

Sweden's most satisfied savings customers 10 years in a row!

Annual and Sustainability Report 2019

Avanza Bank Holding AB (publ)



AVANZA

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

Sweden's leading platform for savings and investments

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

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

One of the market's widest range of savings products

We inspire, educate and create tools to support investment decisions

The image shows a screenshot of the Avanza website and mobile app. At the top, there is a navigation bar with links for 'Hem', 'Mina sidor', 'Spara & Investera' (which is underlined), 'Bolån', 'Nyheter', 'Lär dig mer', 'Kundservice', and a search bar 'Sök'. Below the navigation, there is a banner with the text 'Handla aktier från 0 kr' and 'Bli delägare i bolag över hela världen'. There are three icons with corresponding text: a lightbulb icon for 'Kom igång snabbt & handla aktier gratis*', a magnifying glass over a heart rate monitor icon for 'Ta hjälp av våra verktyg för att hitta rätt aktier', and a globe icon for 'Handla och håll koll där du är med våra appar'. Below these is a form field for 'Personnummer' and a green button 'Bli kund på 3 min'. To the right, a smartphone displays the 'Mitt innehav' section of the app, showing a total value of 386 952 SEK, a list of investments like 'Segelbåten' and 'Superbolånet', and navigation tabs for 'Mitt innehav', 'Bevakningar', 'Marknaden', 'Utforska', and 'Mer'.

Read about our range of products and services on page 108–109.

Key figures for 2019

**Sweden's most satisfied savings customers
for 10 years**

Source: Swedish Quality Index

**Number of customers
976,400**

(837,100)

**Savings capital
SEK 408bn**

(SEK 300bn)

**Share of the Swedish savings market
4.3%**

(4.0%)

**Market capitalisation
SEK 15bn**

(SEK 13bn)

**Income
SEK 1,193m**

(SEK 1,049m)

**Average number of employees
429**

(406)

**Cost per savings capital
0.19%**

(0.20%*)

**Operating margin
44%**

(40%)

**Return on equity
27%**

(24%)

Figures in parentheses refer to previous year.

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

The year in brief by quarter

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- Försäkringsaktiebolaget Avanza Pension gets a warning and an administrative fee of SEK 35m
- The AVA Gender Equality Tracker was launched to make it easier to invest in gender equal companies
- Avanza Emerging Markets, Sweden's cheapest emerging market fund for individual investors, was launched
- Made it easier for customers to transfer securities through Open Banking
- Jesper Bonnivier took over as CEO of Avanza Fonder and became a member of Group Management. Malin Nybladh, Head of HR and a member of Group Management, left Avanza

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- Biometric logins with fingerprint authentication and facial recognition were added in the apps
- Further steps were taken to improve Open Banking with the goal to give customers a better overview of their finances
- New "My pages" was launched with several new features such as new navigation and a personalised start page
- Swish was added as an alternative for direct deposits
- Camilla Hedenfelt, the new HR Manager and member of Group Management, took on her role

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- Avanza expanded its range of trackers, which can be seen as an alternative to ETF's
- A completely new fund page was launched
- Avanza launched a separate section on sustainable savings, more extensive sustainability data in the fund marketplace and a Green Mortgage loan in collaboration with Stabelo
- Share data on foreign shares was introduced
- Avanza 75 received a Lipper Fund Award for best fund in the category Mixed Asset SEK Aggressive
- Avanza received an award for best service in the financial services industry for the fifth consecutive year in a survey by ServiceScore
- Avanza was ranked as the bank with the highest reputation and number eight among all Swedish companies in Kantar Sifo's reputation index 2019
- Financial Hearing's named Lars Frick Sweden's best business journalist in the category Pharma & Healthcare and Gabriel Isskander received an honorary award in Björn Davegårdh's memory for his stock market coverage

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- Avanza won the Swedish Quality Index's award for Sweden's most satisfied savings customers for the tenth consecutive year
- Avanza ranked as the most reputable bank in Nordic Brands' survey Anseendebarometern
- According to the YouGov BrandIndex, Avanza is the second most recommended Swedish brand in Sweden, regardless of category
- Launched Avanza USA, Sweden's cheapest US mutual fund for private investors
- Avanza was named Bank of the Year 2019 by the magazine Privata Affärer for the second year in a row
- Avanza's trading system won in the category "Best Use of IT in Private Banking/Wealth Management" at the Banking Technology Awards
- "Your 2019 by the numbers" was launched
- Maria Christofi-Johansson, Head of Customer Relations and member of Group Management, left Avanza

CEO's statement

In 2019, we reported a record profit and reached our long-term targets. The new targets for 2025 are more focused on growth in savings capital, but obviously also on customer satisfaction. During the year, we saw increased interest in sustainability, and here we can do a lot by making it easier for our customers to make sustainable investment decisions.

The decade's strongest stock market despite continued concerns about Brexit and trade wars

The stock market was strong in 2019 and the Stockholm Stock Exchange rose 35 per cent. At the same time, the market was worried at times about trade wars, Brexit and developments in Hong Kong. We had lived with negative interest rates for nearly five years before the Riksbank decided in January to raise the repo rate to 0. What negative rates will bring in the long term is hard to say. For me, it is obvious that the low interest rate environment has inflated asset prices in the search for yield. At the same time, there are signs of a slumping economy, which is natural. Nothing lasts forever. We could very well see slightly tougher years ahead, when the geopolitical concerns work their way into the real economy, though it is still hard to find alternatives to the stock market when interest rates are zero. What is important for us at Avanza is to stand behind our customers both when times are good and when they are more challenging, and to continue to deliver innovative services and products as well as to inform and educate.

"Our new goals require continued targeted development work focused on customer value"

Strong performance and new targets for 2025

Avanza reported a record profit and reached all its long-term targets. This did not happen by itself. It was the result of strong focus, employee engagement and the increased investments we have made in recent years. Income grew more than costs for the first time since 2015, which has been our priority the whole time. We are firmly convinced that we have made the right investments, although we have also been helped by net interest income. I feel certain that the increased net inflow and strong customer growth is the result of the recent years' growth strategy. We are delivering new services and more improvements than ever to our customers.

As evidence of everything we were able to accomplish during the year, we won the Swedish Quality Index's award for Sweden's most satisfied customers in the savings category for the tenth consecutive year, which is without question our most important target. In addition, we were named Bank of the Year and for the fifth consecutive year were awarded for the best service in the financial service sector by ServiceScore, in addition to being the highest ranking bank in Kantar

Sifo's reputation index. A key reason for all this is employee engagement, which increased significantly to an employer Net Promoter Score (eNPS) of 54, which compares to the target of at least 45.

The target of a market share of at least 10% of the net inflow to the Swedish savings market was reached as well and we ended up at an exceptionally high 14.6% as of 30 September. The year's net inflow was record high, which is due to the development of Avanza's offer, but also to market conditions. We are now raising the bar to 15% of the net inflow to the savings market by 2025. The higher target is ambitious and requires targeted development to create greater customer value, both to continue to attract new customers at a rapid rate and to make existing customers willing to transfer a larger share of their savings to Avanza. At the same time, we are introducing a target to reach nearly a 7% share of the Swedish savings market by 2025, compared with our current market share of 4.3%. This roughly means that we have to double the savings capital from the current level.

"A market share of 7% 2025 corresponds to Avanza doubling its present size"

The target to grow income faster than costs has been replaced by a target of a return on equity of between 25% and 30%. The aim, however, is still to reduce the cost to savings ratio to nearly 0.16%. Our long-term cost guidance remains at an annually cost growth by 9–12%. Cost effectiveness remains very important, although my firm belief is that we have to continuously develop and improve Avanza to stay in the forefront. This is true in good and in bad times. The forecast for 2020 is for costs to increase around 10%. However, this does not include the extraordinary moving costs in 2020, which are estimated at SEK 11 million, nor the write-down of SEK 8.3 million in 2019, the result of finally being able to share offices again with our colleagues on Vasagatan. Since all development is handled internally at Avanza, the interaction among colleagues is extremely important, and being at the same address again will facilitate our continued development.

Although the customer growth target has been removed, there is naturally still a big internal focus on continuing to attract many new customers going forward. We have had fantastic customer growth in recent years and reached our target of 1 million customers in January 2020.

The customer satisfaction and employee engagement targets remain unchanged, as does the dividend policy.

Transparency, user friendliness and breadth are important as savings market continues to develop

Last autumn we saw a commission war break out in the US. Some people believe it could spread to Sweden. However, one should be careful about making an overly strong connection to the US, where trading gives banks and brokers other opportunities to generate revenue. In Sweden and Europe this has been blocked by the MiFid2 regulation. At Avanza we have been cutting commissions for practically our entire history and feel comfortable today with our platform and offer. The year can also be summarised as one of our best from a stock trading perspective. Never have we had so many customers who have traded shares and never has the number of commission-generating notes been so high.

The fund business continues to grow and we passed SEK 100 billion in fund capital last summer, and are now up to SEK 120 billion, an increase of 48 per cent in 2019. We have launched two new index

funds, ending the year with the launch of Avanza USA, which also takes sustainability aspects into account. The share of fund capital in index funds increased slightly during the year among our customers, and amounts to just over 30%. I expect this percentage to increase going forward, which in that case would reduce income per SEK of fund savings – all else being equal. The ambition is to well compensate this with increased fund capital, at the same time that I expect actively managed funds to remain attractive.

At the end of the year we saw a couple of new entrants in the Swedish fund market. Firms with different pricing models than ours. Avanza's platform has taken many years to develop in close cooperation with customers. Our culture is built on challenging and developing, which we plan to continue doing. For us, it is also important to have a transparent pricing model that is easy to understand. As a challenger, however, we are well aware that things can change and we are confident that we will be able to adapt Avanza's business model, whatever the future brings.



Rikard Josefson, CEO

"Our plan is to adapt Avanza's business model, whatever the future brings."

In the area of mortgages, competition has increased and I dare to say that our collaboration with Stabelo has been a contributing factor. During the year, our total mortgage volume increased 75%, and it will be exciting to see how the market develops in the future. I am certain that mortgages will become a more transparent product where simplicity and price will be even more valued by borrowers.

A big step to facilitate sustainable investments and new sustainability targets

An important area during the year was to create more services that can help our customers to make sustainable investments. We are seeing strong forces around the world that are challenging decision-makers and companies to speed up their efforts to improve the climate. At the current rate mankind is on track to slowly but surely ruin the environment for future generations. This is deeply disturbing. Consequently, we at Avanza have formed a sustainability strategy where our focus is on supporting, inspiring and educating customers to make sustainable investment choices. Sustainability will become increasingly important to us all, and we want to assist with good sustainability data so that our customers can make sound decisions based on their personal values and preferences.

As of 2020, we have added a number of targets linked to sustainability to our other targets. The aim is that both the share of capital in sustainable investments and the number of customers who save in sustainable alternatives should increase. It is also important to increase equality, not least between men and women. In recent years, men have accounted for around 65 per cent of our customers, which is why a couple of years ago we launched an initiative called #tjejeromsparar, where female employees and guest bloggers share their ideas and experiences with savings. This important work is beginning to have an impact. We have a higher share of new female customers than ever before at 43%. The goal is that 50% of our new customers will be female. Savings is just as important for everyone, men and women. Gender equality is also important to us internally and here there can be no question: Our target is an organisation with gender parity.

We want to create the best tool for our customers to successfully manage their money

As digitisation continues to change customer behaviours and many people choose to spread their money among different companies, it is important for us to create the best tool for our customers to manage their finances in one place. New opportunities have been created in this respect through Open Banking. During the year, we took the first step and launched services that can make a difference. Now, for example, customers can transfer securities to Avanza digitally with just a few clicks using mobile bankID. They can also check their accounts with other banks in their Avanza account summary. We expect a lot to happen here in the years ahead and are committed to creating services that truly add value for customers.

A corporate culture to thrive in

In summary, we had a fantastic year and also celebrated our 20th anniversary. Employee engagement is record high and we have strengthened our employer brand. Competition for talented workers is fierce, but we have many qualified job seekers who are attracted by our vision, our technology and our values.

We truly live our culture every day, we have fun, we help each other and we work together. In between we celebrate our successes and together take positive steps when we run into obstacles. I am thankful to be able to work every day with the most fantastic colleagues, to continue to develop and to continuously be challenged by new ideas. I am already looking forward to the next big celebration.

I wish you all – colleagues, customers and shareholders – a continuously good 2020 and thank you for all the meetings, comments and positive feedback in 2019!

Stockholm, February 2020



Rikard Josefson, CEO

This is Avanza

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

Customer focus is the basis of our offering

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

Product development and education to create customer value

We want to engage people and create understanding of savings through education, information and simple decision support. We also want to encourage and inspire sustainable savings. Education is provided through several channels, mainly our website and tools. We are convinced that our customers, with the right tools, can make the best investment decisions themselves and therefore do not offer individual advice.

Since the start, Avanza has worked to democratise savings. The keys to this are to drive development in the industry and draw attention to the impact of fees on savings, challenge the established structures of large banks and pension providers that do not benefit savers, and reduce prices. We offer customers ways to save in a wider range of Swedish and international securities and in savings accounts with no fixed fees and very low brokerage fees. This includes the commission-free Avanza Zero fund and the world's cheapest global index fund, Avanza Global, as well as funds-in-funds from Avanza Auto. Highly competitive mortgages are offered as well. Our goal is also to provide a sustainable alternative in every product area.

Taken together, this has led to a promise to our customers: to give them a better return on their savings than any other bank or pension company.

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

The Avanza Group

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

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

Avanza owns just over 27 per cent of the mortgage provider Stabelo Group AB. Stabelo is therefore classified as an associated company of Avanza.

An investment in growth

An investment in Avanza is an investment in our ability to attract more customers by providing value and satisfying their needs. We are working to broaden our offer and attract and help more people. We will be even better at supporting customers in their investment decisions, including in sustainable savings. We also see strong growth potential in occupational pensions, where Avanza has a highly competitive offer. Our mortgage offer is also an important piece of the puzzle and can also free up customers' savings capital with other firms. In the last ten-year period, we have attracted a large share of younger customers. Although they generally have less financial resources than older customers, there is great potential if we continue to create attractive offers and good reasons for them to stay with Avanza. The aim is that these growth areas eventually will also create more stable income sources.

Five year summary	2019	2018	2017	2016	2015
Operating income, SEKm	1,193	1,049	975	909	896
Operating profit, SEKm	520	418	441	465	485
Operating margin, %	44	40	45	51	54
Return on shareholders' equity, %	27	24	30	33	43
No. of customers	976,400	837,100	710,600	570,600	467,600
No. of new customers	139,300	126,500	140,000	103,000	96,400
Net inflow, SEKm	32,600	27,600	26,800	26,500	25,200
Savings capital, SEKm	407,700	300,000	282,900	239,100	198,200
Income to savings capital ratio, %	0.34	0.35	0.37	0.42	0.51
Cost to savings capital ratio, % ¹⁾	0.19	0.20	0.20	0.21	0.24
Average number of employees	429	406	383	343	323

¹⁾ Excluding the administration fee of SEK 35 million imposed on Försäkringsaktiebolaget Avanza Pension by the Swedish Financial Supervisory Authority, reported in the fourth quarter of 2018.

See definitions on page 110–111.

Major opportunities for Avanza in the Swedish savings market

Digitisation and new opportunities through Open Banking, along with demographic trends and the increased interest in sustainable savings, are creating good growth opportunities for Avanza.

The Swedish savings market

The Swedish savings market is valued at SEK 8,700 billion* and has grown by an annual average of 9 per cent over the last ten years. Interest in individual savings in Sweden is high, and the savings ratio is at a high level historically. Over a quarter of the market consists of direct investments in funds and equities. An estimated 80 per cent of the Swedish population saves in funds, either directly or indirectly through their pension savings. Just over 10 per cent invest directly in equities.

Pension and insurance savings, i.e. the life insurance market, is the single largest savings segment, accounting for nearly half of the savings market. Of the occupational pension market, about half is estimated as available to Avanza.

Factors that could limit the net inflow to the Swedish savings market include global uncertainties, falling property prices, rising interest rates and higher mortgage amortisation requirements. As a result, individuals may choose for example to pay off their mortgages rather than put more money into the savings market. On the other hand, the limits placed on loan to value ratios in recent years, coupled with the stricter amortisation requirements and increased responsibility of individuals to finance their retirement, have raised awareness of the need for savings.

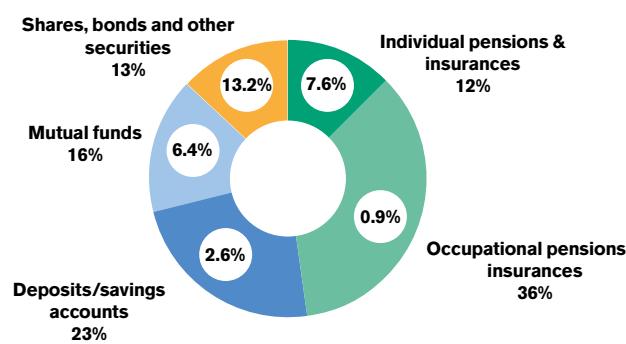
The savings and insurance market is dominated by the four largest banks, Handelsbanken, Swedbank, Nordea och SEB. Large pension companies such as Skandia, SEB Tryggliv and Folksam fall into this category as well. There are also a number of younger players, of which Nordnet is Avanza's main competitor.

Avanza's position in the savings market

As of 30 September 2019, Avanza's share of the savings market was 4.3 per cent, while the share of the total net inflow to the market in the period October 2018 – September 2019 was 14.6 per cent*. Avanza's growth is not only dependent on the market's growth, since many customers transfer their capital from other banks to Avanza. In terms of Avanza's large customer base of 976,400, the market share was 9 per cent of the Swedish population. In some metropolitan areas and age groups, the share exceeds 24 per cent. Avanza today has a high market share among the equity-owning portion of the population. Among fund investors, growth potential is much greater. In 2019, Avanza's market share of total new fund savings was 16 per cent. In the life insurance market, the share of the premium inflow for the twelve-month period was 7.9* per cent. Occupational pension capital at this point still accounts for a smaller share of Avanza's savings capital, 7 per cent or SEK 26.7 billion at year end, corresponding to a growth of 44 per cent in 2019.

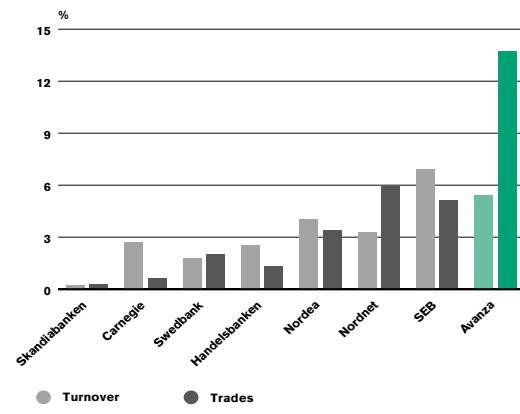
In equity trading, Avanza was in 2019 the largest Swedish player on Nasdaq Stockholm including First North in terms of number of transactions, and the second largest Swedish player in terms of turnover.

Swedish savings market*



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

Stock market shares among Swedish players 2019**



* Statistics regarding the savings and life insurance market (Savings barometer and Swedish insurance) are published with a lag, the latest refers to 30-09-2019.

** Market shares on Nasdaq Stockholm and First North.

The Swedish mortgage market

The Swedish mortgage market is distinguished by strict lending practices, where credit decisions are based on each borrower's repayment capacity. Sweden has an effective infrastructure in the form of property registries of first and second homes as well as easy access to credit information on borrowers. There is still no property register for tenant-owner associations, however, which would give both the creditor and the customer greater security. The Swedish market sees little speculative investment. Just over 65 per cent of households own their home, and of them 80 per cent have a mortgage. Mortgage lending to Swedish households amounted to SEK 3,400 billion* on 30 September. The market is dominated by the four major banks, but where SBAB and Länsförsäkringar Bank among others have increased their market shares in recent years. Competition in the Swedish mortgage market has during the last couple of years further intensified through new Fintech companies.

The loan to value ratio among new borrowers was 65 per cent**. Average gross mortgage margins have decreased in recent years due to the stiffer competition in the market. In 2019, they averaged 1.4 per cent (1.6). In many cases, the customer's mortgage rate is affected by how much debt they have rather than in relation to their loan to value ratio and risk. This could change after the introduction of Basel 4, which will be phased in beginning in 2022, and means among other things that the capital requirements for mortgages will be tied to a greater extent to current loan to value ratios. Another factor that can affect the interest expense is whether the customer saves with the same bank, which creates lock-in effects and can be negative for the customer in total.

Lending is arranged mainly through special mortgage institutions, but also through banks. The mortgage fund model is new to Sweden. In this case, mortgages are financed through a fund, in which institutional investors such as pension companies invest. The model is well tested in the Netherlands, for example. The Dutch mortgage market is very similar to Sweden's, but about twice as large. In the Netherlands, this model has been used for many years, and there mortgage funds now account for a large share of the mortgage volume and an even larger share of new lending.

Avanza's position in the mortgage market

Mortgages are a relatively new area for Avanza, where we see great growth potential over time.

Avanza has since 2013 offered mortgages on a small scale to Private Banking customers, who are required to have SEK 3 million in total savings with Avanza and a maximum loan to value ratio of 50 per cent. Only a limited share of deposits is used for lending.

Since 2018, Avanza has, as a distributor of Stabelo's Bolån+, been able to offer mortgages to a broader customer group. The borrowers are not required to buy other services, the same low interest rate applies to everyone, and the loan to value ratio can be up a maximum of 60 per cent. To date, only refinancing is offered for existing mortgages. The application process is digital. Lending via Stabelo amounted to SEK 9.8 billion at year-end.

Avanza's share of the Swedish mortgage market, together with Stabelo, is only 0.5* per cent at this point. The share of the net change is higher at 5.1* per cent on an annual basis.

Digitisation continues to change customer behaviours at the same time that new opportunities are being created through Open Banking

The Swedish banking market is highly digital. Digitisation is increasing competition from smaller fintech companies, but the market is still dominated by the major banks. Both the supply and demand for digital products and tools are increasing. Most people today manage their banking and savings digitally. We are seeing the full-service offerings of the major banks being picked apart by niche players that focus on a single product or service and can maintain lower costs and prices. Earlier digitisation of industries and business models has resulted in a shift away from more comprehensive offers where customers can combine products to a fragmentation. Similar to other industries, it is likely in banking that customers will increasingly seek out the best prices and services from different providers. Customers are just a few clicks away and place high demands on availability and the user experience as well as convenience and price. As customers come to rely on more providers, they will need a better overview, however, where they can see and manage their finances in one place. There are companies with that aim, but none yet with a comprehensive tool.

Customers place high demands on availability and the user experience as well as convenience and price

The new Payment Services Directive (PSD2) implemented in 2018 regulates the relationship between banks that maintain payment accounts and so-called Third Party Players that offer payment initiation or account information services. The directive contains stricter privacy requirements, but also requires financial firms to share account information with TPP's at the customer's request. In addition, there is an updated version of the General Data Protection Regulation (GDPR) aimed at strengthening consumer protection. The directive sets the rules for how this will be accomplished. PSD2 and GDPR both require banks and other companies to modify their IT systems. The consumer has new rights in the form of data portability, allowing them to obtain their personal data in a format that can easily be shared with others. These are part of the Open Banking reforms and mean that companies must serve the customer every day now that it is easier than ever to switch providers of various services and products. And it is true of every industry. PSD2 and GDPR are very positive for consumers and are expected to increase competition from smaller fintech firms as well as larger digital companies that can provide the financial market with innovative services, especially in the payments market.

* Statistics regarding the mortgage market (SCB) refers to 30-09-2019.

** Statistics regarding the mortgage market (Swedish Bankers' Association) are published with a lag, the latest refers to 30-09-2019.

You must serve the customer every day now that it's easier than ever to switch providers of services and products

At the same time, the MiFid2 regulation and the Insurance Distribution Directive (IDD) have enhanced consumer protection and fee disclosure. The purpose of consumer protection is to prevent conflicts of interest and eliminate advisory fees to ensure that investment advice is independent. The changes mean higher costs for financial advice but also greater transparency. This is expected to increase the supply and demand for products that help savers make their own investment decisions, at the same time that they are likely to question the costs they pay even more. The record-low interest rates in recent years have put greater focus on the impact of fees on long-term savings, which has made investors more price conscious and less willing to pay.

New market conditions are well aligned with Avanza's values and strategy

Digitisation and the new regulations in recent years are likely to benefit Avanza more than many other companies, since they align with Avanza's values and customer strategy. The increased transparency and cost awareness will accentuate the competitiveness of Avanza's offering, which is based on low prices and no fixed fees.

Avanza has long been a distributor of savings products from various providers and is well-positioned for the many opportunities that PSD2 and GDPR create from both a business model and customer experience perspective. Avanza's platform, for example, offers equity trading from various marketplaces, access to almost 1,300 funds, and savings accounts and mortgages in cooperation with several niche players. In addition, Avanza is recognised for its strong customer focus and high customer satisfaction, which is an advantage in an industry where trust is highly valued. Additional steps for Avanza as part of Open Banking create new opportunities to enhance our offer as we gain a better view and understanding of our customers' finances.

The rules banning advisory commissions do not affect Avanza directly, since we do not offer advice. Additionally, Avanza Pension is one of the few pension companies that does not pay commissions to insurance brokers. In Sweden, platforms are exempt so far from the ban on commissions as long as the service provides value for the customer. If limits are placed on third party compensation in Sweden, there are plans to take action and adapt the business model. Avanza respects clear and transparent pricing, and will continue to do so.

A growing financial burden among the working age population, at the same time that we are living longer, increases the importance of pension savings

According to Statistics Sweden, the country's total population is expected to increase by around 1.5 million by the year 2040. The fastest-growing age group is 65 and older. At the same time, the average life expectancy of both women and men continues to rise. Taken together, this means that the financial burden facing the working population will increase as well. Even if the retirement age in Sweden is gradually being raised through 2026, it is becoming obvious that the public pension and welfare systems are covering fewer needs and that responsibility for pension savings now rests more with the individual. Lower state pensions and higher retirement ages are also raising the importance of personal savings for those who want to retire early. Occupational pensions are a highly sought-after benefit among Swedish workers.

The public pension and welfare systems are covering fewer needs and the responsibility for pension savings now rests more with the individual

At the same time that responsibility for pension savings increasingly rests with the individual, Sweden's pension savers today pay several billion kronor in unnecessary fees. Money that could instead contribute to a better pension. Most of the pension capital outside the major collective bargaining agreements in Sweden is currently invested through insurance companies, which charge an annual volume-based fee of around 0.6 per cent of the invested capital.

The government has for several years aimed to simplify the transfer market in Sweden. Current rights apply only to policies signed after 2007. Administration of transfers is affected to a large degree by each company, which adds complexity and means higher costs for the saver. Today, transfer fees average 2 per cent of the capital. In August 2017, an amendment was proposed, but it only covers policies signed after June 2007 and did not take effect until 1 January 2020. The law is designed to give individuals a greater say over their savings, while setting limits on the fees that can be charged by insurers. Now there is some clarity on which fees may be charged – and policyholders are able to merge policies. The government has pledged to return with further improvements also covering older policies and which distinguish between traditional insurance on the one hand and custodial account and unit-linked insurance on the other. Not until they are in place will Sweden have a true transfer market. Avanza continues to support these changes.

Good growth opportunities in the pension business – especially if transfer rights are simplified

More and more people are beginning to realise that their finances and quality of life in retirement depend on the savings decisions they make today. The increased transparency, Avanza's pricing strategy and simplified digital offers, and improved transfer rights for pension savings are positively affecting our growth potential. Our current base of 1 million customers also creates good growth potential.

Global warming is contributing to greater awareness and demand for sustainable savings

The global sustainable development goals adopted by the UN member states have brought attention to the opportunities available to the financial industry to help slow climate change. Contributions can be made in other areas as well, such as eliminating poverty, reducing inequality and injustices, and promoting peace and justice through savings and investments.

The global goals have increased the need for political initiatives and regulations and put more focus on what individual countries can do to contribute to the goals. Climate risks are also being talked about from the perspective of how a company's products or services are affected by the changes we are seeing, and how profitability would be affected by stricter climate laws and regulations. Analysing savings from a sustainability perspective is becoming both an economic and ethical issue. The increased awareness and higher demands on companies with respect to sustainability are highly likely to impact them and their share prices through consumption patterns and as capital increasingly flows to companies with a clear sustainability strategy.

Analysing savings from a sustainability perspective is more and more becoming an economic question

By encouraging sustainable choices, we can contribute to the global sustainable development goals at the same time that we have a modern savings offer

Since the beginning, Avanza has worked for lower prices, educated the public about savings and investments, and promoted gender equality. The public's growing interest in sustainable investments is well-aligned with Avanza's strategy to encourage sustainable savings and also helps us to attract a broader group of savers. Even in occupational pensions, sustainability is becoming more important as companies demand sustainable alternatives and suppliers for their employees' pension plans. For more information, see pages 25-27.

Changing market conditions are being met with new investments

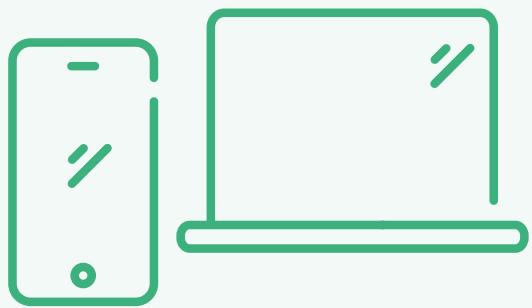
Avanza's focus in an increasingly competitive market is to maintain a strategy of cheaper, better and simpler offers, at the same time that we stay close to customers and own the user experience. We have a strong brand, many ambassadors and high customer satisfaction, which together with our innovative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

Evolving market conditions are expected to continue to squeeze prices in the industry and benefit consumers, while also helping Avanza's position, especially when demand for sustainable products and sustainability information grows. The aim going forward is to attract broader target groups – experienced and established savers as well as new ones – who need more support in their investment decisions. Availability will be enhanced through improvements to our mobile services and decision support. We are also continuing to develop offers in more niche areas to meet the needs of active traders. In terms of sustainability, a sustainable alternative in every product area should be provided.

Our customer offering should attract broad target groups, experienced and established savers as well as new ones, who need more support in their investment decisions

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

Along with our fast pace of innovation, this gives Avanza opportunities to grow our income and reduce sensitivity to market fluctuations. Staying competitive and profitable will also require a lower cost to savings capital ratio.



Our success requires listening to our stakeholders

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

Key areas are identified in dialog with our stakeholders

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

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

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

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

We regularly send out customer surveys, both general in nature and specific to products, tools or functions. Prior to new launches, such as the year's "My pages", we conduct user testing, where we invite and interview relevant target groups. Major changes are gradually released to customers, which means we can adapt and improve the pages over time based on the feedback and opinions we receive. Each year we have a couple of surveys more specifically focused on our offers and product range, including an open question on what would make Avanza perfect. The responses, together with our market analysis, are important to improving the offers. In 2019, we conducted surveys on what private and corporate customers think about our pension offer as well as their views of sustainable savings and what they want in this area.

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

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

An open work environment and creative dialog encourage employee engagement

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

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

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

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

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

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

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

We regularly communicate with owners and potential investors face-to-face and by email and phone. In 2019, we held over 140 meetings with national and international investors. Several meetings were held at our office in Stockholm, but we also had roadshows in London, Paris, Frankfurt, Chicago and Toronto. In addition, Avanza took part in a number of major investment seminars in Stockholm, New York and Copenhagen. We dialog regularly with the analysts that follow Avanza at ABG, Carnegie, DnB, SEB, Handelsbanken and Nordea.

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

What our stakeholders want and the main topics we discuss

Important for all stakeholders

Strong customer focus, availability, IT security, transparency and innovation

Specific among customers

- Easier and smarter tools & decision-making support
- Easy to navigate website
- High service level
- Full functionality in apps
- Broad product range & continuous product development
- Low prices

Specific among employees

- Live our vision
- Strong culture & good leadership
- Stimulating work environment with good development opportunities
- Have fun at work
- Equality in the workplace

Specific among owners

- Scalability & cost efficiency
- Less dependent on market fluctuations
- Low risk taking
- High growth
- Strong ownership

More about customers on pages 20–21.

More about employees on pages 22–24.

More about owners on pages 28–31.

Performance review on material analysis

Material aspects	Evaluation criteria	Page
Strong customer focus	Customer satisfaction and cheaper, better and simpler offering	20–21
Availability	Web service operational availability	32
IT security	Substantiated complaints concerning breaches of customers' integrity	32
Transparency	Transparency in supply, prices as well as in financial reporting	5–7, 15, 20–21, 25, 29
Innovation	Product development and efficiency	14, 16, 20–23

Our vision is to create a better future for millions of people

We create products and services that help our customers improve their finances while encouraging and inspiring them to save sustainably. Through continuous innovation, with a focus on what's best for the customer, we build trust and generate growth. Our aim is to create the best tool for our customers to successfully manage their finances.

A business model built on customer focus and scale

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

There is a strong correlation between customer satisfaction, growth and income.

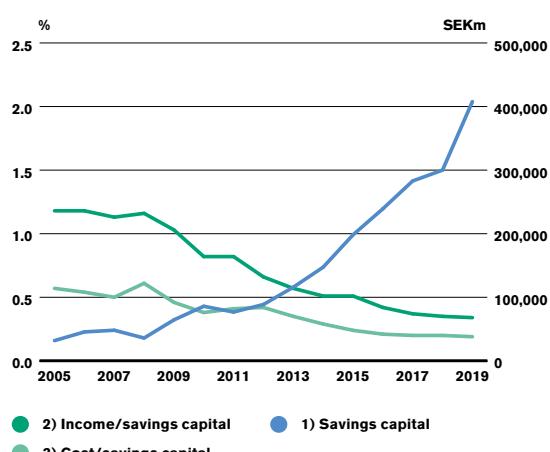
1) The inflow of savings capital is driven by new and existing customers, which places great importance on customer satisfaction. Throughout Avanza there is a very strong focus on what's best for our customers. Satisfied customers talk about us and recommend us to others, which is a desirable and cost-effective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

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

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

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

Timeless business model built on scale



Our strategy is to do it cheaper, better and simpler

We follow a strategy to continuously improve our offering to be cheaper, better and simpler. We concentrate on three areas to achieve this: Customer focus, Innovation, Scalability & Efficiency, and Sustainability.

The key to the company's strategy and success is our employees. Avanza's corporate culture draws its energy from a willingness to create change. The culture is important if employees are going to thrive, feel engaged and develop. We therefore place great importance on maintaining a strong culture where everyone is encouraged to think in new ways, challenge themselves and come up with new ideas. It is also characterised by collaboration and humility.

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

Customer focus

Avanza's business is built on a strong customer focus and world-class service. Doing what's best for our customers is central to everything we do. We want to offer a great user experience and a broad range of products and services. We believe our customers can make the best decisions themselves, so we don't offer advice. Instead we provide information, education and decision-making tools to help them make the right investments.

Innovation, Scalability & Efficiency

Being attentive to our customers' needs and doing everything we can to meet them is an integral part of our product development. It also gives us new perspective. We believe that we create the most value for customers by concentrating our business and development on areas where we are, or can be, the best in the industry.

Innovation is important from a cost perspective as well. Offering price leading products is critical to creating long-term value for savers and to attracting customers. Scalability and efficiency are therefore an essential part of our business. Continuous improvements to our technological platform and systems also enable us to quickly respond to changing customer preferences.

