2	-1.5	14.4	-2.7	11.9	14.2	-2.3
Turnover, %	5.6	6.1	-0.5	5.5	0.1	5.5	5.9	-0.4
Net inflow, SEK m	2018 Q4	2018 Q3	Change %	2017 Q4	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Standard	6,880	7,180	-4	6,600	4	26,300	27,090	-3
Private Banking	-480	770	-162	-2,880	-	730	-930	-
Pro	-40	430	-109	-170	-	570	640	-11
Net inflow	6,360	8,380	-24	3,550	79	27,600	26,800	3
Equity & investment fund accounts	2,050	1,360	51	-1,010	-	4,570	130	3,761
Investment savings accounts	930	4,030	-77	3,820	-76	12,300	17,900	-31
Savings accounts	4,240	1,260	237	640	563	6,930	3,400	104
of which external deposit accounts	4,100	1,290	218	640	541	6,850	3,490	96
Pension- & insurance-based accounts	-860	1,730	-150	100	-960	3,800	5,370	-29
of which endowment insurance	-1,830	950	-293	-800	-	460	2,330	-80
of which occupational pensions	950	760	25	870	9	3,330	3,050	9
Net inflow	6,360	8,380	-24	3,550	79	27,600	26,800	3
Net inflow/Savings capital, % ¹	8	11	-3	5	3	10	11	-1
No. customers, savings capital and lending, SEK m (unless otherwise stated)	31-12-2018	30-09-2018	Change %	31-12-2017	Change %			
Standard, No.	810,990	783,180	4	687,770	18			
Private Banking, No.	24,200	23,500	3	21,100	15			
Pro, No.	1,910	1,820	5	1,730	10			
No. of customers	837,100	808,500	4	710,600	18			
of which occupational pension customers, No.	77,700	73,800	5	63,700	22			
Standard	166,400	181,300	-8	157,170	6			
Private Banking	122,000	136,900	-11	115,800	5			
Pro	11,600	12,800	-9	9,930	17			
Savings capital¹	300,000	331,000	-9	282,900	6			
Equity & investment fund accounts	94,900	105,000	-10	93,400	2			
Investment savings accounts	94,200	106,900	-12	85,800	10			
Savings accounts	19,900	15,700	27	12,900	54			
of which external deposit accounts	19,000	14,900	28	12,100	57			
Pension- & insurance-based accounts	91,000	103,400	-12	90,800	0			
of which endowment insurance	61,800	71,900	-14	63,600	-3			
of which occupational pensions	18,600	19,800	-6	16,100	16			
Savings capital¹	300,000	331,000	-9	282,900	6			
Equities, bonds, derivatives, etc.	161,000	185,000	-13	159,500	1			
Investment funds	81,100	95,400	-15	80,200	1			
Deposits	57,900	50,600	14	43,200	34			
of which external deposits	19,000	14,900	28	12,100	57			
Savings capital¹	300,000	331,000	-9	282,900	6			
Internally financed lending	10,400	10,100	3	9,510	9			
of which margin lending	4,370	4,380	-0	4,230	3			
of which mortgage loans (Superbolånet PB)	5,980	5,760	4	5,280	13			
External mortgage volume (Bolån+)	4,210	2,890	46	-	-			
Lending	14,600	13,000	12	9,510	54			
Deposits/Lending, %	557	501	56	454	103			
Net deposits/Savings capital, % ¹	16	12	4	12	4			
Return, average account since 1 Jan, % ¹	-4	9	-13	6	-10			
SIX Return Index since 1 Jan, %	-4	11	-15	9	-13			

1) The definition of savings capital has from 2018 been changed compared to what has been previously reported and lending is no longer deducted. Historical figures have been adjusted for comparability. For definitions see page 20.

