



Preliminary Financial Statement 2016

- Customer growth remained strong in the fourth quarter. For the year in total, the number of new customers was 103,000, corresponding to a growth rate of 22 per cent. As of 2017, the target is raised to reach 1 million customers by 2020
- Net inflow in the quarter was SEK 6,210 million, an increase of 7 per cent compared to the fourth quarter of 2015. For the full year, net inflow increased by 5 per cent. The net inflow target from 2017 has been adjusted upward to a market share of at least 9 per cent (previously 7 per cent) of the net inflow to the Swedish savings market
- Operating income decreased by 2 per cent compared to the fourth quarter of 2015, mainly due to the record-high brokerage income in 2015. Compared to the third quarter, income rose by 12 per cent
- Operating expenses in the fourth quarter increased by 16 per cent compared to the fourth quarter of 2015, mainly due to an increased number of employees in compliance and IT. Compared to the third quarter, expenses were 33 per cent higher, mainly due to seasonally low personnel costs in the third quarter
- Net profit for the quarter was SEK 101 million, a decrease of 15 per cent compared to the previous year, mainly due to higher expenses. Expenses were also higher compared to the third quarter and profit decreased by 4 per cent
- The Board of Directors proposes a dividend of SEK 10.50 (SEK10.50) per share
- No other significant events have occurred after the end of the reporting period

	Q4 2016	Q3 2016	Change %	Q4 2015	Change %	Jan-Dec 2016	Jan-Dec 2015	Change %
Operating income, SEK m	247	220	12	252	-2	919	904	2
Operating expenses, SEK m	-130	-98	33	-112	16	-453	-420	8
Operating profit, SEK m	117	122	-4	140	-17	465	485	-4
Net profit, SEK m	101	105	-4	118	-15	399	415	-4
Earnings per share, SEK	3.39	3.53	-4	4.03	-16	13.45	14.23	-5
Operating margin, %	47	55	-8	56	-8	51	54	-3
Net inflow, SEK m	6,210	5,920	5	5,790	7	26,500	25,200	5
No. new customers (net)	29,300	24,500	20	23,700	24	103,000	96,400	7
Savings capital at the end of the period, SEK m	231,000	222,900	4	191,600	21	231,000	191,600	21

Quarterly highlights

- Avanza's new CEO Johan Prom assumed his position on 7 November 2016
- Avanza received the Swedish Quality Index's award for Sweden's most satisfied customers in the savings category for the seventh consecutive year
- As a result of Nasdaq's annual review of stock market values, it was announced that the Avanza share will be traded on the exchange's large cap list as of 2 January 2017. The list comprises companies with a market capitalisation of over EUR 1 billion
- Avanza Play, a new decision-making support tool with inspiring and educational videos for savings and investments, was launched

This is Avanza

Avanza was founded in 1999 and has since grown from a small company, dealing solely in online stock broking, into a digital bank and pension provider, challenging the major banks among others. Avanza is driving the long-term development of new financial products and services on the Swedish savings market – a market with considerable growth potential.

Avanza offers leading digital services for savings with the market's broadest range of savings products, simple decision-making tools and a strong occupational pension offering. Customers are offered cost-effective ways to save without fixed account charges in Swedish and foreign securities, currency and savings accounts. Avanza primarily targets private savers in Sweden, but also offers services for professional traders, corporate customers, banks and asset managers.

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

For more information about Avanza, see avanza.se and avanza.com.



Our vision & business model

Avanza wants to create a better future for millions of people. We do so by offering the best savings alternatives and at the same time providing guidance and education to help customers increase their savings knowledge and facilitate investment decisions. Our promise to customers is that they can get a better return on their savings with us than with any other bank. Through a less expensive, better and simpler offering, we want to create a world-class customer experience. To fulfil our promise to customers and at the same time create value for shareholders, we have a business model based on the law of large numbers. Strong customer growth, combined with the market's lowest cost to savings capital ratio, generates higher long-term operating income. Cost effectiveness and economies of scale are achieved through continuous development, digitisation and internal efficiencies. This also reduces operational risks and increases stability.

Our long-term targets

Satisfied customers:

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

Satisfied shareholders:

- Market share of at least 9 per cent of the total net inflow to the Swedish savings market
- 1 million customers by 2020
- Dividend of at least 70 per cent of the profit of the year
- Cost increase shall not exceed income growth

Satisfied employees:

- eNPS (Employee Net Promoter Score) over 45

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Quarterly overview	2016	2016	2016	2016	2015	2015	2015	2015	2014
Operating income, SEK m ¹⁾	247	220	225	226	252	203	227	222	189
Operating profit, SEK m	117	122	111	115	140	108	121	115	82
Operating margin, % ¹⁾	47	55	49	51	56	53	53	52	43
Earnings per share, SEK	3.39	3.53	3.18	3.35	4.03	3.19	3.57	3.43	2.36
Shareholders' equity per share, SEK	43.83	40.44	36.64	41.71	38.37	34.33	30.97	24.65	28.22
Return on shareholders' equity, %	8	9	8	8	11	10	13	13	9
Net inflow, SEK m	6,210	5,920	9,430	4,960	5,790	5,010	4,370	10,000	5,940
No. new customers (net)	29,300	24,500	23,100	26,100	23,700	20,400	20,500	31,800	15,900
No. customers at the end of the period	570,600	541,300	516,900	493,800	467,600	443,900	423,500	403,000	371,200
Savings capital at the end of the period, SEK m	231,000	222,900	199,200	188,900	191,600	170,700	170,000	168,200	141,900
Income to savings capital ratio, annualised, % ¹⁾	0.44	0.42	0.46	0.48	0.56	0.48	0.54	0.57	0.55
Costs to savings capital ratio, annualised, % ¹⁾	0.23	0.19	0.23	0.24	0.25	0.22	0.25	0.28	0.31

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

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

A unique culture of innovation with strong dedication

2016 was an eventful and exciting year in geopolitics, on the stock market and for Avanza, but also for me personally, having had the privilege to take over as CEO in November. These last months have been tremendous. My positive impression of Avanza as a company has strengthened, where I am inspired and pleased by the engagement and willingness to create change among all our employees. Our innovativeness and dedication are something we really have to care about as we grow and become larger. Moving to the Nasdaq OMX Large Cap list as of January – which is a fantastic confirmation of what we are doing – is not going to affect our flexibility and agility.