We work tirelessly to eliminate what's outdated and could slow our development. Our technological platform and trading system are among the banking world's most modern. We always evaluate new technology and update and modernise our systems as needed. The strategy is to never put ourselves into a dilemma with old systems and to continuously automate and simplify our processes. By not planning too far into the future, we stay flexible and can respond to what happens around us. The site is continuously updated with improvements and new functions, with a new release each week. Our systems provide stability and economies of scale and enable us to deliver high quality. Our trading system has no limit on number of customers or transactions.

Sustainability

Sustainability is growing in importance for our customers and for Avanza's business. Since the start, we have worked to reduce prices, educate the public on saving and investing, and promote gender equality. The environment and a greater social focus have become increasingly important to sustainable development and business. We have further clarified and intensified our sustainability work in three focus areas in 2019.

Sustainable investments

Avanza does not control how customers invest, but we can help and inspire them to make sustainable choices. We do so through a wide range of sustainable alternatives and comprehensive information on various savings alternatives. In our own funds, sustainability aspects are implemented according to the opt-out principle.

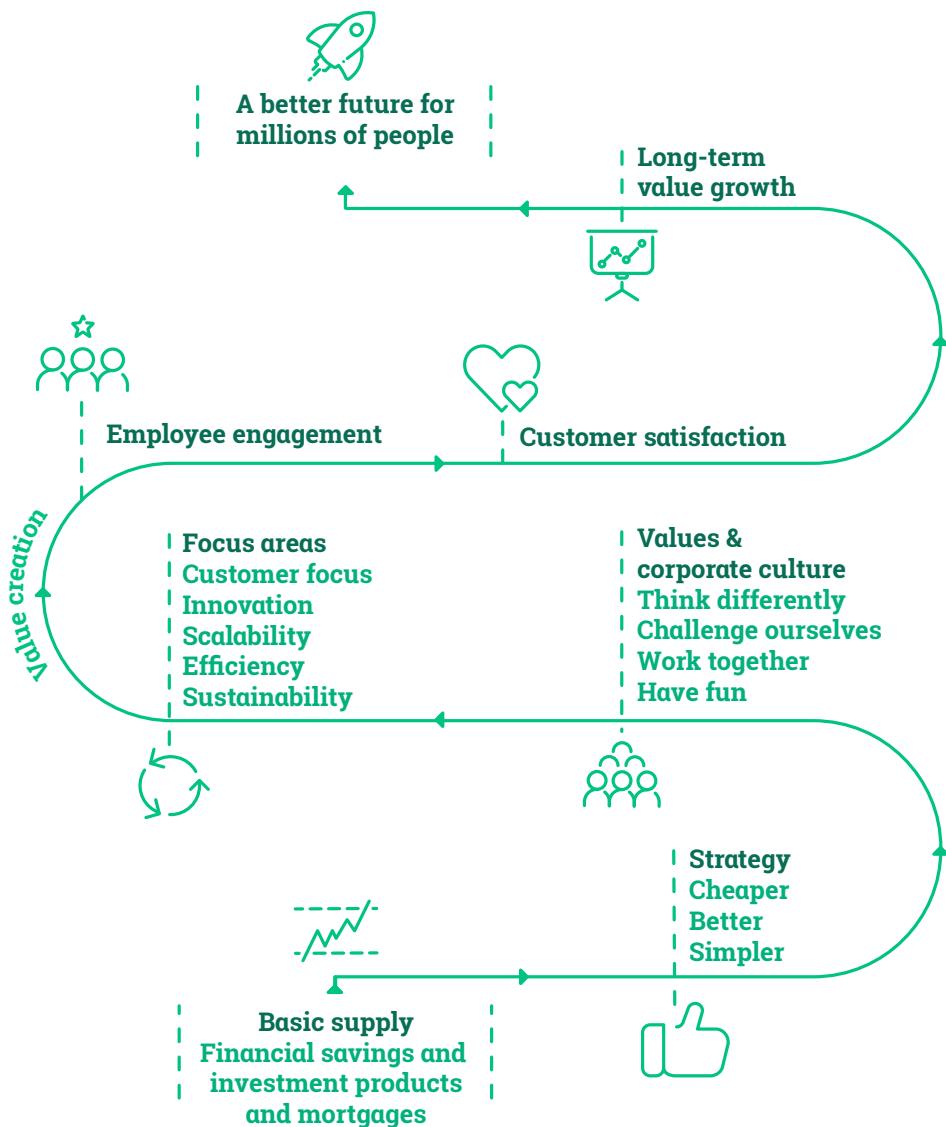
Educate & challenge

We will clearly voice our opinion on sustainable savings and promote a sustainable financial market. Through opinion-building and education we want to build interest and engagement in savings and reduce inequalities. Our customers have over SEK 400 billion in savings capital with Avanza, and through information and inspiration we can do more to encourage sustainable choices.

Sustainable organisation

We operate in an industry built on trust and will ensure good governance and control. We work actively to increase gender equality and diversity. We also strive to create sustainable offices through a healthy work environment and by reducing our resource and energy consumption.

For more information on our sustainability work, see pages 25–27.

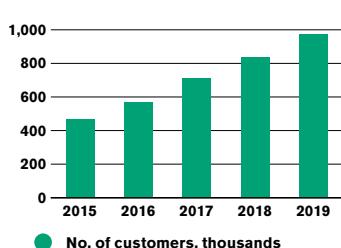


Targets and outcomes

Our customers always come first. Performance is therefore measured by customer satisfaction, where our fantastic employees play a very important role. In early 2020, we launched new long-term targets for 2025, which are presented below.

TARGET	PERFORMANCE ON TARGET	COMMENT												
Customer satisfaction														
Target 2019: Sweden's most satisfied savers according to Swedish Quality Index	<table border="1"> <thead> <tr> <th>Year</th> <th>Customer satisfaction according to index</th> </tr> </thead> <tbody> <tr><td>2015</td><td>80</td></tr> <tr><td>2016</td><td>75</td></tr> <tr><td>2017</td><td>75</td></tr> <tr><td>2018</td><td>75</td></tr> <tr><td>2019</td><td>78</td></tr> </tbody> </table>	Year	Customer satisfaction according to index	2015	80	2016	75	2017	75	2018	75	2019	78	<p>One of Avanza's most important targets is to win the Swedish Quality Index's annual award for "Sweden's most satisfied customers" in the savings category. In 2019, Avanza won the award for the tenth consecutive year. The study is done in areas such as image, expectations, quality and affordability, which lead to customer satisfaction and loyalty.</p>
Year	Customer satisfaction according to index													
2015	80													
2016	75													
2017	75													
2018	75													
2019	78													
Employee engagement														
Target 2019: Employee Net Promoter Score of at least 45	<table border="1"> <thead> <tr> <th>Year</th> <th>eNPS according to index</th> </tr> </thead> <tbody> <tr><td>2015</td><td>42</td></tr> <tr><td>2016</td><td>52</td></tr> <tr><td>2017</td><td>32</td></tr> <tr><td>2018</td><td>42</td></tr> <tr><td>2019</td><td>54</td></tr> </tbody> </table>	Year	eNPS according to index	2015	42	2016	52	2017	32	2018	42	2019	54	<p>Satisfied customers requires engaged employees. That and a strong recommendation rate are important to attract and retain talent. eNPS shows how willing our employees are to recommend Avanza as a place to work, and the score for 2019 was 54. A score over 20 is very good and over 40 is the highest score. Our target is indicative of a high level of ambition in this area and how seriously we take our employees' well-being and work situation.</p>
Year	eNPS according to index													
2015	42													
2016	52													
2017	32													
2018	42													
2019	54													
Long-term value growth														
Target 2019: Market share of at least 10 per cent of the total net inflow to the Swedish savings market	<table border="1"> <thead> <tr> <th>Year</th> <th>Market share of net inflow, %</th> </tr> </thead> <tbody> <tr><td>2015</td><td>9</td></tr> <tr><td>2016</td><td>11</td></tr> <tr><td>2017</td><td>11</td></tr> <tr><td>2018</td><td>12</td></tr> <tr><td>2019</td><td>14.5</td></tr> </tbody> </table>	Year	Market share of net inflow, %	2015	9	2016	11	2017	11	2018	12	2019	14.5	<p>To ensure a good growth rate, net inflow is essential. Under favourable conditions in the period October 2018 – September 2019, our share of the total net inflow increased to 14.6 per cent, compared to Avanza's share of the savings market of 4.3 per cent.</p> <p>The higher target is ambitious and requires targeted development with a focus on creating customer value, both to continue to attract new customers and to make existing customers willing to transfer more of their savings to Avanza.</p>
Year	Market share of net inflow, %													
2015	9													
2016	11													
2017	11													
2018	12													
2019	14.5													
Policy 2019: Dividend of at least 70 per cent	<table border="1"> <thead> <tr> <th>Year</th> <th>Dividend payout ratio, %</th> </tr> </thead> <tbody> <tr><td>2015</td><td>70</td></tr> <tr><td>2016</td><td>75</td></tr> <tr><td>2017</td><td>80</td></tr> <tr><td>2018</td><td>85</td></tr> <tr><td>2019</td><td>75</td></tr> </tbody> </table>	Year	Dividend payout ratio, %	2015	70	2016	75	2017	80	2018	85	2019	75	<p>The dividend proposal for 2019 is SEK 2.30 per share, corresponding to a dividend ratio of 79 per cent.</p>
Year	Dividend payout ratio, %													
2015	70													
2016	75													
2017	80													
2018	85													
2019	75													
Policy 2025: The policy is unchanged														

Target 2019:
1 million customers
2020

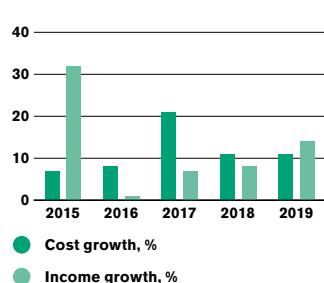


Target 2025:
Market share of nearly 7
per cent of the Swedish
savings market

A driving factor behind net inflow is new customers. In 2019, 139,300 new customers were added. As of 31 December, we had 976,400 customers, compared to the target of 1 million customers 2020.

The customer target was achieved in January 2020. This target has been replaced with a market share target, although the number of new customers still remains very important to future growth.

Target 2019:
Cost increase shall
not exceed income growth



Target 2025:
Return on equity of
25–30 per cent

In 2019, income growth was 13.8 per cent, compared to cost growth of 10.6* per cent.

The previous target is being replaced by a return on equity target, which ensures a continued focus on profitability and effective management of the balance sheet.

The continued aim is to reduce the cost to savings ratio to nearly 0.16 per cent, at the same time that cost growth is projected in coming years at between 9 and 12 per cent.



Sustainability targets 2025

Sustainable investments:

- Increased share of capital in sustainable investments
- Increased share of customers who save in sustainable alternatives

Avanza is a platform for savings and investments and the aim is to provide a wide range of alternatives. Avanza does not offer advice, but through clear sustainability information, decision support and education tries to inspire customers and make it easier for them to invest sustainably.

We want Avanza to be the obvious choice for those who want to save sustainably, with sustainable alternatives in every product area.

Educate & Challenge:

- Be seen as the leading sustainable brand and the natural choice for sustainable savings
- Increase the share of female to 50 per cent of new customers

By educating, shaping public opinion and challenging the establishment, we want to create opportunities to economically empower more people and inspire them to invest more of their savings capital in sustainable products. We want to drive the development of a sustainable financial market.

Avanza's customer base consists of 65 per cent men, and contributing to greater gender equality in savings is also central to our sustainability work.

Sustainable organisation:

- Organisation with parity between women and men
- Become climate positive
- Employee Net Promoter Score of at least 45

We firmly believe that an organisation that champions gender equality contributes to a better corporate culture, makes Avanza more dynamic and creates a better understanding of the market. At this point, we still have more male than female employees. The target is measured at group management and among employees with personnel responsibility.

We will be a climate-smart organisation that monitors our own carbon footprint. A climate analysis is conducted each year to measure our footprint in terms of business travel, electricity, office supply and purchased materials etc. 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). Our aim is to be climate positive by reducing our carbon footprint and buying carbon offsets for the rest.

Our current eNPS target of at least 45 can also be added to our sustainability goals.

*The cost increase excludes Försäkringsaktiebolaget Avanza Pension's fine of SEK 35 million in 2018 and write-down of SEK 8.3 million of a leased asset in 2019.

Sweden's most satisfied savings customers 10 years in a row

Customer growth remained strong in 2019 and customers rated us highly. Much of Avanza's development during the year was focused on simplifying and improving existing solutions, with the goal to make it easier to use Avanza and consolidate their savings with us.

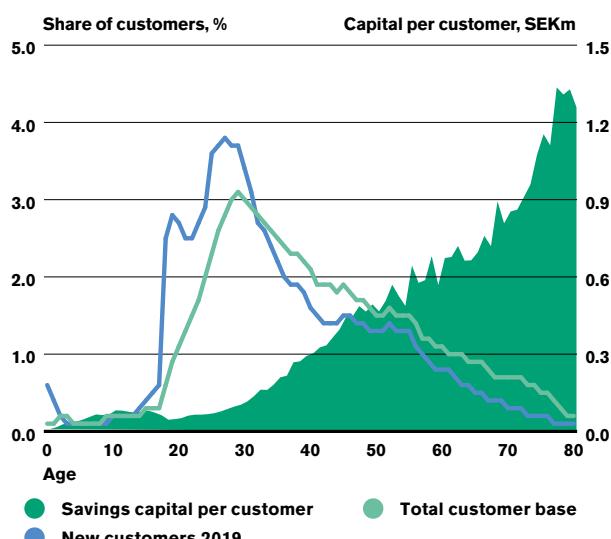
A broad customer base with strong growth

Avanza experienced strong growth during the year with 139,300 new customers. The number of customers at year-end was 976,400, mainly individuals but also corporate customers. Avanza's market share of Sweden's population is 9 per cent. In urban areas, the share is higher, and in certain age categories it is as high as over 24 per cent. The majority of customers are between the ages of 20 and 49, and the strong growth in recent years among younger customers, ages 20 to 30, continued – although growth was also strong in other age categories. While men are still overrepresented, accounting for 64 per cent, the share of new female customers has increased and represents 43 per cent. In 2019, the churn was 1.4 per cent, which shows that very few are leaving us.

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

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

Age distribution and savings capital by age



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

The occupational pension business grew during the year, with savings capital rising 44 per cent and 19 per cent more customers. The majority of occupational pension customers are small and medium-sized businesses with less than 100 employees. Businesses with up to four employees can set up an occupational pension digitally, which many choose to do.

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

In Corporate Finance, we serve as the main advisor to small and medium-sized firms in connection with IPO's and capital raise. We also partner on distribution to individual investors. The Corporate Finance department has been renewed during the year with the aim to increase our own assignments. Our large customer base is an attractive platform for cost-effective diversification, at the same time that our customers have access to investment opportunities that otherwise are only available to institutions and a select few individuals.

For more information on our customers and benefit levels, see page 106.

A strong offer creates value for our customers

Doing what's best for customers is always our focus. Being attentive to their needs and trying to meet them helps us to develop our offer and gives us new perspective. This is an integral part of product development. At the same time, we create the most value for customers by concentrating our business and development on what we do or can do best. We want to create the best tool for customers to manage their finances. At the same time, we want Avanza to be the obvious choice for those who want to save sustainably.

A majority of our customers come to us by recommendation, which is a result of our strong customer focus, but also because when we launch new products we do so in our way, thinking innovatively.

Product development to simplify and improve

A totally new homepage for Avanza.se, with a better overview of Avanza's products and services, was launched during the year. The aim is to make Avanza relevant to a wider audience and make it easier for customers to start saving. New "My pages" were launched as well. The pages have several new functions, such as new navigation and a personalised homepage. Through Open Banking and the PSD2 payment directive, which with the customer's approval gives third party players access to information on the customer's accounts with other players, it is now possible for Avanza's customers to see their accounts and loans with other players on their account summary. This provides a better snapshot, at the same time that it is possible to compare Avanza's offers to those of other providers.

To give customers faster access to their accounts, biometric logins with fingerprint authentication and facial recognition were added in the apps, creating a better user experience with a high security standard.

To further simplify transfers to Avanza, Swish was introduced as another alternative for direct deposits and a new function was added for security transfers based on Open Banking. With just a few clicks and login with BankID, customers can now in a much simpler way transfer their holdings from other banks to Avanza. This will make it easier to start saving, but also simplify for those who want to consolidate their savings with Avanza. As part of Open Banking, customers can also track their holdings of unquoted shares and investments in peer-to-peer loans through Pepins and Lendify.

To streamline fund savings and choosing funds for a portfolio, the fund page at [avanza.se](#) has been completely redesigned and improved in a number of areas, including the presentation of sustainability data from Morningstar and a new function to find and compare funds. The overall fund experience in the apps has been improved as well.

As a step to meet the growing desire of customers to contribute to the UN's global goals through their savings, we have launched a special section that brings together our product range, information and educational materials on sustainable savings. Learn more about Avanza's sustainability work on page 25–27.

Avanza launched trackers in cooperation with Morgan Stanley and the issuer Alphabeta. Avanza's Trackers follow an index, theme or specific company and can be seen as an alternative to ETF's, which decreased significantly in number last year. AVA Gender Equality Tracker, which follows the unique Equileap Europe Gender Equality Index, is a way to invest in companies that place a priority on equality.

After-hours trading has been introduced by Avanza Markets with US equities, commodities and currencies as the underlying asset. During the year, data was added for international stocks, which had been lacking before.

A popular feature we launched at the end of the year called "Your 2019 by the numbers" allows customers to see how their holdings performed during the year in relation to the average Avanza customer, along with their geographical exposure and their best and worst performing securities and days of the year.

We continuously update our offers and develop new functions and improvements to enhance the customer experience.

Cheaper offers to fulfil our customer promise

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

To increase awareness of fees and their impact on savings, and meet the growing demand for transparency following the introduction of Mifid2, a new summary of the customer's total fees was introduced. This also aligns with Avanza's values and strategy to simplify and clarify our offers.

During the year, the fund Avanza Emerging Markets was launched with a total annual fee of 0.29 per cent. This makes it Sweden's cheapest emerging market fund for individual investors, according to Morningstar Direct. Avanza Global, the world's cheapest global index fund, which was launched in 2018, and Avanza Auto, with six automatically managed funds, are among the most popular funds for monthly savings

among Avanza's customers. This shows the importance of offering competitive products and services. In December, another fund was added to Avanza's own range of inexpensive funds – Avanza USA, with a total cost of 0.17 per cent. The fund tracks an MSCI index, where sustainability aspects are also taken into account.

During the year, a Green Mortgage was launched for energy rated housing through Stabelo. With a Green Mortgage, the borrower receives a discount on their interest rate of 10 basis points.

Continued high rating from our customers in 2019

One of our most important long-term targets is to win the Swedish Quality Index's annual award for Sweden's most satisfied savers. In December, we won the award for the tenth consecutive year. Our score for 2019 was 79.1 on a scale of 0–100, which was an improvement from the previous year. The driving aspects in the survey are image, expectations, product quality, service and affordability. The survey also shows that Avanza has by far the lowest percentage of dissatisfied customers.

This year's Net Promoter Score (NPS) was 70. Scores range from -100 to 100 and show the likelihood that customers will recommend us. A score between 0 and 50 is good, and above that is extremely good and highly unusual, especially in the financial sector. Our score on the Customer Satisfaction Index was 85.

In the ServiceScore survey, we were awarded "Best service in financial services" for the fifth year in a row.

Avanza ranked as the most reputable bank and the eighth most reputable company regardless of industry in Kantar Sifo's reputation index 2019 – in tight competition with companies such as IKEA, Volvo and ICA.

Avanza 75, which is managed by Avanza's fund company and is one of our entry products in occupational pensions, received an Lipper Fund Award for best fund in the category Mixed Asset SEK Aggressive.

Avanza was voted the most reputable bank and made the top 10 list of most reputable companies regardless of industry in a survey conducted by Nordic Brands.

In Prospera's private banking survey for 2019, Avanza ranked fifth for the third year in a row, in competition with companies that offer advice as well as discretionary asset management. Avanza's stock trading services and competitive prices ranked highest among all its peers. The survey also showed a high recommendation rate among Avanza's customers.

In the annual YouGov BrandIndex survey, Avanza ranked fifth among the most recommended brands in Sweden and was the second most recommended Swedish brand. The magazine Privata Affärer named Avanza "Bank of the Year", for the second year in a row.

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

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

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

A strong corporate culture focused on the customer

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

We have chosen to formulate our values, or guiding principles, in four short sentences. We help a colleague help a customer. We take responsibility. We challenge and think differently. We have fun together.

Our employees

The majority of our employees have a college or university education, usually in business, finance, computer science and programming, and a background in IT and financial services. In 2019, there were an average of 429 employees at Avanza, with an average age of 36.

Actively working to attract talent

At Avanza all development is done internally, and the investments in recent years in digital decision support, an improved user experience and a stronger mobile offer have required us to strengthen capacity and competence in our development teams. The teams are divided based on the customer journey, products and platform. The goal of the platform teams is to optimise innovation, quality and lead times. The customer journey teams focus on the customer's various stages, from joining Avanza to getting started and finding help, while the product teams are divided by product category. An agile organisational structure clarifies roles and mandates and helps to motivate and spark

creativity in our employees. In 2019, we continued to refine and adapt our agile team structure and way of working to further increase the pace of development and efficiency.

Avanza's success is closely tied to our attractiveness as an employer – that we succeed in attracting and retaining talent. The competition for talent is fierce, especially in technology. Our strong corporate culture, modern IT platform and agile approach are important to our appeal as an employer. During the year Avanza improved its ranking in Universums survey to 17th (31th) among the most popular employers in Sweden in the Business category. In IT, Avanza retained its 11th place.

The goal of Avanza's recruitment policy is to find the most competent and engaged employees with ambition and the ability to drive the business forward. We welcome a diversity of opinions, backgrounds, ages and lifestyles. This, we believe, creates a positive corporate culture and dynamism, and contributes to higher efficiency and a better understanding of current and future customers. Each manager is responsible, with support from HR, for having the right staff on their team and in their department, so that the work will be performed as effectively as possible. We still employ more men than women: 65 vs 35 per cent. We work with a competence based recruiting process with a focus on prioritising and ensuring diversity within Avanza. For more information, see page 26–27.

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

To ensure continuity and safeguard business-critical processes, a structured mapping is done of individuals and their roles and respon-

Employee key ratios	2019	2018	2017	2016	2015
Average no. of employees	429	406	383	343	323
of which women, %	36	36	35	33	34
Women in Group Management and women with personnel responsibility, %	46	45	40	40	–
Average age	36	36	35	33	33
Employee turnover, %	18.3	15.7	17.9	19.1	16.5
Internal movement, %	3.6	7.6	6.3	6.4	5.3
Recommendation rate (eNPS)	54	44	33	51	46
Leadership index	81	–	–	–	–
Occupational health and safety index	80	–	–	–	–
Engagement index	81	77	–	–	–

sibilities. Employee dialogues are conducted several times a year to follow up individual goals and development plans. To facilitate a smooth transition when key employees move on to other roles, internal candidates are identified as part of a succession planning process.

Customer service is an instructive and attractive place to start working for many new employees who come directly from college, before they move on to other departments after a few years. Our aim is to utilise as much internal talent as possible, despite the limitations of a small workplace. The low average age of our employees and the fact that so many of them begin their careers with Avanza contributes to slightly higher turnover.

Opportunity to develop in a stimulating environment

To give our employees the best chance of living up to their full potential, skills are taught daily on the job as well as through internal and external training. Helping employees to develop in their roles is important. In the customer relations department, for example, we offer various programmes according to a special development ladder depending on the number of months or years the employee has been with Avanza. Each step qualifies the individual for new opportunities and career stages. In addition, we are continuously working to develop a feedback culture. This is done through "feedback buddies" as well as regular talks between employees and their managers.

Through Avanza Academy, all employees also have access to frequent training in our various product areas to give them all the opportunity to better understand the business. All employees receive training in risk management and IT security as well as internal governance and control, to ensure that they understand and are skilled in these areas. Training is offered through continuously updated, web-based nano programmes.

Focus on leadership

Leadership and employeeship at Avanza require understanding and taking responsibility for the business, being a good communicator and ambassador, and being able to coach others and help them develop. Our leaders are an important part of Avanza's development and success. To ensure that everyone has the skills and tools they need as leaders, we provide both internal and external training. Basic leadership training utilises neuropsychology and is designed to increase self-awareness and develop personal leadership, also known as self-leadership. The training is offered to all leaders within Avanza. Besides the leadership programme, leadership days and occupational health and safety training are arranged for managers.

Employees' views on Avanza's leadership are regularly tracked in our pulse surveys.

We care about our employees' well-being

Health and a positive work environment are important to an attractive workplace with motivated and happy employees. Avanza has an occupational health and safety committee comprised of representatives from both the employer and employees. It meets quarterly and works proactively with various measures to improve the work environment. Avanza also has an action plan and routines to handle incidents that affect our employees. This includes incidents involving discrimination. During the year, we did not receive any complaints from employees about such incidents.

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

Because of the importance of the corporate culture and of recruiting and retaining competent and engaged employees, it is also critical that Avanza offer an incentive programme that allows all employees to become shareholders in the company.

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

The work environment is measured through among other things absenteeism and well-being, and is followed up regularly in pulse surveys.

High engagement and recommendation rate among employees

We measure employee engagement and well-being through short pulse surveys. The response rate is high at over 90 per cent.

The pulse surveys ensure a continuous dialogue on how employees feel, so that we can together build an even better workplace. Thanks to the flexibility and rapidity of these surveys, we can also ask questions related to current events, and managers can create their own surveys for their group. Questions for the entire company are tied to engagement, leadership and the work environment where the goal is to reach an index score of 80 in each area. We see these areas, together with eNPS, as cornerstones to create a strong and engaged culture. In our latest pulse survey 2019, we received an eNPS score of 54 (44), which can largely be attributed to the success of the organisational changes and our focus on leadership. The main reasons why our employees recommend Avanza to others are still strongly linked to our corporate culture, where we feel pride and responsibility for the company and that what we achieve is meaningful and important.

Benefits*

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

* Refers to permanent employees, hourly employees excluded. Of the Group's total number of employees, 10 per cent are paid on an hourly basis, 1 per cent are fixed-term employees and 0 per cent are temporary positions.

Our employees

Employee key ratios	2019	2018	2017	2016
Average no. of employees	429	406	383	343
of which no. of temporary employees	4	6	4	7
of which women, %	36	36	35	33
of which 0–29 years, %	26	29	31	43
of which 30–49 years, %	69	64	64	53
of which 50+ years, %	5	7	5	4
Average no. of employees within IT	125	111	105	—
of which women, %	19	20	17	—
of which managers, %	9	8	7	—
of which female managers, %	50	44	42	—
Average no. of full-time employees	400	369	357	—
of which women, %	34	34	34	—
No. of recruitments	109	75	89	—
of which women, %	34	36	37	—
of which 0–29 years, %	49	42	47	—
of which 30–49 years, %	49	54	49	—
of which 50+ years, %	2	4	3	—
No. of completed employments	77	62	68	—
of which women, %	29	34	33	—
of which 0–29 years, %	36	37	43	—
of which 30–49 years, %	56	62	56	—
of which 50+ years, %	8	1	1	—
Sickness absence*, %	2.8	3.0	2.7	2.6
of which women, %	3.8	4.4	3.6	4.2
of which men, %	2.4	2.1	2.1	1.7
of which 0–29 years, %	3.1	2.7	2.2	2.4
of which 30–49 years, %	2.9	3.2	2.9	2.8
of which 50+ years, %	1.4	1.2	2.7	1.5
Average no. of parental leave	18	12	17	17
of which women, %	67	61	65	54
No. of directors at the Board	7	8	7	7
of which women, %	29	38	43	43
of which 0–29 years, %	0	0	0	0
of which 30–49 years, %	43	63	57	57
of which 50+ years, %	57	38	43	43
No. of employees in Group Management	9	9	8	8
of which women, %	44	56	50	38
of which 0–29 years, %	0	0	0	0
of which 30–49 years, %	56	56	75	88
of which 50+ years, %	44	44	25	13
No. of managers	60	57	52	55
of which women, %	47	44	38	36
of which 0–29 years, %	2	9	13	—
of which 30–49 years, %	87	75	73	—
of which 50+ years, %	12	16	13	—
Distribution of employment level				
Employees in entry and mid-level positions, %	85	—	—	—
of which women, %	36	—	—	—
Employees in senior and executive positions	15	—	—	—
of which women, %	41	—	—	—

The above figures are calculated for permanent employees, hourly employees excluded. Of the Group's total number of employees, 10 per cent are paid on an hourly basis, 1 per cent are fixed-term employees and 0 per cent are temporary positions.

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

Our contribution to a sustainable society

We want to contribute to a better and more sustainable future for millions of people. This means creating opportunities for a better financial situation for each and every one and encouraging more sustainable investments. We also work actively for gender equality and diversity in the labour market and in savings.

Since the start, we have worked for lower prices, education in the area of saving and investing, and gender equality. Environmental aspects and a greater social focus are growing in importance for sustainable development and business. In 2019, our sustainability work was further clarified and intensified in three focus areas.

Agenda 2030 and the 17 UN Sustainable Development Goals create a framework for global efforts to promote sustainable development. As a company, we can contribute to the Global Goals by driving Avanza in a sustainable and responsible way. We have used a number of these goals to inspire our own sustainability goals, as described on page 19.

Sustainable investments

Avanza is a platform for savings and investments with a broad range of options. We do no control how our customers invest, but we can make it easier for, and inspire, them to save sustainably through a wide range of sustainable alternatives and clear information. We want Avanza to be the obvious choice for those who want to save sustainably, with clear sustainable alternatives in every product area. Another important part of making financially sustainable investment decisions is transparency, where prices and fees are clearly spelled out and where it is easy to understand each product.

Sustainable investments have to be easy to find

During the year, we launched a "Save Sustainably" page on our website to provide inspiration. Here customers can see how climate friendly their savings are and how they can contribute to sustainability through

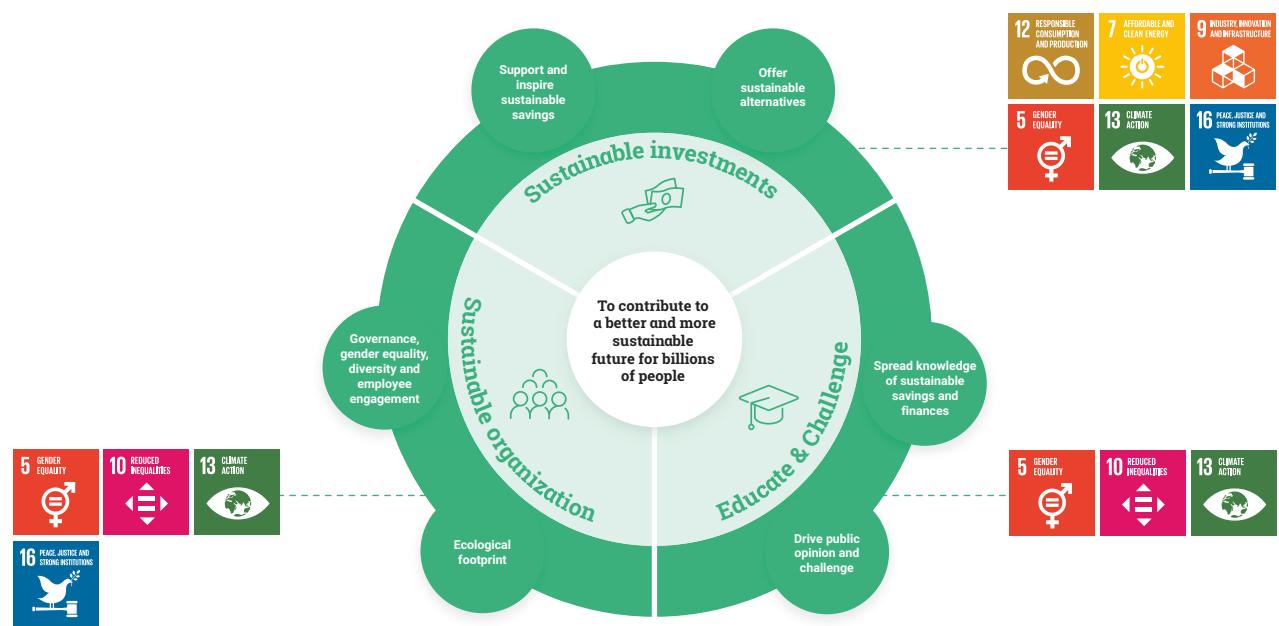
their savings. The fund guide has been expanded with sustainability data, and in "My fund portfolio analysis" customers can analyse their holdings. In addition to a breakdown by industry and holdings, the guide describes how the fund companies work with the environment, social responsibility and corporate governance, and which of the funds have a low carbon risk. This risk measure shows the exposure to fossil fuels and how well the companies that the fund invests in are adapted to a low carbon economy and thereby meet stricter regulations and climate laws.

To screen for sustainable alternatives, our offer have to be able to be analysed based on various criteria. Here we work with, and obtain data from, Morningstar. A lot is happening in the sustainability field. Companies are getting better at reporting and new regulations are coming in the future. For this reason, the sustainability data on the site is continuously improved.

A number of trackers focused on gender equality and sustainability were launched in the year, including AVA Gender Equality Tracker, AVA OMXS30ESG Tracker, AVA Fossil Free EU Tracker and AVA Low Carbon EU Tracker. At the end of the year, we launched the index fund Avanza USA, which tracks an MSCI index, where sustainability aspects are also taken into account. Our top and theme lists include lists focused on renewable energy and gender equality.

Sustainability in Avanza's fund company

In Avanza's fund company's own funds of funds, sustainability aspects are implemented based on the opt-out principle. The funds of funds exclude funds that invest in companies that violate international norms



and conventions on the environment, human rights, fair labour and business ethics (such as the UN Global Compact and the OECD's guidelines for multinational enterprises). If the underlying funds do not exclude all the companies that have been identified as violating international norms, they must at least exclude those that do not take action to address the identified problems. In addition, funds are excluded if they invest in companies involved in controversial weapons. The funds of funds also have restrictions on how much the companies in their underlying funds can generate revenue from coal. Management of funds of funds goes beyond quantitative analysis to include a dialog on the sustainability work of the underlying funds. The purpose is to influence the external managers' sustainability work.

The fund company owns shares in listed Swedish companies through the Avanza Zero fund. A new guideline on shareholder engagement was established for these holdings in 2019. It states among other things that Avanza Fonder AB can participate in and vote at general meetings if it is considered beneficial for the fund's shareholders.

Avanza Global, Avanza Emerging Markets and Avanza US are managed in partnership with Amundi. They are active owners that dialogue with their companies and vote at general meetings.

In 2018, Avanza Fonder AB signed the Principles of Responsible Investments (PRI), an independent standard developed by the UN to promote sustainable investing. Six principles have been established that signatories adopt in their sustainability work. The principles include incorporating ESG criteria in investment decisions and ownership policies, and reporting on sustainability work and implementation of the principles.

Educate and challenge

We want to be the obvious choice for those who want to learn more about personal finances and sustainable savings. By educating, driving opinion and challenging convention, we want to create opportunities for more people to be financially empowered and inspire them to invest more in sustainable products. Contributing to increased equality in savings is a key element in our sustainability work. We want to drive development toward a sustainable financial market.

We want to guide people to better savings

Avanza tries to get more people interested and engaged in savings and sustainable choices through various media outlets and education. We have savings economists who speak to the entire savings market and help to generate media attention for savings issues.

