

Can you truly love a bank?

Well, our customers think so in any case. For the 11th (!) year in a row we have Sweden's most satisfied customers.



Annual and Sustainability Report 2020

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 mortgages.

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

One of the market's widest range of savings products

The image shows a composite of the Avanza website and its mobile app. The website header includes market indices: OMXS30: 0,61 % 09:43 (1,29 % i år) and DJ USA: 0,61 % 05:52 (1,44 % i år). The main navigation bar contains: Hem, Mina sidor, Spara & Investera, Bolån, Nyheter, Lär dig mer, and Kundservice. The central headline reads "Handla aktier från 0 kr" with the subtext "Bli delägare i bolag över hela världen". Below this are three icons with text: a starburst icon for "Kom igång snabbt & handla aktier gratis*", a magnifying glass 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". A registration button "Bli kund på 3 min" is visible. The mobile app screenshot shows a "Mitt innehav" screen with a total value of 386 952 SEK, a purchase limit of 157 843 SEK, and a development limit of 29 888 SEK. It lists holdings: Segelbåten (67 521 SEK), 4167714 (1 208 SEK), and Superbolånet (6 000 000 SEK).

We inspire, educate and create tools to support investment decisions

Read about our range of products and services on pages 118–119.

Key figures for 2020

Sweden's most satisfied savings customers

for 11 years

Source: Swedish Quality Index

Number of customers

1,280,300

(976,400)

Savings capital

SEK 571bn

(SEK 408bn)

Share of the Swedish savings market

5.4%

(4.3%)

Market capitalisation

SEK 36bn

(SEK 15bn)

Income

SEK 2,349m

(SEK 1,193m)

Average number of employees

478

(429)

Cost per savings capital

0.17%

(0.19%)

Operating margin

67%

(44%)

Return on equity

57%

(27%)

Figures in parentheses refer to previous year.

The year in brief by quarter

1

- The goal of 1 million customers by 2020 was reached already in January
- The range of low-fee index funds was broadened with Avanza Europe
- The fund pages on the website were improved with a focus on sustainability and it also became possible to exclude industries
- Covid-19 spread and the majority of our employees began working from home
- The need for information from customers due to Covid-19's impact on the stock market was addressed with more blog entries and podcasts than normal

2

- "My sustainability label" was launched for funds to facilitate sustainable savings
- Avanza 75 received a Lipper Fund Award for best fund in the category Mixed Asset SEK Aggressive for the second consecutive year
- Avanza ranked highest among banks and number six overall in Sweden in Kantar Sifo's reputation index for 2020
- In a unique collaboration with TIN Fonder, Avanza launched its first actively managed fund, Avanza World Tech by TIN, with a focus on technology, health and sustainability

3

- Improvements to monthly savings in the apps
- New pages launched for certificates
- The customer onboarding process was updated with better guidance to make it easier for new customers to start saving

4

- Endowment insurance customers were given the opportunity for extra return through stock lending
- Avanza reduced its holding in Stabelo
- Avanza launched the small-cap fund Avanza Småbolag by Skoglund in collaboration with the successful fund manager Fredrik Skoglund
- Avanza won the Swedish Quality Index (SKI) award for Sweden's most satisfied customers in the savings category for an unprecedented eleventh year in a row
- Avanza was named Bank of the Year by the business magazine Privata Affärer for the third year in a row
- Avanza Private Banking ranked fifth in a Prospera survey for the fourth year in a row, in competition with firms that offer both investment advice and portfolio management

CEO's statement

A challenging year that resulted in record profit and growth like we have never seen before. With a 5.4 per cent share of the Swedish savings market, and nearly one of every five kronor of savings going to Avanza's platform, growth potential remains very high.

2020 was a trying year ...

The past year was certainly the most challenging we have experienced in modern times. The pandemic has affected everything and everyone, but when society is challenged we also see heroes step up. This year the heroes are in healthcare, who have endured tremendous stress and been there for so many people.

“Activity among customers at times during the year was twice as high as previous peaks”

Avanza has also been affected by the pandemic. Since the beginning of March, the majority of our employees have worked from home. We have still kept to our agenda in respect of development and improvement. In March, we faced some challenges with the stability of the website during peak times, but you have to keep in mind that activity at some points during the year was almost twice as high as previous peaks. We also had a great deal of pressure on customer service and Private Banking with customers who needed support in the volatile market. Through quick decision-making and dedicated employees, we were able to handle this by moving forward a number of investments in additional capacity, as we announced in March. We also increased the number of podcasts and blog entries and had more guests than normal to support customers. We saw a major increase in listeners and readers during the year, which shows that customers want to constantly learn. Number of daily active users on the website and in our apps amounted to almost 400,000 in 2020, which is 180 per cent more than in 2019. Many say that 2020 has sped up digitisation by three to five years, and I have to agree.

... but it was still a record year for Avanza

Despite the difficult times, Avanza in many ways still had a fantastic year. We passed our target of 1 million customers as early as January and finished the year with 303,900 new customers. This also added 60 per cent more stock-trading customers and a net inflow for 2020 of just over SEK 76 billion. This is more than double the net inflow as well as new customers as the previous record year of 2019. Thank you to all our fantastic customers for the confidence you have shown in us!

A sample of the year's improvements

We also made great progress in terms of development during the year. For example, we launched three new funds, two of which are actively managed: Avanza World Tech by TIN and Avanza Småbolag by Skoglund. Our new actively managed funds are a sought-after complement to the large range we offer and should be seen as an exception to the rule rather than a totally new direction for Avanza. The third fund is Avanza Europe, a low-cost index fund. Our new funds have been very well received by customers. As of 31 December assets under management in Avanza's own funds amounted to just over SEK 40 billion, and 27 per cent of the savings capital in funds is now invested in Avanza funds. We have also made progress in the sustainability area. Among other things, we introduced a sustainability label to help customers, based on their personal preferences, choose funds that suit them. The fund pages have been improved, as have the stock pages, and at the end of the year we launched stock lending for endowment insurance customers to offer them the potential of an additional return. One of the great things about working at Avanza is that my colleagues are never satisfied. It does not matter what they have done and how appreciated something is among our customers, the attitude is always that everything can be even better.

“We will never be satisfied. There is always something that can be better”

Continued strong growth potential as the importance of personal savings grows

If we look at our targets for 2020, we also performed well, and are well on our way to those we set for 2025. When we set these targets, they fell challenging, but the year's strong growth has provided a jumpstart and may give us reason to reassess whether we should raise our ambitions even further. While it is difficult to draw any far-reaching conclusions from the pandemic year 2020, the underlying structural reasons for Avanza's strong growth are still there. The importance of personal savings has been laid bare during the year. More and more people are becoming aware of the deterioration of the public welfare systems, such as collective pensions and unemployment insurance. This, together with the need for a significant cash down payment to buy a home, is a big reason why individuals are taking greater responsibility for their personal finances. This won't disappear.



Rikard Josefson, CEO

Gratifying recognition from our customers

Fundamentally, we managed the year so well because of our very strong corporate culture. Although we worked remotely for the most part and were physically removed from each other, I still feel that we have in a sense become closer. It is in times of crisis that an organisation is truly put to the test, and I think we handled this test very well. Avanza was recognised by the Swedish Quality Index, which awarded us for Sweden's most satisfied savings customers for the eleventh year in a row. In Kantar Sifo's reputation index, Avanza ranked highest among Sweden's financial companies and we came in six among companies in all categories. Avanza ranked fifth in Prospera's private banking survey, but the most important thing here was that we took first place in the customer recommendation index. And I am also very proud that we were named Bank of the Year by the business magazine Privata Affärer for the third consecutive year. What we do every day is focus on customers, and it is heart-warming when the market and our customers acknowledge this and show appreciation for what we do.

“Fantastic recognition from the market and our customers that they appreciate what we do.”

The strategy is unchanged

Looking ahead, we see continued strong interest in savings and we know that pension transfer rights will be improved from 1 April. Against this backdrop, the strong year we just had and all the ideas we ourselves have and receive from our customers, we have decided to invest a little extra in development in 2021. For this reason, we announced cost growth of around 15 per cent for 2021. This corresponds to SEK 20 million more than the ceiling on our previous forecast and compares to a 199 per cent higher profit than 2019, or SEK 1,155 million in increased income. We have a 5.4 per cent share of the Swedish savings market and took home nearly 20 per cent of the net inflow on a rolling 12-month basis. This means that nearly one out of every five kronor of savings reached Avanza's platform. With so much wind in our sails, it would be wrong not to capitalise on the position we have created. There is so much we want to do to take care of our customers long-term. There are good and bad costs and I am confident that all the costs we have within Avanza are good ones. They have gotten us where we are today and they will take us forward toward our vision of a better future for millions of people.

“Shareholder value is created through our vision, our values and our strong customer focus”

Our vision, our values and our strong customer focus are also why we can deliver shareholder value. We see no reason to change our strategy and will continue to prepare Avanza for further growth through improvements to our offers and by supporting and educating our customers.

We finished the year with a return on equity of 57 per cent.

Despite a strong year, the Board of Directors is proposing a dividend of only SEK 0.85 per share in light of the Swedish Financial Supervisory Authority's recommendation to financial institutions to be restrictive with dividends. Distributable earnings are much higher, however, and when the FSA repeals its recommendation, hopefully this autumn, the Board plans to issue another dividend proposal at an extraordinary general meeting. Despite the higher capital requirement owing to the leverage ratio that takes effect in June, there is still enough room today to distribute an additional SEK 2.95 per share.

Thank you for a fantastic but challenging year

Finally, I want to underscore that this entire year, with everything that has happened, would have been very difficult if I had not worked with what I feel are the industry's best employees. Their hard work and engagement for Avanza and our customers cannot be appreciated enough. Another reason for our success is our engaged customers, who are constantly giving us new ideas and helping us to be even better. I also want to thank our owners for the stimulating and interesting dialogues we have had.

I am energised and look forward to another exciting and stimulating year.

Be safe.

Stockholm, February 2021



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 of us, 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. We believe our offer will stand the test of time. 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.

Product development and education to create customer value

We want to engage people and help them understand savings through education, information and simple decision-making support. We also want to encourage and inspire sustainable savings. Education is offered through several channels, mainly our website and tools. We are convinced that with the right tools our customers can make the best investment decisions themselves, so we don't offer advice. Nor do we promote specific products. Products and services are presented objectively with both pros and cons. Another important factor to make financially sustainable investment decisions is transparency, where the price and fee model are clearly shown and where it is easy to understand each product. We want to create the best tool for our customers to successfully manage their finances. At the same time, we want Avanza to be the obvious choice to save sustainably.

Since the start, Avanza has strived to democratise savings. The keys are to drive development in the industry and focus on the impact of fees on savings, challenge the established structures of large banks and pension providers that don't benefit savers, and squeeze prices. We offer customers to invest in a wide range of Swedish and foreign securities and in savings accounts, with no fixed fees and very low brokerage fees. Our broad fund offering also includes funds from our own fund company. Competitive occupational pension solutions and mortgages are available as well.

The end result is a promise to our customers that they will have more money left in their own pockets than with any other bank.

We mainly target individual investors in Sweden, but have also services for professional investors and corporate customers, such as entrepreneurs, asset managers and those who want 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. All operations are conducted in Sweden from one office. The majority of the operations is managed by the subsidiaries Avanza Bank AB (publ) and Försäkringsaktiebolaget Avanza Pension. Avanza Fonder AB manages 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 Børsveckan.

Avanza owns 19.8 per cent of the mortgage provider Stabelo Group AB.

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 develop more tools. We want to simplify savings and also make it easier for customers to transfer all their savings to Avanza. We attract a large share of younger customers. Though they generally have fewer financial resources than older customers, there is significant potential if we continue to create attractive offers and a reason for them to stay with Avanza. There is also strong growth potential in occupational pensions, where Avanza has a highly competitive offer. More customers and savings capital are driving income, and ultimately this is what creates shareholder value. Our mortgage offer is also an important piece of the puzzle and can also free up customers' savings capital with other firms. The aim is that these growth areas eventually will also create more stable income sources.

Five year summary	2020	2019	2018	2017	2016
Operating income, SEKm	2,349	1,193	1,049	975	909
Operating profit, SEKm	1,576	520	418	441	465
Operating margin, %	67	44	40	45	51
Return on shareholders' equity, %	57	27	24	30	33
No. of customers	1,280,300	976,400	837,100	710,600	570,600
No. of new customers	303,900	139,300	126,500	140,000	103,000
Net inflow, SEKm	76,300	32,600	27,600	26,800	26,500
Savings capital, SEKm	570,500	407,700	300,000	282,900	239,100
Income to savings capital ratio, %	0.51	0.34	0.35	0.37	0.42
Cost to savings capital ratio, % ¹⁾	0.17	0.19	0.20	0.20	0.21
Average number of employees	478	429	406	383	343

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 pages 120–121.

Major opportunities for Avanza in the Swedish savings market

Interest in savings is growing, which together with digitisation, Open Banking and a greater focus on sustainability, gives Avanza good growth opportunities.

Growth factors in the Swedish savings market

The Swedish savings market is valued at just over SEK 9,500 billion and has grown by an annual average of 8 per cent over the last ten years¹⁾. However, Avanza's growth isn't dependent only on the market's growth, since many customers also transfer their capital from other banks. The savings ratio is at a historically high level, and interest in and the demand for savings are on the rise.

According to Statistics Sweden, Sweden's population is expected to rise by more than 1 million by 2040. The age group that is growing the most is 65 or older. At the same time, the average life expectancy of both women and men continues to increase. This places a greater financial burden on the working population. In addition, it is becoming more obvious that the public pension and welfare systems are covering fewer needs. The limits placed on homebuyers' loan to value ratios in recent years, coupled with the stricter amortisation requirements, have also contributed to greater awareness of the need for savings, especially among the young. Individuals need to take greater responsibility for their personal finances, raising the demand for and importance of regular savings.

Savings could end up being adversely affected by high unemployment, limiting the ability of many people to save, though the pandemic has underscored the importance of saving and having a buffer. Factors such as rising interest rates and higher mortgage amortisation requirements could also affect savings, though this scenario is less likely in the short to medium term.

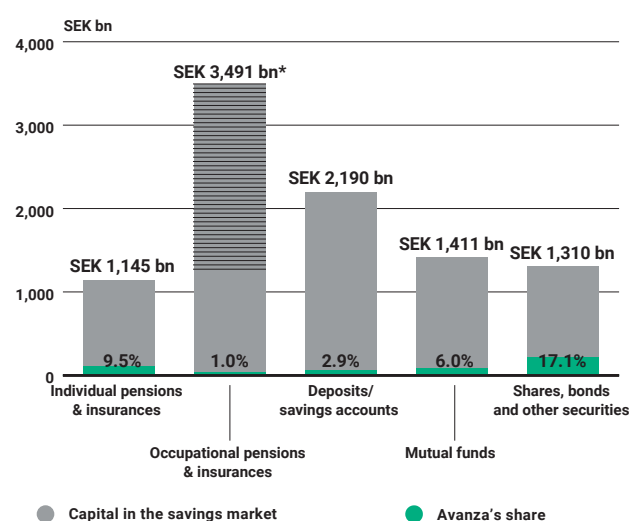
Distribution of capital

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. The percentage of the Swedish population that owns shares rose to close to 20 in 2020. The number of individual shareholders has grown in the last five years. Six out of ten shareholders are men. The share of younger shareholders is growing, a development that has been going on for ten years²⁾.

Pension and insurance savings, i.e. the life insurance market, is the single largest savings segment, accounting for nearly half of the savings market, and of which the personal pension and insurance savings amounts to SEK 1,145 billion. The occupational pension market can be divided into traditional life insurance and unit linked insurance and amounts to SEK 3,491 billion¹⁾. Unit linked insurance accounts for about a third, of which

Avanza is active in the portion outside collectively agreed occupational pensions, which is valued at nearly SEK 820 billion³⁾.

The Swedish savings market¹⁾



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 smaller players, of which Nordnet is one.

Avanza's position in the savings market

Avanza's share of the savings market was 5.4 per cent, while the share of the total net inflow to the market in the period October 2019–September 2020 was 19.4 per cent¹⁾. Avanza's 1,280,300 customers correspond to a market share of 11.5 per cent of Sweden's population. Avanza's share is strongest in urban areas and among young people aged 30–39. In for example the Stockholm area and among men, the share exceeds 30 per cent in the age categories 20–29 and 30–39²⁾. Even though Avanza already has a high market share among the equity-owning portion of the population, there is still growth potential, although it is significantly higher among Sweden's fund owners.

¹⁾ Statistics from the **Savings barometer and Insurance Sweden** are published with a lag, the latest refer to 30-09-2020.

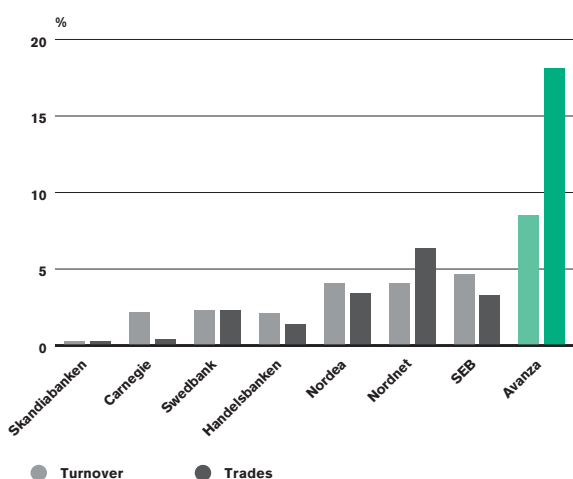
²⁾ The Swedish Investment Fund Association, SCB and euroclear.com/sweden.

³⁾ Based on numbers from Insurance Sweden as of December 2019.

In 2020, Avanza's market share of total new fund savings was 33 per cent⁴. In the life insurance market, the share of the premium inflow for the twelve-month period was 10.9 per cent¹. Occupational pension capital at this point still accounts for a smaller share of Avanza's savings capital, 6 per cent or SEK 34 billion at year end, corresponding to a growth of 28 per cent in 2020.

In equity trading, Avanza was in 2020 the largest Swedish player on Nasdaq Stockholm including First North in terms of both number of transactions and turnover.

Stock market shares among Swedish players 2020



The Swedish mortgage market

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. The mortgage market is distinguished by strict lending practices, where credit decisions are based on each borrower's ability to repay the loan. The market sees little speculative investment. Mortgage lending to Swedish households amounts to SEK 3,600 billion⁵. The market is dominated by the four major banks, although competition from new mortgage companies has grown in recent years.

Average gross mortgage margins have decreased in recent years due to the stiffer competition. In 2020, margins averaged 1.36 per cent (1.43)⁶.

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 mortgage, been able to offer mortgages to a broader customer group. Stabelo's mortgages are financed through a fund in which institutional investors such as pension companies invest. This is a new model for Sweden. In the Netherlands, it has been used for many years, and there mortgage funds now account for a large share of mortgage volume and an even larger share of new lending. To date, only refinancing of existing mortgages is offered, even if the offer is constantly developed. The application process is digital. Lending via Stabelo amounted to SEK 13.6 billion at year-end.

Avanza's share of the Swedish mortgage market, together with Stabelo, is only 0.6 per cent at this point. The share of the net change is higher at 2.5 per cent on an annual basis⁵.

Digitisation and Open Banking create new opportunities

The Swedish banking market is highly digital. Digitisation is increasing competition from smaller fintech firms, 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 comprehensive offers where customers can combine products to a fragmentation. Similar to other industries, it is likely that banking customers will increasingly seek out the best prices from different providers. Customers are just a few clicks away, but at the same time place high demands on availability and the user experience. 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.

The Payment Services Directive PSD2 is contributing to new services that make it easier for customers to compare offers

The Payment Services Directive (PSD2), which regulates the relationship between banks that maintain payment accounts and so-called Third Party Payment Services Providers (TTP's) that offer payment initiation or account information services, has forced financial firms to share account information with TPP's at the customer's request. Together with the General Data Protection Regulation (GDPR), it has given the customer new rights in the form of data portability. This means to have the right to obtain their personal data in a format that that can easily be shared with others, often known as Open Banking, and it means that companies must do even more to serve them and gain their trust every day. Consumers will, through new services based on their data with other players, find it easier to compare offers from different players, at the same time that services that simplify

⁴ The Swedish Investment Fund Association.

⁵ Statistics from SCB is published with a lag, the latest refer to 30-09-2020.

⁶ The banks' mortgage margins, FI.se.

switching providers are being developed. PSD2 and GDPR are both 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.

The EU Commission has also presented a digital finance strategy that lays the groundwork for the regulations it will focus on in coming years. The strategy includes a review of PSD2 and the launch of the next step in Open Banking, called the Open Finance Framework, by 2022. Hopefully it will among other things lead to greater access to and better financial products for consumers as well as better targeted advice. This will also make it easier to compare financial products and switch to new providers.

The record-low interest rates in recent years have placed greater focus on the impact of fees on long-term savings, which has made investors more price conscious and less willing to pay. At the same time, regulations such as Markets in Financial Instruments Directive (MiFID II) and the Insurance Distribution Directive (IDD) have enhanced consumer protection and fee disclosure. Consumer protection is designed to prevent conflicts of interest and advisory fees to ensure that investment advice is independent. The changes mean higher costs for financial advice, but also greater transparency. This is gradually increasing demand for and the supply of products that help savers make their own investment decisions, at the same time that they are also questioning the costs they 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.

Avanza has long been a distributor of a number 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. 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 as part of Open Banking create new opportunities to enhance our offer as we gain a better view and understanding of our customers' finances.

Our customer-centric culture and modern organisation are also well-suited to capitalise on the opportunities that changing market conditions will mean going forward. Thanks to cross-functional teams, which can provide a wide array of products and services, and a modern technological platform, which facilitates simultaneous development in all channels, we have a time-to-market that is hard to beat and innovation capabilities that attract the highest competence in the industry.

The rules banning advisory commissions do not affect Avanza directly, since we do not offer investment advice. Additionally, Avanza Pension is one of the few pension companies that does not pay commissions to insurance brokers. In Sweden, plat-

forms are exempt from the ban on commissions as long as the service is designed to enhance the quality for the customer. If limits are placed on third party compensation in Sweden, there are concrete plans to take action and adapt the business model. Avanza respects clear and transparent pricing, and will continue to do so.

Declining public pensions increase the importance of pension savings

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

Current pension transfer rights are constrained by high fees and overly complex administration for the individual. The government has for several years aimed to simplify the transfer market in Sweden. A new draft law that was introduced in 2020 and will take effect on 1 April 2021 limits the fees charged on occupational pension transfers and allows savers to transfer unit linked insurance to less expensive alternatives at a maximum cost of around SEK 600, compared to the percentage fee on total capital today. However, the transfer rights only cover policies signed after 2007. There are still many opportunities to simplify administration of pension transfers in the industry. Avanza continues to support these changes.

Strong pension offer creates good growth opportunities when transfer rights are simplified

While many people realise that their quality of life in retirement depends to a large extent on the investment decisions they make today, there are those who put off their pension decisions to the future. A great deal of education is still needed to increase awareness. Avanza has a very strong brand, but is still a relatively small player in occupational pensions – though the fastest growing. This provides great growth potential, but needs communication.

Avanza's broad-based offer, pricing strategy and digital tools will be strong competitive advantages as transfer rights for unit linked insurance improve. Our view is that greater awareness of the importance of low fees largely depends on access to the right tools. They can, with the help of the customer's own data, provide a better overview of pension savings while bringing attention to the fees charged by the firms that manage savings today and how this impacts savings over time. Here the new technology and rules introduced as part of Open Finance will facilitate the development of more tools and services.

To this point, only 8 per cent of our current customer base consists of occupational pension customers, which we see as further growth potential when they begin to demand competitive occupational pension alternatives from their employers.

The financial industry is driving efforts to reach the Sustainable Development Goals

Politicians and decision-makers have acknowledged that the financial industry plays a key role if we are going to meet the UN's Sustainable Development Goals. The EU has therefore drafted an action plan to steer capital flows to sustainable businesses. The regulation on sustainability-related disclosures, which takes effect on 10 March 2021, is part of this action plan and will force companies in the financial sector to disclose information on how they address sustainability issues and how sustainability risks are integrated in investment decisions and customer advice. This is in addition to the EU's Taxonomy Regulation, part of which applies as of 1 January 2022. This regulation will ensure that the financial sector applies uniform rules on which investments can be called green and sustainable.

Analysing your savings from a sustainability perspective becomes an important economic issue when corporate profitability is affected by stricter regulations and climate laws. 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.

We want to contribute to the Sustainable Development Goals by encouraging sustainable choices

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 aligns with Avanza's strategy to encourage sustainable savings and also helps us 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.