We accomplished a lot during the year to make things better for our customers. We made over 2,500 updates and improvements to our website, were first to offer free stock trading on the Stockholm Stock Exchange, expanded the functionality of our mobile apps and worked hard to strengthen the user experience. As a result, more equity transactions on the Stockholm Stock Exchange were executed via Avanza than through all the four large banks combined. Nearly 1,000 new companies chose Avanza in 2016 for their occupational pensions, and we were the fourth largest in capital transfers in the Swedish life insurance market. During the fourth quarter, we also launched Avanza Play, our new decision-making support with inspiring and educational videos for savings and investments.

Strong performance in our targeted areas in 2016

Taken together, this helped us in the fourth quarter – and for the seventh consecutive year – to receive the award for Sweden's most satisfied savings customers, according to the Swedish Quality Index. According to YouGov's latest ranking, we were also the most recommended Swedish brand in Sweden. We have outstanding ambassadors internally as well and surpassed by a wide margin our employee satisfaction target of an eNPS score of 51, compared with averages for the banking and IT industries of 9 and 44, respectively.

In terms of hard target figures, we added 103,000 new customers in 2016, well exceeding the target. As many as 29,300 joined in the fourth quarter. It is also gratifying that so few are leaving us, only 1.2 per cent, which indicates that customers basically stay with Avanza for a lifetime. Our market share of the net inflow in the last 12-month period was 9.9 per cent, compared to a target of at least 7 per cent. This produced a total net inflow of SEK 26.5 billion – a record year in other words – with SEK 6.2 billion coming in the last quarter.

Net profit was pressured by lower income due to the interest rate environment and turbulent market conditions, which affected both net interest income and brokerage income. Because of this, in 2016 we did not reach our long-term target that income growth will exceed growth in costs. If we look at equity trading, however, the number of commission-generating customers and number of trades were record high for 2016 as a whole as well as the fourth quarter. What did affect brokerage income year on year was instead the lower trading volumes. Equity trading picked up in the fourth quarter after a slightly weaker third quarter and we remain the largest Swedish bank on

the Stockholm Stock Exchange. This resulted in strong brokerage commission income, the third best for a single quarter, but not as strong as the fourth quarter of 2015, when trading in a couple of trading intensive stocks was record high.

In November, we offered free stock trading in the US on Black Friday, resulting in a record-high number of transactions. We are seeing that interest in international stocks continue to rise, which together with international fund trading has strengthened currency-related income. Activity in corporate transactions was high, and we are seeing strong demand for our services and increased interest in our broad customer base from companies looking to diversify their ownership. Net interest income rose thanks a greater willingness among savers to take on risk as well as our attractive mortgage offers.

Timeless business model built on scalability, with a leading cost position

During the year, we managed to reduce the cost to savings capital ratio from 25 to 22 points and are nearing our ambition of getting below 20 points. This is the result of continuous refinements, adjustments and efficiency improvements. Operating expenses for the year rose by 8 per cent, on the low end of our forecast. Our guidance for 2017 of an increase of 15–20 per cent remains firm as we accelerate our rate of innovation to fully take advantage of the opportunities we see right now in digitisation and new regulations. The operating margin was 51 per cent for the full year, in line with our aim of around 50 per cent. This would not be possible without a scalable business model and our leading cost position.

In light of the above and to ensure an adequate level for future capital requirements, the Board of Directors proposes a dividend of SEK 10.50 per share.

Strong potential for growth and continued focus on core business in 2017

Continuing to do the best for our customers, with cheaper, better and simpler offers, tops our to-do list again in 2017. This is why we continue to work on our mobile offer to satisfy and attract younger and broader target groups, fine-tune our tools and website content to retain our more active traders, and scale up, increase efficiencies and improve our internal processes and systems by being even more digital. We expect growth to remain strong and are stretching our target to reach 1 million customers by 2020, at the same time that we raise the target for our share of net inflow to the savings market to at least 9 per cent.

Stockholm, 19 January 2017



Johan Prom, CEO Avanza



Operations

Satisfied customers are fundamental to Avanza's business concept. The operations are focused on what is best for customers, and customer-driven improvements are constantly made in order to offer new services and digital functions for a world-class customer experience.

Market environment

During the first half-year, the stock market saw high volatility and falling prices due to geopolitical concerns. In the second half, the trend reversed and the Stockholm Stock Exchange rose, though volatility remained high, partly in connection with the US presidential election. The SIX Return Index gained 3 per cent in the fourth quarter. For the full year 2016, the increase was 10 per cent.

Trading activity among Avanza's customers increased compared to the third quarter and the number of transactions per customer and month rose by 5 per cent. The number of transactions per customer rose by 12 per cent year on year. The number of fund commission notes was high and customers rebalanced to a higher share of equity funds at the expense of a lower proportion of fixed income and hedge funds.

Turnover on the Stockholm Stock Exchange including First North rose in the fourth quarter by 21 per cent compared to the previous quarter. Compared to the same quarter in 2015, turnover fell by 4 per cent. In total, turnover for 2016 was 8 per cent lower than in 2015. The number of transactions, however, rose by 12 per cent and the average volume per transaction was consequently lower. Turnover among Avanza's customers increased in the fourth quarter by 5 per cent compared to the previous quarter. In total for the year, Avanza's turnover decreased by 2 per cent compared to 2015.