Financial overview

	2018 Q4	2018 Q3	Change %	2017 Q4	Change %	2018 Jan-Dec	2017 Jan-Dec	Change %
Income Statement, SEK m								
Net brokerage income	111	111	0	122	-9	435	449	-3
Fund commissions	74	81	-9	64	14	301	240	26
Net interest income	29	31	-5	27	11	119	108	10
Other income ¹	53	44	19	58	-9	194	179	8
Operating income¹	267	267	0	271	-1	1,049	975	8
Personnel	-97	-83	17	-98	-2	-367	-340	8
Marketing ¹	-4	-5	-23	-8	-52	-17	-18	-8
Depreciation	-5	-5	5	-3	74	-20	-12	62
Other expenses	-49	-42	16	-48	2	-190	-164	16
Operating expenses before credit losses¹	-155	-135	15	-157	-2	-594	-535	11
Profit before credit losses	112	133	-15	114	-1	455	441	3
Credit losses, net	0	0	-	0	-	-1	0	-
Profit/loss from participations in associated companies	-1	-	-	-	-	-1	-	-
Operating profit	111	132	-16	114	-2	453	441	3
Tax on profit for the period	-16	-26	-36	-16	6	-69	-63	10
Net profit	95	106	-11	98	-3	384	379	1
Key ratios								
Operating margin, % ¹	42	49	-8	42	-0	43	45	-2
Profit margin, % ¹	36	40	-4	36	-1	37	39	-2
Earnings per share, SEK	3.13	3.54	-11	3.27	-4	12.77	12.66	1
Earnings per share after dilution, SEK	3.12	3.53	-12	3.27	-5	12.73	12.66	1
Return on shareholders' equity, %	24	30	-6	28	-5	27	30	-3
Credit loss level, %	-0.00	-0.00	0.00	0.00	-0.00	-0.01	0.00	-0.01
Investments, SEK m	46	9	434	16	197	71	50	42
Net brokerage income/Operating income, % ¹	42	42	0	45	-3	41	46	-5
Fund commissions/Operating income, % ¹	28	30	-3	24	4	29	25	4
Net interest income/Operating income, % ¹	11	12	-1	10	1	11	11	0
Other income/Operating income, % ¹	20	17	3	21	-2	19	18	0
Income to savings capital ratio, % ¹	0.34	0.33	0.00	0.38	-0.05	0.35	0.37	-0.02
Costs to savings capital ratio, % ¹	0.20	0.17	0.03	0.22	-0.03	0.20	0.20	-0.00
Income per customer, SEK ¹	1,300	1,350	-4	1,570	-17	1,350	1,530	-12
Costs per customer, SEK ¹	-750	-680	11	-910	-18	-760	-840	-9
Net brokerage income per trading day, SEK m	1.8	1.7	6	1.9	-7	1.8	1.8	-3
Brokerage per commission note, SEK	32	30	5	33	-5	31	34	-8
Brokerage/Turnover, %	0.098	0.099	-0.001	0.103	-0.005	0.098	0.096	0.002
No. trading days	61.5	65.0	-5	62.5	-2	247.5	249.0	-1
Average no. employees	419	412	2	398	5	406	383	6
Web service operational availability, %	100.0	100.0	-	99.8	0.2	100.0	99.9	0.1

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

Key ratios	31-12-2018	30-09-2018	Change %	31-12-2017	Change %
Shareholders' equity per share, SEK	54.48	50.48	8	47.57	15
Capital base/Capital requirement	1.37	1.34	2	1.55	-12
No. employees	422	416	2	390	8
Market value, SEK	423.60	404.80	5	344.10	23
Market capitalisation, SEK m	12,800	12,300	4	10,300	24

For definitions see page 20.

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

Fourth quarter compared to the previous quarter

Operating profit for the fourth quarter decreased by 16 per cent compared to the previous quarter, due to higher costs. The operating margin lowered to 42 per cent.

Revenues

Total revenues were in line with the previous quarter.

Brokerage income was stable, while fund commissions and net interest income decreased. Other income increased.

Net brokerage income was unchanged, despite fewer trading days compared to the previous quarter. The number of commission-generating notes decreased by 4 per cent, while turnover in commission-generating notes was basically unchanged. Brokerage income per SEK of turnover fell marginally.

Fund commissions decreased by 9 per cent due to negative growth in fund capital and net outflow. Income per SEK of fund capital decreased slightly to 33 basis points annually, a result of a reduced share of equity and sector funds.

Net interest income decreased by 5 per cent, mainly due to lower average interest rate on margin lending, but also due to higher costs for the state deposit guarantee. In the third quarter, an adjustment was made for a lower annual deposit guarantee than estimated, which produced a positive one-off effect. Deposits increased, generating slightly higher costs to invest surplus liquidity, though this was partly compensated by higher income from external deposit accounts.

Other income, mainly consisting of currency-related income, income from Avanza Markets and Corporate Finance, increased by 19 per cent compared to the third quarter. The increase was mainly due to higher income from Corporate Finance, which was seasonally low in the third quarter. Income from Avanza Markets also increased, while currency-related income decreased due to lower trading in foreign funds. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 10 per cent of turnover, slightly lower than in the third quarter. Currency-related income accounted for SEK 31 million of other income, Avanza Markets for SEK 18 million and income from Corporate Finance for just over SEK 7 million.

Operating expenses

Operating expenses increased by 15 per cent, mainly due to a return to a normal level after seasonally lower personnel costs in the third quarter.

Result from participations in associated companies

Stabelo, in which Avanza has been a part-owner since 2017, completed a new share issue during the quarter, in connection with which Avanza increased its holding to nearly 30 per cent from just under 20 per cent. As of the fourth quarter, Stabelo is therefore classified as an associated company in Avanza's accounts. Stabelo's results are included in the consolidated accounts in accordance with the equity method.

A market valuation of the Stabelo shareholding was made as of 31 December 2018, as a result of which book value increased by a total of SEK 50 million, of which SEK 40 million affects the Parent Company's and the Group's total result for the quarter according to the specification on pages 11, 12 and 13.