With so many people falling into a debt trap, understanding personal finance has become increasingly important. Through our free education, more people have the opportunity to learn how they can improve their financial well-being and build a secure future. On the site we educate and inspire through Avanza Play and Avanza Blog. The blog has a section on saving sustainably. Avanza Academy has also been developed with a chapter on sustainable savings. Avanza Academy is an important tool to show customers what they should think about before investing, including answers to questions on taxes and tax returns. In the last five years, the SIX Return Index has generated a return of 90 per cent. In spite of this, almost one fourth of the savings capital in Sweden is held in savings accounts, often at no interest and no return whatsoever. Factoring in inflation, the value of the money is in fact eroding.

We work actively to reach broader target groups and promote savings among women. According to Statistics Sweden, 10 per cent of Sweden's population owned equities as of 30 June 2019, with men overrepresented at nearly 13 per cent. Only 8 per cent of women owned equities. We want to get more of them interested in savings.

On the subject of saving sustainably, we have a number of initiatives:

- #sparahållbart in the blog – a convenient way to find exciting and inspiring blog posts on sustainable savings
- #tjejeromsparar – an initiative to increase gender equality and get more women to save through inspiration from other women
- Savings seminars for women and new immigrants with an academic background
- Gilla din ekonomi – a network led by the Swedish Financial Supervisory Authority to educate the public on financial topics
- Avanza also released two audiobooks during the year on personal finance, Savings School and Stock School, in collaboration with the publisher Storytel

Strong focus on improved pension transfer rights

Avanza has always acted in the interests of savers and challenged the established structures of banks and pension companies that don't benefit savers. We want to drive development in the industry and put the focus on fees. Through pension savings alone, billions of kronor are paid in unnecessary fees every year. Consumer protection has to be improved and it has to be possible for savers to opt out of expensive and poorly performing solutions. This is becoming increasingly important as national pension and welfare systems are scaled back and individuals take greater responsibility for their personal finances.

In autumn 2019, Avanza was specifically focused on pension issues through #pensionsupproret. This arose as a result of a legislative proposal on pension transfers that had previously been presented. The aim of the proposal was to make it easier for people who want to transfer their pension. Avanza has been among those to express their views and demands for clearer limits on fees, that older policies should be included and that lawmakers should distinguish between the rules for traditional insurance on the one hand and custodial account and unit-linked insurance on the other. These areas are not included in the regulation that took effect on 1 January 2020. In response to pressure, the government has pledged to return with additional improvements in the above-mentioned areas. Not until these adjustments have been made will we be able to discuss truly unrestricted transfer rights. What has just been enacted is still a positive first step in the right direction with some limits on fee charges and simplified transfer administration. Avanza will keep this issue in the spotlight and push to ensure that more improvements actually come about.

Sustainable organisation

Avanza works in an industry built on trust and will ensure good internal governance and control. We work actively to increase gender equality and diversity. Our work is reflected in internal rules and in our activities in the savings market. We also try to create sustainable offices through a positive work environment and by reducing our resource and energy consumption. To succeed in our aims, it is important that employees feel engaged in these issues. A "Sustainability week" was held in autumn 2019 to inspire and educate our employees. Here we presented the new sustainability strategy and held lectures by internal and external speakers.

Regarding our work with governance and control, see Avanza's risks and risk management on pages 32–35 as well as the corporate governance report on pages 38–50. Our policies can be viewed under the section Corporate Governance at www.avanza.se/ir.

Gender equality and diversity – differences contribute to a better corporate culture

We believe that the differences among our employees contribute to a better corporate culture, make Avanza more dynamic, and create a better understanding of the market and its development. Putting

together the right teams is an important management responsibility and is part of long-term human resource management.

We want our organisation to reflect the diversity of Swedish society. As an employer, we work actively for gender equality at every level.

At this point, we still have more male than female employees, but the percentage is better when it comes to managerial positions and Group Management. Women are still underrepresented in tech, and we are working actively to broaden the range of candidates we recruit.

To attract new talent to the field, we also invite candidates to various events and activities:

- Trainee programme to broaden diversity on the development side
- Agile Sweden Loves Diversity with a focus on diversity and creating inclusive workplaces
- Dutchess Sweden, a network of female Java developers
- IGEday (Introduce a Girl to Engineering day) to increase interest in engineering among young women
- Female digital engineer, a programme for female civil engineers who want to promote and shape digitisation
- Sthlm JS meet up, a network for those interested in Java Script, where we share our technology choices while exchanging ideas and building a network for exciting collaborations

To increase the diversity of our employees, we have worked for many years with companies that help people with disabilities or other backgrounds who are having difficulty gaining a foothold in the labour market.

Avanza was included in the Green List in the AllBright Report, which lists Sweden's most gender diverse companies. The list consists of 64 listed Swedish companies.

Avanza has a Group-wide policy on diversity and gender equality and has zero tolerance for harassment, discrimination and victimisation. Internally, executive management and each manager are responsible for compliance, although every employee is expected to take responsibility for their own actions. The CEO has overarching responsibility for the work with diversity and gender equality. Gender equality is addressed systematically through documentation, analyses, active measures, evaluations and follow-ups. Issues of equal treatment are monitored through employee surveys.

Avanza's operations are not deemed to pose a material risk of violating human rights, directly or indirectly, other than in the fund company's asset management. As a result, we have no formalised steering, policy or performance monitoring in these areas.

Equal pay

Avanza works continuously to ensure equal pay. This is done in among other ways through a job evaluation process, which serves as a basis for the annual salary survey and is used in connection with new hires and internal transfers. Parity is a factor in all wage-setting. HR is involved to ensure a fair, equal, quality-assured process. Prior to the salary audit, a survey is conducted, along with an analysis of proposed pay adjustments during the audit and a final survey of the outcome. Differences that are not based on objective facts are investigated before the audit is approved.

Sustainable offices with limited impact on the climate

We will be a climate-smart organisation that monitors our carbon footprint. Minimising our climate impact is part of the sustainability work, although we as an online bank have a limited direct impact on the environment. We therefore do not have a formal environmental management system.

We have no branches and most of our communication with customers is digital. Day-to-day operations do not require transports and travel is limited. We strive for sustainable procurement and to create sustainable offices through healthy work environments and low resource and energy consumption.

A climate analysis is conducted each year to calculate emissions. The analysis is done with the help of an independent tool and is based on the methodology used in the Greenhouse Gas Protocol (GHG Protocol). The methodology is recommended by the Global Reporting Initiative (GRI). The results confirm that we have limited environmental impact. Total energy consumption in 2019 amounted to 1,142 MWh (1,271), of which 541 MWh (586) MWh related to internal consumption. Total emissions amounted to 224 tonnes (79) CO₂e. The ambition is to improve the climate analysis and the increase is mainly attributable to purchased IT equipment, which has been added, but also improved reporting of business travel.

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

Memberships

To share knowledge, discuss with others in the industry and collaboratively influence the industry's development, Avanza and its companies are members of and participate actively in trade associations such as the Swedish Bankers' Association, the Swedish Securities Dealers Association and the Swedish Investment Fund Association. In 2018, Avanza Funds signed the Principles of Responsible Investments (PRI).

Salary data

	2019	2018	2017	2016
Women's wages as a proportion of men's salary				
Group management (excluding CEO), %	89	87	100	91
Managers (exkludering Group management), %	107	98	99	96
Senior specialists, %	94	103	103	107
Other employees, %	96	99	102	103
Median salary, men*, SEK	48,000	45,000	–	–
Median salary, women, SEK	46,000	42,000	–	–

* 40% of the men work in IT, where there is a labour shortage in Sweden, which explains the higher salaries.

Emission per activity, tonnes CO ₂ e	2019	2018	2017	2016	2015
Business travel	65.7	29.5	18.3	22.7	61.4
Company-owned/leased vehicles	1.0	6.5	14.7	12.9	22.7
Electricity and heat	5.7	6.2	5.8	4.6	4.2
Office supply	12.1	10.7	14.9	14.6	13.2
Supplier of services	20.9	26.6	8.7	6.3	6.6
Materials purchased	119.0	–	–	–	–
Total	224.4	79.4	62.4	61.1	108.1

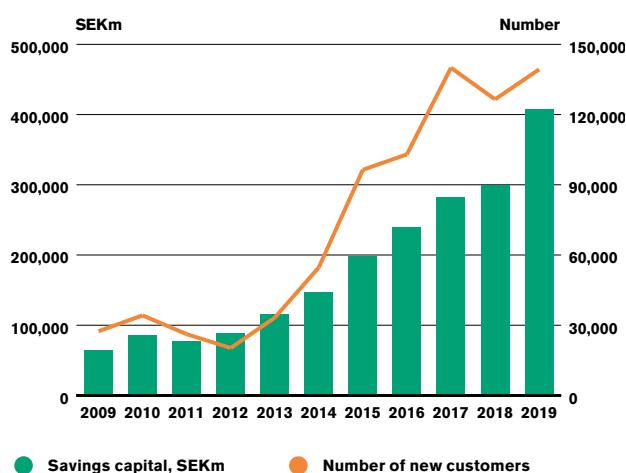
Shareholder value is created through customer value

Investments in recent years have resulted in both an increased rate of development and income growth. The strategy going forward is to further increase recurring income by attracting more fund customers and growing fund capital.

Avanza is an investment in growth and scalability

Our aim is to make Avanza an attractive investment that delivers a good return over time. To create long-term shareholder value, customer satisfaction is critical. There is a strong correlation between customer growth, growth in savings capital and income. In 2019, the number of customers grew by 139,300 and the net inflow was SEK 32.6 billion, the highest in Avanza's history and 18 per cent higher than last year. Avanza's share of the net inflow to the Swedish savings market in the period October 2018–September 2019 was 14.6 per cent. This compares to the long-term target of at least 10 per cent of the net inflow. In January 2020, new targets were published for 2025, where the target was raised to a market share of 15 per cent of the net inflow to the Swedish savings market 2025. In the last five-year period, the market share on an annual basis has been around 11 per cent. The higher target is ambitious and requires targeted development with a focus on creating customer value, both to continue to attract new customers and to make existing customers willing to transfer a larger share of their savings to Avanza. Avanza's market share of the Swedish savings market was 4.3 per cent. The new target is a market share of nearly 7 per cent of the Swedish savings market by the end of 2025. Savings capital at the end of 2019 amounted to SEK 408 billion.

Savings capital and new customers



Avanza's continued growth is dependent on our ability to attract customers and savings capital through customer value and satisfaction. We therefore work continuously to broaden and improve our offer. Broadening the customer base among those who need support with investment decisions is expected to lead to higher growth in fund savings rather than stock trading, which together with increasing net

interest income should reduce income volatility over time. In the last ten years, we have attracted a large share of younger customers. Although they generally have less financial resources than older customers, which affects the relationship between customer inflow and growth in savings capital and income here and now, there is great potential if we continue to create attractive offers and good reasons for them to stay with Avanza. The churn over the last years have been just over 1 per cent, which shows that very few are leaving us. For a distribution by age and savings capital, see page 20.

We also see strong growth potential in occupational pensions, where Avanza has a highly competitive offer. Avanza's growth prospects would benefit from improved transfer rights, but despite regulatory improvements in 2020 there are still key issues that remain unresolved; see page 11. Our current base of 1 million customers also offers good potential. Today nearly 10 per cent of our customers have an occupational pension with Avanza.

Scalability and cost control are also important to deliver both customer and shareholder value. 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 29 to 19* basis points. Our aim is to cut it further, and our top international peers are the benchmark, which means a cost to savings capital ratio of close to 16 basis points. This makes us more resilient to changing market conditions, at the same time that it is a key competitive advantage.

Avanza's long-term target has been that cost growth not exceed income growth, which has happened in the last three years due to the negative repo rate and investments to respond to new growth opportunities and our higher ambitions. In 2019, costs increased by 10.6 per cent, excluding a write-down of SEK 8.3 million in 2019 and the fine of SEK 35 million in 2018, in line with the announced budget for the year. At the same time, income grew 13.8 per cent.

Digitisation and changing customer preferences and expectations are, and have always been, a critical reason why we do not plan too far into the future and are flexible and open to what happens in the market. To have the flexibility to capitalise on future growth opportunities and stay innovative, Avanza's annual cost increase is expressed in a range of 9–12 per cent. The forecast for 2020 is for cost growth of around 10 per cent, excluding the extraordinary moving costs of SEK 11 million to consolidate our two offices again at one address and the above-mentioned write-down of SEK 8.3 million in 2019. The operating margin for 2019 was 44 per cent.

As of 2020, the target to have income growth outpace cost growth has been replaced with a target of a return on equity of 25–30 per cent. The return on equity was 27 per cent for the full-year.

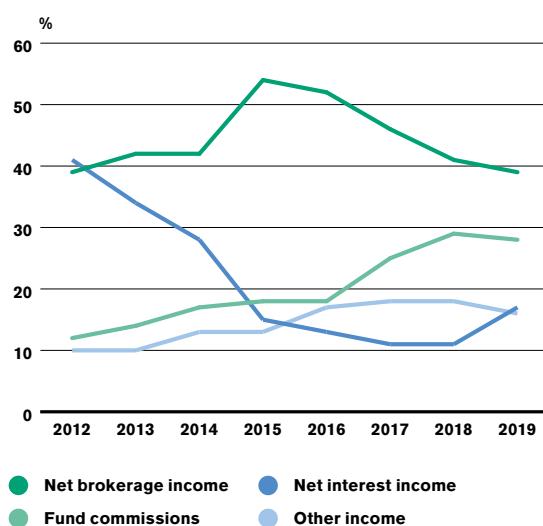
Market conditions affect income

Avanza's income is strongly affected by market conditions, such as customers' trading activity, interest rates and changes in deposit and lending volumes. In a strong stock market, customers tend to be willing

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

to take on more risk, while a more uncertain or downward market has the opposite effect. Market volatility also affects trading activity. When volatility is high, activity is often higher, especially among frequent traders. High volatility and uncertainty can also make customers more hesitant and activity declines. Low interest rates squeeze net interest income but create opportunities for high income from securities trading, since the stock market becomes a more attractive alternative. During periods of higher or rising market interest rates, Avanza's net interest income increases at the same time that customer growth in stock trading may level off. The total sensitivity in Avanza's net interest income given a change in the repo rate of 1 percentage point, all else being equal, was around SEK 300 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 in uncertain times. The Riksbank decided in December to raise the repo rate by 25 basis points on 8 January 2020 to 0 per cent. The Riksbank's own forecast indicates that the next repo rate hike will not be until the end of 2022.

Breakdown of operating income



Focus from the stock market in 2019

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

In 2019, we held over 140 meetings with investors, where the main topics included the importance of customer satisfaction and product development as well as innovation and the ability to attract talent. After three years with a higher investment rate, where costs increased more than income, we also discussed when we will reach the target that income growth outpace the growth in costs, which we have now accomplished. Our target of 1 million customers will be reached in the beginning 2020, because of which the topic of new financial goals has also been discussed. Our focus going forward will increasingly be on growth in savings capital, although customer growth is still important for us to achieve our other goals. Last autumn, the question of lower commissions again came up when several US firms cut their commissions to zero. In Sweden, commissions have been reduced over a 20-year period and are now at such low levels that our customers

also value other things, such as the user experience, information and tools on the site and in the apps. The focus on sustainability increased during the year, and while the issue does not always come up in the meetings, there has been a significant increase in such questions from both investors and analysts. There is a desire for income sources that are less sensitive to market gyrations, which has been addressed with the strategy to increase recurring income from fund commissions and mortgage loans, for example. Growth potential in the Swedish savings market was covered as well. Avanza to date has a very small share of the Swedish savings market and still sees good growth opportunities in terms of both savings capital and number of customers. In this context, our marketing activities were discussed and how they could contribute to a higher growth rate. Avanza's marketing strategy largely entails developing cheaper, better and simpler services and products that market themselves through recommendations from satisfied customers. Avanza's business model is built on scalability and low costs, but we prioritise growth when new opportunities arise. Many investors are attracted by Avanza's streamlined balance sheet and limited financial risks, which we are committed to maintain and which have been reaffirmed in the new return on equity target.

Proposed dividend of SEK 2.30 per share for 2019

The Board of Directors proposes a dividend of SEK 2.30 per share, equivalent to 79 per cent of the profit for 2019. This compares to 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 96.

Share information

Avanza Bank Holding AB (publ) is traded on the Nasdaq Stockholm Large Cap list of companies with a market capitalisation of over EUR 1 billion. Avanza is included in the Financial Services sector under the ticker symbol AZA. In 2019, 79 per cent (75) of trading in the Avanza share was on the Stockholm Stock Exchange. The share was also traded to some extent on European MTFs. In total, 40,789,625 Avanza shares were traded on the Stockholm Stock Exchange, equivalent to a turnover rate of 43 per cent (72) of the year's average number of outstanding shares. The Annual General Meeting resolved in favour of a share split, whereby each share would be divided up into five shares. The record date of the split was 16 April and the number of shares increased by 121,091,984.

In 2019, Avanza's share price rose by 15 per cent to SEK 97.80. Including the dividend paid, the total return on the Avanza share was 17 per cent for the year.

Avanza share total return relative SIX Return Index

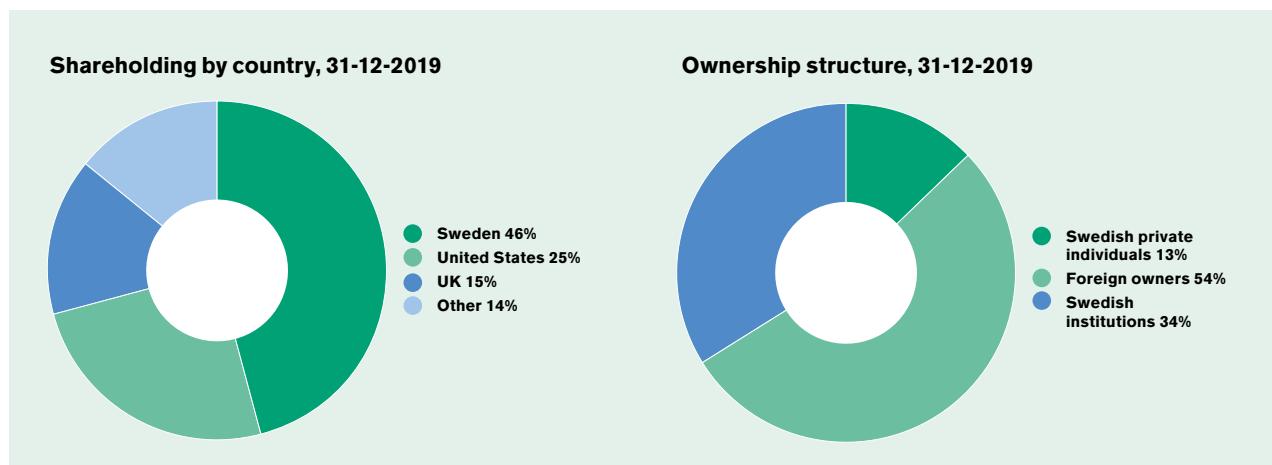


Large share of foreign institutional ownership

Our owners consist of individuals and institutions, such as fund companies and asset managers. At the end of the year, Avanza had 21,310 shareholders, according to Modular Finance. The ten largest registered owners accounted for close to 60 per cent of the total number of shares and votes. The two largest shareholders were Creades AB with a holding of 10.1 per cent, and Sven Hagströmer, including family and company, with 10.0 per cent. Foreign ownership increased during the year to 54 per cent (50) and was highest in the US at 25 per cent. Avanza did not own any repurchased shares as of 31 December 2019.

Share capital and incentive programme

The share capital and number of outstanding shares increased during the year due to the redemption of warrants through a new share issue. Avanza's outstanding warrant programmes comprise a total of 6,750,000 warrants, which entitle holders to subscribe for an equal number of shares, divided among three programmes, each of which run for three years. The maximum dilution effect is 4.5 per cent, or 1.5 cent per year, if fully exercised. The warrants are issued on market terms and are available to all permanent employees who wish to participate in the programme. The Black & Scholes model is used to determine the value of the warrants. There is a risk of losing money if the company and the share do not perform well enough. For more information on the outstanding programmes, see Note 30 Equity.



Share data

	31-12-2019
Share capital, SEK	76,893,161
No. of outstanding shares	153,786,322
Quotient value, SEK	0.50
Market cap, MSEK	15,040
Share price, SEK	97.80
Highest closing price (30-12-2019), SEK	97.80
Lowest closing price (28-05-2019), SEK	67.90
P/E multiple	34
Dividend yield, %	2.4
Turnover rate, %	43
Earnings per share before dilution, SEK	2.94
Earnings per share after dilution, SEK	2.94
Equity per share, SEK	12.65
Proposed dividend per share, SEK	2.30
No. of outstanding warrants	6,750,000

For definitions see page 110–111.

Change in share capital

Year	Change	Change in number of shares	Total number of shares	Changes in share capital, SEK	Total share capital, SEK
2001	New issue	4,425,907	25,415,478	11,064,767	63,538,695
2001	New issue	1,207,396	26,622,874	3,018,490	66,557,185
2005	New issue	842,800	27,465,674	2,107,000	68,664,185
2007	Repurchase of own shares	-305,674	27,160,000	-	68,664,185
2008	Withdrawal of repurchased shares, 2007	-	27,160,000	-764,185	67,900,000
2008	New issue	435,843	27,595,843	1,089,608	68,989,608
2008	Repurchase of own shares	-18,233	27,577,610	-	68,989,608
2009	Withdrawal of repurchased shares, 2008	-	27,577,610	-45,583	68,944,025
2010	New issue	379,860	27,957,470	949,650	69,893,675
2011	New issue	580,603	28,538,073	1,451,507	71,345,183
2011	Repurchase of own shares	-275,524	28,262,549	-	71,345,183
2012	Withdrawal of repurchased shares, 2011	-	28,262,549	-688,810	70,656,373
2012	New issue	611,198	28,873,747	1,527,995	72,184,368
2015	New issue	470,341	29,344,088	1,175,852	73,360,220
2016	New issue	494,834	29,838,922	1,237,085	74,597,305
2017	New issue	157,300	29,996,222	393,250	74,990,555
2018	New issue	276,774	30,272,996	691,935	75,682,490
2019	Share split	121,091,984	151,364,980	-	75,682,490
2019	New issue	2,421,342	153,786,322	1,210,671	76,893,161

The ten largest shareholders, 31-12-2019*	Country	No. of shares	Share of capital and votes, %
Creades AB	Sweden	15,530,000	10.1
Sven Hagströmer (incl family and company)	Sweden	15,446,230	10.0
Baillie Gifford & Co	UK	14,379,673	9.4
HMI Capital LLC	United States	13,359,829	8.7
Sten Dybeck (incl family and company)	Sweden	6,441,500	4.2
Fourth Swedish National Pension Fund	Sweden	5,849,270	3.8
Columbia Threadneedle	United States	5,788,721	3.8
Fidelity Investments Canada ULC	Canada	5,529,830	3.6
T. Rowe Price	United States	3,993,196	2.6
Vanguard	United States	3,401,961	2.2
Other owners		64,066,112	41.7
Total		153,786,322	100.0

Concentration (by group of owners), 31-12-2019*	Share of capital and votes, %
The 10 largest owners	58.3
The 20 largest owners	71.4
The 100 largest owners	83.6

Distribution of shares, 31-12-2019*	No. of shareholders	Owners, %	No. of shares	Shares, %
1 – 100	11,384	53.4	362,204	0.2
101 – 1,000	6,789	31.9	2,725,139	1.8
1,001 – 10,000	2,742	12.9	8,749,055	5.7
10,001 – 100,000	326	1.5	8,006,896	5.2
100,001 – 1,000,000	45	0.2	12,882,920	8.4
> 1,000,001	24	0.1	114,942,459	75.0
Anonymous ownership			6,117,649	3.7
Total	21,310	100.0	153,786,322	100

* Source: Modular Finance, Monitor

Limited financial risks and focus on IT and information security

We operate in an industry built on trust. Our customers expect a high level of availability and security on our digital platform. Clearly defined risk ownership and a sustainable risk culture are essential to our business.

The aim of our risk management is to maintain a high level of trust and take measured risks

To maintain our reputation and build trust requires diligent risk management, clear risk ownership and a sustainable risk culture that starts with the Board and management. During the year, we continued to improve corporate governance and risk ownership at Avanza.

Focus on IT and information security

Avanza's operations are largely digital. Rapid technological developments and digital threats make IT and information security crucial to us. At the same time, demands and expectations from customers, partners, lawmakers and suppliers are high. As a digital platform for savings and investments, we have to have a comprehensive IT security strategy.

We continuously invest resources to develop our competencies and capabilities. We cooperate with other banks through the Swedish Bankers' Association to share experiences, insights and advice in order to strengthen our IT and information security. We regularly test, challenge and analyse our technical and organisational safeguards. Our employees receive training in risk management and security, including web-based training, which is followed up with control questions. IT security is also part of the introductory training for new employees. The Board and management receive regular training as well.

An important part of the security work is protecting our customers' personal information. In other words, preventing unauthorised access to sensitive personal data or the theft of such data in order to harm customers or Avanza. Avanza has not received any complaints from customers or authorities about personal data breaches.

Another very important factor for our customers is the availability of our platform and services. This is ensured for example through redundant data centres that we can seamlessly switch between. During the year, we added capacity in parts of our network and created a better infrastructure for testing and IT security. We work proactively with thorough testing before new functionality is released into production. In addition, our weekly site updates and improvements further reduce operational risk. If our digital platform is unavailable, orders can be placed by phone with our brokers. Avanza's site was available 99.9 per cent (100) of the time in 2019.

Third Party Players and significant counterparties

Avanza is a platform for savings and investments, where we offer our own and distribute others' savings and mortgage products to customers. Consequently, the majority of Avanza's suppliers provide financial products and services and are overseen by the Swedish Financial Supervisory Authority (SFSA) or similar foreign authorities, and/or are

subject to the rules of various stock exchanges. Close collaborations and agreements with suppliers always entail a risk, however. To better understand the counterparty, and thereby identify and minimise any business or reputational risks, we work systematically to control and monitor Third Party Players and other significant counterparties. Counterparty assessments are done for among other reasons to ensure that the counterparty is being supervised, has the correct authorisation and is not involved in any legal disputes or enforcement actions that could potentially impact the company's reputation or financial stability. In certain cases, more detailed reviews and supplier visits are conducted as well. All third party cooperations are categorised by risk. Based on the assessment and risk categorisation, a decision is made on a cooperation or contractual relationship taking into account the possible consequences for Avanza and our customers. Follow-ups are then done annually or when there is an indication of a change in the risk level.

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

Consistently low financial risks

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

The liability side of the balance sheet then consists mainly of customer deposits. Aside from a SEK 100 million subordinated loan, Avanza is self-financed through shareholders' equity and customer deposits. Only a limited share of deposits is used for lending with longer contractual maturities, which creates a low liquidity risk. Lending in relation to deposits amounted to 36 per cent (31) at year-end.

With regard to credit risk, all lending is collateralised by liquid financial assets with good margins or Swedish residential properties with a low loan to value ratio. Margin lending requires collateral in listed securities with good liquidity. Avanza offers mortgages to private banking

customers with a loan to value (LTV) ratio not exceeding 50 per cent and where SEK 3 million in savings is required. The low ratio should ensure that the collateral is adequate, even in the event of a sharp drop in property prices. Concentration risk is managed by limiting individual mortgages to SEK 10 million. In the case of Mortgage loan+, Avanza is only a distributor, meaning it does not affect Avanza's balance sheet, nor does it mean a credit risk for Avanza.

Surplus liquidity is managed effectively with the lowest risks and costs possible within the framework of a consistent liquidity coverage ratio (LCR). Surplus liquidity is invested mainly in covered bonds, the Riksbank and with systemically important Nordic credit institutions. The liquidity portfolio is managed with a balanced maturity structure of between one and five years, where the average maximum interest term is three months. Surplus liquidity amounted to SEK 24 billion including client fund receivables.

For further information on our risks and risk management, see Note 36 Financial risks and the corporate governance report on pages 38–50.

Sustainability risks

A number of risks have been identified in the areas of the environment, HR, social issues and governance, as follows.

Limited exposure to climate and sustainability risks in the balance sheet

On the asset side, Avanza has exposure to municipalities in the form of the municipal bonds, which are included in the liquidity portfolio. The exposure through municipal bonds is limited in terms of both amount (max 20%) and rating (AAA/A1). Should a municipality incur higher climate-related costs, thereby affecting its credit worthiness and credit spread, the short average maturity also means that a change in credit rating would have a very limited impact on the liquidity portfolio.

Sustainability and climate-related risks in Avanza's credit portfolio are also considered very low – even if the underlying collateral for Avanza's Superbolån mortgages happens to be in geographically vulnerable areas, which could affect the value of the collateral. The loan value in the portfolio is very low and mortgage customers are usually over-collateralised. If the underlying collateral decreases significantly in value, it is captured in the annual revaluation, which can trigger amortisation requirements.

In Avanza's margin lending, environmental and climate-related risks could have an impact on an issuer's market value and share price. This would require the loan to value ratio to be reassessed and if necessary lowered for the individual issuer.

Climate and sustainability risks tied to the business operations

In the corporate finance business, assignments where the underlying environmental and climate-related risks are disregarded could have a negative impact on our reputation and brand. This type of risk is addressed by the bank's investment committee when deciding whether to accept an advisory assignment.

In the fund management company, the absence of environmental considerations in fund provisions or in the management of our alternative investment funds could have a negative impact on both valuations and reputation. Avanza Fonder has principles for sustainability work that are applied to the underlying funds. Funds of funds invest only in funds whose sustainability work aligns with these principles. Within the framework of Avanza's sustainability strategy the fund management company is adopting a broader sustainability perspective in its management process. Read more in our Social engagement on pages 25–27.

Risks associated with personnel and social issues

Avanza's success is largely dependent on our ability to attract and retain talent. Our corporate culture, modern platform and technology choices, coupled with the way we work and our values, are important to remain attractive as an employer. To ensure a smooth transition when key employees take on other roles, a succession planning process identifies potential internal replacements. Avanza has a recruiting policy, diversity and gender equality policy, and occupational health and safety policy, which ensure that these issues are addressed and that we remain attractive as an employer. See pages 22–23 and 26–27 for more information.

Human rights risks

Sustainability is incorporated in Avanza Fonder's funds of funds based on the opt-out principle. The funds of funds exclude funds which invest in companies that violate international norms and conventions with respect to the environment, human rights, working conditions and business ethics (e.g. the UN Global Compact and OECD Guidelines for Multinationals). If underlying funds do not exclude the identified companies that violate international norms, they must at least exclude companies that do not take action to mitigate the problems. Beyond that, Avanza's operations do not entail a material risk of violating human rights, whether directly or indirectly. Avanza therefore has no formalised controls, policy or performance measures in this area.

Anti-money laundering and terrorist financing

We work actively to prevent and combat money laundering and terrorist financing. It is critical to our work that we know our customers and properly understand the risk of being exploited. We are proactive in managing this risk through our Know-Your-Customer process and by analysing improprieties on a continuous basis. We have routines to investigate and report suspicious activity to the Financial Intelligence Unit within the Swedish Police. Avanza serves Swedish customers, and to be a customer of Avanza you must also have an account with another Swedish bank. Internal training programmes shall ensure that employees have the knowledge they need. Our aim is to continuously improve both automatic and manual processes and routines in this area to ensure effective control using a risk-based approach. Avanza has a policy on money laundering and terrorist financing.

Compliance risks

Avanza's operations are subject to the supervision of the SFSA, which requires strict application of various financial and ethical rules and guidelines based on European and Swedish law, the SFSA's regulations and guidance from industry associations. As a publicly listed Swedish corporation, Avanza's operations are governed not only by regulations that specifically apply to its licensed operations but also by a number of other laws and regulations.

Avanza places the highest priority on lawful and ethical conduct and has a number of internal rules, routines and processes to ensure that Avanza is at all times in compliance with the regulations that apply to its licensed operations. All employees of the Avanza Group have a clearly stated responsibility to follow these rules and routines. A key element of the compliance work is to ensure that Avanza embraces good internal governance, risk management and control, and has a sound risk culture, which the Board of Directors and CEO are ultimately responsible for.

In accordance with the three lines of defence principle, Avanza has an independent compliance function, which is directly subordinate to the CEO. The compliance function is responsible for verifying that the licensed operations comply with laws, regulations and internal rules,

including by helping them identify their compliance risks and independently monitoring and controlling that the business has the proper routines and controls in place to manage these risks. Moreover, the compliance function is responsible for ensuring that Avanza's employees are informed at all times of current rules for licensed operations.

In February 2019, Avanza Pension was issued a warning and administrative fee of SEK 35 million by the SFSA for past shortcomings in compliance related to the implementation of the Solvency 2 regulations, which came into effect in 2016, and Avanza Pension's calculation of technical provisions and reporting routines in 2016–2018. This is the single largest operational loss in Avanza's history and the only one of its kind. Avanza Pension has implemented a number of changes to improve internal governance and controls. The company also has a new CEO and a largely new Board of Directors as well as a new actuary.

Earnings risk

An important part of our risk management is to evaluate and challenge our business model when it comes to earnings risks. Earnings risk is managed by continuously improving and broadening our offer to ensure high customer value and broader, more diversified earnings. Continued strong growth in the number of customers and savings capital, along with increased cost efficiency, improves economies of scale and makes Avanza more competitive. Avanza continuously monitors the market and its pricing in order to respond to changes in customer preferences and market developments through planned measures and adjustments to the business model.

Earnings risk in connection with the introduction of new regulations

In Sweden, platforms thus far are exempt from the ban on advisory commissions as long as the service adds value for the customer. If limitations on third party compensation are introduced in Sweden, plans are in place for actions and adjustments to the business model.

In its budget bill the Ministry of Finance has announced plans to introduce a bank tax in 2022. There is no concrete information yet on what it will look like or how it will be calculated. There are no plans, however, to raise the resolution fee. The tax will be charged to a limited number of companies and apply regardless of where the company has its head office.

Internal capital and liquidity assessment

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

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

The result of the 2019 ICAAP reflects Avanza's low risk exposure and shows the resilience of Avanza's business model, even under highly stressed conditions. Avanza's capital base at no points falls below the capital adequacy requirements stipulated by the SFSA, and Avanza does not expose its customers to risk.

Own risk and solvency assessment

An own risk and solvency assessment (ORSA) measures the total solvency capital for the insurance group. It corresponds to the capital required to remain a going concern in the short and long term. Avanza starts here with its own risk profile, risk tolerance and business strategy, and the capital requirement is evaluated in relation to the insurance group's assessment of risk and the regulatory solvency capital requirement. ORSA is an important part of corporate governance and risk management and requires the company to stay informed of, and be able to assess, all its risks. ORSA is an integral part of Avanza's business strategies. This means that the result of the ORSA is taken into account in strategic decisions and business planning.

Scenario-based stress tests are conducted in the ORSA to obtain a forward-looking assessment of the solvency situation and thereby evaluate the insurance group's ability to meet its obligations in stressed situations. Among the factors that are stressed are volumes, market conditions, costs, earnings and the risk that customers leave Avanza.

The result of the 2019 ORSA shows that the insurance group is well capitalised and can withstand stress, where measures can be taken fairly easily to restore the solvency ratio even in severe situations.