Avanza's share of transactions on the Stockholm Stock Exchange including First North was 14.6 (13.1) per cent in the fourth quarter, slightly below the record level in the third quarter. The share of turnover was 6.5 (8.7) per cent.

In February, the Riksbank lowered the repo rate by 0.15 basis points to a new record low of -0.50 per cent. Since then, rates have stayed unchanged, but the forecast for the benchmark rate has been adjusted downward several times. Not until early 2018 is the repo rate expected to rise.

Target and outcomes in 2016

- Sweden's most satisfied savers according to the annual Swedish Quality Index award

Activity and market shares

	2016 Oct-Dec	2015 Oct-Dec	Change %	2016 Jan-Dec	2015 Jan-Dec	Change %
No. transactions, thousands	7,050	5,410	30	24,600	18,000	37
No. transactions per customer and month	4.0	3.8	5	3.8	3.4	12
<i>Market shares</i>						
<i>Nasdaq Stockholm and First North:</i>						
No. transactions, %	14.6	13.1	1.5	13.5	10.9	2.6
Turnover, %	6.5	8.7	-2.2	6.8	6.4	0.4

For definitions see page 21.

- A market share of 9.9 per cent of the total net inflow to the Swedish savings market during the period October 2015 – September 2016, clearly exceeding the target of 7 per cent
- 103,000 new customers (+22 per cent). The yearly goal to grow the customer base by at least 10 per cent from the beginning of the year was exceeded already in June
- A proposed dividend corresponding to 79 per cent of net profit for the year, compared with the policy to distribute 70 per cent
- Operating expenses increased by 8 per cent, exceeding the rate of growth in income. Given current market conditions, Avanza deems it important to maintain high capacity in product and IT development and not worry too much about effects of short-term economic fluctuations on income. In the long term, income is expected to outpace costs.
- eNPS of 51, well over the target of 40.

Events during the fourth quarter

Johan Prom took over as CEO of Avanza on 7 November. Henrik Källén stayed on as Acting CEO until then. Johan has executive experience at the supermarket chain ICA and as an advisor to a number of consumer companies. His work at ICA mainly involved in developing a customer offer and creating consumer products.

In December, Avanza was awarded for Sweden's most satisfied customers in the savings category for the seventh consecutive year.

According to the YouGov Brand Index published during the quarter, Avanza is the third most recommended brand in Sweden across categories.

During the fourth quarter, the Swedish Pilots Association selected Avanza as an occupational pension alternative for its SAS pilots as of 1 April 2017. Many of the pilots already make salary deductions through Avanza.

As a result of Nasdaq's annual review of stock market values, the Avanza share is traded as of 2 January 2017 on the exchange's Large Cap list, comprising companies with a market capitalisation of over EUR 1 billion.

Product and business development during the fourth quarter

Avanza Play, a new decision-making support tool with videos that educates customers and encourages them to save, was launched in the fourth quarter.

The ceiling on mortgage lending volume for Private Banking customers was raised by an additional SEK 0.25 billion to SEK 4.75 billion to meet customer demand.

Net inflow

SEK m	2016 Oct–Dec	2015 Oct–Dec	Change %	2016 Jan–Dec	2015 Jan–Dec	Change %
Standard	5,450	4,120	32	20,020	20,250	-1
Private Banking	620	1,360	-54	6,030	4,320	40
Pro	140	310	-55	450	630	-29
Net inflow	6,210	5,790	7	26,500	25,200	5
Equity & investment fund accounts	1,630	2,330	-30	6,840	3,720	84
Investment savings accounts (ISK)	3,900	2,720	43	13,400	14,600	-8
Savings accounts	110	180	-39	1,150	820	40
of which, external deposit accounts	70	110	-36	1,100	710	55
Pension- & insurance-based accounts	570	560	2	5,110	6,060	-16
of which, endowment insurance	-200	-140	43	2,540	3,740	-32
of which, occupational pensions	770	680	13	2,680	2,200	22
Net inflow	6,210	5,790	7	26,500	25,200	5
Net inflow/Savings capital, %	11	14	-3	14	18	-4

For definitions see page 21.

Avanza's share of the total net inflow to the Swedish savings market during the period October 2015 – September 2016 was 9.9 per cent. In total for 2016, the net inflow was SEK 26.5 billion, 5 per cent higher than the previous year.

Net inflow in the quarter amounted to SEK 6.2 billion, 7 per cent higher than the inflow in the same quarter of 2015. Just over half of the quarterly net inflow came from new customers.

Compared to the previous quarter, net inflow increased by 5 per cent. The largest share of the net inflow was to investment savings accounts, which offer tax advantages for customers in the current interest rate environment.

The net inflow to Avanza's occupational pension products remained strong and increased by 13 per cent compared to the fourth quarter of 2015.

No. customers and accounts

	31-12-2016	30-09-2016	Change %	31-12-2015	Change %
Standard	550,910	522,890	5	451,490	22
Private Banking	17,700	16,600	7	14,300	24
Pro	1,990	1,810	10	1,810	10
No. customers	570,600	541,300	5	467,600	22
Equity & investment fund accounts	344,200	331,600	4	306,100	12
Investment savings accounts	304,400	271,900	12	188,000	62
Savings accounts	110,900	109,700	1	101,700	9
of which, external deposit accounts	82,100	80,700	2	72,800	13
Pension- & insurance-based accounts	292,400	281,500	4	255,900	14
of which, endowment insurance	159,100	151,900	5	135,100	18
of which, occupational pensions	55,700	52,000	7	42,400	31
No. accounts	1,051,900	994,700	6	851,700	24
No. accounts per customer	1.84	1.84	0	1.82	1

For definitions see page 21.

