

**Sweden's  
most satisfied  
savings  
customers  
7 years in a  
row**

**Annual Report 2016**

Avanza Bank Holding AB (publ)



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# Avanza – 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. We have since then grown to become Sweden’s leading digital platform for savings and investments. We offer the market’s widest range of savings products, simple decision-making support and competitive occupational pension solutions. We have more than 570,000 customers with SEK 231 billion in savings capital, corresponding to 3.2 per cent of the Swedish savings market.

Sweden’s most satisfied savings customers 7 years in a row according to Swedish Quality Index

Decision-making support such as tools, analysis, news and education – our customers make their own investment decisions

No account, insurance or deposit fees, and brokerage fee from 0 SEK

Trading in Sweden, the Nordic region, U.S. and Canada, and the rest of the world

Read more about our range of products and services on page 100.

### We primarily target individual investors

Avanza challenges the established structures of large banks and pension providers in the Swedish savings market. We offer customers cost-effective ways to save in Swedish and international securities and in savings accounts, with no fixed fees and the market's lowest brokerage fees. We primarily target individual investors, but also have services for professional traders and corporate customers, such as entrepreneurs, asset managers and those who want an occupational pension.

### Our offering is based on a strong customer focus and continuous innovation

Our business is built on a strong customer focus with a world-class user experience and customer service as well as continuous innovation and product development. Our vision is to create a better future

for millions of people, where our contribution is cheaper, better and simpler products and tools for savings and investments. Our promise is to give customers a better return on their money than any other bank or pension company.

To meet our promise, Avanza's business model is based on scale. Strong customer growth and the market's lowest cost to savings capital ratio are what lead to long-term growth in operating income and facilitate further development. Cost effectiveness and economies of scale are achieved through continuous development, digitisation and internal efficiencies. This also reduces operational risks and increases stability. Cost control and innovation in turn require a strong corporate culture where we constantly challenge ourselves and closely dialog with our stakeholders and each other.



### The Avanza Group

The Group consists of the Parent Company, Avanza Bank Holding AB (publ), and four wholly owned subsidiaries through which we operate. In 2016 we were on average 343 employees in the Group, most of whom work at the head office in Stockholm. Avanza also has two sales offices for occupational pensions and Private Banking in Gothenburg and Malmö.

The largest part of operations is carried out by the subsidiaries Avanza Bank AB (publ) and Försäkringsaktiebolaget Avanza Pension. Avanza Fonder AB offers the commission-free fund Avanza Zero and funds of funds. 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.

| Five year summary                                | 2016    | 2015    | 2014    | 2013    | 2012    |
|--|---------|---------|---------|---------|---------|
| Operating income, SEKm <sup>1)</sup>             | 919     | 904     | 684     | 587     | 552     |
| Operating profit, SEKm                           | 465     | 485     | 296     | 227     | 202     |
| Operating margin, % <sup>1)</sup>                | 51      | 54      | 43      | 38      | 36      |
| No. of customers                                 | 570,600 | 467,600 | 371,200 | 316,500 | 283,300 |
| No. of new customers                             | 103,000 | 96,400  | 54,700  | 33,200  | 20,300  |
| Net inflow, SEKm                                 | 26,500  | 25,200  | 20,100  | 10,900  | 5,380   |
| Savings capital, SEKm                            | 231,000 | 191,600 | 141,900 | 112,600 | 85,800  |
| Income to savings capital ratio, % <sup>1)</sup> | 0.44    | 0.54    | 0.53    | 0.60    | 0.68    |
| Costs to savings capital ratio, % <sup>1)</sup>  | 0.22    | 0.25    | 0.30    | 0.37    | 0.43    |
| Average number of employees                      | 343     | 323     | 283     | 269     | 269     |

<sup>1)</sup> 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 102.

# The year in brief

## – quarter by quarter

### 1

- Our customers can transfer money to their Avanza accounts in real time, including evenings and weekends
- Launched an Android app with new functions and an improved user experience
- Internetworld ranked us as one of Sweden's 100 best sites
- Topped Apica's survey on the best web performance in 2016 in the category banking and insurance
- Launched a savings calculator where customers can simulate their savings over time

### 2

- First in Sweden to offer free stock trading on the Stockholm Stock Exchange for customers with savings capital of less than SEK 50,000
- Launched a new website design and navigation for an improved user experience
- Launched a new and improved stock list to simplify investment decisions
- Extended our financial services cooperation with Remium, generating a net inflow of SEK 2.2 billion
- Maintained top ranking among Swedish banks in public's trust in the Reputational Survey 2016
- On the list of Sweden's most Purposeful Digital Brands
- Lowered the mortgage rate for Private Banking customers to 0.79 per cent
- Served as principal advisor in the largest IPO in Avanza's history – Paradox Interactive
- Won Life Insurance Company of the Year and Marketing Achievement of the Year for 2015 at the Insurance Awards, arranged by Risk & Försäkring magazine
- Won award for Best Service in the Financial Services Industry from ServiceScore for the second consecutive year
- Avanza's savings economist Claes Hemberg was named Personal Finance Commentator of the Year in the Financial Awards 2016

## 3

- Introduced Johan Prom as our new CEO
- Launched a new price list for Private Banking customers which allows them to choose the brokerage fee class best suited to their trading
- Reached top score of 70 in Net Promoter Score, which measures customers' recommendation rate
- Broke the record with a score of 88 on the Customer Satisfaction Index
- Reached a record high market share of 15.2 per cent for number of transactions on the stock exchange

## 4

- Johan Prom takes over as CEO
- Received the Swedish Quality Index's (SKI) award for Sweden's most satisfied customers in the savings category for the seventh consecutive year
- Record employee Net Promoter Score (eNPS) of 51, which measures employees' recommendation rate
- Launched Avanza Play, a new decision-making support in video format with inspiring features on savings and investments
- Named the third most recommended brand in Sweden and the most recommended Swedish company according to YouGov
- Nasdaq announced that the Avanza share will be traded on the exchange's large cap list as of 2 January 2017. The list comprises companies with a market capitalisation of over EUR 1 billion



# CEO's statement

We will make Avanza even more Avanza through a continued strong customer focus and innovation, and by further refining and developing our range of products and services as well as our processes. We will never get complacent but constantly challenge, question, think innovatively and find new solutions.

## **We are driven to do what is best for our customers**

In early November, I took over as CEO of Avanza. It is an honour and a thrill to take responsibility for leading Avanza into the future together with colleagues, customers and shareholders. The positive image I had of the company before has been reinforced since I have been able to see things from the inside. Everyone at Avanza is committed to the vision to create a better future for millions of people, and it is fantastic to see how passionate they are to constantly find new ways to do it.

Everything we do, and what constantly drives us, is to do what is best for our customers. This means we should have the lowest prices and the best tools, but also that we see things in new ways and want to be a voice in the ether for private savers. We want everyone, regardless of their financial situation, to have an opportunity to save for a better future – even on a small scale. That is why during the year we eliminated the fees on equity trading on the Stockholm Stock Exchange for customers with less capital, developed various forms of decision-making support, and continued to educate in moving media and print as well as at savings events. We see it as our social responsibility and an important part of our business model.

## **Unique culture of innovation creates great potential for further strong growth**

In January, the Avanza share moved up to OMX Nasdaq's large cap list. This is a confirmation of our success and the fact that all our employees, along with the customers whose trust we are constantly trying to earn, want the same thing.

"We will remain the same agile, innovative challenger"

Becoming a large cap stock is mostly a formality, however. We will remain the same agile, innovative challenger that constantly adapts to take advantage of new opportunities. This will be critical given the fast pace of change in the savings market today. Digitisation in society is progressing rapidly and many savers are fed up – and rightly so – at the high fees that are eating up their savings capital. Avanza is benefitting, as are savers, from regulatory changes that are creating more transparency in the industry. At the same time, we as savers have a greater responsibility for our financial future as public pension and

welfare systems scale back, not least due to negative interest rates. Under these circumstances and with our fantastic position with many satisfied customers, a leading cost position and a wealth of knowledge and willingness, Avanza has excellent potential for strong growth.

The Avanza culture is strong and enormously important to safeguard as we grow and add new colleagues. It is through our culture we ensure that we focus on and do what we are best at. We will never be content but constantly challenge, question, think innovatively and find new solutions. This will be even more important going forward as the competition to offer new solutions for savers grows. It is our continuing focus on customer satisfaction and innovation that will produce satisfied shareholders and success over time.

## **Timeless business model built on scalability with a leading cost position**

Avanza's business model is simple and based on scalability. We want to be able to serve and attract as many customers as possible at the lowest cost possible and through price leadership. When we look ahead, we have a long-term perspective. We focus on what generates customer satisfaction and income over time and not what may be most profitable in the short term. As I see it, Avanza is just beginning its journey.

## **Strong performance in targeted areas in 2016**

I am pleased to note that 2016 was a very successful year for Avanza. We had Sweden's most satisfied savings customers for the seventh consecutive year, according to the Swedish Quality Index, and a Customer Satisfaction Score of 88, which we are extremely proud of. As many as 103,000 new customers chose Avanza for their savings and

"2016 was a successful year for Avanza"

investments, even more than our previous record year of 2015. Our recommendation rate among customers is high, and we were in fact the most recommended Swedish brand in Sweden, according to an index published by YouGov. We had a high growth rate with a net inflow of savings capital of over SEK 26 billion. At the same time, we have extremely satisfied employees, by far exceeding the average in the financial and IT sectors.



Johan Prom, CEO

Net profit was squeezed by lower income due to the interest rate environment and turbulent market conditions, which affected both net interest income and brokerage income. Because of this, we did not reach our long-term target in 2016 that income growth should outpace cost growth. If we look at equity trading, however, the number of commission-generating customers and number of trades were record high. What did affect brokerage income year on year was instead the lower trading volumes. Activity in corporate transactions was high, and we are seeing strong demand for our services and increased interest in our broad customer base from companies looking to diversify their ownership.

During the year, we reduced the cost to savings capital ratio from 25 to 22 basis points and are nearing our ambition of getting below 20 points. This is the result of continuous refinements, adjustments and efficiency improvements and not least our growth in customers and savings capital. For 2017 we estimate that costs will increase by 15–20 per cent, since we are accelerating our rate of innovation to take full advantage of the opportunities we see right now in digitisation and new regulations.

### Continued focus on core business in 2017

In 2017 and beyond, we will continue doing what we are already doing, but even better. We will make Avanza even more Avanza. For me this means safeguarding the things that have made us successful. At the same time, we have to find new and better ways to do certain things, and which suit the new and higher demands from our customers.

We continue to work on our mobile offer to satisfy and attract younger and broader target groups, fine-tune our tools and website content to retain our more active traders, and continue to scale up, increase efficiencies and improve our internal processes and systems by being even more digital. All this to produce cheaper, better and sim-

pler offers. Against this backdrop and because we are increasing the rate of innovation, we are raising our growth targets. The goal is to have 1 million customers by 2020 and that our share of the net inflow to the savings market will be at least 9 per cent.

Lastly, I want to thank all of you who have chosen Avanza to grow your savings capital and in the process have contributed to where we stand today. We will continue to work to earn your trust and will continue to challenge the market and develop Avanza into the future. We are also doing our utmost every day to be a good corporate citizen and in our way contribute to a better future for millions of people by squeezing prices and educating the public about savings and investments. I also want to thank all owners who are with us on this journey and all employees that inspire me.

Stockholm, February 2017



Johan Prom, CEO

# New customer preferences and regulations create good potential for growth

Avanza's focus is the Swedish savings market, which has one of the world's highest rates of investment in equities and mutual funds. Our market share is growing and we are strongly positioned as digitisation changes customer preferences and new regulations are introduced.

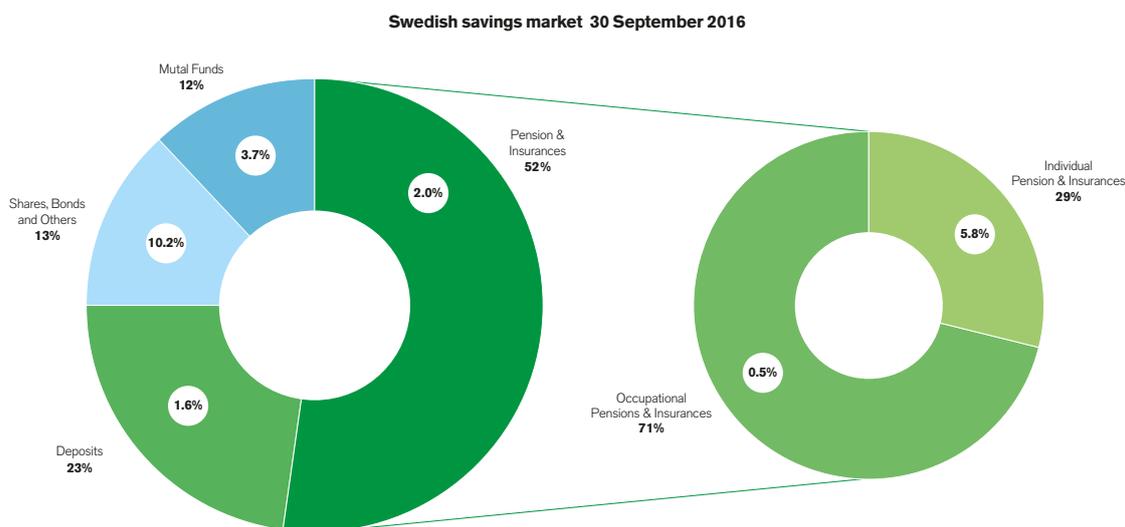
## Growing share of Sweden's savings market

The Swedish savings market has a total value of SEK 7,200 billion\* and has grown by an average of 7 per cent a year in the last ten years. An estimated 80 per cent of the Swedish population saves in equities or funds, either directly or indirectly through pension-based savings. Pension and insurance savings are the single largest segment and account for just over half of the savings market. Factors that could limit the net inflow to the market include increased global uncertainty, falling property prices, and rising interest rates and amortisation requirements. As a result, individuals may want to save more by paying off their mortgages, and to a lesser extent depositing more capital in the savings market.

Avanza's growth is not only dependent on the savings market's growth, however, since there are many customers who transfer their capital to Avanza from other banks. Avanza's share of the savings

market increased from 2.9 to 3.2\* per cent during the year. The share of the total net inflow to the market from October 2015 through September 2016 was 9.9 per cent, surpassing our long-term goal of at least 7 per cent. The savings capital at Avanza has increased by an average of 25 per cent per year during the period 2001–2016, significantly outpacing the growth of the Swedish savings market.

In terms of premium inflow to the life insurance market, Avanza Pension's market share was 6.6\*\* per cent and the savings capital in pension and insurance accounts grew by 14 (30) per cent in 2016. Occupational pension capital thus far accounts for a small share of Avanza's savings capital, 5 per cent, or SEK 12 billion at year-end. This represents an increase of 42 percent from SEK 8.5 billion in 2015. During the year, 3,000 new companies chose Avanza for their occupational pension.



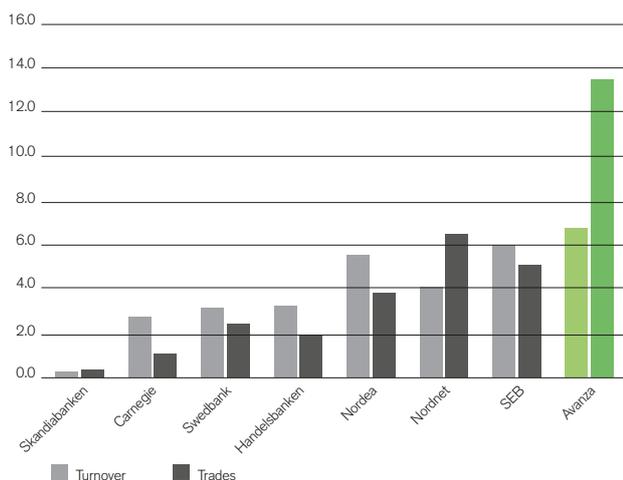
The white circles in the graphs refer to Avanza's share of each market

\* Sparbarometern, published with a lag, the latest refers to 30-09-2016.

\*\* Svensk Försäkring, published with a lag, the latest refers to 30-09-2016.

In equity trading, Avanza was the largest player in 2016 in terms of number of transactions on Nasdaq Stockholm including First North, and the second largest in terms of turnover after Deutsche Bank.

#### Market shares in Sweden 2016\*



\*Nasdaq Stockholm including First North

#### New players increase competition in the savings market

Fintech companies are growing in number, and competition in the market is increasing with greater fragmentation among financial service providers. At the same time, digitisation makes customers more willing to switch banks. The Swedish market is still dominated, however, by the four major banks SEB, Nordea, Swedbank and Handelsbanken and major insurance brokers such as Soderberg & Partners and Max Matthiessen, and large pension companies such as Skandia, SEB Tryggliv and Folksam. In addition, there are a variety of smaller banks, of which Avanza sees Nordnet as its primary competitor.

#### Major growth potential from changing market conditions

Changes in customer preferences, low interest rates and an increased focus on fees, along with upcoming regulations for the financial sector, are expected to contribute to Avanza's growth going forward, not least in fund savings and occupational pensions.

#### Increased digitisation, personal responsibility and focus on fees are changing customer preferences

Relative to other countries, the Swedish savings market is highly digitised among both businesses and individuals. Demand for digital products and tools is growing, and many people now manage more of their savings by mobile phone and online. Visits to Avanza's platform by mobile device have increased by 220 per cent in the last two years, at the same time that computer usage also continues to rise. The previous seasonal pattern with lower activity in the summer months is less evident, since savings now can also be managed by mobile device.

Another change, as national pension and welfare systems decrease in scope, is that responsibility for retirement savings is increasingly shifting to the individual. People are realising that their personal

finances and quality of life in retirement depend on the savings choices they make today. At the same time, many savers feel it is hard to get a handle on their pension savings, which places greater demands on pension companies. In 2016, awareness increased among Swedes and occupational pensions became the most sought-after benefit according to a survey by Sifo, a shift after many years of fairly low interest. This is expected to lead to increased activity among savers and higher demand for more flexible pension products, where savers can influence the price they pay and receive support to make their own investment decisions.

Record-low interest rates put the focus on fees and the choice of mutual funds. In fund savings, savers are becoming more active and cost conscious, and interest in index funds remains high.

With a modern platform and broad range of products, Avanza is able to meet savers' changing needs and preferences. A 100% digital user experience means that we can more quickly and at low cost adapt to changing market conditions, update our site with improvements, and launch new products and tools. Our work with the decision-making support to help customers make investment choices is also an important strategic factor.

#### Low interest rate environment squeezes interest income but benefits stock market activity

The Riksbank has announced that negative interest rates will continue in the coming year and that a rate hike is not likely until 2018. These rates positively affect customers' disposable income and potential savings, and many are looking to the stock market for higher returns. At the same time, the capital in savings accounts increased during the year as investors became less willing to take on risk because of market turmoil. 2016 was a turbulent year for equities due to the Brexit referendum in the UK, the US presidential election, and interest rate decisions and government bond buying by central banks. The turnover on the Stockholm Stock Exchange including First North was 8 per cent lower than in 2015 and the total return according to the SIX Return Index was unchanged at 10 per cent.

The low interest rates are pressuring our net interest income, and in the short and medium term Avanza's income is highly dependent on the mood of the stock market and savers' general attitude toward risk. When there is a higher risk appetite, net inflow tends to be stronger, trading activity higher and allocations to mutual and emerging market funds rise. Avanza's low fees and distinctive position as the leading platform for savings and investments are favourable for growth under these conditions. With a growing product range we find it easier today to meet savers' demands in a changing market. Our increased focus on pensions is also expected to reduce income volatility when the market shifts.

#### Future regulations create new opportunities

The financial sector is in a period of major regulatory change driven by the EU. The forthcoming MiFID II regulations and the Insurance Distribution Directive (IDD) increase the requirements on consumer protection and transparency. These requirements will mean greater complexity and challenges for Avanza as well as for other financial institutions, but also higher costs for those offering advice to private individuals. This will probably accelerate the shift from face-to-face meetings with a banker to digital tools. When introduced in January 2018, IDD will include a ban on advisory fees for insurance brokers

and investment advisors to ensure independent advice and prevent conflicts of interest. This is likely to affect the fees paid by customers at a time when they are becoming more price conscious and less willing to pay. Avanza Pension is one of few pension companies not to charge commissions to insurance brokers, nor does Avanza offer individualised advice, only general advice in the form of digital decision-making support. As a result, a ban on advisory fees does not affect Avanza directly. At the same time, it will become more evident what each customer pays for advice, so they may question whether they need it.

In Sweden, there are still limits on transferring pension savings. Today's transfer rights cover only policies signed after 2007. In addition, transferable capital is managed differently by each company, which affects simplicity and cost for the saver. Transferable capital is limited to a fraction of the pension and insurance market, although this will gradually increase over time. The current government has stated its ambition to simplify pension transfers before its term expires in September 2018 and at the same time regulate transfer fees, which average 2 per cent. The government has also said it wants to set limits on how long a transfer may take, which today ranges up to four months. Regulated pension transfer rights would positively affect Avanza's growth potential. Our current customer base of over a half million customers offers good growth potential if transfer rights are expanded.

The new Payment Services Directive (PSD2), which will be implemented in 2018, regulates the relationship between banks that provide payment accounts and so-called Third Party Players (TPPs), which offer payment initiation or account information services. The directive contains stricter requirements on customer protection and secure communication between parties, but also forces major banks to share account information with TPPs at the customer's request, which had previously been unregulated. This is expected to increase competition from smaller digital providers and lead to new and innovative payment services. It also gives us the opportunity to improve our tools when we gain a better overview of customers' financial situation.

The government is debating the introduction of a new tax on financial services based on gross wages as of January 2018. The introduction of such a tax would not only lead to job losses in the industry, but also make Swedish financial service providers less competitive in an increasingly digitised and globalised world. Most likely this will result in higher fees and at the expense of savers.

### **Meeting changes in market conditions with added resources**

In the last five years, we have seen income per savings capital fall from 86 to 44 basis points. Given the negative interest rate environment, price cuts and new savings habits, we do not foresee a return to the higher income level the industry had earlier. We expect income per savings capital to continue to decline, but at a slower rate. Staying competitive and profitable will require a lower cost to savings ratio and innovative product development. To ensure the highest possible quality for customers and strengthen Avanza's position, greater resources will be allocated to improving the user experience in 2017. To attract broader target groups – including younger customers as well as new savers who need help making investment decisions – we continue to strengthen our mobile services and improve decision-making support. At the same time, we continue to meet the needs of active traders, who want access to more detailed information on the site and better data filters, for example. This is expected to make Avanza more competitive and increase the growth in savings capital from both new and existing customers. We estimate that costs will rise by 15–20 per cent in 2017 before returning to an annual level of 8–10 per cent. The proposed increase in the payroll tax for financial services in 2018 is not factored into this calculation. Given our cost focus and continued strong growth in customers and savings capital, we see good opportunities to lower the cost to savings capital ratio to under 20 basis points within a few years.

# Customer satisfaction and innovation are critical if more savers are going to choose and stay with us

Our vision is to create a better future for millions of people through better savings alternatives. Our strategy is to constantly challenge ourselves to create offers that are cheaper, better and simpler.

## Customer focus and scalability are fundamental to our business model

We are building a company where we want to be customers ourselves. A company that doesn't see the world as it is, but as it should be. Satisfied customers and a world-class customer experience are the basis of our business and are critical to our growth. Avanza is therefore driven by a constant focus on creating customer value.

Growth in savings capital is what drives income. New savings capital is driven by both new and existing customers who allocate money to our platform. This places great importance on customer satisfaction. Satisfied customers talk about us and recommend us to others, a desirable and cost-effective way to grow.

One way for us to track income is to measure the ratio of income to savings capital. This has declined over the years as a result of market trends, changing customer preferences and negative interest rates, but also because of lower prices, which are an element of our price leader strategy to attract more customers. To deliver shareholder value while at the same time offering the lowest prices and a world-class user experience and customer service, we must be cost effective. Avanza's business model is therefore based on scalability and the industry's lowest cost per transaction and customer. Our aim is a cost to savings ratio in line with our competitors' income/savings capital, making it hard for them to follow our price list.

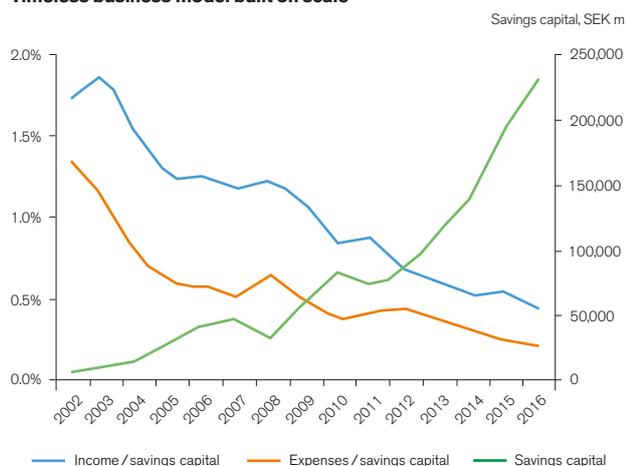
## We will achieve our vision by delivering on our targets

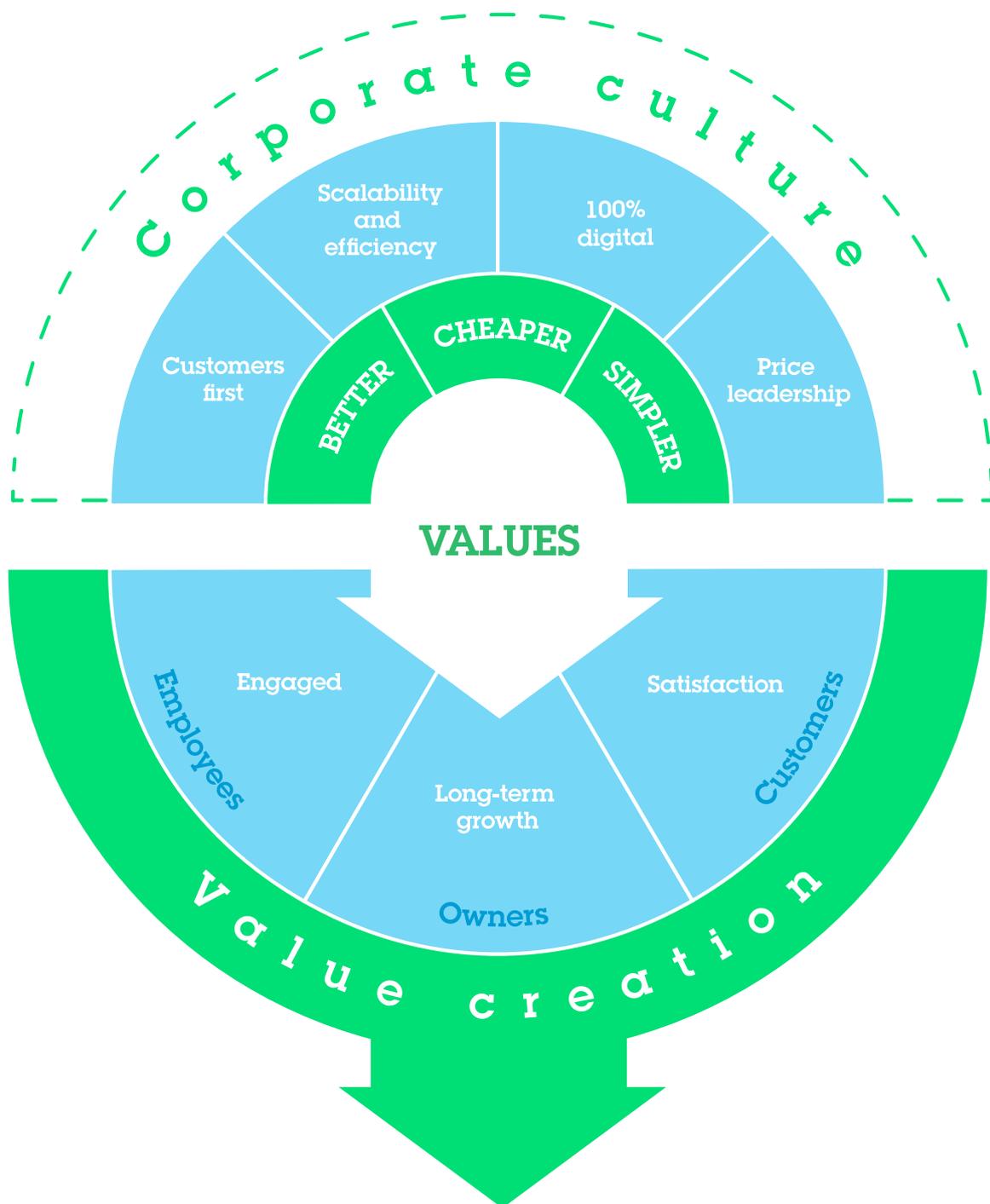
Our targets are to create customer satisfaction, employee engagement and long-term value growth. We therefore work constantly to develop our offering to be cheaper, better and simpler. We concentrate on four areas to achieve this: always putting our customers first, price leadership, scalability and efficiency, and being 100% digital.

Being a price leader is important in this perspective to attract customers, since fees are a major factor in the long-term value savers are able to accumulate. Much of the focus for this reason is on cost control and on automating and digitising our product offer and internal processes, as well as eliminating what's old and slowing our development. Our IT platform, one of the banking world's most modern, makes it possible to offer a strong user experience and customise solutions. At the same time, it provides stability and economies of scale and enables us to continue to deliver high quality, even under strong customer growth and increasing volumes. Innovation for us relates not only to product development, but is also important from a cost perspective.

All this requires a corporate culture that draws its energy from a willingness to change. The corporate climate is characterised by collaboration and humility, while constantly inspire employees to think differently. Innovation is a natural part of Avanza and a responsibility all employees share, so we encourage each and every employee to come up with new ideas and challenge themselves. It is important therefore that everyone is familiar with and embraces our vision and strategy. Our culture and values can be summarised in four guiding principles. We help a colleague to help a customer. We take responsibility beyond our own roles. We challenge conventions and think along new lines and want it to be fun to go to work.

Timeless business model built on scale





**Create a better future  
for millions of people**

# Strong performance

Our customers always come first. That's why we measure our performance not by the income and profits we generate, but by customer satisfaction, growth, scalability and cost effectiveness. We are convinced that satisfied customers, together with engaged employees and cost control, create long-term value growth.

## Our long-term targets ensure value creation

To ensure that we fulfil our vision and create value for our stakeholders, we have a number of long-term targets that are continuously measured and monitored. They gauge how satisfied customers are with Avanza, the commitment of our employees and how well we scale our business and maintain effectiveness, which in turn creates growth and long-term shareholder value.

Our long-term targets extend over one economic and interest rate cycle and may be affected by market sentiment and interest rates.

## Sweden's most satisfied savings 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 2016, Avanza won the award for the seventh consecutive year. The study is conducted with the help of a statistical model that facilitates an analysis of the reasons for customers' choices and measures how loyal they are to their companies. Avanza topped every area for the third consecutive year. The results were lower than the record year of 2015, however, which is an incentive for us to improve in every area.

## Strong engagement among employees

One of our overarching targets is satisfied and engaged employees. To measure satisfaction and engagement, 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 40 is the highest and an excellent result, indicating strong ambassadorship according to Quicksearch. Avanza's target for 2016 was an eNPS of above 40, which we met by a wide margin with a score of 51. The industry average was 9 for the banking sector and 44 for the IT sector. The target for 2017 has been raised to 45.