The new regulations which enter into force in the coming years will set the standard for disclosure of sustainability information, which in turn will improve the tools and the information on Avanza's platform. The insurance company Avanza Pension and the fund company Avanza Fonder are affected by the new laws as well. For the fund company it is less of an issue, since it controls the investment approach, and the aim is that the majority of the company's products will be classified as funds that promote the environment and social change. There is still considerable uncertainty in the industry as to how the rules will be interpreted, and the challenges are that much greater for the insurance company, since the regulation as presently formulated is not adapted to savings platforms but rather advice.

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 create an engaged user experience with smart and proactive tools that help customers manage their money.

Evolving market conditions are expected to continue to squeeze prices in the industry and benefit consumers, especially in mortgages as well as fund and insurance savings. This should strengthen Avanza's position. Avanza is a recognised brand with many ambassadors and high customer satisfaction, which together with our innovative capabilities, strong user experience and cost leadership are a good starting point. The user experience and Avanza's focus on information and education are also important as demand for sustainable products and clear sustainability information grows.

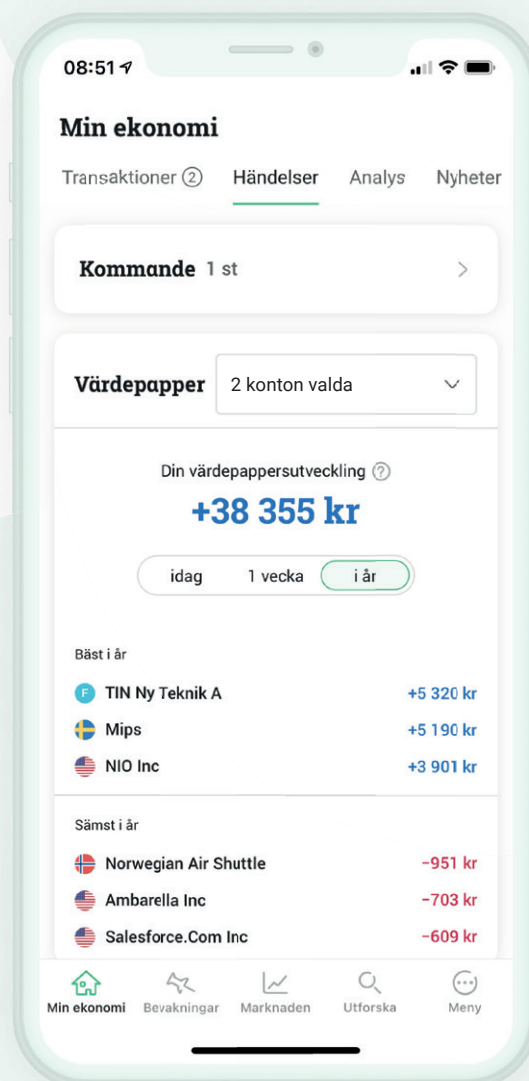
The aim going forward is to attract broader target groups – experienced and established savers as well as new ones – who need more support in their investment decisions. Availability will be enhanced through improvements to our mobile services and decision support. We also continue to develop offers in more niche areas to meet the needs of active traders. In terms of sustainability, there should be a sustainable alternative in every product area.

Avanza's strong fund offer, focus on pensions and the mortgage offer are important to future growth, but also to generate stable income and reduce the sensitivity to market fluctuations. Outside collaborations will continue if they strengthen the services we offer and align with what our customers want. Here Avanza's strong distribution capabilities are a big competitive advantage to attract new partners.

Competitiveness and profitability will still have to be achieved through scalability and a cost to savings capital ratio in line with the very best in the industry. The long-term aim is that Avanza will be the best tool for our customers to successfully manage their finances.

Personal overview

After logging in on the website and in the apps, customers will find a personal overview showing the latest news related to their holdings as well as news from Avanza in the form of new launches or blog entries. They can also monitor the day's or for example the last week's developments for all their accounts.



Our success requires listening to our customers

The longevity of Avanza's business is tied to our ability to deliver what our stakeholders want. Listening to our customers and meeting their needs improves our offer and gives us new perspective.

Key focus areas are identified in dialogue 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 dialogue 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, user experience 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 dialogue has helped us to have the most satisfied savings customers for eleven consecutive years

We dialogue with our customers by phone and email, through social media, personal meetings and surveys.

We regularly send out customer surveys, both in general in nature and specifically on products, tools and functions. Prior to new launches, like when we redesigned our most-visited equity pages during the year, several steps are taken. We conduct customer interviews and user testing and also go back and look at years of feedback on old pages and functions. In addition, we review quantitative data on how customers interact with the page. In the next phase of major changes, we release a beta version to a small number of customers to get feedback on the new pages in a real environment and make additional adjustments. Customers can choose themselves whether they want to test out the new functions.

Our customers are highly engaged, which also means that we get feedback through tens of thousands of messages to our customer service, Twitter comments and app reviews. On the site we also have a tool called "Feedback Buddy," where customers can leave comments directly to the development teams.

Each year we have surveys on the range of products and services we offer, including an open question on what would make Avanza perfect. In 2020, three such surveys were conducted.

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 satisfaction, ensure that we receive feedback and get back to customers if needed.

While many of us receive feedback from customers, we have an employee within Customer Service who is dedicated to coordinating and forwarding customers' views and suggestions to product teams and management. Improvements are made to our offers on a weekly basis through updates on the site and in apps and infrastructure largely based on responses from customers and changes in user preferences.

All this, together with our market analysis, is important to improving the offer.

An open work environment and creative dialogue encourage employee engagement

Our employees are driven by our vision and by creating 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 anonymous and quick pulse surveys. They are conducted three times a year and focus on the work environment, leadership and engagement and have a response frequency of around 90 per cent. The surveys identify what is working and what is not, and whether we are improving over time. Employees are also encouraged to discuss what they feel needs to improve or change to make them happier and more engaged. The pulse surveys also gauge employees' motivation and how they feel about coming to work. The results are followed up in workshops within each department.

Performance reviews during the year between employees and their managers identify needs, opinions and desires, and are an opportunity to monitor and discuss each person's development and performance. Well-defined goals strengthen motivation. We also have a process to monitor new employees during their first three months to learn their views and whether the initial period has met their expectations.

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 suggested improvements. For more information, see pages 26-30.

Besides the day-to-day communication, there are a number of ways we strengthen this dialogue and ensure that our employees are heard. We hold 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. Some of these have had to be cancelled during the Covid-19 pandemic, but the plan is to resume them again in the spring. Instead, the crisis management team has frequently communicated with employees and we have created a special mailbox for questions and thoughts about the pandemic, working from home and other possible questions. Normally, monthly meetings are held where the whole company gets together for a presentation of what is going on in the company and where there is an opportunity to ask questions directly to Group Management and the CEO. During the pandemic, they have been digitally recorded, and digital channels have been established to present the development work being done, offer tips about working from home and provide channels for each team, among other things.

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

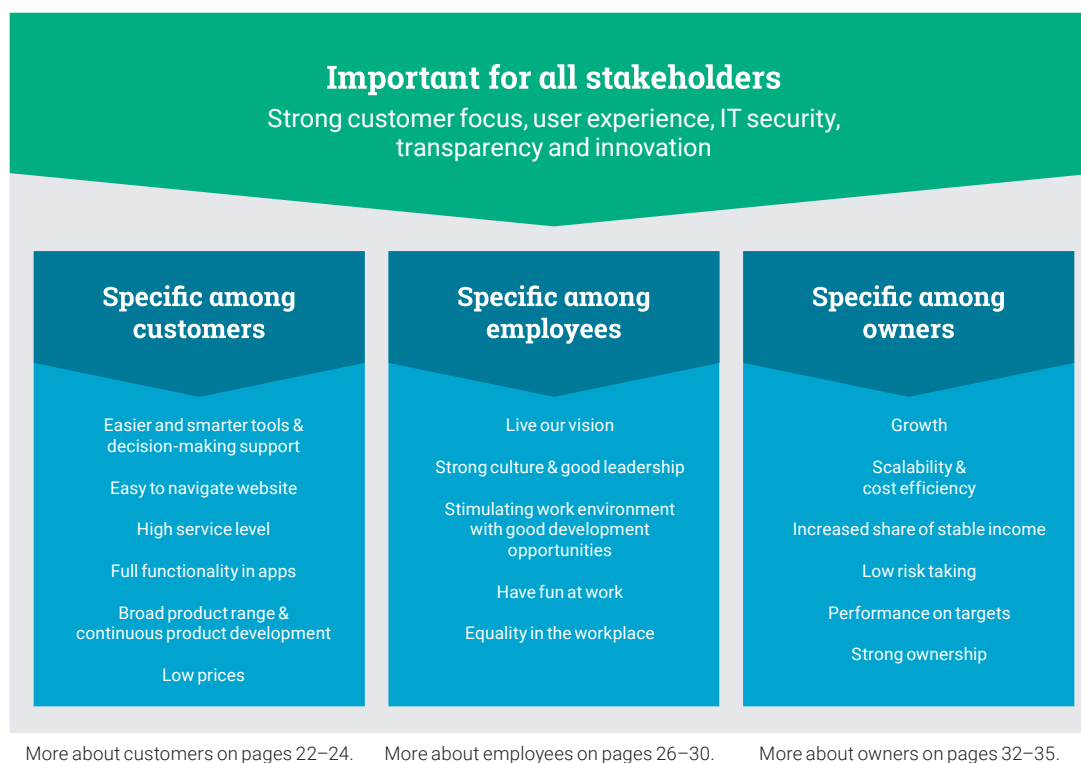
Transparency to create understanding and give a fair view of Avanza among owners

We regularly communicate with owners and potential investors face-to-face and by email and phone. We try to be as transparent and accessible as possible in order to provide an accurate picture of Avanza and its performance to 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 2020, we held over 125 meetings with investors, of which most have been held digitally due to the pandemic. Only two physical roadshows were held during the year, in addition to which Avanza took part in a number of digital roadshows and investment seminars. We dialogue regularly with the analysts that follow Avanza at ABG, Carnegie, DnB, Kepler Cheuvreux, SEB and Handelsbanken.

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 dialogue and communication, and by listening to opinions, we also try to build trust among owners and analysts. Reporting and information disclosures should describe our progress in meeting targets and priorities.

What our stakeholders want and the main topics we discuss



Performance review on material analysis

Material aspects	Evaluation criteria	Page
Strong customer focus	Customer satisfaction and cheaper, better and simpler offering	22–24
User experience	Customer satisfaction and daily active users	5, 8
Availability	Web service operational availability	36
IT security	Substantiated complaints concerning breaches of customers' integrity	36
Transparency	Transparency in supply, prices as well as in financial reporting	15, 17, 22–24, 32–33
Innovation	Product development and efficiency	14, 16, 22–24, 26

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

We want to give our customers good tools and encourage and inspire 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

The 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 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) The lower income to savings capital ratio over the years 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 interest rate environment. The interest rate was raised to 0 at the beginning of 2020 and customer activity was record high.

Income largely consists of brokerage income, although fund commissions have grown significantly in recent years, in line with Avanza's aim to 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 declining cost to savings capital ratio.

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, and Innovation, Scalability & Efficiency, as well as 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 place great importance on maintaining a strong culture where everyone is encouraged to think in new ways, challenge and come up with new ideas. It is also characterised by collaboration and unpretentiousness.

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 a high service level. 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 and do not offer investment advice. Instead we provide information, education and decision-making tools to help them make the right investments.

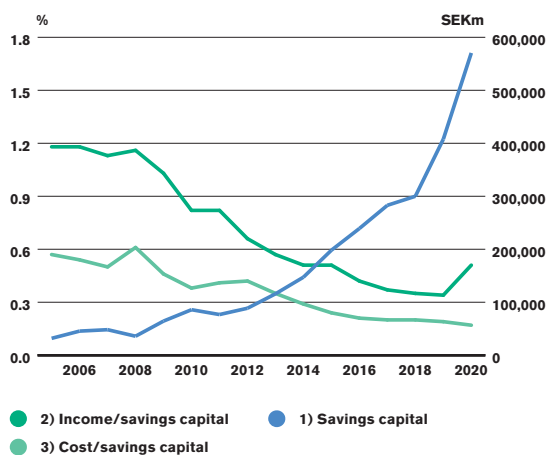
Innovation, Scalability & Efficiency

Being attentive to our customers' needs and doing everything we can to meet them is an integral part of our product development. 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 most modern in the industry. We continually evaluate new technology and update and modernise our systems. The strategy is to never put ourselves in 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

Timeless business model built on scale



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 social engagement have become increasingly important to sustainable development and business. Our sustainability work is focused on three areas.

Sustainable investments

Avanza is a platform for savings and investments with a broad range of options. We do not 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 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. In our own funds sustainability aspects are imple-

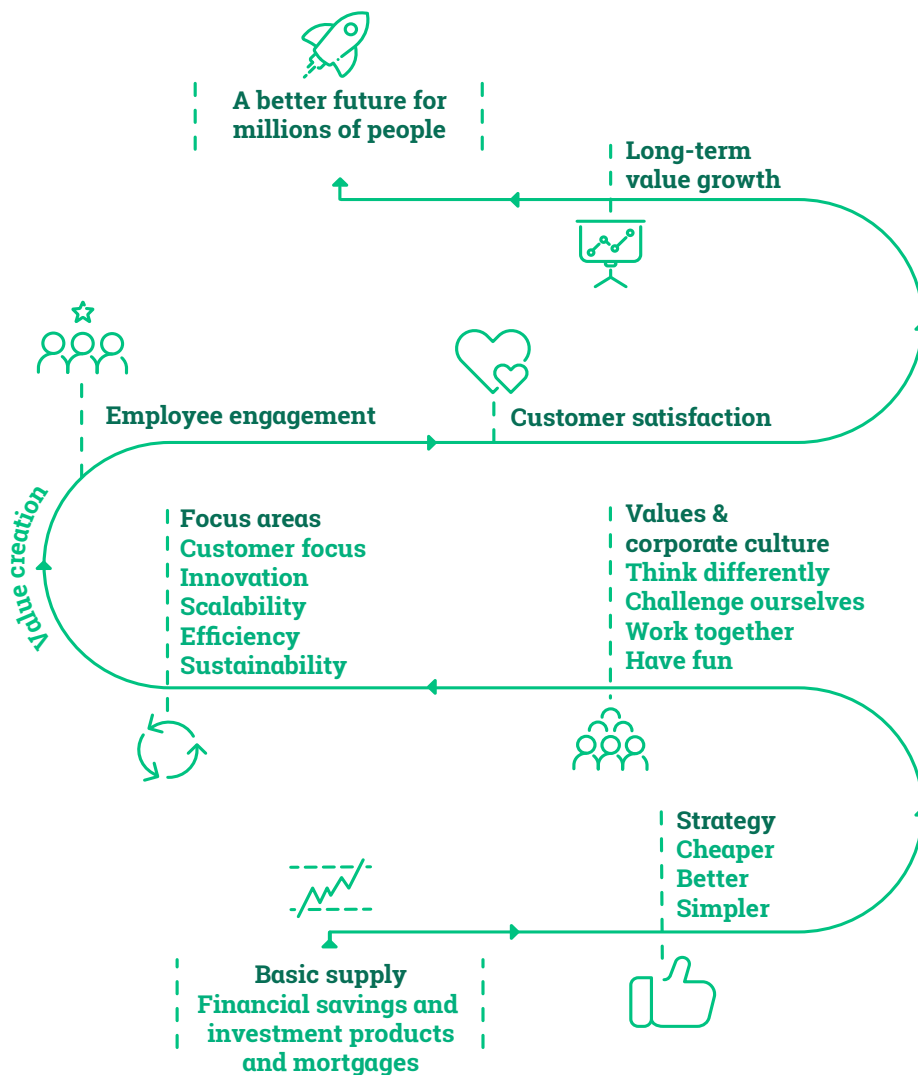
mented according to the opt-out principle. For more information, see pages 22–24.

Educate & 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 greater equality in savings is a key element in our sustainability work. Our customers have over SEK 570 billion in savings capital with Avanza, and through information and inspiration we can do more to encourage sustainable choices. We want to drive development toward a sustainable financial market. For more information, see pages 22–24.

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, see pages 21, 27–28, 45 and 114.



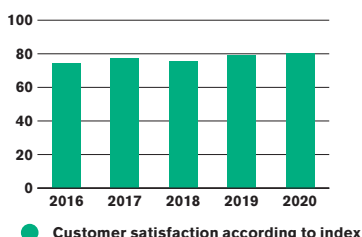
Targets and outcomes

Growth is an important element in our business model. Our customers therefore always come first. Performance on targets is primarily measured by customer satisfaction, where our employees play a very important role. In early 2020, we launched new long-term targets for 2025.

TARGET	PERFORMANCE ON TARGET	COMMENT
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Customer satisfaction

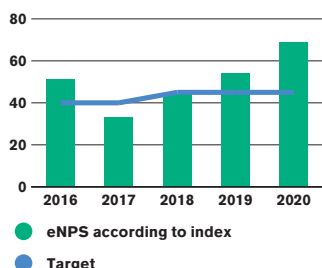
Annual target:
Sweden's most satisfied savers according to Swedish Quality Index



Avanza's most important target is to win the Swedish Quality Index's annual award for "Sweden's most satisfied customers" in the savings category. In 2020, Avanza won the award for the eleventh consecutive year. The study is done in the areas of image, expectations, product quality, service and affordability, which lead to customer satisfaction and loyalty.

Employee engagement

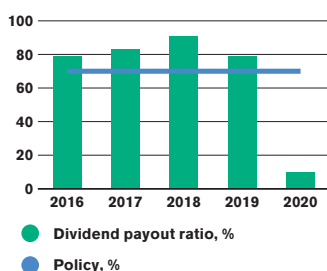
Annual target:
Employee Net Promoter Score of at least 45, which was raised from to least 50



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 2020 was 69. 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.

Long-term value growth

Annual target:
Dividend of at least 70 per cent



On 28 June 2021, a leverage requirement of 3 per cent will be introduced. In addition, the Swedish FSA is introducing leverage ratio guidance of between 0.2 and 0.5 per cent. To maintain a satisfactory margin to the requirement, regardless of market conditions, the Board of Directors resolved to strengthen the Tier 1 capital by temporarily deviating from the dividend policy, owing to the year's strong result. In light of the pandemic also, the Swedish FSA has encouraged financial firms to be restrictive with dividends until September 2021. The recommendation is that total dividends should not exceed 25 per cent of aggregate earnings for the financial years 2019 and 2020.

The dividend proposal for 2020 is SEK 0.85 (2.30) per share, corresponding to a dividend ratio of 10 (79) per cent. The assessment is, there is still room to distribute an additional SEK 2.95 per share, when the FSA repeals its recommendation.

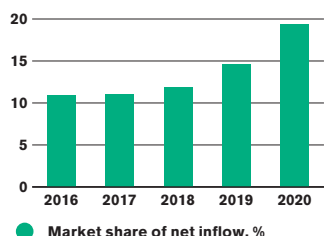
TARGET

PERFORMANCE ON TARGET

COMMENT

Long-term value growth, continuation

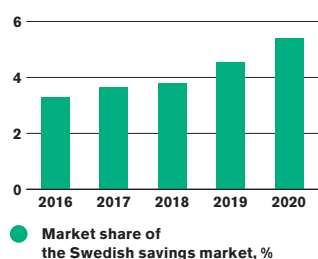
Target 2025:
Market share of at least 15 per cent of the total net inflow to the Swedish savings market



To ensure a good growth rate, net inflow is essential. Under favourable conditions in the period October 2019 – September 2020, our share of the total net inflow increased to 19.4 per cent. The statistics are published with a lag.

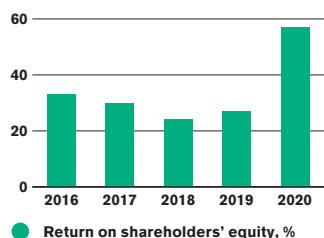
The target requires targeted development with a focus on creating customer value, both to continue to attract new customers and to make existing customers willing to transfer more of their savings to Avanza.

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



There is a strong correlation between growth in savings capital and growth in income. Avanza's share of the Swedish savings market as of 30 September 2020 was 5.4 per cent. The statistics are published with a lag.

Annual target:
Return on equity of 25–30 per cent

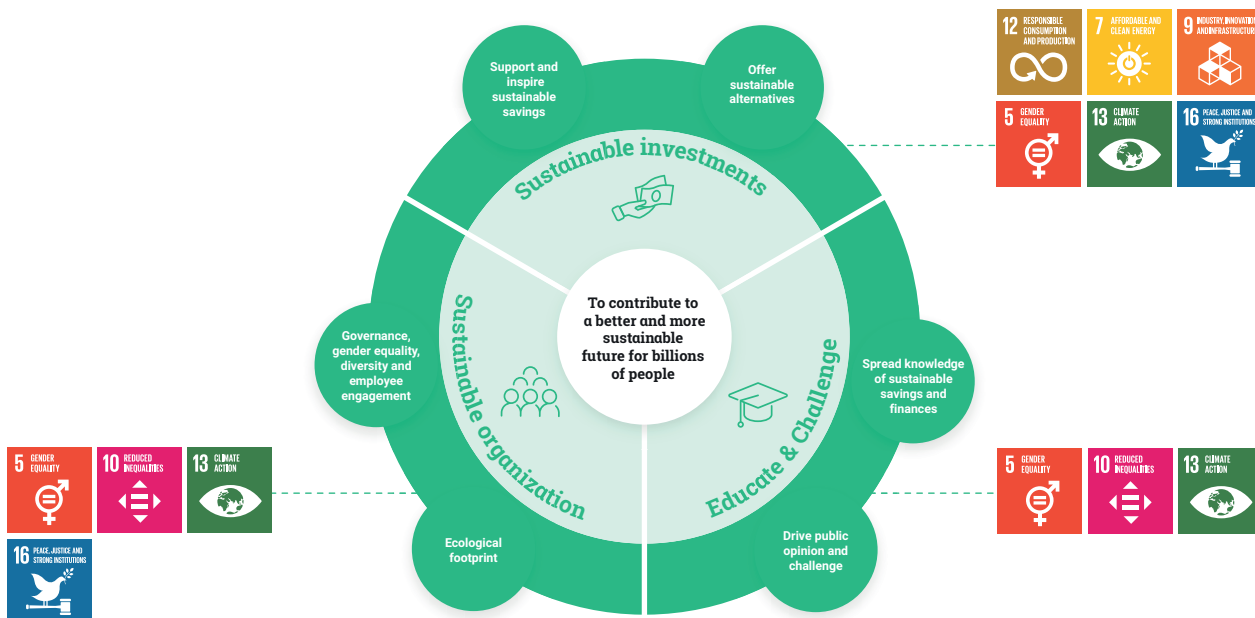


Our return on equity target ensures a continued focus on profitability and effective management of the balance sheet. Cost effectiveness is an important part of our profitability focus and the aim in recent years has been to reduce the cost to savings ratio to 0.16 per cent. The cost to savings capital ratio decreased to 0.17 per cent in 2020. Given continued strong growth and efficiency improvements, there is potential to cut it slightly further, although this could fluctuate depending on market developments and the value of the savings capital. Return on equity amounted to 57 per cent.

Our sustainability targets

We want to contribute to a better and more sustainable future for millions of people and have targets to measure the effects of our sustainability work. This means creating opportunities for a better financial situation for each and everyone and encouraging more sustainable investments. We also work actively for gender equality and diversity in the labour market and in savings.

Agenda 2030 and the UN’s Sustainable Development Goals create a framework for the entire world’s efforts to promote sustainable development. As a company, we can contribute to the goals by driving Avanza in a sustainable and responsible direction. A number of the 17 Sustainable Development Goals have inspired us when setting our own sustainability targets.



TARGET

COMMENT

Sustainable investments

Increased share of capital in sustainable investments

Avanza is a platform and the aim is to provide a wide range of alternatives. Avanza does not offer investment advice, but tries to inspire customers and make it easy to invest sustainably through clear information, decision support and education. During the year, Morningstar’s sustainability rating for fund investments decreased from 22.57 to 21.67. The ratings are given a 0–100 scale, where the goal is as low a score as possible. The share of capital in funds with three or more Morningstar globes was 82 per cent, see more on page 114. When Avanza’s sustainability target was launched in January 2020, it included increasing the share of customers who save in sustainable alternatives. The share of capital is much more important to sustainable development, which is why the target for number of customers has been eliminated.

Educate & Challenge

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

We want to drive the development of a sustainable financial market. We measure this by looking at Avanza’s reputation as a company, which is a sign of quality and public confidence in Avanza. The goal is to be the company in the financial industry with the highest reputation, which is measured once a year in KantarSifo’s reputation index. The goal was reached for 2020.