The number of customers rose in 2016 by 103,000, a growth rate of 22 per cent. During the year, 3,000 new companies selected Avanza for their occupational pensions.

Growth remained strong in the fourth quarter with 29,300 new customers. One of the reasons for the continued high inflow is a stronger range of products and services. At the end of the year, Avanza had 570,600 customers.

Savings capital

SEK m	31-12-2016	30-09-2016	Change %	31-12-2015	Change %
Standard	129,150	125,730	3	109,960	17
Private Banking	95,100	91,000	5	76,300	25
Pro	6,750	6,170	9	5,340	26
Savings capital	231,000	222,900	4	191,600	21
Equity & investment fund accounts	77,350	73,970	5	66,140	17
Investment savings accounts	64,000	59,900	7	46,600	37
Savings accounts	9,450	9,330	1	8,260	14
of which, external deposit accounts	8,580	8,500	1	7,450	15
Pension- & insurance-based accounts	80,200	79,700	1	70,600	14
of which, endowment insurance	57,900	58,700	-1	52,400	10
of which, occupational pensions	12,100	11,000	10	8,520	42
Savings capital	231,000	222,900	4	191,600	21
Equities, bonds, derivatives, etc.	145,280	140,720	3	118,940	22
Investment funds	58,900	55,200	7	48,900	20
Deposits	35,000	34,500	1	30,300	16
of which, external deposits	8,580	8,500	1	7,450	15
Lending	-8,180	-7,520	9	-6,540	25
of which, mortgage loans	-4,060	-3,600	13	-2,720	49
Savings capital	231,000	222,900	4	191,600	21
Deposits/Lending, %	428	459	-31	463	-35
Net deposits/Savings capital, %	12	12	0	12	0
Return, average account since 1 Jan, %	6	5	1	16	-10
SIX Return Index since 1 Jan, %	10	6	4	10	0

For definitions see page 21.

Savings capital grew in the fourth quarter driven by the high customer and net inflow as well as the the strong stock market development. Savings capital amounted to SEK 231,000 million at year-end, an increase of 21 per cent from the beginning of the year. During the same period, the stock market was up 10 per cent.

At the end of the period, 25 per cent of customer capital was invested in funds, unchanged from the beginning of 2016. Fund capital increased by 20 per cent from the beginning of the year.

The uncertain stock market contributed to higher deposits during the first half-year. During the second half, deposits were stable at about SEK 35,000 million. As a share of the savings capital, however, deposits gradually decreased during the year to 15 per cent at year-end.

Lending rose by 25 per cent from the beginning of the year and at the end of the period was comprised of 50 per cent securities loans and 50 per cent mortgage loans.

Savings capital in occupational pension accounts grew by 42 per cent from the beginning of the year.

Seasonal effects

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

Financial overview

	2016 Oct-Dec	2015 Oct-Dec	Change %	2016 Jan-Dec	2015 Jan-Dec	Change %
Income Statement, SEK m						
Brokerage income	122	146	-17	469	479	-2
Fund commissions	48	38	25	168	160	5
Net interest income ¹⁾	31	30	0	114	139	-18
Other income	47	38	24	167	127	32
Operating income¹⁾	247	252	-2	919	904	2
Personnel	-83	-75	11	-290	-266	9
Marketing	-11	-6	80	-32	-27	17
Depreciation	-2	-2	-11	-8	-8	-2
Other expenses ¹⁾	-34	-29	18	-123	-118	4
Operating expenses before credit losses¹⁾	-130	-112	16	-453	-420	8
Profit before credit losses	117	140	-17	465	485	-4
Credit losses, net	0	0	-88	-1	0	134
Operating profit	117	140	-17	465	485	-4
Tax on profit for the period	-16	-22	-27	-66	-70	-6
Net profit	101	118	-15	399	415	-4
Key ratios						
Operating margin, % ¹⁾	47	56	-8	51	54	-3
Profit margin, % ¹⁾	41	47	-6	43	46	-2
Earnings per share, SEK	3.39	4.03	-16	13.45	14.23	-5
Earnings per share after dilution, SEK	3.38	3.99	-15	13.44	14.10	-5
Return on shareholders' equity, %	8	11	-3	33	45	-12
Credit loss level, %	0.00	0.00	0.00	0.01	0.00	0.00
Investments, SEK m	15	8	78	36	28	28
Brokerage income/Operating income, % ¹⁾	49	58	-8	51	53	-2
Fund commissions/Operating income, % ¹⁾	19	15	4	18	18	1
Net interest income/Operating income, % ¹⁾	12	12	0	12	15	-3
Other income/Operating income, % ¹⁾	19	15	4	18	14	4
Income to savings capital ratio, % ¹⁾	0.44	0.56	-0.12	0.44	0.54	-0.09
Costs to savings capital ratio, % ¹⁾	0.23	0.25	-0.02	0.22	0.25	-0.03
Brokerage income per trading day, SEK m	1.9	2.3	-18	1.9	1.9	-3
Brokerage per commission note, SEK	36	51	-29	41	56	-27
No. trading days	63.5	62.5	2	251.0	248.5	1
Average no. employees	360	337	7	343	323	6
Web service operational availability, %	99.6	100.0	-0.4	99.9	100.0	-0.1

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

Key ratios	31-12-2016	30-09-2016	Change %	31-12-2015	Change %
Shareholders' equity per share, SEK	43.83	40.44	8	38.37	14
Capital base/Capital requirement	1.66	1.66	0	1.67 ¹⁾	-1
No. employees	365	355	3	334	9
Market value, SEK	369.00	339.00	9	367.50	0
Market capitalisation, SEK m	11,000	10,100	9	10,800	2

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

For definitions see page 21.