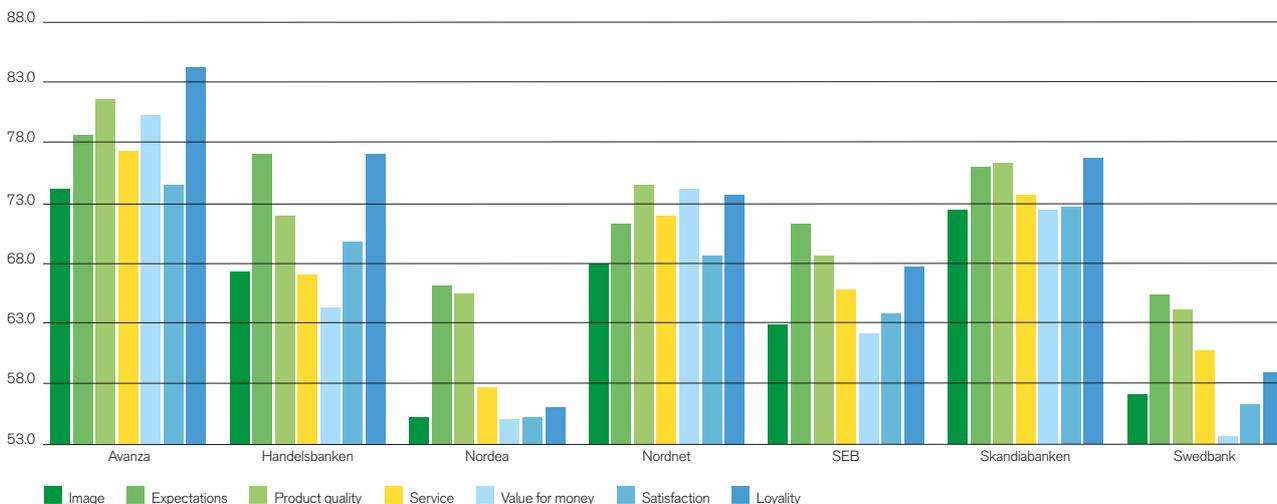
## Continued strong growth

To ensure a good growth rate and an increasing share of the savings market, the target has been a market share of at least 7 per cent of the net inflow. As a result of recent years' strong growth and the great potential we see going forward, we are adjusting the net inflow target upward as of 2017 to a market share of at least 9 per cent. A driving factor behind the net inflow is new customers, where our target in 2016 was to grow the customer base by at least 10 per cent from the beginning of the year. This target is also being adjusted upward as of 2017, to 1 million customers by 2020.

We also have a long-term target that costs will not grow faster than income, which they did in 2016, however, mainly due to the negative interest rates.

Our policy is to distribute at least 70 per cent of profit for the year. The proposal for 2016 is a dividend corresponding to 79 per cent.

Customer Satisfaction 2016, Swedish Quality Index



| <b>Our long-term targets and performance</b>   | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Customer satisfaction</b>   |             |             |             |             |             |
| Sweden's most satisfied savers according to Swedish Quality Index                                  | √           | √           | √           | √           | √           |
| Customer satisfaction according to index   | 74.4        | 81.3        | 78.6        | 72.0        | 75.0        |
| <b>Engaged employees</b>   |             |             |             |             |             |
| eNPS over 40   | √           | √           | √           | -           | -           |
| eNPS according to index  | 51          | 46          | 46          | -           | -           |
| <b>Long-term value growth</b>  |             |             |             |             |             |
| Market share of at least 7 per cent of the total net inflow to the Swedish savings market*         | √           | √           | √           | √           | -           |
| Market share of total net inflow*  | 9.9%        | 9.3%        | 9.2%        | 5.7%        | 2.9%        |
| Annual customer growth of at least 10 per cent of the customer base at the beginning of the year** | √           | √           | √           | √           | √           |
| Annual customer growth   | 22%         | 26%         | 17%         | 12%         | 8%          |
| Annual customer growth in no. of customers   | 103,000     | 96,400      | 54,700      | 33,200      | 20,300      |
| Cost growth should not outpace income growth   | -           | √           | √           | √           | -           |
| Income growth***   | 2%          | 33%         | 16%         | 6%          | -19%        |
| Cost growth***   | 8%          | 8%          | 8%          | 3%          | 4%          |
| Dividend of at least 70 per cent of net profit of the year   | √           | √           | √           | √           | √           |
| Dividend (2016 refers to the proposed dividend)  | 79%         | 74%         | 81%         | 120%        | 143%        |
| Dividend in SEK per share (2016 refers to the proposed dividend)                                   | 10.50       | 10.50       | 7.00        | 8.00        | 8.00        |

\* In 2014 Avanza's target regarding market share was adjusted from 5 per cent to 7 per cent. The market share of 2016 refers to the period October 2015 - September 2016, Sparbarometern is published with a lag.

\*\* In 2014 Avanza's target regarding new customers was adjusted from 20,000 – 30,000 to 30,000 – 40,000. In 2016 the target was adjusted to a customer growth of 10 per cent of no. of customers at the beginning of the year, corresponding to 46,760 customers.

\*\*\* 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.

# Sweden's most satisfied savings customers 7 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.

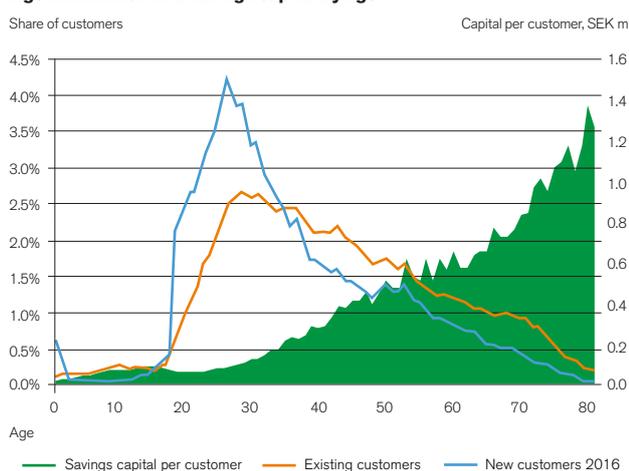
## A broad customer base that is getting younger

We have a broad base of 570,600 customers, individual as well as corporate. Our market share of Sweden's population is nearly 6 per cent, while our share of capital in the savings market is 3.2 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 ages 20 to 49, and in the last year we have seen the customer base get younger, with more customers ages 20 to 30. Men are overrepresented, accounting for 66 per cent. In 2016, 103,000 new customers chose Avanza. At the same time, we had a turnover of 1.2 per cent, which shows that few customers are leaving us.

Wealthier Private Banking customers account for the largest share of savings capital. The Pro customers, who are more trading active, stand for less than 1 per cent of the number of customers, but nearly half of the turnover. At the same time, these two groups account for only about a fourth of brokerage fees.

Our customers can be divided into three categories: those who make investment decisions themselves, those who need some support, and those who want someone else to make the decisions for them. We mainly concentrate on the first two groups, since we do not offer individual advice. In cases where customers still want individual advice, we work together with outside parties.

## Age distribution and savings capital by age



Avanza has 14,000 corporate customers in occupational pensions, most of which are small businesses with less than 100 employees. Recently, we have also seen greater interest from larger companies. We currently have around 50 institutional customers, mainly Swedish asset managers. In 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.

For more information on our customers, see page 98.

## Closely dialoguing with customers and listening to their needs has given us Sweden's most satisfied savings customers

Being attentive to customer needs and trying to meet them is what helps us to develop, gives us new perspective and contributes to growth. Doing what's best for customers is our focus, and we have them to thank for much of what we accomplish and what makes us better. We maintain an open dialog with 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 ask our customers to complete surveys, both general in nature and specific to products, services or functions. After every call to customer service, we send out a digital survey to make sure that we have provided the best possible service. This also allows us to measure customer satisfaction on a regular basis, receive feedback and get back to customers when necessary.

We are many who capture feedback from customers, but we have one employee who is dedicated to coordinating, identifying and presenting customers' viewpoints and suggestions to product owners and management. In 2016, we made nearly 2,500 improvements and updates to our site and our offer, largely based on responses from customers and changes in user preferences.

## A strong offering creates value for customers

We create the most value by concentrating on what we do or can do best, i.e. where we can offer cheaper, better and simpler solutions than others. We want to make our customers' investment decisions easier and through guidance and education increase their knowledge.

Much of our development work during the year was focused on making investments easier without expensive advisory services through decision-making support. For example, we launched Avanza Play, where we invite interesting guests to our studio to discuss current topics related to savings and investments. Avanza Play is an extension of Avanza Academy, where we in video format want to spread knowledge through social media. The focus on digital decision-making support also resulted in the launch of a savings calculator, where customers can find out how their savings grow over time. We also launched a new, improved stock list that allows users to quickly select stocks to match their investment strategy.

At the beginning of the year, we were the first bank in Sweden to allow customers to make real time deposits from other banks, even after hours and on weekends, from the app or website.

To improve the customer experience we introduced a new design and navigation on the site. The navigation works in the same way regardless of screen size, while providing a better overview and clearer guidance from the site map. More and more customers are now banking by phone, and our mobile offering is continuously being upgraded with new functionality. During the year Avanza topped Apica's survey on the best web performance among banking and finance companies, at the same time that Internetworld.se ranked us as one of Sweden's 100 best sites.

In savings, fees are extremely important to the value created over time, which is why it is important for us to offer the market's lowest prices. Our price list is adapted to each customer's activity level and amount of capital. During the year, we were the first company in Sweden to introduce free stock trading on the Stockholm Stock Exchange for new and existing customers with savings capital of less than SEK 50,000. The aim is to create more interest in stock investing and lower the barriers to entry. In Private Banking, a new price list was launched with the market's lowest brokerage fees, and we strengthened our mortgage offer by cutting the rate to 0.79 per cent. In 2016, our customers saved nearly SEK 1.5 billion\* in fees compared with if they had traded with any of Sweden's major banks. They can especially save on their pensions. Simply by avoiding unnecessary insurance fees, our customers end up with SEK 1 million more in retirement\*\*.

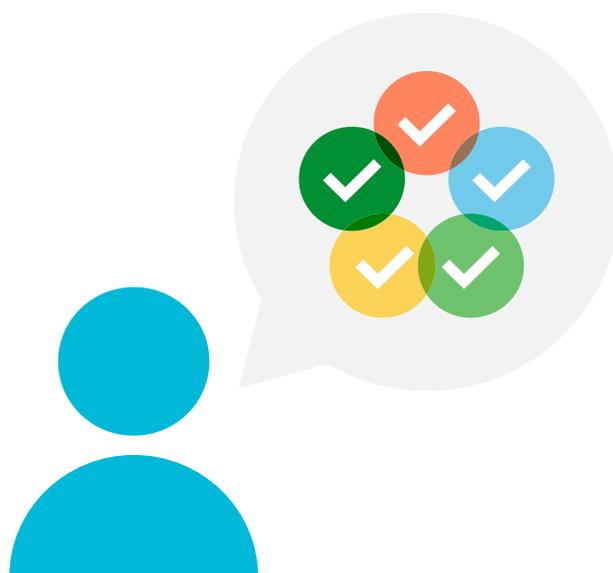
In terms of corporate transactions, our large customer base is an attractive platform for cost-effective ownership diversification, and we have seen increased interest from companies asking for this service. During the year, we served as advisor to about 10 companies, with Paradox Interactiv being our biggest IPO to date. We were also involved in 20 transactions managed by other banks, which is positive for our customers, who are able to participate in many attractive IPOs – not always the case for individual investors.

### A high rating from customers also in 2016

One of our long-term targets is to win the Swedish Quality Index's (SKI) annual award for Sweden's most satisfied savings customers. In December, we received the award for the seventh year in a row. Our score in 2016 was 74.4 points on a scale from 0–100. We received the highest score in every category: image, expectations, product quality, service, value for the money and loyalty.

During the year, we broke our previous record with a Net Promoter Score (NPS) of 70 (68). Scores range from -100 till 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. We also broke our customer satisfaction record with a score of 88 (87).

For the second year in a row we received an award for "Best service in financial services" in the ServiceScore survey. Avanza also made the list of Sweden's most purposeful digital brands in the Purpose Brands survey. In YouGov's survey, Avanza was the most recommended Swedish brand in Sweden. In April, Avanza Pension was named Life Insurance Company of the Year for 2015 at the Insurance Awards arranged by Risk & Försäkring magazine, and was awarded for the "Marketing Achievement of the Year" for the launch of our educational service, Avanza Academy. These awards are recognition of our efforts to create an improved user experience by always prioritising customer value. Avanza was also ranked highest in the Reputation Barometer survey for 2016, which indicates the public's high level of trust in Avanza.



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

\*\* <https://www.avanza.se/vart-utbud/konton/pensionskonton/tjanstepension.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, constantly challenge, 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.

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 in average 343 employees at Avanza during 2016, with a relatively low average age of 33. At this point, we are more men than women, with a distribution of 67 and 33 per cent. 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.

In coming years, we will focus more on digital decision-making support, an improved user experience and a stronger mobile offer. This means we have to bolster resources, especially in development. Competition for IT expertise is very high, and we work continuously to attract new talents. We invite candidates to various tech events to tell them about the company, our technology and our belief in collaboration and sharing competence.

## **An open climate and creative dialog encourage engagement**

An open working environment is essential to capitalise on ideas and foster engagement. At monthly roundtable breakfasts, employees from various departments meet the CEO and other senior executives to suggest changes and ideas and to raise questions and express opinions. It is also a good way to strengthen collaboration and dialog between departments. All our monthly meetings, where the entire

company gathers, include "Questions for Group Management", where employees can ask "awkward" questions anonymously in advance. There is also an opportunity for employees to praise the achievements of a colleague. Coaching and acknowledgement by co-workers, and not just managers, create a positive atmosphere and engagement.

Continuous, structured conversations between employees and their managers are an important cornerstone. They are a way to identify needs, opinions and desires as well as to monitor and discuss each employee's personal development and performance. Well-defined goals and individual rewards strengthen motivation. Written feedback and action plans are living documents with short shelf lives that have to be adjusted as conditions and the business change. All employees have an annual review with their immediate supervisor with quarterly follow-ups.

We monitor how employees feel about these conversations and the working environment through an anonymous annual employee survey, where we identify what is working and not working, and whether we are improving over time. The results are followed up in workshops within each department. To complement the employee survey, we occasionally take a "temperature check", where we get an indication of our employees' motivation and gut feeling when they go to and from work.

## **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 internal 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 all have the skills and tools they need, we provide both internal and external training. We also offer annual leadership programmes, occupational health and safety training, and a leadership day for managers.

Health and a positive working environment are also 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 didn't receive any complaints from employees due to threats or acts of violence. This kind of complaints are highly unusual, since the business is overwhelmingly digital and we do not offer any advice.

Employees at Avanza have access to a number of benefits to stay healthy and achieve a work-life balance, such as health allowances, activities through our own sports association, parental benefits, health and rehabilitation insurance, and flexible working hours. In 2016, we held work-life seminars to find 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.

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 post ideas on a wall and try to convince 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.

### High recommendation rate among employees

The response rate to the 2016 employee survey was 96 (96) per cent, which indicates that we take our employees' opinions seriously and that they are able to have an impact. The results are expressed as a total index, which this year was 81 (80), compared to an average for the banking and IT sectors of 74. The survey also produced an eNPS of 51 (46), demonstrating strong loyalty and that our employees recommend Avanza as an employer, which applies to both men and women, regardless of age. The result compares to an average of 9 for the banking sector and 44 for the IT sector, according to Quicksearch. The target for 2016 was an eNPS score of 40, which was raised to 45 as of 2017. The main reasons why employees recommend Avanza to others are the working environment, our vision and goals, and because they feel that they play a part in the business and Avanza's success. At the same time, we realise that these are areas we have to continuously improve because of the changing environment we operate in.

| Employee key ratios         | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------------|------|------|------|------|------|
| Average no. of employees    | 343  | 323  | 283  | 269  | 269  |
| of which women, %           | 33   | 34   | 37   | 34   | 35   |
| of which no. of managers    | 55   | 45   | 47   | –    | –    |
| of which female managers, % | 36   | 42   | 40   | –    | –    |
| Average age                 | 33   | 33   | 33   | 34   | 33   |
| Employee turnover, %        | 19.1 | 16.5 | –    | –    | –    |
| Internal movement, %        | 6.4  | 5.3  | 13.0 | 16.6 | 15.3 |
| Sick leave, %               | 2.6  | 3.0  | 2.3  | 2.1  | 2.1  |
| Satisfied employees (eNPS)  | 51   | 46   | 46   | –    | –    |

For more information see Other sustainability information on page 92.

# Shareholder value is created through customer value

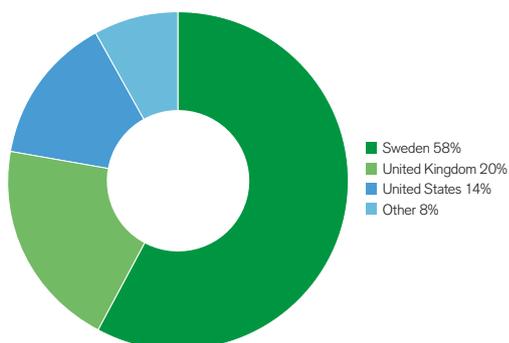
Growth in savings capital and high scalability are essential to create profitability and good returns. Income generation is also affected by trading activity, interest rates, and deposit and lending volumes.

## Increased Swedish institutional ownership

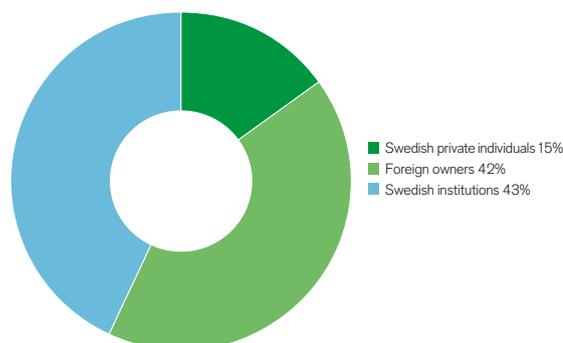
Our owners and investors consist of individuals and institutions, such as mutual fund and asset managers. At the end of the year, we had 16,214 shareholders, according to Modular Finance. The ten largest registered owners accounted for 51.3 per cent of the total number of shares and votes. The two largest shareholders were Creades AB and Sven Hagströmer, including family and company, with a holding of

10.2 and 10.1 per cent. 0.9 per cent of the shareholders represented nearly 85 per cent of the capital. Foreign shareholders fell slightly in number during the year to 42 per cent (45), while Swedish institutional investors increased. Foreign ownership was highest in the UK with 20 per cent, followed by the US with 14 per cent. Avanza did not own any repurchased shares as of 31 December 2016.

Shareholding by country 31-12-2016



Ownership structure 31-12-2016



## Dialog on product development and growth potential

We want to build trust among our owners, investors and analysts by presenting the company as fairly as possible. Through transparency and accessibility, we contribute to an understanding of decisions that affect the industry as a whole as well as of our financial reporting. Reporting and disclosures describe our progress in meeting targets and priorities, while facilitating thorough analysis and sound investment decisions.

We meet regularly with our larger owners and potential investors individually and in groups. In 2016, we held nearly a total of 100 investor meetings, both national and international. We also dialog regularly with the analysts that follow Avanza at Carnegie, DnB, SEB, Handelsbanken and Nordea. We distribute our financial reports digitally through the website.

Investors' questions and our conversations with them mainly revolve around customer satisfaction and product development, where innovation and skills management are key concerns. Growth potential in the Swedish savings market is also brought up, as are opportunities

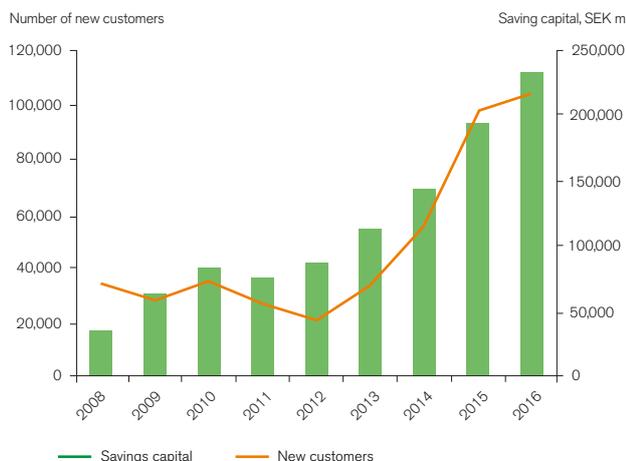
for further efficiencies, increased scalability and income generation. In terms of risks, IT security is the biggest concern. Avanza has a low risk profile regarding financial risks.

## Avanza is an investment in growth and scalability

To remain an attractive investment and attract risk capital, it is important to deliver a good return over time. To maintain our position and create long-term shareholder value, we have to grow our savings capital, since there is an underlying connection between inflow and income. During 2016, savings capital increased by SEK 39.4 billion. Avanza's share of the net inflow to the Swedish savings market was 9.9 per cent. This compares with our target for 2016 of a market share of at least 7 per cent of net inflow and our total market share of 3.2 per cent. Customer growth, which contributes to increased savings capital, also remained strong in 2016, surpassing the year's target to grow the customer base at the beginning of the year by 10 per cent. During the year, 103,000 new customers were added. As a result of the strong growth

in recent years and the great potential we see going forward, we are raising the net inflow target to a market share of at least 9 per cent of the inflow to the savings market. The target for number of customers has been raised to 1 million by 2020.

### Growth in customers and savings capital



Among our new customers, we are seeing a regeneration. Younger customers generally have less financial resources than older ones, which doesn't affect savings capital and income to a large extent here and now, but creates great potential going forward if we continue to create attractive offers. For an age distribution and more information on savings capital, see page 18.

Scalability and cost control are also necessary to continue to deliver shareholder value. Our aim is an operating margin of around 50 per cent, at the same time that we want to continue to be price leader and offer the highest 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 42 to 22 basis points, with a goal 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 2016, costs increased by 8 per cent at the same time income grew by 2 per cent. Profitability was solid and the operating margin was 51 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 higher income from securities trading, since the stock market becomes a more attractive alternative. In a low inter-

est rate environment, fees also increase in importance, which benefits Avanza while positively affecting customers' disposable savings capital. In 2016, we saw a turbulent stock market create uncertainty among savers, resulting in smaller trades despite that trading activity 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 grows in index funds, which charge lower fees. During periods of higher or rising market interest rates, our 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 SEK 170–220 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.

To counter swings in the market, we try to broaden our savings and investment offers to meet customer needs regardless of market conditions and to reduce income volatility. This makes it extremely important to maintain a high rate of innovation and product development.

### Proposed dividend of SEK 10.50 per share for 2016

The Board of Directors proposes a dividend of SEK 10.50 per share, equivalent to 79 per cent of the profit in 2016. 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 87.

In 2016, Avanza's share price rose by 0.4 per cent to SEK 369. Including dividends, the total return on the Avanza share was 3.5 per cent during the year, compared with 10 per cent for the SIX Return Index.

### Avanza share total return relative SIX Return Index



## Share information

Avanza Bank Holding AB (publ) was during 2016 listed on Nasdaq Stockholm Mid Cap in the Financial Services sector under the ticker symbol AZA. Since 2 January 2017, the share is traded on the large cap list comprising companies with a market capitalisation of over EUR 1 billion.

During 2016, 85 (92) per cent of trading in the Avanza share was on the Stockholm Stock Exchange. The share was also traded to a limited extent on European MTFs, such as Turquoise and BATS Chi-X. In total, 9,716,094 Avanza shares were traded on the Stockholm Stock Exchange, equivalent to a turnover of 32 (39) 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 programme covers 490,000 shares per year, corresponding to a dilution effect of approximately 1.7 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, and there is a risk of losing money if the share does not perform well enough. The warrant programme is divided into three sub-programmes and runs from August 2014 to September 2019.

For more information on the outstanding programmes, see note 30 Equity.

| Share data                              | 31-12-2016 |
|---|------------|
| Share capital, SEK                      | 74,597,305 |
| No. of outstanding shares               | 29,838,922 |
| Quotient value, SEK                     | 2.50       |
| Market cap, MSEK                        | 11,011     |
| Share price, SEK                        | 369.00     |
| Highest closing price (20-12-2016), SEK | 382.00     |
| Lowest closing price (03-08-2016), SEK  | 292.00     |
| P/E multiple                            | 27         |
| Dividend yield, %                       | 2.8        |
| Turnover rate, %                        | 32         |
| Earnings per share, SEK                 | 13.45      |
| Earnings per share after dilution, SEK  | 13.44      |
| Equity per share, SEK                   | 43.83      |
| Proposed dividend per share, SEK        | 10.50      |
| No. of outstanding warrants             | 1,470,000  |

For definitions see page 102.

## 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               |



| The ten largest shareholders, 31-12-2016* | Country       | No. of shares     | Share of capital and votes, % |
|---|---------------|-------------------|-------------------------------|
| Creades AB                                | Sweden        | 3,040,000         | 10.2                          |
| Sven Hagströmer (incl family and company) | Sweden        | 2,999,246         | 10.1                          |
| Capital Group                             | United States | 1,870,254         | 6.3                           |
| Columbia Threadneedle                     | United States | 1,626,897         | 5.5                           |
| Sten Dybeck (incl family and company)     | Sweden        | 1,283,600         | 4.3                           |
| BlackRock                                 | United Kindom | 1,090,059         | 3.7                           |
| Swedbank Robur Funds                      | Sweden        | 957,283           | 3.2                           |
| The fourth Swedish National Pension Fund  | Sweden        | 869,249           | 2.9                           |
| Didner & Gerge Funds                      | Sweden        | 804,339           | 2.7                           |
| T. Rowe Price                             | United States | 679,044           | 2.3                           |
| Other owners                              |               | 14,618,951        | 48.7                          |
| <b>Total</b>                              |               | <b>29,838,922</b> | <b>100.0</b>                  |

| Concentration (by group of owners), 31-12-2016* | Share of capital and votes, % |
|---|-------------------------------|
| The 10 largest owners                           | 51.3                          |
| The 20 largest owners                           | 65.7                          |
| The 100 largest owners                          | 78.2                          |

| Distribution of shares, 31-12-2016* | No. of shareholders | Owners,%     | No. of shares     | Shares,%     |
|-------------------------------------|---------------------|--------------|-------------------|--------------|
| 1 - 100                             | 10,591              | 65.3         | 306,598           | 1.0          |
| 101 - 1,000                         | 4,525               | 27.9         | 1,700,151         | 5.7          |
| 1,001 - 10,000                      | 961                 | 5.9          | 2,589,892         | 8.7          |
| 10,001 - 100,000                    | 100                 | 0.6          | 3,541,436         | 11.9         |
| 100,001 - 1,000,000                 | 31                  | 0.2          | 9,345,373         | 31.3         |
| > 1,000,001                         | 6                   | 0.1          | 12,355,472        | 41.4         |
| <b>Total</b>                        | <b>16,214</b>       | <b>100.0</b> | <b>29,838,922</b> | <b>100.0</b> |

\* Modular Finance, Monitor

# Creating shared value contributes to a sustainable society

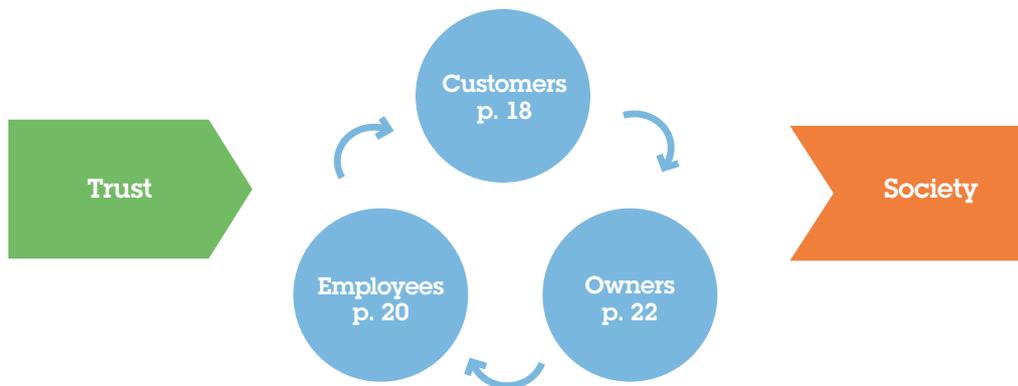
By focusing on what's important to our stakeholders, we can improve our offering and design activities that create value for society. A society that encourages saving and where savers get a better return on their money.

For us to create a better future for millions of people, our stakeholders have to trust how we act and run the business. These stakeholders include customers, employees, owners, investors, partners, suppliers, the media, authorities and legislators, all of whom impact and are impacted by what we do. Our most important stakeholders from a business standpoint are customers, employees and owners. Through an open dialog, we learn what they think, need and expect in order to support Avanza's development and ensure that we create long-term value for ourselves and our stakeholders. To build trust, it is also important to live up to the standards of good governance and compliance,

fight corruption and effectively manage crises and risks. Learn more on pages 28, 34 and 92.

Sustainability is a natural and integral part of our business model, and everything we do is strongly linked to what is important to our stakeholders. Our social responsibility also means taking controlled risks, identifying new areas of development, creating customer value and promoting inclusiveness at Avanza. It is also a question of taking responsibility, staying true to our values and strengthening Avanza as a brand.

Learn more about the dialogue and how we create value for our stakeholders in each section.



## We are driving the industry's development and creating opportunities for individual decision-making

Avanza challenges the established structures of large banks and pension providers that don't benefit savers. The aim is to drive development in the industry and underline the effect that fees have on savings. Through their pension savings alone, savers pay billions of kronor in unnecessary fees. Money that could instead grow and accumulate in their own accounts. Individuals own responsibility is increasing, not least because national pension and welfare systems are being scaled back.

In the last ten years, SIX Return Index has generated a return of 107 per cent. In spite of this, one fourth of the savings capital in Sweden is held in savings accounts that do not generate a return at all. According to Statistics Sweden, just under 14 per cent of Sweden's population owned shares as of 30 June 2016, including 16 per cent of men and 11 per cent of women\*.

\* Share owner statistics, Statistics Sweden June 2016.

Through education and simplified decision-making support, we want to awaken interest in savings and get more people comfortable making their own investment decisions. Education is offered through several channels, primarily our website and tools, but also through our savings economists and various events.

## Our savings economists protect private savers

Avanza's so-called 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 for savings issues. They also communicate through social media, the blog "Save with Hemberg" and through lectures.

During the year, our savings economists took part in around ten courses arranged by "Like your economy", a network led by the Swedish Financial Supervisory Authority to educate the public on financial

matters. This year's courses were designed for legal guardians, budget and debt advisers, and union representatives.

Several seminars were arranged during the year to encourage gender equality and diversity. For example, we held seminars to teach women the basics of successful long-term savings. On three occasions, classes of recent immigrants with an academic background in economics, law and engineering visited Avanza. They learned about savings and investments and the types of products that are available in the Swedish market. It was also an opportunity for us and for them to make contacts.

In 2016, 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.

### **Savings education**

For the last eleven years, Avanza has arranged Avanza Forum, Sweden's largest private savings event. It has been a good opportunity for our customers to meet interesting people from the business community with insights and influence on the economy. Speakers have included CEOs of publicly listed companies, analysts, ministers, journalists and representatives of fund management companies. This year's Avanza Forum attracted around 4,000 visitors to the Globe Arena and reached another 13,000 through the live stream.