Taxes

The tax during the fourth quarter decreased due to a one-off effect in the third quarter. This was related to the Swedish Tax Agency decision to tax Avanza Pension for intermediary commissions. This resulted in an increased tax expense of SEK 4 million for the years 2016 and 2017 and SEK 2 million for 2018, which is reflected in the tax for the third quarter.

As previously announced, the Swedish parliament decided to lower the corporate tax rate, which will be done in two steps from 22 to 20.6 per cent from 2019 to 2021. In the first two years, the tax will be cut to 21.4 per cent, and then to 20.6 per cent. The Avanza Group's effective tax rate is between 14 and 15 per cent, and consequently only around 75 per cent of the tax cut will have an impact, based on current volumes.

Full year 2018 compared to full year 2017

Operating profit increased by 3 per cent compared to 2017. Income growth did not outpace cost growth, which resulted in operating margin lowered to 43 per cent.

Revenues

Revenues increased mainly as a result of higher fund commissions, but also improved net interest income and higher other income. Net brokerage income decreased by 3 per cent.

Net brokerage income decreased due to lower turnover in commission-generating notes and higher transaction costs, mainly for foreign trading. The number of commission-generating customers and notes increased. Customers are trading securities at lower volumes and in lower brokerage fee classes. Brokerage income per SEK of turnover was thus 2 basis points higher than in 2017.

Fund commissions increased by 26 per cent mainly due to a strong fund inflow, in line with Avanza's growth ambitions. Fund commissions accounted for 29 per cent of total income, compared to 25 per cent in 2017.

Net interest income increased mainly due to higher lending. The average STIBOR (3M) rate was 11 basis points higher than last year, which resulted in lower costs for surplus liquidity. In 2018, the resolution fee has been increased, raising full-year costs by SEK 3 million. The percentage rate to calculate the resolution fee will be reduced in two steps, from 0.125 to 0.09 per cent in 2019 and 0.05 per cent in 2020. The deposit guarantee fee and resolution fee amounted to SEK 29.6 million for the year. The repo rate in 2018 was -0.50 per cent, unchanged from the previous year. All else being equal, without taking changes in customer behavior into account, a 1 percentage rate increase with today's volumes would affect full-year net interest income by over SEK 250 million. In late December, the Riksbank announced that the repo rate would be raised by 25 basis points on 9 January 2019 to -0.25 per cent. This repo rate hike has no impact on the mortgage offer for private banking customers. The margin loan is not directly tied to the repo rate and instead is adjusted based on overall interest rate levels and the competition.

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

Operating expenses

Operating expenses increased by 11 per cent due to higher personnel costs and higher other expenses. The cost increase was in line with communicated guidance.

Personnel costs rose due to an increased number of employees, mainly to expanded development capacity. Other expenses increased as a result of added office space and IT costs associated with regulatory changes, not least Mifid2 and GDPR.

Depreciation was higher due to the new trading system, which began being depreciated in the third quarter of 2017.

Digitisation with changing customer behaviours and expectations are critical for why Avanza does not plan its development too far into the future and instead tries to be flexible and open to what happens in the world. To have the flexibility to take advantage of future growth opportunities and ensure high pace of innovation, the guidance on Avanza's annual cost increase is widened slightly to 9-12 per cent, from 8-10 per cent previously. The guidance allows Avanza to capitalise on new growth opportunities in a responsible way

while staying focused on costs, benefitting both customers and shareholders.

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

Credit losses

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

Seasonal effects

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

Future outlook

Avanza's share of the Swedish savings market is growing, and Avanza is well-positioned to meet the changing conditions facing the financial services industry. Increased transparency and a greater focus on the impact of fees on savings in a low interest rate environment, coupled with the gradual deterioration of national collective pension and welfare systems, create a favourable growth outlook for Avanza.

The increased transparency and fragmentation from new competition in the banking market in both savings and mortgages increase the importance of customer satisfaction, a strong brand and innovation. This has been accentuated by digitisation, which makes it easier for customers to switch banks, at the same time that mobile usage has made them more active. Avanza expects these trends and changes to continue to drive development in the future with regard to digitisation, customer offers and digital decision-making support.

Avanza's growth objective going forward is to attract broader target groups – experienced and established investors as well as new ones. Avanza's modern platform, low prices and broad range of products and services provide ample opportunity to meet savers' changing needs and habits. In addition, Avanza's growth objectives in pensions and mortgages are expected to reduce sensitivity to market fluctuations.

When interest rates turn higher, Avanza is likely to benefit from the big increase in savings capital, even if stock market activity levels off.

Read more in the Annual Report at investors.avanza.se/en.