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

Operating profit for the full year amounted to SEK 465 million, a decrease of 4 per cent compared to 2015. The operating margin was 51 per cent. Operating profit in the fourth quarter amounted to SEK 117 million, down 17 per cent compared to the fourth quarter of 2015, mainly as a result of higher expenses. Compared to the third quarter of 2016, when operating profit was SEK 122

million, the decrease was 4 per cent. The fourth quarter profit corresponds to an operating margin of 47 per cent.

Income for the full year rose by 2 per cent due to an increase in other income and higher fund commissions, while the lower net interest income and decreased brokerage income had the opposite effect. Operating income for the fourth quarter

decreased by 2 per cent compared to the fourth quarter of 2015, mainly due to lower brokerage income, which was partly offset by higher other income and fund commissions. Compared to third quarter, operating income increased by 12 per cent.

Brokerage income for 2016 decreased by 2 per cent at the same time that the number of equity transactions gained 37 per cent and the number of commission-generating customers rose by 32 per cent. Instead, brokerage income was squeezed by the size of the transactions, which were smaller. More customers are trading equities, but at lower volumes and in lower brokerage fee classes suited to their trading patterns. This means that income per transaction is falling, even though brokerage income per turnover increased somewhat compared to 2015. Since the launch of Avanza Markets, which is reported under other income, the majority of income from ETPs has been moved from the brokerage income to other income, which affects year-on-year comparisons.

Quarterly brokerage income decreased by 17 per cent compared to the exceptionally high level in the fourth quarter of 2015. The decrease was mainly due to lower trading in a couple of securities. Compared to the third quarter, brokerage income increased by 8 per cent due to more commission-generating customers and higher turnover.

Fund commissions increased by 5 per cent in 2016 compared to 2015, mainly due to higher fund volumes. They also increased for the fourth quarter, by 25 per cent compared to the same quarter in 2015, due to higher volumes as a result of higher valuations and net buying. Customers' higher risk tolerance and larger share of investments in equity and blend funds raised commission income slightly. Compared to third quarter, income was up 8 per cent thanks to higher fund volumes.

Net interest income fell by 18 per cent in 2016, mainly as a result of the 15 bps repo rate cut in February. Net interest income for the fourth quarter was practically unchanged compared to a year earlier, despite the lower repo rate and thanks to increased lending, with the biggest contribution coming from increased securities lending. Compared to third quarter, net interest income rose by 20 per cent, a result of increased lending. The repo rate averaged -0.48 per cent in 2016, compared to -0.25 per cent in the previous year. STIBOR (3M) was on average 30 bps lower than the previous year. In the fourth quarter, the repo rate was on average 15 bps lower year on year, while STIBOR (3M) was on average 21 bps lower than the fourth quarter of 2015 and 3 bps lower than the third quarter. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point change in interest rates with today's volumes would affect full-year net interest income by SEK 170–220 million.

Other income increased compared to the previous year, mainly due to the launch of Avanza Markets in May 2015. Currency-related income was also higher, mainly as a result of increased trading in international securities. In 2016, trading in foreign stocks among Avanza's customers was 6.5 per cent measured by the number of transactions. The number of transactions was over 50 per cent higher than in 2015. The biggest interest was in the US, Denmark, Norway and Canada. Other income rose by 24 per cent compared to the fourth quarter of 2015, mainly as a result of increased currency-related income and commission income in Avanza Markets. Compared to third

quarter, other income increased by 24 per cent, mainly due to seasonally low income from Corporate Finance in the third quarter, but also increased international trading. During the fourth quarter, Avanza Markets accounted for 26 per cent, currency-related income for 52 per cent and income from Corporate Finance for 23 per cent of other income. Avanza Market's share of total trading in exchange-traded products (ETP) in the fourth quarter represented 66 per cent of the turnover on the Stockholm Stock Exchange and NDX Sweden, and 68 per cent in terms of number of transactions.

Avanza's share of total ETP trading increased from 65 to 80 per cent in 2016.

Operating expenses amounted to SEK 453 million in 2016, an increase of 8 per cent year on year, mainly due to increased personnel costs. This aligns with the previous estimated increase of 8–10 per cent. For the fourth quarter, operating expenses rose by 16 per cent year on year, mainly due to higher personnel costs, but also higher marketing and other expenses. This was slightly less than the estimated increase of around 20 per cent in the third quarter. Personnel costs rose by 11 per cent, partly due to increased capacity in IT development and compliance. Other expenses rose by 18 per cent, mainly caused by higher IT costs. Compared to the previous quarter, operating expenses increased by 33 per cent, mainly due to seasonally lower personnel costs during the summer months. In 2017, expenses are expected to rise at a rate of 15–20 per cent before returning to a yearly rate of 8–10 per cent. For more information, see Future outlook on page 11.

Financial position

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

The surplus liquidity is mainly invested in covered bonds and with systemically important Nordic banks and to a lesser extent in bonds issued by the Swedish Government and Municipalities. Of the liquid assets of SEK 1,583 million as per the end of the period, SEK 130 million were pledged as collateral mainly referring to Swedish credit institutions and the stock exchange.

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

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and 2016 total credit losses amounted to SEK 10 million, which is the equivalent, on average, to less than 0.03 per cent per year.

The Parent Company Avanza Bank Holding AB (publ)

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

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

Capital surplus

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

Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the shareholders' equity. See also Note 4, page 17.