In November 2016, Avanza Play was launched which helps us reach more and broader target groups around Sweden. Avanza Play is a decision-making support system in video format with inspiring features such as 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 to support savings. Avanza Play is an extension of Avanza Academy, where 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. They will also find answers to questions on taxes and filing returns.

### **Education in technology**

Mobile usage among young people is high even though many of them do not understand how the technology works. In cooperation with Dataföreningen, a Kid Hack was arranged by Avanza several times during the year 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.

Through a partnership with Duchess Sweden, a global network for women in Java technology, we meet women and share ideas and our technology choices, while also building a network.

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

### **Broad and transparent range of choices**

We want our platform to be seen as a toolbox. The aim is to offer as broad and transparent product range as possible, where the pricing and fee model are clear and where it is easy to understand each product. Avanza Academy is also an important tool in this respect.

For example, we offer 1,300 external funds. To help customers build a broad fund portfolio based on various risk profiles, we offer our Portfolio Generator and our own funds of funds. We also have various filtering tools to simplify stock trading. As far as the funds we have on our platform, we do not take a position on sustainability criteria. We do, however, try to assist customers to invest sustainably by providing a sustainability criteria as a click alternative on the website. We offer over 400 funds that are classified as sustainable by Swesif, a forum for sustainable investment.

### **Charities**

Every Christmas our employees donate their Christmas gift from Avanza to a charity. This is an opportunity for us to contribute to a cause that is close to our hearts and is not necessarily connected with savings and investments. This year the gift of SEK 150,000 went to the Swedish Childhood Cancer Foundation, the Red Cross and Stadsmissionen. Our customers can also contribute by donating their stock dividends to charitable causes.

# Low financial risks and strong focus on IT and information security

The longevity of our business depends on taking responsibility with controlled risks. Digitisation and a fast pace of change require risk awareness throughout the organisation, and to continue to grow we have to keep earning the trust of our customers.

## Risk awareness for the purpose of building trust

Practically all of Avanza's operations are digitised. Rapid technological developments and increased digital crime have made IT and information security that much more important. IT security is therefore one of our highest security and risk priorities. Avanza strives to minimise operational risks by creating as efficient and automated processes as possible.

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.

Inadequate risk management and control of Avanza's risks represent a reputational risk. Maintaining our reputation and building trust in Avanza require strong risk awareness throughout the organisation. The dialogue with stakeholders is important to gather viewpoints and develop the business in the right direction. Here we have to take into account the expectations we face and what it would mean not to live up to them. Reputational risk can also arise in connection with external events beyond Avanza's control and could adversely impact trust, especially if not handled correctly.

## IT and information security grow in importance

As a digital platform for savings and investment, we must have a comprehensive IT security strategy. Customers, partners, legislators and suppliers all have high demands and expectations when it comes to information security, i.e. how we handle customer information and digital availability as well as that the information is correct. Protecting customers' personal data and privacy are our highest priority. We also work with technical and organisational measures to classify personal data based on how sensitive it is in order to implement right safeguards and controls. Our login solutions and safeguards are regularly evaluated and upgraded 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 withdrawals. A customer can also only make withdrawals to their own account in another bank. We do not offer electronic payment services or debit cards, either, further reducing the risk of fraud. In addition, we work with other banks through the Swedish Bankers' Association to learn from each other in areas such as denial of service attacks, intrusion detection and vulnerability analyses. No incidents occurred during the year that affected the privacy of our customers.

Upcoming regulations, such as the Payment Services Directive (PSD2), which opens the payment market to third party distributors, place high demands on security and standardised processes, especially in the area of information security. For example, an updated version of the General Data Protection Regulation (GDPR) is aimed at

strengthening consumer protection and privacy by giving individuals greater control over their personal information and how it is used.

Avanza has preventative measures in place to combat money laundering and terrorist financing, where all employees have a responsibility to prevent the company from being exploited and to report suspicious activity. Our money laundering programme includes a Group-wide policy and a risk and vulnerability analysis. We also have internal training programmes for the departments affected. All customers are managed using a risk-based assessment, and identity information is obtained when opening an account and verified on a regular basis.

The availability of our site was 99.89 per cent (99.96) in 2016. In instances when the site is unavailable, customers can place orders by phone with our brokers.

## Low financial risks

Avanza is mainly self-financed through shareholders' equity and customer deposits, which entails a low liquidity risk. With respect to credit risk, all lending is collateralised by liquid financial assets with good margins or mortgages with a low loan to value ratio. Deposits in relation to lending is 428 per cent. This means we have surplus liquidity of nearly SEK 14 billion, which we manage with the lowest risks and costs possible to reduce the capital adequacy requirement and maintain a consistent liquidity coverage ratio (LCR). Surplus liquidity is invested mainly in covered bonds and with systemically important Nordic credit institutions. This entails a slight interest rate risk, even if the concentration on individual counterparties is held to a limited level and to maturities of up to four years with a maximum interest term of three months.

Avanza Pension offers a variety of insurance products with conditional bonus, implying that the insurance liabilities, by definition, follow the value of the insurance assets and therefore have no impact on financial risks.

## Preventive measures to ensure conscious and controlled risks

An important part of risk work is to engender a good risk culture and risk awareness in the Board, Group management and throughout the operations by ensuring that the requisite risk management processes, control systems and reporting procedures are in place. This is achieved by continuously reviewing and improving internal rules, routines and processes. During the year, for example, we strengthened the process we use to drive innovation and change. Market conditions, customer preferences and regulations create new opportunities, which require a faster pace of change for a company like Avanza, which intends to stay at the forefront. We release a new version of our website with new functions and updates every ten days. As quality assurance, to minimise

risks and highlight the possible consequences of new products, tools, services, processes and collaborations, they are evaluated according to a special framework (NPAP), where opinions from Compliance and Risk are mandatory. We have also implemented a new tool to more effectively manage risks. This provides a better overview of incidents and our total risk exposure, which facilitates controls and monitoring and creates better opportunities to learn from what works well and what doesn't.

An important part of our business is to digitise and automate processes and routines as much as possible to reduce the risk of manual errors and thus operational risks.

For further information on our risks and risk management, see note 36 Financial risks and the corporate governance report on pages 34-46.

### Internal capital and liquidity assessment

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

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 basic scenario and in three stressed scenarios over a three-year period.

The assumptions in the basic scenario are stressed to guarantee realism, with both negative and positive deviations taken into account. In the negative stress scenario, market interest rates rise sharply due to geopolitical unrest and stock markets experience a heavy slump for two years. We measure how this impacts the savings market, customers' savings and asset allocation as well as Avanza's costs and income. In the positive stress scenario, Swedish exports rise above expectations and unemployment decreases, resulting in unexpected growth of the savings market, while both market interest rates and equities simultaneously rise. 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 2016 ICAAP indicates the resilience of Avanza's business model, even under highly stressed conditions. Avanza's capital base at no points fall below the capital adequacy requirements stipulated by the Financial Supervisory Authority. 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 Financial Supervisory Authority'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 needed to comply with new legislation and pave the way for continued growth. Avanza's internal capital planning buffer is shaped by

experience from the first half of 2015, when deposits from customers increased to record levels. The deposits were placed in tripled A rated Swedish covered bonds that raised the capital requirement. Avanza's total capital requirement for the consolidated situation was 12 per cent at year-end, excluding the internal capital planning buffer, at the same time that Avanza's total capital ratio was 19.9 per cent.

In the event that Avanza's capital base could fall below the minimum capital adequacy requirement and buffer requirement, a capital conservation plan takes effect, which can be summarised as follows:

- The basic assumption is that Avanza should have a forward-looking, proactive capital plan that takes into account stressed conditions that may arise
- If conditions require, Avanza's exposures can be shifted from high to low risk weights. For example, excess liquidity can be invested in the Swedish state, where the capital requirement is lower, instead of systematically important Swedish banks
- The capital base can be strengthened through the issuance of subordinated bonds or other types of instruments
- Even the dividends to Avanza's shareholders can be adapted, or alternatively Avanza can request more capital from its owners

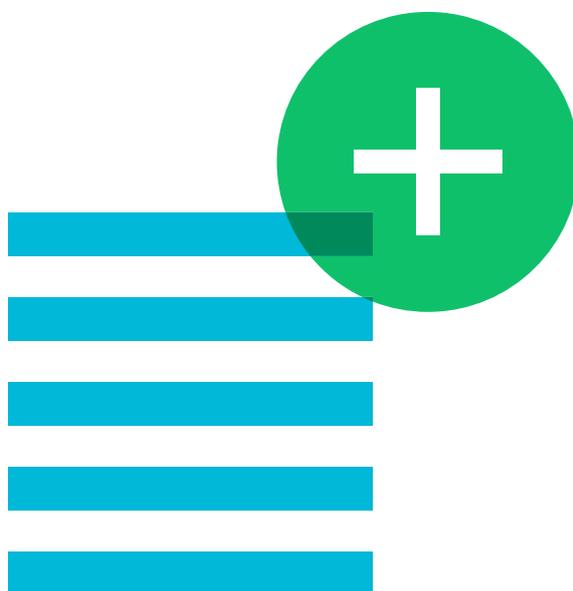
### Continuity and recovery plan

In its efforts to prevent losses, Avanza also has at its disposal a continuity and recovery plan, which is approved by Avanza's Board and sent to the Swedish Financial Supervisory Authority and the National Debt Office. In the plan, Avanza is exposed to extremely serious events that threaten its financial position to the point of bankruptcy unless extraordinary measures are taken. The purpose of the plan is to simulate various events and consider in advance which measures could prevent or lessen the financial impact. The plan is a crisis document and follows the EU's crisis management directive, as mandated in Sweden, to minimise costs for Sweden's taxpayers in the event of a loss. The conclusions that are drawn are used to strengthen ongoing efforts to mitigate risks in order to avoid having to take recovery measures.

In the plan, rapidly and slowly evolving systemic crisis and institution-specific scenarios are simulated. All the scenarios cause losses for Avanza that require recapitalisation and other measures in the form of communications and strategic considerations. The complete continuity and recovery plan for 2016 stipulates that Avanza, in the event of a serious event, can be dissolved through normal bankruptcy proceedings without the aid of the national resolution authority.



| Risk type   | Risk profile  | Risk management   |
|---|---|---|
| <p><b>Credit risks</b><br/>The risk of borrowers failing to meet their financial obligations towards Avanza and of pledged assets not covering the claim. Credit risk also includes counterparty risk, concentration risk and liquidation risk.</p> | <p><b>Securities lending:</b> 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><b>Mortgages:</b> 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 +6 per cent to measure the borrower's financial health given the loan amount applied for.</p> <p><b>Excess liquidity management:</b> Avanza has a surplus of liquidity because deposits significantly exceed loans to the general public. Surplus liquidity is mainly invested 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>In addition to the customers' repayment capacity, the value of the collateral and the customers' risk margin is followed up daily. The process for handling a lack of collateral is also monitored and checked. 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 large risk margin to the collateral's market value, protecting both the bank and customers from credit losses.</p> <p>The market value of a property is arrived at through a statistical evaluation, purchased from external parties. The market value is reassessed annually. Mortgage amortisation requirements and an additional interest are imposed if the loan to value ratio exceeds 50 per cent.</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 should be allowed as security with the Swedish central bank.</p> |
| <p><b>Market risks</b><br/>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 its customers on either deposits or loans. As a result of the bank's management of its excess liquidity, Avanza has an interest rate risk when investments are made in bonds with a fixed and variable coupon (FRN).<br/>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 processes and procedures in place to minimise this type of risk. The risk is classified as operational.<br/>The bank's surplus liquidity is invested at low risk with a maximum average fixed interest term (interest rate duration) of 0.25, i.e. 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, the risk that the company would be required to divest bonds due to a high liquidity buffer is deemed to be very low.</p>   |
| <p><b>Liquidity risk</b><br/>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, which creates a large amount of excess liquidity (see above). Deposits from the general public are considered to be one of the most secure sources of financing.</p>  | <p>In order to cope with short-term fluctuations in lending to/deposits from the general public, a significant part of the assets is held in cash (spot/maturing on the following business day).</p>  |
| <p><b>Operational risks</b><br/>The risk of loss as a result of inappropriate or inadequate internal processes or routines, human error, faulty systems or external events. Operational risk also includes legal risk.</p>                          | <p>Operational risks are present in all operations. It is neither possible nor cost effective to try to eliminate all operational risks. Avanza strives to minimise operational risks by creating as efficient and automated processes as possible, which also contributes to cost effectiveness.</p>   | <p>To fulfil our customer promise and retain a high level of trust and customer satisfaction, we work in a methodical, structured and proactive manner to prevent negative events. The forward-looking part can be summed up as a strong risk culture, incident reporting, risk indicators, continuity management, risk management process and approval process.<br/>An NPAP process is applied to ensure that all aspects of operational changes are taken into account, e.g. effectiveness and quality assurance. This process is based on an existing framework that governs risk management and documentation and necessitates the approval of the control functions.<br/>Operational risks are managed with consideration given to our strategy and risk appetite, in accordance with an internal framework.</p>   |
| <p><b>Actuarial risk</b><br/>Operational risks in the insurance operations or actuarial risks.</p>  | <p>The insurance risks in Avanza's operations are small. Deaths, survivors' pensions, waiver of premium and health insurance are transferred to external party and are not borne by Avanza. However, Avanza provides in-house life insurance linked to endowment insurance contracts. Payment to the policyholder's survivor amounts to 101 per cent of the sum assured upon death.</p>   | <p>The insurance risk is managed by basing risk premiums on statistical assumptions and through monitoring according to actuarial guidelines. In order 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 associated with endowment insurance payments arising from deaths.</p>   |
| <p><b>IT and information security risks</b><br/>The risk that information is leaked (confidentiality), is incorrect (accuracy) or not accessible.</p>   | <p>Avanza conduct most of the business digitally. Information is one of Avanza's most important assets. Unlike other banks and institutions, Avanza has no electronic payment services, unsecured credits or cards, which means that threats and the risk of fraud are lower.</p>   | <p>For Avanza, protecting information ensures that operational continuity is not threatened. To ensure in an effective and structured manner that it has the right protection for its information and that the business can adapt the protection to future needs, Avanza uses an information security management system based on the international standards in the ISO 27000 series.</p>   |



# Chairman's comment

Avanza was founded with the vision to democratise and simplify savings and stock trading. Now we have over 570,000 customers and continue to drive development in the financial services industry.

## Proud but never satisfied

The fact that we have Sweden's most satisfied savings customers for the seventh consecutive year, at the same time that we have been fortunate enough to welcome 200,000 new customers to Avanza in the last two years, is nothing to be satisfied about – even if we are fantastically proud and happy! When I founded Avanza 17 years ago, I did so with a vision to democratise and simplify savings and stock trading by making it possible for more people to invest in equities – in other words, even those with limited means. In this respect we have come far. When Avanza started, a stock trade cost about SEK 200 or between 0.45 and 0.65 per cent of the traded value and now customers can trade from SEK 1, and in some cases even for free. Since then, we have continued with many other savings products, even mortgage loans for private banking customers.

Much of what we have focused on in the last year and which continues to take up our time is how we can get our customers to feel even more comfortable making their own investment decisions. We want more people to feel confident about their savings at the same time that we want to get them excited about saving and investing. The same excitement I have felt since I was 12 years old.

In 2017, we will increase our rate of investment to capitalise on the opportunities that are arising as a result of new regulations and customer demand and to find the right tools that they haven't yet discovered they are missing. In short, the transformation of the financial services industry is continuing at a rapid rate.

As Avanza grows and adds more customers, we also face higher demands. This makes our work even more inspiring. We will never sit back and be satisfied – this is a core part of Avanza's business.

“To sit back and being satisfied is not the culture of Avanza”

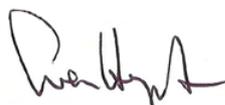
For the last few months Avanza has had a new CEO, Johan Prom, who has a background in consumer goods. You may wonder what that sector has in common with equities. In many cases, far too little. This is partly our own fault. Why do we compare the prices of milk and vegetables but we neglect to do the same thing with our life's savings? The financial services industry has not been known to date for clarity and customer value. Why not, as Johan has done, redefine the business we work in as a consumer goods industry, with all that implies? Supermarkets, which many times are located right alongside its biggest competitor, have to work every day to get customers to walk through their doors. Has anyone ever said you can't switch

supermarkets? Hardly, but that's just how it is when it comes to pension savings. We are still waiting for savers to be given unrestricted transfer rights to their pension savings. The fight for unrestricted transfer rights has gone on long enough without a tangible result. Avanza's customers have unrestricted transfer rights. We know therefore that we have to earn our customers every day. Just as easily as they can join us with a click, they can leave us. It wouldn't be too much of a stretch to predict for Avanza's part that Johan will make it less difficult for more people to choose the right savings.

“We do everything we can to earn our customers every day. They join us with a click and can leave us just as easily”

I would also like to take this opportunity to thank Henrik Källén, who took over as Acting CEO last summer and autumn and who, together with our many skilled employees, kept the momentum going. There are a great many opportunities, and the challenge is to keep our focus on the areas where we can make a difference. All with the goal of giving more people a better future.

Stockholm in February 2017



Sven Hagströmer  
Chairman of the Board



Sven Hagströmer, Chairman of the Board

# Corporate governance report

A prerequisite for realising our vision of creating a better future for millions of people is that our stakeholders trust how we act and how we manage our business.

This 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 is motivated by a desire to challenge accepted structures and create customer value through offers 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 should 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 will also benefit society as a whole.

The ability to achieve our vision and make long-term improvements in the savings market is built on the trust of our stakeholders. They 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 2016 amounted to SEK 74,597,305, represented by 29,838,922 shares and votes. The ownership is presented on page 25 of the Annual Report for 2016. The largest shareholders, Creades AB and Sven Hagströmer with family and company, are represented on the Nomination Committee and thus in the nomination process for the election of Board members and the auditor, see the table below.

## B. Nomination process for election of Board members and auditor

The AGM 2016 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2017.

The names of the Nomination Committee members, as well as the shareholders they represent, were published on 21 September 2016, which was six (6) months prior to the AGM 2017. The Nomination Committee consists of one representative from each of the four largest shareholders wishing to appoint a representative. The appointment was based on ownership participations known immediately before the announcement, i.e. 31 August.

The Nomination Committee is mandated to serve until a new committee is appointed. The Chairman of the Committee is, in accordance with the nomination process, 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 shareholders, its representative is to 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 in their stead. 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
- auditors and fees for the Company's auditors
- any changes in the Nomination Committee

### Composition of the Nomination Committee

| Name   | Representing                    | Holding 31-08-2016 | Holding 31-12-2016 |
|--|---------------------------------|--------------------|--------------------|
| Erik Törnberg (Chairman of the Nomination Committee) | Creades AB                      | 3,000,000 (10.1%)  | 3,040,000 (10.2%)  |
| Sven Hagströmer (Chairman of the Board of Avanza)    | Hagströmer family and companies | 2,994,246 (10.0%)  | 2,999,246 (10.1%)  |
| Sten Dybeck  | Dybeck family and companies     | 1,283,579 (4.3%)   | 1,283,600 (4.3%)   |
| Henrik Didner  | Didner & Gerge Fonder           | 1,131,210 (3.8%)   | 804,339 (2.7%)     |

Although Committee members are not remunerated for their work, Avanza will fund 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. Shareholders may contact the Committee with proposed nominations. Such proposals may be sent by email to [valberedningen@avanza.se](mailto:valberedningen@avanza.se) or by post to:

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

The Nomination Committee held three recorded meetings during 2016, 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 with regard to industry experience and competence.

When preparing its proposal for Board fees, the Nomination Committee makes comparisons with companies operating in similar spheres and of a similar size and complexity. Emphasis is placed on the reasonability of the remuneration based on the responsibility and the 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 made 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 prior to the AGM.

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

Decisions at the meeting are normally made by a simple majority, i.e.

more than half of the total number of votes cast, unless the Swedish Companies Act specifies otherwise. 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 2017 was 31 January 2017. 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 the shareholders can exercise their right of initiative, are made available 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 request such a meeting.

At Avanza's AGM held on 5 April 2016, 248 shareholders were represented, corresponding to 55 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.

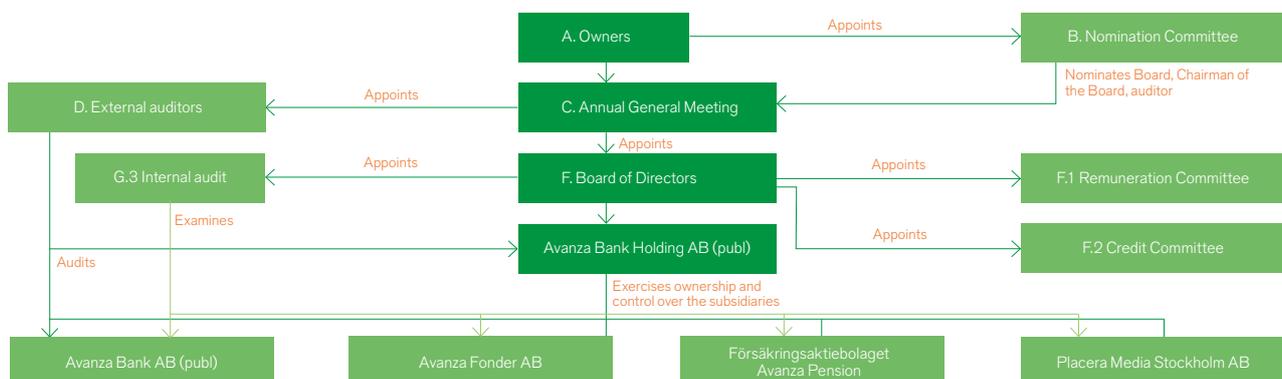
At the AGM 2016, the following resolutions were adopted:

- 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
- determination of the nomination process
- establishment of guidelines for remuneration to Group Management

### 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 2016, Öhrlings PricewaterhouseCoopers AB (PwC), with Catarina Ericsson as Auditor-in-Charge, was re-appointed auditor for the period until the AGM 2017.



The auditor presents at the AGM 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 addressing ongoing management and internal control, in writing as well as orally to Avanza's Board, at least twice a year and delivers a report on their audit of the annual accounts and the 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 2016, fees paid to PwC for auditing activities amounted to SEK 1,556k.

## E. Avanza Group

Avanza strives to ensure that it has a clear and transparent organisational structure.

Reporting from subsidiaries takes place on a monthly basis. The Boards of the subsidiaries consist of members of Group Management and Avanza's Board.

### CEO and Group Management

The CEO is responsible for the daily management of the company in accordance with the Swedish Companies Act and Avanza's instructions for the CEO, which is laid down by the Board. The CEO is responsible for keeping the Board informed of the operations and ensuring that the Board has the information the members need to undertake informed decisions. In addition, the CEO ensures that the Chairman is continuously kept abreast of the Group's development.

Avanza Group Management consisted at year-end 2016 of:

- Johan Prom, CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Henrik Källén, COO and Deputy CEO of Avanza Bank AB (publ)
- Birgitta Hagenfeldt, CFO
- Peter Strömberg, CIO
- Annika Saramies, CEO of Försäkringsaktiebolaget Avanza Pension
- Peter Westling, Marketing Director
- Maria Christofi Johansson, Head of Customer Service
- Gustav Berggren, Head of the Private Bank

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 when necessary. The meetings involve discussions regarding results and strategy, and priority discussions and status of major projects and initiatives as well as 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. Suitability assessments are made in conjunction with new appointments and regularly as required. The assessment

evaluates whether the person in question has adequate knowledge, insight, and experience and is suited to the role, as well as assessing any potential conflicts of interest. Background checks are conducted at least once a year.

### Remuneration to Group Management

Group Management's remuneration is to 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. There will be an appropriate balance between the fixed salary and variable remuneration, and it will be possible to set the variable remuneration at SEK 0. Variable remuneration to members of Group Management may never exceed 100 per cent of their fixed salary for the same financial year.

Criteria which govern the potential for 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, in accordance with prevailing market conditions, in the warrant programme that was decided upon at an Extraordinary General Meeting held on 13 June 2014.

Matters concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and decided on 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 diversity

Avanza's corporate culture draws its energy from a vision to create a better future for millions of people. The basic assumption is that what we achieve should be 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, experiences and views of all our employees in order to enrich and influence every area of the Company. Avanza feels that groups of individuals 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.

Occupational health and safety is a priority. Healthy employees produce a better, more effective organisation and higher profitability. The overarching goal of our occupational health and safety work is to create and maintain an environment where employees have an opportunity to thrive and meet their goals.

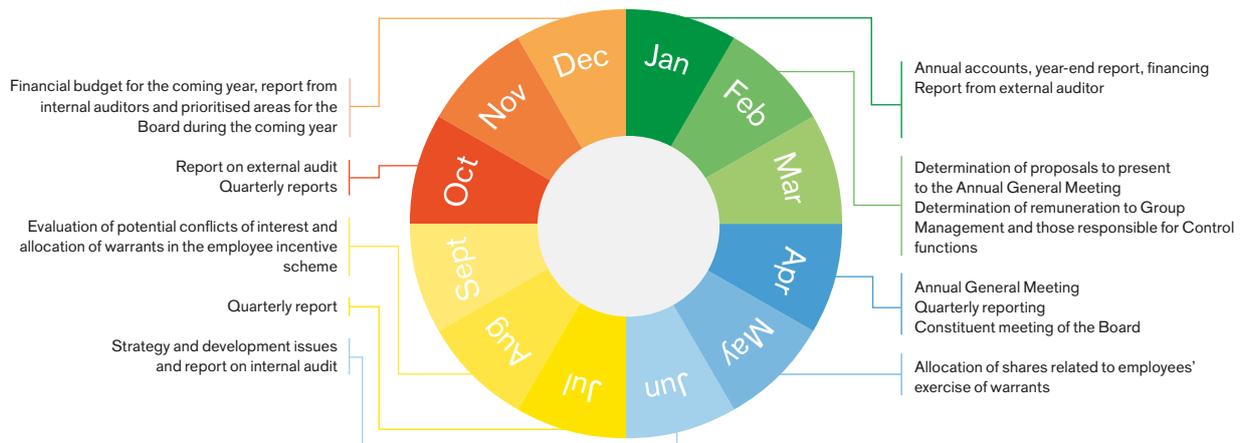
Avanza has an occupational health and safety committee that works with the overarching structure for systematic occupational health and safety work and issues of equal treatment.

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

## E. The Avanza Group



## Board meetings 2016



## 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 makes decisions on matters concerning the Group's strategic direction, major investments, organisational issues, acquisitions and divestments. Furthermore, the Board determines policies and guidelines, as well as the terms of reference for the CEO and for those responsible for Risk Control, Compliance, Internal Audit and the Actuarial function.

The Board shall consist of no fewer than five and no more than eight members. Avanza's Board of Directors in 2016 consisted of eight elected Board members and no deputies until the AGM, after which it consisted of seven elected members and no deputies. At the AGM 2016 all previous Board incumbents were re-elected, with the exception of Martin Tivéus, who declined re-election after stepping down as CEO during the year. The Chairman of the Board is Sven Hagströmer. The Board held its first meeting following election on 6 April 2016. Information about the members of the Board can be found on Avanza's website and on pages 42-43.

### Diversity and suitability

A policy is in place to ensure diversity on the Board, along with guidelines for suitability assessment of Board members. The aim of the diversity policy is to produce a Board of varying educational and professional backgrounds and with differing characteristics, all contributing to an independent, critical and inquisitive Board. The Board shall also consist of members of varying age with an equal gender distribution.

The guidelines stipulate how Avanza evaluates the suitability of appointees for their assignments while at the same time assessing conflicts of interest. The Board's composition shall contribute to understanding relevant regulations and be capable of identifying the risks that the business entails and faces. When assessing their suitability, 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 regularly when necessary. Background checks were made of all Board members in 2016.

### Work of the Board in 2016

Over the course of the year, the Board held a total of 15 meetings, including 6 scheduled meetings, 1 extra meeting, 1 meeting following election and 7 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

In addition to the permanent items on the agenda, the Board during the year discussed the matters in the illustration above. At the end of each calendar year, a Board evaluation is undertaken with the aim of developing the Board's work procedures and competence, whereby each member is asked to complete two evaluation documents. The results of the evaluation are transmitted to the Nomination Committee and compiled in a report, which then forms the basis for the implementation of any changes or skills development.

### Competence development of the Board of Directors

Training requirements for Board members were assessed in 2016 and a couple of information and education initiatives were organised. They focused on corporate governance, IT and information security, risk management and new rules and included all members. Board members also visit various parts of Avanza on their own initiative to better familiarise themselves with specific areas.

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

### Formal work plan of the Board of Directors

The Board operates according to a formal work plan, reviewed and adopted on an annual basis, regulating the division of duties, decision-making, signatories, meeting procedures and the duties of the Chairman. In addition, the Board's responsibilities and duties are regulated, and the identification and management of potential conflicts of interest addressed.

The work of the Board follows a reporting plan fulfilling the Board's information requirements. The plan is otherwise governed by the Board's established procedures for division of duties between the Board and the CEO. In addition, the auditor presents their audit and observations to the Board. In 2016, the Company's auditor was present and reported to the Board at two Board meetings. Company employees participate in the meetings to present reports or to act as secretary.

### Remuneration for Board members and attendance at Board meetings

The AGM 2016 resolved that the Chairman and other Board members are each to receive annual remuneration of SEK 268,000. The fee for work undertaken on the Boards of the subsidiaries Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension was set at SEK 40,000 each for respective Board assignments. In addition, fees of SEK 40,000 were set for members of the Credit Committee and of SEK 36,000 for members of the Remuneration Committee. Board members who receive a salary through their employment with the Company are not entitled to a Board fee.

#### F.1 Remuneration Committee

The Board appoints the Remuneration Committee, which consisted of Sven Hagströmer and Jacqueline Winberg during the financial year 2016. The Committee is responsible for evaluating and recommending the principles for remuneration.

The Committee prepares all proposals for fixed and variable remuneration to Group Management and to the management of the subsidiaries Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension, and to the managers of the control functions Risk Control and Compliance. Remuneration is determined by the Board.

In addition, the Committee prepares items relating to the CEO's terms of employment and benefits, which are approved by the Board. The CEO's variable salary is reviewed annually and is dependent on achievement of the CEO's individual goals.

In 2016, the Committee held five meetings, at which all members participated, and also kept regular contact.

#### F.2 Credit Committee

The Board appoints the members of the Credit Committee, which during the financial year 2016 consisted of the Board members Sven Hagströmer, Birgitta Klasén and Hans Toll. The Committee is tasked with taking decisions in credit matters that have previously been resolved by the entire Board, with the exception of credit matters where there is a potential conflict of interest, where the entire Board will still take the decisions. The Committee's meetings and decisions are recorded, and the minutes provided to the Board at each subsequent Board meeting.

In 2016, the Credit Committee held seven meetings, at which all members participated, and also kept regular contact.

#### F.3 Audit Committee

Under the Swedish Companies Act and the Code, the board of a public limited liability company is required to have an audit committee, or, alternatively, the board is to perform the work of the committee. The majority of the committee members must be independent of the company and its management, and at least one member of the committee is to be independent in relation to major shareholders. In addition, at least one member must have competence in accounting or auditing. Avanza's Board has chosen not to establish an Audit Committee, and, instead, the Board performs the work of such a committee. The Audit Committee's responsibilities were expanded in 2016 when the EU's audit reforms took effect. In fulfilling the Audit Committee's duties, the Board must ensure that the financial reporting maintains high quality and evaluate the work of the auditors. Guidelines for procuring services from the Group's accounting firm have been established. The Board also assists the Nomination Committee in preparing the proposal to the AGM on the auditors' election.