We work actively to reach broader target groups and promote savings among women. Only 16 per cent of the female population owned shares at the end of September 2020, according to Euroclear. We want to get more interested. The number of new female customers grew strongly during the year and was record high. In spite of this, the share of new female customers decreased as growth among men was even higher.

Target to increase the share of women among new customers	2020	2019	2018	2017	2016
Share of women among new customers, %	39	43	40	38	36

TARGET COMMENT

Sustainable organisation

Organisation with parity between women and men and become climate positive

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 in Group Management and among employees with personnel responsibility. Read more about our work on pages 26–30.

We will be a climate-smart organisation that monitors our carbon footprint. Each year a climate report is prepared showing our footprint in terms of business travel, electricity, office supplies, purchased materials, etc. The climate analysis is done with the help of an independent analysis 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. This year's emissions amounted to 263 tonnes CO₂e. We strive to improve the analysis, and this year's increase is mainly due to improved reporting on additional IT equipment. For 2020 climate offsets of 263 tonnes CO₂e are purchased.

The eNPS target of at least 50 can also be added to our sustainability goals; see previous spread.

Gender equality	2020	2019	2018	2017	2016
Women in Group Management, %	44	44	56	50	38
Women with personnel responsibility, %	49	47	44	38	36

Emission per activity, tonnes CO ₂ e	2020	2019	2018	2017	2016
Business travel	2.3	65.7	29.5	18.3	22.7
Third party deliveries	0.8	–	–	–	–
Company-owned/leased vehicles	0.6	1.0	6.5	14.7	12.9
Electricity and heat	4.4	5.7	6.2	5.8	4.6
Office supplies	40	12.1	10.7	14.9	14.6
Supplier of services	7	20.9	26.6	8.7	6.3
Materials purchased	208	119.0	–	–	–
Total	263.0	224.4	79.4	62.4	61.1

Sweden's most satisfied savings customers 11 years in a row

Customer growth was strong as early as January and continued for the entire year. Investments in recent years in the user experience and our offering have produced results and the response from customers continues to be very positive.

A broad customer base with strong growth

Customer growth was record high during the year with 303,900 new customers. The long-term target of 1 million customers by 2020 was reached as early as January and at year-end the number of customers was 1,280,300. While growth was strong back at the beginning of 2020, we see the Covid-19 pandemic as a contributing reason for the year's robust growth, as people became more concerned about their financial situation in connection with lay-offs and redundancies. This has further illuminated the need for savings and a financial buffer. At the same time, restrictions, including working from home, have freed up more time for people to get to grips with their savings.

Our customers mainly consist of private customers, and new customers do not differ from the customer base as a whole. The large percentage of our customers are between the ages of 20 and 49, and the strong growth among younger customers, ages 20 to 30, continued – although growth was also strong in other age categories. We are growing strongly among younger customers in urban areas, but customer growth in less populous locations is increasing on a relative basis. The number of both men and women grew strongly during the year, but men are still overrepresented, accounting for 63 per cent of customers at year-end. The share of women among new customers dropped to 39 per cent, although the number of new female customers was record high. Avanza's market share of Sweden's population is 11.5 per cent. In urban areas, the share is higher, in Stockholm for example it is in certain age categories topping 30 per cent. In 2020, the churn was 1 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. Private Banking customers account for the largest share of savings capital, and Pro customers, who are among the more active traders, account for a large share of turnover in commission-generating securities, although that share has decreased as the customer base has grown. Private Banking and Pro accounted in 2020 for 20 per cent of brokerage income, compared to 26 per cent in the previous year. This shows the importance of the broad customer base.

The number of occupational pension customers, 107,900, corresponds to an increase of 17 per cent for the year. The temporary drop in sales at the start of the pandemic was recaptured later in the year, and the transition to more digital meetings has increased efficiency in the occupational pension business.

For more information on our customers, benefit levels and offering, see beginning of page 116.

We take a long-term view of our offering with a focus on the customer

The goal of Avanza's offering is that more people will feel smart, engaged and educated about their personal finances and savings. We want to play the role of savings confidante by providing information and guidance, in addition to always answering questions and explaining where needed.

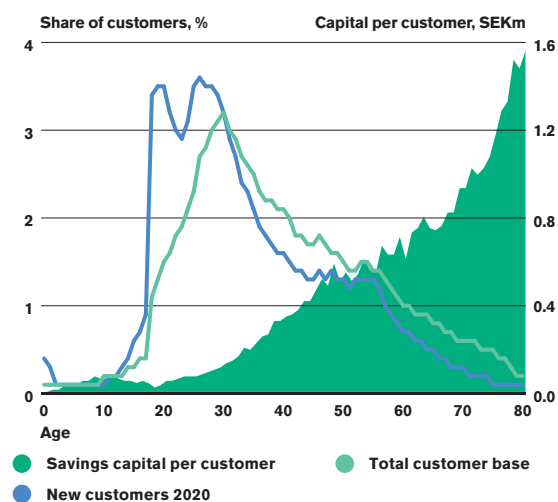
A majority of our customers come to us by recommendation, which is a result of our strong customer focus, but also because when we launch new products we do so in our way, thinking innovatively. We are never finished; there is always something that can be better – the savings market is constantly evolving.

We want to guide people to better savings

As part of the Educate & Challenge focus area in the sustainability strategy, we want to get more people interested and engaged in savings and sustainable choices through various media outlets and education. We have a savings economist who speaks to the entire savings market and helps to generate media attention for savings issues, as well as a head of sustainability, part of whose job is to educate the public on sustainable savings from an ESG perspective.

With so many people falling into a debt trap, understanding personal finance has grown in importance. Through our free education, more people have the opportunity to learn how to improve their financial well-being and build a secure future. On the site we educate and inspire through our podcasts, the Avanza Blog and Avanza Play. The blog and Avanza Academy both have sections on saving sustainably. Avanza Academy is an important tool to show customers what to think about when choosing stocks, funds and other securities, and how to build various types of portfolios. There are also answers to questions on taxes and tax returns. On 1 December, we launched a digital

Age distribution and savings capital by age



Christmas calendar on Instagram with a “tasty” tip each day on how to think about savings, and explanations of various terms. All to add a lust-filled touch to savings.

We work actively to reach broader target groups and promote savings among women. According to Euroclear, close to 20 per cent of Sweden’s population owned equities as of 31 September 2020 and six out of ten equity investors were men. We want to get more interested in savings, not the least women.

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
- #tjejersomspårar – 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, with the exception of 2020 due to the Covid-19 pandemic
- Gilla din ekonomi – a network led by the Swedish Financial Supervisory Authority to educate the public on financial topics
- Avanza has also released two audiobooks on personal finance, Savings School and Stock School, in collaboration with the publisher Storytel, which attracted great interest

In 2019, Avanza was actively engaged in shaping public opinion on improved pension transfer rights through #pensionsupproret. 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 and put the focus on fees and their impact on savings. A new draft law introduced in 2020 will enter into force on 1 April 2021. The new law limits the fees charged on occupational pension transfers and means that savers will be able to transfer their unit-linked insurance for a maximum cost of about SEK 600, compared to the percentage fee on total capital today. The transfer rights only apply to pensions signed after 2007, however. At the same time, there are still plenty of opportunities to simplify the administration of pension transfers in the industry, and Avanza continues to promote these changes.

With inspiration from dating apps and to make it easier to find interesting new stocks, a new stock swiping function was launched in the apps. The function is designed as a fun and easy way to diversify savings based on brief company presentations and a number of key performance indicators.

In keeping with tradition, “Your 2020 by the numbers” was launched. With this popular feature, customers can 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. New this year is a fund deep dive, with information for example on ESG scores.

Due to Covid-19 and a volatile market, interest in our podcast and blog grew significantly. People especially sought out help on how to best navigate a turbulent stock market as well as data from previous market crashes and concrete suggestions on how to avoid common investment mistakes. In response to customers’ concerns and demand, more podcast episodes and blog entries were published, especially at the start of the pandemic. The number of unique podcast listeners rose 70 per cent to over 3 million from the previous year and the number of Avanza blog visits was up 160 per cent to over 5 million.

Product development to simplify and improve

A number of improvements and simplifications were made during the year to the user experience on the site and in the apps. The design and navigation have been updated. In the customer onboarding process, which is the first thing a new customer experiences, better guidance is provided from the start. This makes it easier for new customers to begin saving based on their level of knowledge and interest. A new contents page was launched with expanded information on e.g. performance, trading and dividends. The pages have also been given new functions and graphs to facilitate sorting and analyse holdings. The search function has new functionality to make it easier for customers to search for securities.

Those who like equities but love funds can now see on each stock page which funds have holdings in the particular stock and quickly and easily link to each fund, with more information and trading opportunities. For stock enthusiasts, new stock pages were launched on the site and in our apps that allow users to see buy and sell transactions in the graphs and compare various equities and indices. In addition, equity orders have been improved and simplified and a “flash” function has been launched to make it even easier to track current orders.

Mortgages for Private Banking customers and the Stabelo mortgage were added to the account summary to give customers a better overview. The “Save Sustainably” page was updated as well with new functions and educational material to encourage more sustainable savings. The Stabelo mortgage was expanded with a supplemental loan for those who wish to invest in their property to contribute to a better environment. The supplemental loan is discounted by 0.20 percentage points compared with the existing Stabelo loan.

To simplify fund savings and choosing funds for a portfolio, the fund page at avanza.se was redesigned from scratch in 2019 and in 2020 further improvements were made in a number of areas. Scheduling monthly savings through the apps has been simplified when it comes to individual funds. It is also easier for investors to boost their savings with one-time purchases of the funds they already own.

One of Avanza’s goals is to facilitate sustainable investments. The fund pages were expanded with improved sustainability data to create a better overview of sustainability aspects. Many people find it difficult to determine which investments are sustainable, at the same time that their personal opinions are important. Our response to this was “My sustainability label”, where customers decide for themselves what is sustainable based on four areas: Environment & Climate, Controversial Industries, Social Responsibility and Corporate Governance.

We have also added around 800 German ETFs to the existing selection. Additionally, new pages have been launched for certificates with price charts and more information on e.g. news and order depth.

We continue to make it easier for companies to obtain an occupational pension. During the year, we developed a new digital signing process with a packaged offering for sole proprietors.

A project was launched during the year to replace the backoffice system. The new system will enable us to use smarter technology and solutions to increase efficiency, at the same time that scalability and product development will be improved.

Cheaper offers to fulfil our customer promise

Fees are critical to the value of savings over time and 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 indi-

vidual. Avanza does not charge any fixed fees on savings. This applies to occupational pensions as well. We have free offers in every product area.

During the year, the Avanza Europe index fund was launched as a way to invest cheaply and sustainably in the European equity market. The fund has a total fee of 0.17 per cent, half that of the average for similar funds, according to Morningstar Direct. Sustainability aspects are taken into account in the composition of the index. We also launched our first actively managed fund in collaboration with TIN Fonder: Avanza World Tech by TIN. The fund invests in the areas of technology, healthcare and sustainability and has a total fee of 1.34 per cent. This makes it one of the market's cheapest actively managed technology funds for individual investors. At the end of the year, Avanza launched its second actively managed fund, Avanza Småbolag by Skoglund. The fund is focused on Swedish small-cap companies with high growth potential. The main themes are sustainability, digitisation and transformation. The fund has a total fee of 1.30 per cent, which makes it one of the cheapest in its category.

To give endowment insurance customers an opportunity for a higher return, stock lending was launched as an optional service. With stock lending, Avanza Pension lends shares to Morgan Stanley and the customer receives 60 per cent of the return.

Avanza's own funds and sustainability in the management process

When Avanza launches its own funds, it is to fill the gaps we see in the fund market. We always charge low fund fees, but also offer exciting sector funds or specialty funds. We want to give our customers opportunities for a better financial situation and inspire them to make more sustainable investments, at the same time that we create funds people talk about and which market themselves.

In Avanza's fund company's own funds of funds, sustainability aspects are implemented based on the opt-out principle. They 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 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 dialogue on the sustainability work of the underlying funds. The purpose is to influence the external managers' sustainability work.

The Avanza Zero index fund, whose goal is to track the benchmark SIX30 Return Index, does not take ESG considerations into account when choosing companies to be included in the fund. Instead, Avanza Fonder participates in and votes at general meetings where it benefits the fund's investors.

Management of the feeder funds Avanza Global, Avanza Emerging Markets, Avanza USA and Avanza Europa is handled collaboratively with Amundi. They are active owners who dialogue with their companies and vote at general meetings. The feeder funds replicate two types of indices: a broader index that primarily works with exclusion and a narrower SRI index with extensive sustainability work.

The feeder fund Avanza World Tech by TIN is a collaboration with TIN Fonder. This is an actively managed equity fund focused on global technology companies as well as companies with a sustainability orientation. The sustainability work consists of

investing in companies that contribute to a better world and are trying to reach the UN's Sustainable Development Goals with a focus on environmental technology, resource efficiency and simulation, security and privacy, dematerialised growth and healthcare. The opt-out principle is applied as well.

Avanza Småbolag by Skoglund is focused on Swedish small-caps with sustainable business models, where the sustainability shift in society is an investment theme for the fund. Another important element is to avoid companies with high sustainability risks. The master fund excludes companies based on established sustainability criteria and the company is an active owner.

Avanza Fonder AB has 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.

Continued high rating from customers in 2020

Our most important long-term target is to win the Swedish Quality Index's annual award for Sweden's most satisfied savers. In December, we won the award for the eleventh consecutive year. Our score for 2020 was 80.4 on a scale of 0–100. Avanza increased compared to last year's survey and strengthened its leading position in customer satisfaction. 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.

The Swedish Quality Index also measures the Net Promoter Score (NPS), which shows the likelihood that customers will recommend a company. Avanza's score of 67 put it in first place. Scores range from –100 to 100, with 0 to 50 being good and above that extremely good and highly unusual. Avanza's score beat other companies by a good margin and was far higher than the industry average of 10.

Avanza ranked as the most reputable bank and the sixth most reputable company in Sweden in the Kantar Sifo reputation index 2020 – in tight competition with large, well-known 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 a Lipper Fund Award for best fund in the category Mixed Asset SEK Aggressive for the second straight year. The award is given to the fund with the highest risk-adjusted return in its category for 5 years, which means that customers have gotten the best return on their capital in relation to the risk the fund has taken.

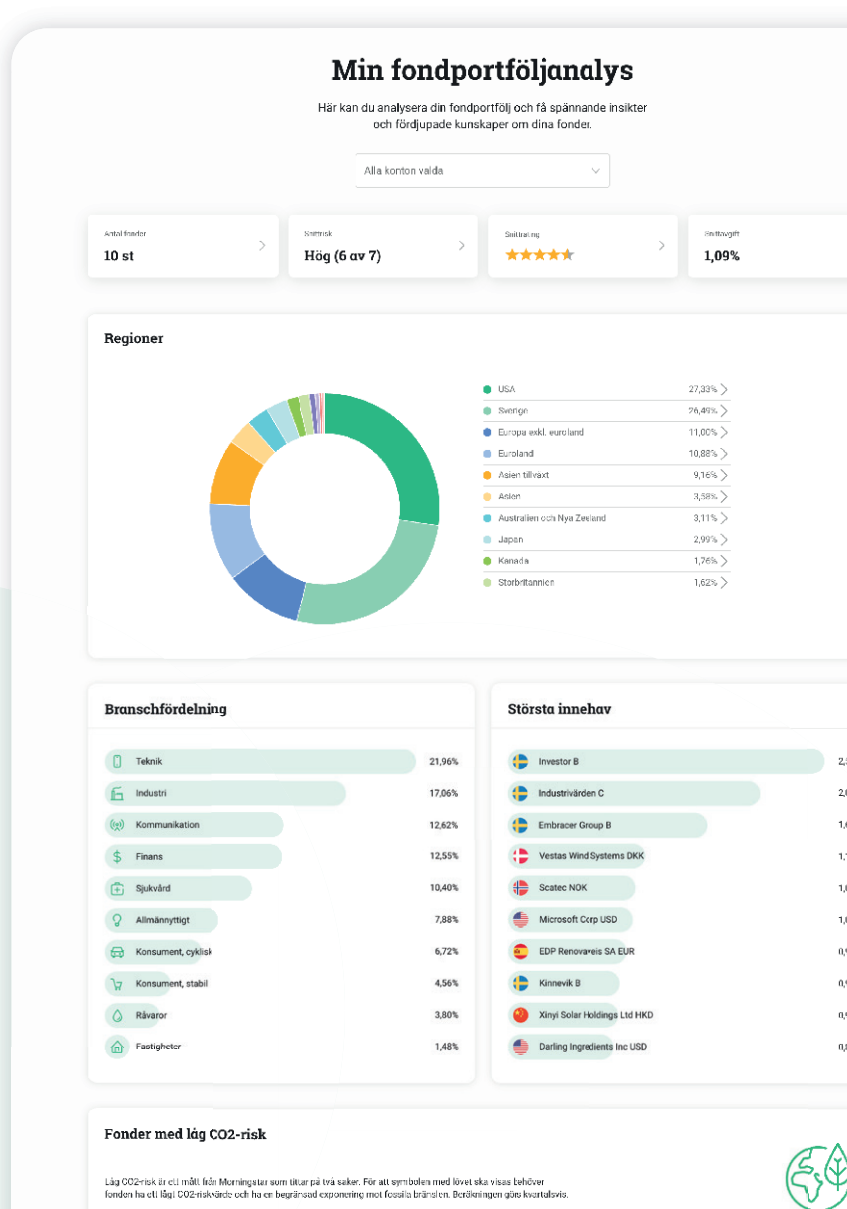
In Prospera's private banking survey for 2020, Avanza ranked fifth for the fourth year in a row, in competition with companies that offer investment advice as well as portfolio management. Avanza's digital services and competitive prices ranked the highest, and in terms of sustainable investments Avanza placed second, an improvement from sixth place last year. The survey also shows the highest recommendation rate among Avanza's customers.

The magazine Privata Affärer named Avanza "Bank of the Year", for the third year in a row. No other company has achieved this in the last 20 years. In the motivation, Avanza's innovative services were mentioned as well as the work with education and sustainability.

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

My fund portfolio analysis

The fund portfolio analysis aggregates the customer's fund holdings and shows an overview of the entire portfolio's diversification by country, industry and largest holdings. It also shows the customer how many funds they are invested in, their average risk, and ratings and average fees. It also includes an ESG analysis of the fund holdings showing the sustainability rating of the portfolio and the carbon footprint risk. The latter is a measure from Morningstar that looks at the fund's carbon metrics and exposure to fossil fuels.



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 and think differently, and where everyone takes responsibility. Each quarter we reward an employee who has stood out in embracing our values, to encourage and nurture the entrepreneurial spirit that has gotten us 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 2020, there were an average of 478 employees at Avanza, with an average age of 36.

All development is done internally

We are constantly developing. There are always things that can be improved and new products and interfaces to develop. In

recent years, investments have focused on digital decision support, an improved user experience and a stronger mobile offer. We have 24 development teams that are divided up based on the customer journey, products, business platform and technological platform. The goal of the technological platform teams is to optimise innovation, quality and lead times. The business platform teams are responsible for ensuring that the right techniques are used, so that we can achieve optimal efficiency and meet regulatory requirements and availability demands. This means eliminating old systems and future-proofing Avanza. 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 contributes to increased stimulation and creativity among employees. The organisational structure, which was introduced in late 2017, has contributed to a faster rate of development and not least made employees happier and more engaged.

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 production.

Employee key ratios	2020	2019	2018	2017	2016
Average no. of employees	478	429	406	383	343
of which women, %	36	36	36	35	33
Women in Group Management and with personnel responsibility, %	47	46	45	40	40
Average age	36	36	36	35	33
Employee turnover, %	12.6	18.3	15.7	17.9	19.1
Internal movement, %	–	3.6	7.6	6.3	6.4
Internal mobility, % (replaces internal movement)	32	–	–	–	–
Redundancies	1 ¹⁾	6 ¹⁾	–	–	–
Recommendation rate (eNPS)	69	54	44	33	51
Leadership index	87	81	–	–	–
Occupational health and safety index	82	80	–	–	–
Engagement index	83	81	77	–	–

¹⁾Shutdown of office in Gothenburg.

How we attract more talented employees

Recruitment and employer branding strategy

Avanza's success is closely tied to our attractiveness as an employer. Here our strong corporate culture, modern technology platform and agile way of working are important factors. The competition for talent is fierce, especially in technology. Avanza's objective is to find the most competent and engaged employees with ambition and the ability to drive the business forward and fit into Avanza's corporate culture.

Leading up to 2021, we are further investing in this area, which will make this work more systematic, proactive and strategic. Special focus will be placed on the area of IT/Tech, where the most critical competence will be recruited going forward. To make sure that we are doing the right things, we measure our progress through Universum's ranking of "Attractive employers". The results of the 2020 survey show that among students, our ranking improved to 10th (19th) within Business and 20th (21st) within IT, and among those with a few years of work experience Avanza came in 17th place (17) for Business and 16th (11) for IT. The long-term internal goal is to place in the top 10 in all four categories.

Succession planning and critical competence

Each manager is responsible, with support from HR, for having the right staff on their team and workgroups, so that the work will be performed as effectively as possible. To ensure continuity and safeguard business-critical processes, a structured mapping of individuals with critical competence is done each year. Employee dialogues are conducted several times a year to follow up individual goals and development plans. To facilitate a smooth transition when employees in senior positions and other key employees move on to other roles, internal candidates are identified as part of succession planning.

Working actively to reduce employee turnover

We work actively to reduce employee turnover. During the year, we improved our goal-setting meetings and performance reviews (the Employee Dialogue), to identify employees who need further follow-up, development and challenges. This work includes increased leadership training and improved tracking of internal mobility and recruiting needs. We were already using qualitative exit interviews, but have added an anonymous survey to the process to find out why employees decide to leave and why we may not have met their expectations. In addition, we have introduced a structured process to monitor new hires during their first three months. This initial period as a new employee is critical to catch up on expectations in terms of leadership, culture and job descriptions. HR participates to a large degree in the recruiting process to ensure that we hire the right people in terms of expectations and development potential in relation to the role, and that the candidate fulfils the competence requirements and fits our culture.

Employee turnover at Avanza is largely concentrated in two groups: IT/Tech and Customer service.

For a number of years, there has been intense competition for IT development talent. This makes it challenging and time-consuming to recruit these positions, at the same time that the competence within Avanza is attractive to other companies. To reduce employee turnover in this area, we focus on leadership with experience with agile teams, and offer a work-life balance with the option of working from home to contribute to freedom and creativity. Market-based salaries are important as well.

The challenge with customer service is that it from time to time is demanding, fairly stressful and sometimes monotonous work, because of which people often leave after one to two years. Many get the opportunity to transfer internally to other positions within Avanza. Customer service provides an important recruiting base for us with recent college and university graduates who are young and ambitious. To reduce turnover in customer service, we have added leadership with extensive experience from successful customer service functions in the financial industry. We have also adjusted our recruiting process to reach candidates of various ages, educations and backgrounds. To encourage personal development and reduce stress, we have also changed our internal processes and the way we work.

Avanza is a growing entrepreneurial business with employees with a young average age, a third of whom work in IT/Tech. Our expectation is that turnover will remain relatively high, but the ambition for 2020 was to reach below 15 per cent and then drop to around 12 per cent.

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

We feel that groups of people with different experiences and perspectives are more effective and dynamic than those who are far more alike. Putting together the right teams is an important management responsibility and a natural component of long-term HR management. We have an open and inclusive corporate culture that contributes to equality in the workplace, welcomes diversity and is free from harassment. At Avanza, we welcome you as you are.

A gender perspective is important in recruiting to create great equality on a team level, in appointing senior managers and when analysing wages to avoid gender pay gaps and gender differences in sickness absences. Our annual workplace health survey contains a number of questions where we systematically monitor signs in terms of gender equality, diversity and harassment. The results are followed up by senior management and HR, and every manager is responsible for reviewing their team's results.

Gender equality is a focus area with the target of achieving parity between women and men. To this point, the number of men exceeds women among our employees, but the ratio is better when it comes to management. In IT/Tech, women are still underrepresented and we are working actively to broaden the range of candidates in our recruitments.

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 JavaScript, where we share our technology choices while exchanging ideas and building a network for exciting collaborations

Avanza was included in the Green List in the AllBright Report, which lists Sweden's most gender diverse companies. The list consists of 65 listed Swedish companies.

To increase the diversity of our employees, we have also been working 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 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.

Prior to 2021, a plan will be put in place to spell out what we will do strategically to achieve even greater diversity. Recruiting is a focus area to ensure that we have an unbiased process and that all available positions are formulated in a gender-neutral way. We will also provide internal training for all managers to encourage competence-based and unbiased recruiting.