Capital planning

The Board has decided that Avanza must at all times have a capital base that exceeds the SFSA's minimum capital adequacy requirement and buffer requirement by at least two percentage points – 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 total capital requirement for the consolidated situation was 13.0 per cent (12.5) at year-end, excluding the internal capital planning buffer, at the same time that Avanza's total capital ratio was 17.7 per cent (18.8).

A regulation requiring a leverage ratio of 3 per cent will be introduced in mid-2021. The leverage ratio will be an important metric in the management of Avanza's capitalisation going forward, since it is negatively affected by increased deposits. How large a buffer Avanza needs to meet the requirement under various market conditions and as the company grows is under discussion and will be communicated well before the rule is introduced. The leverage ratio for the Group was 3.4 per cent at year-end.

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

Group recovery plan

We establish an annual Group recovery plan to prepare the Board and management for potentially severe financial situations. The 2019 Group recovery plan has been approved by Avanza's Board.

In the plan, recovery measures are identified to restore capital, liquidity and profitability. Also included are indicators that we regularly monitor to ascertain in time whether Avanza is in a situation where recovery measures are needed. Avanza's financial situation is also simulated in several scenarios. In all these scenarios, Avanza is exposed to significant financial stress, and despite severe financial conditions the analysis showed that Avanza has the capacity to restore liquidity and capital without exposing customers to risk.

Risk type	Risk profile	Risk management
Credit risks The risk that a borrower fails to meet their financial obligations towards Avanza and that the pledged assets do not cover the claim. Credit risk also includes counterparty risk, concentration risk and liquidation risk.	Margin lending: Avanza lends money to the general public, secured by realisable listed financial collateral. Most of the collateral is comprised of listed equities with good liquidity. There is no great concentration of pledged securities within margin lending.	In addition to customers' repayment capacity, the value of the collateral and the customers' risk margin are monitored daily. The process to manage deficient collateral is monitored and controlled as well. Credit risks are stress tested daily, and Avanza uses risk appetites, limits and risk indicators to ensure that credit risks are managed in accordance with the applicable risk framework. Avanza also applies a generous risk margin to the collateral's market value to protect both the bank and customers from credit losses.
	Mortgages: Mortgages are offered primarily to our high-net-worth customers at a maximum loan to value of 50 per cent at the time the loan is authorised. This, together with a requirement that Avanza have the only pledge on the property, ensures a low risk profile. The borrower is subject to a customary credit check, where a calculation is done to ensure that they have sufficient funds to live on. The customer's ability to repay is stressed using a computation of the current interest rate of plus at least 5 per cent to measure the borrower's financial health given the loan amount applied for.	The market value of a property is arrived at through a statistical evaluation obtained from external parties. Market value is reassessed annually. An interest mark-up requirement is imposed if the loan to value ratio exceeds 50 per cent and a mortgage amortisation requirement at a loan to value exceeding 75 per cent. In addition, there are authority requirements regarding amortisation.
	Excess liquidity management: Avanza has a surplus of liquidity because deposits significantly exceed loans to the general public. Surplus liquidity is invested mainly in covered bonds and with systemically important Nordic banks and to a lesser extent in bonds issued by the Swedish government and municipalities.	Avanza has a risk framework to counter its excess liquidity risk. Among other things, the framework regulates the maximum allowable exposure to each counterparty and bond issuer. The bonds must be eligible for use as security with the Riksbank.
Market risks The risk of Avanza's earnings, equity or asset value decreasing due to changes in risk factors on the financial market. Market risk includes share price risk, interest rate risk and currency risk.	Avanza does not engage in proprietary trading. Avanza has no fixed interest contracts with customers on either deposits or loans. Management of Avanza's excess liquidity entails some interest rate risk since investments are made in fixed and floating rate notes (FRN). Avanza has very limited exposure to foreign currencies. Avanza does not engage in proprietary trading in foreign currencies, but only to facilitate customers' security trading.	Share price risk and currency risk can occur due to human error (trading error). We have internal processes and procedures in place to minimise this type of risk. The risk is classified as operational. The bank's surplus liquidity is invested at low risk with a maximum average fixed interest term (interest rate duration) of 0.25 or 3 months. In a 2 per cent parallel shift, the interest rate risk may never exceed 8 per cent of the capital base. According to the internal capital evaluation, and due to a generous liquidity buffer, the risk that the company would be required to divest bonds is deemed to be very low.
Liquidity risk The risk that Avanza cannot meet its payment commitments at maturity without the cost of obtaining means of payment increasing.	Avanza funds itself primarily through equity and customer deposits. Deposits from the general public exceed lending, creating a large amount of surplus liquidity. Deposits from the general public are considered to be one of the most secure sources of funding.	To cope with short-term fluctuations in lending to/deposits from the general public, a significant percentage of the assets is held in cash in systemically important banks (spot/maturing on the following business day).
Operational risks Operational risk is defined as the risk of loss as a result of inappropriate or inadequate internal processes or routines, human error, faulty systems or external events. The definition of operational risk includes IT and information risk, legal risk and compliance risk, and it can impact the company's assets (financial impact), reputation, availability, and/or result in sanctions (regulatory impact).	Operational risks arise in all businesses. It is neither possible nor cost effective to try to eliminate all operational risks. Avanza strives to minimise them by creating the most efficient and automated processes possible, which also contributes to cost effectiveness. Avanza does not have electronic payment services, unsecured credits or debit cards, which reduces threats and the risk of fraud. Avanza conducts most of its business digitally. Information is one of Avanza's most important assets.	Avanza's continuous risk management includes evaluation of critical processes and internal controls, continuity planning, risk analyses including New Product Approval Processes (NPAP), incident management and reporting. Avanza also has insurance to protect against certain types of operating losses. To ensure in an effective and structured way that Avanza has appropriate protection for its information and that it can adjust this protection to future needs, Avanza uses an information security management system based on the international standards in the ISO 27000 series.
Underwriting risks Underwriting risk is defined as the risk of a change in the company's results, equity or value due to a discrepancy between the company's actual and expected insurance claims or cash flows. Underwriting risk comprises operating cost risk, cancellation risk, mortality risk (incl. catastrophe risk) and longevity risk.	Underwriting risks in the insurance business are low. Risks associated with mortality, survivors' pensions, waiver of premium and health insurance are transferred to external parties and are not borne by Avanza. However, Avanza covers the life insurance component of its endowment insurance contracts. Here the policyholder's survivor is paid 101 per cent of the insured sum on death.	Insurance risk is managed by basing risk premiums on statistical assumptions and by monitoring according to actuarial guidelines. To avoid major swings in earnings, Avanza reinsurance risk costs in excess of SEK 250,000. The risk premium has so far more than covered the risk cost in the endowment insurance policies on death.
Business risks The risk that operating results fall below expectations as a consequence of discrepancies in business volumes, margins, costs or business mix. The risk can be realised due to regulatory changes, changes in customer behaviors, increased competition and internal capacity.	Avanza is exposed to earnings risk since a large, though shrinking, share of its earnings comes from brokerage income.	Business risks are managed through Avanza's strategic and business planning process as well as continuous information gathering and operational oversight. In addition to offering a user-friendly platform and valuable decision support, Avanza manages earnings risks by broadening its earnings base. This is achieved partly through strong growth in the number of customers, partly because Avanza's net interest income are gradually increasing, and partly by broadening the customer base, where a larger share of savings is allocated to funds.

For further information, see Note 36.

Chairman's comment

Belated teenage rebellion!

On 3 December 2019, Avanza celebrated its 20th anniversary. It is a great joy that our 20-year-old produced such fine numbers. Among those worth mentioning is that Avanza for the tenth year in a row won the Swedish Quality Index's award for Sweden's most satisfied savings customers, at the same time that the number of commission notes, profit and net inflow of capital hit all-time highs. In January we also passed one million customers. It is fair to say that Avanza is on the way to becoming a popular movement.

While I was writing this, a message came in on Messenger: "My brother and I also joined Avanza last week and are thrilled with the concept. Now we have to get our sister to join too." Recently when I was at the doctor's office the nurse told me, "I am a member of Avanza!" Had I been sick, I would have immediately felt well again. It's comments like these that make it so enjoyable to work with Avanza. My vision has always been that we will see our customers as members.

"My vision has always been that we see our customers as members"

This 20-year-old's life has always revolved around digitisation. While many in our industry have now woken up to the concept of fintech, this is exactly what Avanza has worked with for two decades. The fact that our entire business has been digital since the start is a huge advantage for us now. We have a skilled and motivated organisation and a strong platform, thanks to which Avanza can quickly add new products. One example is Avanza USA, Sweden's cheapest US mutual fund for private investors, which was recently launched. It also means that we can quickly integrate other companies with good, innovative products, such as Stabelo and Tink. All this to offer our customers the best and most affordable products in one efficient platform. The benefits of a good platform and skilled employees won't fade, either. The more that is added and the more we learn, the better all our products and services become. We will continue to create an innovative and forward-thinking offer in the next 20 years, always with the customer, or member, in mind.

Our 20-year-old also decided during the year that it wasn't too late for teenage rebellion. Under the banner "Pensionsupproret", Avanza has pushed to give customers of all pension companies the right to easily and inexpensively transfer their pension capital from one manager to another. In other words, where they decide themselves, as we at Avanza have done from the start. With the protection of today's rules, this is still expensive and complicated, although things are going in the right direction. We would like to believe that we played a role in the decision by the former Alliance parties to approve today's rules on the condition that further proposals are presented on fee ceilings, for example, and that traditional insurance is distinguished from unit-linked insurance, which is an important step toward a more efficient market. Avanza's goal is to make savings cheaper, better and simpler. If we can't do this digitally, we will have to resort to political protest instead! I hope that you

owners will also protest in your way in this area. Check what you pay in costs for management of your pension and compare it to what Avanza offers. Many of you will be surprised by the many solutions that are out there and understand why we are rising up.

"Pension revolt with the goal of cheaper, better and simpler pension savings"

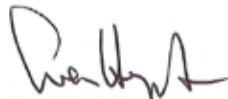
Another way we are working on behalf of our customers is within the management of the Avanza Zero fund, where we want to be an active owner at general meetings in special cases. It is important that we as manager of an index fund can place demands on the companies that the fund owns, since we cannot sell companies that are poorly managed. It is the only way to influence the companies, their development and, as a result, the return for the fund's owners, which is why we are now reviewing the opportunities to be a more active owner.

In terms of the Board's work, we have worked for a couple of years with the Audit Committee in its current form on a separate committee. This has made the work of the Board more efficient and freed up time for more strategic and product-oriented discussions. After all, that is what creates future value for us as owners of the company. We are continuously re-evaluating the company's control structures, and this year for the first time in 20 years we decided to switch from an external to an in-house internal auditor. We realise now that Avanza has become so large and regulations are so complex, that there are advantages to having inside expertise on the company, which may not be quite as easy for an outsider.

In Rikard's CEO statement you can read about Avanza's new long-term targets. They are ambitious and well thought-out and can only be achieved if we set our sights on keeping customers as satisfied as possible. There are no shortcuts. We must have a good platform with the right products that are affordable and with world-class customer service every day of the year, and we are working diligently on this every day, maybe with the exception of Christmas Eve.

My aim and what is driving me is that our 20-year-old will continue to come up with innovative and even fun products. My hope is that as Avanza becomes older, it will never totally grow up. New technology, new expertise and sometimes a little rebelliousness are what we need.

Stockholm in February 2020



Sven Hagströmer
Chairman of the Board



Sven Hagströmer, Chairman of the Board

Corporate governance report

We want to create a better future for millions of people. We feel it is important therefore to listen to our stakeholders and stay on the forefront of the industry. The key to success is also a high level of trust – you should feel confident in how we act and why, and that we manage our business in the best way and in compliance with applicable laws and regulations. This creates shareholder value as well.

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

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

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

A. Ownership and voting rights

The share capital consists of one class of shares, all of which confer the same rights. There are no limitations on the right to transfer shares or how many votes a shareholder may cast. The Avanza share is listed on Nasdaq Stockholm's Large Cap list. The share capital at the end of 2019 amounted to SEK 76,893,161, represented by 153,786,322 shares and votes. An ownership distribution is presented on page 31. The largest shareholders – Creades AB and Sven Hagströmer with family and companies – are represented on the Nomination Committee and in the nomination process for the election of Board members and the auditor; see table below. Avanza has outstanding warrant programmes comprising warrants with the right to subscribe

for 6,750,000 new shares with a maximum dilution of 4.5 per cent. Of these warrants, 39 per cent were transferred to employees at year-end. For further information on the Avanza share, see pages 28–31 and Note 30 Equity.

B. Nomination process for election of Board members and auditor

The AGM 2019 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2020.

The names of the Nomination Committee's members, and the shareholders they represent, were published on 17 September 2019, which was six months prior to the AGM 2020. The Nomination Committee consists of one representative from each of the four largest shareholders wishing to appoint a representative. Appointments were based on ownership interests known immediately before the announcement, i.e. 31 August. The Nomination Committee is a governing body of the AGM with the sole purpose to prepare the AGM's resolutions on election, and directors as well as auditors fees.

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

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

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

Composition of the Nomination Committee

Name	Representing	Holding 31-08-2019	Holding 31-12-2019
Erik Törnberg (Chairman of the Nomination Committee)	Creades AB	15,390,000 (10.0%)	15,530,000 (10.1%)
Sven Hagströmer (Chairman of the Board of Avanza)	Hagströmer family and companies	15,446,230 (10.2%)	15,446,230 (10.0%)
Sean Barrett	HMI Capital, LLC	13,359,829 (8.8%)	13,359,829 (8.7%)
Magnus Dybeck	Dybeck family and companies	6,454,105 (4.3%)	6,441,500 (4.2%)

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

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

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

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

The Nomination Committee held 3 minutes meetings in 2019, at which all members were present. The Nomination Committee also conducted an evaluation of the Board and its work, where the Board's size, composition, industry experience and competence were evaluated.

When preparing its proposal for Board fees, the Nomination Committee uses comparisons to companies operating in similar spheres and with a similar size and complexity. Proposed fees shall be market rate based on the responsibility and work required and on the contribution the Board can make to the Company's development.

C. Annual General Meeting (AGM)

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

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

The AGM's resolutions normally pass with a simple majority, i.e. more than half of the total number of votes cast, unless otherwise specified by the Swedish Companies Act. Shareholders wishing to add a matter to the agenda at the AGM may submit a written request. Such requests must be received by the date indicated on Avanza's website, which for the AGM 2020 was 28 January 2020. Requests are to be sent to:

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

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

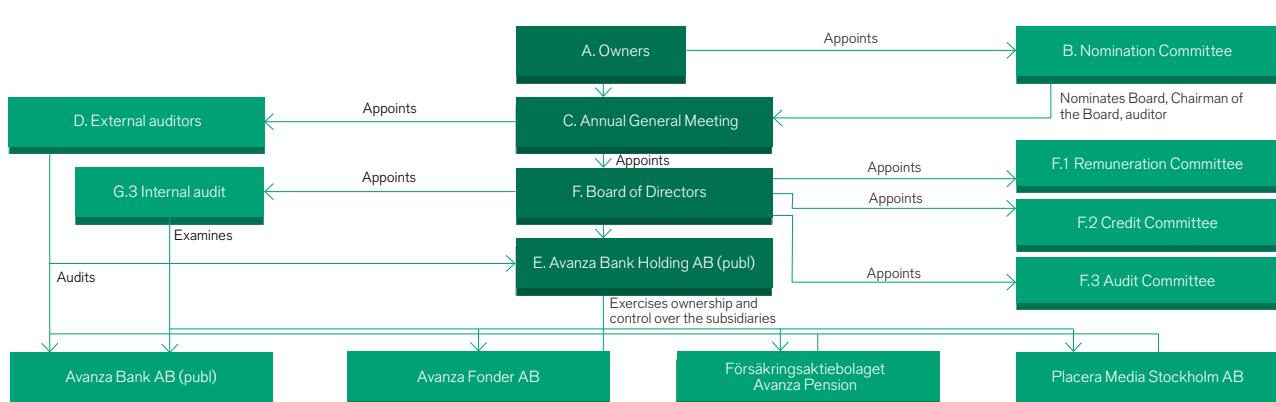
Extraordinary General Meetings may be held if the Board deems necessary or if the Company's auditor or a shareholder holding at least ten per cent of the shares requests such a meeting.

Avanza's AGM on 19 March 2019 was attended by 231 shareholders, representing 61 per cent of the total number of shares and votes. The AGM was webcast live on Avanza's website. The Company's auditor and all Board members except Sophia Bendz attended.

At the AGM 2019, the following resolutions were adopted:

- adoption of Avanza's income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet
- appropriation of profit according to the adopted balance sheet
- discharge from liability for the Board and the CEO
- determination of the number of Board members
- determination of Board fees and auditor's fees
- election of the Board of Directors and Chairman of the Board and appointment of the auditor
- 5-to-1 share split and amendment to the Articles of Association
- issuance of warrants for an employee incentive programme
- authorisation for the Board to acquire own shares
- establishment of nomination procedures
- establishment of remuneration guidelines for Group Management

The above mentioned incentive programme expires in August 2022 and comprises a total of 2,250,000 warrants that grant entitlement to subscribe for an equal number of shares. If all the warrants are exercised, the maximum dilution effect is 1.5 per cent.



D. External auditor

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

The AGM 2019 elected KPMG AB as the new auditor, with Mårten Asplund AB as Auditor-in-Charge, through the AGM 2020.

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

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

The auditor's fees are paid based on approved invoices. In 2019, fees paid to KPMG for auditing duties totalled SEK 1,750 thousand. Total remuneration paid to KPMG is shown in Note 10.

E. Avanza Group

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

CEO and Group Management

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

In 2019, Jesper Bonnivier, CEO of Avanza Fonder, and Camilla Hedenfelt, Head of HR, became new members of Group Management. Former members Malin Nybladh, Head of HR, and Maria Christofi Johansson, Head of Customer Relations, left Avanza.

Avanza's Group Management consisted at year-end 2019 of:

- Rikard Josefson, CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Birgitta Hagenfeldt, CFO and Deputy CEO of Avanza Bank Holding AB (publ)/ Avanza Bank AB (publ)
- Jesper Bonnivier, CEO of Avanza Fonder
- Camilla Hedenfelt, Head of Human Resources
- Åsa Mindus Söderlund, CEO of Försäkringsaktiebolaget Avanza Pension and Group responsible for CSR
- Gunnar Olsson, COO
- Teresa Schechter, Chief Legal Officer
- Peter Strömberg, CIO
- Peter Westling, Head of Innovation and Marketing

E. The Avanza Group



More information on Group Management is available on Avanza's website and on pages 48–49.

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

Suitability assessment

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

Remuneration to Group Management

Group Management's remuneration shall reflect each person's experience, competence and performance. Remuneration comprises a fixed salary and the opportunity to purchase warrants in the incentive programme for all employees resolved by the AGM. Members of Group Management have acquired warrants on prevailing market terms in accordance with the warrant programme.

Avanza's remuneration policy can be found at investors.avanza.se/en under Governance.

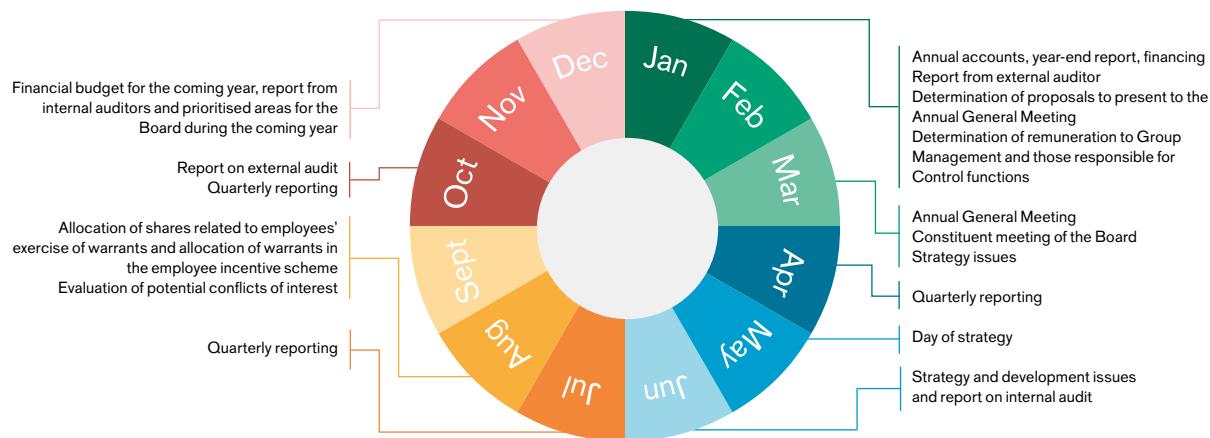
Questions concerning the CEO's terms of employment, remuneration and benefits are prepared by the Remuneration Committee and approved by the Board. Remuneration to other members of Group Management is determined by the Board, based on the Committee's proposal, following consultation with the CEO. Remuneration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

Corporate culture and policies

Avanza's corporate culture is based on a vision to create a better future for millions of people. The key is that what we achieve creates value for customers. The corporate culture is characterised by collaboration, humility and an aim to constantly challenge ourselves to think differently. Decision-making channels are short and there is room for different opinions.

Avanza has a Group-wide policy on diversity and equality. For us, diversity and equality mean utilising everyone's knowledge, experience and views to enrich, create dynamism and influence every part of the Company. The policy also ensures that all employees are treated fairly and that there is no discrimination. The CEO has overarching responsibility for diversity and gender equality. The work is done systematically with updated documentation, analysis, active measures, evaluations and follow-ups. Equality issues are tracked through employee surveys. Avanza's management at the end of 2019 was comprised of 4 women and 5 men. Among managers, 47 per cent are women; see also the section on employees and our social engagement on pages 22–27.

Board meetings 2019



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

Regulatory training

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

All employees have a responsibility to understand the laws and internal rules that affect and are relevant to their work. After hiring, new employees are introduced to current rules, which is then followed up on a regular basis to keep them updated on regulations and any changes. In addition, individual departments arrange separate, in-depth training in specific areas. In 2019, employees underwent web-based training in IT and information security.

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

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

F. Board of Directors

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

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

The AGM 2019 re-elected all previously elected Board members except Sophia Bendz, who declined re-election. According to the Articles of Association, the Board shall consist of no fewer than five and no more than eight members. Avanza's Board consisted in 2019, as of the AGM, of seven members elected until the next AGM and no deputies. The Chairman of the Board is Sven Hagströmer. The Board held its first meeting following election on 22 March 2019. Information about the members of the Board can be found on Avanza's website and on pages 46–47.

Diversity and suitability

The guidelines on suitability assessments set forth how Avanza evaluates appointees for their assignments, how conflicts of interest are addressed and how a suitably diverse board is achieved. The Board's composition of individuals of varying age, with a goal of gender parity, and with varying educational and professional backgrounds will help to ensure that the Board collectively has the ability to critically review and understand relevant regulations and can identify the risks caused and faced by the Company. New members are also evaluated in terms of the number of executive and/or non-executive positions they hold, to ensure they have the time needed for the Board's work. These assessments are made in conjunction with new appointments and followed up at least annually. Based on the suitability assessments, annual training plans are then formulated. Background checks were made of all Board members in 2019. Information on the Board's composition, age and background is shown on pages 46–47.

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

Work of the Board in 2019

During the year, the Board held a total of 21 meetings, including 7 scheduled meetings, 1 following election, 4 extra and 9 by telephone/mail. Board meetings by telephone/mail mainly addressed decisions relating to Avanza's incentive scheme.

At scheduled meetings, the following are always discussed:

- financial reporting
- operational reporting
- reporting by the Board's committees
- credit reporting for the subsidiary Avanza Bank

The risk control and compliance functions report quarterly.

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

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

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

The Board of Directors' skills training

Each year the Board establishes a training plan to give members a better understanding of various areas, relevant rules and risks that affect the business as well as new products and services Avanza is launching. Board members also visit various parts of Avanza on their own initiative to better familiarise themselves with specific areas. The Board's training needs are reviewed and specific measures are taken as needed to provide information and improve competence in special areas. In 2019, the Board underwent training with a focus on new regulations, IT and information security, capital adequacy, money laundering and market abuse, and risk management.

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

Formal work plan of the Board of Directors

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

The Board's work follows a plan that meets the Board's information needs and is otherwise governed by established procedures for dividing duties between the Board and the CEO. In addition, the Company's auditor presents the audit and observations to the Board. The Company's auditor attended and reported to the Board at two Board meetings and attended the Audit Committee's meetings in 2019. Company employees participate in the Board's meetings as rapporteurs and secretary.

Remuneration for Board members and attendance at Board meetings

The AGM 2019 resolved to pay annual remuneration of SEK 357,000 each to the Chairman of the Board and other Board members. In addition, a fee of SEK 51,000 was set for members of Avanza Bank's Credit Committee and SEK 41,000 for members of the Company's Remuneration Committee. For the Audit Committee, SEK 163,000 was paid to the Chairman and SEK 82,000 to each member. Board members who receive a salary through their employment with the Company are not entitled to Board fees. See Note 9 for more information on the Board's remuneration.

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

Board members have no individual areas of responsibility beyond this and the committee work specified below.

F.1 Remuneration Committee

The Board appoints the Remuneration Committee, which in the financial year 2019 consisted of Jacqueline Winberg (Chairman), Sven Hagströmer and Mattias Miksche. The Committee is responsible for evaluating and recommending remuneration principles.

The Committee prepares proposals on remuneration for Group Management and the managements of the subsidiaries Avanza Bank AB, Avanza Fonder AB and Försäkringsaktiebolaget Avanza Pension,

Attendance at recorded Board meetings 2019

Member of the Board	Attendance board meetings	Attendance committee meetings	In relation to the company and its management	In relation to the company's largest share- holders
Sven Hagströmer, Chairman	21/21	18/18	Independent member	Not independent member
Sophia Bendz (declined re-election at AGM)	3/3		Independent member	Independent member
Viktor Fritzén	21/21	5/5	Independent member	Independent member
Jonas Hagströmer	21/21		Independent member	Not independent member
Birgitta Klasén	21/21	12/12	Independent member	Independent member
Mattias Miksche	21/21	11/11	Independent member	Independent member
Hans Toll	21/21	12/12	Independent member	Not independent member
Jacqueline Winberg	21/21	11/11	Independent member	Independent member

for the heads of the control functions Risk Control and Compliance, and for identified risk-takers. Remuneration is approved by the Board. The Committee also prepares issues relating to the CEO's terms of employment and benefits for approval by the Board.

In 2019, the Committee held 11 meetings, which all members attended, and also maintained regular contact.

F.2 Credit Committee

The Board of Directors of Avanza Bank AB appoints the members of the Credit Committee, which in the financial year 2019 consisted of Board members Sven Hagströmer, Birgitta Klasén and Hans Toll. The Committee is tasked with taking decisions on credit matters that the entire Board has previously resolved, with the exception of credit matters involving a potential conflict of interest, in which case the entire Board will still take the decision. Minutes are kept of the Committee's meetings and decisions, which are distributed to the Board at its next meeting.

In 2019, the Credit Committee held 7 meetings, which all members attended, and also maintained regular contact.

F.3 Audit Committee

The Board of Directors appoints the Audit Committee, which during the financial year consisted of Birgitta Klasén (Chairman), Viktor Fritzén and Hans Toll. The committee's composition meets the independence requirements of the Swedish Companies Act and the Code, as well as accounting or auditing competence requirements. The Audit Committee maintains regular contact with the Company's auditor to stay informed on the scope of the audit and discuss the auditor's view of the Company's risks. The Audit Committee monitors that the financial reporting maintains high quality, receives reports from the auditor, reviews and monitors the auditor's impartiality and independence, evaluates the auditing performance and provides input to the Nomination Committee on the AGM proposal on the auditor's election.

The auditor has attended the Audit Committee's meetings and reported on the audit on two occasions in 2019. Internal Audit reported twice in 2019 on the results of the year's independent review to the Board and the Audit Committee.

In 2019, the Committee held 5 meetings, which all members attended.

G. Internal control and risk management

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

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

Three lines of defence principle

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

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

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

2. Second line of defence

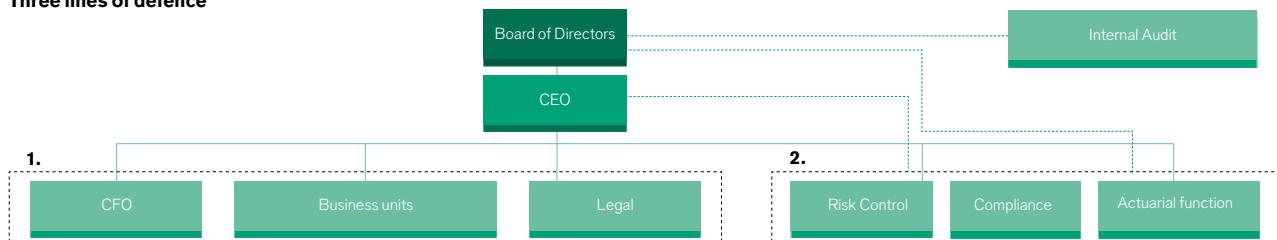
2.1 Risk Control

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

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

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

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



2.2 Compliance

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

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

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

2.3 Actuarial function

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

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

3. Third line of defence – Internal Audit

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

In 2019 the Board decided to outsource Internal audit to the external consultancy OMEO Financial Consulting AB.

In 2019, Internal Audit's reviews of Avanza Bank comprised application of the remuneration policy, AML/CTF work, principles for allocating income and expenses, approval process, material IT systems, continuity planning, regulatory reporting processes and the corporate finance business. For Avanza Pension, Internal Audit primarily reviewed application of the remuneration policy, AML/CTF work, principles for allocating income and expenses, approval process, implementation of investment guidelines, regulatory reporting processes and material IT systems. For Avanza Fonder, Internal Audit has primarily reviewed application of the remuneration policy, AML/CTF work, principles for allocating income and expenses, approval process, regulatory reporting processes, material counterparties and material IT systems.

The results of the year's internal audits were reported at the meetings of the Board of Directors and the Audit Committee in June and December 2019.

The Board of Directors has decided to establish a Group-level internal audit function and hired a head of internal audit, who will take over execution of the internal audit from the external consulting firm OMEO Financial Consulting AB as of January 2020.

Board of Directors' report on internal control over financial reporting

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

System of internal control and risk management over financial reporting

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

Control environment

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

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

Risk management

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

Control activities

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

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

Information and communication

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

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

Follow-up

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

The control functions Risk Control, Compliance and Internal Audit monitor compliance with policies, guidelines and instructions. Additionally, Avanza has a reporting group to follow up and evaluate internal control and risk management with a focus on the financial reporting.

The Board receives monthly financial reports, and the financial situation is addressed at every Board meeting. The Board receives quarterly reports from both 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 quarterly financial reports and annual accounts, as well as the observations and conclusions of the external and internal auditors.

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

Assessment and position on internal audits

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

Internal auditing was performed in 2019 by an external consultant. The Chairman of the Board of each subsidiary (the Audit Committee's Chairman in Avanza Bank) meets with the internal auditors to discuss which issues to focus on.

Board of Directors and Auditors



Sven Hagströmer, Chairman

Born: 1943

Elected: 1997

Committees: Remuneration & Credit Committee

Education: Studies at Stockholm University

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

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

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

Holdings on 31 December 2019: (incl. family and companies): 30,976,230 (of which Creades 15,530,000)



Jonas Hagströmer

Born: 1982

Elected: 2015

Committees: –

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

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

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

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

Holdings on 31 December 2019 (incl. family and companies): 15,000 and indirect shareholding via Biovestor and Creades



Viktor Fritzén

Born: 1985

Elected: 2018

Committees: Audit Committee

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

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

Relevant employment history: 2012–2018 LeoVegas Group, CFO. 2011–2012 GP Bullhound, Corporate Finance Analyst. 2009–2011 Goldman Sachs, Global Investment research analyst

Other significant assignments: Board member of Appjobs Sweden AB

Holdings on 31 December 2019 (incl. family and companies): 5,000



Birgitta Klasén

Born: 1949

Elected: 2014

Committees: Credit & Audit Committee

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

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

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

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

Holdings on 31 December 2019 (incl. family and companies): 50,000



Mattias Miksche

Born: 1968

Elected: 2008

Committees: Remuneration Committee

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

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

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

Other significant assignments: Chairman of Hem Design Studio AB, Board member of Dustin Group AB, Euroflorist Intressenter AB, New Bubbleroom Sweden AB, Stratys AB and Sana Labs AB. Advisor on technical issues to Altor Equity Partners

Holdings on 31 December 2019 (incl. family and companies): 13,950



Hans Toll

Born: 1970

Elected: 2014

Committees: Credit & Audit Committee

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

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

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

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

Holdings on 31 December 2019 (incl. family and companies): 125,000



Jacqueline Winberg

Born: 1959

Elected: 2003

Committees: Remuneration Committee

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

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

Relevant employment history: 2006– Stanton Chase, Managing Partner. 1996–2005 Ray & Berndtson in Sweden, Partner. 1995–1996 Michaël Berglund Chefsrekrytering, Consultant. 1985–1990 Handelsbanken. 1984–1985 PK-banken

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

Holdings on 31 December 2019 (incl. family and companies): 8,500



Auditors

KPMG AB

Auditor-in-Charge: Mårten Asplund

Born: 1972

Authorised Public Accountant

Group Management



Rikard Josefson, CEO

Born: 1965

Employed: 2017

Education: B.A Economics Stockholm University

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

Other significant assignments: Board member of SweSec Licensing AB

Holdings on 31 December 2019 (incl. family and companies):

Shares: 20,021

Warrants (corresponding number of shares): 180,000



Jesper Bonnivier, CEO Avanza Fonder AB

Born: 1974

Employed: 2019

Education: Business administration Linköping's and Mälardalen's Universities

Employment history: 2011–2018 Länsförsäkringar Fondförvaltning AB, Deputy CEO and Head of Asset Management. 2009–2010 Länsförsäkringar AB, Head of Securities Administration. 2007–2008 Länsförsäkringar Fondförvaltning AB, Deputy CEO and Head of Fund Analysis and Valuation.

Other significant assignments: –

Holdings on 31 December 2019 (incl. family and companies):

Shares: 200

Warrants (corresponding number of shares): 16,390



Birgitta Hagenfeldt, CFO, Deputy CEO

Born: 1961

Employed: 2008

Education: MBA, Örebro University

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

Other significant assignments: Board member of Sectra AB

Holdings on 31 December 2019 (incl. family and companies):

Shares: 273,040

Warrants (corresponding number of shares): 196,650



Camilla Hedenfelt, Head of Human Resources/CHRO

Born: 1968

Employed: 2019

Education: BA Personnel and working life programme, Stockholm's University

Employment history: 2016–2019 Orkla Care AB (Orkla AS acquired Cederroth AB 2016), HR Director. 2014–2016 Cederroth AB, HR Director. 2012–2014 Swedish Match, HR Manager. 2007–2012 Orkla Brands Nordic (within Orkla ASA), HR Manager

Other significant assignments: –

Holdings on 31 December 2019 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 13,690



Åsa Mindus Söderlund, CEO Försäkringsaktiebolaget Avanza Pension and Group responsible for CSR

Born: 1965

Employed: 2017

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

Employment history: 2017-2018 Avanza Fonder, CEO. 2012–2017 SPP, CEO SPP Consultant and member of Group Management SPP Pension & Insurance. 2010–2012 mindUS Consulting, Project leader with focus on international outsourcing within the fund and asset management industry. 2005–2011 Atos Consulting, Director and CEO. 1998–2005 Capgemini Ernst&Young, Senior Manager Ernst & Young Management Consulting. 1991–1997 Ministry of Finance, Head of Section.