- 1) *The numbers of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with numbers of 2016, which are adjusted to the new Solvency 2 rules that took effect on 01-01-2016.*

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 740 million as of 31 December 2016. The new Solvency 2 rules took effect on 1 January 2016, as a result of which the conglomerate's largest sector is insurance. Due to the new rules, the Group's capital base is increased by additional solvency capital at the same time that the capital requirement rises. The increase in the solvency capital (NPV) compared to the previous year is mainly due to changes in assumptions of income per

savings capital ratio and the strong growth in both customers and capital. At the same time the capital requirements of Pillar 1 increase, why the solvency ratio of the Insurance Company do not change significantly. The net effect, which is positive, does not constitute distributable capital, however, due to which this is deducted as non-distributable solvency capital. For more information, see Note 4.

Future outlook

To create growth and long-term shareholder value, Avanza's efforts are concentrated in areas where we can have an impact: high customer satisfaction and strong culture with innovative product development, coupled with strict cost control and efficiency. Avanza is well prepared to meet the changing conditions facing the financial industry in the form of new user behaviours and regulations.

Avanza's growth opportunities in the savings market

As of 30 September 2016 Avanza had 3.2 per cent of the Swedish savings market and during the period October 2015 – September 2016 Avanza's share of the total net inflow to the Swedish savings market was 9.9 per cent. Sweden has one of the world's highest percentages of stock and fund savings. An estimated 80 per cent of the population invests in equities or funds. The Swedish savings market amounts to SEK 7,200 billion and has over the past ten years grown by an average of 7 per cent annually. Pension and insurance savings represent just over half of the Swedish savings market. Future growth in the savings market may be adversely affected by concerns about the housing market. Coupled with an unstable stock market that could result in more Swedes saving by paying off their mortgages. At the same time, Avanza's growth opportunities are not limited by the savings market's growth. There are still large market shares to win.

Changing customer behaviour

We are seeing a clear trend with greater focus on the importance of fees, not least due to negative interest rates. The Riksbank has indicated that interest rates will remain low in coming years, and savers are turning to the stock market to get returns. The low interest rates are also positively affecting customers' disposable income and savings potential. Avanza's low fees and position as a leading platform for savings and investment is favourable for growth given these market conditions. More customers create opportunities for growth in savings capital and in turn growth in income. At the same time, low interest rates are keeping pressure on net interest income. When interest rates eventually turn higher, we expect to see the positive results of the sharp increase in savings capital, even though customer growth may slow slightly as stock market activity could decline. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point change in interest rates with today's volumes would affect net interest income by SEK 170–220 million.

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

Possible impact of pending regulations

The gradual deterioration of national and collective pension and welfare systems increases the need for individual savings, which is leading to higher demand for easy information, freedom of

choice, digital services and lower fees. Avanza benefits when more responsibility is shifted to the individual, since Avanza's IT platform, products and decision-support tools make it easy and less expensive to make the right investment choices.

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

The new rules banning advisory fees, which will be introduced at the latest in conjunction with the MiFID II regulations, aim to benefit consumers who seek independent advice from insurance brokers and investment advisors. This is likely to affect advisory fees which customers are charged, as savers become more price conscious and less willing to pay. Avanza Pension is one of few pension providers in Sweden which does not pay broker commissions. As a result, a ban on commissions for insurance advice does not affect Avanza negatively but will rather benefit the company when it is clear to savers what they are paying for advice and can question whether they really need it.

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

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

Lower cost to savings capital ratio

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

We do not expect the income to savings capital ratio to return to the previous level given current savings behaviour with a lower appetite for risk, the low interest rate level and growing cost awareness among customers. Competitiveness and profitability will have to be ensured going forward by reducing costs to savings capital ratio and through innovative product development to attract more savers. Avanza's business model is built on economies of scale and high customer inflow. Scalable IT

systems facilitate cost efficiency and continued low fees as the customer base grows and business volume rises. We will continue to focus in the years ahead on efficiency improvements and digitisation as well as on further expanding our IT development capacity. Together with new innovative products, this is expected to make Avanza more competitive and lead to growth in savings capital from new as well as existing customers.

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

Other corporate events

Significant risks and uncertainly factors

Avanza's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary, acted upon, in order to protect the company's capital and reputation. The manner in which Avanza identifies, follows up and manages these risks has a bearing on the soundness of the business and on the company's long-term profitability.

A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2015, Note 36 and pages 35–37. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this Preliminary Financial Statement.

Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2015, Note 37. No significant changes have taken place since the publication of the Annual Report.

CEO

On 31 May, Martin Tivéus finished his assignments in Avanza's Board and Executive Management. On 8 July, it was announced that Johan Prom will be the new CEO of Avanza and he took over the position by 7 November. Avanza Bank's Deputy CEO and COO Henrik Källén was Acting CEO until then.

Incentive programme

Subsidiary programme 3 of the 2014–2016 warrant programme had exercise period from 2 May 2016 to 27 May 2016. After recalculation of the warrant programme the exercise price was SEK 168.23 per share and 494,900 shares were possible to subscribe for. 494,834 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 31 December 2016 amounts to 29,838,922.

In accordance with a resolution at the extraordinary general meeting on 13 June 2014, Avanza introduced a warrant programme for employees of the Group in August. The programme is the third of three warrant programmes that were approved for implementation in 2014–2016 with exercise in 2017–2019. This year's programme comprises warrants entitling employees to acquire 490,000 shares at an exercise price of SEK 375.52. The expiration date is 2 September 2019. The warrant programme has been implemented on market terms.

Repurchase of the company's own shares

On 5 April 2016, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during 2016 and the company holds no repurchased shares as of 31 December 2016.

Annual General Meeting 2017

The Annual General Meeting will be held on at 3.00 pm (CET) on Tuesday, 21 March 2017 at IVA Konferenscenter (Wallenbergsalen), Grev Turegatan 16 in Stockholm. The annual report is scheduled to be made available at the company's office and on the website, investors.avanza.se/en, on 24 February 2017.