At the AGM 2006, it was decided that a member of Avanza's Board is to participate in the meetings where the auditor reports to Group Management. Chairman Sven Hagströmer has fulfilled this role since 2013.

The Board has ongoing contact with the Company's auditor to stay informed about 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 to the Board and presented her recommendations on two occasions in 2016. On two occasions in 2016, the internal audit function reported on the results of the year's independent review to the Board.

#### G. Internal control and risk management

The guidelines established by the Board of Directors stipulate that the Avanza Group is to be characterised by good internal governance and control. This implies that the operations are conducted in an ethically responsible and professional manner while upholding a sound risk culture.

An important part of risk work is to promote a good risk culture and risk awareness at the Board, management and operating levels by ensuring that the necessary risk management processes, control systems and reporting are in place. This is done by continuously reviewing and improving internal rules, routines and processes.

As a rule, the subsidiaries apply the same values and principles for internal governance and control at an individual, company-specific level as those established at Group level, unless otherwise bound by legal or supervisory requirements or when such principles or values are considered disproportionate to the nature, extent or complexity of the subsidiary's operations.

#### Attendance at recorded Board meetings 2016

| Member of the Board       | Attendance | In relation to the company and its management | In relation to the company's largest shareholders |
|---------------------------|------------|---|---|
| Sven Hagströmer, Chairman | 15/15      | Independent member                            | Not independent member                            |
| Sophia Bendz              | 15/15      | Independent member                            | Independent member                                |
| Jonas Hagströmer          | 15/15      | Independent member                            | Not independent member                            |
| Birgitta Klasén           | 15/15      | Independent member                            | Independent member                                |
| Mattias Miksche           | 15/15      | Independent member                            | Independent member                                |
| Martin Tivéus*            | 3/3        | Not independent member                        | Independent member                                |
| Hans Toll                 | 15/15      | Independent member                            | Not independent member                            |
| Jacqueline Winberg        | 15/15      | Independent member                            | Independent member                                |

\* Martin Tivéus resigned as a member of the Board at the Annual General Meeting on 5 April 2016.

## Internal regulatory framework for internal governance and control

The regulatory framework for internal governance and control is tailored to the nature, scope and complexity of the operations, taking into account the structure of the Group and the risks to which it is exposed. The framework is applicable to the entire Group, including the work undertaken by business, support and control functions, and aims to provide effective monitoring of the subsidiaries' operations.

### Three lines of defence principle

The three lines of defence principle is central to risk management and risk control in the Group and its subsidiaries. The three lines comprise the business operations, Risk Control, Compliance and the Actuarial function, which are independent of each other and independent of other parts of the operations, and Internal Audit.

#### 1. First line of defence – risk management by business operations

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

Risk management is to take place under the supervision of and in communication with Risk Control. For more information on the Group's risks, refer to page 28 in the Annual Report for 2016.

#### 2.1 Second line of defence – Risk Control

The Risk Control function is independent of the operations and is responsible for monitoring, identifying, quantifying, analysing and reporting all risks. Furthermore, the Risk Control function is responsible for risk information and the establishment and follow-up of risk policy and the internal framework for risk management. Avanza establishes annual goals and the approach to risk management to ensure that a low risk profile is maintained.

The Risk Control function works with independent control of the business as follows:

- governance and risk culture
- risk appetite and risk tolerance
- risk models and integration of risk management
- approval process for new products

The Chief Risk Officer reports directly to the CEO and presents reports at all scheduled Board meetings, in addition to providing regular reports to Group Management. The CRO can also report directly to the CEO or the Chairman of the Board if necessary.

#### 2.2 Second line of defence – Compliance

Compliance verifies that those operations requiring a licence are undertaken in accordance with applicable laws, regulations, internal directives and accepted practice. Compliance monitors and regularly assesses whether the measures and routines at Avanza are appropriate and effective. Compliance proposes internal rules, routines and measures that are needed to minimise the risk of regulatory non-compliance and to enable the Swedish Financial Supervisory Authority to exercise efficient supervision. In 2016, the Swedish Financial Supervisory Authority conducted supervisory visits in Försäkringsaktiebolaget Avanza Pension and Avanza Fonder AB. Avanza did not receive any sanctions in 2016 for failure to comply.

Compliance informs the CEO, the Board and employees of the applicable rules in effect for those of Avanza's operations requiring a licence. Knowledge of applicable rules is disseminated, for example, through internal regulations, training programmes and other types of information.

Compliance is directly under the supervision of the CEO 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 necessary.

#### 2.3 Second line of defence – Actuarial function

The Actuarial function is responsible for coordinating and verifying that the actuarial calculations done by the subsidiary Försäkringsaktiebolaget Avanza Pension meet established limits and 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.

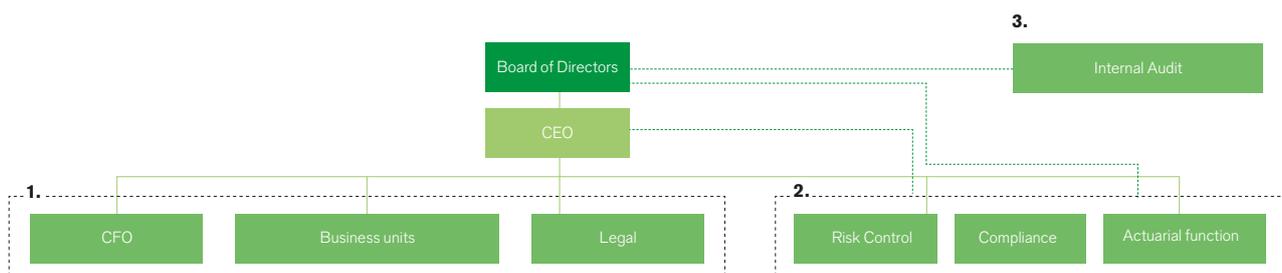
The Actuarial function, which has been outsourced to Försäkringsmatematik AB, reports to the CEO. When necessary, the Actuarial function reports at the board meetings of Försäkringsaktiebolaget Avanza Pension.

#### 3. Third line of defence – Internal Audit

The internal audit function is appointed by and directly under the supervision of the respective Boards of Directors. The work of the internal audit function is based on an audit plan decided by the Board. The plan is based on 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 these recommendations are followed, reporting at least once a year in writing to the CEO and the Board of Directors.

Internal auditing is performed by external consultants to ensure the quality and independence of the evaluation and review. In 2016, the Board of Directors commissioned the external consultancy OMEQ Financial Consulting AB (OMEO) to execute the internal audit.

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



During 2016, Internal Audit focused its investigation on questions relating to Avanza's processes and procedures for compliance with anti-money laundering rules, the introduction of a system for more effective risk and incident management, and the Group's profit and capital simulation model.

At Board meetings in June and December 2016, OMEO reported its findings from the year's independent review to the Board of Directors.

### **Board of Directors' report on internal controls in relation to 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 controls regarding both Avanza Bank Holding AB (publ), referred to below as "Avanza", and the entire Avanza Group. This report is limited to internal controls regarding financial reporting, and constitutes a part of the Corporate Governance Report which shall be appended to the Company's Annual Report.

### **System of internal controls and risk management in relation to financial reporting**

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

### **Control environment**

Fundamental to Avanza's internal control of the financial reporting is the control environment described in the Corporate Governance Report, a clear and transparent organisational structure, allocation of responsibilities, and governing internal documents such as policies, guidelines and instructions. Examples include the work plans for the Board and CEO and work procedures for Risk Control, Compliance, the Actuarial function and the Internal Auditors. In addition, the documents include guidelines for internal governance and control, reporting, authorisation instructions and the information policy.

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

### **Risk management**

Risk management within Avanza, which includes risks related to financial reporting, is proactive by nature and carried out on an ongoing basis, with an emphasis on continuous assessments, controls and training programmes. Avanza applies the techniques and methods currently available 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 process for financial reporting. They include both general and more detailed controls, intended to prevent, identify and rectify errors and discrepancies. Control activities are formulated and documented at a company-wide and departmental level, based on a reasonable level related to the risk of errors and their effects. Each departmental manager is primarily responsible for managing the risks associated with their department's operations and financial reporting processes.

Furthermore, a high level of IT security is a prerequisite for effective internal control of financial reporting. For this reason, rules and guidelines have been established to ensure the accessibility, accuracy, confidentiality and traceability of information in the business systems.

### **Information and communication**

The purpose of Avanza's information and communication channels is to promote completeness and accuracy in the financial reporting. Governing documents applying to financial reporting have been made available and known to the appropriate employees through the Company's Intranet and have been supplemented by descriptions of relevant routines and processes. Regular sharing of information, dialogue, training programmes and controls ensure that the employees are aware of and understand the internal regulations. This should ensure 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 operational figures and analyses to departmental managers, Group Management and the Board. Furthermore, the accounting and control department actively follows up operational expenses in relation to budgets and forecasts. This work is undertaken in close cooperation with Group Management and managers within the organisation.

The control functions Risk Control, Compliance and Internal Audit follow up on compliance with policies, guidelines and instructions.

Additionally, since 2006, Avanza has an internal management organisation for the purpose of following up and assessing internal control and risk management with a focus on the financial reporting, including the quality and efficiency of the control structure and compliance with internal governing documents. The internal management organisation, which held four recorded meetings in 2016, consists of representatives from Finance, Back Office, Trade, Pension, IT, Risk Control and Compliance.

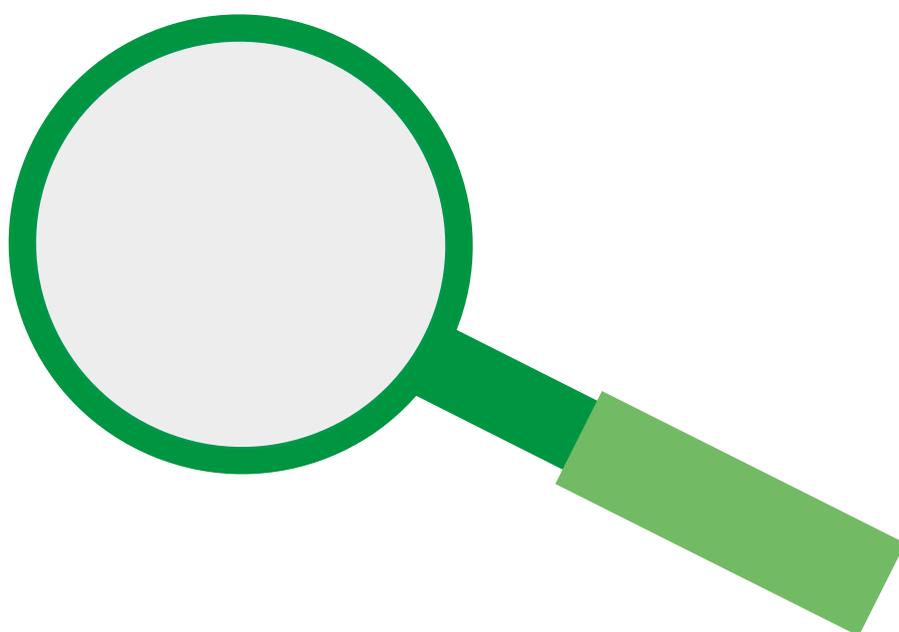
The Board receives financial reports on a monthly basis, and the Company's and Group's financial situation is addressed at each Board Meeting. Prior to each Board Meeting, the Board receives reports from the control functions Risk Control and Compliance. All of these reports are based on an evaluation of the Group's activities and cover the entire organisation. The Board also reviews the interim financial reports and annual accounts, as well as the observations and conclusions of the external auditors and the internal auditors.

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

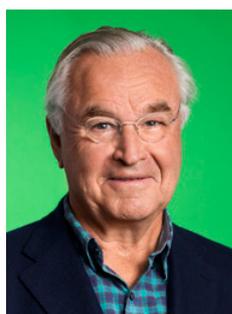
### **Assessment and positions regarding internal audits**

Avanza's Internal Audit function is appointed by and is directly under the supervision of the Boards of Directors. The work of the internal audit function is based on an audit plan decided annually by the Board. The plan is based on risk analysis and the work comprises examining and assessing whether systems, internal control mechanisms and routines are appropriate and effective, issuing recommendations, checking that these recommendations are followed and reporting at least once a year in writing to the Board of Directors and the CEO.

Internal auditing is performed by external consultants for the purpose of ensuring the quality and independence of the evaluation and review. The Chairman of the Board is responsible for the procurement of the internal audit and has meetings with the internal auditors about issues to focus on.



# Board of Directors and Auditors



**Sven Hagströmer**  
Chairman

Born 1943  
Elected 1997  
Committees Remuneration & Credit Committee  
Education Studies at Stockholm University

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

Relevant employment history 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 2016 (incl. family and companies) 6,039,246 (of which Creades 3,040,000)



**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

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 DigiExam Solutions Sweden 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 Föreningsparbanken, 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

8,000

**Mattias Miksche**

|   |   |
|---|---|
| Born  | 1968  |
| Elected   | 2008  |
| Committees  | –   |
| 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 Sportmore 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 2016 (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 Bank and Investments Manager 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 2016 (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                               | 1996-2005 Partner at Ray & Berndtson in Sweden, 1995-1996 Consultant at Michael Berglund Chefsrekrytering, 1985-1990 Handelsbanken, 1984-1985 PK-banken  |
| Other significant assignments                             | CEO, Founder, Managing Partner and board member of Stanton Chase International AB  |
| Holdings on 31 December 2016 (incl. family and companies) | 1,700  |

**AUDITORS****Öhrlings  
Pricewaterhouse  
Coopers AB**Auditor-in-Charge  
Catarina Ericsson

Born 1966

Authorised Public  
Accountant

# Group Management



**Johan Prom**

|   |  |
|---|--|
| Born  | 1972   |
| Position                                    | CEO  |
| Employed                                    | 2016   |
| Education                                   | Master of Science in Business and Economics, Stockholm School of Economics with majors in financial economics and managerial finance, including programs at New York University, Catholic University of Louvain and University of Cologne                |
| Employment history                          | 2014-2016 Commercial Director at Menigo (formerly ICA Meny), 2010-2014 Business Area Director at ICA, 2009-2010 Associate Partner at Boston Consulting Group, 2005-2009 Business Area Director at ICA, 1997-2005 Associate Partner at McKinsey & Company |
| Holdings on 31 December 2016 (incl. family) |  |
| Shares                                      | 1,000  |
| Warrants (corresponding number of shares)   | 10,000   |



**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 University, Business Administration and Leadership at Suffolk University |
| Employment history                          | 2006-2007 Management Trainee Blendow Consulting  |
| Holdings on 31 December 2016 (incl. family) |  |
| Shares                                      | 600  |
| Warrants (corresponding number of shares)   | 69,030   |



**Maria Christofi Johansson**

|   |   |
|---|---|
| Born  | 1970  |
| Position                                    | Head of Customer Service                            |
| Employed                                    | 2000  |
| Education                                   | LL.M. Stockholm University                          |
| Employment history                          | 1996-2000 Account Manager for external funds at SEB |
| Holdings on 31 December 2016 (incl. family) |   |
| Shares                                      | 8,600   |
| Warrants (corresponding number of shares)   | 36,010  |



**Birgitta Hagenfeldt**

|   |   |
|---|---|
| Born  | 1961  |
| Position                                    | CFO   |
| Employed                                    | 2008  |
| Education                                   | MBA, Örebro University  |
| Employment history                          | 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                                      | 66,820  |
| Warrants (corresponding number of shares)   | 64,500  |

**Henrik Källén**

|           |                            |
|-----------|----------------------------|
| Born      | 1968                       |
| Position  | COO, Deputy CEO            |
| Employed  | 2000                       |
| Education | LL.M. Stockholm University |

**Annika Saramies**

|           |   |
|-----------|---|
| Born      | 1975  |
| Position  | CEO Försäkringsaktiebolaget Avanza Pension                    |
| Employed  | 2007  |
| Education | Studies at University of Western Sydney and Örebro University |

**Peter Strömberg**

|           |  |
|-----------|--|
| Born      | 1972   |
| Position  | CIO  |
| Employed  | 2014   |
| Education | MSc Business Administration & Information Technology, Gotland University College/ Stockholm University |

**Peter Westling**

|           |                                  |
|-----------|----------------------------------|
| Born      | 1971                             |
| Position  | Head of Innovation and Marketing |
| Employed  | 2012                             |
| Education | MBA, Stockholm University        |

|   |  |  |   |  |
|---|--|--|---|--|
| Employment history                          | 1997-2000 Stockbroker at Orkla Securities, 1995-1997 Team manager stock trading at Stadshypotek Bank | 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 | 2010-2014 IT Director IT-Service Management RSA Scandinavia<br>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                                      | 33,622   | 99   | 0   | 0  |
| Warrants (corresponding number of shares)   | 66,670   | 11,670   | 27,700  | 50,210   |

**Stockholm, 23 February 2017**

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

Johan Prom  
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.

It is the board of directors who is responsible for the corporate governance statement for the year 2016 on pages 34-46 and that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. 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.

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 for Credit Institutions and Securities Companies.

Stockholm, 23 February 2017

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 2016. A Corporate Governance Report is provided separately from the administration report on pages 34-46. Avanza's annual report is available at [avanza.se/ir](http://avanza.se/ir).

## 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 in the online magazine Placera and the weekly financial magazine Börsveckan. The subsidiary Avanza Förvaltning AB is responsible for the holding of all the warrants which are 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 with the market's broadest range of savings products, simple decision-making tools and a strong occupational pension offering. Customers are offered cost-effective ways to save without fixed account charges in Swedish and foreign securities, currency and savings accounts. Avanza primarily targets private savers in Sweden, but also offers services for professional traders, corporate customers, banks and asset managers.

## Market and sales

The total value of the Swedish savings market is SEK 7,200 billion, of which 48 per cent is comprised of direct savings and the remaining 52 per cent is comprised of pension-based savings.\* As of 30 September 2016 Avanza had 3.2 per cent of the total savings market in Sweden and Avanza's share of the total net inflow to the Swedish savings market during October 2015 – September 2016 amounted to 9.9 per cent, which is significantly higher than the goal of taking at least 7 per cent of the total net inflow. The net inflow target from 2017 has been adjusted upward to a market share of at least 9 per cent.

In 2016 the stock exchange was highly volatile as a result of geopolitical concerns, not least in connection with terrorist attacks, the referendum in the UK regarding Brexit and the presidential election in the US. The SIX Return Index gained 10 per cent in 2016. Turnover on the Stockholm Stock Exchange including First North was 8 per cent lower than in 2015. The number of transactions, however, rose by 12 per cent and the average volume per transaction was consequently lower. Avanza's share of the transactions on the Stockholm Stock Exchange including First North was 13.5 per cent. This resulted in Avanza being the targets bank in terms of transactions. Turnover among Avanza's customers increased by 12 per cent from the beginning of 2016. The increased trading among Avanza's customers was a result of, among

| Avanza activity                                | 2016          | 2015          | Change % |
|--|---------------|---------------|----------|
| No. transactions, thousands                    | 24,600        | 18,000        | 37       |
| No. commission notes per customer and month    | 3.8           | 3.4           | 12       |
| <b>Market shares</b>                           |               |               |          |
| <i>Nasdaq Stockholm including First North:</i> |               |               |          |
| No. transactions, %                            | 13.5          | 10.9          | 2.6      |
| Turnover, %                                    | 6.8           | 6.4           | 0.4      |
| <b>Net inflow, SEK m</b>                       |               |               |          |
| Standard                                       | 20,020        | 20,250        | -1       |
| Private Banking                                | 6,030         | 4,320         | 40       |
| Pro  | 450           | 630           | -29      |
| <b>Net inflow</b>                              | <b>26,500</b> | <b>25,200</b> | <b>5</b> |
| Equity & investment fund accounts              | 6,840         | 3,720         | 84       |
| Investment savings accounts                    | 13,400        | 14,600        | -8       |
| Savings accounts                               | 1,150         | 820           | 40       |
| of which, external deposit accounts            | 1,100         | 710           | 55       |
| Pension- & insurance-based accounts            | 5,110         | 6,060         | -16      |
| of which, endowment insurance                  | 2,540         | 3,740         | -32      |
| of which, occupational pensions                | 2,680         | 2,200         | 22       |
| <b>Net inflow</b>                              | <b>26,500</b> | <b>25,200</b> | <b>5</b> |
| Net inflow/Savings capital, %                  | 14            | 18            | -4       |

For definitions see page 102.

\* Sparbarmetern, published with a lag, the latest refers to 30-09-2016.

other things, a large inflow of customers and capital, brokerage fee reductions and the volatile stock exchange. Avanza's enhanced mobile user experience also contributed to the increased activity.

In February, the Riksbank lowered the repo rate by 0.15 basis points to a new record low of -0.50 per cent. Since then, rates have stayed unchanged, but the forecast for the benchmark rate has been adjusted downward several times. Not until early 2018 is the repo rate expected to rise. The reduced rate encouraged a growing number of savers to look for better returns in the stock market.

In total for 2016, the net inflow was SEK 26.5 billion, 5 per cent higher than the previous year and hence the highest yearly inflow in Avanza's history. Just over half of the net inflow came from new customers. More than half of the net inflow went to ISA (Investment savings accounts), which offer tax advantages for customers in the current interest rate

environment. Focus on Avanza Pension contributed to a strong net inflow to Avanza's occupational pension products.

The number of customers rose in 2016 by 103,000, a growth rate of 22 per cent. Avanza's yearly goal to grow the customer base by at least 10 per cent from the beginning of the year was surpassed by far. Some of the reasons for the continued high inflow was a stronger offering and an active year in terms of corporate transactions. As of 2017, the target is raised to reach 1 million customers by 2020. At the end of the year, Avanza had 570,600 customers.

Customers savings capital at Avanza grew considerably in 2016 driven by the high customer and net inflow as well as the the strong stock market development. Savings capital amounted to SEK 231,0 billion at year-end, an increase of 21 per cent from the beginning of the year. During the same period, the stock market was up 10 per cent.

| <b>No. customers and accounts</b>      | <b>31-12-2016</b> | <b>31-12-2015</b> | <b>Change %</b> |
|--|-------------------|-------------------|-----------------|
| Standard                               | 550,910           | 451,490           | 22              |
| Private Banking                        | 17,700            | 14,300            | 24              |
| Pro                                    | 1,990             | 1,810             | 10              |
| <b>No. customers</b>                   | <b>570,600</b>    | <b>467,600</b>    | <b>22</b>       |
| Equity & investment fund accounts      | 344,200           | 306,100           | 12              |
| Investment savings accounts            | 304,400           | 188,000           | 62              |
| Savings accounts                       | 110,900           | 101,700           | 9               |
| of which, external deposit accounts    | 82,100            | 72,800            | 13              |
| Pension- & insurance-based accounts    | 292,400           | 255,900           | 14              |
| of which, endowment insurance          | 159,100           | 135,100           | 18              |
| of which, occupational pensions        | 55,700            | 42,400            | 31              |
| <b>No. accounts</b>                    | <b>1,051,900</b>  | <b>851,700</b>    | <b>24</b>       |
| No. accounts per customer              | 1.84              | 1.82              | 1               |
| <b>Savings capital, SEK m</b>          |                   |                   |                 |
| Standard                               | 129,150           | 109,960           | 17              |
| Private Banking                        | 95,100            | 76,300            | 25              |
| Pro                                    | 6,750             | 5,340             | 26              |
| <b>Savings capital</b>                 | <b>231,000</b>    | <b>191,600</b>    | <b>21</b>       |
| Equity & investment fund accounts      | 77,350            | 66,140            | 17              |
| Investment savings accounts            | 64,000            | 46,600            | 37              |
| Savings accounts                       | 9,450             | 8,260             | 14              |
| of which, external deposit accounts    | 8,580             | 7,450             | 15              |
| Pension- & insurance-based accounts    | 80,200            | 70,600            | 14              |
| of which, endowment insurance          | 57,900            | 52,400            | 10              |
| of which, occupational pensions        | 12,100            | 8,520             | 42              |
| <b>Savings capital</b>                 | <b>231,000</b>    | <b>191,600</b>    | <b>21</b>       |
| Equities, bonds, derivatives, etc.     | 145,280           | 118,940           | 22              |
| Investment funds                       | 58,900            | 48,900            | 20              |
| Deposits                               | 35,000            | 30,300            | 16              |
| of which, external deposits            | 8,580             | 7,540             | 15              |
| Lending                                | -8,180            | -6,540            | 25              |
| of which, mortgage loans               | -4,060            | -2,720            | 49              |
| <b>Savings capital</b>                 | <b>231,000</b>    | <b>191,600</b>    | <b>21</b>       |
| Deposits/Lending, %                    | 428               | 463               | -35             |
| Net deposits/Savings capital, %        | 12                | 12                | 0               |
| Return, average account since 1 Jan, % | 6                 | 16                | -10             |
| SIX Return Index since 1 Jan, %        | 10                | 10                | 0               |

For definitions see page 102.

Savings capital in ISK grew by 37 per cent and savings capital invested in occupational pension accounts increased by 42 per cent. At the end of the period, 25 per cent of customer capital was invested in investment funds, unchanged from the beginning of 2016. Also deposits share of savings capital, 15 per cent, was unchanged at year-end. Deposits increased by 16 per cent from the beginning of the year and lending rose by 25 per cent. At the end of the year lending was comprised of 50 per cent securities loans and 50 per cent mortgage loans. During the year the ceiling on mortgage lending volume for Private Banking customers was raised from SEK 3.5 billion to SEK 4.75 billion to meet customer demand.

### Seasonal effects

Customer and net inflow are normally higher at the beginning of the year, while activity has historically been lower in the summer months. The introduction of mobile services has made it possible for customers to manage their savings while on vacation, which has kept summer activity higher in recent years. Seasonal variations are not necessarily reflected in the company's financial results, which are impacted more by cyclical market factors such as stock market development and the repo rate. The third quarter is normally characterized by lower personnel costs, based on employees' summer vacation. Income from Corporate Finance activity is also seasonally low in the third quarter.

### Product and business development

Avanzas focus on digital decision support resulted in 2016 in, among others, the launch of a savings calculator where customers can see how their savings grow over time, for example, by adjusting their contributions, investment horizon and returns. A greatly improved stock list was introduced as well as the possibility for customers to transfer money in real time to Avanza on evenings and weekends from their accounts in other banks. Avanza Play, a new decision-making support tool with videos that educates customers and encourages them to save, was launched in November.

In May, Avanza was the first institute in Sweden to launch free stock trading on the Stockholm Stock Exchange. The offer is for new and existing customers with savings capital of less than SEK 50,000. The aim is to get more people interested in stocks, at the same time that Avanza reinforces its position as a price leader. During the year, a new price list for securities trading was launched for customers within Private Banking. This allow customer to choose the brokerage fee class best suited to their trading. Avanza also strengthened its mortgage offering for Private Banking customers by cutting mortgage rates to 0.79 per cent from 0.99 per cent.

To improve customer experience, a new website design and new navigation were launched in 2016 as well as a totally new Android app with new functions. During the year, several updates on the mobile apps were made and the use of mobile apps grew strongly.

A number of efficiency enhancement measures were also implemented during 2016, including improvements to underlying systems and advanced stability, positioning the company to manage continued high growth. This is in order to continue to create economies of scale, increase stability and thereby enable the strong pace of growth, with a high quality of the services to customers while operational risks are reduced.

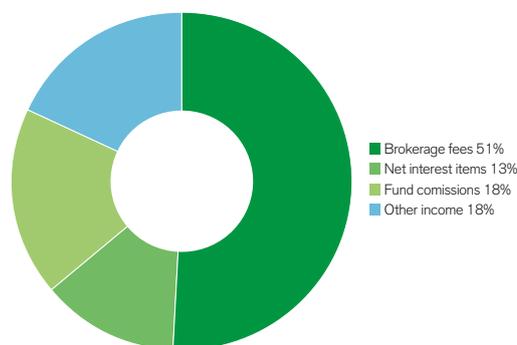
### Results

Income for 2016 rose by 2 per cent compared to last year due to an increase in other commission income and higher fund commissions, while the lower net interest income and decreased brokerage income had the opposite effect.

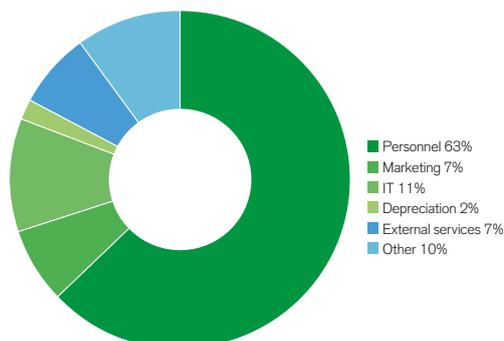
Brokerage income decreased by 2 per cent at the same time as the number of transactions gained 37 per cent and the number of commission-generating customers rose by 32 per cent. Instead, brokerage income was squeezed by the size of the transactions, which were smaller. More customers were trading equities, but at lower volumes and in lower brokerage fee classes suited to their trading patterns. This resulted in falling income per transaction, even though brokerage income per turnover increased somewhat compared to 2015. Since the launch of Avanza Markets, with commission from Morgan Stanley reported under other commission income, the majority of income from ETPs (exchange-traded products) has been moved from the brokerage income to other commission income, which affects year-on-year comparisons.

The increase in other commission income is mainly due to the launch of Avanza Markets in May 2015. During the year, Avanza Market's share of total trading in ETPs represented 62 per cent of the turnover on the Stockholm Stock Exchange and NDX Sweden, and 70 per cent in terms of number of transactions. Currency-related income was also higher compared to 2015, mainly as a result of increased trading in international securities. In 2016, trading in foreign stock markets among Avanza's customers was 6.5 per cent measured by the number of transactions. The number of transactions was over 50 per cent higher than in 2015. The biggest interest was in the US, Denmark, Norway and Canada. Fund commissions increased by 5 per cent in 2016 compared to 2015, mainly due to higher fund volumes.