Other significant assignments: –

Holdings on 31 December 2019 (incl. family and companies):

Shares: 250

Warrants (corresponding number of shares): 28,420



Gunnar Olsson, COO

Born: 1972

Employed: 2018

Education: MBA, Mittuniversitetet

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

Other significant assignments: Chairman of Stabelo Group AB

Holdings on 31 December 2019 (incl. family and companies):

Shares: 6,250

Warrants (corresponding number of shares): 43,780



Teresa Schechter, CLO

Born: 1970

Employed: 2006

Education: LL.M. University of Gothenburg

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

Other significant assignments: –

Holdings on 31 December 2019 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 47,470



Peter Strömberg, CIO

Born: 1972

Employed: 2014

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

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

Other significant assignments: –

Holdings on 31 December 2019 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 89,590



Peter Westling, Head of Innovation and Marketing

Born: 1971

Employed: 2012

Education: MBA, Stockholm University

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

Other significant assignments: Board member of Monetise Capital AB

Holdings on 31 December 2019 (incl. family and companies):

Shares: 4,000

Warrants (corresponding number of shares): 195,450

Stockholm, 20 February 2020

Sven Hagströmer
Chairman of the Board

Viktor Fritzén
Board member

Jonas Hagströmer
Board member

Birgitta Klasén
Board member

Mattias Miksche
Board member

Hans Toll
Board member

Jacqueline Winberg
Board member

Rikard Josefson
CEO

The auditor's examination of the corporate governance statement

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

Engagement and responsibility

The Board of Directors is responsible for that the corporate governance statement on pages 38–50 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 20 February 2020

KPMG AB

Mårten Asplund
Authorised Public Accountant
Auditor-in-Charge

Dan Beithner
Authorised Public Accountant

Administration report

The Board of Directors and the CEO of Avanza Bank Holding AB (publ), Corporate Identity Number 556274-8458, hereby present the Annual Report for 2019. A Corporate governance report is provided separately from the administration report on pages 38–50. Avanza's annual report is available at investors.avanza.se/en.

Group structure

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

Avanza Bank Holding AB (publ) also holds just over 27 percent of the shares in Stabelo Group AB. Consequently Stabelo is classified as an associated company in the Parent Company and the consolidated accounts.

Description of the operations

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

Market and sales

The total value of the Swedish savings market is SEK 8,700* billion. As of 30 September 2019, Avanza had 4.3* per cent of the total savings market in Sweden, an increase from 4.0* per cent in the last twelve months. During October 2018 – September 2019 Avanza's share of the total net inflow to the Swedish savings market amounted to 14.6* per cent, which was considerably higher than the goal of taking at least 10 per cent.

Pension and insurance savings, i.e. the life insurance market, is the single largest savings segment, accounting for just less than half of the Swedish market. Of the occupational pension market, about half is estimated as available to Avanza. According to data from Swedish insurance, Avanza's share of life insurance premiums paid during the period October 2018 – September 2019 was 7.9* per cent. During the

same period Avanza increased the share of premium inflows in occupational pensions from 5.8 per cent to 6.7* per cent.

2019 was a very strong year on stock exchanges the world over, and in Sweden the OMX Stockholm Gross Index rose by 35 per cent. Trading activity on the Stockholm Stock Exchange and First North was slightly lower than during 2018, primarily during the first half of the year. The number of transactions decreased by 4 per cent and turnover decreased by 5 per cent compared to the previous year. Avanza's share of the transactions on the Stockholm Stock Exchange including First North was 13.7 per cent, Avanza was thereby still the largest Swedish player in terms of transactions.

The repo rate was raised in January by 25 basis points to -0.25 per cent. The Riksbank decided in December to raise the repo rate by another 25 basis points on 8 January 2020 to 0.00 per cent. The Riksbank's own forecast indicates that the next repo rate hike will not be until the end of 2022.

The Swedish mortgage market regarding households is valued at SEK 3,400 billion.** Mortgages are a relatively new area for Avanza, great estimated growth potential but which will take time. Avanza has since 2013 offered mortgages on a small scale to Private Banking customers. Since 2018, Avanza has, as a distributor of Stabelo's Bolån+, been able to offer mortgages to a broader customer group.

More information about Avanza's market conditions is available on pages 9–12.

The number of customers rose in 2019 by 139,300, or by 17 per cent. Within occupational pension the number of customers rose by 19 per cent. By year-end, Avanza had 976,400 customers. The target of one million customers 2020 was achieved already in January 2020. During the year, the net inflow was SEK 32.6 billion, 18 per cent higher than 2018 and the highest yearly inflow in Avanza's history.

Savings capital at Avanza grew in 2019 driven by the high customer growth and net inflow and the positive stock market development. At year-end savings capital amounted to SEK 408 billion, an increase of 36 per cent from the beginning of the year. Savings capital invested in occupational pension accounts increased by 44 per cent and fund capital by 48 per cent. Deposits share of savings capital, 15 per cent at year-end, was 4 per cent lower than in the beginning of the year.

The external mortgages through Stabelo as creditor, Mortgage loan+, increased by 134 per cent and amounted to SEK 9.8 billion at the end of the year. The internally financed mortgage for Private Banking customers, Superbolånnet PB, amounted to nearly SEK 8 billion, an increase of 33 per cent from the beginning of the year. Margin lending increased by 18 per cent to SEK 5.2 billion.

Activity and market shares	2019	2018	Change %
No. commission generating notes, thousands	17,500	15,000	17
Commission generating turnover, SEK m	557,800	532,400	5
<i>Market shares Nasdaq Stockholm and First North:</i>			
No. transactions, %	13.7	11.9	1.8
Turnover, %	5.4	5.5	-0.1

* Statistics regarding the savings and life insurance market (Savings barometer and Swedish insurance) are published with a lag, the latest refers to 30-09-2019.

** Swedish Bankers' Association, published with a lag, the latest refers to 30-09-2019.

Net inflow, SEK m	2019	2018	Change %
Standard	31,090	26,300	18
Private Banking	1,700	730	135
Pro	-190	570	-134
Net inflow	32,600	27,600	18
Equity & investment fund accounts	4,050	4,570	-11
Investment savings accounts	18,100	12,300	47
Savings accounts	3,430	6,930	-51
of which, external deposit accounts (Sparkonto+)	3,450	6,850	-50
Pension- & insurance-based accounts	7,020	3,800	85
of which, endowment insurance	3,380	460	636
of which, occupational pensions	3,500	3,330	5
Net inflow	32,600	27,600	18
No. customers, savings capital and lending, SEK m (unless otherwise stated)	31-12-2019	31-12-2018	Change %
Standard, no.	947,920	810,990	17
Private Banking, no.	26,500	24,200	10
Pro, no.	1,980	1,910	4
No. customers	976,400	837,100	17
of which occupational pension customers, no	92,600	77,700	19
Standard	228,200	166,400	37
Private Banking	164,500	122,000	35
Pro	15,000	11,600	29
Savings capital	407,700	300,000	36
Equity & investment fund accounts	121,100	94,900	28
Investment savings accounts	141,100	94,200	50
Savings accounts	23,400	19,900	18
of which, external deposit accounts (Savings account+)	22,500	19,000	18
Pension- & insurance-based accounts	122,100	91,000	34
of which, endowment insurance	82,000	61,800	33
of which, occupational pensions	26,700	18,600	44
Savings capital	407,700	300,000	36
Equities, bonds, derivatives, etc.	225,000	161,000	40
Investment funds	119,900	81,100	48
Deposits	62,800	57,900	8
of which, external deposits (Savings account+)	22,500	19,000	18
Savings capital	407,700	300,000	36
Internally financed lending	13,100	10,400	26
of which, margin ledning	5,160	4,370	18
of which, mortgage loans (Superbolånet PB)	7,950	5,980	33
External mortgages (Bolån+)	9,840	4,210	134
Lending	23,000	14,600	58
Deposits/Savings capital, %	15	19	-4
Return, average account since 1 Jan, %	24	-4	28
OMX Stockholm GI since 1 Jan, %	35	-4	39

For definitions see page 110–111.

Seasonal effects

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

Product and business development

Avanza's offer is continuously updated with new functions and improvements. Among other things, the index funds Avanza Emerging Markets and Avanza USA were launched in 2019. Both of these funds are Sweden's cheapest in their category for individual investors.

Major steps were taken in Open Banking. A new function for security transfers was launched based on technology from Tink. Also, Avanza's customers can now see all their savings and investment accounts in their account summary.

Sustainability and corporate social responsibility are an integral part of Avanza's operations and during the year a special section for sustainable savings was launched. Here we have brought together sustainable savings products, information and educational material as well as a new green mortgage loan from Stabelo.

Website and mobile app development continued during the year with new functions and improvements to further enhance the customer experience. A new start page and new "My pages" were introduced. The aim is to make it easier for customers to start saving through a simpler overview of Avanza's products and services, and of their savings. Further, the fund page at avanza.se was completely redesigned and improved in a number of areas to provide a better summary and make it easier to choose funds for a portfolio. In addition, the presentation of sustainability data from Sustainalytics was further upgraded and a completely new function was added where customers in a clear and concise way can find and compare funds. The overall fund experience in the apps was improved as well.

Results

Operating profit increased by 24 per cent compared to 2018. Operating income rose by 13.8 per cent, while operating expenses were up 10.6 per cent. The cost increase does not include Försäkringsaktiebolaget Avanza Pension's fine of SEK 35 million in 2018 nor the write-down of SEK 8.3 million of a leased asset in 2019. Including these items, the increase was 6 per cent. Operating margin rose by 4 percentage points to 44 per cent, and return on equity was 27 per cent, an increase by 2 percentage points.

Operating income increased mainly as a result of higher net interest income but also higher fund commissions and net brokerage income. Other income was stable.

Net brokerage income increased by 7 per cent. This was due to more commission-generating notes, higher commission-generating turnover and higher brokerage income per SEK of turnover. The number of notes increased by 17 per cent and turnover grew 5 per cent, which shows that customers have continued to trade at lower volumes. A higher share of brokerage income was generated in lower brokerage fee classes, which slightly increased brokerage income per SEK of turnover. The number of commission-generating customers was record high and increased by 12 per cent.

Fund commissions increased by 10 per cent due to higher average fund capital. Income per SEK of fund capital dropped by 2 basis points to 0.33 per cent due to a somewhat higher proportion of index funds.

Net interest income increased by 70 per cent mainly due to an improved return on surplus liquidity. The repo rate was raised by 25 basis points on 8 January 2019 to -0.25 per cent and the average STIBOR(3M) was 37 basis points higher than last year. The bond portfolio is managed with an average interest duration of 3 months, because of which the rate hike did not have a full impact until March. Income from external deposits and Private Banking mortgages also increased. Income from margin lending increased by 1 per cent despite average higher lending volumes, which is a result of a lower average interest rate. Margin lending is not tied to the repo rate and instead is adjusted based on market interest rates and the competitive landscape. All else being equal, without taking changes in customer behaviour into account, a 1 per cent rate change from the repo rate by the end of the year of -0.25 and with today's volumes would affect full-year net interest income by around SEK 300 million. The percentage rate to calculate the resolution fee was cut in 2019 from 0.125 per cent to 0.09 per cent. The deposit guarantee fee and resolution fee increased despite this due to larger volumes and amounted to SEK 34 million (SEK 30 m) in 2019.

Other income was unchanged despite increased commission income, mainly due to higher other commission expenses, which was partly the result of an increased number of mortgage applications. Income from Avanza Markets increased by 15 per cent and from Cor-

porate Finance by 16 per cent, while currency-related income was slightly lower.

Operating expenses increased by 10.6 per cent, excluding extraordinary items. The increase is mainly due to higher personnel costs. The cost increase does not include the SEK 35 million fine paid by Försäkringsaktiebolaget Avanza Pension in 2018 nor the extraordinary write-down of SEK 8.3 million of leased assets made in 2019. The write-down is due to the consolidation of Avanza's offices again under one roof at Regeringsgatan 103 in Stockholm in autumn 2020 and that premises on Vasagatan will not be used. Including these extraordinary items, operating expenses rose by 6 per cent.

Personnel costs rose due to an increased number of employees, mainly because of expanded development capacity. IT costs also increased. Due to the introduction of IFRS 16 Leases in 2019, leases on premises are now recognised as a right-of-use asset (leased asset) and lease liability in the consolidated balance sheet. This reduces reported costs for premises, while depreciation increases by about the same amount. At the same time, an interest expense arises in net interest income, which in 2019 amounted to approximately SEK 2 million.

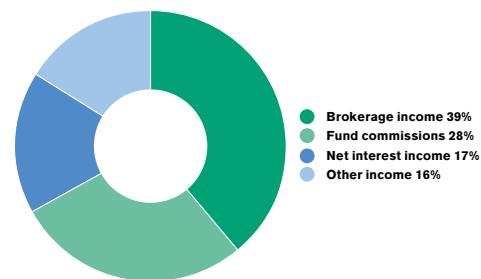
The guidance on Avanza's annual cost growth is 9–12 per cent, with estimated cost growth of around 10 per cent for 2020. This increase includes neither the SEK 8.3 million write-down of leased assets in 2019 nor the extraordinary costs associated with the move, which is estimated at SEK 11 million in 2020, partly due to the double rent from June to September.

The increased costs will allow Avanza to capitalise on new growth opportunities in a responsible way while staying focused on costs, benefitting both customers and shareholders.

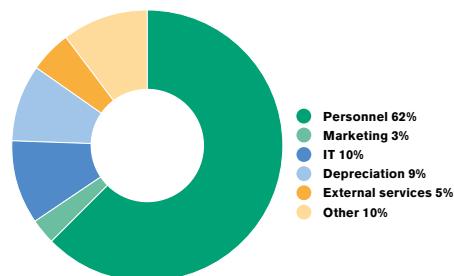
The cost to savings capital ratio was 0.19 per cent, which was a decrease of 1 percentage point. Given continued strong growth in customers and savings capital, as well as further efficiency improvements, the long-term ambition is to reduce the cost to savings capital ratio to 0.16 per cent, in line with the very best international peers in the industry. This makes Avanza resilient in various market conditions at the same time that it provides an important competitive advantage. In the last five years, Avanza has cut its cost to savings capital ratio from 0.29 to 0.19 per cent on a full year basis.

Recognised credit losses are attributable to calculated expected credit losses according to IFRS 9.

Breakdown of operating income 2019



Breakdown of operating expenses 2019



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

Income Statements, SEK m	2019	2018	2017	2016	2015
Net commission	992	928	865	792	755
Net interest income	201	119	108	114	139
Other income	1	2	2	3	2
Total income	1,193	1,049	975	909	896
Operating expenses before credit losses	-666	-629	-535	-443	-411
Profit before credit losses	528	420	441	465	485
Credit losses, net	0	-1	0	-1	0
Profit/loss from participations in associated companies	-8	-1	-	-	-
Operating profit	520	418	441	465	485
Taxes	-73	-69	-63	-66	-70
Net profit for the year	447	349	379	399	415
Balance Sheets, SEK m	31-12-2019	31-12-2018	31-12-2017	31-12-2016	31-12-2015
Balances at central banks	1,340	2,907	-	-	-
Treasury bills eligible for refinancing	-	-	-	-	250
Lending to credit institutions	1,766	914	1,731	1,583	1,701
Lending to the public	13,106	10,339	9,507	8,175	6,540
Bonds	19,782	16,958	14,420	13,244	11,850
Shares and participations	0	1	22	5	0
Shares and participations in associated companies	108	116	-	-	-
Assets in insurance operations	116,369	86,457	86,041	75,934	66,566
Other assets	3,471	4,449	4,399	1,675	1,714
Total assets	155,942	122,138	116,120	100,616	88,621
Deposits by the public	36,400	33,317	27,901	22,832	20,446
Liabilities in insurance operations	116,370	86,458	86,041	75,934	66,566
Other liabilities	1,127	650	651	443	384
Subordinated liabilities	100	100	99	99	99
Shareholders' equity	1,945	1,614	1,427	1,308	1,126
Total liabilities and shareholders' equity	155,942	122,138	116,120	100,616	88,621
Key ratios	2019	2018	2017	2016	2015
Operating margin, %	44	40	45	51	54
Profit margin, %	37	33	39	44	46
Earnings per share before dilution, SEK ¹⁾	2.94	2.32	2.53	2.69	2.84
Earnings per share after dilution, SEK ¹⁾	2.94	2.31	2.53	2.69	2.82
Return on shareholders' equity, %	27	24	30	33	45
Return on assets, %	0.3	0.3	0.3	0.4	0.5
Credit loss level, %	0.00	0.01	0.00	0.01	0.00
Income to savings capital ratio, %	0.34	0.35	0.37	0.42	0.51
Costs to savings capital ratio, %	0.19	0.20 ²⁾	0.20	0.21	0.24
Net brokerage income per trading day, SEK m	1.9	1.8	1.8	1.9	1.9
Brokerage per commission note, SEK	29	31	34	41	55
Brokerage/Turnover, %	0.100	0.098	0.096	0.088	0.081
No. trading days	248.0	247.5	249.0	251.0	248.5
Average no. employees	429	406	383	343	323
Web service operational availability, %	99.9	100.0	99.9	99.9	100.0
Key ratios	31-12-2019	31-12-2018	31-12-2017	31-12-2016	31-12-2015
Shareholders' equity per share before dilution, SEK ¹⁾	12.65	10.66	9.51	8.77	7.67
Capital base/Capital requirement ³⁾	1.304)	1.34	1.55	1.66	1.67
Cash dividend per share, SEK (2019; proposal) ¹⁾	2.30	2.10	2.10	2.10	2.10
No. shares, thousand ¹⁾	153,786	151,365	149,981	149,195	146,720
Average no. shares before dilution, thousand ¹⁾	152,115	150,432	149,449	148,301	145,859
Average no. shares after dilution, thousand ¹⁾	152,115	150,827	149,449	148,409	147,206
Market capitalisation, SEK m	15,000	12,800	10,300	11,000	10,800
Share price, SEK ¹⁾	97.80	84.72	68.82	73.80	73.50
No. employees	445	422	390	365	334

For definitions see page 110–111.

¹⁾ Adjusted in accordance with the share split in April 2019.²⁾ Excluding the Swedish FSA decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension, reported in the fourth quarter of 2018.³⁾ A revision has been made for additional value adjustments, which relate to assets that are measured at fair value via other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 2019 with adjusted comparative figures for 2018.⁴⁾ The capital requirement as per 31 December 2019 has been adjusted compared to what was reported in Avanza's Preliminary Financial Statement for 2019.

In connection with Stabelo's new share issue in the latter part of the year Avanza's ownership stake was reduced from just under 30 per cent to just over 27 per cent of the outstanding shares. Stabelo is classified as an associated company in Avanza's accounts and Stabelo's results are included in the consolidated accounts in accordance with the equity method.

The corporate tax rate was lowered on 1 January 2019 from 22 to 21.4 per cent. The rate will be further reduced in 2021 to 20.6 per cent. Based on current volumes, the effective tax is estimated to around 14 per cent in 2020.

In its budget bill the Ministry of Finance has announced plans to introduce a banking tax as of 2022. There is no concrete information yet on what it will look like or how it will be calculated.

Future outlook

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

Demographic trends and the increasing financial burden being placed on the working population, as well as the gradual deterioration of the public and collective pension and welfare systems, are raising the importance of individual pension savings. Here the stricter loan to value requirements for mortgage loans have also focused attention on the need for savings.

The UN's Sustainable Development Goals have brought to the forefront the financial industry's opportunities to positively impact climate change. There has also been talk about climate risks: how a company's products or services could be affected by climate change and how profitability is affected by stricter regulations and climate laws. A sustainability perspective is becoming both a financial and ethical issue in the area of savings as well. By educating, inspiring and making it easier for customers to find sustainable choices, Avanza can contribute to the Sustainable Development Goals and at the same time provide savings options that are well-suited for the times we live in.

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

Financial position

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

All of Avanza's assets have a high level of liquidity and the majority of the assets can be transferred within a couple of days. Surplus liquidity is mainly invested in systemically important Nordic banks, the Riksbank, in covered bonds and, to a lesser extent, in bonds issued by the Swedish government, municipalities and county council. Of the liquid assets of SEK 3,106 million as per the end of the year, SEK 29 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 2019 total credit losses amounted to SEK 11 million, which is the equivalent, on average, to less than 0.03 per cent per year.

The Parent Company

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result in 2019 was SEK -22 million (SEK -17m). The Parent Company does not report any revenues. Anticipated dividend from subsidiaries of SEK 160 million (SEK 267m) was reported for 2019.

A dividend payment for 2018 of SEK 318 million (SEK 315m) was made to the shareholders in March 2019 as authorised by the AGM.

Sustainability reporting

Avanza's sustainability reporting is an important part of an open and balanced presentation of Avanza's position, activities and achievements in key areas. In accordance with the Annual Accounts Act, chap. 6, section 11, Avanza has chosen to prepare a sustainability report separately from the administration report and largely from the formal financial statements. The sustainability report was submitted to the auditors at the same time as the annual report. A separate statement on the sustainability report has been prepared. Avanza's report has been prepared in accordance with the GRI Standards: Core option. The report also follows GRI's specific guidelines for the industry (Financial Services Sector Supplement). The statutory sustainability report comprises Avanza and its subsidiaries and its scope is indicated on page 104.

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

The previous sustainability report for the calendar year 2018 was published on 26 February 2019.

Additional information about Avanza's sustainability activities is provided on pages 25–27. Avanza's sustainability policy is published on investors.avanza.se/en.

Employees

In 2019, the Avanza Group had, on average, a total of 429 (406) employees of whom 36 (36) per cent were women. The average age was 36 (36) years. The Parent Company had, on average, 3 (3) employees during the year. All employees have individual targets, based on Avanza's overall targets, which are followed up through regular development discussions. One of Avanza's long term goals is engaged employees, measured by an international measure of employee loyalty called the employer Net Promoter Score (eNPS). The latest score was 54 (44), which shows a very strong ambassadorship. Additional information about Avanza's employees is provided on pages 22–24 and in note 9 Employees and personnel costs.

Significant risks and uncertainly factors

Avanza has a conservative approach to risk and strives to keep risks low. In its operations, Avanza is mainly exposed to financial risks in form of credit risk and operational risk. IT risk and information security is also of great importance to Avanza. Risks are measured, controlled and, where necessary, acted upon, in order to protect the company's capital and reputation. The manner in which Avanza identifies, follows up and manages these risks has a bearing on the soundness of the business

and on the company's long-term profitability. Additional information about the Group's risk exposure and risk management is provided on pages 32–35, 43–45 and in Note 36 Financial Risks.

Guidelines for determining remuneration payable to senior management

The board of directors of Avanza Holding AB (publ) proposes that the annual general meeting, to be held on 17 March 2020, adopts the following guidelines for determining salaries and other remunerations to be paid to the managing director, the deputy managing director and other members of the company's management (the group management).

Guidelines for promotion of the company's business strategy, long-term interests and sustainability

The company's business strategy is, in short, to create long-term growth in operating income through strong customer growth through satisfied customers in combination with a scalable business model with the market's lowest cost to savings ratio. This enables continued development and creates shareholder value.

For further information on the company's business strategy, please see <https://investors.avanza.se/en/ir/considering-investment-avanza-business-model/>.

Successful implementation of the company's business strategy and the safeguarding of the company's long-term interests, including its sustainability, require the company to be able to recruit and retain qualified employees. In order to do this, the company needs to be able to offer market-based remuneration. These guidelines allow senior executives to be offered a market-based remuneration.

Long-term incentive programs based on warrants have been established in the company. They have been decided by the general meeting and they are therefore not included by these guidelines. For the same reason, the long-term incentive program based on warrants that the board has proposed to the Annual General Meeting of 2020 is also not included. The proposed incentive program essentially corresponds to existing incentive programs. The programs include all employees in the company. The outcome of the incentive programs has a clear connection to the business strategy and also to the company's long-term value-adding for the shareholders, including its sustainability, since the company's share price needs to have reached a specific higher level three years after the warrants were issued, in order to make use of the warrants and subscribe for new ordinary shares. The incentive programs based on warrants further impose requirements on own investment and a holding period of three years before they can be used for subscription for new ordinary shares. For more information about these programs, including the criteria on which the outcome depends, please see <https://investors.avanza.se/en/corporate-governance/incentive-program/>.

The forms of remuneration

The remuneration must be market-based and may consist of a fixed cash salary, pension benefits and other benefits. In addition, the annual general meeting may, and regardless of these guidelines, decide on, for example, shares and share price related remuneration or incentive programs based on warrants.

For the managing director, pension benefits as well as health insurance must be determined based on a premium. Pension premiums for premium based pension shall amount to a maximum of thirty-five (35) percent of the fixed cash salary. For other senior executives, pension benefits, including health insurance, must be determined based on a premium. Pension premiums for premium based pension shall amount to a maximum of thirty (30) percent of the fixed cash salary.

Other benefits may, among other, include life insurance, health insurance and home cleaning services. Premiums and other costs in connection with such benefits may amount to a maximum of five (5) percent of the fixed cash salary.

Termination of employment

Upon termination of employment, the notice period may not exceed twelve (12) months. Fixed cash salary during the notice period and severance pay may all in all not exceed an amount corresponding to the fixed cash salary of two (2) years for the managing director. In the event of termination by the managing director or by other senior executives, the period of notice may not exceed six (6) months, without the right to severance pay.

Salary and terms of employment for employees

In the processing of the board's proposal of these compensation guidelines, salaries and terms of employment for the company's employees have been taken into account since information on employees' total remuneration, components of the remuneration and remuneration increase and increase rate over time, have been part of the remuneration committee's and the board's decision basis when evaluating the reasonableness of the guidelines and the limitations that follow by these.

The decision-making process to establish, review and implement the guidelines

The board has established a remuneration committee. The committee's tasks include preparing the board's decision on proposals for guidelines for remuneration to senior executives. The board shall draw up proposals for new guidelines at least every four years and submit the proposal to be resolved at the annual general meeting. The guidelines shall apply until new guidelines have been adopted by the annual general meeting. The remuneration committee shall also follow and evaluate the application of guidelines for remuneration to senior executives as well as current remuneration structures and remuneration levels in the company. The members of the remuneration committee are independent in relation to the company and company management. In the board's processing of and decisions on remuneration related matters, the managing director or other members of the executive management are not present, insofar as they are affected by the issues.

Deviations from the guidelines

The board may decide to temporarily deviate from the guidelines in whole or in part, if in an individual case, there are special reasons for it and a deviation is necessary to satisfy the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, it is part of the remuneration committee's tasks to prepare the board's decision on remuneration issues, which includes decisions on deviations from the guidelines.

The Board of Directors and Group Management

The Annual General Meeting on 19 March 2019 resolved to reelect the Chairman of the Board and the board members, with the exception of Sophia Bendz who declined re-election. The Articles of Association state that the Board of Directors shall comprise a minimum of five and a maximum of eight members. Avanza's Board consisted in 2019, as of the Annual General Meeting, of seven members elected until the next AGM and no deputies.

Jesper Bonnivier took over as new CEO of Avanza Fonder AB and as a member of Group Management on 10 April. Jesper has over 18 years of experience in asset management and for the last 13 years has held senior positions at Länsförsäkringar Fonder.

Malin Nybladh, Head of HR and a member of Group Management since May 2018, left Avanza on 1 April.

Camilla Hedenfelt, new Head of HR and member of Group Management, took on her role on 1 September. Camilla has 20 years of experience in strategic and operative HR work within telecom and consumer goods. Most recently she has been the HR Director of Orkla Care where she has worked with, among other things, organisational change and development.

Capital surplus, SEK m	31-12-2019	31-12-2018
Capital base		
Shareholders' equity, the Group	1,945	1,614
Solvency capital	1,294	909
Less non-distributable solvency capital ¹⁾	-186 ⁴⁾	-138
Subordinated loan ²⁾	76	75
Additional value adjustments ²⁾	-20	-17
Intangible fixed assets and deferred tax receivables	-76	-85
Capital base before dividend adjustments²⁾	3,034⁴⁾	2,359
Capital requirements		
Capital requirement Pillar 1 ²⁾	-1,721	-1,253
of which Solvency capital requirements	-1,108 ⁴⁾	-771
Buffer requirement ²⁾	-364 ⁴⁾	-288
Capital requirement Pillar 2	-120	-83
Capital requirements²⁾	-2,204⁴⁾	-1,624
Capital surplus before dividend²⁾	829	735
Capital surplus per share, SEK ²⁾	5.39	4.85 ³⁾

¹⁾ Non-distributable solvency capital (future profits) = solvency capital – solvency capital requirement.

²⁾ A revision has been made for additional value adjustments, which relate to assets that are measured at fair value via other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 30 September 2019 with adjusted comparative figures for 31 December 2018.

³⁾ Adjusted in accordance with the share split in April 2019.

⁴⁾ The Solvency capital requirement and the buffer requirement as per 31 December 2019 have been adjusted compared to what was reported in Avanza's Preliminary Financial Statement for 2019.

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.

In October, Maria Christofi-Johansson, Head of Customer Relations and member of Group Management, left Avanza. Head of Customer Relations will no longer be a part of Group Management.

Additional information about the Board of Directors and Group Management is provided in the Corporate governance report on pages 38–50.

The Avanza share

The Avanza share is listed on Nasdaq Stockholm Large Cap, included in the Financial Services sector under the ticker symbol AZA.

The Annual General Meeting 2019 approved a share split in Avanza Bank Holding AB (publ), whereby each existing share was divided into five shares. The Board decided the 16 April 2019 as record date for the split, which increased the total number of shares in the company from 30,272,996 to 151,364,980. The Annual General Meeting also resolved to amend The Articles of Association related to the split.

At year-end there were a total of 153,786,322 shares in Avanza. There is only one class of shares, each share entitles to one vote and there are no limitations as to the number of votes a shareholder may exercise at 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 2019: Creades AB representing 10.1 per cent and Sven Hagströmer including family and companies representing 10.0 per cent.

Outstanding warrant programmes include 6,750,000 warrants corresponding to a maximum dilution effect of 4.5 per cent, if fully exercised. Of these warrants, 38.6 per cent was transferred to employees at the end of the year.

For further information on the Avanza share, refer to pages 28–31 and Note 30 Equity.

Repurchase of the company's own shares

On 19 March 2019, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased in 2019 and the company holds no repurchased shares as of 31 December 2019.

Capital surplus

The capital surplus, i.e. the maximum scope available for dividend payments and repurchase of the company's own shares, totalled SEK 829 million as of 31 December 2019.

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

Proposed allocation of profits

The Board of Directors of Avanza Bank Holding AB (publ) proposes that the Annual General Meeting on 17 March 2020 agree to that the accumulated profit, including net profit for the year and share premium reserve, of SEK 802,749,023, in accordance with the established balance sheet, be allocated in such a way that a dividend of SEK 2.30 per share is distributed to the shareholders and the remaining sum transferred into new accounts. This corresponds to a dividend of SEK 354 million (SEK 318m) and to 79 (91) per cent of operating profit. Avanza's policy is to distribute at least 70 per cent of profit for the year. For the Board of Directors' statement on the proposed allocation of profits, see page 96 Note 40 Proposed allocation of profits.

Consolidated income statement

SEK m	Note	2019	2018
Operating income			
Commission income	3, 4	1,191	1,111
Commission expenses	5	-200	-183
Interest income calculated using the effective interest method	6	253	212
Other interest and similar income	6	36	29
Interest expenses	6, 11	-87	-122
Net result of financial transactions	7	0	2
Other operating income		0	0
Total operating income		1,193	1,049
Operating expenses			
General administration costs	8–10	-569	-541
Depreciation and amortisation	11, 23–24	-63	-20
Other operating expenses	12	-34	-69
Total operating expenses before credit losses		-666	-629
Operating profit before credit losses			
Credit losses, net	13	0	-1
Profit/loss from participations in associated companies	21	-8	-1
Operating profit		520	418
Net profit before tax			
Tax on the profit for the	15	-73	-69
Net profit for the year¹⁾		447	349
Earnings per share before dilution, SEK ²⁾	16	2.94	2.32
Earnings per share after dilution, SEK ²⁾	16	2.94	2.31

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

²⁾ Adjusted in accordance with the share split in April 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – SEK m	Note	2019	2018
Net profit for the year		447	349
Items that will be reversed to the income statement			
Changes in fair value of financial instruments recognised at fair value via other comprehensive income	19	-39	
Tax on changes in fair value of financial instruments recognised at fair value via other comprehensive income	-4	9	
Items that will not be reclassified to the income statement			
Changes in value of associated companies ¹⁾	21	-	40
Other comprehensive income after tax		15	9
Total comprehensive income after tax²⁾		462	359

¹⁾ The book value of the shareholding in Stabelo Group AB was set at market value in connection with additional share purchase in 2018.

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

Consolidated balance sheet

SEK m	Note	31-12-2019	31-12-2018
Assets	32,33		
Balances at central banks		1,340	2,907
Lending to credit institutions	17	1,766	914
Lending to the public	18	13,106	10,339
Bonds	19	19,782	16,958
Shares and participations	20	0	1
Participation in associated companies	21	108	116
Assets in insurance operations	22	116,369	86,457
Intangible fixed assets	23	76	84
Right-of-use assets	11	76	—
Tangible fixed assets	24	35	40
Other assets	15, 25	3,022	4,104
Prepaid costs and accrued income	26	262	221
Total assets		155,942	122,138
Liabilities and shareholders' equity			
Liabilities	32–34		
Deposits by the public		36,400	33,317
Liabilities in insurance operations	22	116,370	86,458
Lease liabilities	11	86	—
Other liabilities	15, 27	945	508
Accrued costs and prepaid income	28	97	142
Subordinated liabilities	29	100	100
Total liabilities		153,996	120,524
Shareholders' equity	30		
Share capital		77	76
Other capital contributed		663	484
Fair value reserve		9	—6
Retained earnings		1,196	1,061
Total shareholders' equity		1,945	1,614
Total liabilities and shareholders' equity		155,942	122,138

Changes in the Group's shareholders' equity

SEK m	Share capital	Other capital contributed	Fair value reserve	Retained earnings	Total
Shareholders' equity 31-12-2017	75	442	—	910	1,427
Adjustment of shareholders' equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)					
Increased provision for anticipated credit losses in accordance with IFRS 9	—	—	—	—3	—3
Valuation of bonds at fair value through other comprehensive income	—	—	24	—	24
Changes in value of shares and participations ¹⁾	—	—	10	—	10
Adjusted shareholders' equity 01-01-2018	75	442	34	907	1,458
Net profit for the year	—	—	—	349	349
Other comprehensive income	—	—	—40	50	9
Total comprehensive income	—	—	—40	399	359
<i>Transactions with owners</i>					
Dividend paid	—	—70	—	—245	—315
Exercise of share warrants	1	108	—	—	108
Warrants issue	—	5	—	—	5
Shareholders' equity, 31-12-2018	76	484	—6	1,061	1,614
Net profit for the year	—	—	—	447	447
Other comprehensive income	—	—	15	—	15
Total comprehensive income	—	—	15	447	462
<i>Transactions with owners</i>					
Dividend paid	—	—6	—	—312	—318
Exercise of share warrants	1	181	—	—	183
Warrants issue	—	4	—	—	4
Shareholders' equity, 31-12-2019	77	663	9	1,196	1,945

1) The holding in Stabelo Group AB has been revalued in connection with the transition to IFRS 9, resulting in an increase of SEK 10 million in the opening balance for 2018. Historical figures and key ratios have been adjusted.

There are no interests in holdings without controlling influence in shareholders' equity.