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016
Net brokerage income	111	111	92	122	122	106	100	122	122
Fund commissions	74	81	74	72	64	62	61	53	48
Net interest income	29	31	29	29	27	25	27	29	31
Other income ¹	53	44	49	48	58	34	46	41	45
Operating income¹	267	267	244	271	271	227	234	244	245
Personnel	-97	-83	-97	-90	-98	-74	-87	-82	-83
Marketing ¹	-4	-5	-3	-5	-8	-4	-2	-4	-9
Depreciation	-5	-5	-5	-5	-3	-5	-2	-2	-2
Other expenses	-49	-42	-48	-52	-48	-41	-39	-36	-34
Operating expenses before credit losses¹	-155	-135	-153	-152	-157	-123	-131	-124	-128
Operating profit	111	132	90	120	114	104	103	121	117
Operating margin, % ¹	42	49	37	44	42	46	44	49	48
Earnings per share, SEK	3.13	3.54	2.64	3.45	3.27	2.97	2.97	3.46	3.39
Shareholders' equity per share, SEK	54.48	50.48	43.79	41.62	47.57	44.30	39.75	36.78	43.83
Return on shareholders' equity, %	24	30	25	31	28	28	31	34	32
Net inflow	6,360	8,380	4,840	7,960	3,550	5,900	8,710	8,620	6,210
No. of new customers (net)	28,600	32,200	23,300	42,400	42,500	31,200	27,900	38,400	29,300
No. of customers at the end of the period ²	837,100	808,500	776,400	753,100	710,600	668,100	636,900	609,000	570,600
Savings capital at the end of the period ²	300,000	331,000	307,100	288,700	282,900	281,000	270,300	255,100	239,100
Income to savings capital ratio, % ¹	0.34	0.33	0.33	0.38	0.38	0.33	0.36	0.40	0.42
Costs to savings capital ratio, % ¹	0.20	0.17	0.21	0.21	0.22	0.18	0.20	0.20	0.22

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

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

Financial position

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

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

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

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and 2018 total credit losses amounted to SEK 11 million, which is the equivalent, on average, to less than 0.03 per cent per year.

Significant risks and uncertainly factors

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

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

A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2017, Note 35 and pages 28-30. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this report.

The Parent Company Avanza Bank Holding AB (publ)

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

A dividend payment, related to 2017, of SEK 315 million (SEK 313m) has been made to the shareholders in March 2018, following the decision at the Annual General Meeting.

Capital surplus

SEK m	31-12-2018	31-12-2017 ⁴
Capital base		
Shareholders' equity, the Group	1,649	1,427
Solvency capital ¹	909	2,523
Less non-distributable solvency capital ²	-138	-960
Subordinated bond ³	72	99
Intangible fixed assets and deferred tax receivables	-85	-89
Capital base before dividend adjustments	2,407	3,001
Capital requirements		
Capital requirement Pillar 1 ⁴	-1,254	-2,018
of which Solvency capital requirements ¹	-771	-1,563
Buffer requirement ⁴	-293	-254
Capital requirement Pillar 2	-83	-81
Capital requirements	-1,629	-2,352
Capital surplus before dividend	778	648
Capital surplus per share, SEK	25.70	21.61

1) For 2018, assumptions for calculating Solvency capital and Solvency capital requirements have been revised. See also Note 4, page 16.

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

3) A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. See also Note 4, page 16.

4) A reinterpretation has been made in the calculation of the capital requirement for a credit facility to Stabelo AB, which has also been reported to the Swedish Financial Supervisory Authority. See also note 5, page 17. The facility was terminated during the second quarter of 2018.

Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the shareholders' equity. See also Note 4, page 16.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 778 million as of 31 December 2018.

The Solvency 2 rules means that the conglomerate's largest sector is insurance. Due to this, the Group's capital

base is increased by additional solvency capital at the same time that the capital requirement rises. The net effect, which is positive, does not constitute distributable capital, however, due to which this is deducted as non-distributable solvency capital.

Other corporate events

Board of Directors and Executive Management

The Annual General Meeting on 20 March 2018 resolved to elect Viktor Fritzén as a new board member. The other board members were re-elected together with the Chairman of the Board.

On 1 March 2018, Gunnar Olsson joined Group Management and took up his duties as COO. Gunnar has nearly 20 years of experience from the Swedish banking market and was most recently with Länsförsäkringar Bank, where he in the last three years has been responsible for digitisation issues and the bank's development portfolio.

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

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

Annual General Meeting 2019

The Annual General Meeting of the company's shareholders will be held at Nalen, Regeringsgatan 74 in Stockholm on Tuesday 19 March 2019, at 15.00 CET. The Annual Report is scheduled to be made available at the company's office and on the website, investors.avanza.se/en, on 22 February 2019.

Nomination committee

The Nomination Committee comprises the Chairman of the Board Sven Hagströmer, Erik Törnberg representing Creades AB, Sean Barrett representing HMI Capital, LLC and Magnus Dybeck representing the Dybeck family and companies. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, visit Avanza's website investors.avanza.se/en.

Dividend

The Board of Directors proposes a dividend of SEK 10.50 (SEK 10.50) per share, which corresponds to 83 (83) per cent of net profit. The dividend shall amount to at least 70 per cent of net profit long term.