Breakdown of operating income 2016



Breakdown of operating expenses 2016



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

| <b>Income Statements, SEK m</b>                      | <b>2016</b>       | <b>2015</b>       | <b>2014</b>       | <b>2013</b>       | <b>2012</b>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net commission                                       | 801               | 764               | 492               | 391               | 333               |
| Net interest income*                                 | 114               | 139               | 192               | 195               | 225               |
| Other income   | 3                 | 2                 | 0                 | 1                 | -6                |
| <b>Total income*</b>                                 | <b>919</b>        | <b>904</b>        | <b>684</b>        | <b>587</b>        | <b>552</b>        |
| Operating expenses before credit losses <sup>†</sup> | -453              | -420              | -388              | -360              | -350              |
| <b>Profit before credit losses</b>                   | <b>465</b>        | <b>485</b>        | <b>296</b>        | <b>227</b>        | <b>202</b>        |
| Credit losses, net                                   | -1                | 0                 | 0                 | -1                | -1                |
| <b>Operating profit</b>                              | <b>465</b>        | <b>485</b>        | <b>296</b>        | <b>226</b>        | <b>201</b>        |
| Taxes  | -66               | -70               | -46               | -33               | -41               |
| <b>Net profit for the year</b>                       | <b>399</b>        | <b>415</b>        | <b>250</b>        | <b>193</b>        | <b>160</b>        |
| <b>Balance Sheets, SEK m</b>                         | <b>31-12-2016</b> | <b>31-12-2015</b> | <b>31-12-2014</b> | <b>31-12-2013</b> | <b>31-12-2012</b> |
| Treasury bills eligible for refinancing              | -                 | 250               | -                 | 165               | -                 |
| Lending to credit institutions                       | 1,583             | 1,701             | 4,535             | 9,078             | 7,989             |
| Lending to the public                                | 8,175             | 6,540             | 5,349             | 4,188             | 3,710             |
| Bonds  | 13,244            | 11,850            | 6,070             | -                 | -                 |
| Shares and participations                            | 5                 | 0                 | 34                | 0                 | 0                 |
| Assets in insurance operations                       | 75,934            | 66,566            | 50,898            | 42,573            | 33,067            |
| Other assets   | 1,675             | 1,714             | 410               | 631               | 440               |
| <b>Total assets</b>                                  | <b>100,616</b>    | <b>88,621</b>     | <b>67,296</b>     | <b>56,635</b>     | <b>45,206</b>     |
| Deposits by the public                               | 22,832            | 20,446            | 15,038            | 12,987            | 11,116            |
| Liabilities in insurance operations                  | 75,934            | 66,566            | 50,898            | 42,573            | 33,067            |
| Other liabilities                                    | 443               | 384               | 545               | 281               | 195               |
| Subordinated liabilities                             | 99                | 99                | -                 | -                 | -                 |
| <b>Total liabilities</b>                             | <b>99,308</b>     | <b>87,495</b>     | <b>66,481</b>     | <b>55,841</b>     | <b>44,387</b>     |
| Shareholders' equity                                 | 1,308             | 1,126             | 815               | 794               | 828               |
| <b>Total liabilities and shareholders' equity</b>    | <b>100,616</b>    | <b>88,621</b>     | <b>67,296</b>     | <b>56,635</b>     | <b>45,206</b>     |
| <b>Key ratios</b>                                    | <b>2016</b>       | <b>2015</b>       | <b>2014</b>       | <b>2013</b>       | <b>2012</b>       |
| Operating margin, %*                                 | 51                | 54                | 43                | 38                | 36                |
| Profit margin, %*                                    | 43                | 46                | 37                | 33                | 29                |
| Earnings per share, SEK                              | 13.45             | 14.23             | 8.64              | 6.67              | 5.58              |
| Earnings per share after dilution, SEK               | 13.44             | 14.10             | 8.56              | 6.67              | 5.58              |
| Return on shareholders' equity, %                    | 33                | 45                | 32                | 25                | 19                |
| Credit loss level, %                                 | 0.01              | 0.00              | 0.00              | 0.00              | 0.00              |
| Income to savings capital ratio, %*                  | 0.44              | 0.54              | 0.53              | 0.60              | 0.68              |
| Costs to savings capital ratio, %*                   | 0.22              | 0.25              | 0.30              | 0.37              | 0.43              |
| Brokerage income per trading day, SEK m              | 1.9               | 1.9               | 1.2               | 1.0               | 0.9               |
| Brokerage per commission note, SEK                   | 41                | 55                | 68                | 71                | 75                |
| Average no. employees                                | 343               | 323               | 283               | 269               | 269               |
| Web service operational availability, %              | 99.9              | 100.0             | 99.7              | 99.9              | 99.6              |
| <b>Key ratios</b>                                    | <b>31-12-2016</b> | <b>31-12-2015</b> | <b>31-12-2014</b> | <b>31-12-2013</b> | <b>31-12-2012</b> |
| Shareholders' equity per share, SEK                  | 43.83             | 38.37             | 28.22             | 27.49             | 28.68             |
| Capital base/Capital requirement                     | 1.66              | 1.67**            | 1.72              | 1.82              | 2.21              |
| Cash dividend per share, SEK (2016; proposal)        | 10.50             | 10.50             | 7.00              | 8.00              | 8.00              |
| No. shares, thousand                                 | 29,839            | 29,344            | 28,874            | 28,874            | 28,874            |
| Average no. shares, thousand                         | 29,660            | 29,172            | 28,874            | 28,874            | 28,665            |
| Average no. shares after dilution, thousand          | 29,682            | 29,441            | 29,139            | 28,874            | 28,665            |
| Market capitalisation, SEK m                         | 11,000            | 10,800            | 7,450             | 6,030             | 3,800             |
| Share price, SEK                                     | 369.00            | 367.50            | 258.00            | 209.00            | 131.50            |
| No. employees  | 365               | 334               | 296               | 264               | 262               |

For definitions see page 102.

\* 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.

Net interest income in 2016 decreased by 18 per cent compared to last year due to the lower repo rate, lower mortgage rate and increased deposits. The repo rate averaged  $-0.48$  per cent in 2016, compared to  $-0.25$  per cent in the previous year. STIBOR (3M) was on average 30 basis points lower than the previous year. Declining net interest income was offset to some extent by increased lending. As of 2016 the fee for the government's deposit guarantee scheme and resolution fee (formerly the stability fee) are recognised as interest expenses and have been transferred from other operating expenses to net interest income.

Operating expenses before credit losses increased by 8 per cent year on year. This aligns with the previous estimated increase of 8–10 per cent in 2016. The increase was mainly due to increased capacity in compliance, law and IT development. Personnel costs rose by 9 per cent.

The increase in operating expenses in 2016 exceeded the rate of growth in income which deviates from Avanza's long-term target. Given current market conditions, Avanza deems it important to maintain high capacity in product and IT development and not worry too much about effects of short-term economic fluctuations on income. In the long term, income is expected to outpace costs.

The operating profit for 2016 was SEK 465 million, a decrease of 4 per cent compared to 2015. The operating margin was 51 per cent. Profit after tax decreased by 4 per cent to SEK 399 million which corresponds to earnings per share of SEK 13.45. The profit for the year implies a return on shareholders' equity of 33 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 7 per cent a year in the last ten years. Global uncertainty and concerns about falling property prices could lead to Swedish customers choosing to save by paying off more on their mortgages instead, which 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 and Avanza is well prepared to meet the changing conditions facing the financial industry in the form of new customer behaviours and regulations.

### Changing customer behaviour

We are seeing a clear trend with greater focus on the importance of fees, not least due to negative interest rates. The Riksbank has indicated that interest rates will remain low in coming years, and savers are turning to the stock market to get returns. The low interest rates are also positively affecting customers' disposable income and savings potential. Avanza's low fees and position as a leading platform for savings and investment is favourable for growth given these market conditions. More customers create opportunities for growth in savings capital and in turn growth in income. 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 SEK 170–220 million.

Another distinctive trend is that more customers are logging in and making their transactions by mobile devices. Over 60 per cent of the visits to Avanza during 2016 were from mobile devices. Mobile use has also been shown to increase customer activity, without cannibalizing on the number of visits from desktop. We expect digitisation and the increased mobile use to continue and to help further strengthen Avanza's position.

### Pending regulations

The gradual deterioration of national and collective pension and welfare systems increases the need for individual savings, which is leading to higher demand for easy information, freedom of choice, digital services and lower fees. Avanza benefits when more responsibility is shifted to the individual, since Avanza's IT platform, products and decision-support tools make it easy and less expensive to make the right investment choices.

We are in the midst of a period of extensive regulatory changes in the financial sector, driven by the EU. The majority of these regulating frameworks aim to increase consumer protection and transparency in the market. This will mean greater complexity and higher costs for financial advice for private individuals. To cost-effectively serve the broad consumer market, more financial institutions will probably be forced to embrace digitisation and digital decision support. In this respect Avanza is in the forefront. Avanza does not offer individual advice and is well-positioned to meet the rising demand for digital investment services with low fees. As a result, the shift from physical meetings with a banker to digital services is expected to positively impact Avanza's growth opportunities. At the same time, we are seeing increased fragmentation of financial services as Fintech companies focused on the digitisation of the financial industry challenge traditional banks, which we expect will contribute to greater mobility in the market.

The new rules banning advisory fees, which will be introduced at the latest in conjunction with the MiFID II regulations, aim to benefit consumers who seek independent advice from insurance brokers and investment advisors. This is likely to affect advisory fees which customers are charged in a period where savers become more price conscious and less willing to pay. Avanza Pension is one of few pension providers in Sweden which does not pay broker commissions. As a result, a ban on commissions for insurance 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.

Regulated transfer rights for pensions would also positively affect Avanza's growth prospects. At this point it is uncertain whether and when such rights can be introduced, but the government repeated during the autumn that it wants to see progress on transfer rights during its current term, which lasts until September 2018. The Swedish Competition Authority also came out positively in the end of the year about the possibility of a more efficient transfer market. Avanza has a strong occupational pension offer and ranks fourth in pension capital transfers in the Swedish life insurance market. According to data from Svensk Försäkring, Avanza's share of life insurance premiums paid during the period October 2015 – September 2016 increased from a market share of 6.0 per cent 2015 to 6.6 per cent. Considering the stable growth and revenue model in pension savings, Avanza's focus on pensions is a long-term shock absorber in the event of market fluctuations.

During the autumn, the government discussed introducing a new tax on financial services based on gross wages as of January 2018. The introduction of such a tax would not only lead to job losses in the industry, but also make Swedish financial service providers less competitive in an increasingly digitised and globalised world.

### Lower cost to savings capital ratio

The income to savings capital ratio has dropped in the last five years until 2016 by 13 per cent annually, from 86 to 44 basis points. This is a result of falling interest rates, fluctuations in trading activity on the stock exchange and price changes, coupled with growth in savings capital and mix effects on savings. Given today's low interest rates, we estimate that the income to savings capital ratio will fall at a slower rate than before – even if we continue to see mix effects in the savings capital. Fund investments are likely to increase going forward, not least in conjunction with further increases in pension capital.

We do not expect the income to savings capital ratio to return to the previous level given current savings behaviour with a lower appetite for risk, the low interest rate level and growing cost awareness among customers. Competitiveness and profitability will have to be ensured going forward by a reduced costs to savings capital ratio and through innovative product development to attract more savers. Avanza's business model is built on economies of scale and high customer inflow. Scalable IT systems facilitate cost efficiency and continued low fees as the customer base grows and business volume rises. We will continue to focus in the years ahead on efficiency improvements and digitisation as well as on further expanding our IT development capacity. Together with new innovative products, this is expected to make Avanza more competitive and lead to growth in savings capital from new as well as existing customers.

In light of the major changes facing the financial sector, due to increased digitisation and pending regulations, we see good opportunities to make Avanza even more competitive. To ensure customers the highest possible quality and enhance our position as Sweden's leading platform for savings and investments, we will add further resources to improve the user experience in 2017. In 2017, expenses are expected to rise at a rate of 15–20 per cent before returning to a yearly rate of 8–10 per cent. Given continued strong growth in customers and savings capital, we see good opportunities to lower the cost to savings capital ratio over the next few years to below 20 basis points.

### Financial position

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

Deposits exceed lending and the 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 1,583 million as per the end of the year, SEK 130 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 2016 total credit losses amounted to SEK 10 million, which is the equivalent, on average, to less than 0.03 per cent per year of average lending.

### The Parent Company

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result in 2016 was SEK –11 million (SEK –13m). The Parent Company does not report any revenues. Anticipated dividend from subsidiaries of SEK 207 million (SEK 318m) was reported for 2016.

A dividend payment for 2015 of SEK 308 million (SEK 202m) was made to the shareholders in 2016.

### Sustainability disclosures

Avanza's aim is to integrate sustainability reporting with the annual report. Avanza applies the fourth version of the Global Reporting Initiative's (GRI G4) guidelines according to the Core options and the GRI's Financial Service Sector Supplement.

Avanza's operations have little environmental impact, because of which the sustainability disclosures focus on issues such as societal value, social conditions, personnel and anti-corruption. For more information on other sustainability disclosures and a summarised GRI index, see pages 92–96.

### Employees

In 2016, the Avanza Group had, on average, a total of 343 (323) employees of whom 33 (34) per cent were women. The average age was 33 (33) years. The Parent Company had, on average, 1 (1) employee 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 and in Note 36 Financial Risks.

### Guidelines for determining remuneration payable to senior management

The guidelines for salaries and other remuneration payable to senior management was decided at the Annual General Meeting 2016 and are presented in Note 9 Employees and personnel costs. Details of Avanza's remuneration policy are also available on [avanza.se/ir](http://avanza.se/ir).

The Board of Director's proposal to the Annual General Meeting, to be held on 21 March 2017, will mainly be in line with remuneration principles in previous years. The Board of Directors proposes to the Annual General Meeting 2017 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 2016 consisted of eight elected Board members and no deputies until the Annual General Meeting. At the Annual General Meeting 2016 all previous Board members were re-elected, with the exception of Martin Tivéus, who declined re-election. On 31 May, Martin Tivéus finished his assignments in Avanza's Board and Group Management. On 8 July,

| <b>Capital surplus, SEK m</b>          | <b>31-12-2016</b> | <b>31-12-2015**</b> |
|--|-------------------|---------------------|
| Shareholders' equity, the Group        | 1,308             | 1,126               |
| <i>Additional</i>                      |                   |                     |
| Solvency capital (NPV)                 | 2,340             | 1,226               |
| Subordinated bond                      | 92                | 78                  |
| <i>Less</i>                            |                   |                     |
| Intangible fixed assets*               | -62               | -38                 |
| Deferred tax receivables*              | -1                | -1                  |
| Capital requirement Pillar 1           | -1,810            | -1,100              |
| Buffer requirement                     | -184              | -137                |
| Capital requirement Pillar 2           | -35               | -11                 |
| Non-distributable solvency capital     | -908              | -470                |
| <b>Capital surplus before dividend</b> | <b>740</b>        | <b>673</b>          |
| Capital surplus per share, SEK         | 24.79             | 22.94               |

\* 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 35 Capital base and capital requirements.

\*\* 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.

it was announced that Johan Prom would be the new CEO of Avanza and he took over the position by 7 November. Avanza Bank's Deputy CEO and COO Henrik Källén was Acting CEO until then.

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 2016 the Avanza share was listed on Nasdaq Stockholm Mid Cap. As a result of Nasdaq's annual review of stock market values, the Avanza share will be traded on Nasdaq Stockholm Large Cap as of 2017. The list comprises companies with a market capitalisation of over EUR 1 billion.

At year-end there were a total of 29,838,922 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 2016, Creades AB representing 10.2 per cent and Sven Hagströmer including family and companies representing 10.1 per cent.

Outstanding warrant programmes include 1,470,000 shares corresponding to a maximum dilution effect of almost five per cent. For further information on the Avanza share, refer to pages 22–25.

### Repurchase of the company's own shares

On 5 April 2016, 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 2016 and the company holds no repurchased shares as of 31 December 2016.

### Capital surplus

The capital surplus, i.e. the maximum scope available for dividend payments and repurchase of the company's own shares, totalled SEK 740 million as of 31 December 2016.

The new Solvency 2 rules took effect on 1 January 2016, as a result of which the conglomerate's largest sector is insurance. Due to the new rules, 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. The increase in the solvency capital (NPV) compared to the previous year is mainly due to changes in assumptions of income per savings capital ratio and the strong growth in both customers and capital. At the same time the capital requirements of Pillar 1 increase, why the solvency ratio of the Insurance Company has not changed significantly. For additional information, see Note 35 Capital base and capital requirements.

### Proposed allocation of profits

The Board of Directors of Avanza Bank Holding AB (publ) proposes that the Annual General Meeting on 21 March 2017 agree to that the accumulated profit, including net profit for the year and share premium reserve, of SEK 686,179,326, 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 313 million (SEK 308m) and to 79 (74) per cent of operating profit. See Note 40 Proposed allocation of profits.

# Consolidated income statements\*

| SEK m  | Note     | 2016        | 2015        |
|--|----------|-------------|-------------|
| <b>Operating income</b>  |          |             |             |
| Commission income  | 4        | 934         | 882         |
| Commission expenses  | 5        | -133        | -118        |
| Interest income  | 6        | 211         | 194         |
| Interest expenses**  | 6        | -97         | -55         |
| Net result of financial transaction                                  | 7        | 3           | 2           |
| Other operating income   |          | 0           | 0           |
| <b>Total operating income**</b>                                      | <b>3</b> | <b>919</b>  | <b>904</b>  |
| <b>Operating expenses</b>  |          |             |             |
| General administration costs   | 8-11     | -397        | -372        |
| Depreciation and write-downs of tangible and intangible fixed assets | 23-24    | -8          | -8          |
| Other operating expenses**   | 12       | -48         | -39         |
| <b>Total operating expenses**</b>                                    |          | <b>-453</b> | <b>-420</b> |
| <b>Operating profit before credit losses</b>                         |          | <b>465</b>  | <b>485</b>  |
| Credit losses, net   | 13       | -1          | 0           |
| <b>Operating profit</b>  |          | <b>465</b>  | <b>485</b>  |
| Tax on the profit for the  | 15       | -66         | -70         |
| <b>Net profit for the year***</b>                                    |          | <b>399</b>  | <b>415</b>  |
| Earnings per share, SEK  | 16       | 13.45       | 14.23       |
| Earnings per share after dilution, SEK                               | 16       | 13.44       | 14.10       |

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

\*\* 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 interest expenses. Historical figures have been adjusted.

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

# Consolidated balance sheet

| SEK m   | Note  | 31-12-2016     | 31-12-2015    |
|---|-------|----------------|---------------|
| <b>Assets</b>                                     | 32,33 |                |               |
| Treasury bills eligible for refinancing           | 17    | –              | 250           |
| Lending to credit institutions                    | 18    | 1,583          | 1,701         |
| Lending to the public                             | 19    | 8,175          | 6,540         |
| Bonds   | 20    | 13,244         | 11,850        |
| Shares and participations                         | 21    | 5              | 0             |
| Assets in insurance operations                    | 22    | 75,934         | 66,566        |
| Intangible fixed assets                           | 23    | 62             | 38            |
| Tangible fixed assets                             | 24    | 18             | 20            |
| Other assets                                      | 15,25 | 1,432          | 1,542         |
| Prepaid costs and accrued income                  | 26    | 164            | 113           |
| <b>TOTAL ASSETS</b>                               |       | <b>100,616</b> | <b>88,621</b> |
| <b>Liabilities and shareholders' equity</b>       |       |                |               |
| <b>Liabilities</b>                                | 32–34 |                |               |
| Deposits by the public                            |       | 22,832         | 20,446        |
| Liabilities in insurance operations               | 22    | 75,934         | 66,566        |
| Other liabilities                                 | 15,27 | 353            | 292           |
| Accrued costs and prepaid income                  | 28    | 89             | 92            |
| Subordinated liabilities                          | 29    | 99             | 99            |
| <b>Total liabilities</b>                          |       | <b>99,308</b>  | <b>87,495</b> |
| <b>Shareholders' equity</b>                       | 30    |                |               |
| Share capital                                     |       | 75             | 73            |
| Other capital contributed                         |       | 457            | 367           |
| Profit carried forward incl. profit for the year  |       | 776            | 686           |
| <b>Total shareholders' equity</b>                 |       | <b>1,308</b>   | <b>1,126</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |       | <b>100,616</b> | <b>88,621</b> |

## Changes in the Group's shareholders' equity

| SEK m                                     | Share capital | Other capital contributed | Retained profit/loss | Total        |
|---|---------------|---------------------------|----------------------|--------------|
| <b>Shareholders' equity, 31-12-2014</b>   | <b>72</b>     | <b>270</b>                | <b>473</b>           | <b>815</b>   |
| Total comprehensive income for the period | –             | –                         | 415                  | 415          |
| <i>Transactions with owners</i>           |               |                           |                      |              |
| Dividend paid                             | –             | –                         | –202                 | –202         |
| Warrants issue                            | 1             | 92                        | –                    | 93           |
| Adjustment of tax allocation reserve      | –             | 5                         | –                    | 5            |
| <b>Shareholders' equity 31-12-2015</b>    | <b>73</b>     | <b>367</b>                | <b>686</b>           | <b>1,126</b> |
| Total comprehensive income for the period | –             | –                         | 399                  | 399          |
| <i>Transactions with owners</i>           |               |                           |                      |              |
| Dividend paid                             | –             | –                         | –308                 | –308         |
| Exercise of share warrants                | 1             | 82                        | –                    | 83           |
| Warrants issue                            | –             | 8                         | –                    | 8            |
| <b>Shareholders' equity, 31-12-2016</b>   | <b>75</b>     | <b>457</b>                | <b>776</b>           | <b>1,308</b> |

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

# Consolidated cash flow statements

| SEK m   | Note  | 2016              | 2015              |
|---|-------|-------------------|-------------------|
| <b>Operating activities</b>   |       |                   |                   |
| Profit before tax   |       | 465               | 485               |
| whereof interest payments received  |       | 211               | 194               |
| whereof interest expenses paid  |       | -97               | -37               |
| Adjustment for items not included in cash flow  |       |                   |                   |
| Depreciation/write-downs of tangible and intangible fixed assets  | 23-24 | 8                 | 8                 |
| Income tax paid   |       | -196              | -145              |
| <b>Cash flow from operating activities before changes in operating activities' assets and liabilities</b> |       | <b>277</b>        | <b>348</b>        |
| <b>Changes in operating activities' assets and liabilities</b>  |       |                   |                   |
| Increase (-)/decrease (+) in lending to credit institutions   | 34    | -27               | 650               |
| Increase (-)/decrease (+) in lending to the public  |       | -1,634            | -1,192            |
| Increase (-)/decrease (+) in securities   |       | 0                 | 34                |
| Increase (-)/decrease (+) in other assets   |       | 183               | -1,315            |
| Increase (+)/decrease (-) in deposits by the public   |       | 2,386             | 5,408             |
| Increase (+)/decrease (-) in other liabilities  |       | 66                | -54               |
| <b>Cash flow from operating activities' assets and liabilities</b>  |       | <b>973</b>        | <b>3,531</b>      |
| <b>Cash flow from operating activities</b>  |       | <b>1,250</b>      | <b>3,879</b>      |
| <b>Investment activities</b>  |       |                   |                   |
| Change in treasury bills eligible for refinancing   |       | 250               | -250              |
| Acquisition of intangible fixed asset   | 23    | -24               | -12               |
| Acquisition of tangible fixed assets  | 24    | -6                | -16               |
| Acquisition of shares and participations  |       | -5                | -                 |
| Investment in bonds   |       | -1,393            | -5,780            |
| <b>Cash flow from investment activities</b>   |       | <b>-1,179</b>     | <b>-6,058</b>     |
| <b>Financing activities</b>   |       |                   |                   |
| Cash dividend   |       | -308              | -202              |
| Subordinated bond   |       | 0                 | 99                |
| Warrants issue  |       | 83                | 93                |
| Exercice of share warrant   |       | 8                 | 5                 |
| <b>Cash flow from financing activities</b>  |       | <b>-217</b>       | <b>-5</b>         |
| <b>Cash flow for the year</b>   |       | <b>-146</b>       | <b>-2,184</b>     |
| Liquid assets at beginning of year  |       | 1,599             | 3,783             |
| Liquid assets at end of year  |       | 1,453             | 1,599             |
| <b>Change</b>   |       | <b>-146</b>       | <b>-2,184</b>     |
| <b>COMPOSITION OF LIQUID ASSETS, SEK m</b>  |       |                   |                   |
|   |       | <b>31-12-2016</b> | <b>31-12-2015</b> |
| Lending to credit institutions  |       | 1,583             | 1,701             |
| Pledged assets  |       | -130              | -102              |
| <b>Total</b>  |       | <b>1,453</b>      | <b>1,599</b>      |

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

# Parent Company income statements\*

| SEK m  | Note | 2016       | 2015       |
|--|------|------------|------------|
| <b>Operating expenses</b>                          |      |            |            |
| Administration expenses                            | 9    | -6         | -9         |
| Other operating expenses                           | 10   | -5         | -4         |
| <b>Operating profit/loss</b>                       |      | <b>-11</b> | <b>-13</b> |
| <b>Profit/loss from financial investments</b>      |      |            |            |
| Profit/loss from participations in Group companies | 14   | 218        | 331        |
| Interest income and similar items                  |      | 0          | 0          |
| Interest expenses and similar items                |      | 0          | 0          |
| <b>Profit/loss before tax</b>                      |      | <b>207</b> | <b>318</b> |
| Tax on profit for the period                       | 15   | 0          | 0          |
| <b>Net profit/loss for the period</b>              |      | <b>207</b> | <b>318</b> |

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

# Parent Company balance sheet

| SEK m   | Note | 31-12-2016 | 31-12-2015 |
|---|------|------------|------------|
| <b>ASSETS</b>                                     |      |            |            |
| <b>Fixed assets</b>                               |      |            |            |
| <i>Financial fixed assets</i>                     |      |            |            |
| Share and participations in Group companies       | 31   | 409        | 409        |
| Other long-term securities holdings               |      | 5          | -          |
| <b>Total fixed assets</b>                         |      | <b>414</b> | <b>409</b> |
| <b>Current assets</b>                             |      |            |            |
| <i>Current receivables</i>                        |      |            |            |
| Receivables from Group companies                  |      | 352        | 377        |
| Current tax receivable                            |      | 0          | 0          |
| Prepaid costs and accrued income                  |      | 1          | 1          |
| <b>Total current receivables</b>                  |      | <b>354</b> | <b>378</b> |
| Cash and bank balances                            |      | 0          | 0          |
| <b>Total current assets</b>                       |      | <b>353</b> | <b>378</b> |
| <b>TOTAL ASSETS</b>                               |      | <b>767</b> | <b>787</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |      |            |            |
| <b>Shareholders' equity</b>                       | 30   |            |            |
| <i>Restricted equity</i>                          |      |            |            |
| Share capital                                     |      | 75         | 73         |
| <b>Total restricted equity</b>                    |      | <b>75</b>  | <b>73</b>  |
| <i>Non-restricted equity</i>                      |      |            |            |
| Share premium reserve                             |      | 429        | 347        |
| Profit brought forward                            |      | 50         | 41         |
| Net profit/loss for the year                      |      | 207        | 318        |
| <b>Total non-restricted equity</b>                |      | <b>686</b> | <b>706</b> |
| <b>Total shareholder's equity</b>                 |      | <b>761</b> | <b>779</b> |
| <b>Current liabilities</b>                        |      |            |            |
| Accounts payable                                  |      | 0          | 0          |
| Tax liability                                     |      | 0          | 1          |
| Liabilities to Group companies                    |      | 0          | 1          |
| Other liabilities                                 |      | 0          | 0          |
| Accrued costs and prepaid income                  |      | 6          | 6          |
| <b>Total current liabilities</b>                  |      | <b>7</b>   | <b>8</b>   |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |      | <b>767</b> | <b>787</b> |

# Changes in the Parent Company's shareholders' equity

| SEK m                                     | Share capital | Share premium reserve | Profit brought forward | Total      |
|---|---------------|-----------------------|------------------------|------------|
| <b>Shareholders' equity, 31-12- 2014</b>  | <b>72</b>     | <b>255</b>            | <b>243</b>             | <b>570</b> |
| Total comprehensive income for the period | -             | -                     | 318                    | 318        |
| <i>Transactions with owners</i>           |               |                       |                        |            |
| Dividend paid                             | -             | -                     | -202                   | -202       |
| Excercise of share warrants               | 1             | 92                    | -                      | 93         |
| <b>Shareholders' equity, 31-12- 2015</b>  | <b>73</b>     | <b>347</b>            | <b>359</b>             | <b>779</b> |
| Total comprehensive income for the period | -             | -                     | 207                    | 207        |
| <i>Transactions with owners</i>           |               |                       |                        |            |
| Dividend paid                             | -             | -                     | -308                   | -308       |
| Excercise of share warrants               | 1             | 82                    | -                      | 83         |
| <b>Shareholders' equity, 31-12- 2016</b>  | <b>75</b>     | <b>429</b>            | <b>257</b>             | <b>761</b> |

# Parent Company cash flow statements

| SEK m   | 2016        | 2015        |
|---|-------------|-------------|
| <b>Operating activities</b>   |             |             |
| Profit before tax   | 207         | 318         |
| 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   | -           | 0           |
| Anticipated dividend  | -207        | -318        |
| Income tax paid   | 0           | 0           |
| <b>Cash flow from operating activities before changes in operating activities' assets and liabilities</b> | <b>0</b>    | <b>0</b>    |
| <b>Changes in operating activities' assets and liabilities</b>  |             |             |
| Increase (-) / decrease (+) in other assets   | 231         | 106         |
| Increase (-) / decrease (+) in other liabilities  | -1          | 4           |
| <b>Cash flow from operating activities' assets and liabilities</b>  | <b>230</b>  | <b>110</b>  |
| <b>Cash flow from operating activities</b>  | <b>230</b>  | <b>110</b>  |
| <b>Investment activities</b>  |             |             |
| Acquisition of shares and participations  | -5          | -           |
| <b>Cash flow from investment activities</b>   | <b>-5</b>   | <b>-</b>    |
| <b>Financing activities</b>   |             |             |
| Cash dividend   | -308        | -202        |
| Excercise of share warrants   | 83          | 93          |
| Shareholder contribution paid   | -           | -1          |
| <b>Cash flow from financing activities</b>  | <b>-225</b> | <b>-110</b> |
| <b>Cash flow for the year</b>   | <b>0</b>    | <b>0</b>    |
| Liquid assets at beginning of year  | 0           | 0           |
| Liquid assets at end of year  | 0           | 0           |
| <b>Change</b>   | <b>0</b>    | <b>0</b>    |

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. In 2016 the Parent Company's shares were listed on the Mid Cap list of Nasdaq Stockholm. As of 2 January 2017 the share is traded on the Large Cap list. The address of the head office is Regeringsgatan 103, Box 1399, SE-111 93 Stockholm, Sweden.

The Consolidated Accounts for 1 January 2016–31 December 2016 comprise the Parent Company and its subsidiary companies, referred to collectively as "the Group". The Group's operations are described in the Administration Report. The Consolidated Accounts and the Annual Report for Avanza Bank Holding AB (publ) for the 2016 financial year were approved for publication on 23 February 2017 by the Board of Directors and the CEO. The Consolidated Accounts and the Annual Report is adopted by the Annual General Meeting on 21 March 2017.

## 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 (FFFS2008:25).

### (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 reported 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 2016*

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 2016, are assessed as having had any significant impact on the Group.

### *IFRS and interpretations to be applied in 2017 or later*

The new standards, amendments to standards and statements of interpretation entering into force during the financial year 2017, 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.

*IAS 7 Statement of Cash Flows:* Clarification and slight expansion of disclosures on cash flows from financial liabilities. The revisions apply to financial years beginning as of 1 January 2017. The EU has not yet approved the proposed revisions. The Group has not yet evaluated the effects of the revisions to IAS 7, but expects the impact on the Group to be minimal.

*IFRS 9 Financial instruments:* Handling classification, assessment and reporting of financial assets and debts. The complete version of IFRS 9 was released in July 2014. This replaces the sections of IAS 39 that concern the classification and evaluation of financial instruments. IFRS 9 contains a mixed assessment approach but simplifies this approach in certain respects. There will be three assessment categories for financial assets, accrued acquisition value, fair value over other total return and fair value over the income statement. How an instrument will be classified depends on the company's business model and the characteristics of the instrument. Investments in own capital instruments must be reported at fair value over the income statement, however there is also the possibility to report the instrument at the first time of reporting at fair value over other total return. No reclassification for the income statement will then occur when divesting the instrument.