Consolidated cash flow statement

SEK m	Note	2019	2018	
Operating activities				
Profit before tax		520	418	
whereof interest payments received		289	241	
whereof interest expenses paid		-87	-122	
<i>Adjustment for items not included in cash flow</i>				
Depreciations of tangible and intangible fixed assets	11, 23–24	63	20	
Lease payments		-31	-	
Income tax paid		859	3	
Cash flow from operating activities before changes in operating activities' assets and liabilities				
		1,411	441	
Changes in operating activities' assets and liabilities				
Increase (-)/decrease (+) in lending to credit institutions	34	-5	26	
Increase (-)/decrease (+) in lending to the public		-2,767	-835	
Increase (-)/decrease (+) in securities		9	-38	
Increase (-)/decrease (+) in other assets		111	-113	
Increase (+)/decrease (-) in deposits by the public		3,082	5,416	
Increase (+)/decrease (-) in other liabilities		390	-1	
Cash flow from operating activities' assets and liabilities		819	4,454	
Cash flow from operating activities		2,230	4,895	
Investment activities				
Acquisition of intangible fixed asset	23	-	-4	
Acquisition and disposals of tangible fixed assets	24	-10	-21	
Acquisition of shares and participations		0	-	
Acquisition of shares and participations in associated companies		-	-46	
Investment in bonds		-2,809	-2,506	
Cash flow from investment activities		-2,819	-2,577	
Financing activities				
Cash dividend		-318	-315	
Subordinated bond		0	0	
Warrants issue		183	108	
Exercise of share warrant		4	5	
Cash flow from financing activities		-131	-202	
Cash flow for the year				
		-720	2,116	
Liquid assets at beginning of year		3,797	1,681	
Liquid assets at end of year		3,077	3,797	
Change		-720	2,116	
Composition of liquid assets, SEK m				
		31-12-2019	31-12-2018	
Balances at central banks		1,340	2,907	
Lending to credit institutions		1,766	914	
Pledged assets		-29	-24	
Total		3,077	3,797	
Reconciliation of liabilities arising from financial activities				
SEK m	31-12-2018	Cash flow	Non-cash changes	31-12-2019
Subordinated bond	100	-	0	100
Total	100	-	0	100

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

Parent Company income statement and balance sheet

SEK m	Note	2019	2018
Operating expenses			
Administration expenses	9	-15	-10
Other operating expenses	10	-7	-7
Operating profit/loss		-22	-17
Profit/loss from financial investments			
Profit/loss from participations in Group companies	14	182	284
Interest income and similar items		-	-
Interest expenses and similar items		0	0
Profit/loss before tax		160	267
Tax on profit for the period	15	0	0
Net profit/loss for the period		160	267
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – SEK m			
Net profit for the year		160	267
<i>Items that will be reversed to the income statement</i>			
Changes in value of associated companies ¹⁾	21	-	40
Other comprehensive income after tax		-	40
Total comprehensive income after tax		160	307

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

SEK m	Note	31-12-2019	31-12-2018
ASSETS			
Fixed assets			
Financial fixed assets			
Share and participations in Group companies	31	417	417
Participation in associated companies	21	117	117
Total fixed assets		533	533
Current assets			
Current receivables			
Receivables from Group companies		352	336
Current tax receivable		1	0
Prepaid costs and accrued income		2	1
Total current receivables		354	337
Cash and bank balances		0	1
Total current assets		354	338
Total assets		887	871
Shareholders' equity and liabilities			
Shareholders' equity			
Restricted shareholders' equity	30		
Share capital		77	76
Unrestricted shareholders' equity			
Share premium reserve		643	463
Retained earnings		160	317
Total shareholders' equity		880	855
Current liabilities			
Accounts payable		0	-
Liabilities to Group companies		0	8
Tax liability		0	0
Other liabilities		1	1
Accrued costs and prepaid income		6	7
Total current liabilities		7	16
Total shareholders' equity and liabilities		887	871

Changes in the Parent Company's shareholders' equity

SEK m	Share capital	Share premium reserve	Retained earnings	Total
Shareholders' equity, 31-12-2017	75	422	248	745
Adjustment of shareholders' equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)				
Changes in value of shares and participations	–	–	10	10
Adjusted shareholders' equity 01-01-2018	75	422	258	755
Net profit for the year	–	–	267	267
Other comprehensive income for the year	–	–	40	40
Total comprehensive income for the year	–	–	307	307
<i>Transactions with owners</i>				
Dividend paid	–	–67	–248	–315
Exercise of share warrants	1	108	–	108
Shareholders' equity, 31-12-2018	76	463	317	855
Net profit for the year	–	–	160	160
Other comprehensive income for the year	–	–	–	–
Total comprehensive income for the year	–	–	160	160
<i>Transactions with owners</i>				
Dividend paid	–	–1	–317	–318
Exercise of share warrants	1	181	–	183
Shareholders' equity, 31-12-2019	77	643	160	880

Parent Company cash flow statement

	2019	2018
Operating activities		
Profit before tax	160	267
whereof interest payments received	0	0
whereof interest expenses paid	0	0
Adjustment for items not included in cash flow		
Anticipated dividend and Group contributions	–160	–267
Income tax paid	–1	0
Cash flow from operating activities before changes		
in operating activities' assets and liabilities	–1	0
Changes in operating activities' assets and liabilities		
Increase (–) / decrease (+) in other assets	144	255
Increase (+) / decrease (–) in other liabilities	–9	7
Cash flow from operating activities' assets and liabilities	135	262
Cash flow from operating activities	134	262
Investment activities		
Acquisition of shares and participations	–	–
Acquisition of shares and participations in associated companies	–	–46
Cash flow from investment activities	–	–46
Financing activities		
Cash dividend	–318	–315
Exercise of share warrants	183	108
Shareholder contribution paid	–	–8
Cash flow from financing activities	–135	–214
Cash flow for the year	–1	1
Liquid assets at beginning of year	1	0
Liquid assets at end of year	0	1
Change	–1	1

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

Notes

Note 1 Corporate information

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

The Consolidated Accounts for 1 January 2019–31 December 2019 comprise the Parent Company, its subsidiaries and associated companies, referred to collectively as "the Group". The Group's operations are described in the Administration Report. The Consolidated Accounts and the Annual Report for Avanza Bank Holding AB (publ) for the 2019 financial year were approved on 20 February 2020 by the Board of Directors and the CEO. The Consolidated Accounts and the Annual Report are adopted by the Annual General Meeting on 17 March 2020.

Note 2 Accounting principles

(a) Compliance with standards and legislative requirements

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

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

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

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

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

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 2019

IFRS 16 Leases

In January 2016, IASB issued a new lease standard that has replaced 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 remain unchanged. The standard took effect on 1 January 2019.

Avanza has applied the simplified transition method and the main impact on Avanza's accounts arises from the reporting of leases of premises. Only future lease payments from 1 January 2019 were included in the calculation of leasing debt and right of use. No comparative figures have been recalculated and the transition had no effect on the opening balance of equity. The effect on the opening consolidated balance sheet as of 1 January 2019 is shown in the table below.

Transition effects IFRS 16

SEK m	
Assets 31-12-2018 before transition effects	122,138
Access rights (additional asset item)	115
Assets 01-01-2019 after transition effects	122,253
Liabilities 31-12-2018 before transition effects	120,524
Leasing debt (additional debt item)	115
Liabilities 01-01-2019 after transition effects	120,639

No other new or amended IFRS, IFRIC interpretations or changes as a result of IASB's annual improvement project, which entered into force on 1 January 2019, are assessed as having had any significant impact on the Group.

Accounting standards applicable in 2020 or after

The new standards, amendments to standards and statements of interpretation entering into force during the financial year 2020, or later, have not been early adopted in the preparation of the financial statements. Only those changes which are assessed as having a possible future impact on the Group are described below.

IFRS 17 Insurance contracts

IFRS 17 will replace IFRS 4 and will entail significant changes. In contrast to IFRS 4, IFRS 17 also contains rules on how insurance contracts are measured and presented. The purpose of the standard is to create a uniform method for recognising all types of insurance contracts, a higher degree of transparency in insurance companies' earnings and increased comparability between companies and countries. The definition of an insurance contract is left essentially unchanged compared to IFRS 4, while the rules for separating investment and service components are slightly adjusted. The composition of the income statement and balance sheet will be changed and the disclosure requirements are significantly increased. Provided that IFRS 17 is adopted

by the EU, and that the effective date proposed by the IASB does not change, the standard will enter into force on 1 January 2022. Avanza is currently analysing the effects of the new standard.

No other IFRS or IFRIC interpretations which have not yet entered into force are expected to have a material impact on the Group.

(d) Segment reporting

A segment is a part of the Group that can be identified in accounting terms and which engages in commercial operations, which receives income and incurs costs for which independent financial information exists, and whose operating profit is monitored by the management. Avanza's internal monitoring is conducted on the basis of the result for the Group as a whole and expenditure per cost unit. This business is connected with the customers' accounts and Avanza is guided by total customer volume rather than financial information for different product categories. The operating profit is only followed up at a group level. Avanza as a whole, therefore, constitutes a total segment in accordance with the criteria in IFRS 8.

(e) Classification

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

(f) Consolidation principles

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

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

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

Associated companies are companies over which the Group exercises control. Control is assumed when the Group directly or indirectly holds between 20 and 50 per cent of the votes in the company. The equity

method is applied once the holding has been classified as shares in associated companies. Profit shares are recognised as profit/loss from participations in associated companies.

Restrictions on the transfer of funds to the Parent Company

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

Transactions eliminated on consolidation

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

(g) Foreign currencies

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

(h) Income

Net commission

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

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

Net interest income

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

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

Net result of financial transactions

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

(i) Financial instruments

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

A financial asset or financial liability is recognised in the Balance Sheet on the transaction date, i.e. when the company becomes party to the instrument's contractual terms. Financial assets are derecognised from the balance sheet when the contractual rights to the cash flows expire or have essentially been transferred to a third party. Financial liabilities are derecognised when the obligation has been discharged, cancelled or expired. The same applies to any part of a financial asset or financial liability. As a rule, financial assets and liabilities are recognised gross in the balance sheet. Securities trading receivables and securities trading liabilities are offset in the balance sheet, this is because they are settled by payment for delivery in a clearing business.

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

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

Financial assets at fair value via income statement

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

Interest-bearing securities held as part of the insurance operations are assets used as liability coverage for the Group's investment contracts in the insurance operations. All contracts within the Avanza Group have conditional dividends in which the policyholder bears the risk of changes in value and these contracts are consequently defined as investment contracts and recognised in accordance with IFRS 9; see also section (o) Insurance operations.

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

Financial assets at fair value via other comprehensive income

Assets measured at fair value via other comprehensive income are initially recognised in the balance sheet at fair value with addition to acquisition value costs. Following first reporting, instruments in this category are measured at fair value via other comprehensive income. Unrealised changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve. In connection with a sale, a reclassification is made from the fair value reserve through other comprehensive income to profit or loss, where the realised result is recognised on the line for net result of financial transactions.

Financial instruments in this category constitute covered bonds, and to a lesser extent, securities issued by the Swedish government, municipalities and county councils which are held as a part of administration of the Group's excess liquidity. The business model consists of both generating value by obtaining contractual payments or by obtaining contractual payments and through certain sales of the financial assets. The terms of the instruments mean cash flows passing the SPPI test.

Financial assets at amortised cost

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

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

Financial liabilities at fair value via income statement

In this category are liabilities in the insurance operations reported, see section (o) Insurance operations, excluding provisions for unregulated claims, since corresponding assets are measured at fair value through profit or loss. All agreements with Avanza have conditional dividends in which the policyholder bears the risk of changes in value, with which

the commitment is reported as a liability in the balance sheet. The size of the debt is directly proportional to the value of the securities, as well as deposits and withdrawals.

The liabilities have initially been identified as financial liabilities at fair value via income statement less transaction costs. The valuation is based on the fair value of the underlying assets.

Financial liabilities at amortised cost

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

Impairment:

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

Impairment lending to the public

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

- Category 1: Margin lending where the borrowers abide by the current credit and account terms with fewer deviations than specified in category 2. Mortgages where the borrowers have made their interest payments during the latest rolling 12-month period with fewer deviations than specified in category 2.
- Category 2: Margin lending and mortgage loans with a significant increase in the risk of default are moved from category 1 to category 2 when the following conditions are met. Margin lending where the borrowers are overleveraged, but where the value of the collateral exceeds the active liability for more than 10 days or loans that have been categorised in category 3 in the last 90 days. Mortgages where the borrowers during the latest 12-month period have had at least one violation of interest payment deadlines lasting longer than 10 days. A return to category 1 requires: Margin lending - the customer is no longer in violation for more than 10 days and in the latest 90 days has not been categorised in category 3. Additionally, the market value of the financial securities pledged as collateral for the active liability exceeds the active liability. Mortgages – where the customer during the latest rolling 12-month period has remained current on their interest payments without being in violation for more than 10 days.
- Category 3: Margin lending with a significant increase in credit risk compared to category 2 are moved to category 3 when the following conditions are met. Margin lending where the borrowers are overleveraged at the same time that the value of the collateral is less than the active liability or a violation of the credit and account terms has continued for longer than 90 days. Mortgages where the borrowers during the latest 3-month period have had a violation of interest payment deadlines lasting 90 days or more. A return to cat-

egory 2 requires: Margin lending – the market value of the financial securities pledged as collateral for the active liability is no longer less than the active liability and the customer is no longer in violation of the credit and account terms for more than 90 days. Mortgages – the customer is not returned until they have not been in violation for 90 days or more during the latest rolling 3-month period. Returns are initially always to category 2, never directly to category 1, which applies to both products.

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

If the impairment is considered definitive, it is recognised as a confirmed credit loss and the value of the lending and the associated provisions for credit losses are derecognised from the balance sheet. The principle for derecognition from the balance sheet is bankruptcy, completed debt restructuring or mortality.

Impairment liquidity portfolio

Avanza's portfolio of bonds, which is recognised at fair value through other comprehensive income, is considered to be of the highest possible credit quality with low credit risk. The portfolio consists of covered bonds and municipal bonds. All bonds are market listed. The bonds are placed in category 1 and Avanza currently does not allocate any provisions to the reserve for expected credit losses for bonds, since the portfolio as a whole has a high rating and is assessed according to the exception for holdings with low credit risk as per IFRS 9. The need for a loss reserve is assessed on a regular basis and may change if the portfolio's structure changes.

Macro analysis:

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

(j) Intangible fixed assets

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

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

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

Goodwill

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

Development expenditure

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

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

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

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

Customer relations

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

(k) Tangible fixed assets

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

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

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

(l) Depreciation/amortisation

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

• computers and other technical installations	3 or 5 years
• equipment	5 years
• patents and trademarks	5 years
• development expenditure	5 years
• development expenditure trading system	10 years
• customer relations	5 years
• rights to use	1-4 years

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

(m) Write-downs

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

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

Calculation of the recoverable amount

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

Reversal of write-downs

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

(n) Leasing

For Avanza as a lessee, material leases with a term exceeding 12 months are recognised as assets and liabilities in the balance sheet represented by the right to use the leased asset and the obligation to pay future leasing charges. For leases, depreciation of the lease asset and interest expenses attributable to the lease liability are recognised in the income statement. The leases in question mainly comprise offices and other premises. IFRS 16 Leases is applied and the impact on profit before tax is not material.

Leases are not recognised as a right to use and lease liability in cases where the underlying asset has a low value.

(o) Insurance operations*Insurance contracts and investment contracts*

IFRS distinguishes between insurance contracts, which are recognised according to IFRS 4, and investment contracts, which are recognised according to IFRS 9. Insurance contracts are contracts where significant insurance risk is transferred from the policyholder to the issuer. Investment contracts are financial instruments which are not defined as insurance contracts, since they do not transfer a significant insurance risk. All contracts in Avanza's insurance operations are classified as investment contracts and are recognised according to IFRS 9; see also section (i) Financial instruments. Risk insurance such as premium waiver, life, health, disability and child insurance is offered in partnership with Euro Accident.

Avanza's policies consist of unit linked insurance or traditional insurance. For unit linked policies, the value of the insurance is entirely dependent on the investments that the policyholder makes. It is the

policyholders themselves who bear the investment risk for the investments. In traditional insurance, the value of the insurance consists in its entirety of conditional dividends, which means that policy does not have a guaranteed insured amount. It is the policyholders who bear the investment risk for the investments. The endowment pension, occupational pension and private pension insurance products can, upon pay-out, be converted to unit linked insurance. If the policy remains as traditional insurance, a fixed annual amount of three per cent of the insurance value will be calculated on the first pay-out date in the first five years and will be paid out over five years. The payment amount is guaranteed in the first five years.

Prepaid acquisition cost insurance operations

Avanza does not capitalise acquisition costs and thus has no prepaid acquisition costs, also known as deferred acquisition costs (DAC), in the balance sheet. Acquisition costs are recognized as they arise.

Assets in insurance operations

Assets in the insurance operations consist of policyholders' investments in securities in endowment insurance, endowment pensions, private pension insurance and occupational pensions. It is the policyholders who bear the investment risk, with the exception of any guaranteed amount in paying traditional insurance. Assets in the insurance operations are measured at fair value through profit or loss. Amounts received from and paid to the holders are recognised in the balance sheet as deposits or withdrawals.

Technical provisions

The technical provisions are divided into the life insurance provision, unit linked insurance commitments, provisions for outstanding claims and conditional dividends. The life insurance provision is comprised of the capital value of the future insurance compensation guaranteed to policyholders. The provision is calculated individually by policy and refers to the guaranteed entitlements to be paid out in five years. Unit linked insurance commitments are calculated individually by policy. The provision corresponds to the total market value of the holding in the policyholders' custodial accounts.

The provision for outstanding claims refers to claims for incidents that have occurred but have not been reported. The provision is calculated collectively for the insured portfolio and is a specific percentage of the gross risk premium income for the claim year.

Conditional dividends are calculated individually by policy. It corresponds to the total market value of the holding in the policyholder's custodial account less any provision for guaranteed entitlements.

Commitments for investment contracts

All contracts with Avanza have conditional dividends where the policyholder bears the risk for changes in value, whereby they are classified as investment contracts and the commitment is recognised as a liability. The size of the liability is directly related to the change in value of the underlying securities as well as deposits and withdrawals. The liability is recognised as liabilities measured at fair value through profit or loss. Changes in the value of assets in the insurance operations and the corresponding change in the commitment for investment contracts are offset in the income statement. The substance of the transaction is that the changes in value belong in their entirety to the policyholders. Netting makes it easier for policyholders and other stakeholders to understand the transactions and assess the company's results and future cash flows.

The liability related to the reserve for unknown claims is calculated on an actuarial basis and recognised as a liability to policyholders.

Commitments for insurance contracts

No contracts are classified as insurance contracts, since there are no significant insurance risks within the insurance operations. Risk insurance such as premium waiver, life, health, disability and child insurance is offered in partnership with Euro Accident (issuer), which means that Avanza is not exposed to any insurance risk related to these products.

(p) Dividend paid

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

(q) Employee benefits

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

(r) Provisions

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

(s) Taxes

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

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

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

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

(t) Pledged assets and contingent liabilities

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

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

(u) Cash flow statement

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

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

Liquid assets

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

(v) The Parent Company's accounting principles

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

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

Shares and participations in Group companies

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

Shares and participations in associated companies

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

Group contributions

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

Anticipated dividend

Anticipated dividends from subsidiaries are booked as financial income in the parent company already during the vesting year in connection with the annual accounts. The subsidiaries do not book the dividend until the following year in conjunction with the annual general meeting deciding on the allocation of profits.

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

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

Note 3 Revenue from contracts with customers

SEK m – The Group	2019	2018
Trading in commission-generating securities	654	621
Fund savings	359	327
Corporate services	27	24
Other commission income	151	140
Total	1,191	1,111
<i>Timing of revenue recognition</i>		
Service or goods transferred to customer at a specific point in time	1,191	1,111
Service or goods transferred to customer over time	–	–
Total	1,191	1,111

Avanza's customers mainly consist of private investors in Sweden, corporate customers and partners in third-party relationships. Revenue from contracts with customers largely comes from securities trading and includes profit from exchange income of SEK 125 million (127) in the lines Trading in commission-generating securities and Fund savings.

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

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

and loans in strongly competitive markets. As a result, the Group's dependence on individual customers is limited. The largest single customer in 2019 generated brokerage income of SEK 1.2 million (1.7) and interest income of SEK 1.4 million (1.3). The largest customer in the business service category generated revenue of SEK 4.1 million (11.7). In external fund trades, Avanza receives a commission from the partner and does not charge a fee to the customer. From the fund company that brokered the largest single commission in 2019 Avanza received revenue of SEK 29 million (31).

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

Note 4 Commission income

SEK m – The Group	2019	2018
Brokerage, gross	556	520
Fund commissions	332	301
Other commission income ¹⁾	303	290
Total	1,191	1,111

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

Note 5 Commission expenses

SEK m – The Group	2019	2018
Transaction costs ¹⁾	–90	–85
Payment services commissions	–54	–49
Other commission expenses ²⁾	–56	–49
Total	–200	–183

¹⁾ Costs directly related to brokerage income.

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

Note 6 Net interest income

SEK m – The Group	2019	2018
Interest income		
<i>Interest income using the effective interest method</i>		
Interest income from lending to credit institutions	3	4
Interest income from lending to the public	223	208
Interest income from interest-bearing securities	27	–
Total interest income using the effective interest method	253	212
<i>Other interest income</i>		
Other interest income	36	29
Total other interest income	36	29
Total interest income	289	241
Interest expenses		
Interest expenses for lending to credit institutions	-14	-32
Interest expenses for liabilities to credit institutions	0	0
Interest expenses for deposits from the public	-34	-30
Interest expenses for interest-bearing securities	0	-28
Interest expenses for lease liabilities	-2	–
Interest expenses for subordinated bond	-3	-3
Other interest expenses	-34	-30
Total interest expenses	-87	-122
Net interest income	201	119

The average lending rate to account customers during the year was 1.6 (1.8) per cent and the average deposits rate from accounts with surplus

liquidity during the year was 0.0 (0.0) per cent.

Note 7 Net result of financial transactions

SEK m – The Group	2019	2018
Realised profit/loss in respect of shares, etc		
Exchange rate fluctuations		
Change in value of insurance operations assets	22,706	-3,469
Change in value of insurance operations liabilities	-22,706	3,469
Total	0	2
Net profit/net loss per valuation category		
Financial assets valued at fair value via income statement	22,707	-3,467
Financial liabilities valued at fair value via income statement	-22,706	3,469
Financial assets valued at amortised cost	-1	0
Financial assets valued at fair value via other comprehensive income	–	–
Total	0	2

Note 8 General administration costs

SEK m – The Group	2019	2018
Personnel costs		
Consultancy services purchased		
Market information costs	-39	-34
Other general administration costs	-80	-103
Total	569	-541

Due to the introduction of IFRS 16 in 2019 leases on premises are reported as depreciation on right-of-use assets and interest expenses for lease liabilities instead of as costs for premises included in Other

general administration costs. Comparative information for 2018 has not been adjusted.

Note 9 Employees and personnel costs

SEK m – The Group	2019	2018
Salaries and other remuneration		
Pension costs		
Social insurance charges	-85	-75
Other staff overhead	-20	-17
Total personnel costs	-414	-367

Notes

The Group has no employees outside Sweden. At the end of the year there was a total of 445 (422) Group employees. Normal employment terms comprise salary and benefits. Pension costs refer to occupa-

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

Salaries, other remuneration and social insurance charges

SEK m	2019		2018	
	Salaries and other remuneration	Social insurance charges (of which pension costs)	Salaries and other remuneration	Social insurance charges (of which pension costs)
The Group	271	124	241	109
of which the Board of Directors and senior executives	29	17	24	15
Parent Company	11	4	8	4
of which the Board and CEO	6	3	6	3
			(1)	(1)

Average no. employees	2019		2018	
	No. employees	Of whom, men	No. employees	Of whom, men
Parent Company	3	2	3	1
Subsidiaries	426	272	403	268
Total	429	274	406	269

2019 SEK thousand – The Group	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Total
Chairman of the Board	447	–	–	447
Members of the Board	2,727	–	–	2,727
CEO	7,043	–	2,695	9,738
Deputy CEO	2,602	–	757	3,359
Other senior executives	15,843	–	4,223	20,066
Total	28,661	–	7,675	36,336

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

SEK thousand – Parent Company	2019		2018	
	Directors' fees	Other remuneration	Directors' fees	Other remuneration
Board members				
Sven Hagströmer	447	–	425	–
Sophia Bendz	88	–	338	–
Viktor Fritzén	437	–	323	–
Jonas Hagströmer	355	–	338	–
Birgitta Klasén	568	–	506	–
Mattias Miksche	396	–	368	–
Hans Toll	488	–	446	–
Jacqueline Winberg	396	–	377	–
Total	3,174	–	3,118	–

The Board of Avanza Bank Holding AB (publ) has 7 (8) members, 5 (5) of whom are men. Fees have been paid to the Chairman of the Board and Board Members in accordance with the resolutions of the 2019

Annual General Meeting. The Chairman of the Board has not received any remuneration in addition to Director's fees.

Information regarding senior executives

The term, senior executive, refers to the CEO and 8 (8) other persons at the end of the year who hold senior positions. Together, they make up the Group Management. There were 10 (10) senior executives in the Group during the year, 5 (4) of whom were men. For the composition of the Group Management at the end of the financial year, see page 48–49.

Remuneration to senior executives during the financial year

Remuneration to the CEO and other senior executives has, in accordance with Avanza's guidelines, comprised basic salary. Deferred variable remuneration that has not fallen due for payment amounts to SEK 4.0 million, (SEK 7.5m) of which SEK 0.7 million (SEK 1.9 million) was paid to a former CEO. The amount has, however, been reported as an expense for the financial year the remuneration refers to. Remuneration to the CEO for the 2019 financial year has been prepared by the Board's Remuneration Committee and decided by the Board of Directors. Remuneration to other senior executives has been decided by the Board of Directors after recommendations by the CEO and the Board's Remuneration Committee.

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

Members of the Group Management have during the year acquired warrants, on market terms in accordance with the warrant programme approved by the Annual General Meeting held on 19 March 2019. The total remuneration paid to members of the Group Management is on market terms.

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

Financial instruments, warrants

Subsidiary programme 2017–2020		Warrants		Market value	
SEK thousand	Number	Value¹⁾	Acquisition	Benefit	31-12-2019
CEO	50,000	174	174	–	161
Other senior executives	237,550	827	827	–	763
Total	287,550	1,001	1,001	–	924

Subsidiary programme 2018–2021		Warrants		Market value	
SEK thousand	Number	Value¹⁾	Acquisition	Benefit	31-12-2019
CEO	50,000	367	367	–	593
Other senior executives	136,650	1,004	1,004	–	1,622
Total	186,650	1,371	1,371	–	2,215

Subsidiary programme 2019–2022		Warrants		Market value	
SEK thousand	Number	Value¹⁾	Acquisition	Benefit	31-12-2019
CEO	80,000	345	345	–	608
Other senior executives	257,240	1,108	1,108	–	1,954
Total	337,240	1,452	1,452	–	2,561

¹⁾ Market value on acquisition date

Subsidiary programmes were acquired at market price in August 2017, August 2018 and August 2019 respectively. The market value has been

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

Note 10 Auditors' fees and reimbursement of expenses

SEK thousand – The Group	2019	2018
KPMG		
Audit engagements	-1,750	-
Audit business over and above audit engagements	-225	-
Tax consultancy	-	-
Other services	-137	-
Total	-2,112	-
Öhrlings PricewaterhouseCoopers		
Audit engagements	-	-2,125
Audit business over and above audit engagements	-412	-896
Tax consultancy	-	-69
Other services	-82	-112
Total	-494	-3,202
SEK thousand – Parent Company		
KPMG		
Audit engagements	-320	-
Audit business over and above audit engagements	-	-
Other services	-22	-
Total	-342	-
Öhrlings PricewaterhouseCoopers		
Audit engagements	-	-396
Audit business over and above audit engagements	-191	-436
Other services	-51	-25
Total	-242	-857

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 agreements

The Group

The Group's leased assets classified as right-of-use assets refer to premises. The effect of the transition to IFRS 16 is described in Note 2 Accounting principles, section (c). Because of the transition method the Group has chosen to apply to the transition to IFRS 16, comparative information has not been restated to reflect the new requirements.

Leases do not contain any limitations other than the security in the leased assets. No right-of-use assets were added and no reassessments of lease terms or changes in interest rate levels were made in

2019. A small lease was terminated in advance in 2019. Indexation of leases related to leased premises is taken into account in right-of-use assets and lease liabilities as of 31 December 2019.

A new lease was signed in December 2019 covering expenses for premises. The lease enters into force on 1 June 2019 and will affect the right of use and lease liabilities in the interim report as per 30 June 2020.

Right-of-use-assets

SEK m – The Group	31-12-2019	31-12-2018
Right-of-use-assets 01-01-2019 after transition effects of IFRS 16	119	-
Year's depreciation	-33	-
Year's write-downs	-8	-
Total	76	-

Lease liabilities

SEK m – The Group	31-12-2019	31-12-2018
Current liabilities	0	-
Longterm liabilities	86	-
Total	86	-

For an analysis of the remaining term of the lease liabilities, see Note 36 Financial risks in the section on Liquidity risk.

Amounts in the income statement according to IFRS 16

SEK m – The Group	2019	2018
Depreciations of right-of-use-assets	-33	-
Write-downs of right-of-use-assets	-8	-
Interest expenses for lease liabilities	-2	-
Total	-43	-

Write-down of right-of-use-assets SEK 8.3 million in 2019 is a non-recurring cost due to the consolidation of Avanza's offices again under

one roof at the current address on Regeringsgatan 103 in Stockholm in autumn 2020.

Amounts in the income statement according to IAS 17

SEK m – The Group	2019	2018
<i>Assets held via operational leasing agreements (refers to leasing of premises)</i>		
Minimum leasing charges	-	-30
Total leasing costs	-	-30
<i>Agreed future minimum leasing charges in respect of uncancelable contracts and which fall due for payment:</i>		
Within one year	-	-33
Between one and five years	-	-86
Later than five years	-	-
Total	-	-119

Others leases

The Group also leases machinery and IT equipment with terms of one to three years. These are short-term leases and/or leases of low value. The Group has chosen not to recognise right-of-use assets and lease liabilities for these leases.

Note 12 Other operating expenses

SEK m – The Group	2019	2018
Marketing costs	-19	-17
Other operating expenses ¹⁾	-15	-52
Total	-34	-69

¹⁾ 2018 including the Swedish Financial Supervisory Authority decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension in February 2019.

Note 13 Credit losses, net

SEK m – The Group	2019	2018
Year's write-down of confirmed credit losses	-1	0
Year's write-down of expected credit losses	1	-1
Total	0	-1

See Note 2 Accounting principles, section (i), for information on the methodology for provisions for expected credit losses, Note 18 Lending to the public and Note 36 Financial risks.

Note 14 Profit/loss on group participations

SEK m – Parent Company	2019	2018
Dividend received (2019 anticipated)	160	267
Group contribution received	26	17
Group contribution paid	-4	0
Total	182	284

Note 15 Tax on profit/loss for the year

SEK m	The Group		Parent Company	
	2019	2018	2019	2018
<i>Current tax expense (-)/tax income (+)</i>				
Tax expense (-)/tax income (+) for the period	-73	-69	0	0
Total current tax	-73	-69	0	0
<i>Deferred tax expense (-)/tax income (+)</i>				
Deferred tax in respect of temporary differences	0	0	-	-
Total deferred tax	0	0	-	-
Total reported tax expense	-73	-69	0	0
<i>Reconciliation of effective tax</i>				
Profit/loss before tax	520	418	160	267
Tax at current rate of taxation	21.4 %	22.0 %	21.4 %	22.0 %
Non-deductible costs	1.1 %	2.6 %	0.0 %	0.0 %
Non-taxable income	0.0 %	-0.1 %	-21.4 %	-22.0 %
Other tax base in insurance operations	-8.5 %	-8.9 %	-	-
Other	0.0 %	0.9 %	-	-
Effective tax	14.1 %	16.5 %	0.0 %	0.0 %
Deferred tax in temporary differences				
SEK m – The Group			31-12-2019	31-12-2018
Deferred tax receivable			0	2
Deferred tax liability			0	-
Net			0	2

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	2019	2018¹⁾
Earnings per share before dilution	2.94	2.32
Earnings per share after dilution	2.94	2.31
Average no. shares before dilution	152,114,601	150,432,155
Average no. shares after dilution	152,114,601	150,827,420
Outstanding no. shares before dilution	153,786,322	151,364,980
Outstanding no. shares after dilution	154,125,294	151,643,065
No. shares on full dilution	160,536,322	158,314,980

¹⁾ Adjusted in accordance with the share split in April 2019.

Ananza's outstanding warrant programmes comprise a total of 6,750,000 shares divided among three programmes, each of which expires in three years: 2017–2020 the exercise price of which is SEK 86.07 per share, 2018–2021 the exercise price of which is SEK 100.86 per share, and 2019–2022 the exercise price of which is SEK 94.80 per share.

The market price, as of 31 December 2019 was SEK 97.80. The total dilution effect is just under five per cent, if fully exercised. For more information, see Note 30 Equity.

Note 17 Lending to credit institutions

The Group

Client fund receivables, attributable to banking business, amounted as of 31 December 2019 to SEK 1,421 million (SEK 1,575m) which are reported net against client fund payables of SEK 1,421 million (SEK 1,575m).

Note 18 Lending to the public

SEK m - The Group	31-12-2019	31-12-2018
Margin lending	5,156	4,361
Mortgage loans	7,949	5,978
of which with collateral in the form of houses	5,251	3,893
of which with collateral in the form of tenant-owned apartments	2,699	2,085
Total	13,106	10,339

Lending to the public is secured through securities and real estate. SEK 8,936 million (SEK 6,979m) in mortgage loans had been granted

as of 31-12-2019, of which SEK 984 million (SEK 998m) was commitment for granted, undisbursed mortgage loans.

Provisions for expected credit losses

SEK m - The Group	31-12-2019	31-12-2018
Reserve at beginning of year	-12	-8
Adjustment from 1 January 2018 as a result of the transaction to IFRS 9	-	-3
Provision for expected losses	1	-1
Provisions at end of year	-10	-12

	Mortgage loans 31-12-2019		Margin lending 31-12-2019		Mortgage loans 31-12-2018		Margin lending 31-12-2018	
SEK m - The Group	Lending ¹⁾	Reserve						
Category 1	7,527	-1	5,156	-1	5,252	0	4,288	-1
Category 2	408	-2	1	0	694	-2	74	0
Category 3	17	0	7	-7	35	0	8	-8
Total	7,952	-3	5,164	-7	5,981	-3	4,369	-9

1) Excluding credit losses.

Lending to the public is reported after deduction of confirmed and expected credit losses. As of 31 December 2019, the provision for expected credit losses amounted to SEK 10 million (SEK 12m) cal-

culated according to the methodology in IFRS 9. See also Note 36 Financial risks and Note 2 Accounting principles, section (i) Financial instruments and subsection Impairment lending to the public.