Avanza's operations are not deemed to pose a material risk of human rights violations, directly or indirectly, other than in the fund company's management. As a result, we have no formalised oversight, policy or performance monitoring in this area. However, we have a code of conduct with guidance for employees on business ethics and how we maintain fair and lawful business relationships, and we follow international and national codes of conduct in the industry.

Incentive programmes and 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 mobility. 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.

Because of the importance of the corporate culture and of recruiting and retaining competent and engaged employees, it is also critical that Avanza offers an incentive programme that allows all permanent employees to become shareholders in the company. We do so through our warrant programme: see page 34 for more information.

Opportunity to develop in a stimulating environment

To give our employees the best chance of living up to their full potential, skills are taught on a daily basis on the job as well as through internal and external training. Helping employees to develop in their roles is important. All employees have a personal development plan that is followed up three times a year through Avanza's Employee Dialogue.

All employees are also offered internal training through the Avanza Academy to get to know our business. The Academy offers periodic training in our various product areas, held by key employees in these areas. Moreover, all employees receive training in regulations, risk management and IT security as well as internal governance and control, to ensure understanding and competence. Training is offered through continuously updated, web-based nano programmes. There is also an annual trainee programme for developers, which is offered to four to six recent graduates who join our development teams for six months, after which many go on to become employees of Avanza.

New employees receive introductory training on Avanza's business, strategy, goals and vision, in addition to product areas, compliance, risk and security. They also receive training within the regulations that govern Avanza's various operations. The training also includes an introduction to Avanza's culture and values.

In the customer relations department, we offer various programmes according to a special development ladder depending on how many months or years an employee has been with Avanza. Each step qualifies them for new opportunities and career stages. Moreover, we are continuously developing our feedback culture. This is done through our Employee Dialogues and "feedback buddies" as well as regular talks between employees and their managers.

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. Introductory leadership training is based on neuropsychology and is designed to increase self-awareness and develop personal leadership, also known as self-leadership. The leadership training is offered to all managers with personnel responsibility and is given in modular form. As well as the leadership programme, Avanza arranges leadership days, a managers' café and monthly luncheons.

Leadership appraisals by employees are regularly tracked in our pulse surveys.

Salary data	2020	2019	2018	2017	2016
Women's wages as a proportion of men's salary					
Group management (excluding CEO), %	91	89	87	100	91
Managers (exkluding Group management), %	103	107	98	99	96
Senior specialists (excluding Group management), %	102	94	103	103	107
Other employees, %	94	96	99	102	103
Median salary, men, SEK ¹⁾	47,000	48,000	45,000	–	–
Median salary, women, SEK	46,000	46,000	42,000	–	–

¹⁾ 40% of the men work in IT, where there is a labour shortage in Sweden, which explains the higher salaries.

A positive work environment results in healthy and motivated employees

We offer our employees a secure employment and workplace. We prefer to hire our employees and therefore have a minimal number of consultants in the business. This is the best way, we feel, to create engagement and participation.

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 and victimisation. 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, crisis management assistance, and health and rehabilitation insurance.

Avanza supports the rights of its employees to unionise and collectively negotiate. At the same time, we believe in the abilities and participation of the individual and have chosen not to enter into collective bargaining agreements. Avanza offers similar terms compared to collective agreements.

The work environment is measured and followed up regularly in pulse surveys.

Impact and management of Covid-19

2020 has been a very difficult year due to the Covid-19 pandemic. To help reduce the spread of the virus in society and among employees, Avanza has followed the Swedish Public Health Agency's recommendations and instructions. The majority of employees worked from home during the year. To facilitate remote work, we have reimbursed employees up to SEK 2,000

to improve their home workplace. New communication channels and ways of working have been adopted to maintain the business, the pace of development and engagement among employees, and to safeguard the culture. The introduction for new employees has been handled digitally as well. Working from home changes the demands on internal communication, which has been further improved and developed to include digital demos of new functions and products as well as digital project updates and monthly meetings. Almost completely digital communication has in many cases increased the availability for our employees, which is important to building Avanza's culture and cohesion. Many of these new and flexible ways of working are here to stay, at the same time that spontaneous interactions with colleagues cannot be underestimated and are easier when everyone can meet each other in person at the office.

High engagement and recommendation rate among employees

We measure employee engagement and well-being through pulse surveys three times a year. With a response rate as high as about 90 per cent, they provide reliable and valuable input. The surveys ensure a continuous dialogue on how employees feel, so that we can together build an even better workplace. Because they are flexible and quick, 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 an index score of 80 in each area. We see these areas, along with eNPS, as cornerstones to create a strong and engaged culture. Our pulse surveys for 2020 showed an average eNPS score of 69 (54), largely thanks to our quick and flexible response to Covid-19 with clear communication and present, professional leadership. The main reasons why our employees recommend Avanza to others are still strongly linked to our corporate culture, where there is a sense of pride and responsibility for the company and that what we achieve is meaningful and important.

Benefits¹⁾

Group insurance ²⁾	For everyone
Occupational health care	Work related injuries
Crisis management support	For everyone
Parental leave with salary over and above compensation from the Swedish Social Insurance Agency ³⁾	For everyone
Occupational pension	For everyone > 25 years
Warrant programme	For everyone
Health insurance	For Group Management

¹⁾ Reported KPIs refer to permanent employees. In addition, we have a large number of fixed-term employees to staff areas of the business. Most fixed-term employees are young people who work extra while studying. They are also a natural part of and successful recruiting base for Avanza.

²⁾ Comprises life, health and disability, and child insurance.

³⁾ In addition to compensation for parental leave of up to 18 months, the public social insurance system in Sweden provides compensation for care of close relatives, sick leave and care of a sick child.

Our employees

Employee key ratios ¹⁾	2020	2019	2018	2017	2016
Average no. of employees	478	429	406	383	343
of which no. of fixed-term employees	14	4	6	4	7
of which women, %	36	36	36	35	33
of which 0–29 years, %	22	26	29	31	43
of which 30–49 years, %	73	69	64	64	53
of which 50–years, %	5	5	7	5	4
Average no. of employees within IT	148	125	111	105	–
of which women, %	21	19	20	17	–
of which managers, %	9	9	8	7	–
of which female managers, %	49	50	44	42	–
Average no. of full-time employees	439	400	369	357	–
of which women, %	35	34	34	34	–
No. of recruitments	126	109	75	89	–
of which women, %	42	34	36	37	–
of which 0–29 years, %	46	49	42	47	–
of which 30–49 years, %	51	49	54	49	–
of which 50–years, %	3	2	4	3	–
No. of completed employments	60	77	62	68	–
of which women, %	43	29	34	33	–
of which 0–29 years, %	42	36	37	43	–
of which 30–49 years, %	55	56	62	56	–
of which 50–years, %	2	8	1	1	–
Sickness absence, % ²⁾	2,5	2,8	3,0	2,7	2,6
of which women, %	4,4	3,8	4,4	3,6	4,2
of which men, %	1,1	2,4	2,1	2,1	1,7
of which 0–29 years, %	1,8	3,1	2,7	2,2	2,4
of which 30–49 years, %	2,5	2,9	3,2	2,9	2,8
of which 50–years, %	3,3	1,4	1,2	2,7	1,5
Average no. of parental leave	13	18	12	17	17
of which women, %	42	67	61	65	54
No. of directors at the Board	9	7	8	7	7
of which women, %	22	29	38	43	43
of which 0–29 years, %	0	0	0	0	0
of which 30–49 years, %	44	43	63	57	57
of which 50–years, %	56	57	38	43	43
No. of employees in Group Management	9	9	9	8	8
of which women, %	44	44	56	50	38
of which 0–29 years, %	0	0	0	0	0
of which 30–49 years, %	56	56	56	75	88
of which 50–years, %	44	44	44	25	13
No. of managers	65	60	57	52	55
of which women, %	49	47	44	38	36
of which 0–29 years, %	2	2	9	13	–
of which 30–49 years, %	86	87	75	73	–
of which 50–years, %	12	12	16	13	–
Distribution of employment level					
Employees in entry and mid-level positions, %	89	85	–	–	–
of which women, %	34	36	–	–	–
Employees in senior and executive positions	11	15	–	–	–
of which women, %	48	41	–	–	–

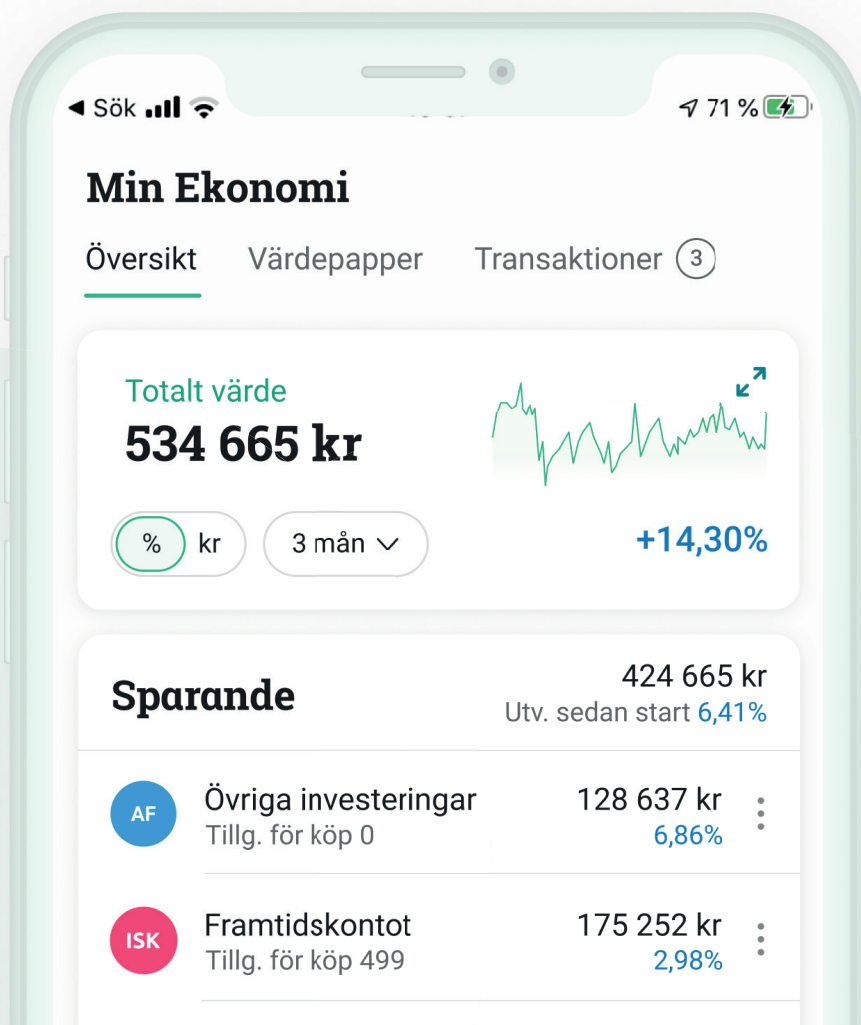
¹⁾ Refers to permanent employees, hourly employees excluded. Of the Group's total number of employees, 10 per cent are paid on an hourly basis, 3 per cent are fixed-term employees and 1 per cent are temporary positions.

²⁾ 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.

My Economy

The “My Economy” tab gives the customer an overview of all of their accounts and holdings and allows them to easily track historical performance. The customer chooses the time span they want to look at and whether performance should be shown in absolute terms or per cent. From this tab they can

also easily access the deposit and withdrawal function or make internal transfers between accounts. Monthly savings are easily accessible as well, both to create a new account or make changes to an existing one. Upcoming dividends are also shown in the overview.



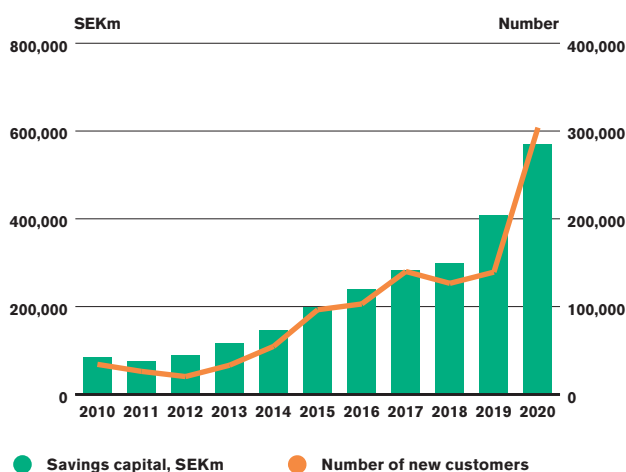
Shareholder value is created through customer value

Our investments have resulted in continued high customer satisfaction and recommendation rates, which has led to record-strong growth. The aim is continued strong growth in both savings capital and number of customers.

Avanza is an investment in growth and scalability

Our ambition is to make Avanza an attractive investment that delivers a good return over time. There is a strong correlation between customer growth, growth in savings capital and income. In 2020, the number of customers grew by 303,900 and the net inflow was SEK 76 billion, which was by far the highest numbers in Avanza's history. The net inflow was 134 per cent higher than the previous year. Avanza's share of the net inflow to the Swedish savings market in the period October 2019 – September 2020 was 19.4 per cent. This compares to the target of 15 per cent of the net inflow to the Swedish savings market 2025. In the last five-year period, the market share has averaged 13.8 per cent on an annual basis. The target requires development work with a focus on creating customer value. Avanza's market share of the Swedish savings market was 5.4 per cent as of 31 September 2020. The 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 2020 amounted to SEK 571 billion.

Savings capital and new customers



Growth factors in the Swedish savings market

Our ability to continue to attract customers requires a world-class user experience through a constantly improving and expanding offer. This also contribute to make existing customers willing to transfer a larger share of their savings to Avanza. Broadening the customer base among those who need support with investment decisions is expected to lead to higher growth in fund savings than in stock trading, which together with an increased share of recurring income should reduce income volatility over time. Avanza's brokerage income will remain volatile, however, and strengthen Avanza's earnings when market

conditions are right. This was evident with the strong customer activity in 2020.

The increased need for individual savings in recent years to buy a home, manage unforeseen events or for retirement are important growth factors; see page 9. 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 22.

We also see strong growth potential in occupational pensions, where Avanza has a highly competitive offer. Avanza's growth prospects in the pension market would also benefit from improved pension transfer rights. In spring 2021, an important step will be taken through a new law that limits the fees charged on transfers of unit linked insurance policies signed after 2007. This gives savers more ways to transfer their insurance to less expensive alternatives, see page 11. Our current base of 1.3 million customers also offers good potential. Today less than 10 per cent of our customers have an occupational pension with Avanza.

Scalability and cost control are important to customer and shareholder value

Scalability and cost effectiveness are measured by the cost to savings capital ratio. The aim in recent years has been to reduce the ratio to close to 16 basis points – in line with the best international benchmark. This ambition was reached in 2020, excluding an extraordinary write-down of SEK 16 million in the fourth quarter. Given continued strong growth and efficiencies, there is potential to cut the ratio even further, although this is partly dependent on market conditions and changes in the value of savings capital. High cost effectiveness makes Avanza resilient to changing market conditions, at the same time that it is a very important competitive advantage.

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. In 2020, Avanza's costs rose by 11.6 per cent, excluding extraordinary relocation costs and in line with earlier guidance. This should be compared to an increase in income of 92 per cent, excluding extraordinary income related to the decreased holding in Stabelo. For 2021 Avanza is estimating a cost increase of around 15 per cent, excluding the extraordinary moving costs

of SEK 29 million in 2020. The higher cost guidance for 2021, above the range, are the result of a decision to invest more in the customer offer and an improved user experience due to strong growth and increased interest in savings. The operating margin for 2020 was 67 per cent.

To ensure long-term value appreciation, Avanza has a return on equity target of 25–30 per cent. This shows that we are focused on maintaining Avanza's simplified and capital efficient balance sheet and limited financial risks. The return on equity was 57 per cent for the full year.

Market conditions affect income

Avanza's income is greatly affected by market conditions, customers' trading activity, interest rates and changes in deposit and lending volumes. In a strong stock market, customers' willingness to take on risk and their activity tend to increase, as does volatility, while a more uncertain or downward market has the opposite effect. High volatility combined with high uncertainty can at the same time 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 400 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. The Riksbank raised the repo rate from –0.25 per cent to 0 per cent in January 2020. The Riksbank's own forecast indicates a 0 per cent rate for the foreseeable future.

Focus at investor meetings in 2020

In 2020, we had over 125 meetings with investors, the vast majority held digitally. The main topics discussed were as follows:

- **The strong growth and activity as well as our expectations going forward.** Growth has been strong and there are structural trends suggesting this will continue. Activity is largely dependent on volatility and market development, which are difficult to predict. At the same time, the share of commission-generating customers increased by 60 per cent in 2020, and there is no doubt we have raised our lowest level compared to a slower period in the past.
- **Customer satisfaction and product development are always important areas, where innovation and the ability to attract talent have also been discussed. The focus on ESG increased during the year, mainly as relates to social aspects and how we work with HR.** How we work with innovation as well as employer branding and other HR issues are described beginning on page 26.
- **Our marketing costs and whether it would be profitable to spend more.** Here our strategy is to create customer value and a better user experience with products that market themselves. See from page 22. The customer acquisition cost in 2020 was SEK 102 (SEK 189)¹⁾.

- **The question of whether commissions are being squeezed comes up from time to time with reference to the US market, as well as the pressure from new competitors with other business models.** In Sweden commissions have been dropping over a 20-year period and are now at a level where our customers are prioritising other factors as well, such as the user experience, information and tools on the site and in the apps. At the same time, regulations differ in the US and Europe, for example order flows cannot be sold in Europe. The importance of the user experience and creating value-added for customers also applies to the fund business. We are clear and transparent about our pricing and have concrete plans for changes in the business model depending on the market's development.
- **Growth potential in Sweden has also been brought up and we are often asked whether we will expand abroad.** Avanza so far has a very small share of the Swedish savings market and sees continued growth potential in both savings capital and the number of customers. At this point, we feel it is better to concentrate our resources to Sweden.
- **Lastly, there is the question of whether we are investing enough in growth and whether such a high operating margin makes sense.** Avanza's business model is based on scalability and low costs, but we prioritise growth when new opportunities arise. Our promise, that customers will have more money left in their own pockets than with any other bank, still applies. 2020 was an exceptional year in many ways, but it is too early to draw any long-term conclusions and to make major investments or price adjustments based on the current record-high operating margin.

A record year, but the pandemic means that the large part of the dividend will have to wait

The Board of Directors proposes a dividend of SEK 0.85 (2.30) per share, equivalent to 10 per cent (79) of the profit for 2020, in light of the Swedish Financial Supervisory Authority's recommendation to distribute not more than 25 per cent of total profits for the years 2019 and 2020. If the AGM approves a dividend in accordance with the Board's proposal, another SEK 457 million will be available for distribution, corresponding to SEK 2.95 per share or a total of SEK 3.80 per share for the financial year 2020. This after the previous decision to strengthen Tier 1 capital to achieve a resilient leverage ratio when the 3 per cent requirement is introduced in June 2021. The policy of a dividend of at least 70 per cent of net profit remains. See also the Board of Directors' statement on the allocation of profits proposal on page 106.

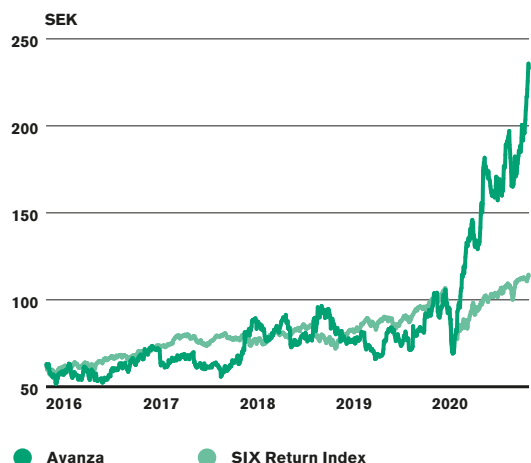
Share information

Avanza Bank Holding AB (publ) is traded on the Nasdaq Stockholm Large Cap list. Avanza is included in the Financial Services sector under the ticker symbol AZA. In 2020, 80 per cent (79) 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, 91,123,706 Avanza shares were traded on the Stockholm Stock Exchange, equivalent to a turnover rate of 58 per cent (43) of the year's average number of outstanding shares.

¹⁾ Marketing costs including SEM, affiliates, partners and other advertising divided with number of new customers.

In 2020, Avanza's share price rose by 138 per cent to SEK 233. Including the dividend paid, the total return on the Avanza share was 140 per cent for the year.

The Avanza share's total return relative to the SIX Return Index



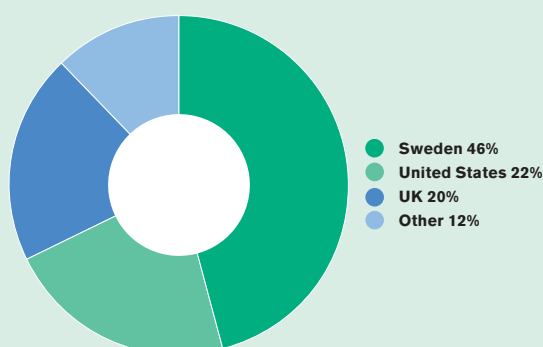
Large share of foreign institutional ownership

Our owners consist of individuals and institutions, such as fund companies and asset managers. At the end of the year, Avanza had 43,056 shareholders, according to Modular Finance. The ten largest registered owners accounted for close to 55 per cent of the total number of shares and votes. The two largest shareholders were Baillie Gifford & Co and Sven Hagströmer, including family and company, with 10.1 per cent each. Foreign ownership remained at 54 per cent (54) and was highest in the US at 22 per cent. Avanza did not own any repurchased shares as of 31 December 2020.

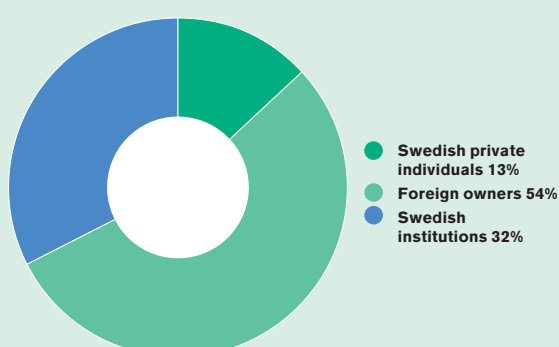
Share capital and incentive programme

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 warrant programme is offered to all permanent employees and is issued on market terms. 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 page 42 and Note 31 Equity.

Shareholding by country, 31-12-2020



Ownership structure, 31-12-2020



Share data	31-12-2020
Share capital, SEK	77,477,005
No. of outstanding shares	154,954,010
Quotient value, SEK	0.50
Market cap, MSEK	36,100
Share price, SEK	233
Highest closing price (29-12-2020), SEK	235.80
Lowest closing price (18-03-2020), SEK	71.10
P/E multiple	27
Dividend yield, %	0.4
Turnover rate, %	58
Earnings per share before dilution, SEK	8.66
Earnings per share after dilution, SEK	8.58
Equity per share, SEK	12.65
Proposed dividend per share, SEK	0.85
No. of outstanding warrants	6,750,000

For definitions see pages 120–121.

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
2020	New issue	1,167,688	154,954,010	583,844	77,477,005

The ten largest shareholders, 31-12-2020 ¹⁾	Country	No. of shares	Share of capital and votes, %
Baillie Gifford & Co	UK	15,671,559	10.1
Sven Hagströmer (incl family and company)	Sweden	15,581,230	10.1
Creades AB	Sweden	15,530,000	10.0
HMI Capital LLC	United States	10,541,301	6.8
Sten Dybeck (incl family and company)	Sweden	6,436,000	4.2
Liontrust	UK	5,519,116	3.6
Columbia Threadneedle	United States	4,964,214	3.2
Fourth Swedish National Pension Fund	Sweden	4,524,876	2.9
T. Rowe Price	United States	3,310,064	2.1
Vanguard	United States	3,236,454	2.1
Other owners		69,639,196	44.9
Total		154,954,010	100.0

Concentration (by group of owners), 31-12-2020 ¹⁾	Share of capital and votes, %
The 10 largest owners	55.1
The 20 largest owners	68.7
The 100 largest owners	81.7

Distribution of shares, 31-12-2020 ¹⁾	No. of shareholders	Owners, %	No. of shares	Shares, %
1 - 100	29,307	68.1	832,784	0.5
101 - 1,000	10,514	24.4	3,790,990	2.4
1,001 - 10,000	2,841	6.6	8,788,196	5.7
10,001 - 100,000	317	0.7	8,018,306	5.2
100,001 - 1,000,000	53	0.1	14,874,817	9.6
> 1,000,001	24	0.1	110,791,042	71.5
Anonymous ownership			7,857,875	5.0
Total	43,056	100.0	154,954,010	100

¹⁾ Modular Finance, Monitor.