IFRS 9 also introduces a new model for calculating the credit loss reserve, which arises from expected credit losses. In the case of financial debts, no classification and assessment is changed, apart from where a debt is reported at fair value over the income statement, based on the fair value alternative. Value changes, attributable to changes in own credit risk, must then be reported in the overall total return. The standard must be applied for the financial year starting 1 January 2018. Previous application is permitted. The Group is working on preparations ahead of the introduction of the standard. Its assessment is that the part of the standard that will have the biggest impact on the Group is the new model for calculating the credit loss reserve. While documentation on existing and new loans will have to change, the financial results will not be significantly impacted.

*IFRS 15 Reporting of revenues:* The principles on which IFRS 15 builds on will provide users of financial statements more useful information on the company's earnings. The extended information obligation means that information on type of income, time of regulation, uncertainties connected with income reporting, as well as cash flow attributable to the company's customer contract, must be supplied. In accordance with IFRS 15, income must be reported when the cus-

tomers obtains control over the sold goods or service and has the potential to use or obtain benefit from the goods or service. IFRS 15 replaces IAS 18 Incomes and IAS 11 Construction Contracts as well as the related SIC and IFRIC. IFRS 15 enters into force on 1 January 2018. Early application is permitted. The Group has started the evaluation of impact of the introduction of the standard.

*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 not yet adopted the standard. The Group has not yet assessed 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 governs based on 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 expects to recover or to be 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 expects to recover or to be paid within twelve months from the closing day.

#### **(f) Consolidation principles**

Subsidiary companies 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 as from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts as from the date on which the controlling influence ends.

The acquisition method of accounting is used for reporting the Group's operational acquisitions. The purchase sum for the acquisition of a subsidiary company 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 an operational acquisition are initially valued at fair value on the acquisition date. For each acquisition – i.e. acquisition for acquisition – the Group determines whether holdings without controlling influence in the acquired company shall be reported at fair value or as the proportional share of the holding in the reported value of the identifiable net assets of the acquired company. Acquisition-related costs shall be expensed as incurred.

Goodwill is initially valued 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 reported directly in the Income Statement.

#### *Restrictions on the transfer of funds to the Parent Company*

The following subsidiary companies – 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 reported in the Income Statement.

#### **(h) Income**

##### *Commission income*

Commission income primarily comprises brokerage, investment fund commissions and other commissions. Brokerage is reported as income on the transaction date. Investment fund commission is received from external fund managers and comprises the entry commission reported in conjunction with fund unit purchases and commission based on fund volume, which is recognised as income on a monthly basis, based on actual volume. Other commissions chiefly concern commission arising from the intermediation of securities in conjunction with new share issues and the sale of structured products, as well as guaranteed new share issues, is reported as income upon completion of the transaction in question and currency exchanges relating to customers' trade in securities and funds.

##### *Interest income*

Interest income from lending to credit institutions and to the public is reported 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 reported as expenses when 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 recorded according to the same principle.

#### *Net result of financial transactions*

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

#### **(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 reported in the Balance Sheet on the transaction date, i.e. when the company becomes party to the instrument's contractual terms. The 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 reported 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 valued at fair value via the Income Statement are", however, valued excluding transaction costs. Subsequent reporting is determined by the categories within which the instruments have been classified. See Note 33 Financial instruments.

#### *Financial assets valued at fair value via the Income Statement*

Assets valued at fair value through the income statement 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 shall be reported in accordance with IFRS 4. Agreements which have the legal form of an insurance agreement but which do not expose the underwriter to any significant insurance risk are referred to as investment agreements and shall be reported 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 reported as financial agreements in accordance with IAS 39.

Instruments are valued at fair value and have been identified as financial instruments at fair value via the Income Statement, with deduction for transaction costs. This is done to avoid differing valuations of insurer-related assets and liabilities ("accounting mismatch"). The policyholders are authorised to administer the assets themselves, while at the same time being responsible for all risks concerning changes in value as a consequence of this administration, which is why insurer-related assets and debts are of equal size at all times. The majority of the securities in this category 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 asset values quoted by the fund companies, where the issuer values every individual security, and secondarily, by assessing the most recently completed market transaction between two mutually independent parties.

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

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

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares pertaining to the insurance operations are included in this category.
- Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Funds (not exchange traded) 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 to which a financial instrument is classified shall be determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety. See Note 33 Financial instruments.

#### *Investments that are held to maturity*

Financial assets that are held to maturity are initially reported in the balance sheet at acquisition value. Following first reporting, instruments in this category are assessed at accrued acquisition value. Financial instruments in this category constitute treasury bills eligible for refinancing and covered bonds which are held as a part of administration of the Group's excess liquidity.

#### *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 valued at the accrued acquisition value, less confirmed credit losses and probable write-downs. 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.

#### *Financial liabilities valued at fair value via the Income Statement*

Insurance operations liabilities are reported in this category because corresponding assets are valued at fair value via the Income Statement. The liabilities have been identified as financial liabilities valued at fair value via the Income Statement with deductions for transaction

costs when the asset was first reported. The valuation is based on the fair value of the underlying assets; see Financial assets valued at fair value via the Income Statement. All insurance agreements within the Avanza Group have conditional dividends in which the policyholder bear the risk of changes in value and these agreements are consequently reported as financial agreements in accordance with IAS 39.

#### *Other financial liabilities*

Financial liabilities in this category refers to deposits by the public, subordinated bond, accounts payable, and other liabilities. Interest expenses on the subordinated bond are distributed over the tenor of the loan with the application of the effective interest method. Other financial liabilities are, as with loan receivables and accounts receivable, valued at the accrued acquisition value.

#### **(j) Tangible fixed assets**

Tangible fixed assets are reported as assets 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 reported in the Group at their acquisition value after deductions for accumulated depreciation and any write-downs. The 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 reported as Other operating income/expenses.

#### **(k) Intangible fixed assets**

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

An intangible asset is assessed at acquisition value the first time it is recorded in the balance sheet. After first reporting, an intangible asset is recorded in the balance sheet at acquisition value, following deduction of any accumulated depreciations and accumulated write-downs.

Amortisation is linear over the asset's period of utilisation down to an estimated residual value and depreciation first starts when the asset can be taken into use.

The residual value and period of utilisation of intangible assets are reassessed, regardless of whether a reduction in value is indicated, as a minimum at the end of each financial year, at which time an adjustment of the depreciation time and/or write-down is performed as required. The accounting principles for write-downs are shown below under (m) Write-downs. Intangible assets, which have still not been taken into use, are also annually assessed even if there is no indication of the need for a write-down.

#### *Goodwill*

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

#### *Development expenditure*

Costs recorded in the balance sheet for development work comprise externally purchased services and activated personnel costs. Costs

recorded in the balance sheet concern the development of a trading system and other applications that will generate economic advantages for the Group in the long-term, by either increasing incomes or providing cost savings. Costs are reported as assets when they arise. Activated development costs are entered in the balance sheet at the acquisition value with a deduction for depreciation and write-downs. Depreciation of activated development costs occurs once the asset is ready and over the assessed period of utilisation.

Development expenditures are 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 the 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 spending on market activities for which expenditures is not capitalisable but expensed immediately. In other cases, development expenditure is expensed as incurred.

#### *Customer relations*

Customer relations are reported at estimated fair value at the time at which the Group assumed risks and benefits regarding subsidiaries affected. Customer relations have a limited period of use, and are reported at acquisition value less accumulated depreciation and any write-downs.

#### **(l) Depreciation**

Depreciation is reported on a straight-line basis in the Income Statement over the course of the assets' estimated useful lives. The estimate useful life periods are:

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

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

#### **(m) Write-downs**

The reported values for the Group's assets are assessed on every closing day to determine whether there is any indication of a write-down requirement. If any such indication exists, the asset's recoverable value is calculated. A write-down is reported when the reported value of an asset exceeds the recoverable value. A write-down is charged to the Income Statement.

The recoverable value of goodwill and other intangible assets with indeterminable useful life periods, 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 regarding probable credit losses are reported if the collateral does not cover the amount lent, that is, the principal loan amount plus interest.

**Calculation of the recoverable value**

The recoverable amount is the greater of the asset's fair value, less selling expenses, and its value in use. When calculating the 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 value for the cash-generating unit to which the asset belongs is calculated for any asset that does not generate cash flows that are significantly independent of other assets.

**Reversal of write-downs**

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

**(n) Leasing**

Operational leasing implies that the financial risks and benefits associated with the ownership of an object remain with 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 comprise operational lease agreements.

**(o) Dividend paid**

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

**(p) Remuneration to employees**

Occupational pensions are obtained through defined contribution pension plans, in a manner corresponding to the ITP 1-plan. Undertakings in respect of payments to defined-contribution plans are reported as a cost in the Income Statement as they arise. Pension costs refer primarily to pension- and health insurance contributions.

**(q) Provisions**

A provision is reported in the Balance Sheet when the Group has an existing legal or informal undertaking 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 undertaking and a reliable estimate of the amount can be made.

**(r) Taxes**

Income taxes comprise current tax and deferred tax. Income taxes are reported in the Income Statement except when the underlying transaction is reported under other comprehensive income or is reported directly to shareholders' equity, at which point the associated fiscal effect is reported 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 reported 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 operational acquisitions 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 reported values 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 reported to the extent that it is likely that it will be possible to utilise them.

**(s) Contingent liabilities**

A contingent liability is reported when there is a possible undertaking 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 undertaking that is not reported as a liability or provision because it is not likely that an outflow of resources will be required or the size of the undertaking 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, the investment activities and the financial activities during the financial year.

Cash flows attributable to the 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 the cash flow can be attributed to the investment or financial activities. The most important types of incoming and outgoing payments attributable to the investing and financing activities, respectively, are registered 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 reported in the Parent Company in accordance with the acquisition value method of accounting. Dividends received are reported as income when the right to receive payment is adjudged to be certain.

**Group contributions**

A Group contribution from Parent Company to subsidiary company is reported as a cost in the Income Statement. The tax effect is reported in the Income Statement in accordance with IAS 12.

Group contributions from subsidiary companies are reported 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 35 | Capital base and capital requirements |
| Note 36 | Financial risks                       |
| Note 37 | Related parties                       |
| Note 38 | Important estimates and assessments   |
| Note 39 | Events after the closing day          |
| Note 40 | Proposed allocation of profit         |

### Note 3 Operating income

| <b>SEK m – The Group</b>  | <b>2016</b> | <b>2015</b> |
|---------------------------|-------------|-------------|
| Direct savings products   | 674         | 648         |
| Indirect savings products | 223         | 238         |
| Other income              | 22          | 18          |
| <b>Total</b>              | <b>919</b>  | <b>904</b>  |

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 competitive markets and the Group's reliance on individual customers is, therefore, limited.

### Note 4 Commission income

| <b>SEK m – The Group</b> | <b>2016</b> | <b>2015</b> |
|--------------------------|-------------|-------------|
| Brokerage, gross         | 543         | 550         |
| Fund commissions         | 167         | 160         |
| Other commissions        | 224         | 172         |
| <b>Total</b>             | <b>934</b>  | <b>882</b>  |

### Note 5 Commission expenses

| <b>SEK m – The Group</b>     | <b>2016</b> | <b>2015</b> |
|------------------------------|-------------|-------------|
| Transaction costs*           | -73         | -71         |
| Payment services commissions | -32         | -23         |
| Other commissions            | -28         | -24         |
| <b>Total</b>                 | <b>-133</b> | <b>-118</b> |

\* Costs directly related to brokerage income.

**Note 6 Net interest income**

| <b>SEK m – The Group</b>                                 | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| <i>Interest income</i>                                   |             |             |
| Interest income from lending to credit institutions      | 0           | 0           |
| Interest income from lending to the public               | 172         | 157         |
| Interest income from interest-bearing securities         | –           | 4           |
| Other interest income                                    | 39          | 33          |
| <b>Total interest income</b>                             | <b>211</b>  | <b>194</b>  |
| <i>Interest expenses</i>                                 |             |             |
| Interest expenses for lending to credit institutions     | –31         | –16         |
| Interest expenses for liabilities to credit institutions | 0           | 0           |
| Interest expenses for deposits from the public           | –20         | –12         |
| Interest expenses for interest-bearing securities        | –26         | –9          |
| Interest expenses for subordinated bond                  | –3          | 0           |
| Other interest expenses*                                 | –17         | –18         |
| <b>Total interest expenses</b>                           | <b>–97</b>  | <b>–55</b>  |
| <b>Net interest income</b>                               | <b>114</b>  | <b>139</b>  |

\* 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 interest expenses. Historical figures have been adjusted.

The average lending rate to account customers during the year was 2.50 (2.00) per cent and the average deposits rate from accounts with surplus liquidity during the year was 0.10 (0.00) per cent.

**Note 7 Net result of financial transactions**

| <b>SEK m – The Group</b>                             | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| Realised profit/loss in respect of shares, etc       | 3           | 2           |
| Exchange rate fluctuations                           | 0           | 0           |
| Change in value of insurance operations assets*      | 4,267       | 8,615       |
| Change in value of insurance operations liabilities* | –4,267      | –8,615      |
| <b>Total</b>   | <b>3</b>    | <b>2</b>    |

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

**Note 8 General administration costs**

| <b>SEK m – The Group</b>           | <b>2016</b> | <b>2015</b> |
|------------------------------------|-------------|-------------|
| Personnel costs                    | –290        | –266        |
| Consultancy services purchased     | –31         | –25         |
| Market information costs           | –27         | –25         |
| Other general administration costs | –49         | –56         |
| <b>Total</b>                       | <b>–397</b> | <b>–372</b> |

**Note 9 Employees and personnel costs**

| <b>SEK m – The Group</b>        | <b>2016</b> | <b>2015</b> |
|---------------------------------|-------------|-------------|
| Salaries and other remuneration | –192        | –179        |
| Pension costs                   | –26         | –25         |
| Social insurance charges        | –60         | –54         |
| Other staff overhead            | –12         | –9          |
| <b>Total personnel costs</b>    | <b>–290</b> | <b>–266</b> |

The Group has no employees outside Sweden. At the end of the year there was a total of 365 (334) 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   | 2016                            |   | 2015                            |   |
|---|---------------------------------|---|---------------------------------|---|
|   | Salaries and other remuneration | Social insurance charges (of which pension costs) | Salaries and other remuneration | Social insurance charges (of which pension costs) |
| The Group   | 192                             | 86  | 179                             | 79  |
|   |                                 | (26)  |                                 | (25)  |
| of which the Board of Directors and senior executives | 21                              | 12  | 22                              | 12  |
|   |                                 | (5)   |                                 | (5)   |
| Parent Company  | 7                               | 2   | 6                               | 2   |
|   |                                 | (0)   |                                 | (0)   |
| of which the Board and CEO                            | 7                               | 2   | 5                               | 2   |
|   |                                 | (0)   |                                 | (-)   |
| <b>Average no. employees</b>                          | <b>No. employees</b>            | <b>Of whom, men</b>                               | <b>No. employees</b>            | <b>Of whom, men</b>                               |
| Parent Company  | 1                               | 1   | 1                               | 1   |
| Subsidiaries  | 342                             | 230   | 322                             | 214   |
| <b>Total</b>  | <b>343</b>                      | <b>231</b>  | <b>323</b>                      | <b>215</b>  |

| 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         |
| Other senior executives | 9,521                        | 3,944                 | 3,253        | 16,718        |
| <b>Total</b>            | <b>14,631</b>                | <b>6,098</b>          | <b>4,993</b> | <b>25,723</b> |

| SEK k - The Group       | 2015                         |                       |              |               |
|-------------------------|------------------------------|-----------------------|--------------|---------------|
|                         | Basic salary/Directors' fees | Variable remuneration | Pension cost | Total         |
| Chairman of the Board   | 313                          | -                     | -            | 313           |
| Members of the Board    | 1,586                        | -                     | -            | 1,586         |
| CEO                     | 3,135                        | 2,746                 | 1,770        | 7,651         |
| Other senior executives | 10,201                       | 3,891                 | 3,455        | 17,547        |
| <b>Total</b>            | <b>15,235</b>                | <b>6,637</b>          | <b>5,225</b> | <b>27,097</b> |

| SEK k - Parent Company | 2016            |                    | 2015            |                    |
|------------------------|-----------------|--------------------|-----------------|--------------------|
|                        | Directors' fees | Other remuneration | Directors' fees | Other remuneration |
| Board members          |                 |                    |                 |                    |
| Sven Hagströmer        | 342             | -                  | 313             | -                  |
| Sophia Bendz           | 266             | -                  | 22              | -                  |
| Jonas Hagströmer       | 266             | -                  | 195             | -                  |
| Birgitta Klasén        | 306             | -                  | 287             | -                  |
| Lisa Lindström         | -               | -                  | 193             | -                  |
| Mattias Miksche        | 266             | -                  | 258             | -                  |
| Andreas Rosenlew       | -               | -                  | 63              | -                  |
| Martin Tivéus          | -               | -                  | -               | -                  |
| Hans Toll              | 306             | -                  | 287             | -                  |
| Jacqueline Winberg     | 302             | -                  | 284             | -                  |
| <b>Total</b>           | <b>2,054</b>    | <b>-</b>           | <b>1,902</b>    | <b>-</b>           |

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

### Information regarding senior executives

The term, senior executive, refers to the CEO and 7 (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, 5 (5) of whom were men.

### 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 2016 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 8.0 million, (SEK 6.5m) of which SEK 3.5 million was paid to the CEO who left his position during the year. 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 2016 totalled SEK 6.1 million (SEK 6.6m), of which SEK 2.2 million (SEK 2.7m) to the CEO. Remuneration to the CEO for the 2016 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. 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 Extraordinary General Meeting held on 13 June 2014. 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 [avanza.se/ir](http://avanza.se/ir).

### Financial instruments, warrants

| Subsidiary programme 2014–2017 |               | Warrants     |              | Market value |              |
|--------------------------------|---------------|--------------|--------------|--------------|--------------|
| SEK k                          | Number        | Value*       | Acquisition  | Benefit      | 31-12-2016   |
| CEO                            | –             | –            | –            | –            | –            |
| Other senior executives        | 70,260        | 1,061        | 1,061        | –            | 3,816        |
| <b>Total</b>                   | <b>70,260</b> | <b>1,061</b> | <b>1,061</b> | –            | <b>3,816</b> |

| Subsidiary programme 2015–2018 |               | Warrants     |              | Market value |              |
|--------------------------------|---------------|--------------|--------------|--------------|--------------|
| SEK k                          | Number        | Value*       | Acquisition  | Benefit      | 31-12-2016   |
| CEO                            | –             | –            | –            | –            | –            |
| Other senior executives        | 91,150        | 1,671        | 1,671        | –            | 2,756        |
| <b>Total</b>                   | <b>91,150</b> | <b>1,671</b> | <b>1,671</b> | –            | <b>2,756</b> |

| Subsidiary programme 2016–2019 |                | Warrants     |              | Market value |              |
|--------------------------------|----------------|--------------|--------------|--------------|--------------|
| SEK k                          | Number         | Value*       | Acquisition  | Benefit      | 31-12-2016   |
| CEO                            | –              | –            | –            | –            | –            |
| Other senior executives        | 164,380        | 2,642        | 2,642        | –            | 7,066        |
| <b>Total</b>                   | <b>164 380</b> | <b>2 642</b> | <b>2 642</b> | –            | <b>7 066</b> |

\* Market value on acquisition date

Subsidiary programmes were acquired at market price in August 2014, August 2015 and August 2016 respectively. The market value has been calculated in accordance with the Black & Scholes valuation model. For terms and exercise prices, see Note 30 Equity.

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**

| <b>SEK k – The Group</b>                        | <b>2016</b>   | <b>2015</b>   |
|---|---------------|---------------|
| <b>Öhrlings PricewaterhouseCoopers</b>          |               |               |
| Audit engagements                               | -1,556        | -1,296        |
| Audit business over and above audit engagements | -342          | -484          |
| Tax consultancy                                 | -263          | -140          |
| <b>Total</b>                                    | <b>-2,161</b> | <b>-1,920</b> |
| <b>SEK k – Parent Company</b>                   |               |               |
| <b>Öhrlings PricewaterhouseCoopers</b>          |               |               |
| Audit engagements                               | -372          | -353          |
| Audit business over and above audit engagements | -131          | -326          |
| <b>Total</b>                                    | <b>-503</b>   | <b>-679</b>   |

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**

| <b>SEK m – The Group</b>   | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| <i>Assets held via operational leasing agreements (refers to leasing of premises)</i>                              |             |             |
| Minimum leasing charges  | -16         | -16         |
| <b>Total leasing costs</b>   | <b>-16</b>  | <b>-16</b>  |
| <i>Agreed future minimum leasing charges in respect of uncancellable contracts and which fall due for payment:</i> |             |             |
| Within one year  | -24         | -16         |
| Between one and five years   | -88         | -7          |
| Later than five years  | -           | -           |
| <b>Total</b>   | <b>-113</b> | <b>-23</b>  |

**Note 12 Other operating expenses**

| <b>SEK m – The Group</b>  | <b>2016</b> | <b>2015</b> |
|---------------------------|-------------|-------------|
| Marketing costs           | -32         | -27         |
| Other operating expenses* | -17         | -12         |
| <b>Total</b>              | <b>-48</b>  | <b>-39</b>  |

\* 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 interest expenses. Historical figures have been adjusted.

**Note 13 Credit losses, net**

| <b>SEK m – The Group</b>                       | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| Year's write-down of confirmed credit losses   | 0           | 0           |
| Year's write-down of anticipated credit losses | -1          | 0           |
| <b>Total</b>                                   | <b>-1</b>   | <b>0</b>    |

**Note 14 Profit/loss on group participations**

| <b>SEK m – The Group</b>        | <b>2016</b> | <b>2015</b> |
|---------------------------------|-------------|-------------|
| Dividend received (anticipated) | 207         | 318         |
| Group contribution received     | 11          | 16          |
| Group contribution paid         | 0           | -2          |
| <b>Total</b>                    | <b>218</b>  | <b>331</b>  |

**Note 15 Tax on profit/loss for the year**

| SEK m  | The Group     |               | Parent Company |              |
|--|---------------|---------------|----------------|--------------|
|  | 2016          | 2015          | 2016           | 2015         |
| <i>Current tax expense (-)/tax income (+)</i>    |               |               |                |              |
| Tax expense (-)/tax income (+) for the period    | -66           | -70           | 0              | 0            |
| <b>Total current tax</b>                         | <b>-66</b>    | <b>-70</b>    | <b>0</b>       | <b>0</b>     |
| <i>Deferred tax expense (-)/tax income (+)</i>   |               |               |                |              |
| Deferred tax in respect of temporary differences | 0             | 0             | -              | -            |
| <b>Total deferred tax</b>                        | <b>0</b>      | <b>0</b>      | <b>-</b>       | <b>-</b>     |
| <b>Total reported tax expense</b>                | <b>-66</b>    | <b>-70</b>    | <b>0</b>       | <b>0</b>     |
| <i>Reconciliation of effective tax</i>           |               |               |                |              |
| Profit/loss before tax                           | 465           | 485           | 207            | 318          |
| Tax at current rate of taxation                  | 22.0 %        | 22.0 %        | 22.0 %         | 22.0 %       |
| Non-deductible costs                             | 0.3 %         | 0.1 %         | 0.0 %          | 0.0 %        |
| Non-taxable income                               | -0.3 %        | -0.1 %        | -22.0 %        | -22.0 %      |
| Other tax base in insurance operations           | -8.0 %        | -7.8 %        | -              | -            |
| Other  | 0.0 %         | 0.0 %         | -              | -            |
| <b>Effective tax</b>                             | <b>14.1 %</b> | <b>14.2 %</b> | <b>0.0 %</b>   | <b>0.0 %</b> |

**Deferred tax in temporary differences and loss carry forwards**

| SEK m – The Group       | 31-12-2016 | 31-12-2015 |
|-------------------------|------------|------------|
| Deferred tax receivable | 1          | 1          |
| Deferred tax liability  | 0          | 0          |
| <b>Net</b>              | <b>1</b>   | <b>1</b>   |

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                    | 2016  | 2015  |
|------------------------------------|-------|-------|
| Earnings per share before dilution | 13.45 | 14.23 |
| Earnings per share after dilution  | 13.44 | 14.10 |

*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 399 million (SEK 415m) relative to a weighted average number of shares outstanding before dilution in 2016.

*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 399 million

(SEK 415m) relative to a weighted average number of shares outstanding after dilution in 2016.

Avanza has three outstanding warrant programmes: 2014–2017 the exercise price of which is SEK 316.76 per share and 2015–2018 the exercise price of which is SEK 393.58 per share, 2016–2019 the exercise price of which is SEK 357.52 per share. For more information, see Note 30 Equity. The market price, as of 31 December 2016 was SEK 369.00.

| Number of shares                       | 2016       | 2015       |
|--|------------|------------|
| Average no. shares before dilution     | 29,660,143 | 29,171,759 |
| Average no. shares after dilution      | 29,681,739 | 29,441,281 |
| Outstanding no. shares before dilution | 29,838,922 | 29,344,088 |
| Outstanding no. shares after dilution  | 29,908,292 | 29,674,995 |
| No. shares on full dilution            | 31,308,922 | 30,814,088 |

**Note 17 Treasury bills eligible for refinancing**

| SEK m – The Group              | 31-12-2016 | 31-12-2015 |
|--------------------------------|------------|------------|
| Eligible government securities | –          | 250        |
| <b>Total</b>                   | <b>–</b>   | <b>250</b> |

**Note 18 Lending to credit institutions****The Group**

Client fund receivables, attributable to banking business, amount to SEK 1,143 million (SEK 1,085m) which are reported net against client fund payables of SEK 1,143 million (SEK 1,085m).

**Note 19 Lending to the public**

| SEK m – The Group                                     | 31-12-2016   | 31-12-2015   |
|---|--------------|--------------|
| <i>Account credit with collateral in the form of:</i> |              |              |
| – securities  | 4,118        | 3,821        |
| <i>Mortgage loans with collateral in the form of:</i> |              |              |
| – houses  | 2,600        | 1,676        |
| – tenant-owned apartments                             | 1,457        | 1,043        |
| <b>Total</b>  | <b>8,175</b> | <b>6,540</b> |

Lending to the public is reported after deduction of confirmed and anticipated credit losses. As per 31-12-2016, anticipated 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 5,074 million (SEK 3,333m) in mortgage loans had been granted as at 31-12-2016, of which SEK 4 056 million (SEK 2,719m) has been paid out, implying that the commitment for granted, undistributed mortgage loans amounts to SEK 1,018 million (SEK 614m). See also Note 36 Financial risks.

**Provisions for bad debts**

| SEK m – The Group                | 31-12-2016 | 31-12-2015 |
|----------------------------------|------------|------------|
| Provisions at beginning of year  | 8          | 8          |
| Provision for anticipated losses | 0          | 0          |
| <b>Provisions at end of year</b> | <b>8</b>   | <b>8</b>   |

**Note 20 Bonds**

| SEK m – The Group             | 31-12-2016        | 31-12-2015        |
|-------------------------------|-------------------|-------------------|
| Issued by municipalities      | 499               | 824               |
| Issued by credit institutions | 12,744            | 11,026            |
| <b>Total</b>                  | <b>13,244</b>     | <b>11,850</b>     |
| <b>SEK m – The Group</b>      | <b>31-12-2016</b> | <b>31-12-2015</b> |
| Bonds, quoted                 | 13,244            | 11,850            |
| <b>Total</b>                  | <b>13,244</b>     | <b>11,850</b>     |

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

**Note 21 Shares and participations**

| SEK m – The Group                   | 31-12-2016 | 31-12-2015 |
|-------------------------------------|------------|------------|
| Shares and participations, quoted   | 0          | 0          |
| Shares and participations, unquoted | 5          | 0          |
| <b>Total</b>                        | <b>5</b>   | <b>0</b>   |

**Note 22 Assets and liabilities in insurance operations**

| <b>SEK m – The Group</b>                             | <b>31-12-2016</b> | <b>31-12-2015</b> |
|--|-------------------|-------------------|
| <i>Financial assets in insurance operations</i>      |                   |                   |
| Shares and participations                            | 67,533            | 58,903            |
| Interest-bearing securities                          | 1,534             | 1168              |
| Liquid assets  | 6,867             | 6 495             |
| <b>Total</b>   | <b>75,934</b>     | <b>66 566</b>     |
| <i>Financial liabilities in insurance operations</i> |                   |                   |
| Conditional bonus                                    | 75,934            | 66 566            |
| <b>Net</b>   | <b>-</b>          | <b>-</b>          |

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 23 Intangible fixed assets**

| <b>SEK m – The Group</b>             | <b>31-12-2016</b> | <b>31-12-2015</b> |
|--------------------------------------|-------------------|-------------------|
| <b>Goodwill</b>                      |                   |                   |
| <i>Acquisition values</i>            |                   |                   |
| At beginning of year                 | 26                | 26                |
| <b>At end of year</b>                | <b>26</b>         | <b>26</b>         |
| <i>Write-downs</i>                   |                   |                   |
| At beginning of year                 | -3                | -3                |
| <b>At end of year</b>                | <b>-3</b>         | <b>-3</b>         |
| <b>Reported value at end of year</b> | <b>23</b>         | <b>23</b>         |
| <b>Other intangible assets</b>       |                   |                   |
| <i>Acquisition values</i>            |                   |                   |
| At beginning of year                 | 42                | 30                |
| Year's investments                   | 24                | 12                |
| <b>At end of year</b>                | <b>66</b>         | <b>42</b>         |
| <i>Depreciation</i>                  |                   |                   |
| At beginning of year                 | -27               | -27               |
| Year's depreciation                  | -                 | -                 |
| <b>At end of year</b>                | <b>-27</b>        | <b>-27</b>        |
| <b>Reported value at end of year</b> | <b>39</b>         | <b>15</b>         |
| <b>Total intangible fixed assets</b> | <b>62</b>         | <b>38</b>         |

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 relationships from the acquisition of Placera Media Stockholm AB, which are fully amortized, and capitalized development costs of SEK 39 million for a new trading system, of which SEK 3 million was capitalized in 2014, SEK 12 million in 2015 and SEK 24 million in 2016.