Note 19 Bonds

SEK m – The Group	31-12-2019	31-12-2018
Issued by municipalities	1,000	606
Issued by credit institutions	18,782	16,352
Total	19,782	16,958
SEK m – The Group	31-12-2019	31-12-2018
Bonds, quoted	19,782	16,958
Total	19,782	16,958

As of 31 december 2019 SEK 1,718 million (SEK 1,679m) of bonds were pledged as collaterals. All bonds can be pledged to the Riksbank and are traded OTC in which indicative prices are published on Bloomberg. All covered bonds issued by Swedish banks have the highest bond rating with Standard & Poor's, AAA, or Moody's, Aaa. The bonds are placed in category 1 in Avanza's model for calculating

expected credit losses. Avanza currently does not allocate any provisions for expected credit losses, since the portfolio qualifies for the exemption for low credit risk holdings in accordance with IFRS 9. See also Note 2 Accounting principles section (i) Financial instruments and subsection Impairment lending liquidity portfolio.

Note 20 Shares and participations

SEK m - The Group	31-12-2019	31-12-2018
Shares and participations, quoted	0	1
Shares and participations, unquoted	0	0
Total	0	1

Not 21 Participation in associated companies

SEK m	Corporate ID no	Main business location	No. of shares	% of shares	The Group		The Parent Company	
Associated companies					31-12-2019	31-12-2018	31-12-2019	31-12-2018
Stabelo Group AB	559030-7996	Stockholm	2,254	27.3	108	116	117	117
Total					108	116	117	117

The partnership with Stabelo is a strategic investment that creates opportunities to offer Avanza's customers mortgages without negotiations or other commitments, financed by large pension and insurance companies. The investment is measured according to the equity method, and Avanza's share of Stabelo's profit/loss SEK -8 million (SEK -1m) is included in the consolidated accounts. The holding is the same as the share of voting rights.

In 2018, the holding in Stabelo Group AB increased to nearly 30 per

cent of the shares. A market valuation of the holding in connection with the additional acquisition led to an increase in book value of SEK 40 million which affected the Parent Company's and the Group's comprehensive income.

During the end of 2019, Stabelo Group AB completed a new share issue, which reduced Avanza's ownership interest from 29.8 per cent to 27.3 per cent.

Note 22 Assets and liabilities in insurance operations

SEK m – The Group	31-12-2019	31-12-2018
<i>Financial assets in insurance operations</i>		
Shares and participations	104,370	74,471
Interest-bearing securities	2,662	2,359
Liquid assets	9,337	9,627
Total	116,369	86,457
<i>Financial liabilities in insurance operations</i>		
Life insurance provisions	5	5
Provision for outstanding claims	1	1
Unit-linked insurance commitments	3,222	2,628
Conditional bonus	113,142	83,824
Total	116,370	86,458

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

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

Note 23 Intangible fixed assets

SEK m – The Group	31-12-2018	31-12-2018
Goodwill		
<i>Acquisition values</i>		
At beginning of year	26	26
At end of year	26	26
<i>Write-downs</i>		
At beginning of year	-3	-3
At end of year	-3	-3
Carrying amount at end of year	23	23
Other intangible assets		
<i>Acquisition values</i>		
At beginning of year	100	96
Year's investments	-	4
At end of year	100	100
<i>Depreciation</i>		
At beginning of year	-39	-31
Year's depreciation	-8	-8
At end of year	-47	-39
Carrying amount at end of year	53	61
Total intangible fixed assets	76	84

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

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

Note 24 Tangible fixed assets

SEK m – The Group	31-12-2019	31-12-2018
<i>Acquisition values</i>		
At beginning of year	107	106
Year's investments	10	21
Year's disposals	-1	-20
At end of year	115	107
<i>Write-downs</i>		
At beginning of year	-67	-76
Year's depreciation	-14	-11
Year's disposals	0	20
At end of year	-80	-67
Carrying amount at end of year	35	40

Note 25 Other assets

SEK m – The Group	31-12-2019	31-12-2018
Securities trading receivables	106	347
Current tax assets	2,613	3,540
Deferred tax assets	0	2
Other	303	214
Total	3,022	4,104

Note 26 Prepaid costs and accrued income

SEK m – The Group	31-12-2019	31-12-2018
Prepaid costs	35	28
Accrued income	227	193
Total	262	221

Note 27 Other liabilities

SEK m – The Group	31-12-2019	31-12-2018
Tax deduction	3	3
Securities trading liabilities	639	259
Accounts payable	14	13
Current tax liabilities	2	0
Other	286	233
Total	945	508

Note 28 Accrued costs and prepaid income

SEK m – The Group	31-12-2019	31-12-2018
Personnel-related liabilities	53	48
Other ¹⁾	43	94
Total	97	142

¹⁾ 2018 including the Swedish Financial Supervisory Authority decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension.

Note 29 Subordinated liabilities

SEK m – The Group	31-12-2019	31-12-2018
Dated subordinated liabilities	100	100
Total	100	100

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

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

First call date is 10 December 2020. If the warrant is exercised, the subordinated bond will be redeemed at a price corresponding to the nominal amount plus unpaid accrued interest.

Note 30 Equity

Following a resolution by the Annual General Meeting, a share split in Avanza Bank Holding AB (publ) was implemented on 16 April 2019, whereby each existing share was divided into five shares. The total number of shares thereby increased from 30,272,996 common shares to 151,364,980 common shares. As of 31 December 2019, the registered share capital comprised 153,786,322 (30,272,996) ordinary shares with a quotient value of SEK 0.50 (2.50) per share. During 2019, 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 warrants granting entitlement to subscribe a total of 6,750,000 shares, representing a dilution of maximum 4.5 per cent, if fully exercised. Of these warrants, 2,608,510 were transferred to employees. The warrant programme is divided into three sub-programmes and the total warrant programme runs from August 2017 to September 2022.

- Outstanding warrants 2017–2020 grant entitlement to subscribe to a total of 2,250,000 shares at an exercise price of SEK 86.07 per share. The expiration date is 30 August 2020. The warrants may be exercised from 26 August 2020 to 30 August 2020.
- Outstanding warrants 2018–2021 grant entitlement to subscribe to a total of 2,250,000 shares at an exercise price of SEK 100.86 per share. The expiration date is 2 September 2021. The warrants may be exercised from 27 August 2021 to 2 September 2021.

- Outstanding warrants 2019–2022 grant entitlement to subscribe to a total of 2,250,000 shares at an exercise price of SEK 94.80 per share. The expiration date is 1 September 2022. The warrants may be exercised from 26 August 2022 to 1 September 2022.

The warrant programme 2016–2019 had an exercise period from 26 August 2019 to 2 September 2019. The exercise price was SEK 75.40 per share. A total of 2,440,200 shares were available for subscription. 2,421,342 shares were subscribed for and all such shares have been issued.

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

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

Parent Company	No. outstanding shares
31-12-2018	30,272,996
Share split: an existing share split into five shares, new outstanding number of shares after the share split	151,364,980
Warrants issue due to exercise of share warrants	2,421,342
31-12-2019	153,786,322

Note 31 Shares and participations in Group companies

SEK m – Parent Company	31-12-2019	31-12-2018
Acquisition value		
At beginning of year	423	415
Shareholder contribution paid (2018; Avanza Fonder AB)	–	8
At end of year	423	423
Accumulated write-downs		
At beginning of year	–7	–7
At end of year	–7	–7
Carrying amount at end of year	417	417

Subsidiary ¹⁾	Corporate ID no	Registered office	No. shares	% of shares	Book value, SEK m
Avanza Bank AB (publ) ²⁾	556573-5668	Stockholm	550,000	100	366
Avanza Fonder AB	556664-3531	Stockholm	31,000	100	12
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
Total					417

¹⁾ Unquoted securities.

²⁾ Holdings in credit institutions.

Note 32 Terms for assets and liabilities

Remaining term (undiscounted cash flows)

31-12-2019 SEK m - The Group	Upon request	<3 months	3-12 months	1-5 years	>5 years	Perpetual	Total
<i>Assets</i>							
Balances at central banks	1,340	–	–	–	–	–	1,340
Lending to credit institutions	1,766	–	–	–	–	–	1,766
Lending to the public	–	5,156	–	–	7,950	–	13,106
Bonds	–	1,095	2,135	16,180	–	–	19,410
Shares and participations	–	–	–	–	–	0	0
Shares and participations in associated companies	–	–	–	–	–	108	108
Assets in insurance operations ¹⁾	–	56,075	440	7,317	52,537	–	116,369
Intangible assets	–	–	–	–	–	76	76
Right-of-use assets	–	–	–	–	–	76	76
Tangible fixed assets	–	–	–	–	–	35	35
Other assets	–	3,022	–	–	–	–	3,022
Prepaid costs and accrued income	–	262	–	–	–	–	262
Total assets	3,106	65,611	2,575	23,497	60,487	295	155,570
<i>Liabilities</i>							
Deposits by the public	36,400	–	–	–	–	–	36,400
Liabilities in insurance operations ¹⁾⁽²⁾	–	56,075	440	7,317	52,537	1	116,370
Lease liabilities	–	9	26	53	–	–	88
Other liabilities	–	945	–	–	–	–	945
Accrued costs and prepaid income	–	97	–	–	–	–	97
Subordinated liabilities ³⁾	–	1	2	13	103	–	119
Total liabilities	36,400	57,127	468	7,383	52,640	1	154,019

¹⁾ 100 per cent of the distribution of endowment insurance terms are within <3 months. 1 per cent of the terms for endowment pensions are within <3 months, 3 per cent between 3–12 months, 76 per cent 1–5 years and 20 per cent >5 years. 0 per cent of private pension insurance terms are within <3 months, 1 per cent 3–12 months, 16 percent 1–5 years and 83 per cent >5 years. 0 per cent of the terms for occupational pensions are within <3 months, 1 per cent 3–12 months, 8 per cent 1–5 years and 91 per cent are >5 years.

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

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

Remaining term (undiscounted cash flows)

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

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

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

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

Note 33 Financial instruments

Classification of financial information

31-12-2019 SEK m - The Group	Fair value via Income Statement	Amortised cost	Fair value via Other com- prehensive income	Non financial instruments	Total
<i>Assets</i>					
Balances at central banks	–	1,340	–	–	1,340
Lending to credit institutions	–	1,766	–	–	1,766
Lending to the public	–	13,106	–	–	13,106
Bonds	–	–	19,782	–	19,782
Shares and participations	0	–	–	–	0
Shares and participations in associated companies	–	108	–	–	108
Assets in insurance operations	107,032	9,337	–	–	116,369
Intangible assets	–	–	–	76	76
Right-of-use assets	–	–	–	76	76
Tangible fixed assets	–	–	–	35	35
Other assets	–	3,022	–	–	3,022
Prepaid costs and accrued income	–	227	–	35	262
Total assets	107,032	28,905	19,782	222	155,942
<i>Liabilities</i>					
Deposits by the public	–	36,400	–	–	36,400
Liabilities in insurance operations	116,369	–	–	1	116,370
Lease liabilities	–	–	–	86	86
Other liabilities	–	940	–	5	945
Accrued costs and prepaid income	–	51	–	46	97
Subordinated liabilities	–	100 ¹⁾	–	–	100
Total liabilities	116,369	37,490	–	138	153,996

¹⁾ The fair value corresponds with the book value.

Financial instruments valued at fair value

31-12-2019 SEK m - The Group	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	58,860	0	0	58,860
Fund units	45,510	0	–	45,510
Bonds and other interest-bearing securities	21,350	632	–	21,982
Other securities	394	69	–	462
Total assets	126,114	700	0	126,814
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	116,369	–	116,369
Subordinated liabilities	–	–	100	100
Total liabilities	–	116,369	100	116,469
SEK m - The Group			Level 3	
31-12-2018				0
Change in value				0
Reclassification				0
Sale				0
31-12-2019				0

Classification of financial information

31-12-2018 SEK m – The Group	Fair value via Income Statement	Amortised cost	Fair value via Other com- prehensive income	Non financial instruments	Total
<i>Assets</i>					
Balances at central banks	–	2,907	–	–	2,907
Lending to credit institutions	–	914	–	–	914
Lending to the public	–	10,339	–	–	10,339
Bonds	–	–	16,958	–	16,958
Shares and participations	1	–	–	–	1
Shares and participations in associated companies	–	116	–	–	116
Assets in insurance operations	86,457	–	–	–	86,457
Intangible assets	–	–	–	84	84
Tangible fixed assets	–	–	–	40	40
Other assets	–	4,104	–	0	4,104
Prepaid costs and accrued income	–	193	–	28	221
Total assets	86,457	18,572	16,958	152	122,138
<i>Liabilities</i>					
Deposits by the public	–	33,317	–	–	33,317
Liabilities in insurance operations	86,457	–	–	1	86,458
Other liabilities	–	508	–	0	508
Accrued costs and prepaid income	–	59	–	83	142
Subordinated liabilities	–	100 ¹⁾	–	–	100
Total liabilities	86,457	33,983	–	84	120,524

¹⁾ The fair value corresponds with the book value.

Financial instruments valued at fair value

31-12-2018 SEK m – The Group	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	42,345	0	0	42,345
Fund units	32,127	0	–	32,127
Bonds and other interest-bearing securities	18,545	476	–	19,022
Other securities	252	43	–	295
Total assets	62,208	31,580	0	93,788
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	86,457	–	86,457
Subordinated liabilities	–	–	100	100
Total liabilities	–	86,457	100	86,557

SEK m – The Group	Level 3
31-12-2017	21
Change in value	0
Reclassification	-21
Sale	0
31-12-2018	0

Fair value

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

Hierarchy for fair value via income statement

Financial assets measured at fair value via income statement 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 three levels:

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. Fair value is determined by using the official bid rate on the closing date. The majority of equities and funds pertaining to the insurance operations are included in this category. 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.
- Level 2 – The fair value of securities without an active market is determined, initially, by obtaining pricing information from opera-

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tors 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. Bonds that are less liquid can be found at this level and are measured on the yield curve. Liabilities in the insurance operations are included in this category as the value of the entire balance sheet item is indirectly related to the value of the assets in the insurance operations.

- Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).

The level of the hierarchy for fair value to which a financial instrument is classified is determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety. During the year, no transfers between the levels have taken place.

Not 34 Pledged assets and contingent liabilities

SEK m – The Group	31-12-2019	31-12-2018
<i>Pledged assets on behalf of customers</i>		
Stock lending	195	153
Collateral requirement, Nasdaq derivatives	456	459
Nasdaq Default fund	23	21
<i>Other pledged collateral and security</i>		
Nasdaq OMX MRAH	2	2
Securities liquidation, Euroclear	666	668
Securities liquidation, EMCF	205	200
The Riksbank	200	200
Total pledged assets	1,747	1,703

Pledged assets

Pledged assets total SEK 1,747 million (SEK 1,703m) which refers mainly to credit institutions and the stock exchange. The pledged assets are comprised of cash and cash equivalents of SEK 29 million (SEK 24m) and bonds of SEK 1,718 million (SEK 1,679m).

For customers' stock lending, Avanza pledges security in the form of bonds with the Swedish banks that offer Avanza's customers stock lending (GMSLA). Ownership of the collateral is transferred and can be realised if Avanza does not pledge enough security.

To cover the stock exchange's security requirements for customers' derivative positions, Avanza pledges bonds as security with Nasdaq Stockholm. Avanza in turn places corresponding security requirements on its customers. Avanza also pledges bonds with SEB to cover the security requirement for CCP terminated transactions (EMCF).

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

ties on different markets. These funds are held on account in Swedish banks and arise as a consequence of the security requirements, calculated for participants in the settlement of trades via a central clearing counterpart. The Riksbank clearing relates to securities for the settlement of transactions via Dataclearing. If Avanza does not meet its obligations or abide by its commitments in its capacity as a borrower, the counterparties are entitled to claim the collateral according to collateral agreement.

In the insurance business, registered assets, pledged as collateral to cover the technical provisions, amounted to SEK 116,369 million (SEK 86,457m) as at 31 December 2019. The assets are pledged in favour of the policyholders in the event of liquidation.

Contingent liabilities

Avanza has no contingent liabilities as per 31 December 2019.

SEK m – Parent Company	31-12-2019	31-12-2018
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 (CRR) and of 8 chap. 7 § of the Swedish Financial Supervisory Authority provisions and general advice (FFFS 2014:12) on prudential requirements and capital buffers. Information that must be published according to appendix 4 in Commission implementing regulation (EU) no 1423/2013 and other information, that is mandatory in accordance with FFFS 2014:12 and CRR, is available at the Avanza website investors.avanza.se/en.

The conglomerate's capital base and capital requirements

In 2008, the Swedish Financial Supervisory Authority ruled that Avanza Bank Holding AB (publ) (Corporate Identity Number 556274-8458) and its subsidiary companies constitute a financial conglomerate. The financial conglomerate comprises all companies within the Group. The conglomerate's capital base and capital requirements have been calculated using the consolidation method (fully consolidated). The conglomerate's capital base must cover the prescribed minimum capital requirements as regulated in CRR and the solvency requirements regulated in the Swedish Insurance Operations Act. The regulations help boost the Group's resilience to unforeseen financial losses and thereby protect customers. The Swedish Financial Conglomerates Special Supervision Act (2006:531) and the regulations

and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2011:26) concerning special supervision of financial conglomerates apply when determining the statutory capital requirement of the financial conglomerate. The conglomerate's capital base complies with financial conglomerate's capital requirements. At present, there are no material obstacles to a rapid transfer of funds from own funds or repayment of liabilities between the parent company and its subsidiaries. At present, there are no material obstacles to a rapid transfer of funds from own funds or repayment of liabilities between the parent company and its subsidiaries.

As a result of the Solvency 2 rules taking effect in 2016, the conglomerate's largest sector is insurance. Previously, the banking and securities sector was the largest sector. Avanza Pension's solvency capital requirement and capital base are calculated using the Solvency 2 directive's standard model. The standard model requires assumptions that are determined partly by authorities and partly by Avanza Pension's Board of Directors. In the capital base solvency capital, which refers to the estimated future present value of the insurance company Avanza Pension's profits generated from the policyholders' assets, is included as a separate item in the above. Capital requirements for regulated units in the insurance sector refers to the estimated Solvency Capital Requirement, which is also based on the policyholders' assets.

To strengthen the capital base, the Board of Directors resolved in 2015 to issue a 10-year, SEK 100 million subordinated bond in Avanza Bank AB (publ). The first day of trading on Nasdaq Stockholm was 3 February 2016. According to the group rules for banking, which also affects the conglomerate, the subordinated bond can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement.

	31-12-2019	31-12-2018
SEK m – The financial conglomerate		
Capital base		
Shareholders' equity, the Group	1,945	1,614
Proposed/assumed dividend	-354	-318
Shareholders' equity, financial conglomerate (Tier 1 capital)	1,592	1,296
<i>Additional</i>		
Solvency capital ¹⁾	1,294	909
Subordinated bond ²⁾	76	75
<i>Less</i>		
Additional value adjustments ²⁾	-20	-17
Intangible fixed assets	-76	-84
Deferred tax receivables	-	0
Total capital base²⁾	2,866	2,179
Capital base per sector		
Capital base for regulated units in the insurance sector	1,489	1,071
Capital base for regulated units within the banking and securities sector ²⁾	1,378	1,108
Total capital base²⁾	2,866	2,179
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector ³⁾	1,108	-771
Capital requirement for regulated units within the banking and securities sector ²⁾⁽³⁾	1,096	-853
of which additional buffer requirement ²⁾⁽³⁾	364	-288
of which additional Pillar 2 requirement	120	-83
Total capital requirement²⁾⁽³⁾	2,204	-1,624
Capital surplus²⁾⁽³⁾	662	555
Capital base/Capital requirement²⁾⁽³⁾	1.30	1.34

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

²⁾ A revision has been made for additional value adjustments, which relate to assets that are measured at fair value via other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 30 September 2019 with adjusted comparative figures for 31 December 2018.

³⁾ The capital requirement as per 31 December 2019 has been adjusted compared to reported in the Preliminary Financial Statement 21 January 2020.

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

According to CRR Avanza reports a consolidated situation, consisting of Avanza Bank Holding AB (publ) and the subsidiaries Avanza Bank AB (publ) ("Avanza Bank") and Avanza Fonder AB.

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

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

Avanza calculate capital requirements according to CRR's standard models. Accordingly, capital requirements for various risks are calculated based on established requirements as a percentage multiplied by amounts taken from Avanza's income statement and balance sheet. The product is a capital requirement in SEK. Avanza's capital requirement essentially stems from credit risk and operational risk.

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

- The credit risk mitigation applied is comprised of cash and shares included on indices defined by ESMA as stipulated in CRD IV. Swedish shares are creditable to a maximum of 79 per cent if they are included on the OMXSPI.
- Securities received are revalued daily in line with current market value. The lending value comprises a certain percentage of this market value.
- The exposure is in SEK and the majority of the securities comprise shares and fund units (99,9 per cent) and the majority of the collateral is listed in SEK (91 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 per cent.

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

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

Capital adequacy analyses for the consolidated situation and the institution Avanza Bank AB (publ) are provided on the following pages. Total capital ratio for the consolidated situation was 17.8 per cent as of 31 December 2019 and 18.1 per cent for Avanza Bank which can be compared to total requirements and buffers of 13.0 per cent. The capital ratio have historically always been above requirements.

Internal capital adequacy assessment process (ICAAP)

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

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

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

The latest ICAAP for Avanza Bank was prepared in the second quarter of 2019 with reference date as of 31 December 2018. The internal capital need was estimated at SEK 214 million. The total capital need, including Pillar 1 and Pillar 2 requirements excluding buffer requirement, amounted to SEK 529 million on the same date, while Avanza Bank's actual capital base was SEK 1,112 million. Including the buffer requirement, the total capital requirement amounted to SEK 916 million. The ICAAP concluded that Avanza did not expose depositors or customers to risk.

An ICAAP is also prepared for the consolidated situation based on the ICAAP prepared for Avanza Bank. The consolidated situation's ICAAP as of 31 December 2018 estimated the internal capital need at SEK 234 million, the total capital requirement at SEK 565 million and the actual capital base at SEK 1,221 million. Including the buffer requirement, the total capital requirement amounted to SEK 981 million. The consolidated situation's ICAAP stated that Avanza's depositors and customers are not exposed to risk.

SEK m - Consolidated situation	31-12-2019	31-12-2018
Capital base		
Shareholders' equity, the consolidated situation	1,865	1,585
Proposed/assumed dividend	-354	-318
Equity, consolidated situation (adjusted for proposed/assumed dividend)	1,511	1,267
Additional value adjustments ¹⁾	-20	-17
Intangible fixed assets	-76	-84
Deferred taxes	-	0
Significant holdings in the financial sector ²⁾	-5	-38
Common equity tier 1 capital¹⁾⁽²⁾	1,411	1,128
Subordinated bond ¹⁾	76	75
Tier 2 capital¹⁾	76	75
Total capital base¹⁾⁽²⁾	1,487	1,203
Capital requirement		
Credit risk according to standard model ¹⁾⁽⁴⁾	522	384
of which Institutions (risk-weight 20 %)	28	15
of which Corporates (risk-weight 100 %)	6	3
of which Households (risk-weight 75 %)	25	13
of which Collateral in real estate (risk-weight 35 %)	225	167
of which Covered bonds (risk-weight 10 %) ¹⁾	150	131
of which Shares (risk-weight 250 %) ²⁾	28	23
of which Other items (risk-weight 100 %) ⁴⁾	60	31
Market risks (position risk)	0	0
Settlement risk	0	0
Credit valuation adjustment risk according to the standardised method ³⁾	-	-
Operational risk according to the basic indicator approach	147	128
Total capital requirement¹⁾⁽²⁾⁽⁴⁾	669	512
Risk exposure amount		
Credit risk according to standard model ¹⁾⁽⁴⁾	6,530	4,795
of which Institutions (risk-weight 20 %)	350	182
of which Corporates (risk-weight 100 %)	73	37
of which Households (risk-weight 75 %)	310	161
of which Collateral in real estate (risk-weight 35 %)	2,809	2,092
of which Covered bonds (risk-weight 10 %) ¹⁾	1,879	1,643
of which Shares (risk-weight 250 %) ²⁾	353	291
of which Other items (risk-weight 100 %) ⁴⁾	756	389
Market risk	0	1
Settlement risk	2	3
Credit valuation adjustment risk according to the standardised method ³⁾	-	-
Operational risk according to the basic indicator approach	1,836	1,599
Total risk exposure amount¹⁾⁽²⁾⁽⁴⁾	8,367	6,398
Capital ratios and buffers		
Common equity tier 1 ratio, % ¹⁾⁽²⁾⁽⁴⁾	16.9	17.6
Tier 1 ratio, % ¹⁾⁽²⁾⁽⁴⁾	16.9	17.6
Total capital ratio, % ¹⁾⁽²⁾⁽⁴⁾	17.8	18.8
Capital base in relation to capital requirement ¹⁾⁽²⁾⁽⁴⁾	2.22	2.35
Common equity tier 1 capital requirement, %	4.5	4.5
Additional tier 1 capital requirement, %	1.5	1.5
Tier 1 capital requirement, %	6.0	6.0
Tier 2 capital requirement, %	2.0	2.0
Total minimum capital requirement, %	8.0	8.0

Cont. next page

¹⁾ A revision has been made for additional value adjustments, which relate to assets that are measured at fair value via other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 30 September 2019 with adjusted comparative figures for 31 December 2018.

²⁾ As of 31 March 2019, Avanza Bank Holding AB's holdings in Föräkringsaktiebolaget Avanza Pension and Stabelo Group AB are managed partly through capital requirements for Equity with a risk-weight of 250 per cent, partly through deductions from the capital base. Comparative figures have been adjusted.

³⁾ Credit valuation adjustment (CVA) risk calculated using the standardised method for outstanding OTC FX swap contracts with SEB as counterparty and relating to Avanza's currency management.

⁴⁾ The capital requirement as per 31 December 2019 has been adjusted compared to reported in the Preliminary Financial Statement 21 January 2020.

SEK m – Consolidated situation, cont.	31-12-2019	31-12-2018
Institution-specific buffer requirement, %	5.0	4.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer requirement, %	2.5	2.0
Total capital requirement including buffer requirement, %	13.0	12.5
Common equity tier 1 capital available for use as a buffer, % ³⁾	12.4	13.1
 Total capital base ¹⁾⁽²⁾	1,487	1,203
Capital requirement (8%) ¹⁾⁽²⁾⁽³⁾	-669	-512
Buffer requirement ¹⁾⁽²⁾⁽³⁾	-364	-288
Additional requirement with reference to Pillar 2	-120	-83
Total requirements¹⁾⁽²⁾⁽³⁾	-1,153	-882
Capital surplus after buffer requirement and Pillar 2¹⁾⁽²⁾⁽³⁾	334	321
 Leverage ratio		
Total exposure amount leverage ratio ³⁾	40,868	36,406
Tier 1 capital	1,411	1,128
Leverage ratio, % ³⁾	3.5	3.1

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

SEK m – Avanza Bank AB (publ)	31-12-2019	31-12-2018
Capital base		
Shareholders' equity	1,339	1,131
Proposed/assumed dividend	–	-57
Equity (adjusted for proposed/assumed dividend)	1,339	1,074
Additional value adjustments ¹⁾	-20	-17
Intangible assets	-53	-62
Deferred taxes	–	0
Common equity tier 1 capital¹⁾	1,266	996
 Subordinated bond	100	100
Tier 2 capital	100	100
 Total capital base¹⁾	1,365	1,096
 Capital requirement		
Credit risk according to standard model ¹⁾	483	367
of which Institutions (risk-weight 20 %)	28	14
of which Corporates (risk-weight 100 %)	6	3
of which Households (risk-weight 75 %)	25	13
of which Collateral in real estate (risk-weight 35 %)	225	167
of which Covered bonds (risk-weight 10 %) ¹⁾	150	131
of which Other items (risk-weight 100 %)	49	37
Market risks	0	0
Settlement risk	0	0
Credit valuation adjustment risk according to the standardised method ²⁾	–	–
Operational risk according to the basic indicator approach	119	109
Capital requirement¹⁾	602	476

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¹⁾ A revision has been made for additional value adjustments, which relate to assets that are measured at fair value via other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 30 September 2019 with adjusted comparative figures for 31 December 2018.

²⁾ Credit valuation adjustment (CVA) risk calculated using the standardised method for outstanding OTC FX swap contracts with SEB as counterparty and relating to Avanza's currency management.

³⁾ The capital requirement as per 31 December 2019 has been adjusted compared to reported in the Preliminary Financial Statement 21 January 2020.

SEK m – Avanza Bank AB (publ), cont.**31-12-2019****31-12-2018**

Risk exposure amount		
Credit risk according to standard model	6,032	4,582
of which Institutions (risk-weight 20 %)	350	181
of which Corporates (risk-weight 100 %)	73	37
of which Households (risk-weight 75 %)	310	161
of which Collateral in real estate (risk-weight 35 %)	2,809	2,092
of which Covered bonds (risk-weight 10 %)	1,879	1,645
of which Other items (risk-weight 100 %)	612	466
Market risk	0	1
Settlement risk	2	3
Credit valuation adjustment risk according to the standardised method ²⁾	–	–
Operational risk according to the basic indicator approach	1,493	1,368
Total risk exposure amount	7,527	5,954
Capital ratios and buffers		
Common equity tier 1 ratio, % ¹⁾	16.8	16.7
Tier 1 ratio, % ¹⁾	16.8	16.7
Total capital ratio, % ¹⁾	18.1	18.4
Capital base in relation to capital requirement ¹⁾	2.27	2.30
Common equity tier 1 capital requirement, %	4.5	4.5
Additional tier 1 capital requirement, %	1.5	1.5
Tier 1 capital requirement, %	6.0	6.0
Tier 2 capital requirement, %	2.0	2.0
Total minimum capital requirement, %	8.0	8.0
Institution-specific buffer requirement, %	5.0	4.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer requirement, %	2.5	2.0
Total capital requirement including buffer requirement, %	13.0	12.5
Common equity tier 1 capital available for use as a buffer, % ¹⁽²⁾	12.3	12.5
Total capital base ¹⁾	1,365	1,096
Capital requirement (8%)	–602	–476
Buffer requirement	–330	–268
Additional requirement with reference to Pillar 2	–113	–83
Total requirements	–1,046	–827
Capital surplus after buffer requirement and Pillar 2¹⁾	320	269
Leverage ratio		
Total exposure amount leverage ratio	40,580	36,363
Tier 1 capital	1,266	996
Leverage ratio, %	3.1	2.7

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

¹⁾ A revision has been made for additional value adjustments, which relate to assets that are measured at fair value via other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 30 September 2019 with adjusted comparative figures for 31 December 2018.

²⁾ Credit valuation adjustment (CVA) risk calculated using the standardised method for outstanding OTC FX swap contracts with SEB as counterparty and relating to Avanza's currency management.

Note 36 Financial risks

The Group's exposure to financial risks

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

No major operational changes affected Avanza's risk profile or exposure to risks in 2019. For further information on risks and risk management in business operations, see pages 32–35 and the Corporate governance report pages 43–45.

Credit risks

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

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

The majority of all exposure is to customers residing in Sweden. Loans are only made to Swedes domiciled outside the Nordic countries in exceptional circumstances.

Avanza's lending to the public is in the form of margin lending and mortgage loans. On the closing day, lending to the public amounted to SEK 13,106 million (10,339). Average lending in 2019 was SEK 11,722 million (9,923). Lending to the public is recognised after deducting expected credit losses, in accordance with IFRS 9.

IFRS 9 and expected credit losses

Avanza generally has a low risk appetite in its lending. A bank with a larger risk appetite allows e.g. margin lending with any financial security as collateral, while Avanza limits the securities that may be mortgaged in various ways. Similarly, Avanza places high requirements on mortgage borrowers, since they must be classified as Private Banking customers (who are required to have SEK 3 million in assets with Avanza) and may apply for a maximum loan to value ratio of 50 % or are employees of Avanza. Also, Avanza does not offer loan commitments. As a consequence of its low risk appetite, Avanza has historically had very limited credit losses.

The low credit risk mentioned above is also reflected in the relatively small expected credit losses. As of 31 December 2019, the reserve for expected credit losses amounted to SEK 10 million (12). See the following table for how expected credit losses (ECL) have changed in the last year. Changes in ECL over the period are partly due to older credit losses that were realised, better data quality for the mortgage loan's ECL calculations and the fact that Avanza in Q1 revised the methodology to estimate a macro variable for the margin loan's ECL calculations.

To calculate expected credit losses, Avanza has developed a forward-looking model adapted to the loan products it offers: margin lending and mortgage loans (for private banking customers). A significant increase in credit risk occurs when a customer is delinquent on payment of interest (mortgage) or in breach of terms (margin lending) for longer than 10 calendar days.

The forward-looking macroeconomic factors Avanza uses in its IFRS 9 model differentiate between the products. The macro variables are revised continuously based on a reasonability and sensitivity assessment of their impact on ECL. The macro variables that affect the ECL calculation for each product are as follows:

Margin lending

- Scenario 40
- Probability of default
- Unemployment

Mortgage loan

- Repo rate
- Unemployment
- House price index

Avanza's macro scenario work, we consistently apply three different scenarios to assess any impact on probability of default (PD), loss given default (LGD) and exposure at default (EAD). One worse, one normal and one better. The weights of these scenarios are divided as follows:

- Weight for the baseline scenario = 70 per cent
- Weight for the positive scenario = 15 per cent
- Weight for the negative scenario = 15 per cent

In addition to the IFRS 9 categorisation of credit customers, Avanza semi-annually reassesses credit customers with elevated risk and works continuously with non-performing credit customers. See also Note 18 Lending to the public and Note 2 Accounting principles section (i) for more information on IFRS 9.

Changes in expected credit losses

	31-12-2019	31-12-2018	Change, %
Mortgage loans (Superbolånet PB)			
Category 1	–603	–313	92
Category 2	–1,862	–2,376	–22
Category 3	–301	–444	–32
Total	–2,766	–3,133	–12
Margin lending			
Category 1	–629	–547	15
Category 2	–11	–260	–96
Category 3	–6,836	–7,741	–12
Total	–7,477	–8,548	–13
Total ECL	–10,243	–11,681	–12

Margin lending

All margin lending is secured against listed securities. As of year-end, margin lending totalled SEK 5,156 million (SEK 4,361m). The market value of pledged securities with deductions for expected credit losses was SEK 39,625 million (SEK 29,001m). The financial effects of securities held are calculated on a customer by customer basis, meaning that any surplus value in a security for one customer cannot be offset against that of another customer. The majority of the securities are Swedish listed equities with good liquidity that are measured at fair value on the particular market. Avanza makes an assessment of the appropriate loan to value ratio based on the liquidity of the security, volatility and net asset value and sets a substantial risk margin to protect Avanza as well as its customers against credit losses.

The repayment capacity of each borrower is evaluated and a credit limit set. In the lending process, a joint limit is set for all borrowers belonging to the same sphere. The spread in Avanza's lending is good. There is no great concentration of pledged securities within margin lending. As of 31 December 2019, 45 (33) margin loans exceeded SEK 10 million. The combined total of these loans was SEK 1,152 million (SEK 910m), of which the highest was SEK 110 million (SEK 101m).

Lending is monitored on a daily basis. At excess leverage, that is to say where debt is covered by pledged securities but the loan exceeds the value of the security and the security margin is no longer covered, the customer is contacted and notified of when the situation must be rectified. The customer can either rectify the excess leverage by depositing money or securities in the account or settling securities.

If no action is taken, Avanza has the right to sell enough of the securities pledged as collateral as required to rectify the excess leverage. In the event of volatile markets or other extreme events, excess leverage is actioned immediately on the day it arises, through the sale of securities. As of 31 December 2019, excess leverage amounted to SEK 1.5 million (SEK 7.1m) or 0.03 (0.16) per cent of security-backed lending. Average excess leverage during the year amounted to SEK 2.7 million (SEK 5.1m) or 0.06 (0.11) per cent of margin lending.