Incentive programmes

Sub-programme 2 of the warrant programme authorized by the Extraordinary General Meeting on 13 June 2014 had exercise period from 27 August 2018 to 3 September 2018. After recalculation of the warrant programme the exercise price was SEK 391.60 per share and 276,774 shares were possible to subscribe for. 276,774 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 31 December 2018 amounts to 30,272,996.

The Annual General Meeting 2018 authorised a new incentive programme based on warrants. The programme comprises a maximum of 450,000 warrants, each of which grants entitlement to subscribe for one share in the company. If all the warrants are exercised, the company's share capital will increase by a maximum of SEK 1,125,000, corresponding to a dilution effect of 1.5 per cent. 126,200 warrants were subscribed by employees of the Group. The programme has an exercise price of SEK 504.30 per share and the expiration date is 2 September 2021. The warrant programme has been implemented on market terms.

Repurchase of the company's own shares

On 20 March 2018, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during 2018 and the company holds no repurchased shares as of 31 December 2018.

Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2017, Note 36.

The credit facility to Stabelo AB for a maximum of SEK 350 million was terminated during the second quarter of 2018. No other significant changes have taken place since the publication of the Annual Report.

Significant events after the end of the reporting period

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

Consolidated Income Statements

SEK m	2018 Q4	2017 Q4	2018 Jan-Dec	2017 Jan-Dec
Operating income				
Commission income	284	290	1,111	1,023
Commission expenses ²	-49	-47	-183	-157
Interest income	64	56	241	218
Interest expenses	-34	-29	-122	-110
Net result of financial transactions	2	0	2	2
Other operating income	0	0	0	0
Total operating income²	267	271	1,049	975
Operating expenses				
General administrative expenses	-140	-144	-541	-489
Depreciation of tangible and intangible fixed assets	-5	-3	-20	-12
Other operating expenses ²	-9	-10	-34	-34
Total operating expenses before credit losses²	-155	-157	-594	-535
Operating profit before credit losses	112	114	455	441
Credit losses, net	0	0	-1	0
Profit/loss from participations in associated companies	-1	-	-1	-
Operating profit	111	114	453	441
Tax on profit for the period	-16	-16	-69	-63
Net profit¹	95	98	384	379
Earnings per share, SEK	3.13	3.27	12.77	12.66
Earnings per share after dilution, SEK	3.12	3.27	12.73	12.66
Average no. shares before dilution, thousands	30,273	29,996	30,086	29,890
Average no. shares after dilution, thousands	30,411	29,996	30,165	29,890
Outstanding no. shares before dilution, thousands	30,273	29,996	30,273	29,996
Outstanding no. shares after dilution, thousands	30,329	29,996	30,329	29,996
No. shares upon full dilution, thousands	31,663	31,426	31,663	31,426

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

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

Consolidated statement of comprehensive income

SEK m	2018 Q4	2017 Q4	2018 Jan-Dec	2017 Jan-Dec
Net profit	95	98	384	379
Items that will be reversed to the income statement				
Changes in value of available-for-sale assets	-30	-	-39	-
Tax on changes in value of available-for-sale assets	7	-	9	-
Items that will not be reversed to the income statement				
Changes in value of associated companies ¹	40	-	40	-
Tax on changes in value of associated companies	-	-	-	-
Other comprehensive income after tax	16	-	9	-
Total comprehensive income after tax²	111	98	394	379

1) Book value of the holdings in Stabelo has been set at market value based on the transaction made during the fourth quarter 2018.

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

Consolidated Balance Sheets

SEK m	Note	31-12-2018	31-12-2017
Assets			
Balances at central banks		2,907	–
Lending to credit institutions	1	914	1,731
Lending to the public	2	10,339	9,507
Bonds		16,958	14,420
Shares and participations		1	22
Shares and participations in associated companies		116	–
Assets in insurance operations		86,457	86,041
Intangible fixed assets		84	88
Tangible fixed assets		40	30
Other assets		4,104	4,113
Prepaid costs and accrued income		221	168
Total assets		122,138	116,120
Liabilities and shareholders' equity			
Deposits by the public		33,317	27,901
Liabilities in insurance operations		86,458	86,041
Other liabilities		508	544
Accrued costs and prepaid income		107	107
Subordinated liabilities		100	99
Shareholders' equity		1,649	1,427
Total liabilities and shareholders' equity		122,138	116,120

Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
Shareholders' equity 31-12-2016	75	449	–	784	1,308
Total comprehensive income for the period	–	–	–	379	379
Transactions with owners					
Dividend paid	–	–61	–	–252	–313
New issue (exercise of warrants)	0	49	–	–	50
Warrants issue	–	4	–	–	4
Shareholders' equity 31-12-2017	75	442	–	910	1,427
Shareholders' equity 31-12-2017	75	442	–	910	1,427
Adjustment of shareholder's equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)					
Increased provision for anticipated credit losses in accordance with IFRS 9	–	–	–	–3	–3
Valuation of bonds at fair value through other comprehensive income	–	–	24	–	24
Revaluation of shares and participations ¹	–	–	10	–	10
Adjusted shareholders' equity 01-01-2018	75	442	34	907	1,458
Net profit for the period	–	–	–	384	384
Other comprehensive income for the period	–	–	–40	50	9
Total comprehensive income for the period	–	–	–40	434	394
Transactions with owners					
Dividend paid	–	–70	–	–245	–315
New issue (exercise of warrants)	1	108	–	–	108
Warrants issue	–	5	–	–	5
Shareholders' equity 31-12-2018	76	484	–6	1,096	1,649

1) Changed compare to previous reported. See also Accounting principles, page 14.

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

Consolidated Cash Flow Statements

SEK m	2018 Q4	2017 Q4	2018 Jan-Dec	2017 Jan-Dec
Cash flow from operating activities before changes in operating activities' assets and liabilities	-66	-880	476	-2,080
Cash flow from operating activities' assets and liabilities	1,708	326	4,419	3,793
Cash flow from investment operations	157	698	-2,577	-1,226
Cash flow from financial operations	0	0	-202	-259
Cash flow for the period	1,799	145	2,116	228
Liquid assets at the beginning of the period ¹	1,998	1,536	1,681	1,453
Liquid assets at the end of the period ¹	3,797	1,681	3,797	1,681

1) Liquid assets are defined as balances at central banks plus lending to credit institutions excluding pledged assets. At the end of the period SEK 24 million (SEK 50m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

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

Parent Company statement of comprehensive income

SEK m	2018 Jan-Dec	2017 Jan-Dec
Net profit/loss for the period	267	248
Items that will not be reversed to the income statement		
Changes in value of associated companies ¹	40	-
Tax on changes in value of associated companies	-	-
Other comprehensive income after tax	40	-
Total comprehensive income after tax	307	248

1) Book value of the holdings in Stabelo has been set at market value based on the transaction made during the fourth quarter 2018.

Parent Company Balance Sheets

SEK m	31-12-2018	31-12-2017
Assets		
Financial fixed assets	533	430
Current receivables ¹	337	325
Liquid assets	1	0
Total assets	871	755
Shareholders' equity and liabilities		
Restricted shareholders' equity	76	75
Non-restricted shareholders' equity	779	670
Current liabilities	16	10
Total shareholders' equity and liabilities	871	755

1) Of which receivables from subsidiaries SEK 336 million (SEK 324m as of 31-12-2017).

Accounting principles

The Preliminary Financial Statement for the Group has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Preliminary Financial Statement for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR 2) has been applied. As of 1 January 2018, Avanza applies IFRS 9 Financial Instruments, which replaces the portions of IAS 39 that address the classification and measurement of financial instruments, and IFRS 15 Revenue from Contracts with Customers.

The liquidity portfolio that was recognised according to "Held to maturity" through 31 December 2017 is classified according to "Fair value via Other comprehensive income" as of 1 January 2018. On 31 December 2017, the book value of bonds amounted to SEK 14,420 million and the market value to SEK 14,451 million, which becomes the reclassified value as opening balance 2018 for "Bonds" with simultaneous impact on deferred tax liabilities of SEK 7 million and "Shareholders equity" of SEK 24 million, (net after tax). See also table "Changes in the Group's shareholders' equity" regarding transition effects on page 12.

During the fourth quarter the opening balance for 2018 has been adjusted with a revaluation of the holding in Stabelo Group AB (then shares and participations) of SEK 10 m from SEK 21 million as of 31 December 2017 to SEK 31 million as of 1 January 2018, as indicated in the table "Changes in the Group's shareholders' equity" relating to transition effects on page 12. This adjustment has not been included in previous interim reports and is an effect of the transition to IFRS 9. In the fourth quarter of 2018, the holding in Stabelo Group AB was reclassified to shares and participations in associated companies.

Accounting principles for these new standards can be found in the 2017 Annual Report on pages 59-61. Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the 2017 Annual Report.

IFRS 16 Leasing is affective from the financial year 2019. Avanza applies the simplified transition method and the main impact on Avanza's accounts arise from the reporting of lease contracts for premises. The opening effect on the consolidated balance sheet as of 1 January 2019 is that a lease asset (right-of-use asset) and a lease liability are added, each at SEK 119 million.

The information on pages 1-10 is an integrated part of this financial report.

Notes

Note 1 Lending to credit institutions

Client fund receivables, attributable to banking business, amounted at the end of the period to SEK 1,575 million (SEK 1,199 m as of 31 December 2017) which are reported net against client fund payables of SEK 1,575 million (SEK 1,199 m as of 31 December 2017). Of the liquid assets of SEK 3,821 million as per the end of the period, SEK 24 million were pledged as collateral, mainly referring to Swedish credit institutions and the stock exchange.