**Note 24 Tangible fixed assets**

| <b>SEK m – The Group</b>             | <b>31-12-2016</b> | <b>31-12-2015</b> |
|--------------------------------------|-------------------|-------------------|
| <i>Acquisition values</i>            |                   |                   |
| At beginning of year                 | 93                | 77                |
| Year's investments                   | 6                 | 16                |
| Year's disposals                     | -13               | -                 |
| <b>At end of year</b>                | <b>86</b>         | <b>93</b>         |
| <i>Write-downs</i>                   |                   |                   |
| At beginning of year                 | -73               | -65               |
| Year's depreciation                  | -8                | -8                |
| Year's disposals                     | 13                | -                 |
| <b>At end of year</b>                | <b>-68</b>        | <b>-73</b>        |
| <b>Reported value at end of year</b> | <b>18</b>         | <b>20</b>         |

**Note 25 Other assets**

| <b>SEK m – The Group</b>       | <b>31-12-2016</b> | <b>31-12-2015</b> |
|--------------------------------|-------------------|-------------------|
| Securities trading receivables | 194               | 445               |
| Current tax assets             | 1,142             | 1,019             |
| Deferred tax assets            | 1                 | 1                 |
| Other                          | 95                | 78                |
| <b>Total</b>                   | <b>1,432</b>      | <b>1,542</b>      |

**Note 26 Prepaid costs and accrued income**

| <b>SEK m – The Group</b> | <b>31-12-2016</b> | <b>31-12-2015</b> |
|--------------------------|-------------------|-------------------|
| Prepaid costs            | 14                | 18                |
| Accrued income           | 150               | 95                |
| <b>Total</b>             | <b>164</b>        | <b>113</b>        |

**Note 27 Other liabilities**

| <b>SEK m – The Group</b>       | <b>31-12-2016</b> | <b>31-12-2015</b> |
|--------------------------------|-------------------|-------------------|
| Tax deduction                  | 2                 | 2                 |
| Securities trading liabilities | 240               | 194               |
| Accounts payable               | 12                | 11                |
| Current tax liabilities        | 0                 | 8                 |
| Deferred tax liabilities       | 0                 | 0                 |
| Other                          | 99                | 77                |
| <b>Total</b>                   | <b>353</b>        | <b>292</b>        |

**Note 28 Accrued costs and prepaid income**

| <b>SEK m – The Group</b>      | <b>31-12-2016</b> | <b>31-12-2015</b> |
|-------------------------------|-------------------|-------------------|
| Personnel-related liabilities | 53                | 49                |
| Other                         | 36                | 44                |
| <b>Total</b>                  | <b>89</b>         | <b>92</b>         |

**Note 29 Subordinated liabilities**

| <b>SEK m – The Group</b>       | <b>31-12-2016</b> | <b>31-12-2015</b> |
|--------------------------------|-------------------|-------------------|
| Dated subordinated liabilities | 99                | 99                |
| <b>Total</b>                   | <b>99</b>         | <b>99</b>         |

| <b>Interest rates</b>    | <b>Nominal amount</b> | <b>Maturity date</b> |
|--------------------------|-----------------------|----------------------|
| STIBOR 3M + 3 % annually | 100                   | 10-12-2025           |

### Note 30 Equity

As of 31 December 2016, the registered share capital comprised 29,838,922 (29,344,088) ordinary shares with a quotient value of SEK 2.50 per share. During 2016, 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 1,470,000 shares, representing adilution of approximately five per cent. The warrant programme is divided into three sub-programmes and the total warrant programme runs from August 2014 to September 2019.

- Outstanding warrants 2014–2017 grant entitlement to subscribe for a total of 490,000 shares at an exercise price of SEK 316.76 per share. The programme expires on 1 September 2017. The warrants may be exercised from 25 August 2017 to 1 September 2017.
- Outstanding warrants 2015–2018 grant entitlement to subscribe to a total of 490,000 shares at an exercise price of SEK 393.58 per share. The expiration date is 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 2 September 2019.

The warrant programme 2013–2016 had an exercise period from 2 May 2016 to 27 May 2016. The exercise price was SEK 168.23 per share. A total of 494,900 shares were available for subscription. 494,834 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 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 – 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

|  | 2016              |
|--|-------------------|
| At beginning of year                             | 29,344,088        |
| Warrants issue due to exercise of share warrants | 494,834           |
| <b>At end of year</b>                            | <b>29,838,922</b> |

### Note 31 Shares and participations in Group companies

| SEK m – Parent Company               | 31-12-2016 | 31-12-2015 |
|--------------------------------------|------------|------------|
| <i>Acquisition value</i>             |            |            |
| At beginning of year                 | 415        | 414        |
| Shareholder contribution             | –          | 1          |
| <b>At end of year</b>                | <b>415</b> | <b>415</b> |
| <i>Accumulated write-downs</i>       |            |            |
| At beginning of year                 | –7         | –7         |
| <b>At end of year</b>                | <b>–7</b>  | <b>–7</b>  |
| <b>Reported value at end of year</b> | <b>409</b> | <b>409</b> |

| 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                 |
| Försäkringsaktiebolaget 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                 |
| <b>Total</b>                           |                 |                   |            |             | <b>409</b>        |

\* Unquoted securities.

\*\* Holdings in credit institutions.

### Note 32 Terms for assets and liabilities

#### Remaining term (book value)

| SEK m – The Group<br>31-12-2016       | Upon<br>request | <3 months     | 3-12<br>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            |
| <b>Total assets</b>                   | <b>1,583</b>    | <b>51,650</b> | <b>2,728</b>   | <b>13,830</b> | <b>30,741</b> | <b>85</b> | <b>100,616</b> |
| <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             |
| <b>Total liabilities</b>              | <b>22,832</b>   | <b>45,558</b> | <b>169</b>     | <b>3,964</b>  | <b>26,784</b> | <b>–</b>  | <b>99,308</b>  |

\* 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 36 Financial risks.

| SEK m – The Group<br>31-12-2015         | Upon<br>request | <3 months     | 3-12<br>months | 1-5 years     | >5 years      | Perpetual | Total         |
|---|-----------------|---------------|----------------|---------------|---------------|-----------|---------------|
| <i>Assets</i>                           |                 |               |                |               |               |           |               |
| Treasury bills eligible for refinancing | –               | 250           | –              | –             | –             | –         | 250           |
| Lending to credit institutions          | 1,701           | –             | –              | –             | –             | –         | 1,701         |
| Lending to the public                   | –               | 3,821         | –              | –             | 2,719         | –         | 6,540         |
| Bonds                                   | –               | 1,145         | 2,685          | 8,020         | –             | –         | 11,850        |
| Shares and participations               | –               | –             | –              | –             | –             | 0         | 0             |
| Assets in insurance operations*         | –               | 42,320        | 138            | 3,055         | 21,053        | –         | 66,566        |
| Intangible assets                       | –               | –             | –              | –             | –             | 38        | 38            |
| Tangible fixed assets                   | –               | –             | –              | –             | –             | 20        | 20            |
| Other assets                            | –               | 1,543         | –              | –             | –             | –         | 1,542         |
| Prepaid costs and accrued income        | –               | 113           | –              | –             | –             | –         | 113           |
| <b>Total assets</b>                     | <b>1,701</b>    | <b>49,192</b> | <b>2,823</b>   | <b>11,075</b> | <b>23,772</b> | <b>58</b> | <b>88,621</b> |
| <i>Liabilities</i>                      |                 |               |                |               |               |           |               |
| Deposits by the public                  | 20,446          | –             | –              | –             | –             | –         | 20,446        |
| Liabilities in insurance operations**   | –               | 42,320        | 138            | 3,055         | 21,053        | –         | 66,566        |
| Other liabilities                       | –               | 292           | –              | –             | –             | –         | 292           |
| Accrued costs and prepaid income        | –               | 92            | –              | –             | –             | –         | 92            |
| Subordinated liabilities                | –               | –             | –              | –             | 99            | –         | 99            |
| <b>Total liabilities</b>                | <b>20,446</b>   | <b>42,704</b> | <b>138</b>     | <b>3,055</b>  | <b>21,152</b> | <b>–</b>  | <b>87,495</b> |

\* 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, 5 per cent are between 3–12 months, 72 per cent are of 1–5 years and 21 per cent are >5 years. 13 per cent of private pension insurance terms are 1–5 years and 87 per cent are >5 years. 5 per cent of the terms for occupational pensions are 1–5 years and 95 per cent are >5 years.

\*\* See also the section on Liquidity risks in Note 36 Financial risks.

### Note 33 Financial instruments

#### Classification of financial information

| SEK m – The Group<br>31-12-2016     | Financial instruments<br>valued at fair value<br>via Income<br>Statement | Investments<br>held to<br>maturity | Loan<br>receivables<br>and accounts<br>receivable | Other<br>financial<br>liabilities | Non<br>financial<br>instruments | 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            |
| <b>Total assets</b>                 | <b>75,939</b>  | <b>13,260</b>                      | <b>10,180</b>                                     | <b>–</b>                          | <b>1,237</b>                    | <b>100,616</b> |
| <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             |
| <b>Total liabilities</b>            | <b>75,934</b>  | <b>–</b>                           | <b>–</b>  | <b>23,317</b>                     | <b>57</b>                       | <b>99,308</b>  |

\* 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.

#### Financial instruments valued at fair value

| SEK m – The Group<br>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         |
| <b>Total assets</b>   | <b>57,617</b> | <b>24,713</b> | <b>5</b> | <b>89,202</b> |
| <i>Liabilities</i>  |               |               |          |               |
| Liabilities in insurance operations (investment agreements) | –             | 75,934        | –        | 75,934        |
| <b>Total liabilities</b>                                    | <b>–</b>      | <b>75,934</b> | <b>–</b> | <b>75,934</b> |
| <b>SEK m – The Group<br/>Level 3</b>                        |               |               |          |               |
| <b>31-12-2015</b>   |               |               |          | <b>0</b>      |
| Change in value   |               |               |          | 0             |
| Purchase  |               |               |          | 5             |
| Sale  |               |               |          | 0             |
| <b>31-12-2016</b>   |               |               |          | <b>5</b>      |

| SEK m – The Group<br>31-12-2015         | Financial instruments<br>valued at fair<br>value via Income<br>Statement | Investments<br>held to<br>maturity | Loan<br>receivables<br>and accounts<br>receivable | Other<br>financial<br>liabilities | Non<br>financial<br>instrument | Total         |
|---|--|------------------------------------|---|-----------------------------------|--------------------------------|---------------|
| <i>Assets</i>                           |  |                                    |   |                                   |                                |               |
| Treasury bills eligible for refinancing | –  | 250*                               | –   | –                                 | –                              | 250           |
| Lending to credit institutions          | –  | –                                  | 1,701   | –                                 | –                              | 1,701         |
| Lending to the public                   | –  | –                                  | 6,540   | –                                 | –                              | 6,540         |
| Bonds                                   | –  | 11,850**                           | –   | –                                 | –                              | 11,850        |
| Shares and participations               | 0  | –                                  | –   | –                                 | –                              | 0             |
| Assets in insurance operations          | 66,566   | –                                  | –   | –                                 | –                              | 66,566        |
| Intangible assets                       | –  | –                                  | –   | –                                 | 38                             | 38            |
| Tangible fixed assets                   | –  | –                                  | –   | –                                 | 20                             | 20            |
| Other assets                            | –  | –                                  | 523   | –                                 | 1,020                          | 1,542         |
| Prepaid costs and accrued income        | –  | 8                                  | 88  | –                                 | 17                             | 113           |
| <b>Total assets</b>                     | <b>66,566</b>  | <b>12,108</b>                      | <b>8,852</b>                                      | <b>–</b>                          | <b>1,095</b>                   | <b>88,621</b> |
| <i>Liabilities</i>                      |  |                                    |   |                                   |                                |               |
| Deposits by the public                  | –  | –                                  | –   | 20,446                            | –                              | 20,446        |
| Liabilities in insurance operations     | 66,566   | –                                  | –   | –                                 | –                              | 66,566        |
| Other liabilities                       | –  | –                                  | –   | 284                               | 8                              | 292           |
| Accrued costs and prepaid income        | –  | –                                  | –   | 40                                | 52                             | 92            |
| Subordinated liabilities                | –  | –                                  | –   | 99                                | –                              | 99            |
| <b>Total liabilities</b>                | <b>66,566</b>  | <b>–</b>                           | <b>–</b>  | <b>20,869</b>                     | <b>60</b>                      | <b>87,495</b> |

\* The fair value amounts to SEK 250 million, of which SEK 250 million is attributed to level 1 and SEK – million to level 2 in the hierarchy for fair value.

\*\* The fair value amounts to SEK 11,806 million, of which SEK 11,806 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.

### Financial instruments valued at fair value

| SEK m – The Group<br>31-12-2015                             | Level 1       | Level 2       | Level 3  | Total         |
|---|---------------|---------------|----------|---------------|
| <i>Assets</i>   |               |               |          |               |
| Equities  | 36,669        | 0             | 0        | 36,669        |
| Fund units  | 1,384         | 20,269        | –        | 21,653        |
| Bonds and other interest-bearing securities                 | 12,987        | 237           | –        | 13,224        |
| Other securities  | 197           | 384           | –        | 581           |
| Liquid assets   | –             | –             | –        | 6,495         |
| <b>Total assets</b>   | <b>51,237</b> | <b>20,890</b> | <b>0</b> | <b>78,622</b> |
| <i>Liabilities</i>  |               |               |          |               |
| Liabilities in insurance operations (investment agreements) | –             | 66,566        | –        | 66,566        |
| <b>Total liabilities</b>                                    | <b>–</b>      | <b>66,566</b> | <b>–</b> | <b>66,566</b> |
| <b>SEK m – The Group<br/>Level 3</b>                        |               |               |          |               |
| <b>31-12-2014</b>   |               |               |          | <b>0</b>      |
| Change in value   |               |               |          | 0             |
| Purchase  |               |               |          | 0             |
| Sale  |               |               |          | 0             |
| <b>31-12-2015</b>   |               |               |          | <b>0</b>      |

### Fair value

In the case of financial instruments reported at accrued acquisition cost, incurring variable interest, or with short maturities, the reported value and fair value are equal.

The fair value of those financial instruments reported at fair value 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.

### Not 34 Pledged assets and contingent liabilities

| SEK m – The Group                            | 31-12-2016   | 31-12-2015 |
|--|--------------|------------|
| <i>Pledged assets on behalf of customers</i> |              |            |
| Securities lending                           | 90           | 41         |
| Collateral requirement, Nasdaq derivatives   | 364          | 222        |
| Nasdaq Default fund                          | 18           | 19         |
| <i>Other pledged collateral and security</i> |              |            |
| Nasdaq OMX MRAH                              | 2            | –          |
| Securities liquidation, Euroclear            | 513          | 415        |
| Securities liquidation, EMCF                 | 180          | 88         |
| Securities Canada trading                    | –            | 2          |
| Swedish Central Bank clearing                | 20           | 25         |
| <b>Total pledged assets</b>                  | <b>1,187</b> | <b>812</b> |

### Pledged assets

Pledged assets total SEK 1,187 million (SEK 812m) which refers mainly to credit institutions and the stock exchange. The pledged assets are comprised of cash and cash equivalents of SEK 130 million (SEK 102m) and bonds of SEK 1,057 million (SEK 710m).

Pledged securities on behalf of customers relate to securities 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. Security for settlement of Canada trades relates to liquid assets pledged at Avanza's depository bank in Canada. The Swedish Central Bank clearing relates to sureties for the settlement of transactions via Dataclearing.

Funds managed on behalf of third parties (client fund accounts) which are not reported in the balance sheet amount to SEK 1,143 million (SEK 1,085m).

### Contingent liabilities

Avanza has no contingent liabilities as per 31 December 2016.

| SEK m – Parent Company | 31-12-2016 | 31-12-2015 |
|------------------------|------------|------------|
| Pledged assets         | None       | None       |
| Contingent liabilities | None       | None       |

### Note 35 Capital base and capital requirements

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

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

#### 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 (NPV), 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 (SCR), which affects policyholders' assets.

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. In early 2016, Nasdaq Stockholm approved Avanza Bank AB's application for a listing on Nasdaq Stockholm. The first day of trading was 3 February 2016. The conglomerate's capital base complies with financial conglomerate's capital requirements.

| SEK m – The financial conglomerate   | 31-12-2016   | 31-12-2015*** |
|--|--------------|---------------|
| <b>Capital base</b>  |              |               |
| Shareholders' equity, the Group  | 1,308        | 1,126         |
| Proposed/assumed dividend  | -313         | -308          |
| <b>Shareholders' equity, financial conglomerate (Tier 1 capital)</b>             | <b>995</b>   | <b>818</b>    |
| <i>Additional</i>  |              |               |
| Solvency capital (NPV)*  | 2,340        | 1,226         |
| Subordinated bond**  | 92           | 78            |
| <i>Less</i>  |              |               |
| Intangible fixed assets  | -62          | -38           |
| Deferred tax receivables   | -1           | -1            |
| <b>Total capital base</b>  | <b>3,364</b> | <b>2,083</b>  |
| <b>Capital base per sector</b>   |              |               |
| Capital requirement for regulated units in the insurance sector                  | 2,482        | 1,430         |
| Capital requirement for regulated units within the banking and securities sector | 882          | 653           |
| <b>Total capital base</b>  | <b>3,364</b> | <b>2,083</b>  |
| <b>Capital requirement per sector</b>  |              |               |
| Capital requirement for regulated units in the insurance sector                  | 1,432        | 791           |
| Capital requirement for regulated units within the banking and securities sector | 598          | 458           |
| of which additional buffer requirement   | 184          | 137           |
| of which additional Pillar 2 requirement   | 35           | 11            |
| <b>Total capital requirement</b>   | <b>2,030</b> | <b>1,249</b>  |
| <b>Capital surplus</b>   | <b>1,334</b> | <b>834</b>    |
| <b>Capital base/Capital requirement</b>  | <b>1.66</b>  | <b>1.67</b>   |

\* The increase in the solvency capital (NPV) compared to the previous year is mainly due to changes in assumptions of income per savings capital ratio and the strong growth in both customers and capital. At the same time the capital requirements for regulated units in the insurance sector increase, why the solvency ratio of the Insurance Company do not change significantly.

\*\* See Note 29 Subordinated liabilities.

\*\*\* The figures of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with numbers of 2016, which are adjusted to the new Solvency 2 rules that took effect on 1 January 2016.

### 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 securities loans 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 (94 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.

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 regulation (regulation (EU) no 575/2013 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 to force companies to make an independent analysis of their capital needs, not mechanically use prescribed practices.

Avanza Bank conducts an annual ICAAP to internally determine a capital need to prevent exposing Avanza's customers to risk. In conjunction with the annual ICAAP, a detailed analysis is made of Avanza's strategies, methodologies and exposures to value all risks. A capital need is calculated for each risk, which is then compared to the prescribed minimum requirement and buffer requirement. The ICAAP process is a tool that ensures Avanza identifies, values and manages all the risks it is exposed to. An integral part of the ICAAP is a forward-looking three-year analysis to ensure that Avanza's business model is sustainable. Included in the 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 third quarter of 2016. The internal capital need as of 30 June 2016 was estimated at SEK 157.4 million. The total capital need amounted to SEK 615 million on the same date, while Avanza Bank's actual capital base was SEK 777 million. The ICAAP concluded that Avanza did not expose depositors or customers to risk. The ICAAP covers all risks within Pillar 1 and Pillar 2.

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 2016 estimated the internal capital need at SEK 159.3 million, the total capital requirement at SEK 607.1 million and the actual capital base at SEK 805 million. The consolidated situation's ICAAP stated that Avanza's depositors and customers are not exposed to risk.

| <b>SEK m – Consolidated situation</b>   | <b>31-12-2016</b> | <b>31-12-2015</b> |
|---|-------------------|-------------------|
| <b>Capital base</b>   |                   |                   |
| Shareholders' equity, the Group   | 1,308             | 1,126             |
| Proposed/assumed dividend   | -313              | -308              |
| Equity not part of the consolidated situation                                     | -66               | -100              |
| <b>Equity, consolidated situation (adjusted for assumed/proposed dividend)</b>    | <b>929</b>        | <b>718</b>        |
| Intangible assets   | -62               | -38               |
| Deferred taxes  | -1                | -1                |
| Avanza Bank Holding AB:s (publ) holding in Försäkringsaktiebolaget Avanza Pension | -39               | -39               |
| <b>Common equity tier 1 capital</b>   | <b>827</b>        | <b>640</b>        |
| Subordinated bond*  | 92                | 78                |
| <b>Tier 2 capital</b>   | <b>92</b>         | <b>78</b>         |
| <b>Total capital base</b>   | <b>919</b>        | <b>718</b>        |
| <b>Capital requirement</b>  |                   |                   |
| Credit risk according to standardised approach                                    | 275               | 234               |
| Market risks  | 1                 | 0                 |
| Settlement risk   | 0                 | 0                 |
| Operational risk according to the base method                                     | 93                | 80                |
| <b>Total capital requirement</b>  | <b>369</b>        | <b>314</b>        |
| <b>Risk exposure amount</b>   |                   |                   |
| Credit risk according to standardised approach                                    | 3,436             | 2,929             |
| of which Institutions (risk-weight 20 %)  | 316               | 340               |
| of which Corporates (risk-weight 100 %)   | 28                | 27                |
| of which Households (risk-weight 75 %)  | 172               | 163               |
| of which Collateral in real estate (risk-weight 35 %)                             | 1,420             | 952               |
| of which Covered bonds (risk-weight 10 %)   | 1,276             | 1,103             |
| of which Other items (risk-weight 100 %)  | 224               | 344               |
| Market risk   | 11                | 1                 |
| Settlement risk   | 0                 | 0                 |
| Operational risk according to the base method                                     | 1,162             | 995               |
| <b>Total risk exposure amount</b>   | <b>4,609</b>      | <b>3,925</b>      |
| <b>Capital ratios and buffers</b>   |                   |                   |
| Common equity tier 1 ratio, %   | 17.9              | 16.3              |
| Tier 1 ratio, %   | 17.9              | 16.3              |
| Total capital ratio, %  | 19.9              | 18.3              |
| Capital base in relation to capital requirement                                   | 2.49              | 2.29              |
| Common equity tier 1 capital requirement, %                                       | 4.5               | 4.5               |
| Additional tier 1 capital requirement, %  | 1.5               | 1.5               |
| <b>Tier 1 capital requirement, %</b>  | <b>6.0</b>        | <b>6.0</b>        |
| Tier 2 capital requirement, %   | 2.0               | 2.0               |
| <b>Total minimum capital requirement, %</b>                                       | <b>8.0</b>        | <b>8.0</b>        |
| Institution-specific buffer requirement, %  | 4.0               | 3.5               |
| of which capital conservation buffer requirement, %                               | 2.5               | 2.5               |
| of which countercyclical buffer, %  | 1.5               | 1.0               |
| <b>Total capital requirement including buffer requirement, %</b>                  | <b>12.0</b>       | <b>11.5</b>       |
| Common equity tier 1 capital available for use as a buffer, %                     | 13.4              | 11.8              |
| Total capital base  | 919               | 718               |
| Capital requirement (8%)  | -369              | -314              |
| Buffer requirement  | -184              | -137              |
| Additional requirement with reference to Pillar 2                                 | -35               | -11               |
| Total requirements  | -588              | -462              |
| <b>Capital surplus after buffer requirement and Pillar 2</b>                      | <b>331</b>        | <b>256</b>        |

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

\* See Note 29 Subordinated liabilities.

| SEK m – Avanza Bank AB (publ)                                    | 31-12-2016   | 31-12-2015   |
|--|--------------|--------------|
| <b>Capital base</b>  |              |              |
| Shareholders' equity   | 824          | 759          |
| Proposed/assumed dividend  | 0            | -170         |
| <b>Equity (adjusted for assumed/proposed dividend)</b>           | <b>824</b>   | <b>589</b>   |
| Intangible assets  | -39          | -15          |
| Deferred taxes   | -1           | -1           |
| <b>Common equity tier 1 capital</b>                              | <b>784</b>   | <b>573</b>   |
| Subordinated bond*   | 93           | 76           |
| <b>Tier 2 capital</b>  | <b>93</b>    | <b>76</b>    |
| <b>Total capital base</b>  | <b>877</b>   | <b>649</b>   |
| <b>Capital requirement</b>                                       |              |              |
| Credit risk according to standardised approach                   | 281          | 227          |
| Market risks   | 0            | 0            |
| Settlement risk  | 0            | 0            |
| Operational risk according to the base method                    | 93           | 79           |
| <b>Total capital requirement</b>                                 | <b>374</b>   | <b>306</b>   |
| <b>Risk exposure amount</b>                                      |              |              |
| Credit risk according to standardised approach                   | 3,514        | 2,834        |
| of which Institutions (risk-weight 20 %)                         | 316          | 340          |
| of which Corporates (risk-weight 100 %)                          | 28           | 27           |
| of which Households (risk-weight 75 %)                           | 172          | 163          |
| of which Collateral in real estate (risk-weight 35 %)            | 1,420        | 952          |
| of which Covered bonds (risk-weight 10 %)                        | 1,276        | 1,103        |
| of which Other items (risk-weight 100 %)                         | 302          | 249          |
| Market risk  | 1            | 1            |
| Settlement risk  | 0            | 0            |
| Operational risk according to the base method                    | 1,156        | 989          |
| <b>Total risk exposure amount</b>                                | <b>4,671</b> | <b>3,824</b> |
| <b>Capital ratios and buffers</b>                                |              |              |
| Common equity tier 1 ratio, %                                    | 16.8         | 15.0         |
| Tier 1 ratio, %  | 16.8         | 15.0         |
| Total capital ratio, %   | 18.8         | 17.0         |
| Capital base in relation to capital requirement                  | 2.35         | 2.12         |
| Common equity tier 1 capital requirement, %                      | 4.5          | 4.5          |
| Additional tier 1 capital requirement, %                         | 1.5          | 1.5          |
| Tier 1 capital requirement, %                                    | <b>6.0</b>   | <b>6.0</b>   |
| Tier 2 capital requirement, %                                    | 2.0          | 2.0          |
| <b>Total minimum capital requirement, %</b>                      | <b>8.0</b>   | <b>8.0</b>   |
| Institution-specific buffer requirement, %                       | 4.0          | 3.5          |
| of which capital conservation buffer requirement, %              | 2.5          | 2.5          |
| of which countercyclical buffer, %                               | 1.5          | 1.0          |
| <b>Total capital requirement including buffer requirement, %</b> | <b>12.0</b>  | <b>11.5</b>  |
| Common equity tier 1 capital available for use as a buffer, %    | 12.3         | 10.5         |
| Total capital base   | 877          | 649          |
| Capital requirement (8%)   | -374         | -306         |
| Buffer requirement   | -187         | -134         |
| Additional requirement with reference to Pillar 2                | -35          | -11          |
| Total requirements   | -596         | -451         |
| <b>Capital surplus after buffer requirement and Pillar 2</b>     | <b>281</b>   | <b>198</b>   |

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

\* See Note 29 Subordinated liabilities.

## Note 36 Financial risks

### The Group's exposure to financial risks

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

There have been no major changes in Avanzas's exposure to risks during 2016. For further information on risks and risk management in business operations, see pages 28–30 and the Corporate Governance Report pages 34–46.

### Credit risks

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

No significant concentrations of risks arise with individual financial security, counterparty, sector or region. The 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 balance day, lending to the general public amounted to SEK 8,175 million (SEK 6,540m). Average lending in 2016 was SEK 6,862 million (SEK 5,787m). 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 are in the form of security loans and mortgage loans.

### Securities lending

All securities lending are secured against listed securities. As of year-end, lending to the general public against listed securities amounted to a total of SEK 4,118 million. The market value of pledged securities was SEK 37,137 million. The financial effects of securities held are calculated on a customer by customer basis and any surplus value in a security against one customer cannot be offset against that of another customer. The majority of such securities are Swedish listed equities with good liquidity that are valued at fair value on the market concerned. 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 and 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. When lending, a joint limit is set for all borrowers belonging to the same sphere. The spread of lending is very good. There is no great concentration of pledged securities within securities lending. As of 31 December 2016, 42 (28) loans exceeded SEK 10 million. The combined total of these loans was SEK 966 million (SEK 777m), of which the highest was SEK 92 million (SEK 93m).

Lending is monitored on a daily basis. If so called excess leverage arises, that is to say where a customer's debt is still covered by the 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 the date by which the situation must be rectified. The customer can rectify the excess leverage by depositing money or securities or by settling securities. If the customer does not take any action, 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 2016, excess leverage amounted to SEK 2,4 million (SEK 0,2m) or 0.03 (0.00) per cent of security-backed lending. Average excess leverage during the year amounted to SEK 5.1 million or 0.07 per cent of securities lending.

If pledged securities no longer cover the customer's liabilities, an assessment of the need to write down the loan is made. Write down is determined via an individual assessment of each borrower of what can be expected to be paid. Avanza had credit losses during the year on securities lending of SEK –1 million (SEK 0m). As of 31 December 2016, 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 balance day, accumulated provisions for feared credit losses amounted to SEK 8 million (SEK 8m). Exchange rate gains/losses or other revaluations do not arise. Please also see Note 13 Credit losses and Note 19 Lending to the general public.

### Stress test of credit risk in securities lending

The stress tests Avanza imposes on its securities lending feature a number of hypothetical scenarios. Securities lending portfolios are stress tested in terms of margin losses and losses arising due to a lack of diversification (concentration risk). The method applied for testing margin stress entails that all shares drop in value according to risk class/credit quality pursuant to the loan to value ratio or risk margin. This stress test indicates anticipated losses of SEK 3.5 million. In the event that the unexpected were to occur, credit losses would be a maximum of SEK 5.9 million.

Two methods are applied to measure concentration risk. The first method hypothesizes that an individual share drops 70 to 100 per cent in value, all other variables remaining constant. This identifies homogeneous concentrations in credit portfolios. This stress test indicates maximum unanticipated losses of SEK 52.8 million. The second method hypothesizes that the collateral in the portfolio falls based on credit quality or the risk margin, while the five largest single concentrations drop simultaneously in an amount corresponding to the risk margin plus a further 20 per cent from the new market value. Securities with no loan to value ratio are also stress tested, meaning that their value is written down to zero. This stress test indicates unanticipated losses of SEK 109.5 million. All securities 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 securities lending

| 31-12-2016   | Currency | Market value, SEK m | Lending value, SEK m | Share of balanced exposure, % |
|--------------|----------|---------------------|----------------------|-------------------------------|
| Shares       | SEK      | 31,493              | 16,247               | 86                            |
| Funds        | SEK      | 2,532               | 1,369                | 7                             |
| Shares       | USD      | 1,005               | 574                  | 3                             |
| Other        |          | 2,107               | 788                  | 4                             |
| <b>Total</b> |          | <b>37,137</b>       | <b>18,978</b>        | <b>100</b>                    |

**Pledged assets for mortgage loans**

| 31-12-2016              | Credit limit, SEK m | Lending, SEK m | Loan-to-value ratio, % |
|-------------------------|---------------------|----------------|------------------------|
| Houses                  | 2,845               | 2,600          | 38                     |
| Tenant-owned apartments | 1,609               | 1,457          | 41                     |
| <b>Total</b>            | <b>4,454</b>        | <b>4,056</b>   | <b>39</b>              |

*Mortgage loans*

Avanza's mortgage loans, which were launched at the end of 2013, have increased during 2016 from SEK 2,719 million to SEK 4,056 million. All mortgage loans are secured with pledges on houses and tenant-owned apartments at an average loan to value ratio of 36 per cent at the end of the year. The market value of a property is calculated through a so called statistical evaluation, purchased from external parties. The market value is reassessed each year; the last reassessment occurred in November 2016.

The mortgage loan proposition is targeted at Avanza's high network Private Banking customers, who have at least SEK 3 million in overall savings with Avanza, with a low loan to value ratio of a maximum 50 per cent at the time that the mortgage loan is granted. Avanza employees have staff conditions with a loan to value ratio of 70 per cent.

The lending volume to customers is SEK 4,750 million and exposure to employees a maximum SEK 575 million. Avanza is required to act as the only pledgee for the security, and normal credit assessment occurs, in which a 'remain-to-live-calculation' (RTL) is performed to see whether the borrower satisfies a scenario of the current interest rate plus 6 per cent, given the amount applied for. Due to Avanza's terms a mortgage loan 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 a credit risk stress test with stress of the market value by 35 per cent, the expected credit loss amounts to SEK 5.6 million, which is a result of a low loan to value ratio and wide margins.

**Administration of liquidity**

| 31-12-2016   | Book value, SEK m | Share, % |
|--|-------------------|----------|
| Lending to credit institutions                       | 1,583             | 10.7     |
| Bonds*   | 13,244            | 89.3     |
| of which government, municipality and county council | 499               | 3.4      |
| of which secured mortgage bonds                      | 12,744            | 86.0     |

\* Average duration of bond holders is 0.18.