Margin loans are tested for impairment by classifying the loans in categories 1–3 according to Note 2 Accounting principles section (i) on pages 65–66. On the closing day, provisions for expected credit losses on margin lending in accordance with IFRS 9 amounted to SEK 7 million (SEK 9m). Avanza had confirmed credit losses during the year on margin lending of SEK 1 million (SEK 0m). As of 31 December 2019, there were no past due loans, no loans written down where security had not yet been utilised and no seized collateral not yet sold. Exchange rate gains/losses or other revaluations do not arise. See also Note 13 Credit losses, net and Note 18 Lending to the public.

Avanza regularly stress tests its margin lending in a number of hypothetical scenarios. Margin lending portfolios are stress tested in terms of margin losses and losses arising due to a lack of diversification (concentration risk).

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

Pledged financial assets for margin lending

31-12-2019	Market value, SEK m	Credit exposure, SEK m	Share of balanced exposure, %
Shares	33,892	4,596	89
Funds	5,668	555	11
Other	65	5	0
Total	39,625	5,156	100

Currency for pledged financial assets for margin lending

31-12-2019	Market value, SEK m	Credit exposure, SEK m	Share of balanced exposure, %
SEK	36,645	4,687	91
USD	1,677	258	5
EUR	467	88	2
NOK	396	56	1
DKK	295	51	1
Other	145	15	0
Total	39,625	5,156	100

Mortgage loans

Avanza has offered mortgage loans since the end of 2013. The offer "Superbolånet PB" targets Avanza's high net worth Private Banking customers with at least SEK 3 million in overall savings with Avanza and a low loan to value ratio of a maximum 50 per cent at the time the mortgage loan is granted. Employees can also take advantage of the offer, where the maximum loan to value ratio is 85 per cent at the time the loan is granted. Avanza does not offer loan commitments. As of 31 December 2019, mortgage lending amounted to SEK 7,949 million (SEK 5,978m).

Avanza had confirmed credit losses during the year on mortgage loans of SEK – million (SEK 0m). Provisions for expected credit losses on Superbolånet PB amounted to SEK 3 million (3). All mortgage loans are secured with pledges on houses and tenant-owned apartments in Sweden. The average loan to value ratio was 37 (36) per cent at the end of the year. Pledged properties are reassessed at least once a year through a statistical evaluation, which is purchased from external parties. The last reassessment occurred in November 2019.

Avanza is required to act as the only pledgee for the security. Normal credit assessment occurs, in which a remain-to-live-calculation (RTLC) is performed to see whether the borrower satisfies a scenario with the current interest rate plus at least 5 per cent, given the amount applied for. Repayment is usually introduced if the borrower's loan to value ratio exceeds 75 per cent. If the loan to value ratio exceeds 50 per cent, interest premiums accrue according to a fixed interest rate tier. In addition to this, authority requirements regarding amortisation are added.

In addition to Superbolånet PB, Avanza distributes an external mortgage, Bolån+, to a broader customer group. This is done in collaboration with Stabelo with Stabelo AB as the lender and does therefore not burden Avanza's balance sheet and does therefore not imply a credit risk for Avanza.

Pledged assets for mortgage loans

31-12-2019	Credit limit, SEK m	Lending, SEK m	Loan-to-value ratio (credit limit), %	Loan-to-value ratio (lending), %
Houses	5,533	5,251	38	36
Tenant-owned apartments	2,871	2,699	40	38
Total	8,405	7,949	39	37

Liquidity management

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

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

The holdings of bonds including pledged assets at the closing day amounted to SEK 19,782 million (SEK 16,958m), of which bonds issued by Swedish municipalities and county councils amounted to SEK 1,000 million (SEK 606m). Other liquidity is invested primarily in systemically important Nordic credit institutions, account at the Riksbank and the Swedish Tax Agency. At year-end cash and cash equivalents amounted to SEK 3,106 million (SEK 3,821m).

Avanza has a diversified portfolio with limited concentration risk vis-a-vis individual counterparties. Liquidity is invested in accordance with the company's internal regulations, which regulate allowed bond issuers, set a maximum average interest duration of three months and require that the bonds be allowed as security at the Riksbank. Regulation also safeguards the quality of counterparties and pledged securities. All covered bonds have the highest bond rating with Standard & Poor's (AAA) or Moody's (Aaa). Avanza does not allocate any provisions to the reserve for expected credit losses for bonds as the portfolio as a whole has a high rating and is assessed according to the exception for holdings with low credit risk as per IFRS 9. Assessment of the need to report a loan loss reserve is carried out regularly and may change if the structure of the portfolio changes.

Counterparty risk within security trading on customers' behalf

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

Administration of liquidity

31-12-2019	Book value, SEK m	Share, %
Balances at central banks	1,340	6
Lending to credit institutions, including pledged assets	1,766	8
Bonds ¹⁾ , including pledged assets	19,782	86
of which Swedish government, municipalities and county councils	1,000	5
of which covered bonds	18,782	95

¹⁾ Average duration of bondholders is 0.17.

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 also includes IT- and information risk, legal risk and compliance risk.

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

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

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

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

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

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

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

Market risks

Market risk is the risk of a decrease in Avanza's result, equity or value of assets due to changes in risk factors in the financial market. Market risk includes stock price risk, interest rate risk and currency risk.

Stock price risk

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

Interest risk

Interest risks may arise through an imbalance in the terms of Avanza's assets and liabilities as changes in interest rates can affect the market value of assets and liabilities. Changes in interest rates can also affect the net interest income. All else being equal, without taking changes in customer behaviour into account, a 1 per cent rate change from the repo rate by the end of the year of -0.25 and with today's volumes would affect full-year net interest income by around SEK 300 million.

Avanza has no fixed interest agreements with customers. Avanza lends at a variable interest rate and adjusts in normal market conditions in the event of interest rate changes by the Riksbank. Lending is financed by variable rate deposits.

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

Avanza's surplus deposits are invested in accordance with the internal risk appetite and limit framework. To effectively manage the liquidity, the Board has established a risk appetit for interest risk. The investment of the bank's surplus liquidity is made at a maximum average fixed interest rate duration of 0.25, i.e. three months. Furthermore, the interest risk, measured as a parallel displacement of two percentage units of the interest curve, may never exceed 8 per cent of the bank's capital base. Investable liquidity excluding pledged assets amounted to a value of SEK 21,141 million (SEK 19,076m) at year-end. Interest sensitivity in the portfolio is measured and internally reported on a weekly basis. Interest risk is limited as Avanza intends, and has general capacity, to hold all reported bondholdings to maturity. This is also reflected in the financial statements. Consequently, the risk of having to sell bondholdings in advance at a different market value is also limited. Of the bonds, 96 per cent have variable coupons (FRN – Floating Rate Notes) with quarterly interest revaluations, and the remaining 4 percent have fixed interest coupons and a remaining tenor of under two years. A sensitivity analysis of the portfolio is performed at the end of each quarter when an interest report is submitted to the Swedish Financial Supervisory Authority.

From 1 January 2018, as a result of the transition to IFRS 9, the liquidity portfolio is measured at fair value through other comprehensive income, see Note 2 Accounting principles section (i) and Note 33 Financial instruments. With a 0.5 percent increase in 3 month STIBOR, the market value of the bond portfolio would decrease momentarily by SEK 17 million.

Currency rate risk

Avanza does not conduct trading in currency on its own behalf. Assets and liabilities in the balance sheet are measured primarily in SEK. Customers may hold foreign currency in their account, including for settling transactions in a foreign currency. Such currency balances are matched in full by the equivalent balance in Avanza's bank accounts. No significant currency exposure exists outside the balance sheet.

Liquidity risks

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

Notes

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

Avanza is financed by equity, a subordinated bond and customer deposits. Avanza's operations are conducted without significant external financing requirements. Deposits from the general public are considered to be one of the most secure sources of financing compared to other forms of financing. The liquidity risk is reduced because the financing being spread across a very large number of households and small corporate customers. Historically, deposits from the public have exhibited little movement, a relatively high degree of so called "stickiness". Avanza's current financing structure exceeds liquidity requirements many times over, giving Avanza substantial surplus liquidity. Overall, the conclusion is that the exposure to liquidity risks is limited.

Good payment readiness requires that the asset side of the balance sheet is liquid. To have sufficient funds at all times to meet its payments and ensure customer withdrawals, Avanza makes continuous forecasts and performs stress tests to assess its need for means of payment. The stress tests build on historical data and are based on a number of scenarios specific to Avanza. Avanza estimates and monitors liquidity risks with the help of various risk measures according to Avanza's risk appetite and limit frameworks. Avanza has a low tolerance for liquidity risk. This is ensured by adding an extra liquidity buffer to the regulatory requirement in effect at any given time. Avanza's Treasury department regularly calculates the liquidity coverage ratio (LCR) and reports the results to the Board of Directors and management.

Forecasts are performed daily to manage short-term liquidity risks. Special contingency funding plans have been established to be prepared to manage serious disruptions to the liquidity situation. The purpose of contingency plans is to be able to effectively and efficiently take measures to restore the liquidity situation. In order to cope with short-term fluctuations in deposits and lending from/to the general public, a significant part of the assets is held in on account, available on the day or on deposit the following business day. Furthermore, Avanza is a monetary counterparty to the Riksbank and can thus use the standing credit facility in the event of a short-term liquidity requirement.

SEK 29 million (SEK 24m) of lending to credit institutions has been pledged as security. This means that lending to credit institutions, excluding pledged securities, of SEK 1,737 million (SEK 890m) and balances at the Riksbank of SEK 1,340 million (SEK 2,907m) is available by the next banking day at the latest. Aside from mortgage loans with a usual term of 30 years, Avanza's other larger balance sheet items have a short term. For securities loans, the term is indefinite, but the notice period is one month. Covered mortgage bonds and interest-bearing securities issued by the Swedish government, municipalities and county councils are managed daily and can normally be converted to cash within a few days. Avanza's bond portfolio has an even maturity structure annually, quarterly and to a certain extent monthly, meaning that large negative changes in surplus liquidity normally are managed with the help of ongoing maturities. Avanza has no individual large deposit customers of significance for liquidity. Instead, deposits are spread among many customers and payment readiness is considered very good. See also Note 32 Terms for assets and liabilities.

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

Remaining term (undiscounted cash flows)

SEK m 31-12-2019	Upon request	<3 months	3–12 months	1–5 years	>5 years	Perpetual	Total
Deposits by the public	36,400	–	–	–	–	–	36,400
Lease liabilities	–	9	26	53	–	–	88
Other liabilities	–	945	–	–	–	–	945
Accrued costs and prepaid income	–	97	–	–	–	–	97
Subordinated liabilities ¹⁾	–	1	2	13	103	–	119
Total liabilities²⁾	36,400	1,052	28	66	103	–	37,649

¹⁾ Interest payments during the full term are calculated with STIBOR 3M + 3 %.

²⁾ Total liabilities excluding liabilities in insurance operations for which policyholders are exposed to the risk of changes in value. These liabilities do not affect the liquidity risk.

Liquidity and financing, SEK m

	31-12-2019	Term
Balances at central banks	1,340	1 day
Lending to credit institutions, excluding client funds	1,766	1 day
Lending to the public – margin lending	5,156	1 month
Lending to the public – mortgage loans	7,949	At least 30 years
Bonds	19,782	33 months
Deposits by the public, excluding client funds	36,400	On spot basis

Underwriting risks

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

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

Note 37 Related parties

Transactions with related parties are priced on market terms.

Transactions with key individuals in senior positions and other related parties

No transactions over and above normal account management have been undertaken by Group Management, Board of Directors, close family members of the same, or companies over which any of these

individuals exercise a controlling influence. Nor have any provisions or costs for bad debts associated with related parties been reported during the financial year. Lending to key individuals in senior positions and to other related parties is a part of Avanza's normal operations.

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

The Group	31-12-2019	31-12-2018
Transactions with key individuals in senior positions and other related parties		
Lending, SEK m	21	21
Deposits, SEK m	230	331
	2019	2018
Brokerage fees, SEK thousand	989	870
Interest income, SEK thousand	205	159
Interest expenses, SEK thousand	55	49
Invoicing from related parties' limited companies, SEK m	15	8
The Parent Company	31-12-2019	31-12-2018
Transactions with subsidiaries		
Parent Company receivables from Group companies, SEK m	352	336
Parent Company liabilities to Group companies, SEK m	–	8
	2019	2018
Parent Company interest income from Group companies, SEK m	–	–
Parent Company interest expenses to Group companies, SEK m	–	0
Transactions with associated companies		
<i>The Parent Company has not reported any transactions with associated companies.</i>		

Note 38 Important estimates

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

Credit assessment

Credit losses are written down using a model where credits are divided into three categories based on assessments of when material increases in credit risk will arise. Additional assessments factor macroeconomic scenarios into the calculation of the impairment need. See Note 2 Accounting principles, section (i) Financial instruments.

Note 39 Events after the closing day

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

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 17 March 2020 agree to a dividend of SEK 2.30 per share for 2019. Thursday, 19 March 2020 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, 24 March 2020.

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

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

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

SEK - The Parent Company	31-12-2019
The following profits are at the disposal of the Annual General Meeting:	
Share premium reserve	642,768,946
Retained profit	0
Net profit for the year	159,980,077
Total	802,749,023
The Board of Directors propose that the profits be disposed as follows:	
Dividend to shareholders, SEK 2.30 per share	353,708,541
To be carried forward	449,040,482
Total	802,749,023

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, 20 February 2020

Sven Hagströmer
Chairman of the Board

Viktor Fritzén
Board member

Jonas Hagströme
Board member

Birgitta Klasén
Board member

Mattias Miksche
Board member

Hans Toll
Board member

Jacqueline Winberg
Board member

Rikard Josefson
CEO

Our Audit Report was submitted on 20 February 2020

KPMG AB

Mårten Asplund
Authorised Public Accountant

Dan Beitner
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Avanza Bank Holding,
corp. id 556274-8458

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Avanza Bank Holding for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 51–97 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 the parent company as of 31 December 2019 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 for Credit Institutions and Securities Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2019 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 for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 38–50. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Matter

The audit of the annual accounts for year 2018 was performed by another auditor who submitted an auditor's report dated 25 February 2019, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

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.

Valuation and existence of financial investment assets and technical provisions

See note 22 and accounting principles on pages 67–68 of the annual report and consolidated accounts for detailed information and a description of the area.

Description of key audit matter

Assets in the insurance operations primarily consist of financial instruments where there is an active market with quoted prices. To a lesser extent there are holdings where the valuation is based on other market data than quoted prices.

The valuation of liabilities in the insurance business is based on the fair value of the underlying assets with the addition of provisions for unsettled claims attributable to the risk element of endowment insurance.

Assets and liabilities in the insurance operations are a significant part of the consolidated balance sheet of Avanza. Avanza has implemented control activities in order to prevent and detect errors in Avanza Group's financial statements.

Response in the audit

We have tested and evaluated the design and efficiency of Avanza's controls for pricing, securities reconciliation and monitoring in the routine for valuation and reconciliation of financial instruments.

For those instruments listed, we have evaluated Avanza's controls for obtaining prices from external sources and we have conducted our own tests of pricing for the total portfolio by reconciling holdings with external independent sources.

For the liabilities in the insurance business, we have assessed the methods, models and assumptions against industry practice and calculated the provisions.

For income based on capital, we have tested certain key controls and calculated the outcome.

Commission income

See disclosures in note 4 and accounting principles on page 64 in the annual report and consolidated accounts for detailed information and description of the matter for the Group.

Description of key audit matter

Commission income is a significant part of Avanza Group's revenue. These consist primarily of brokerage received in connection with customers' purchases and sales of securities and commissions from the fund operations.

For 2019, the Group reports net sales related to commission income of SEK 1,194 M (1,111) (ovan star det "MSEK"). The item is thus material from a financial reporting perspective.

The income statement mainly contains risks attributable to completeness, accuracy and valuation due to the large number of transactions. IT systems and applications are used to handle the data in order to charge the proper revenue for each transaction.

Revenue recognition is considered to be a particularly important area as the large volume of transactions means that completeness and accuracy are critical in order for a material error in the financial reporting not to occur.

Loan receivables and provisions for loan losses

See disclosures in note 18 and accounting principles on page 66 in the annual report and the consolidated accounts for detailed disclosures and a description of the matter for the Group.

Description of key audit matter

Lending in Avanza Bank consists of loans with collateral in securities and housing. Lending takes place in Sweden via its own channels. The Group's loans to the public amounts to MSEK 13,106 (10,339) at December 31, 2019, which corresponds to 8.4 (8.5) percent of the Group's total assets.

The loan loss provisions in the Group's loan portfolio correspond to the Group's best estimate of potential losses in the loan portfolio as of the balance sheet date. The loan loss provisions require that the Group makes assessments and assumptions about credit risks and in the calculations for expected credit losses. The complexity of these calculations, as well as the judgments and assumptions that are made, make us consider this as a particularly important area.

Response in the audit

Our audit has included testing and evaluation of design and efficiency in controls for reporting commission income. This includes, among other things, evaluation of essential procedures and controls for revenue recognition, including relevant IT systems and applications used for accounting and follow-up. We have ensured the transfer of data between the pre-system and the general ledger.

We have performed data analyzes in combination with analytical review of commission income, where the transactions have been compared with agreed brokerage levels in relation to completed transactions.

We have also carried out calculations to ensure the size of the fund distribution revenue through analytical and detailed review.

Response in the audit

We have evaluated and tested the group's key controls in the lending process including credit decisions, credit review, rating classification and approval of loan loss provisions. Tested controls consist of both manual controls and automatic controls in application systems. We have also tested general IT controls including authorization management for the relevant systems.

During the year, special focus was placed on the application of IFRS 9. We have reviewed the Group's principles based on IFRS 9 to assess whether the Group's interpretation of these are reasonable. Furthermore, we have tested the Group's key controls regarding the process of loan loss provisions. We also randomly checked the input data in the models and the accuracy of the calculations. In our audit, we have used our internal credit risk modelling specialists to assist us.

Finally, we have assessed the information presented in the disclosures in the annual report.

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 1-37 and 102-113. The Board of Directors and the Managing Director 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 Managing Director

The Board of Directors and the Managing Director 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 the Annual Accounts Act for Credit Institutions and Securities Companies and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director intend 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 Managing Director of Avanza Bank Holding for the year 2019 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 Managing Director 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 Managing Director

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 organization 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 organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill 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 Managing Director 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 Annual Accounts Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Avanza Bank Holding by the general meeting of the shareholders on the 19 March 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Stockholm, 20 February 2020

KPMG AB

Mårten Asplund
Authorized Public Accountant
Auditor-in-Charge

Dan Beitner
Authorized Public Accountant

Sustainability reporting

Avanza's sustainability reporting is an important part of an open and balanced presentation of Avanza's position, activities and achievements in key areas.

In accordance with the Annual Accounts Act, chap. 6, section 11, Avanza has chosen to prepare a sustainability report separately from the administration report and largely from the formal financial statements. Avanza's report has been prepared in accordance with the GRI Standards: Core option. The report is also prepared in accordance with GRI's specific guidelines for the industry (Financial Services Sector Supplement).

The statutory sustainability report comprises the entire Group and its scope can be found on page 104. Avanza's operations are not deemed to pose any significant negative environmental impact or risk

of violation on human rights, whether directly or indirectly, other than in the fund company's asset management. The Avanza Group therefore have no formalised management or performance monitoring in these areas.

A separate statement on the sustainability report has been prepared by an external party.

Previous sustainability report concerned the calendar year 2018 and was published on 26 February 2019.

Avanza's policies are published on investors.avanza.se/en.

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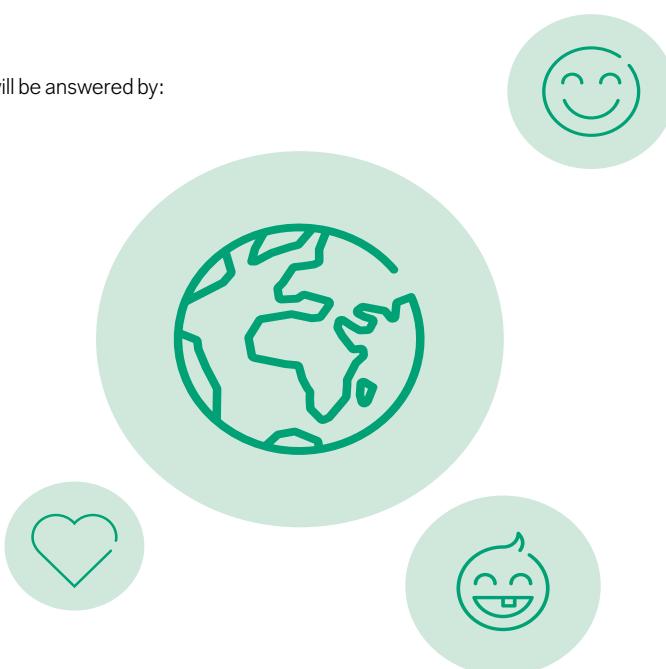
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Contact

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

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



Auditor's opinion on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2019 on page 104 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is 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 opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 20 February 2020

KPMG AB

Mårten Asplund
Authorised Public Accountant

Dan Beitner
Authorised Public Accountant

Customers and benefit levels

Our customers are automatically placed in a benefit level depending on their total savings or the brokerage fees they pay per month. Customers can change their level by depositing money or transferring securities and pension savings to Avanza. The higher the benefit level, the better offers they receive.



Bronze



Silver



Gold



Platinum

Standard offer

Most of our customers are included in our standard offer and are categorised as either Bronze, Silver, Gold or Platinum. In addition to receiving better interest rates and offers if they move to a higher benefit level, they can get help faster when they contact us by phone or email.

New customers are assigned to the benefit level Bronze, where there is no required minimum deposit or number of transactions. To qualify for Silver, customers need to have SEK 100,000 in savings with us or

pay SEK 100 in brokerage fees per month. To reach Gold, they need to have SEK 250,000 or pay SEK 250 in brokerage fees per month. Platinum is our highest benefit level in the standard offer where customers need to have SEK 1 million in savings or pay SEK 1,000 in brokerage fees per month.

Customers can pool their family's savings to reach a higher benefit level and receive better offers.



Private Banking



Pro

Private Banking

Private Banking serves our high-net-worth customers with savings of at least SEK 3 million. We offer a digital and personal service with a wide range of securities and very attractive interest rates on margin loans and mortgages. In addition, our Private Banking customers have access to services such as tax advice and legal aid. They also receive prompt and personal service from our specialised brokers and account managers.

Pro

Our Pro offering is designed for more active customers and professional day traders. As a Pro customer, you make at least two trades a day at the minimum brokerage fee or trade at least SEK 280,000 daily. Customers receive favourable terms, low brokerage fees and access to trading tools. Our Pro customers also have access to prompt, personal service from our specialised brokers and account managers.

Corporate customers

Corporate customers have access to the same services as private customers and can qualify for our standard offer or Private Banking.

Corporate customers also have access to our occupational pension solution, which is free from any unnecessary insurance fees. As a result, each employee can receive up to SEK 1 million more in retirement. Companies can sign an occupational pension digitally in just minutes.

For institutional investors we offer a highly competitive alternative distinguished by high quality, premium service and fast and secure order processing by phone, online or the trading app. Asset managers have access to our broad range of investment options. In Corporate Finance, we mainly target small and medium-sized companies as an advisor in connection with IPOs and funding, and as a partner to medium-sized and large companies. Avanza is a party in most transactions that occur on the Stockholm Stock Exchange.

Brokerage fee classes

We offer various brokerage fee classes suited to customers' trading activity. We have something for everyone, from those who do small trades to those who trade large sums and want to pay a flat fee. Customers choose a brokerage fee class and can switch classes when they want, but at the earliest one day after the last change. Fund trading is commission free.

Start	Mini	Small	Medium	Fast Pris
Variable brokerage fee 0 %	Variable brokerage fee 0.25 %	Variable brokerage fee 0.15 %	Variable brokerage fee 0.069 %	Variable brokerage fee 0 %
Lowest brokerage fee SEK 0	Lowest brokerage fee SEK 1	Lowest brokerage fee SEK 39	Lowest brokerage fee SEK 69	Lowest brokerage fee SEK 99
Selectable if you have less than SEK 50,000*	Suitable for trades below SEK 15,600	Suitable for trades between SEK 15,600 – 46,000	Suitable for trades between SEK 46,000 – 143,500	Suitable for trades over SEK 143,500
PB Mini				
Variable brokerage fee 0.15 %	Variable brokerage fee 0.055 %	Variable brokerage fee 0 %	Variable brokerage fee 0.034 % and below	Variable brokerage fee 0.034 % and below
Lowest brokerage fee SEK 1	Lowest brokerage fee SEK 59	Lowest brokerage fee SEK 99	Lowest brokerage fee SEK 49 and below	Lowest brokerage fee SEK 49 and below

The prices in our brokerage fee classes apply to equity trading on the Stockholm Stock Exchange including First North, with the exception of Start, which applies only to equity trading on the Stockholm Stock Exchange. For more information on our prices, please visit our website, avanza.se (in Swedish only).

* Brokerage fee class Start can be chosen if you have never had SEK 50,000 or more in total savings capital with us. If you reach SEK 50,000 or trade more than 500 brokerage-free trades during a 12-month period you are automatically placed in brokerage fee class Mini, and can not choose Start again.

Product range

Providing customers with a world-class user experience requires a broad product range, access to extensive market data, various filtering tools and decision support, and not least an easy to navigate site. With Avanza, you won't pay any fixed fees either.

Our accounts

Share and fund account

Traditional holding account where customers can offset gains against losses in their tax returns and vote their shares. Capital gains tax of 30 percent is paid when selling securities at a profit or receiving dividends.

Investment savings account

Account for equities, funds and other securities that allows customers to vote their shares and is subject to a standard tax. The tax is paid annually and does not have to be declared in a tax return.

Endowment insurance

Account for equities, funds and other securities where standard tax is automatically withheld each quarter and does not have to be declared in a tax return. Companies can also qualify for endowment insurance. A beneficiary can be named for the entire holding should the policyholder die.

Endowment insurance Child

Endowment insurance where a child is the beneficiary. The entire account or the holding can be assigned to the child at any time.

External deposit account

A simple and safe interest-bearing account with or without a minimum term. Through partnerships with Nordax, Santander, Collector and Resurs Bank, customers receive competitive rates compared to ordinary bank accounts and higher deposit guarantees. The government deposit guarantee of SEK 950,000 applies per institution.

Occupational pension

Pension savings for the customer themselves or their employees. They can choose a standard solution or create a personalised plan. Through our corporate website, business customers can manage their pension schemes quickly and easily without forms. For firms with up to four employees, the application process is fully digital.

Pension insurance

Insurance policy with the option to save privately for retirement and where an annual yield tax is charged. Repayment protection is available. Pension insurance can be transferred to Avanza, but since the deduction was eliminated, there is no longer a tax advantage to adding new capital to such a policy.

Individual pension plan

Bank account with the option to save privately for retirement and where an annual yield tax is charged. Repayment protection is always included. An individual pension plan can be transferred to Avanza, but since the deduction was eliminated, there is no longer a tax advantage to adding new capital to such a plan.

Securities trading

Equities

Trade shares on our website or apps in the Nordic countries, on major exchanges in Europe, and in the US and Canada. Most markets can be traded through our trading desk. We provide real time prices of the Nordic securities we offer trading in (excluding Norway), of securities included in European trading, and of US and Canadian equities when an order is placed.

Funds

Trade nearly 1,300 funds from around the world through the app or the website. This includes Avanza Global, Avanza Emerging Markets and Avanza USA, which offer record-low fees, and the no-fee fund Avanza Zero. In addition to Sweden's broadest range of low-cost funds, exchange-traded funds (ETFs), which track various stock indices among other things, can be traded as well. Funds can be filtered, for example, by fees and sustainability data.

Other securities

Around 40,000 ETPs linked to commodities, currencies, individual shares and indices across the globe as well as bonds, options, futures, warrants, certificates and structured products. Brokerage-free trades (over SEK 1,000) in Avanza Markets.

Lending

External mortgage and Green mortgage

In cooperation with Stabelo, we offer higher competitive mortgages that require no saving capital or other commitments. The rate is set in advance and the application is fully digital. The loan to value ratio may not exceed 60 per cent. There is also a green mortgage, where customers with an energy efficient home receive a discounted mortgage rate.

Private Banking mortgage

The mortgage rate for Private Banking customers is 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. Flexibility is capped at SEK 500,000.

Margin loan

Margin lending with no minimum term or fees and the possibility to borrow as low as 0* per cent. The rate depends on the size of the loan, the account holding and the customer's benefit level.

*Interest rate as of 31 December 2019.

Inspiration and decision support

Avanza Auto

Decision support that filters our six Auto funds based on savings horizon and risk level. A smart, cheap and automatic way to manage money.

Portfolio Generator

Makes it easy to create a well-diversified portfolio of five-star funds at low fees.

Stock inspiration

Find favourite new stocks using various theme lists such as Sport, Equality or Fashion, as well as popular lists such as Millionaires' and Women's favourites. There are also specific portfolios that, for example, replicate what Avanza's employees invest in.

Stock generator

Filter thousands of equities to create a list of favourite stocks simply by answering five easy questions.

Save sustainably

A special section on the site with information, educational material and products to inspire and facilitate sustainable investments.

Avanza Academy

For those who want to learn everything they need to know about investing in equities, funds and other securities.

Avanza Play

Learn the basics of better investing and get the best savings returns. Offers exciting interviews with CEOs of listed companies or fund managers, and helps customers stay updated on current savings and investment topics.

Avanza Podcast

Johanna Kull and Nicklas Andersson discuss a wide range of topics involving personal finance. They guide and support savers and share their best tips on the week's theme. One of Sweden's most popular and largest financial podcasts.

Apps

Through our apps, customers can trade Avanza's entire range of products, make deposits and withdrawals, and transfer securities from other banks. The apps also contain news, watch lists, inspiration lists and decision support. Customers are notified of orders, deposits, dividends and price targets. The apps are continuously updated with new functionality.

Placera

One of Sweden's largest financial sites, reporting daily on equities, market news and savings issues. Placera also offers extensive TV and podcast content, Sweden's largest stock forum, press releases and a number of external analysis services. Placera is editorially independent from Avanza.

Börsveckan

Stockpicking magazine focused on analysis. Annually writes 300 analyses on over 250 listed companies and editorial columns, and also puts together portfolios. Published since 1985 with the aim of finding the best stocks and inspiring investors. Börsveckan is editorially independent from Avanza.

Trader programme Infront

One of the market's most advanced trading programme, where customers can track market flows, apply technical analysis and optimise order execution.

Portfolio report

Gives customers a unique overview of their savings. Each page is packed with information on their holdings and includes various charts and tables.

Monitoring and alarm

Create watch lists of specific shares or funds and set alarm triggers when they reach a specific price.

Tax return

Completing a tax return should be easy. Our customers receive pre-printed forms with everything they need to know about their accounts and transactions for filing purposes.

Signal list

Newsletter with daily buy and sell signals for all publicly listed stocks, emailed to our customers so that they can quickly check stock movements. The signal list contains a brief technical analysis of the market.

For more information on our range of products and services, visit our website, 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. Information on financial measures which are not defined in IFRS and are presented outside the financial statements, so-called alternative performance measures, follows from the note references below.

Brokerage per commission note²⁾

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

Brokerage/Turnover²⁾

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

Own funds³⁾

Shareholders' equity adjusted for deductions in accordance with the provisions for credit institutions, fund management companies and insurance companies on how the own funds and capital requirement are determined.

Client funds²⁾

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

Commission note

A customer's completed buy or sell trades in a specific security. A commission note may comprise one or more transactions and provides the basis on which brokerage charges are levied.

Costs per customer²⁾

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

Costs to savings capital ratio²⁾

Operating expenses in relation to average savings capital during the year. The ratio shows how scalability and cost efficiency pay off. A low ratio indicates high competitiveness and is needed to deliver high margins regardless of interest rate level.

Credit loss level¹⁾

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

Customer

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

Deposits

Deposits by the public as per the bank's balance sheet after deducting the portion representing cash pledged on endowment insurance accounts and which in its entirety corresponds to lending to the public with the addition of client fund deposits and external deposits.

Deposits/Savings capital

Deposits 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.

Dividend yield

Dividend per share relative to share price at year-end.

Earnings per share¹⁾

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

eNPS

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

Equity per share¹⁾

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

External deposits

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

Fund commission²⁾

Distribution compensation from fund management companies (consists of commission based on fund volume) and management fees from Avanza funds.

Income per customer²⁾

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

Income to savings capital ratio²⁾

Operating income in relation to average savings capital during the year. There is a strong correlation between savings capital and income. This ratio shows the effect of price cuts, the savings mix and interest rate changes.

Internally financed lending

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

Net brokerage income²⁾

Gross brokerage income less direct costs.

Net inflow

Deposits less withdrawals of liquid assets and securities.

Net inflow/Savings capital

The year's net inflow in relation to savings capital at the beginning of the year.

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

P/E ratio

Share price in relation to earnings per share.

Profit margin¹⁾

Profit/loss after tax in relation to operating income.

Return on equity

Profit/loss after tax in relation to the average shareholders' equity during the year.

Return on assets¹⁾

Profit/loss after tax in relation to average total assets.

Savings capital

The combined value of accounts held with Avanza.

Stock market

Refers to the OMX Stockholm GI, which shows the average performance on the Stockholm Stock Exchange, including dividends.

Solvency capital³⁾

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

Solvency capital requirement³⁾

Estimated capital requirement under the Solvency 2 rules.

Total return

Movements in share price including reinvested dividends.

Turnover

Turnover relating to securities.

Alternative performance measures

¹⁾ Financial ratio directly cited in the financial reports.

²⁾ Financial ratio that can be historically tracked, published quarterly on avanza.se/keydata.

³⁾ Key ratio reported pursuant to the Swedish Financial Supervisory Authority's regulations and general guidelines, see Note 35 Own funds and capital requirements.

Annual General Meeting

The Avanza Bank Holding AB (publ) ("Avanza") Annual General Meeting will be held at IVA Konferenscenter, Grev Turegatan 16, in Stockholm on Tuesday, 17 March 2020 at 3.00 pm.

Right 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, 11 March 2020
- have notified Avanza of their intention to attend the Annual General Meeting no later than 11 March 2020.

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, 11 March 2020. The institution which is responsible for 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 in the Annual General Meeting by telephone on +46 (0)8 402 90 18, through the Company's website investors.avanza.se/en, or by post to:

Avanza Bank Holding AB
"Årsstämma"
c/o Euroclear Sweden AB
Box 191
101 23 Stockholm

Notification should include the name, Personal/Corporate Identity Number, and e-mail address or daytime telephone number of the shareholder, as well as details of any advisors.

If a shareholder intends to be represented by proxy, a power of attorney and other authorisation are to be sent by post to:

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

Power of attorney forms are available on the Company's website, investors.avanza.se/en, and are sent free of charge, upon request, to shareholders who submit their postal or e-mail address.

Right 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, 28 January 2020 and should be sent via e-mail to arsstamma@avanza.se, or by post to:

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

Financial calendar

17 March
2020

Annual General Meeting

21 April
2020

Interim Report January–March

14 July
2020

Interim Report January–June

Published

21 February
2020

Annual Report 2019

26 February
2019

Annual Report 2018

Our financial reports are digitally distributed via the corporate website.

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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.