Limited financial risks and strong focus on IT and information security

Avanza is a digital platform and we operate in an industry built on trust. Our customers expect a high level of availability and security. This, rapid technological development and growing digital threats make IT and information security central to us.

Strong 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 and information 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 and integrity. In other words, preventing unauthorised access to sensitive data or the theft of such data in order to harm customers or Avanza. Avanza has not received any claims from customers or authorities about the processing of personal data.

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.

The Covid-19 crisis with various political measures and stimulus from central banks affected the stock market during the year. The turbulent environment has made customers more active in their savings and investments, and trading activity among Avanza's customers has been historically high. This had a limited impact on the site and its various systems at the start of the crisis in March, which during peak visits resulted in sluggishness in the apps, problems with BankID logins and on one occasion a shutdown of the site for 14 minutes. This led to intensified efforts to stabilise and strengthen IT systems, e.g. through investments in complementary hardware and capacity. Avanza's site was available 99.9 per cent (99.9) of the time in 2020.

During the year, we created an even better infrastructure for testing and IT security, and we are constantly working proactively to replace hardware and software with more modern solutions to avoid having to face the dilemma with old systems. We thoroughly test new functionality before it is released in production. In addition, our weekly site updates and improvements further reduce operational risk.

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. The offering is presented objectively with both advantages and disadvantages, and without promoting individual products. Avanza does not offer investment advice.

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 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. Follow-ups are 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 also fund management companies, our partners for external deposit accounts, Avanza Markets, and external mortgages. 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.

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. 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. The SEK 100 million subordinated

bond issued in 2015 was redeemed in advance in December 2020. Lending in relation to deposits amounted to 37 per cent (36) 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 normally limiting individual mortgages to SEK 10 million.

The macrovariables in Avanza's IFRS 9 model, which serve as the basis for the calculation of expected credit losses, were updated during the year. Among other things, an analysis was conducted of the pandemics' impact on the Swedish economy, including in terms of unemployment and house prices. The update resulted in a SEK 5 million higher provision for expected credit losses. This was mainly tied to mortgages to private banking customers, with an average loan-to-value (LTV) ratio of 37 per cent. The provision for margin lending was increased marginally. No actual credit losses were recognised during the year, an indication that lending and credit risk management also work effectively in highly uncertain and volatile market conditions. 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 and with the Riksbank and 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 normally three months. Surplus liquidity amounted to SEK 31 billion including client fund receivables.

For further information, see Note 37 Financial risks and the corporate governance report on page 48.

Sustainability risks

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 Private Banking mortgages happens to be in geographically vulnerable areas, which could affect the value of the collateral. The loan value in the portfolio remains 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 impact an issuer's market value and share price. This would trigger a re-evaluation of their loan to value ratio, which if necessary would be 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 and/or holdings align with these principles. Within the framework of Avanza's sustainability strategy the fund management company is working on further developing sustainability into its management process. Read more on page 24.

Risks associated with personnel and social issues

Avanza's success is largely dependent on strong employee engagement and an 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. Avanza has a recruiting policy, diversity and gender equality policy, and occupational health and safety policy, which ensure that these issues are addressed. See pages 26–30 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 all 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. The goal is to effectively and efficiently minimise the risk that the products and services Avanza offers are used in financial crime. It is critical to our work that we know our customers and properly understand the risk of being exploited.

At least once a year, Avanza's Board and CEO establishes a Group-wide policy and guidelines that serves as a framework for Avanza's AML/CTF work. 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. Internal training programmes are in place to ensure that employees have the knowledge they need.

Avanza serves Swedish customers, and to be a customer of Avanza you must also have an account with another Swedish bank. Our aim, using a risk-based approach, is to continuously improve both automatic and manual customer processes and routines.

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, our operations are governed not only by regulations that specifically apply to licensed operations but also by a number of other laws and regulations.

We place the highest priority on lawful and ethical conduct and have internal rules, routines and processes to ensure that Avanza is in compliance with regulations. All employees have a clearly stated responsibility to follow these rules and routines. A key element of compliance work is good internal governance, risk management and control, as well as 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. Compliance 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 the risks. Moreover, Compliance is responsible for ensuring that employees are informed at all times of current rules.

Avanza has one large operational loss, the only one of its kind, tied to Avanza Pension for past non-compliance related to the implementation of the Solvency 2 regulations, which came into effect in 2016. An administrative fee of SEK 35 million was charged to the 2018 result and related to the calculation of technical provisions and reporting routines in 2016–2018. Since then, Avanza Pension has made extensive changes and has a new CEO, a largely new Board of Directors and 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.

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 2020 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 total solvency capital for the insurance group, corresponding 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 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 2020 ORSA shows that the insurance group is well capitalised and can withstand stress, and that measures can be taken fairly easily to restore the solvency ratio even in severe situations.

Capital planning

Avanza's capitalisation is governed by the regulation requiring a leverage ratio of 3 per cent, which will be introduced in mid-2021. In addition, the Swedish FSA is introducing leverage ratio guidance, which means an additional buffer of between 0.2 and 0.5 per cent. The leverage ratio is negatively affected by customers' increased deposits. To maintain a good margin to the requirement regardless of market conditions, the Board has determined that the internal leverage ratio target should be 3.8 per cent. As a result, Avanza's Tier 1 capital had to be strengthened. Given the year's strong result, as well as uncertainty as to a dividend for the financial year 2020, the Board resolved to do so through a temporarily reduced dividend ratio. The Board is proposing a dividend of SEK 0.85 (2.30), which corresponds to a dividend ratio of 10 per cent (79) and has been adapted to the Swedish FSA's dividend recommendation in view of the pandemic. See also page 18. Avanza's leverage ratio for the consolidated situation was 4.9 per cent (3.5) at year end.

The total capital requirement for the consolidated situation was 13.5 per cent (14.4) at year end. Avanza's total capital ratio was 24.4 per cent (17.8).

Group recovery plan

We establish an annual Group recovery plan to prepare the Board and management for potentially severe financial situations. The 2020 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 identify in time whether recovery measures are needed. Avanza's financial situation is also stressed in several scenarios. In all these scenarios, Avanza is placed in a recovery situation to evaluate whether the measures Avanza has identified are sufficient 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, Riksbank certificates and liquid assets with the Riksbank and systematically 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.
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 reinsures risk costs in excess of SEK 250,000. The risk premium has so far more than covered the risk cost in the endowment insurance policies on death.
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 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 37.

Chairman's comment

A satisfied customer is a satisfied shareholder!

After having invested in stocks for many years, my conclusion is that the least common denominator for a successful investment is not a time-consuming and intellectually exciting financial analysis. No, the best investments have instead come from a customer perspective. If you are a customer, you have every opportunity to evaluate the most important thing – namely, the customer experience. If you also happen to be a satisfied customer, it will probably pave the way to a good investment.

“There are no shortcuts to creating a company that stays successful in the long term”

Shareholder value is a bit like the financial world's alchemy. It is not created out of nothing. It is created by satisfied customers who appreciate the many years of hard work put in by skilled and motivated employees. Personally, I wish that I had systematically applied this principle. Then I would have been sitting with a portfolio of the following companies other than Avanza:

Amazon, Apple, Facebook and Twitter. I am a satisfied customer since the start. Everyone has provided me with great customer value, simplified my life and allowed me to express my opinions.

“Life with Avanza has been by far the most stimulating”

Making saving easier and more profitable for now 1.3 million customers for me is without precedent. Since the age of 13, I have loved to invest in some of the world's leading companies based here in Sweden. Its customer-centric philosophy is why Avanza stands out. The customer perspective and user experience have been a common thread we have consistently followed since our start 21 years ago. When we presented our financial results for 2020, our CEO, Rikard Josefson, was asked what could be done better at Avanza. His reply was short and to the point: “Everything!”

That's how we see the business. Everything really can be better. If you look at the website we had five years ago, for example, it's almost embarrassing! I truly hope that the experience will be similar when we look back five years from now.



Sven Hagströmer, Chairman of the Board

Why hasn't Avanza expanded to neighbouring countries?

This question has been discussed by the Board of Directors practically every year since the start 21 years ago. And every time we have decided that "dig where you stand" has been the best strategy. Both for our customers and our shareholders. For our customers who know that we have only one market that we will stand and fall with. For our shareholders who have watched productivity keep pace with strong growth. Naturally, we will sooner or later reach a point when we come to a different conclusion. With a market share of only 5.4%, there is still plenty left to do in Sweden, however.

2020 was a year like no other

If you had had a crystal ball and known how many lives would be lost, how many businesses would shut down or struggle against a headwind, the outlook for the stock market would have been very gloomy indeed. Instead, we saw the exact opposite. The year ended on a high note with an increase of 14.6 per cent. The highly expansionary monetary policy and fiscal policy actions, coupled with a relatively open society, helped to mitigate the effects in Sweden's case.

At Avanza, we were rewarded for the major investments we had made in new products and an improved user experience. You as shareholders have seen our costs rise in recent years. This is because we never rest on our laurels. Without the long-term investments we have made, we would not have gotten to where we are today. The significant jump in business volume still forced us in a very short time to further increase our capacity in March.

We still see ourselves as a challenger

It is and always has been very important for us at Avanza, despite that we are now a market leader in many areas, to see ourselves as a challenger. This may sound somewhat pretentious, but the emphasis has mainly been on challenging ourselves. The savings market in Sweden is by its nature an oligopoly. A few major players have dominated. Since the start, Avanza has successfully challenged the oligopoly on both price and customer value.

In the pension market, where we became established fairly late, conditions are still basically unchanged, however. Dissatisfied

customers still have a very hard time transferring their savings. Which in any other industry would be impossible. In addition, the cost has been unreasonably high and it takes far too long. Many investigations have pointed out how irrational this is, but very little has happened. Now it seems that the legislative route is the only way to change this. We might have expected that attention to customer value would have forced this to happen voluntarily, but apparently it has not been the primary concern.

Avanza started a "Pension revolt" to bring about a change. The result in the end was a broad-based political solution that paid no heed to the obstacles that some representatives of the industry described and which would have made it impossible for customers to easily and inexpensively switch providers. The revolt's demands were heard and in April pension customers will be able to more easily switch providers at a much lower cost.

"In 2021, the efforts to create a better Avanza will charge full steam ahead"

New and better products will be launched. The website and app will be better. Last but not least, the work to create even more knowledgeable savers will continue.

When will we have 1.3 million satisfied customers as owners?

Stockholm in February 2021



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 customers and stay on the forefront of the industry. The key to success is a high level of trust and the most satisfied customers. It is our firm conviction that it is through customer value that we create the best shareholder value.

Avanza'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 Markets 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 do not offer investment advice and instead inspire and educate customers to make informed savings and investments 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. From a societal and sustainability perspective we also promote an increased share of sustainable investments. This is done by facilitating sustainable investment choices and by educating and challenging. An important part of the sustainability work is a sustainable organisation with thorough oversight and control. We are working actively to increase gender equality and diversity. We are also trying to create sustainable offices through healthy working environments and to reduce our resource and energy consumption.

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. We have to earn their trust every day and preferably surpass their highest expectations. 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 2020 amounted to SEK 77,477,005, represented by 154,954,010 shares and votes. An ownership distribution is presented on page 35. The largest shareholders 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 4.4 per cent. Of these warrants, 33 per cent were transferred to employees at year-end. For further information on the Avanza share, see pages 33–35 and Note 31 Equity.

B. Nomination process for election of Board members and auditor

The AGM 2020 established the rules for the election of Board members and the auditor as well as the appointment of a Nomination Committee for the AGM 2021.

The names of the Nomination Committee's members, and the shareholders they represent, were published on 25 September 2020, which was more than six months prior to the AGM 2021. 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 publically announced.

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

Composition of the Nomination Committee

Name	Representing	Holding 31-08-2020	Holding 31-12-2020
Erik Törnberg (Chairman of the Nomination Committee)	Creades AB	15,530,000 (10.0%)	15,530,000 (10.0%)
Sven Hagströmer (Chairman of the Board of Avanza)	Hagströmer family and companies	15,581,230 (10.1%)	15,581,230 (10.1%)
Moritz Sitte	Baillie Gifford & Co	14,379,673 (9.5%)	15,671,559 (10.1%)
Sean Barrett	HMI Capital, LLC	13,304,737 (8.7%)	10,541,301 (6.8%)

- 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 the procedure for appointing the Nomination Committee

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 reasoned opinion on the proposal and a report on the Committee's work, are published in conjunction with the notice of the AGM.

The Nomination Committee held 3 minuted meetings in 2020, 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 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 usually have to be present at the meeting in person or by proxy. Due to the ongoing outbreak of Covid-19, temporary rules require shareholders to vote by post or online. In addition, they must be registered in their own name in the share register on the specified date prior to the meeting and have notified Avanza of their participation as set out in the notice.

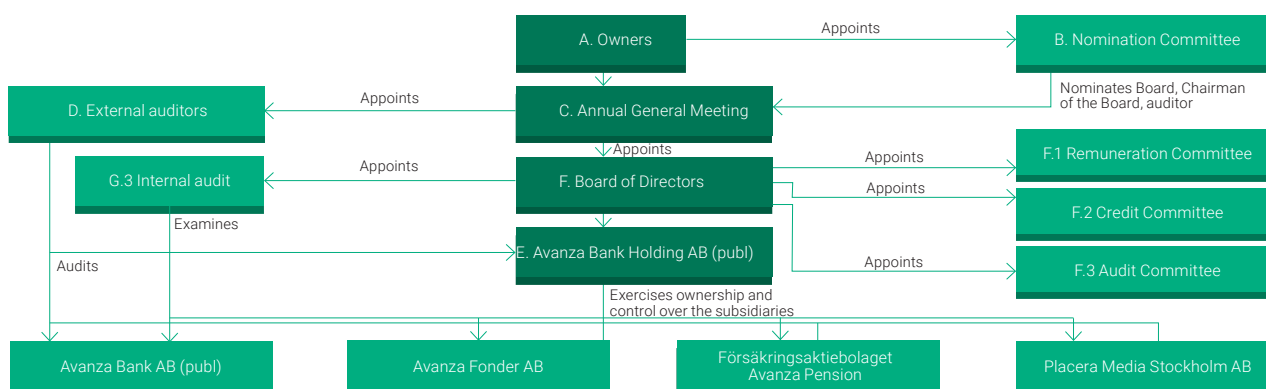
The AGM's resolutions normally pass with a simple majority, i.e. more than half of the total number of votes cast, unless otherwise specified by the Swedish Companies Act. Shareholders wishing to add a matter to the agenda at the AGM may submit a written request. Such requests must be received by the date indicated on Avanza's website, which for the AGM 2021 was 9 February 2021. 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 of the third interim report of the year preceding the AGM. Minutes and supporting documentation from previous AGMs are also available in the same section.

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

At Avanza's AGM on 17 March 2020, 202 shareholders were represented with a holding corresponding to 63 per cent of the total number of shares and votes. The AGM was webcast live on Avanza's website. Due to the current Covid-19 situation, only a small number of shareholders and Board members physically attended the meeting. Only the Company's auditor, the CEO, the Chairman of the Board, and the nominated Board members Johan Roos and Magnus Dybeck were present on-site. Catharina Eklöf, who was also nominated as a new Board member, participated by video conferencing.



At the AGM 2020, 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
- amendment to the Articles of Association on the number of Board members and the option for shareholders to exercise their voting rights by mail
- 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 November 2023 and comprises a total of 2,250,000 warrants that grant entitlement to subscribe for an equal number of shares. Warrants corresponding to 591,890 shares have been transferred, giving a subscription rate of 26 per cent. If all the warrants were 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 2020 reelected KPMG AB as the auditor, with Mårten Asplund AB as Auditor-in-Charge, through the AGM 2021.

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 2020, fees paid to KPMG for auditing duties totalled SEK 2,567 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. The members of Avanza's Board of Directors are also members of 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 2020, it was announced that Anna Casselblad, Head of Compliance for the Avanza Group, will succeed Birgitta Hagenfeldt as the Group CFO on 1 February 2021.

Avanza's Group Management consisted at year-end 2020 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 Head of Sustainability
- Gunnar Olsson, COO
- Teresa Schechter, CLO
- Peter Strömberg, CIO
- Peter Westling, Head of Innovation and Marketing

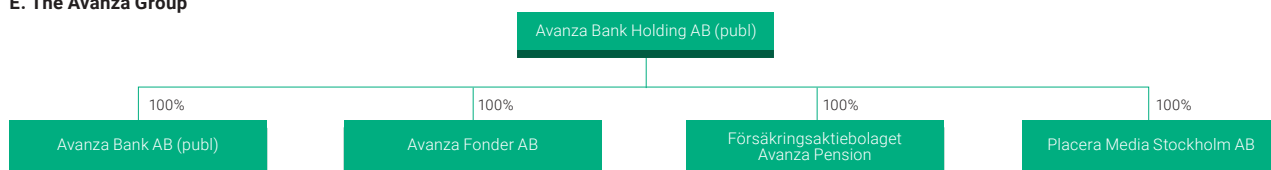
More information on Group Management is available on the website, avanza.se/ir, and on pages 52–53.

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 the Group functions Compliance and Risk Management.

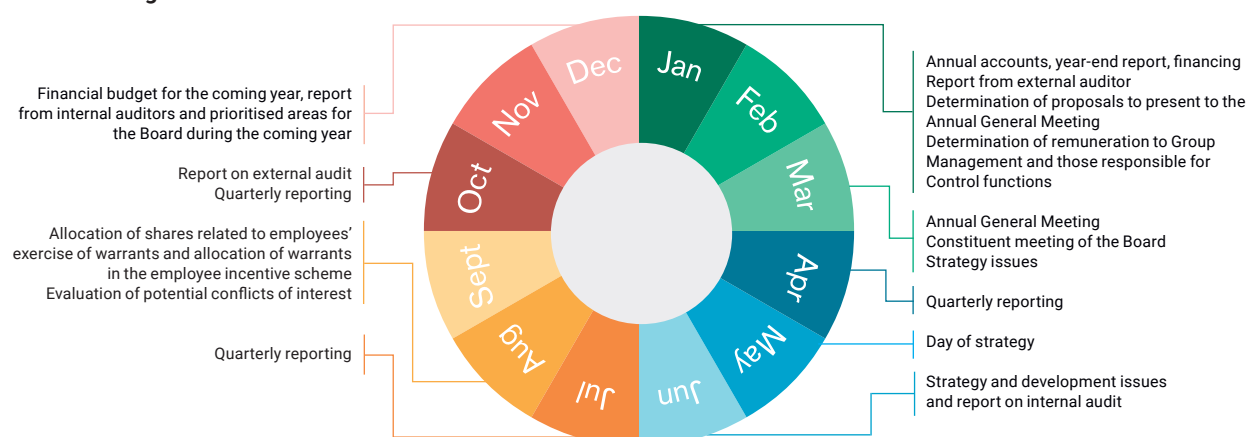
Suitability assessment

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. The assessments are made in conjunction with new appointments and followed up at least once a year as regards the CEO and at least every two years as regards other members of Group Management and the heads of control functions. In the assessment it is determined 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 and training plans are set.

E. The Avanza Group



Board meetings 2020



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 avanza.se/ir under Governance. A remuneration report is published after the AGM has approved it.

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 do will create value for our 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, which can be found at avanza.se/ir. 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. One of Avanza's sustainability targets by 2025 is parity between women and men, which is measured in Group Management and among employees with personnel responsibility. Avanza's management at the end of 2020 was comprised of 4 women and 5 men. Among managers, 49 per cent are women.

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.

Avanza has a high recommendation rate among employees with an eNPS score of 69.

For more information, see the employee section on pages 26–30.

Regulatory training

Avanza has a code of conduct that includes our ethical guidelines and can be found at avanza.se/ir. 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.

Avanza have guidelines for whistleblowing in the event of suspicious or fraudulent activity. Employees are asked to report actions that could be considered unethical or illegal. Incoming reports are handled confidentially. Whistleblowers can contact either their immediate superior or the Head of Compliance, or use an external whistleblowing tool where they can remain anonymous. All reporting through the external tool is encrypted using a solution that ensures anonymity. If it is not appropriate to report to Compliance, HR, the CEO or the Chairman of the Board can be contacted instead. Avanza has a whistleblowing instruction adopted by the Board. A whistleblower who files a report in accordance with these guidelines is not at risk of losing their job or facing any form of reprisal as a result of their actions.

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. All employees undergo regular web-based training in GDPR, security, anti-money laundering and anti-corruption.

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 anti-bribery policy that complies with Swedish law. The policy and Avanza's Code of Conduct are included in the 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 internal regulations are easily available to employees on the internal web. It is each person's responsibility to stay updated on internal and external rules as well as processes and routines. Avanza is also affiliated with Swedsec, which sets proficiency requirements, issues licenses and requires compliance of those who work as specialists with mortgages or with management or control functions. All of these approximately 100 employees were Swedsec certified as of year-end.

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.

The Board takes decisions on matters concerning Avanza'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 the Risk Management, Compliance, Internal Audit and the Actuarial Group functions.

The AGM 2020 re-elected all previously elected Board members except Jacqueline Winberg, who declined re-election. Additionally, Magnus Dybeck, Catharina Eklöf and Johan Roos were elected as new members in accordance with the Nomination Committee's proposal. According to the Articles of Association, the Board shall consist of no fewer than five and no more than nine members. Avanza's Board consisted in 2020, as of the AGM, of nine 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 18 March 2020.

Information about the members of the Board can be found on Avanza's website and on pages 50–51.

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 2020. Information on the Board's composition, age and background is shown on pages 50–51.

The boards of the subsidiaries Avanza Bank AB and Försäkringssaktiebolaget 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 2020

During the year, the Board held a total of 20 meetings, including 7 scheduled meetings, 1 following election, 6 extra and 6 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 Group functions Risk Management, Internal Audit and Compliance 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.

Attendance at recorded Board meetings 2020

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 shareholders
Sven Hagströmer, Chairman	20/20	23/24	Independent member	Not independent member
Magnus Dybeck	17/20*		Independent member	Independent member
Catharina Eklöf	17/20*	6/12*	Independent member	Independent member
Viktor Fritszén	20/20	5/5	Independent member	Independent member
Jonas Hagströmer	20/20		Independent member	Not independent member
Birgitta Klasén	20/20	17/17	Independent member	Independent member
Mattias Miksche	19/20	12/12	Independent member	Independent member
Johan Roos	17/20*	3/5*	Independent member	Independent member
Hans Toll	20/20	17/17	Independent member	Not independent member
Jacqueline Winberg (declined re-election at AGM)	4/20**	6/12**	Independent member	Independent member

*Took office at AGM 2020. **Stepped down at AGM 2020.

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 2020, the Board underwent training with a focus on capital adequacy and liquidity, bribes and conflicts of interest, and management of insider information and compliance in financial groups.

The three new members have received introductory training to 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 one Board meeting as well as attended the Audit Committee's meetings in 2020. Company employees participate in the Board's meetings as rapporteurs and secretary.

Remuneration for Board members and attendance at Board meetings

The AGM 2020 resolved to pay annual remuneration of SEK 368,000 each to the Chairman of the Board and other Board members. In addition, a fee of SEK 52,500 was set for members of Avanza Bank's Credit Committee and SEK 42,500 for members of the Company's Remuneration Committee. For the Audit Committee, SEK 168,000 was paid to the Chairman and SEK 84,500 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 2020 consisted of Mattias Miksche (Chairman), Sven Hagströmer and Catharina Eklöf. 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, for the heads of the Group functions Risk Management, Internal Audit, Compliance and Actuarial function, 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 2020, the Committee held 12 meetings 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 2020 consisted of Board members Hans Toll (Chairman), Sven Hagströmer and Birgitta Klasén. The Committee is tasked with taking decisions on credit matters, with the exception of matters involving a potential conflict of interest, which the entire Board takes the decision on. Minutes are kept of the Committee's meetings and decisions, which are distributed to the Board at its next meeting.

In 2020, the Credit Committee held 12 meetings 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, Johan Roos 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 attended all of the Audit Committee's meetings and reported on the audit on two occasions in 2020. Internal Audit also participated at all the Audit Committee's meetings and has reported its independent observations on a quarterly basis. The quarterly reporting was also provided to the Board.

In 2020, the Committee held 5 meetings and also maintained regular contact.

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 management 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 the Risk Management function, 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 the board of each Group company.