Nomination committee

The Nomination Committee comprises the Chairman of the Board Sven Hagströmer, Erik Törnberg representing Creades AB, Sten Dybeck representing the Dybeck family and companies and Henrik Didner representing Didner & Gerge Fonder. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, please visit Avanza's website at investors.avanza.se/en.

Dividend

The Board of Directors proposes a dividend of SEK 10.50 (SEK 10.50) per share, which corresponds to 79 (74) per cent of operating profit in 2016. The dividend shall amount to at least 70 per cent of operating profit long-term.

Significant events after the end of the reporting period

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

Consolidated Income Statements ¹⁾

SEK m	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Operating income				
Commission income	250	255	934	882
Commission expenses	-34	-33	-133	-118
Interest income	56	50	211	194
Interest expenses ³⁾	-26	-20	-97	-55
Net result of financial transactions	1	0	3	2
Other operating income	0	0	0	0
Total operating income³⁾	247	252	919	904
Operating expenses				
General administrative costs	-113	-103	-395	-372
Depreciation of tangible and intangible fixed assets	-2	-2	-8	-8
Other operating expenses ³⁾	-15	-7	-50	-39
Total operating expenses before credit losses³⁾	-130	-112	-453	-420
Operating profit before credit losses	117	140	465	485
Credit losses, net	0	0	-1	-0
Operating profit	117	140	465	485
Tax on profit for the period	-16	-22	-66	-70
Net profit²⁾	101	118	399	415
Earnings per share, SEK	3.39	4.03	13.45	14.23
Earnings per share after dilution, SEK	3.38	3.99	13.44	14.10
Average no. shares before dilution, thousand	29,839	29,344	29,660	29,172
Average no. shares after dilution, thousand	29,892	29,661	29,682	29,441
Outstanding no. shares before dilution, thousand	29,839	29,344	29,839	29,344
Outstanding no. shares after dilution, thousand	29,908	29,675	29,908	29,675
No. shares upon full dilution, thousand	31,309	30,814	31,309	30,814

1) Corresponds to total comprehensive income in that no other total comprehensive income exists.

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

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

Consolidated Balance Sheet

SEK m	Note	31-12-2016	31-12-2015
Assets			
Treasury bills eligible for refinancing		-	250
Lending to credit institutions	1	1,583	1,701
Lending to the public	2	8,175	6,540
Bonds		13,244	11,850
Shares and participations		5	0
Assets in insurance operations		75,934	66,566
Intangible fixed assets		62	38
Tangible fixed assets		18	20
Other assets		1,432	1,542
Prepaid costs and accrued income		164	113
Total assets		100,616	88,621
Liabilities and shareholders' equity			
Deposits by the public		22,832	20,446
Liabilities in insurance operations		75,934	66,566
Other liabilities		353	292
Accrued costs and prepaid income		89	92
Subordinated liabilities		99	99
Shareholders' equity		1,308	1,126
Total liabilities and shareholders' equity		100,616	88,621

Changes in the Group's shareholders' equity

SEK m	2016 Jan-Dec	2015 Jan-Dec
Shareholders' equity at the beginning of the period	1,126	815
Dividend paid	-308	-202
Exercise of share warrants	83	93
Warrants issue	8	5
Net profit for the period (also total comprehensive income)	399	415
Shareholders' equity at the end of the period	1,308	1,126

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

Consolidated Cash Flow Statements

SEK m	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Cash flow from operating activities before changes in operating activities' assets and liabilities	-148	370	277	348
Cash flow from operating activities' assets and liabilities	-486	-4,171	973	3,531
Cash flow from investment operations	281	241	-1,179	-6,058
Cash flow from financial operations	0	99	-217	-5
Cash flow for the period	-353	-3,461	-146	-2,184
Liquid assets at the beginning of the period¹⁾	1,806	5,060	1,599	3,783
Liquid assets at the end of the period¹⁾	1,453	1,599	1,453	1,599

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 130 million (SEK 102m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

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

Parent Company Balance Sheets

SEK m	31-12-2016	31-12-2015
Assets		
Financial fixed assets	414	409
Current receivables ¹⁾	354	378
Liquid assets	0	0
Total assets	767	787
Shareholders' equity and liabilities		
Shareholders' equity	761	779
Current liabilities	7	8
Total shareholders' equity and liabilities	767	787

1) Of which receivables from subsidiaries SEK 353 million (SEK 377m as of 31 December 2015).

Accounting principles

The Preliminary Financial Statement for the Group has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the

Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Preliminary Financial Statement for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR 2) has been applied. As of 2016 the fee for the government's deposit guarantee scheme and resolution fee are reclassified from other operating expenses to net interest income. Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the 2015 Annual Report.

The information on pages 1-12 is an integrated part of this Preliminary Financial Statement.

Notes

NOTE 1 LENDING TO CREDIT INSTITUTIONS

Client fund receivables, attributable to banking business, amount as of 31 December 2016 to SEK 1,143 million (SEK 1,086m as of 31 December 2015) which are reported net against client fund payables of SEK 1,143 million (SEK 1,086m as of 31 December 2015).

NOTE 2 LENDING TO THE PUBLIC

Lending to the public is reported after deduction for confirmed and anticipated credit losses. As per 31 December 2016 anticipated credit losses amounted to SEK 8 million (SEK 8m as of 31 December 2015).

Lending to the public totaled SEK 8,175 million as per 31 December 2016, of which SEK 4,118 million (SEK 3,821m as of 31 December 2015) with collateral in the form of securities and SEK 4,056 million (SEK 2,719m as of 31 December 2015) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans as of 31 December 2016 SEK 5,074 million (SEK 3,333m as of 31 December 2015) has been granted, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 1,018 million (SEK 614m as of 31 December 2015).