Note 2 Lending to the public

Accumulated provision for expected credit losses as of 31 December 2017, amounting to SEK 8 million, was adjusted to SEK 11 million at the beginning of 2018 as a result of the transition to IFRS 9. Balance sheet items affected by adjusted opening balances are "Lending to the public" and "Shareholders' equity". See also the table "Changes in the Group's shareholders' equity" on page 12 regarding transition effects. Lending to the public is reported after deduction for confirmed and expected credit losses. At the end of the period the accumulated provisions for expected credit losses amounted to SEK 12 million. Thus, the change in the accumulated provision for expected credit losses has affected the result of the six month period by SEK -1 million.

Lending to the public amounted to SEK 10,339 million, of which SEK 4,361 million (SEK 4,179m as of 31 December 2017) with collateral in the form of securities and SEK 5,978 million (SEK 5,284m as of 31 December 2017) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 6,979 million (SEK 6,466m as of 31 December 2017) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 998 million (SEK 1,182m as of 31 December 2017).

The credit facility to Stabelo AB was terminated during the second quarter of 2018.

Note 3 Financial instruments

Classification of financial instruments

31-12-2018 SEK m	Fair value via Income Statement	Amortized cost	Fair value via Other comprehensive income	Non-financial instruments	Total
Assets					
Balances at central banks	–	2,907	–	–	2,907
Lending to credit institutions	–	914	–	–	914
Lending to the public	–	10,339	–	–	10,339
Bonds	–	–	16,958	–	16,958
Shares and participations	1	–	–	–	1
Shares and participations in associated companies	–	–	116	–	116
Assets in insurance operations	86,457	–	–	–	86,457
Intangible assets	–	–	–	84	84
Tangible assets	–	–	–	40	40
Other assets	–	561	–	3,542	4,104
Prepaid costs and accrued income	–	193	–	28	221
Total assets	86,457	14,913	17,074	3,694	122,138
Liabilities					
Deposits by the public	–	33,317	–	–	33,317
Liabilities in insurance operations	86,457	–	–	1	86,458
Other liabilities	–	508	–	0	508
Accrued costs and prepaid income	–	59	–	48	107
Subordinated liabilities	–	100	–	–	100
Total liabilities	86,457	33,983	–	49	120,489

Financial instruments valued at fair value

31-12-2018, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	42,345	0	116	42,461
Fund units	1,067	31,060	–	32,127
Bonds and other interest-bearing securities	18,545	476	–	19,022
Other securities	252	43	–	295
Liquid assets	–	–	–	9,627
Total assets	62,208	31,580	116	103,531
Liabilities				
Liabilities in insurance operations (investment agreements)	–	86,457	–	86,457
Total liabilities	–	86,457	–	86,457

Fair value

In the case of financial instruments reported at amortized cost, incurring variable interest, or with short maturities, the reported value and fair value are equal. The fair value of those financial instruments reported at fair value, primarily Assets in the insurance operations and bonds in Avanza's liquidity portfolio, is determined as shown below.

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

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

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

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

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

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

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

Note 4 Capital requirement for the financial conglomerate

SEK m	31-12-2018	31-12-2017
Capital base		
Shareholders' equity, the Group	1,649	1,427
Assumed/Proposed dividend	-318	-315
Shareholders' equity, financial conglomerate	1,331	1,112
<i>Additional</i>		
Solvency capital ¹	909	2,523
Subordinated bond ²	72	99
<i>Less</i>		
Intangible fixed assets	-84	-88
Deferred tax receivables	0	0
Total capital base	2,228	3,646
Capital base per sector		
Capital base for regulated units in the insurance sector ¹	1,069	2,683
Capital base for regulated units within the banking and securities sector	1,159	963
Total capital base	2,228	3,646
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector ¹	771	1,563
Capital requirement for regulated units within the banking and securities sector	859	790
of which additional buffer requirement	293	254
of which additional Pillar 2 requirement	83	81
Total capital requirement	1,629	2,352
Capital surplus	598	1,293
Capital base/Capital requirement	1.37	1.55

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

2) A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. As a result, Avanza Bank's subordinated bond of SEK 100 million can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement. Eligible Tier 2 capital thus amounts to SEK 72 million. If the same interpretation had been made as of 31 December 2017, eligible Tier 2 capital would have decreased by SEK 18 million, from SEK 99 million to SEK 81 million.