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 Management function

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, value, 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 the Group functions. The Risk management function provides an overview of the Group's risk exposure and limit utilisation to management on a monthly basis and to the Board on 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.

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

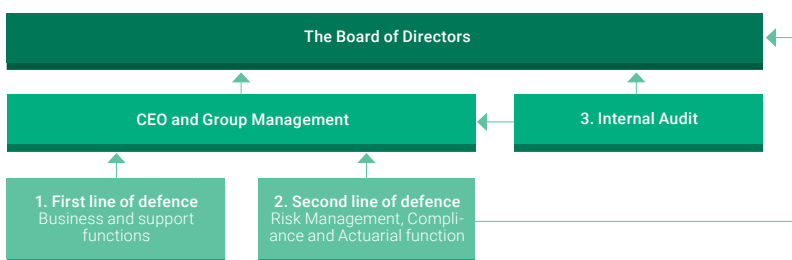
The Actuarial function is responsible for formulating and verifying that the actuarial calculations by the subsidiary Försäkringsaktiebolaget Avanza Pension meet established limits, and to assist the Board and the CEO on matters involving methods, calculations and assessments of technical provisions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

The Actuarial function, which has been outsourced to Northern Actuarial AB, is subordinate to the insurance company's CEO. The Actuarial function regularly reports at the board meetings of Försäkringsaktiebolaget Avanza Pension.

3. Third line of defence – Internal Audit

Internal Audit is an independent internal audit function appointed by and directly under the supervision of the respective board of directors. Internal Audit's work is based on a risk-based audit plan established by the Board. The plan is based on a risk analysis and the work includes examining and assessing governance and internal control, examining and assessing whether the Company's organisation, governance processes, IT systems, models and routines are appropriate and effective, and examining and regularly evaluating the reliability and quality of the work performed by other control functions. Internal Audit also issues recommendations and verifies that they are followed.

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



In October 2019, Avanza hired a Head of Internal Audit with responsibility for preparing and implementing the audit plan as of 1 January 2020. Previously, Internal Audit was outsourced to an external consultancy. Avanza's Internal Audit function provides internal auditing services to all Group subsidiaries with licensing requirements by having the subsidiaries outsource this function to the Parent Company.

The results of the year's internal audits were reported quarterly, both in writing and orally, at the meetings of the Board of Directors and the Audit Committee as well as to the CEO during the year.

Board of Directors' report on internal control over financial reporting

The Board is responsible, under the provisions of the Swedish Companies Act (2005:551), the Swedish Annual Accounts Act (1995:1554) and the Swedish Code of Conduct for Corporate Governance ("the Code"), for internal control for both 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.

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 Management, Compliance and Internal Audit monitor compliance with policies, guidelines and instructions. Additionally, Avanza has a Reporting Committee to take responsibility for, discuss and decide on questions concerning regulatory reporting, including new reporting requirements, new and revised reporting templates, and interpretations and assumptions regarding regulations and technical instructions from authorities for the various reports.

The Board receives monthly financial reports, and the financial situation is addressed at every Board meeting. The Board receives quarterly reports from the control functions Risk Management 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 Board of Directors and the CEO.

The Chairman of the Board of each subsidiary (the Audit Committee's Chairman in Avanza Bank) discusses together with the internal auditors which issues to review.

Board of Directors and Auditors



Sven Hagströmer, Chairman

Born: 1943

Elected: 1997

Committees: Remuneration Committee, Credit Committee

Education: Studies at Stockholm University

Diversity and suitability: Over 40 years of experience from the financial industry. Highly skilled business executive and entrepreneur who has founded several companies and co-financed others outside the financial 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

Holdings on 31 December 2020 (incl. family and companies): 31,111,230 (of which Creades 15,530,000)



Magnus Dybeck

Born: 1977

Elected: 2020

Committees: –

Education: MSc Engineering, KTH Royal Institute of Technology in Stockholm

Diversity and suitability: Operational experience from the financial industry in analysis and asset management as well as in the fintech development.

Relevant employment history: 2012–2017 HiQ, Fintech Specialist. 2010–2011 Öhman, Head of Private Wealth Management. 2007–2010 EFG Bank, Analyst

Other significant assignments: Chairman of Dybeck Invest AB, Board member of Investment AB Öresund

Holdings on 31 December 2020 (incl. family and companies): 4,507,000



Catarina Eklöf

Born: 1969

Elected: 2020

Committees: Remuneration Committee

Education: MBA and MSc from Uppsala University, MSc programme, Solvay Business School, Belgium

Diversity and suitability: Extensive global experience and broad knowledge spanning product and business development, strategy, payment technology, data analysis and digital service commercialisation. Extensive experience in M&A with fintechs and global commercial partnerships. Fact-based understanding of innovation, agile data-driven product development in payment technology.

Relevant employment history: 2007–2019 Mastercard, of which 2009–2017 Senior Vice President Global Data Science Solutions Telco (USA), 2013–2017 Senior Vice President Global Enterprise Development (UK) and 2007–2013 Vice President Merchant Development and Vice President Co-brand Business Development Europe (Belgium). 1997–2007 Scandinavian Airlines, of which 2006–2007 Vice President Commercial Strategies (Sweden), 2001–2005 General Manager Belgium and Luxembourg and 1997–2001 Vice President Product Management

Holdings on 31 December 2020 (incl. family and companies): 1,945



Viktor Fritzén

Born: 1985

Elected: 2018

Committees: Audit Committee

Education: MSc from Stockholm School of Economics

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 and StickerApp Holding AB

Holdings on 31 December 2020 (incl. family and companies): 5,000



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 MCF Corporate Finance), Corporate Finance Associate and analyst

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

Holdings on 31 December 2020 (incl. family and companies): 15,000 and indirect holdings via Biovestor and Creades



Birgitta Klasén

Born: 1949

Elected: 2014

Committees: Credit Committee, 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 Telelogic AB, Board member. 2005–2008 OMX AB, Board member. 2004–2005 EADS, CIO. 2000–2005 FöreningsSparbanken, 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 2020 (incl. family and companies): 55,000



Mattias Miksche

Born: 1968

Elected: 2008

Committees: Remuneration Committee

Education: MSc Business Administration 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 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, Stratys AB, StickerApp Holding AB and Sana Labs AB. Advisor on technical issues to Altor Equity Partners

Holdings on 31 December 2020 (incl. family and companies): 13,950



Johan Roos

Born: 1968

Elected: 2020

Committees: Audit Committee

Education: Auditor exam, MBA with specialisation in accounting from Uppsala University

Diversity and suitability: Extensive experience and knowledge in accounting and auditing. 20 years in senior management positions and subsidiary boards as well as operational experience in banking and insurance. Deep knowledge of developing efficiency and reliability in corporate processes and internal control with a strong customer focus. Extensive experience developing and enforcing good corporate governance and evaluation of corporate strategies.

Relevant employment history: 2019 Independent consultant. 2016–2019 RSA Scandinavia (Codan/Trygg-Hansa), CFO. 2007–2016 SEB, CFO. 2001–2007 Hewlett-Packard Sweden, Finance Director. 1991–2001 PricewaterhouseCoopers Sweden, Authorised Public Accountant and regional partner

Other significant assignments: Board member of Savelend Credit Group AB

Holdings on 31 December 2020 (incl. family and companies): 6,000



Hans Toll

Born: 1970

Elected: 2014

Committees: Credit Committee, Audit Committee

Education: MSc Business Administration 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 2020 (incl. family and companies): 128,000

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 Licensiering AB

Holdings on 31 December 2020 (incl. family and companies):

Shares: 20,000

Warrants (corresponding number of shares): 165,490



Jesper Bonnavier, 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 2020 (incl. family and companies):

Shares: 200

Warrants (corresponding number of shares): 24,020



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 2020 (incl. family and companies):

Shares: 308,240

Warrants (corresponding number of shares): 140,870



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 2020 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 20,780



Åsa Mindus Söderlund, CEO Forsäkringsaktiebolaget 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. 2005-2010 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 2020 (incl. family and companies):

Shares: 250

Warrants (corresponding number of shares): 36,830



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: Board member of Stabelo Group AB

Holdings on 31 December 2020 (incl. family and companies):

Shares: 8,750

Warrants (corresponding number of shares): 57,970



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 Counsel. 1999-2001 Aktiesparinvest / HQ.se AB, Corporate Counsel

Other significant assignments: –

Holdings on 31 December 2020 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 37,510



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: Board Member of CAG Group

Holdings on 31 December 2020 (incl. family and companies):

Shares: 0

Warrants (corresponding number of shares): 63,620



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 2020 (incl. family and companies):

Shares: 5,366

Warrants (corresponding number of shares): 135,800

Stockholm, 25 February 2021

Sven Hagströmer
Chairman of the Board

Magnus Dybeck
Board member

Catharina Eklöf
Board member

Viktor Fritzés
Board member

Jonas Hagströmer
Board member

Birgitta Klasén
Board member

Mattias Miksche
Board member

Johan Roos
Board member

Hans Toll
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 42–54 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, 25 February 2021

KPMG AB

Mårten Asplund
Authorised Public Accountant
Auditor-in-Charge

Dan Beitner
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 2020. A Corporate governance report is provided separately from the administration report on pages 42–54. Avanza's Annual Report is available at avanza.se/ir.

Group structure

Avanza Bank Holding AB (publ) is the Parent Company of the Avanza Group. The operational activities are conducted by the wholly-owned subsidiaries Avanza Bank AB (publ), Försäkringssaktiebolaget 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.

During the fourth quarter of 2020, Avanza reduced its holding in Stabelo Group AB, which Avanza has had a holding in since 2017, from 27.3 per cent to 19.8 per cent. Consequently, Stabelo is classified as a shareholding and no longer as an associated company of Avanza.

Description of the operations

Avanza is Sweden's leading platform for savings and investments. Avanza offers a broad range of savings products, a strong occupational pension offering and mortgages. Avanza challenges established structures of large banks and pension providers and drives long-term development of financial products and services. Customers are offered to save in Swedish and foreign securities and in savings accounts, with no fixed account charges and at a very low brokerage fee. Avanza primarily targets individual investors, but also offers services for professional investors and corporate customers, such as entrepreneurs, asset managers and those who want occupational pension.

Market and sales

The total value of the Swedish savings market is just over SEK 9,500 billion. As of 30 September 2020, Avanza had 5.4 per cent (4.3) of the total savings market in Sweden. During October 2019 – September 2020, Avanza's share of the total net inflow to the Swedish savings market amounted to 19.4 per cent¹⁾.

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. The occupational pension market

can be divided into traditional insurance and unit-linked insurance. Unit-linked insurance accounts for about a third, of which Avanza is active in the portion outside collectively agreed occupational pensions. Avanza's share of life insurance premiums paid during the period October 2019–September 2020 was 10.9 per cent. During the same period, Avanza increased the share of premium inflows in occupational pensions from 6.6 per cent to 7.0 per cent¹⁾.

As of 30 September 2020, the Swedish mortgage market regarding households is valued at nearly SEK 3,600 billion. Mortgages are a relatively new area for Avanza, with great growth potential over time. Avanza has since 2013 offered mortgages on a small scale to Private Banking customers through Superbolånet PB. Since 2018, Avanza has, as a distributor of Stabelo's Bolån+, been able to offer mortgages to a broader customer group. Avanza's share of the Swedish mortgage market, together with Stabelo, was 0.6 per cent. The market share of the net change was 2.5 per cent on an annual basis²⁾.

2020 was a turbulent year in the wake of the Covid-19 pandemic and geopolitical uncertainty surrounding Brexit and the US presidential election. Stock market volatility was very high, and the OMX Stockholm Gross Index rose by 14.6 per cent. The number of transactions on the Stockholm Stock Exchange and First North increased by 69 per cent and turnover increased by 39 per cent compared to the previous year. Among Avanza's customers, the number of transactions on these marketplaces increased by 115 per cent while the turnover was up by 121 per cent. Avanza's market shares increased during the year and Avanza was the largest Swedish player in terms of both transactions and turnover.

Brexit has had limited impact on Avanza both operationally and in terms of counterparties.

The repo rate was raised in January by 25 basis points to 0 per cent. The Riksbank's own forecast indicates a zero per cent repo rate for the foreseeable future.

More information about Avanza's market conditions is available on pages 9–13.

The number of customers rose in 2020 by 303,900 and at year-end the total number of customers was 1,280,300. Within occupational pension the number of customers rose by 17 per cent to 107,900.

Activity and market shares	2020	2019	Change %
No. commission generating notes, thousands	40,800	17,500	133
Commission generating turnover, SEK m	1,148,800	557,800	106
Market shares Nasdaq Stockholm and First North:			
No. transactions, %	18.1	13.7	4.4
Turnover, %	8.5	5.4	3.1

¹⁾ Statistics from the Savings barometer and Swedish Insurance are published with a lag, the latest refer to 30-09-2020.

²⁾ Statistics from SCB are published with a lag, the latest refer to 30-09-2020.

Administration report

Net inflow, SEK m	2020	2019	Change %
Standard	63,740	31,090	105
Private Banking	12,000	1,700	607
Pro	560	-190	-
Net inflow	76,300	32,600	134
Equity & investment fund accounts	12,390	4,050	205
Investment savings accounts	44,800	18,100	147
Savings accounts	4,910	3,430	43
of which, external deposit accounts (Savings account+)	4,960	3,450	44
Pension- & insurance-based accounts	14,200	7,020	103
of which, endowment insurance	9,800	3,380	190
of which, occupational pensions	4,290	3,500	23
Net inflow	76,300	32,600	134
No. customers, savings capital and lending, SEK m (unless otherwise stated)	31-12-2020	31-12-2019	Change %
Standard, no.	1,252,460	947,920	32
Private Banking, no.	25,000	26,500	-6
Pro, no.	2,840	1,980	43
No. customers	1,280,300	976,400	31
of which occupational pension customers, no	107,900	92,600	17
Standard	327,700	228,200	44
Private Banking	221,300	164,500	35
Pro	21,500	15,000	43
Savings capital	570,500	407,700	40
Equity & investment fund accounts	150,000	121,100	24
Investment savings accounts	229,300	141,100	63
Savings accounts	28,600	23,400	22
of which, external deposit accounts (Savings account+)	27,700	22,500	23
Pension- & insurance-based accounts	162,600	122,100	33
of which, endowment insurance	113,400	82,000	38
of which, occupational pensions	34,200	26,700	28
Savings capital	570,500	407,700	40
Equities, bonds, derivatives, etc.	342,000	225,000	52
Investment funds	150,900	119,900	26
Deposits	77,600	62,800	24
of which, external deposits (Savings account+)	27,700	22,500	23
Savings capital	570,500	407,700	40
Internally financed lending	16,300	13,100	24
of which, margin lending	6,970	5,160	35
of which, mortgages (Superbolånet PB)	9,320	7,950	17
External mortgages (Bolån+)	13,600	9,840	38
Lending	29,900	23,000	30
Deposits/Savings capital, %	14	15	-1
Return, average account since 1 Jan, %	19	24	-5
OMX Stockholm GI since 1 Jan, %	15	35	-20

For definitions see page 120–121.

During the year, the net inflow was SEK 76.3 billion, 134 per cent higher compared to 2019 and the highest yearly inflow in Avanza's history.

Savings capital at Avanza grew in 2020 driven by the positive stock market development but also net inflow. At year-end savings capital amounted to SEK 571 billion, an increase of 40 per cent from the beginning of the year. Savings capital invested in occupational pension increased by 28 per cent and total fund capital grew by 26 per cent. Deposits share of savings capital was 14 per cent at year-end, which was 1 percentage point lower than in the beginning of the year.

The external mortgage through Stabelo as creditor, Bolån+, increased by 38 per cent and amounted to SEK 13.6 billion at year-end. The internally financed mortgage for Private Banking customers, Superbolånet PB, amounted to SEK 9.3 billion, an increase of 17 per cent from the beginning of the year. Margin lending increased by 35 per cent to nearly SEK 7 billion.

Information related to Covid-19

Avanza's operations have continued uninterrupted after the outbreak with no major disruptions. The Covid-19 crisis, together with various political measures and stimulus from central banks, continued to affect stock market turnover and volatility during the year. In the current environment, customers had an active interest in their savings, and trading activity among Avanza's customers was at historically high levels. Customer growth and the net inflow was record high as well. This year's high level of customer activity and strong growth meant that Avanza, somewhat earlier than expected, needed to strengthen its IT systems with e.g. investments in complementary hardware and capacity.

The site availability during the year was 99.9 per cent.

The IFRS 9 model, which are used to calculate expected credit losses, were updated to reflect Covid-19's effects on the Swedish economy. The provision for expected credit losses increased during 2020, from SEK 10 million to SEK 14 million.

Customers' liquidity, which increased significantly at the start of the crisis, were back to normal levels at the end of the year. In the occupational pension business, a number of corporate customers were initially affected by the crisis, and some companies delayed the decision to switch their occupational pension provider. In general, the Covid-19 pandemic has had little impact on the pension business.

It is not unusual for customer activity to slow after great turbulence as the market stabilises. As a result of the strong growth during the year, however, our view is that our lowest level has been raised. Although savings could be negatively impacted by high unemployment, leaving individuals with less opportunity to save, the turbulence during this past period has to an even greater

degree proven the importance of savings and a capital buffer. At the same time, savings possibilities among a lot of people have increased when their leisure activities have been limited.

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 growth and net inflow are normally higher at the beginning of the year.

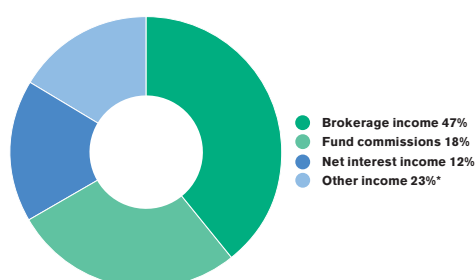
Product and business development

Avanza's offer is continuously updated with new functions and improvements. The Avanza Europe index fund, which gives more savers an opportunity to invest cheaply and sustainably in the European stock market, was launched in the beginning of the year. Two actively managed funds were launched as well: Avanza World Tech by TIN, which invests in technology, health and sustainability; and Avanza Småbolag by Skoglund, which is focused on small-cap companies in sustainability, digitalisation and transformation. Both of which are among Sweden's cheapest actively managed funds in their category for individual investors.

Sustainability and corporate social responsibility are an integral part of Avanza's operations and during the year the special section for sustainable savings was improved further with for example "My sustainability label," where customers decide for themselves what is sustainable based on four areas: Environment & Climate, Controversial Industries, Social Responsibility and Corporate Governance. The fund pages were expanded with improved sustainability data to create a better overview of more sustainability aspects.

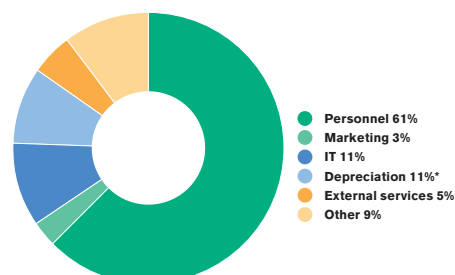
Website and mobile app development continued during the year with new functions and improvements. In the apps a new summary page were added to give customers a better overview of their performance and more easily find various functions. New functions were also added for monthly savings in the apps, including a way to easily add new funds to existing savings. It is now easier on the site to exchange funds with the help of a new function. With inspiration from dating apps and to encourage diversification by making it easier to find interesting new stocks, a new stock swiping function was launched in the apps. New pages were launched for equities and certificates. The equity pages were improved with expanded information on holdings, returns and historical data. Around 800 German ETFs were added to the current selection.

Breakdown of operating income 2020



* Other income includes SEK 63 million associated with the reduced holding in Stabelo.

Breakdown of operating expenses 2020



* Depreciation includes an extraordinary write-down of SEK 16 million related to relocation costs.

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

Income Statements, SEK m	2020	2019	2018	2017	2016
Net commission ¹⁾	1,998	1,028	956	893	825
Net interest income ¹⁾	283	165	91	80	80
Other income	67	1	2	2	3
Total income	2,349	1,193	1,049	975	909
Operating expenses before credit losses	-763	-666	-629	-535	-443
Operating profit before credit losses	1,586	528	420	441	465
Credit losses, net	-4	0	-1	0	-1
Profit/loss from participations in associated companies	-6	-8	-1	-	-
Operating profit	1,576	520	418	441	465
Taxes	-242	-73	-69	-63	-66
Profit for the year	1,335	447	349	379	399
Balance Sheets, SEK m	31-12-2020	31-12-2019	31-12-2018	31-12-2017	31-12-2016
Cash and balances at central banks	1,428	1,340	2,907	-	-
Treasury bills eligible for refinancing	245	-	-	-	-
Loans to credit institutions	2,272	1,766	914	1,731	1,583
Loans to the public	16,287	13,106	10,339	9,507	8,175
Bonds	25,572	19,782	16,958	14,420	13,244
Shares and participations	244	0	1	22	5
Shares and participations in associated companies	-	108	116	-	-
Assets in insurance operations	155,931	116,369	86,457	86,041	75,934
Other assets	2,796	3,471	4,449	4,399	1,675
Total assets	204,775	155,942	122,138	116,120	100,616
Deposits and borrowing from the public	43,987	36,400	33,317	27,901	22,832
Liabilities in insurance operations	155,933	116,370	86,458	86,041	75,934
Other liabilities	1,683	1,127	650	651	443
Subordinated liabilities	-	100	100	99	99
Shareholders' equity	3,172	1,945	1,614	1,427	1,308
Total liabilities and shareholders' equity	204,775	155,942	122,138	116,120	100,616
Key ratios	2020	2019	2018	2017	2016
Operating margin, %	67	44	40	45	51
Profit margin, %	57	37	33	39	44
Earnings per share before dilution, SEK ²⁾	8.66	2.94	2.32	2.53	2.69
Earnings per share after dilution, SEK ²⁾	8.58	2.94	2.31	2.53	2.69
Return on shareholders' equity, %	57	27	24	30	33
Return on assets, %	0.8	0.3	0.3	0.3	0.4
Credit loss level, %	-0.03	0.00	0.01	0.00	0.01
Income to savings capital ratio, %	0.51	0.34	0.35	0.37	0.42
Costs to savings capital ratio, % ³⁾	0.17	0.19	0.20	0.20	0.21
Net brokerage income per trading day, SEK m	4.4	1.9	1.8	1.8	1.9
Brokerage per commission note, SEK	28	29	31	34	41
Brokerage/Turnover, %	0.111	0.100	0.098	0.096	0.088
No. trading days	250.0	248.0	247.5	249.0	251.0
Average no. employees	478	429	406	383	343
Web service operational availability, %	99.9	99.9	100.0	99.9	99.9
Key ratios	31-12-2020	31-12-2019	31-12-2018	31-12-2017	31-12-2016
Shareholders' equity per share before dilution, SEK ²⁾	20.47	12.65	10.66	9.51	8.77
Capital base/Capital requirement ⁴⁾	1.74	1.30	1.34	1.55	1.66
Cash dividend per share, SEK (2020; proposal) ²⁾	0.85	2.30	2.10	2.10	2.10
No. shares, thousand ²⁾	154,954	153,786	151,365	149,981	149,195
Average no. shares before dilution, thousand ²⁾	154,150	152,115	150,432	149,449	148,301
Average no. shares after dilution, thousand ²⁾	155,581	152,115	150,827	149,449	148,409
Market capitalisation, SEK m	36,100	15,000	12,800	10,300	11,000
Share price, SEK ²⁾	233.00	97.80	84.72	68.82	73.80
No. employees	510	445	422	390	365

For definitions see page 120–121.

¹⁾ Income related to external deposits has been transferred from Net interest income to Net commission. Historical figures have been adjusted.

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

³⁾ Excluding the Swedish FSA decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension, reported in the fourth quarter of 2018.

⁴⁾ 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.

Furthermore, margin lending was given a new landing page with a better overview and expanded information. The newly added Credit meter was introduced to help customers track, redistribute or increase their loans. Mortgages were included in the account summary to give customers a better overview. The external mortgage was expanded with a supplemental loan for those who want to invest in green home improvements. Also, digital signing was added for loan documents, making the application process fully digital.

Stock lending was introduced as an added service for customers with endowment insurance. In a stock loan, Avanza lends the shares to Morgan Stanley with the customer receiving 60 per cent of the return and Avanza 40 per cent. For more information, see page 119.

Results

Operating profit increased by 203 per cent compared to 2019. The operating margin increased to 67 per cent from 44 per cent while the return on equity amounted to 57 per cent.

Revenues increased by 97 per cent compared to 2019, mainly due to higher net brokerage income even though all revenue lines improved significantly.