NOTE 3 FINANCIAL INSTRUMENTS

Classification of financial instruments

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

1) The fair value amounts to SEK 13,263 million, of which SEK 13,263 million is attributed to Level 1 and SEK – million to Level 2 in the hierarchy for fair value. The valuation principles are the same as for similar instruments that are reported at fair value in the balance sheet.

Financial instruments valued at fair value

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

Fair value

In the case of financial instruments reported at accrued acquisition cost, incurring variable interest, or with short maturities, the reported value and fair value are equal. The fair value of those financial instruments reported at fair value via the Income Statement, primarily Assets in the insurance operations, is determined as shown below.

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

Financial assets valued at fair value via the Income Statement

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

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

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

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

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

NOTE 4 CAPITAL REQUIREMENT FOR THE FINANCIAL CONGLOMERATE

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

1) The figures of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with numbers of 2016, which are adjusted to the new Solvency 2 rules that took effect on 01-01-2016.

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

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

When the new Solvency 2 rules took effect on 1 January 2016, insurance became the largest sector. Previously, banking and securities had been the largest sector. As a result of the new solvency rules, a line has been added to the above table for solvency capital (NPV), which refers to the estimated future present value of the insurance company Avanza Pension's profits generated from policyholders' capital. The increase in the solvency capital (NPV) compared to the previous year is mainly due to changes in assumptions of income per savings capital ratio and the strong growth in both customers and capital. At the same time the capital requirements for regulated units in the insurance sector increase, why the solvency ratio of the Insurance Company do not change significantly. The capital requirements for regulated units in the insurance sector include the estimated Solvency Capital Requirement (SCR), which is affected by policyholders' assets.

NOTE 5 CAPITAL BASE AND CAPITAL REQUIREMENT IN THE CONSOLIDATED SITUATION

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

Consolidated situation, SEK m	31-12-2016	31-12-2015
Tier 1 capital		
Shareholders' equity, the Group	1,308	1,126
Proposed/assumed dividend	-313	-308
Equity not part of the consolidated situation	-66	-100
Equity, consolidated situation (adjusted for assumed/proposed dividend)	929	718
<i>Deducted items</i>		
Intangible assets	-62	-38
Deferred taxes	-1	-1
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension	-39	-39
Common equity tier 1 capital	827	640
Subordinated bond	92	78
Tier 2 capital	92	78
Total capital base	919	718
Capital requirement		
Credit risk according to standardised approach	275	234
Market risks	1	0
Settlement risk	0	0
Operational risk	93	80
Capital requirement	369	314
Risk exposure amount		
Credit risk according to standardised approach	3,436	2,929
of which Institutions	316	340
of which Corporates	28	27
of which Households	172	163
of which Collateral in real estate	1,420	952
of which Covered bonds	1,276	1,103
of which Other items	224	344
Market risks	11	1
Settlement risk	0	0
Operational risk	1,162	995
Total risk exposure amount	4,609	3,925
Capital ratios and buffers		
Common equity tier 1 ratio, %	17.9	16.3
Tier 1 ratio, %	17.9	16.3
Total capital ratio, %	19.9	18.3
Capital base in relation to capital requirement	2.49	2.29
Institution-specific buffer requirement, %	4.0	3.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	1.5	1.0
Total capital requirement including buffer requirement, %	12.0	11.5
Common equity tier 1 capital available for use as a buffer, %	13.4	11.8
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	366	267
Additional Pillar 2 requirement	35	11
Capital surplus after buffer requirement and Pillar 2	331	256

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

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

Stockholm, 19 January 2017

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Member of the Board

Jonas Hagströmer
Member of the Board

Birgitta Klasén
Member of the Board

Mattias Miksche
Member of the Board

Hans Toll
Member of the Board

Jacqueline Winberg
Member of the Board

Johan Prom
CEO

For additional information



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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 (CET) on 19 January 2017.

A webcast presentation will be held by Johan Prom, CEO and Birgitta Hagenfeldt, CFO on 19 January 2017 at 10.00 (CET). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at avanza.se/ir.

Phone number for participants:

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- UK +44 20 336 453 74
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This report has not been subject to review by the company's auditors.

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

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

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Website: avanza.se
Corporate web: avanza.com

Financial calendar

Annual Report 2016	24 February 2017
Annual General Meeting	21 March 2017
Intern Report January – March 2017	20 April 2017
Intern Report January – June 2017	13 July 2017

Definitions

The measures and key ratios used in the Preliminary Financial Statement are defined below. The majority of the financial key ratios are considered to be widely accepted and are such that they are expected to be presented in the Preliminary Financial Statement to provide an indication of the Group's results, profitability and financial position.

Account

An open account with holdings.

Brokerage income²⁾

Gross brokerage income less direct costs.

Brokerage per commission note²⁾

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

Capital base³⁾

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

Client funds²⁾

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

Commission note

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

Costs to savings capital ratio²⁾

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

Credit loss level¹⁾

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

Customer

Individual or company with at least one account with holdings.

Deposits

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

Earnings per share¹⁾

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

eNPS

Employee Net Promoter Score, ie employees' recommendation level, according Avanza's annual employee survey

Equity per share¹⁾

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

External deposits

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

Income to savings capital ratio²⁾

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

Investment fund commission²⁾

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

Lending

Lending to the public as per balance sheet with deduction for the portion which are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. Provisions for bad debt are not deducted.

Net deposits/Savings capital

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

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Net inflow/Savings capital

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

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

Profit margin¹⁾

Profit/loss after tax in relation to operating income.

Return on equity¹⁾

Profit/loss after tax in relation to the average shareholders' equity during the period. The return on shareholders' equity for interim periods is not recalculated at a yearly rate.

Savings capital

The combined value of accounts held with Avanza.

Solvency capital (NPV)³⁾

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

Solvency capital requirement (SCR)³⁾

Estimated capital requirements under Solvency 2 rules.

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

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

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