*Liquidity management*

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

Avanza has considerably more deposits from the general public than lending to the general public. Investable liquidity, i.e. surplus liquidity, consists of liquid assets placed with credit institutions (excluding client funds) and interest-bearing securities less pledges. Interest-bearing securities consist of covered mortgage bonds with short terms issued by Swedish banks and interest-bearing securities issued by the Swedish government, municipalities, and county council. The holdings of bonds at the balance sheet date amounted to SEK 13,244 million (SEK 11,850m), of which bond issued by Swedish municipalities and county council amounted to SEK 499 million (SEK 824m). Other surplus liquidity is invested primarily in systemically important Nordic credit institutions and amounted at year-end to SEK 1,583 million (SEK 1,701m), as well as treasury bills eligible for refinancing amounting to SEK – million (SEK 250m).

Because of its diversified portfolio, Avanza has limited concentration risk vis-a-vis individual counterparties. Liquidity is invested in accordance with the company's Financial Policy, which among other matters

regulates Avanza's maximum exposure to the respective counterparties and bond issuers. There are also requirements to have a low maximum average interest duration of 3 months, and that the bonds should be allowed as security at the Bank of Sweden. Comprehensive regulation also safeguards the quality of counterparties and established securities. All secured mortgage bonds have the highest bond rating AAA with Standard & Poor or Moody's, except for one bond with bond rating AA+.

*Counterparty risk within security trading on customers' behalf*

Avanza has a low 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, and no OTC dealings occur. The risks are limited by Avanza's use of recognised clearing organisations in the respective countries, for example Euroclear and Nasdaq in Sweden, to settle the transactions performed.

### 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 determining the risk appetite within operational risk. The risk appetite is determined in the form of limits and a pre-determined risk management process.

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, analyzed and reported to those responsible for managing the risks, in order to facilitate improvements but also to inform the valuation of risks on 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 risk, 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 a management issue for Avanza. The Board of Directors and management have stipulated that the organisation's operational requirements must be balanced against growing information security requirements, such as the EU's new General Data Protection Regulation (GDPR). 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 this context no sensitivity analysis has been conducted in accordance with IFRS 7.

### Stock price risks

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

### Interest risks

Interest risks occur in the event of an imbalance in the term between the company's assets and debts, as well as in the event of changes in the value of assets and debts, as a consequence of market fluctuations. Avanza has no fixed interest agreements with customers. Avanza's credit granting occurs at a variable interest rate and is adapted to normal market conditions only in accordance with interest changes by the Bank of Sweden. Avanza's credit granting is financed by lending at a variable interest rate.

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

The lending surplus is invested within the investment restrictions in the company's Financial Policy. In order to facilitate positive administration of the liquidity, the Board of Directors has established a limit as to how much interest risk may be adopted. 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 13,639 million at year-end. The interest sensitivity in the portfolio is measured and reported weekly to the Risk control function and to the CFO. Interest risk is limited as Avanza intends, and has the capacity, to hold all reported bond holdings to maturity, and therefore incurs a limited risk to need to sell the bond holdings prematurely.

Consequently, the risk of having to sell bond holdings in advance at a different market value is also limited. Among bonds, 97 per cent have variable coupons (FRN – Floating Rate Notes) with quarterly interest revaluations, and the remaining 3 per cent have fixed interest coupons and a remaining tenor of under one year. A sensitivity analysis of the portfolio is also performed at the end of each quarter, in connection with submission of an interest report to the Swedish Financial Supervisory Authority.

### Currency rate risks

Assets and debts in the balance sheet are chiefly assessed 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 account. No significant currency exposure exists outside the balance sheet.

### Liquidity risk

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

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

Avanza's operations are limited in scope and the Company is not a liquidity provider on the financial market. Furthermore, the operations are conducted without significant external financing requirements and has 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 by the financing being spread across a large private customer base. Historically, these deposits have exhibited slow movement, a relatively high degree of so called "stickiness". Avanza's current financing structure actually 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. In order for Avanza to have sufficient funds at all times to meet its payments and ensure customer withdrawals, Avanza makes continuous prognoses and performs stress tests to assess the need for payment funds. The stress tests build on historical data and are based on a number of scenarios specific to Avanza.

Prognoses are performed every single day in order to handle short-term liquidity risks. Special contingency funding plans have been established to manage serious disturbances in 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 the deposits and lending from/to the general public, a significant part of the assets is held in cash with spot/maturing on the following business day.

SEK 130 million (SEK 102m) of lending to credit institutions has been established as security, which means that lending to credit institutions, excluding pledged securities, of SEK 1,453 million (SEK 1,599m) 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. Secured mortgage bonds and interest-bearing securities issued by the Swedish government, municipalities, and county council are managed daily and can usually be converted to cash within a few days. The bond portfolio has an even maturity structure, both annually and quarterly and, to a certain extent, monthly, meaning that large, negative changes in surplus liquidity are normally managed with the help of on-going maturities, i.e. the repayment of bonds. Avanza has no individual large deposit customers, of significance for liquidity, but deposits are spread among many customers and payment readiness is assessed as being very good. See further Note 32 Terms for assets and liabilities.

Debts in the insurance business do not affect the liquidity risk. The reason for this is that there are equivalent assets and these are the policyholders' own funds, and thus the customers are responsible for the risk. There is no type of contractual due date.

| SEK m  | 31-12-2016 | Term              |
|--|------------|-------------------|
| Lending to credit institutions                 | 1,583      | 1 day             |
| Lending to the public – securities lending     | 4,118      | 1 month           |
| Lending to the public – mortgage loans         | 4,056      | At least 30 years |
| Bonds  | 13,244     | 22 months         |
| Deposits by the public, excluding client funds | 22,832     | On spot basis     |

### Actuarial risks

The actuarial risks in business operations are small. Deaths, survivors' pensions, waiver of premium and sickness insurance are relayed to an external party and the risks are not borne by Avanza. However, the company provides in-house life insurance, linked to the endowment insurance contracts, where payment to the survivor of the life assured 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 deaths arising from endowment insurances. The insurance risk is managed by basing risk premiums on statistical assumptions and through monitoring according to actuarial guidelines. In order to avoid fluctuations in earnings being too large, Avanza reinsures risk costs in excess of SEK 250 thousand.

### Note 37 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. 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.

#### Transactions with related parties

| <b>Transactions with key individuals in senior positions and other related parties</b> | <b>31-12-2016</b> | <b>31-12-2015</b> |
|--|-------------------|-------------------|
| Lending, SEK m   | 45                | 34                |
| Deposits, SEK m  | 181               | 149               |
|  | <b>2016</b>       | <b>2015</b>       |
| Brokerage fees, SEK k  | 472               | 467               |
| Interest income, SEK k   | 302               | 500               |
| Interest expenses, SEK k   | 38                | 42                |
| Invoicing from related parties' limited companies, SEK k                               | 705               | 27                |
|  | <b>2016</b>       | <b>2015</b>       |
| <b>Transactions with subsidiaries</b>  |                   |                   |
| Parent Company interest income from Group companies, SEK m                             | 0                 | 0                 |
| Parent Company interest expenses to Group companies, SEK m                             | 0                 | 0                 |
|  | <b>31-12-2016</b> | <b>31-12-2015</b> |
| Parent Company receivables from Group companies, SEK m                                 | 352               | 377               |
| Parent Company liabilities to Group companies, SEK m                                   | 0                 | 1                 |

### Note 38 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 39 Events after the closing day

On 9 February 2017 Henrik Källén, COO and Deputy CEO, announced that he intends to leave his post at Avanza.

No other significant events have occurred after the closing day.

## Note 40 Proposed allocation of profits

### Dividend policy

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

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

The Board of Directors of Avanza Bank Holding AB (publ) proposes that the Annual General Meeting on 21 March 2017 agree to a dividend of SEK 10.50 per share for 2016. The ex-dividend date is Wednesday, 22 March 2017. Thursday, 23 March 2017 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, 28 March 2017.

### 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

| The following profits are at the disposal of the Annual General Meeting                    | SEK                |
|--|--------------------|
| Share premium reserve  | 429,434,815        |
| Retained profit  | 50,242,904         |
| Net profit for the year  | 206,501,607        |
| <b>Total</b>   | <b>686,179,326</b> |
| <b>The Board of Directors and the CEO propose that the profits be disposed as follows:</b> |                    |
| Dividend to shareholders, SEK 10.50 per share  | 313,308,681        |
| To be carried forward  | 372,870,645        |
| <b>Total</b>   | <b>686,179,326</b> |

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, 23 February 2017**

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

Johan Prom  
CEO

Our Audit Report was submitted on 23 February 2017

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
Authorised Public Accountant

# Auditor's report

## To the general meeting of the shareholders of Avanza Bank Holding AB, 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 for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 28-30 and 47-88 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 2016 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 2016 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. Our opinions do not include the Corporate governance report on pages 34-46. 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.

#### *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.

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 having our central team carrying out the testing of 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, Avanza Bank AB 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 2016. 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

On daily basis, Avanza handles a large number of transactions regarding customers' activities in the buying and selling of securities. Customers' activities generate commission income, which is a significant part of the Group revenues. Therefore, commission income is defined as a key audit matter.

See Annual Report, Note 3 and 4 page 64.

We assessed and tested the design and effectiveness of the controls implemented by Avanza for accounting of commission income.

Our substantive testing has consisted of 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 on the basis of the static parameters in the system.

### Valuation and existence of assets in insurance operations

Investment assets primarily consists 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.

Investment assets comprise a significant part of the consolidated balance sheet of Avanza.

Avanza has implemented control activities in order to prevent and detect errors in the Avanza Group's financial statements.

For further description, see the Annual Report, Note 22 and 33.

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 our own tests of prices by reconciliation with external sources.

For those instruments that are not listed, we have evaluated the valuation models that Avanza use for these kind of instruments. We also performed tests of market data used against independent data sources.

### IT systems supporting processes over financial reporting

The financial reporting is dependent on multiple systems. Specific parts of the accounting is automatic, why it is important that authorisation and access to systems as well as software changes are controlled to ensure accurate financial reporting.

The aim of Avanza's IT organisation is to ensure confidentiality, integrity and availability. IT security concerns both internal and external threats. See Note 36 page 84.

Our audit included assessment of general IT controls and whether the Avanza Group has satisfactory procedures to achieve required IT security and environment over systems supporting the financial reporting.

Our test of the IT environment included the governance of the IT function and the processes that the function is responsible for. Our review has focused on essential systems with direct impact on the financial statements. Our testing has covered access to applications and data, program and software changes and a review of the management of authorisation.

### 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 1-27, 31-46 and 92-105. 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 IFRS as adopted by the EU and the Annual Accounts Act of Credit Institutions and Security Companies. 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.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### **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 Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev-dok/revisors-ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev-dok/revisors-ansvar.pdf). 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 for the year 2016 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, the Annual Accounts Act of Credit Institutions and Security 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 Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev-dok/revisors-ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev-dok/revisors-ansvar.pdf). This description is part of the auditor's report.

**Stockholm, 23 February 2017**

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
Authorised Public Accountant

# Other sustainability information

## Materiality analysis

The longevity of Avanza's business is closely tied to and dependent on whether we live up to our stakeholders' expectations and how they in turn contribute to Avanza's growth and development. By focusing on activities that create value for our stakeholders, we create the most value for society as a whole.

During the year, we established a sustainability group made up of individuals from Group management and various parts of the organisation. The group discusses material aspects based on the stakeholder dialog and on a realisation that we will be exposed to a reputational risk if we fail to live up to expectations or could potentially lose business if we cannot meet our stakeholders' needs. Avanza's material aspects encompass the entire organisation, without boundaries. For more information on our dialog with stakeholders, see the respective section from page 18.

Our stakeholders include customers, employees, owners, investors, partners, suppliers, the media, authorities and legislators, all of which affect and are affected by our operations. Our most important stakeholders from a business standpoint are our customers, employees and owners. Avanza's annual report is designed with them and our material aspects in mind.

An important part of maintaining the trust of our stakeholders is obviously good governance and compliance, fighting corruption and effective crisis and risk management. We take this as a given. For more information, see page 34 and onwards in the corporate governance report and from page 28 in the risk section.

## Identified material aspects

Satisfied customers and a world-class user experience are the key to our business idea and critical to our growth. Avanza is driven by a consistent focus on creating customer value. Avanza's strategy is to create offers that are cheaper, better and simpler. This requires innovation in developing products and services.

We are convinced that our customers are best suited to make their own investment decisions, and we do not offer any individual advice. However, this requires guidance, good decision-making support and tools, and a broad and transparent range of products for different market conditions. This, along with our low prices, should give our customers a better return than any other bank or pension company. For more information, see pages 18-19.

Avanza has a very strong corporate culture that draws its energy from a willingness to create change. Everyone at Avanza is responsible for innovation, which is why it is important that everyone is also familiar with and embraces our vision and strategy. We are convinced that knowledge, experience and views of every individual are needed to enrich and influence our development, an important part of which is gender equality and diversity. It is also important that we are a company where employees develop and thrive. For more information, see pages 20-21.

Our owners and investors contribute capital, which facilitates development. To remain an attractive investment and attract risk capital, it is important to deliver a good return over time. Our risk profile entails low financial risks and a strong focus on IT and information risks. For more information, see pages 22-30.



### Business ethics and working conditions are important aspects of corporate governance

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.

Avanza abides by Sweden's anti-corruption laws and practices and under no circumstances accepts active or passive bribery or other illegal payments.

### Regulatory training

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. As part of this, Avanza is a member of 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.

### 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 conducts an annual salary survey to ensure that equal wages are paid based on an evaluation of every position in the company. We also use the survey for new hires and internal transfers. Equality 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. The annual salary survey did not identify any material wage differences for employees collectively with the exception of a few individuals, both women and men, whose differences can no longer be fully justified by experience/performance. In these cases, corrections have been made in connection with the salary audit, and wage data are monitored carefully.

### 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.

| Information about employees         | 2016 | 2015 | 2014 |
|-------------------------------------|------|------|------|
| Average no. of employees            | 343  | 323  | 283  |
| of which no. of temporary employees | 7    | 11   | 8    |
| of which women, %                   | 33   | 34   | 37   |
| of which 0-29 years, %              | 43   | 44   | 33   |
| of which 30-49 years, %             | 53   | 54   | 65   |
| of which 50- years, %               | 4    | 3    | 2    |
| Employee turnover, %                | 19.1 | 16.5 | –    |
| of which women                      | 16.1 | –    | –    |
| of which 0-29 years, %              | –    | –    | –    |
| of which 30-49 years, %             | –    | –    | –    |
| of which 50- years, %               | –    | –    | –    |
| Sickness absence*, %                | 2.6  | 3.0  | 2.3  |
| of which women                      | 4.2  | 4.7  | 3.5  |
| of which 0-29 years, %              | 2.4  | 2.3  | 2.2  |
| of which 30-49 years, %             | 2.8  | 3.5  | 2.4  |
| of which 50- years, %               | 1.5  | 1.6  | **   |

\* Avanza has chosen to only report sickness absence when accidents and injuries is not relevant to our office and Internet-based business.

\*\* Not reported due to exception in the law stating that the information may not be disclosed if the number of employees in the group is no more than ten or if the information can be attributed to a single individual. Groups refer to both age groups and gender distribution within an age group.

### External guidelines

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 (FFFS 1998:22). The ethical guidelines are based on the Swedish Securities Dealers Association's guidelines in Securities Institutes and FFFS 1998:22.

### Supply chain

Avanza operates strictly in Sweden. The largest suppliers are Nasdaq, Euroclear Sweden and NGM. IT operations are managed in-house.

### Limited impact on the environment

Avanza is solely an online bank with limited impact on the environment. Avanza has no branches and the majority of communications with customers is digital. The business does not require much travel or transports, since it is limited to three offices in Sweden. 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 year's results confirm that we have a limited environmental impact, because of which we have chosen not to have any formal environmental management. Total energy consumption amounted to 1 210 (1 170) MWh, of which 542 (467) MWh relates to internal consumption. Total emissions amounted to 61 (108) tonnes of CO<sub>2</sub>e. As of 2016, the climate analysis is done with a new tool, which is why numbers slightly differ from what previously has been reported. Historical numbers have been adjusted.

The climate analysis is published on [avanza.se/ir](http://avanza.se/ir)

| <b>Emission per activity, tonnes Co2e</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|
| Business travel                           | 22.7        | 61.4        | 42.8        |
| Company-owned/leased vehicles             | 12.9        | 22.7        | 15.6        |
| Electricity and heat                      | 4.5         | 4.2         | 4.5         |
| Office supply                             | 14.6        | 13.2        | 25.0        |
| Supplier of services                      | 6.3         | 6.5         | 12.5        |
| <b>Total</b>                              | <b>61</b>   | <b>108</b>  | <b>100</b>  |

| <b>Financial value created and distribution per stakeholder group, SEK m</b> | <b>Stakeholder</b> | <b>2016</b> | <b>2015</b> |
|--|--------------------|-------------|-------------|
| Revenues with interest costs deducted*                                       | From customers     | 1,016       | 960         |
| Operating costs, excluding personnel costs*                                  | To suppliers       | -164        | -154        |
| Salaries and other benefits excluding social insurance contributions         | To employees       | -225        | -207        |
| Interest costs*  | To creditors       | -97         | -55         |
| Tax and social insurance contributions                                       | To society         | -131        | -129        |
| Dividend**   | To shareholders    | -313        | -308        |
| <b>Retained financial value</b>  |                    | <b>86</b>   | <b>107</b>  |
| <i>Dividend as a proportion of the profit for the year**</i>                 |                    | <i>79%</i>  | <i>74%</i>  |

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

\*\* Proposed dividend for 2016.

## Sustainability report (GRI)

Avanza's sustainability report is an important part of an open and balanced presentation of our position, activities and achievements in key areas. Avanza applies the fourth version of the Global Reporting Initiative (GRI G4) Guidelines – Core as well as GRI's specific guidelines for the industry (Financial Services Sector Supplement). The GRI index contains references to standard disclosures and indicators. Avanza worked in 2016 to identify its most material sustainability aspects. This has led to some adjustments in which indicators are reported.

Avanza is positive to the new requirements on sustainability reporting that take effect in the financial year 2017. Avanza's ambition is to have an integrated report. The sustainability report for 2016 has not undergone third party review.

The previous sustainability report for the calendar year 2015 was prepared according to GRI's principles and published on 11 March 2016.

Avanza's sustainability policy is published on [avanza.se/ir](http://avanza.se/ir).

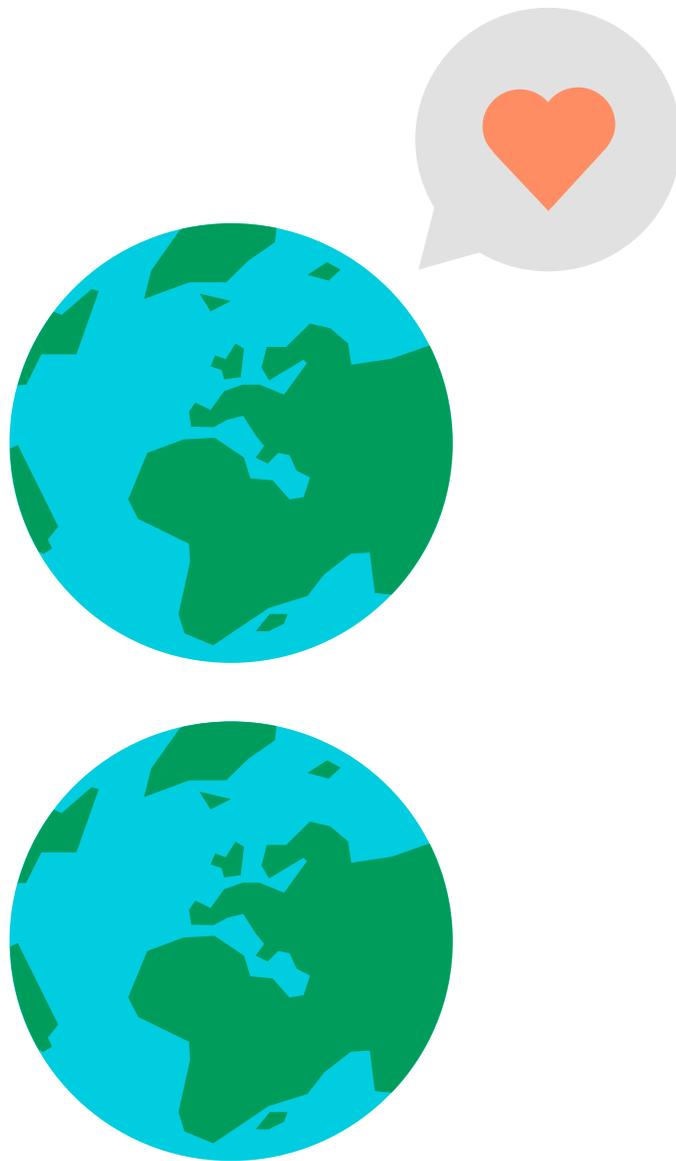
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| G4-4  | Main brands, products and services  | 98-101            |
| G4-5  | Registered address of organisation's headoffice   | 4, Note 1         |
| G4-6  | Countries where the organisation operates   | 4, 60             |
| G4-7  | Ownership structure and legal structure   | 22-25, 34, 47     |
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| G4-10   | Employees   | 20-21, Note 9, 93 |
| G4-11   | Employees covered by collective bargaining agreements   | 93                |
| G4-12   | Organisation supplier chain   | 94                |
| G4-13   | Material changes concerning the ownership structure, the size and structure of the organisation or supplier chain | None              |
| G4-14   | Application of the precautionary principle  | Not applicable    |
| G4-15   | Externally developed financial, environmental or social articles of association, principles or other initiatives  | 26-27             |
| G4-16   | Memberships with significant involvement  | 93                |
| <b>Identified material aspects and boundaries</b> |   |                   |
| G4-17   | Units that are included in the organisation's consolidated financial statements                                   | Note 2 and 35     |
| G4-18   | Process for defining the contents of the report   | 95                |
| G4-19   | Material aspects identified in the process for defining report content  | 14, 92            |
| G4-20   | Aspect boundary within the organisation   | 14, 92            |
| G4-21   | Aspect boundary outside the organisation  | None              |
| G4-22   | Restatements from previous reports  | Note 6 and 12     |
| G4-23   | Material changes related to scale and aspects limitations   | 92, 95            |
| <b>Stakeholder engagement</b>                     |   |                   |
| G4-24   | Stakeholder groups  | 26, 34, 92        |
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| G4-28   | Reporting period  | Note 1            |
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| G4-31   | Contact person for the report of its contents   | 96, 105           |
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| G4-34   | Governance, including committees with responsibility for decisions related to environmental aspects               | 34-46, 92-95      |
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| Economic performance                 | G4-DMA  | Disclosure on management approach  | 16-17, 26-27, 34-46 |
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| Energy consumption                   | G4-EN3  | Energy consumption within the organisation   | 94                  |
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| Employment                           | G4-DMA  | Disclosure on management approach  | 14, 20-21, 36       |
| Employment key ratios                | G4-LA1  | Total number and number of new employees as well as turnover of employees,   | 21, 93              |
| Work environment conditions          | G4-DMA  | Disclosure on management approach  | 20-21               |
| Health and safety                    | G4-LA6  | Accidents, injuries and sickness absence   | 20-21               |
| Education                            | G4-DMA  | Disclosure on management approach  | 92-94               |
| Education key ratios                 | G4-LA11   | Percentage of employees receiving regular performance and career development reviews   | 20-21               |
| Diversity and equality               | G4-DMA  | Disclosure on management approach  | 20-21, 36           |
| Distribution of employees/managers   | G4-LA12   | Gender and age categories of employees and managers  | 20-21, 36           |
| Equal remuneration                   | G4-DMA  | Disclosure on management approach  | 93                  |
| Salaries                             | G4-LA13   | Differences in salaries between men and women  | 93                  |
| <b>Society</b>                       |   |  |                     |
| Anti-corruption                      | G4-DMA  | Disclosure on management approach  | 28-30, 92-94        |
| Education                            | G4-SO4  | Communication and training on anti-corruption policies and procedures  | 28-30, 92-94        |
| <b>Compliance</b>                    |   |  |                     |
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## Contact

Questions about the sustainability report and its contents will be answered by:

Sofia Svavar, Head of Investor Relations  
 E-mail: sofia.svavar@avanza.se  
 Phone: + 46 (0)8 409 420 17



# 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, and to be a Platinum customer, our highest benefit level for private customers, 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 modern service with the market's lowest brokerage fees, a wide range of securities and very attractive interest rates on securities 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.

# 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.

| Start   | Mini  | Small  | Medium  | Fast Pris   |
|---|---|--|---|---|
| Variable brokerage fee<br><b>0 %</b>                      | Variable brokerage fee<br><b>0.25 %</b>           | Variable brokerage fee<br><b>0.15 %</b>                          | Variable brokerage fee<br><b>0.069 %</b>                          | Variable brokerage fee<br><b>0 %</b>              |
| Lowest brokerage fee<br><b>0</b>                          | Lowest brokerage fee<br><b>1 SEK</b>              | Lowest brokerage fee<br><b>39 SEK</b>                            | Lowest brokerage fee<br><b>69 SEK</b>                             | Lowest brokerage fee<br><b>99 SEK</b>             |
| Selectable if you have<br>less than<br><b>50,000 SEK*</b> | Suitable for trades<br>below<br><b>15,600 SEK</b> | Suitable for trades<br>between<br><b>15,600 –<br/>46,000 SEK</b> | Suitable for trades<br>between<br><b>46,500 –<br/>143,500 SEK</b> | Suitable for trades<br>over<br><b>143,500 SEK</b> |

| PB Mini                                 | PB                                       | PB Fast Pris                          | Pro  |
|---|--|---------------------------------------|--|
| Variable brokerage fee<br><b>0.15 %</b> | Variable brokerage fee<br><b>0.055 %</b> | Variable brokerage fee<br><b>0 %</b>  | Variable brokerage fee<br><b>0.034 % and below</b> |
| Lowest brokerage fee<br><b>1 SEK</b>    | Lowest brokerage fee<br><b>59 SEK</b>    | Lowest brokerage fee<br><b>99 SEK</b> | Lowest brokerage fee<br><b>49 SEK and below</b>    |

*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 and offers, please visit our website, [avanza.se](http://avanza.se).*

# Products and range

## 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

Our child savings is an endowment insurance where the 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.

### 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. The tax deductibility of this account was eliminated at the end of 2015. 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. The tax deductibility of the plan was eliminated at the end of 2015. Repayment protection is always included in the plan, and if the policyholder dies the holding is paid out to the beneficiaries that were selected.

### Savings account+

Savings account+ is 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 can receive competitive interest rates compared to normal bank accounts and multiplied deposit guarantees. The government's deposit guarantee of EUR 100,000 applies per institution.

## Trading

### Equities

Trade shares on exchanges in the Nordic countries, the US and Canada on our website or using our apps. Trading on other markets via our trading desk. Real time market data for all Nordic securities on our website and for US equities when placing an order.

### Funds

Trade over 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 offer trading in exchange-traded funds (ETPs) 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. Credit linked notes are traded free of brokerage fees at Avanza.

## Loans

### Mortgage loans

We offer Private Banking customers 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.

### Securities loans

Loaning securities 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 (February 2017).

## Inspiration and decision-making support

### Portfolio Generator

Portfolio Generator makes it easy and quick to create a well-diversified portfolio of five-star funds, free of charge.

### Stock inspiration

Inspiration to find favourite new stocks with the help of themed lists, such as Sport, Gaming or Fashion; most popular lists, e.g. Millionaires' and Women's favourites; and specific portfolios showing, among other things, what our 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 everything they need to know about investing in equities, funds and other securities.

### **Avanza Play**

Avanza Play teaches the basics to become a better investor and get the best savings returns. Includes exciting interviews with CEOs of listed companies or fund managers. Customers can stay updated on current topics in savings and investments.

### **Apps**

The iOS and Android apps provide a quick savings overview with the option to trade funds and equities in Sweden, the Nordic countries, the US and Canada. Customers can create and follow their own watch lists, which are automatically synced with the website, and stay up to date on the latest news from Placera and the Direkt news agency.

### **Placera**

Sweden's second largest online financial magazine. Offers analyses and comments on the economy, equities, funds and current market phenomena, and gives advice on how to invest. Contains research services from, e.g. Redeye, Investtech, SME Direkt and Introduce. Placera is editorially independent from Avanza.

### **Börsveckan**

Börsveckan is a stockpicking publication with over 300 specific buy and sell recommendations on over 240 companies a year. Has two successful fictional portfolios that have historically outperformed their indices by a wide margin and inspire readers to invest better.

### **Trader programme**

The market's hottest trader and trading application on the market, Infront, at highly competitive prices.

### **Portfolio report**

The portfolio report gives customers a unique picture of their savings. Each page is packed with information with a breakdown of their holdings in different charts and tables.

### **Monitoring and alarm**

Option to create watch lists of shares or funds and set alarm triggers when a share reaches a specific price.

### **Tax return**

Completing a tax return should be easy. Our customers therefore 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, please visit our website, [avanza.se](http://avanza.se).*

# 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.

## Account

An open account with holdings.

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

Gross brokerage income less direct costs.

## Brokerage per commission note <sup>2)</sup>

Gross brokerage income for account customers 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.

## Capital base <sup>3)</sup>

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

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

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

## Commission note

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

## Costs to savings capital ratio <sup>2)</sup>

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 <sup>1)</sup>

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

## Customer

Individual or company with at least one account with holdings.

## 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 <sup>1)</sup>

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 <sup>2)</sup>

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 <sup>2)</sup>

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 <sup>1)</sup>

Operating expenses before credit losses.

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

Operating profit/loss in relation to operating income.

**P/E multiple**

Share price in relation to earnings per share.

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

Profit/loss after tax in relation to operating income.

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

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 (NPV) <sup>3)</sup>**

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

**Solvency capital requirement (SCR) <sup>3)</sup>**

Estimated capital requirements under Solvency 2 rules.

**Total return <sup>1)</sup>**

Movements in share price including reinvested dividends.

<sup>1)</sup> Financial key ratio directly cited in the financial reports.

<sup>2)</sup> Financial key ratio that can be traced to Avanza's Excel spreadsheets with financial histories and published quarterly on [avanza.se/keydata](http://avanza.se/keydata).

<sup>3)</sup> Key ratios reported pursuant to the Swedish Financial Supervisory Authority's regulations and general guidelines, see Note 35 Capital base and capital requirements.

# Annual General Meeting

The Avanza Bank Holding AB (publ) ("Avanza") Annual General Meeting will be held in Wallenbergsalen at IVA Konferenscenter (Grev Turegatan 16) in Stockholm on Tuesday 21 March 2017 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, 15 March 2017
- have notified Avanza of their intention to attend the Annual General Meeting no later than 15 March 2017.

## 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, 15 March 2017. 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 e-mail at: [arsstamma@avanza.se](mailto:arsstamma@avanza.se) or by telephone on +46 (0)8 562 250 02. 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 the number of shares held and 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, [avanza.se/ir](http://avanza.se/ir), 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, 31 January 2017 and should be sent by post to:

Avanza Bank Holding AB  
Att: Bolagsjuridik  
Box 1399  
SE-111 93 Stockholm

# Financial calendar

**21** **MARCH**  
2017

Annual General Meeting

**20** **APRIL**  
2017

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**13** **JULY**  
2017

Interim Report January–June

## Published

**24** **FEBRUARY**  
2017

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**11** **MARCH**  
2016

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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.*