Net brokerage income increased by 137 per cent, a result of increased customer activity and a larger customer base. The number of commission-generating customers was 76 per cent higher at the end of 2020 compared to 2019. The commission-generating notes increased by 133 per cent and the commission-generating turnover was up by 106 per cent. Brokerage income per SEK of turnover increased from 10.0 to 11.1 basis points. This is a result of an increased share of brokerage income generated in lower brokerage fee classes, in line with the strong customer growth. The share of brokerage income generated in the Private Banking and Pro customer segments during 2020 accounted for 20 per cent of income, compared to 26 per cent in 2019.

Fund commissions increased by 26 per cent mainly due to higher average fund capital. Fund capital was 26 per cent higher at the end of 2020 compared to 2019. The net inflow to funds during 2020 amounted to SEK 15.4 billion. Income per SEK of fund capital increased to 0.35 from 0.34 per cent. The share of index funds decreased by 3 per cent during the year.

Net interest income increased by 71 per cent, mainly due to increased income from lending and improved return on surplus liquidity. The repo rate was raised by 25 basis points on 8 January 2020 to 0 per cent. In connection with the repo rate hike in January, the interest rates on margin lending and Private Banking mortgages were raised by 25 and 20 basis points respectively. The internally financed lending volume increased by 24 per cent during the year. The average STIBOR (3M) was 13 basis points higher than last year which affected the return on surplus liquidity positively. The bond portfolio is managed with an average interest duration of 3 months linked to STIBOR. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point change in the repo rate with today's volumes would affect full-year net interest income by around SEK 400 million. The effect is smaller on the downside than the upside because of the interest rate floor on Private Banking mortgages of -20 basis points against the repo rate. However, the Riksbank's own forecast indicates a zero per cent repo rate for the foreseeable future. The deposit guarantee fee and resolution fee decreased to SEK 30 million (SEK 34m). The percentage rate used to calculate the resolution fee was reduced in 2020 from 0.09 per cent to 0.05 per cent, which was somewhat counteracted by the higher volumes.

Currency-related income increased significantly and amounted to SEK 355 million (SEK 125m). Income from Avanza Markets was also significantly higher and amounted to SEK 103 million (SEK 76m). Income from Corporate Finance increased to SEK 37 million (SEK 27m). The net result of financial transactions was positively affected by SEK 63 million by the sale of shares in Stabelo in the fourth quarter of 2020. Other commission expenses increased, mainly due to higher payment service commissions which was a result of increased customer activity. Since the beginning of the year, Stabelo has taken over administrative costs for external mortgages, which has reduced other commission expenses. Distribution compensation was only marginally affected by this.

Operating expenses increased by 11.6 per cent, excluding extraordinary relocation costs, in line with earlier guidance of 12 per cent. The relocation cost includes a write-down of leased asset of SEK 8.3 million for 2019 and SEK 16 million for 2020 and the costs associated with the relocation of SEK 13 million for 2020. The cost increase of the year is mainly due to higher personnel costs but also increased other expenses. Personnel costs increased due to more employees, mainly to expand development capacity. Other expenses increased mainly due to higher costs for IT and premises as well as share price information. Marketing costs were slightly higher. Depreciation increased due to a new lease and thus higher depreciation of leased assets as well as IT investments. Depreciation includes the write-down of SEK 16 million for the remaining rent on the office on Vasagatan, which had not been sublet.

In connection with the strong growth and high level of activity in the wake of the pandemic, at the end of March Avanza raised its guidance on the cost increase for 2020 to 12 per cent from previously around 10 per cent. The cost guidance was raised after several investments were brought forward and capacity was increased in Customer service, Backoffice and IT. Due to the strong growth during the year and increased interest in savings, Avanza decided to invest more in its customer offers and user experience in 2021. Cost growth for 2021 is estimated at around 15 per cent, corresponding to slightly over SEK 110 million, up just over SEK 20 million compared to the previous guidance of an increase of not more than 12 per cent. This means that Avanza is deviating from its long-term cost guidance next year. The long-term guidance on an annual cost growth remains at 9–12 per cent. The long-term annual cost increase will give Avanza the opportunity to responsibly and cost-effectively respond to new growth opportunities through further innovations and thereby maintain a leading position for the benefit of both customers and shareholders.

The cost to savings capital ratio decreased by 2 basis points to 0.17 per cent, while the income to savings capital ratio rose by 17 basis points during the year to 0.51 per cent. This demonstrates the scalability of Avanza's business model. In recent years, the long-term aim has been to cut the cost to savings capital ratio to 0.16 per cent. Given continued strong growth and efficiency improvements, there is potential to cut it slightly further, although this could fluctuate depending on market developments and the value of the savings capital. High cost efficiency makes Avanza resilient in various market conditions, at the same time that it provides an important competitive advantage.

Reported credit losses are attributable to calculations of expected credit losses according to IFRS 9. The macro variables in Avanza's IFRS 9 model were updated in the second quarter of 2020. This resulted in a higher provision for expected credit losses.

The tax rate during the year increased to 15.3 per cent (14.1) as a higher share of revenues was generated in the bank, where the ordinary corporate tax rate applies, in contrast with the insurance company, where most revenues are taxed according to the laws for life insurance companies. The Swedish corporate tax rate is 21.4 per cent. A tax cut to 20.6 per cent will take effect in 2021.

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 often 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. Avanza operates in an industry built on trust. 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 savings. Here the stricter loan to value requirements for mortgages have also focused attention on the need for savings. In pension savings, a new law to improve transfer rights for occupational pensions is expected to positively contribute to Avanza's business. The new law will limit the fees charged on transfers and make it easier for savers to transfer their policies to less expensive alternatives. Education is still needed, however, to increase awareness in the population.

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. ESG screening your savings will become an important economic issue when corporate profits are affected by stricter regulations and climate laws. 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 regarding digitisation, customer offers and digital decision support, and provide a favorable growth climate for Avanza. Avanza's growth objectives include 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, reduce sensitivity to market fluctuations.

Financial position

Avanza is self-financed by equity and customer deposits.

All of Avanza's assets have a high level of liquidity. A significant part of the assets can, therefore, be transferred within a couple of days.

The surplus liquidity is mainly invested in covered bonds, Riksbank certificates and as deposits with the Riksbank and systemically important Nordic banks, plus to a lesser extent in bonds issued by the Swedish Government and Municipalities. Of the liquid assets of SEK 3.7 billion as per the end of the period, SEK 25 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 account.

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and 2020 total actual and expected credit losses amounted to SEK 14 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 for 2020 was SEK –25 million (SEK –22m). The Parent Company does not report any revenues. No anticipated dividends from subsidiaries were recognized in 2020 (SEK 160m).

A dividend payment, related to 2019, of SEK 354 million (SEK 318m) has been made to the shareholders in March 2020, following the decision at the Annual General Meeting.

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 114.

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 which has sustainability aspects implemented in the asset management. Avanza therefore has no formalised management or performance metrics in these areas. On the other hand, Avanza's Code of conduct provides guidance for employees on business ethics and how Avanza maintains fair and lawful business relationships and follows international and national codes of conduct in the industry. 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 2019 was published on 21 February 2020.

Additional information about Avanza's sustainability activities is provided on pages 112–115. Avanza's sustainability policy is published on [avanza.se/ir](https://www.avanza.se/ir).

Employees

In 2020, the Avanza Group had, on average, a total of 478 (429) employees of whom 36 per cent (36) were women. The average age was 36 (36) years. The Parent Company had, on average, 4 (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 score for 2020 was 69 (54), which shows a very strong ambassadorship. Additional information about Avanza's employees is provided on pages 26–31 and in Note 9 Employees and personnel costs.

Information related to Covid-19

Avanza follows the Swedish Public Health Agency's recommendations and instructions. The vast majority of employees are working remotely. During the year, new communication channels and routines were adopted to maintain operations, the pace of development and employee engagement, and to safeguard the culture. The almost entirely digital communication has to a large extent increased availability for employees, which is an important part in building Avanza's culture and cohesion. Many of these new routines are here to stay, at the same time that spontaneous interactions with colleagues should not be underestimated.

Since Avanza has not been and is not expected to be negatively impacted by the pandemic, the companies in the Avanza Group have not had to furlough or lay off employees and have not accepted any government support such as reduced employer contributions, other than reimbursements for sick pay 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 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 36–39, 48–49 and in Note 37 Financial risks.

Remuneration guidelines for senior management

The Annual General Meeting of Avanza Bank Holding AB (publ) resolved on 17 March 2020 to establish the following guidelines for determining salaries and other remuneration paid to the CEO, Deputy CEO and other members of the company's management (Group Management) until further notice.

The guidelines' 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 avanza.se/ir.

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 programmes based on warrants have been established by the company. They were resolved by the Annual General Meeting and therefore are not subject to these guidelines. For the same reason, the long-term incentive programme based on warrants that the Board has proposed to the Annual General Meeting 2021 is not subject to the guidelines either. The proposed incentive programmes essentially correspond to existing incentive programmes. The programmes include all permanent employees in the company. The outcome of the incentive programmes 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 programmes 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 programmes, including the criteria on which the outcome depends, please see avanza.se/ir.

Forms of remuneration

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 programmes based on warrants.

For the CEO, 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 CEO. In the event of termination by the CEO 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 CEO 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 17 March 2020 resolved on a change in the articles of association to allow a maximum of nine Board members elected by the Annual General Meeting. The resolved change in the articles of association also enable shareholders to exercise their voting rights by mail before the Annual General Meeting as well as enable the Board to collect proxy forms in accordance with the procedure set out in the Swedish Companies Act.

The Annual General Meeting resolved to reelect the Chairman of the Board and the Board members, with the exception of Jacqueline Winberg who declined re-election. Magnus Dybeck, Catharina Eklöf and Johan Roos were newly elected as Board members. In 2020 the Board of Directors thus consisted of nine members, as of the Annual General Meeting, elected until the next Annual General Meeting and no deputies.

Anna Casselblad took over as the new CFO on the 1 of February 2021. Anna replaced Birgitta Hagenfeldt who last spring announced that she will leave Avanza and no longer serve in an operational capacity. Anna also joined Group Management. Anna started as an operational manager in Avanza's Compliance department in autumn 2012 and since the spring of 2017 has been the head of the Avanza Group's compliance function, including overall responsibility for the companies under the supervision of the Swedish FSA. Anna also has several years of experience as a financial sector auditor at PwC in Stockholm.

Gunnar Olsson, COO, took over as Deputy CEO on 1 February 2021, succeeding Birgitta Hagenfeldt.

Additional information about the Board of Directors and Group Management is provided in the Corporate governance report on pages 50–53.

The Avanza share

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

At year-end, there were a total of 154,954,010 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 three owners who each directly or indirectly represented at least one tenth of the voting rights for all shares on 31 December 2020: Baillie Gifford & Co representing 10.1 per cent, Sven Hagströmer including family and companies representing 10.1 per cent and Creades AB representing 10.0 per cent.

Outstanding warrant programmes include 6,750,000 warrants corresponding to a maximum dilution effect of 4.4 per cent, if fully exercised. Of these warrants, 33 per cent was transferred to employees at the end of the year.

For further information on the Avanza share, refer to pages 32–35 and Note 31 Equity.

Repurchase of the company's own shares

The Annual General Meeting in 2020 resolved to authorize 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 2020 and the company holds no repurchased shares as of 31 December 2020.

Capital surplus

The capital surplus, i.e. the maximum amount available for dividend payments and repurchases of the company's own shares, totaled SEK 1,849 million as of 31 December 2020.

On 28 June 2021, a new leverage requirement of 3 per cent will be introduced. In addition, the Swedish FSA is introducing leverage ratio guidance of between 0.2 and 0.5 per cent. To ensure that Avanza has a ratio that exceeds the requirement regardless of market conditions, it has to maintain a capital surplus. As of 31 December 2020, the leverage ratio for the consolidated situation was 4.9 per cent, compared to 3.5 per cent at the end of the previous year and the internal target value of 3.8 per cent. The target will ensure an adequate margin to the requirement regardless of market conditions. The ratio is negatively affected by increased deposits.

The Solvency 2 rules means that the conglomerate's largest sector is the insurance sector. As a result, the Group's own funds is increased by additional solvency capital at the same time that the capital requirement rises. The net effect, which is positive, does not constitute distributable capital. Consequently, this is deducted as non-distributable solvency capital. See also Note 36 Own funds and capital requirements.

Proposed allocation of profits

In view of Covid-19 and the economic uncertainty in society, the Swedish FSA has encouraged financial firms to be restrictive with dividends until September 2021. The recommendation is that total dividends and buybacks should not exceed 25 per cent of aggregate earnings for the two financial years 2019 and 2020. Avanza's aggregate total comprehensive income for the two years amounts to SEK 1,945 million, and of this SEK 354 million, or 18 per cent, has already been distributed. In light of this, the Board of Directors of Avanza Bank Holding AB (publ) proposes that the Annual General Meeting on 30 March 2021 resolve that the accumulated profit, including net profit for the year and share premium reserve of SEK 752,287,341, in accordance with the established balance sheet, be allocated in such a way that a dividend of SEK 0.85 per share is distributed to the shareholders and the remainder is carried forward. This corresponds to a dividend of SEK 132 million (SEK 354m) and to 10 per cent (79) of operating profit. If the Annual General Meeting approves a dividend in accordance with the Board's proposal, another SEK 457 million will be available for distribution, corresponding to SEK 2.95 per share or a total of SEK 3.80 per share for the financial year 2020. This is after the previous decision to strengthen Tier 1 capital to achieve a resilient leverage ratio when the 3 per cent requirement is introduced in June 2021. The policy to distribute at least 70 per cent of net profit remains unchanged. For the Board of Directors' statement on the proposed allocation of profits, see page 106 Note 41 Proposed allocation of profits.

Capital surplus, SEK m	31-12-2020	31-12-2019
Own funds		
Shareholders' equity, the Group	3,172	1,945
Solvency capital	1,794	1,294
Less non-distributable solvency capital ¹⁾	-294	-186
Subordinated loan	-	80
Additional value adjustments	-7	-20
Intangible fixed assets and deferred tax receivables ²⁾	-82	-76
Own funds before dividend adjustments	4,583	3,037
Capital requirements		
Capital requirement Pillar 1	-2,225	-1,721
of which Solvency capital requirements ¹⁾	-1,500	-1,108
Buffer requirement	-224	-378
Capital requirement Pillar 2	-286	-113
Capital requirements	-2,735	-2,212
Capital surplus before dividend	1,849	825
Capital surplus per share, SEK	11.93	5.36

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

²⁾ Intangible fixed assets and deferred tax receivables are not included in own funds under the capital adequacy rules and are thus not distributable and should be deducted from the shareholders' equity. See also Note 36 Own funds and capital requirements

Consolidated income statement

SEK m	Note	2020	2019
Operating income			
Commission income ²⁾	3, 4	2,310	1,228
Commission expenses	5	-312	-200
Interest income calculated using the effective interest method	6	364	253
Other interest and similar income ²⁾	6	-	-
Interest expenses	6, 11	-80	-87
Net result of financial transactions	7	67	0
Other operating income		0	0
Total operating income		2,349	1,193
Operating expenses			
General administrative expenses	8-10	-640	-569
Depreciation and amortisation	11, 24-25	-84	-63
Other operating expenses	12	-38	-34
Total operating expenses before credit losses		-763	-666
Operating profit before credit losses		1,586	528
Credit losses, net	13	-4	0
Profit/loss from participations in associated companies	22	-6	-8
Operating profit		1,576	520
Profit before tax		1,576	520
Tax on profit for the year	15	-242	-73
Profit for the year¹⁾		1,335	447
Earnings per share before dilution, SEK	16	8.66	2.94
Earnings per share after dilution, SEK	16	8.58	2.94

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

²⁾ As of 2020, income from external deposits is recognised as commission income instead of interest income, due to which the comparative figure for 2019 has been revised.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – SEK m	Note	2020	2019
Profit for the year		1,335	447
Items that will be reversed to the income statement			
Changes in value of financial instruments recognised at fair value via other comprehensive income	7	18	19
Tax on changes in value of financial instruments recognised at fair value via other comprehensive income		-4	-4
Changes in value of associated companies		-10	-
Tax on changes in value of associated companies		-	-
Items that will be reversed to the income statement			
Changes in value of shares and participations ¹⁾		144	-
Tax on changes in value of shares and participations		-	-
Total other comprehensive income after tax		149	15
Total profit or loss and other comprehensive income after tax²⁾		1,483	462

¹⁾ When the Stabelo holding was reduced, a revaluation of SEK 144 million was recognised.

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

Consolidated balance sheet

SEK m	Note	31-12-2020	31-12-2019
Assets	33,34		
Cash and balances with central banks	17	1,428	1,340
Treasury bills eligible for refinancing	18	245	-
Loans to credit institutions	17	2,272	1,766
Loans to the public	19	16,287	13,106
Bonds	20	25,572	19,782
Shares and participations	21	244	0
Participation in associated companies	22	-	108
Assets in insurance operations	23	155,931	116,369
Intangible fixed assets	24	82	76
Right-of-use assets	11	153	76
Tangible fixed assets	25	64	35
Other assets	15, 26	2,153	3,022
Prepaid expenses and accrued income	27	344	262
Total assets		204,775	155,942
Liabilities and shareholders' equity			
Liabilities	33-35		
Deposits and borrowing from the public	17	43,987	36,400
Liabilities in insurance operations	23	155,933	116,370
Lease liabilities	11	171	86
Other liabilities	15, 28	1,380	945
Accrued expenses and deferred income	29	133	97
Subordinated liabilities	30	-	100
Total liabilities		201,603	153,996
Shareholders' equity	31		
Share capital		77	77
Other capital contributed		564	663
Fair value reserve		159	9
Retained earnings including profit for the year		2,372	1,196
Total shareholders' equity		3,172	1,945
Total liabilities and shareholders' equity		204,775	155,942

Changes in the Group's shareholders' equity

SEK m	Share capital	Other capital contributed	Fair value reserve	Retained earnings	Total
Shareholders' equity, 31-12-2018	76	484	-6	1,061	1,614
Profit after tax reported in the income statement	-	-	-	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
Profit after tax reported in the income statement	-	-	-	1,335	1,335
Other comprehensive income	-	-	159	-10	149
Total comprehensive income	-	-	159	1,325	1,483
Changed accounting principle interest-bearing securities	-	-	-8	-	-8
<i>Transactions with owners</i>					
Dividend paid	-	-202	-	-152	-354
Exercise of share warrants	1	96	-	4	101
Warrants issue	-	6	-	-	6
Shareholders' equity, 31-12-2020	77	564	159	2,372	3,172

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

Consolidated cash flow statement

SEK m	Note	2020	2019
Operating activities			
Profit before tax		1,576	520
whereof interest payments received		364	253
whereof interest expenses paid		-80	-87
<i>Adjustment for items not included in cash flow</i>			
Depreciations of tangible and intangible fixed assets	11, 24-25	84	63
Changed accounting principle interest-bearing securities		-8	-
Lease payments		-48	-31
Income tax paid		915	859
Cash flow from operating activities before changes in operating activities' assets and liabilities		2,520	1,411
Changes in operating activities' assets and liabilities			
Increase (-)/decrease (+) in loans to credit institutions	35	4	-5
Increase (-)/decrease (+) in loans to the public		-3,181	-2,767
Increase (-)/decrease (+) in securities		-136	9
Increase (-)/decrease (+) in other assets		-203	111
Increase (+)/decrease (-) in deposits from the public		7,587	3,082
Increase (+)/decrease (-) in other liabilities		300	390
Cash flow from operating activities' assets and liabilities		4,370	819
Cash flow from operating activities		6,890	2,230
Investment activities			
Acquisition of treasury bills eligible for refinancing		-245	-
Acquisition of intangible fixed asset	24	-14	-
Acquisition and disposals of tangible fixed assets	25	-49	-10
Acquisition of shares and participations		0	0
Investment in bonds		-5,637	-2,809
Cash flow from investment activities		-5,945	-2,819
Financing activities			
Cash dividend		-354	-318
Subordinated bond		-100	0
Warrants issue		101	183
Exercise of share warrant		6	4
Cash flow from financing activities		-347	-131
Cash flow for the year		598	-720
Liquid assets at beginning of year		3,077	3,797
Liquid assets at end of year		3,675	3,077
Change		598	-720
Composition of liquid assets, SEK m			
		31-12-2020	31-12-2019
Cash and balances with central banks		1,428	1,340
Loans to credit institutions		2,272	1,766
Pledged assets		-25	-29
Total		3,675	3,077

Reconciliation of liabilities arising from financial activities

SEK m	31-12-2019	Cash flow	Non-cash changes	31-12-2020
Subordinated bond	100	-100	0	-
Total	100	-100	0	-

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

Parent Company income statement

SEK m	Note	2020	2019
Operating expenses			
Administration expenses	9	-17	-15
Other operating expenses	10	-8	-7
Operating profit/loss		-25	-22
Profit/loss from financial investments			
Profit/loss from participations in Group companies	14	-	160
Profit/loss from sales of financial investments		49	-
Interest income and similar items		-	-
Interest expenses and similar items		0	0
Profit/loss before appropriations and tax		24	138
Appropriations			
Group contribution received		58	26
Group contribution paid		-7	-4
Profit/loss before tax		75	160
Tax on profit for the period	15	-6	0
Net profit/loss for the period		69	160
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – SEK m		2020	2019
Net profit for the year		69	160
Items that will be reversed to the income statement			
Changes in value of associated companies		-10	-
Tax on changes in value of associated companies		-	-
Items that will be reversed to the income statement			
Changes in value of share and participations		144	-
Tax on changes in value of shares and participations		-	-
Other comprehensive income after tax		134	-
Total comprehensive income after tax		203	160

Parent Company balance sheet

SEK m	Note	31-12-2020	31-12-2019
ASSETS			
Fixed assets			
<i>Financial fixed assets</i>			
Shares and participations in Group companies	32	420	417
Participation in associated companies	22	-	117
Shares and participations in other companies		237	-
Total fixed assets		657	533
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		121	352
Current tax receivable		2	1
Prepaid expenses and accrued income		2	2
Total current receivables		124	354
Cash and bank balances		62	0
Total current assets		186	354
Total assets		843	887
Shareholders' equity and liabilities			
Shareholders' equity	31		
<i>Restricted shareholders' equity</i>			
Share capital		77	77
<i>Unrestricted shareholders' equity</i>			
Share premium reserve		549	643
Retained earnings		203	160
Total shareholders' equity		830	880
Current liabilities			
Accounts payable		0	0
Liabilities to Group companies		0	0
Tax liability		6	0
Other liabilities		0	1
Accrued expenses and deferred income		7	6
Total current liabilities		13	7
Total shareholders' equity and liabilities		843	887

Changes in the Parent Company's shareholders' equity

SEK m	Share capital	Share premium reserve	Retained earnings	Total
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
Net profit for the year	-	-	69	69
Other comprehensive income for the year	-	-	134	134
Total comprehensive income for the year	-	-	203	203
<i>Transactions with owners</i>				
Dividend paid	-	-194	-160	-354
Exercise of share warrants	1	100	-	101
Shareholders' equity, 31-12-2020	77	549	203	830

Parent Company cash flow statement

SEK m	2020	2019
Operating activities		
Profit before tax	75	160
whereof interest payments received	0	0
whereof interest expenses paid	0	0
<i>Adjustment for items not included in cash flow</i>		
Anticipated dividend and Group contributions	-	-160
Income tax paid	-1	-1
Cash flow from operating activities before changes in operating activities' assets and liabilities	74	-1
Changes in operating activities' assets and liabilities		
Increase (-) / decrease (+) in financial instruments	-49	-
Increase (-) / decrease (+) in other assets	230	144
Increase (+) / decrease (-) in other liabilities	0	-9
Cash flow from operating activities' assets and liabilities	181	135
Cash flow from operating activities	256	134
Investment activities		
Acquisition of shares and participations	-	-
Disposals of shares and participations in associated companies	62	-
Cash flow from investment activities	62	-
Financing activities		
Cash dividend	-354	-318
Exercise of share warrants	101	183
Shareholder contribution paid	-3	-
Cash flow from financing activities	-256	-135
Cash flow for the year	62	-1
Liquid assets at beginning of year	0	1
Liquid assets at end of year	62	0
Change	62	-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 2020–31 December 2020 comprise the Parent Company and its subsidiaries, referred to collectively as "the Group". The Group's operations are described in the Administration Report. The consolidated accounts and the Annual Report for Avanza Bank Holding AB (publ) for the 2020 financial year were approved on 25 February 2021 by the Board of Directors and the CEO. The consolidated accounts and the Annual Report are adopted by the Annual General Meeting on 30 March 2021.

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 statements from the Swedish Financial Reporting Board.