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

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

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

Note 5 Capital base and capital requirement in the consolidated situation

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

SEK m	31-12-2018	31-12-2017 ³
Tier 1 capital		
Shareholders' equity, consolidated situation	1,620	1,327
Assumed/Proposed dividend	-318	-315
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,302	1,012
<i>Deducted items</i>		
Intangible assets	-84	-88
Deferred taxes	0	0
Avanza Bank Holding AB:s holding in Försäkringsaktiefbolaget Avanza Pension ¹	-	-39
Common equity tier 1 capital	1,219	885
Subordinated bond ²	72	99
Tier 2 capital	72	99
Total capital base	1,291	984
Capital requirement		
Credit risk according to standardised approach ³	391	338
Market risks	0	0
Settlement risk	0	0
Operational risk	130	113
Capital requirement	521	451
Risk exposure amount		
Credit risk according to standardised approach	4,892	4,227
of which Institutions	182	345
of which Corporates ³	37	55
of which Households	161	175
of which Collateral in real estate	2,092	1,850
of which Covered bonds	1,645	1,397
of which Equity ¹	386	52
of which Other items	389	354
Market risks	1	3
Settlement risk	3	0
Operational risk	1,620	1,410
Total risk exposure amount	6,516	5,641
Capital ratios and buffers		
Common equity tier 1 ratio, %	18.7	15.7
Tier 1 ratio, %	18.7	15.7
Total capital ratio, %	19.8	17.5
Capital base in relation to capital requirement	2.48	2.18
Institution-specific buffer requirement, %	4.5	4.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	2.0
Total capital requirement including buffer requirement, %	12.5	12.5
Common equity tier 1 capital available for use as a buffer, %	14.2	11.2
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	476	279
Additional Pillar 2 requirement	83	81
Capital surplus after buffer requirement and Pillar 2	394	199

1) As of 31 March 2018, Avanza Bank Holding AB's holding in Försäkringsaktiefbolaget Avanza Pension is treated by calculating the capital requirement for shareholdings with a risk weight of 250 per cent instead of for a deduction directly in the capital base.

2) A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. As a result, Avanza Bank's subordinated bond of SEK 100 million can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement. Eligible Tier 2 capital thus amounts to SEK 72 million. If the same interpretation had been made as of 31 December 2017, eligible Tier 2 capital would have decreased by SEK 18 million, from SEK 99 million to SEK 81 million.

3) A reinterpretation has been made in the calculation of the capital requirement for a credit facility to Stabelo AB, which has also been reported to the Swedish Financial Supervisory Authority. As a result, the facility is treated as a corporate exposure with mortgage loans as collateral, where the risk-weighted exposure is calculated with a risk weight of 35 per cent of actual lending instead a risk weight of 100 per cent of maximum lending. This in turn means that the capital requirement for credit risk as of 31 December 2017 decreased to SEK 338 million from SEK 365 million. Restatements have been made in the table above. The credit facility was terminated during the second quarter of 2018.

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

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

Stockholm, 17 January 2019

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Member of the Board

Viktor Fritzen
Member of the Board

Jonas Hagströmer
Member of the Board

Birgitta Klasén
Member of the Board

Mattias Miksche
Member of the Board

Hans Toll
Member of the Board

Jacqueline Winberg
Member of the Board

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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 (CET) on 17 January 2019.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 17 January 2019 at 10.00 (CET). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at investors.avanza.se/en. Phone number for participants:

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

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

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

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

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Financial calendar	
Annual Report 2018	22 February 2019
Annual General Meeting	19 March 2019
Interim Report January – March 2019	16 April 2019
Interim Report January – June 2019	11 July 2019

Definitions

The measures and key ratios used in the Interim 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 Preliminary Financial Statement to provide an indication of the Group's results, profitability and financial position. Information on financial measures which are not defined in IFRS and are presented outside the financial statements, so-called alternative performance measures, follows from the note references below.

Brokerage per commission note²⁾

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

Brokerage/Turnover²⁾

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

Capital base³⁾

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

Client funds²⁾

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

Commission note

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

Costs per customer²⁾

Operating expenses on an annual basis in relation to the average number of customers during the period. The ratio shows how a focus on scalability and cost efficiency yields results.

Costs to savings capital ratio²⁾

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

Credit loss level¹⁾

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

Customer

Individual or company with at least one account with holdings or an external mortgage.

Deposits

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

Deposits/lending

Deposits in relation to internally financed lending. The measure shows how large a share of customer deposits is used for lending.

Earnings per share¹⁾

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

eNPS

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

Equity per share¹⁾

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

External deposits

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

Fund commissions²⁾

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

Income per customer²⁾

Operating income on an annual basis in relation to the average number of customers during the period. The ratio shows the effect of price reductions and gives an indication of changes in the customer base and trading in various price tiers.

Income to savings capital ratio²⁾

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

Internally financed lending

Lending to the public as per the balance sheet less the portion which is covered in its entirety by cash pledged on endowment insurance accounts, without deducting provisions for bad debt.

Net brokerage income²⁾

Gross brokerage income less direct costs.

Net deposits/Savings capital

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

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Net inflow/Savings capital

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

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

Profit margin¹⁾

Profit/loss after tax in relation to operating income.

Return on equity¹⁾

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

Savings capital

The combined value of accounts held with Avanza.

Solvency capital³⁾

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

Solvency capital requirement³⁾

Estimated capital requirements under Solvency 2 rules.

Turnover

Turnover in security trading.

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

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

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