The Parent Company applies the same accounting principles as the Group other than in the cases specified below under section (v), The Parent Company's 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. Financial assets and liabilities are reported at amortised cost, except for certain financial assets and liabilities that are valued at fair value via income statement or via other comprehensive income, see Note 34 Financial instruments for fair value.

Decisions have been taken within the EU to give the member states the right to postpone reporting under ESEF for one year. An amendment to the law is proposed to enter into force on 15 March 2021 with application from 1 January 2021, consequently the first reporting according to ESEF apply to Annual Report for 2021. Avanza has therefore not prepared an Annual Report for 2020 according to ESEF.

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.

(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 2020

No new or amended IFRS, IFRIC interpretations or changes as a result of IASB's annual improvement project, which entered into force on 1 January 2020, are assessed to have had any significant impact on the Group.

IFRS and interpretations applicable in 2021 or after

The new standards, amendments to standards and statements of interpretation entering into force during the financial year 2021, 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 2023. Avanza is currently analysing the effects of the new standard. All contracts in Avanza's insurance operations are classified as investment contracts and are recognized according to IFRS 9.

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 in the Group. 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 currency exchanges related to customers' securities and fund trades, securities brokered in conjunction with new share issues, the sale of structured products and external deposits. Other commissions are recognised upon completion of transactions.

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

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 as interest income in the income statement according to the effective interest method, while other interest income is recognised in other interest income. Interest income from lending to credit institutions and lending 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. A financial asset and a financial liability are set off and reported with a net amount in the balance sheet only when there is a legal right to set off the amounts and there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the liability. 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 fair value via income statement, amortised cost or fair value via other comprehensive income. 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 amortised cost

This category includes a portfolio of treasury bills eligible for refinancing, covered bonds and, to a lesser extent, government, municipal and county bonds that are held as an element in the management of the Group's surplus liquidity. This category also 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, accounts receivable and the part of the insurance assets that pertains to cash. The business model consists of generating value by obtaining contractual payments. The terms of the instruments mean cash flows passing the SPPI test.

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

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 in the income statement.

Financial instruments in this category mainly consists of a portfolio of 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 and through certain sales of

the financial assets. The terms of the instruments mean cash flows passing the SPPI test. This category also reports the parts of shares and participations that are not held for trading, identified to the category fair value via other comprehensive income at the first reporting date.

Financial liabilities at fair value via income statement

In this category liabilities in the insurance operations are 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 from the public, securities trading liabilities, current tax liabilities, subordinated bonds, accounts payable and other liabilities. Interest expenses for subordinated bonds are distributed over the term of the loan applying the effective interest method.

Impairment according to IFRS 9

IFRS 9 states that all assets measured at amortised cost and fair value via other comprehensive income, as well as off-balance sheet commitments including guarantees and credit obligations, must be tested for impairment. The impairment test is based on a model for expected credit losses. 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, see below under the section Macro analysis. Avanza's definition of default is an exposure that wound up in category 3.

Impairment lending to the public

Margin lending and mortgage lending are classified in categories 1–3 according to the above-mentioned changes in credit deterioration.

- 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 lending 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 (which reflects repayment

capacity) 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 (which reflects repayment capacity) 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 (which reflects repayment capacity) 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 category 2 requires: Margin lending – the market value of the financial securities pledged as collateral (which reflects repayment capacity) 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 portfolios of bonds, which are recognised at fair value through other comprehensive income or at amortised cost, are considered to be of the highest possible credit quality with low credit risk. The portfolios mainly 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 portfolios as a whole have a high rating and are 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 structures 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. The accounting principles for depreciation and amortisations are shown below under (l) Depreciation and amortisation.

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, a back-office 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 sub-

sidaries. 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 and 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 not classified as financial instruments 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.

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 IFRS 16 Leases is applied according to which 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. 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.

Leases are not recognised as a right to use and lease liability in cases where the underlying asset has a low value or a term shorter than 12 months.

(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 to the issuer. 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, child and health-care 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 occupational pension and private pension insurance products will, upon pay-out, be converted to unit linked insurance. The endowment pension, 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, excluding cash, 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, child and health-care 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 deficit deductions are only recognised to the extent that it is likely it will be possible to utilise them.

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.

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 at cost of acquisition 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 are recognised as appropriations, regardless of whether the Group contribution is paid or received.

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 36	Own funds and capital requirements
Note 37	Financial risks
Note 38	Related parties
Note 39	Important estimates and assessments
Note 40	Events after the closing day
Note 41	Proposed allocation of profits

Note 3 Revenue from contracts with customers

SEK m – The Group	2020	2019
Trading in commission-generating securities	1,586	654
Fund savings	459	359
Corporate services	37	27
Other commission income ¹⁾	229	187
Total¹⁾	2,310	1,228
<i>Timing of revenue recognition</i>		
Service or goods transferred to customer at a specific point in time ¹⁾	2,310	1,228
Service or goods transferred to customer over time	–	–
Total¹⁾	2,310	1,228

¹⁾ As of 2020, income from external deposits is recognised as commission income instead of interest income, due to which the comparative figure for 2019 has been revised.

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 355 million (125) 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 2020 generated brokerage income of SEK 2.3 million (1.2) and interest income of SEK 1.3 million (1.4). The largest customer in the business service category generated revenue of SEK 11.4 million (4.1). 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 2020 Avanza received revenue of SEK 44 million (29).

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	2020	2019
Brokerage, gross	1,272	556
Fund commissions	418	332
Currency-related income	355	125
Other commission income ¹⁾²⁾	266	214
Total²⁾	2,310	1,228

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

²⁾ As of 2020, income from external deposits is recognised as commission income instead of interest income, due to which the comparative figure for 2019 has been revised.

Note 5 Commission expenses

SEK m – The Group	2020	2019
Transaction costs ¹⁾	–170	–90
Payment services commissions	–86	–54
Other commission expenses ²⁾	–57	–56
Total	–312	–200

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	2020	2019
Interest income		
<i>Interest income using the effective interest method</i>		
Interest income from loans to credit institutions	1	3
Interest income from loans to the public	300	223
Interest income from interest-bearing securities	63	27
Total interest income using the effective interest method	364	253
<i>Other interest income</i>		
Other interest income ¹⁾	–	–
Total other interest income¹⁾	–	–
Total interest income¹⁾	364	253
Interest expenses		
Interest expenses for loans to credit institutions	–4	–14
Interest expenses for liabilities to credit institutions	0	0
Interest expenses for deposits from the public	–40	–34
Interest expenses for interest-bearing securities	0	0
Interest expenses for lease liabilities	–3	–2
Interest expenses for subordinated bond	–3	–3
Other interest expenses	–30	–34
Total interest expenses	–80	–87
Net interest income¹⁾	284	165

¹⁾ As of 2020, income from external deposits is recognised as commission income instead of interest income, due to which the comparative figure for 2019 has been revised.

The average lending rate to account customers during the year was 1.9 (1.6) 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	2020	2019
Realised profit/loss in respect of shares, etc ¹⁾	66	1
Exchange rate fluctuations	1	–1
Change in value of insurance operations assets	23,883	22,706
Change in value of insurance operations liabilities	–23,883	–22,706
Total	67	0
Net profit/net loss per valuation category		
Financial assets valued at fair value via income statement	23,949	22,707
Financial liabilities valued at fair value via income statement	–23,883	–22,706
Financial assets valued at amortised cost	1	–1
Financial assets valued at fair value via other comprehensive income	18	19
Total	85	19

¹⁾ Includes SEK 63 million associated with the reduced holding in Stabelo 2020.

Note 8 General administration expenses

SEK m – The Group	2020	2019
Personnel costs	–469	–414
Consultancy services purchased	–38	–35
Market information costs	–47	–39
Other general administration expenses	–87	–80
Total	–640	–569

Note 9 Employees and personnel costs

SEK m – The Group	2020	2019
Salaries and other remuneration	–313	–271
Pension costs	–43	–39
Social insurance charges	–98	–85
Other staff overhead	–15	–20
Total personnel costs	–469	–414

The Group has no employees outside Sweden. At the end of the year there was a total of 510 (445) Group employees. Normal employment terms comprise salary and benefits.

Pension costs refer to occupational pension premiums and special employer's contribution. Occupational pensions, through defined contribution pension plans, are obtained corresponding to the ITP 1-plan for all employees over 25 years.

Salaries, other remuneration and social insurance charges

SEK m	2020		2019	
	Salaries and other remuneration	Social insurance charges (of which pension costs)	Salaries and other remuneration	Social insurance charges (of which pension costs)
The Group	313	141	271	124
		(43)		(39)
of which the Board of Directors and senior executives	29	17	29	17
		(8)		(8)
Parent Company	13	5	11	4
		(3)		(3)
of which the Board and CEO	7	4	6	3
		(1)		(1)

Average no. employees	2020		2019	
	No. employees	Of whom, men	No. employees	Of whom, men
Parent Company	4	2	3	2
Subsidiaries	474	305	426	272
Total	478	307	429	274

2020 SEK thousand – The Group	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Total
Chairman of the Board	460	–	–	460
Members of the Board	3,330	–	–	3,320
CEO	7,378	–	2,855	10,234
Deputy CEO	2,842	–	782	3,624
Other senior executives	15,443	–	4,034	19,477
Total	29,453	–	7,671	37,114

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

SEK thousand – Parent Company	2020		2019	
Board members	Directors' fees	Other remuneration	Directors' fees	Other remuneration
Sven Hagströmer	460	–	447	–
Sophia Bendz	–	–	88	–
Viktor Fritzén	449	–	437	–
Jonas Hagströmer	365	–	355	–
Birgitta Klasén	584	–	568	–
Magnus Dybeck	276	–	–	–
Catharina Eklöf	308	–	–	–
Johan Roos	339	–	–	–
Mattias Miksche	407	–	396	–
Hans Toll	501	–	488	–
Jacqueline Winberg	100	–	396	–
Total	3,789	–	3,174	–

The Board of Avanza Bank Holding AB (publ) has 9 (7) members, 7 (5) of whom are men. For the composition of the Board at the end of the financial year, see page 50-51. Fees have been paid to the Chairman of the Board and Board Members in accordance with the resolutions of the 2020 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 9 (10) senior executives in the Group during the year, 5 (5) of whom were men. For the composition of the Group Management at the end of the financial year, see page 52-53.

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 1.7 million, (SEK 4.0m) of which SEK 0.1 million (SEK 0.7 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 2020 financial year has been prepared by the Board's Remu-

neration 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 the Annual General Meeting held on 17 March 2020. 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 2018–2021		Warrants		Market value	
SEK thousand	Number	Value ¹⁾	Acquisition	Benefit	31-12-2020
CEO	50,000	367	367	–	6,362
Other senior executives	136,650	1,004	1,004	–	17,386
Total	186,650	1,372	1,372	–	23,748

Subsidiary programme 2019–2022		Warrants		Market value	
SEK thousand	Number	Value ¹⁾	Acquisition	Benefit	31-12-2020
CEO	80,000	345	345	–	10,522
Other senior executives	257,240	1,108	1,108	–	33,832
Total	337,240	1,452	1,452	–	44,353

Subsidiary programme 2020–2023		Warrants		Market value	
SEK thousand	Number	Value ¹⁾	Acquisition	Benefit	31-12-2020
CEO	35,490	350	350	–	1,881
Other senior executives	123,510	1,218	1,218	–	6,547
Total	159,000	1,568	1,568	–	8,428

¹⁾ Market value on acquisition date.

Subsidiary programmes were acquired at market price in August 2018, August 2019 and August 2020 respectively. The market value has been calculated in accordance with the Black & Scho-

les valuation model, see Note 31 Equity where terms and exercise prices also appear.

Note 10 Auditors' fees and reimbursement of expenses

SEK thousand – The Group	2020	2019
KPMG		
Audit engagements	-2,567	-1,750
Audit business over and above audit engagements	-393	-225
Tax consultancy	-23	-
Other services	-	-137
Total	-2,983	-2,112
Öhrlings PricewaterhouseCoopers		
Audit business over and above audit engagements	-	-412
Other services	-	-82
Total	-	-494
SEK thousand – Parent Company	2020	2019
KPMG		
Audit engagements	-450	-320
Audit business over and above audit engagements	-71	-
Other services	-	-22
Total	-521	-342
Öhrlings PricewaterhouseCoopers		
Audit business over and above audit engagements	-	-191
Other services	-	-51
Total	-	-242

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. Leases do not contain any limitations other than the security in the leased assets.

In autumn 2020, Avanza consolidated its two offices in Stockholm into the current office at Regeringsgatan 103. Prior to the consolidation, a new lease was signed in December 2019 as the total amount of space was increased. The new lease took effect on 1 June 2020 and has affected the right of use and lease liabilities. The lease term has been revised for this modified lease.

Write-downs have been made for right-to-use assets regarding the office at Vasagatan 10 in Stockholm, which were left during the autumn of 2020.

No other right-of-use assets were added and no reassessments of lease terms or changes in interest rate levels were made in 2020. Indexation of leases related to leased premises is taken into account in right-of-use assets and lease liabilities as of 31 December 2020.

Right-of-use-assets

SEK m – The Group	31-12-2020	31-12-2019
Right-of-use assets at the beginning of the year	76	119
New lease contract	133	-
Year's depreciation	-39	-33
Year's write-downs	-17	-8
Total	153	76

Lease liabilities

SEK m – The Group	31-12-2020	31-12-2019
Current liabilities	0	0
Longterm liabilities	171	86
Total	171	86

For an analysis of the remaining term of the lease liabilities, see Note 37 Financial risks in the section on Liquidity risk.

Amounts in the income statement according to IFRS 16

SEK m – The Group	2020	2019
Depreciations of right-of-use-assets	-39	-33
Write-downs of right-of-use-assets	-17	-8
Interest expenses for lease liabilities	-3	-2
Total	-59	-43

Write-down of right-of-use-assets SEK 17.3 million (8.3) in 2020 is a non-recurring cost due to the consolidation of Avanza's offi-

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

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	2020	2019
Marketing costs	-22	-19
Other operating expenses	-16	-15
Total	-38	-34

Note 13 Credit losses, net

SEK m – The Group	2020	2019
Year's write-down of confirmed credit losses	0	-1
Year's write-down of expected credit losses	-4	1
Total	-4	0

See Note 2 Accounting principles, section (i) Financial instruments, for information on the methodology for provisions for expected credit losses, Note 19 Loans to the public and Note 37 Financial risks.

Note 14 Profit/loss on group participations

SEK m – Parent Company	2020	2019
Dividend received from Group companies	-	160
Total	-	160

Note 15 Tax on profit/loss for the year

SEK m	The Group		Parent Company	
	2020	2019	2020	2019
<i>Current tax expense (-)/tax income (+)</i>				
Tax expense (-)/tax income (+) for the period	-242	-73	-6	0
Total current tax	-242	-73	-6	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	-242	-73	-6	0
<i>Reconciliation of effective tax</i>				
Profit/loss before tax	1,576	520	75	160
Tax at current rate of taxation	21.4%	21.4 %	21.4%	21.4 %
Non-deductible costs	0.1%	1.1 %	0.2%	0.0 %
Non-taxable income	-0.7%	0.0 %	-13.9%	-21.4 %
Other tax base in insurance operations	-5.5%	-8.5 %	-	-
Other	0.0%	0.0 %	-	-
Effective tax	15.3%	14.1 %	7.7%	0.0 %

Deferred tax in temporary differences

SEK m – The Group	31-12-2020	31-12-2019
Deferred tax receivable	0	0
Deferred tax liability	0	0
Net	0	0

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	2020	2019
Earnings per share before dilution	8.66	2.94
Earnings per share after dilution	8.58	2.94
Average no. shares before dilution	154,150,028	152,114,601
Average no. shares after dilution	155,581,077	152,114,601
Outstanding no. shares before dilution	154,954,010	153,786,322
Outstanding no. shares after dilution	157,940,330	154,125,294
No. shares on full dilution	161,704,010	160,536,322

Avanza's outstanding warrant programmes comprise a total of 6,750,000 shares divided among three programmes, each of which expires in three years: 2018-2021 the exercise price of which is SEK 100.86 per share, 2019-2022 the exercise price of which is SEK 94.80 per share, and 2020-2023 the exercise price of which is SEK 194.09 per share.

The market price, as of 31 December 2020 was SEK 233. The total dilution effect is a maximum of 4.4 per cent, if fully exercised. For more information, see Note 31 Equity.

Note 17 Client funds**The Group**

Client fund receivables, attributable to banking business, amounted as of 31 December 2020 to SEK 1,630 million (SEK 1,421m), of which client funds at the Riksbank – (656) MSEK, which are reported net against client fund payables of SEK 1,630 million (SEK 1,421m).

Note 18 Treasury bills eligible for refinancing

SEK m – The Group	31-12-2020	31-12-2019
Eligible government securities	245	–
Total	245	–

Note 19 Loans to the public

SEK m – The Group	31-12-2020	31-12-2019
Margin lending	6,970	5,156
Mortgage lending	9,317	7,949
of which with collateral in the form of houses	6,187	5,251
of which with collateral in the form of tenant-owned apartments	3,130	2,699
Total	16,287	13,106

Loans to the public is secured through securities and real estate. SEK 10,129 million (SEK 8,936m) in mortgage lending had been granted as of 31-12-2020, of which SEK 804 million (SEK 984m) was commitment for granted, undisbursed mortgage loans.

for expected credit losses amounted to SEK 14 million (SEK 10m) calculated according to the methodology in IFRS 9. See also Note 37 Financial risks and Note 2 Accounting principles, section (i) Financial instruments and subsection Impairment lending to the public.

Loans to the public is reported after deduction of confirmed and expected credit losses. As of 31 December 2020, the provision

Provisions for expected credit losses

SEK m – The Group	31-12-2020	31-12-2019
Reserve at beginning of year	–10	–12
Provision for expected losses	–4	1
Provisions at end of year	–14	–10

SEK m – The Group	Mortgages 31-12-2020		Margin lending 31-12-2020		Mortgages 31-12-2019		Margin lending 31-12-2019	
	Lending ¹⁾	Reserve	Lending ¹⁾	Reserve	Lending ¹⁾	Reserve	Lending ¹⁾	Reserve
Category 1	8,792	-2	6,965	0	7,527	-1	5,156	-1
Category 2	528	-5	4	0	408	-2	1	0
Category 3	3	0	8	-7	17	0	7	-7
Total	9,324	-7	6,977	-7	7,952	-3	5,164	-7

1) Excluding expected credit losses.

Note 20 Bonds

SEK m – The Group	31-12-2020	31-12-2019
Issued by public authorities	857	1,000
Issued by other borrowers	24,715	18,782
Total	25,572	19,782
SEK m – The Group	31-12-2020	31-12-2019
Bonds, quoted	25,572	19,782
Bonds, unquoted	-	-
Total	25,572	19,782

In the third quarter 2020, the business model for managing bonds was changed. As a result, the existing portfolio, which had previously been recognised in its entirety at fair value through other comprehensive income, was divided into two portfolios, one of which is now recognised at amortised cost, while the other continues to be recognised at fair value through other comprehensive income. Amortised cost for the reclassified portion of the portfolio amounted to SEK 17,799 million as of 31 December 2020 and its fair value amounted to SEK 17,854 million, which would correspond to the carrying amount if no reclassification had occurred. As of 31 December 2020, 73.9 per cent of the total nominal value was measured at amortised cost and 26.1 per cent at fair value through other comprehensive income.

As of 31 december 2020 SEK 2,510 million (SEK 1,718 m) 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). 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 21 Shares and participations

SEK m – The Group	31-12-2020	31-12-2019
Shares and participations, quoted	7	0
Shares and participations, unquoted	237	0
Total	244	0

Unquoted holdings as of 31 December 2020 refers to Stabelo Group AB. Due to the reduced ownership interest in the company in connection with a new share issue in Stabelo Group AB in

the fourth quarter 2020, the holding has been reclassified after having previously been an associated company.

Not 22 Participation in associated companies

Associated companies	Corporate ID no	Main business location	No. of shares 31-12-2019	% of shares 31-12-2019	The Group		The Parent Company	
					31-12-2020	31-12-2019	31-12-2020	31-12-2019
Stabelo Group AB	559030-7996	Stockholm	2,254	27.3	-	108	-	117
Total					-	108	-	117

In the fourth quarter 2020, Stabelo Group AB completed a new share issue, which reduced Avanza's ownership interest in Stabelo to 19.8 per cent. Due to the reduced ownership interest Stabelo is classified as a shareholding and no longer as an associated company of Avanza. Consequently Avanza will recognise the holding at fair value through other comprehensive income. The investment was up to the third quarter 2020 measured according to the equity method, and Avanza's share of Stabelo's profit/loss was included in the consolidated accounts.

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 holding is the same as the share of voting rights. Stabelo Group AB is unquoted.

Note 23 Assets and liabilities in insurance operations

SEK m – The Group	31-12-2020	31-12-2019
<i>Financial assets in insurance operations</i>		
Shares and participations	141,270	104,370
Interest-bearing securities	3,415	2,662
Liquid assets	11,246	9,337
Total	155,931	116,369
<i>Financial liabilities in insurance operations</i>		
Life insurance provisions	5	5
Provision for outstanding claims	1	1
Unit-linked insurance commitments	3,271	3,222
Conditional bonus	152,656	113,142
Total	155,933	116,370

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 24 Intangible fixed assets

SEK m – The Group	31-12-2020	31-12-2019
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	100
Year's investments	14	-
At end of year	114	100
<i>Depreciation</i>		
At beginning of year	-47	-39
Year's depreciation	-8	-8
Year's disposals	-	-
At end of year	-55	-47
Carrying amount at end of year	59	53
Total intangible fixed assets	82	76

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 Stock-

holm AB, which are fully amortized, and capitalized development costs of SEK 72 million for a new trading system, which was reprocessed in 2014–2018.

In 2020, implementation of a new back-office system began and costs of SEK 14 million were incurred during the year. Depreciation of the back-office system will begin in the latter part of 2021 when the system is put into operation.

Note 25 Tangible fixed assets

SEK m – The Group	31-12-2020	31-12-2019
<i>Acquisition values</i>		
At beginning of year	115	107
Year's investments	49	10
Year's disposals	0	-1
At end of year	164	115
<i>Write-downs</i>		
At beginning of year	-80	-67
Year's depreciation	-20	-14
Year's disposals	0	0
At end of year	-100	-80
Carrying amount at end of year	64	35

Note 26 Other assets

SEK m – The Group	31-12-2020	31-12-2019
Securities trading receivables	288	106
Current tax assets	1,623	2,613
Deferred tax assets	0	0
Other	241	303
Total	2,153	3,022

Securities trading receivables and securities trading liabilities are reported together net amounts under Other assets and respective Other liabilities. For securities trading receivables and securities trading liabilities, there is a legal right to set off amounts against the same counterparty. Other financial assets and liabilities

are reported gross in the balance sheet. As of 31 December 2020 gross securities trading receivables amounted to SEK 1,852 million (SEK 847m) million and gross securities trading liabilities to SEK 2,475 million (SEK 1,380m).

31-12-2020			
SEK m – The Group	Gross amount	Amount set off	Net amount
Securities trading receivables	1,852	-1,564	288
Securities trading liabilities	2,475	-1,564	911

31-12-2019			
SEK m – The Group	Gross amount	Amount set off	Net amount
Securities trading receivables	847	-741	106
Securities trading liabilities	1,380	-741	639

Note 27 Prepaid expenses and accrued income

SEK m – The Group	31-12-2020	31-12-2019
Prepaid expenses	37	35
Accrued income	308	227
Total	344	262

Note 28 Other liabilities

SEK m – The Group	31-12-2020	31-12-2019
Tax deduction	4	3
Securities trading liabilities	911	639
Accounts payable	29	14
Current tax liabilities	169	2
Deferred tax liability	4	0
Other	262	286
Total	1,380	945

Securities trading liabilities amounts to gross SEK 2,475 million (SEK 1,380m) see note 26 Other assets.

Note 29 Accrued expenses and deferred income

SEK m – The Group	31-12-2020	31-12-2019
Personnel-related liabilities	61	53
Other	71	43
Total	133	97

Note 30 Subordinated liabilities

SEK m – The Group	31-12-2020	31-12-2019
Dated subordinated liabilities	–	100
Total	–	100

Interest rates	Nominal amount	Maturity date
Quarterly coupon rate STIBOR 3M + 3 % annualy	100	10-12-2025

The 10-year, SEK 100 million subordinated bond Avanza decided in 2015 to issue in Avanza Bank AB (publ) was redeemed in advance in December 2020. The subordinated bond had a built-in call option, where Avanza had the right to buy back the bond at its nominal value of SEK 100 on the call date (given regulatory approval), which fell 5 years after issuance on 10 Decem-

ber 2020. The subordinated bond was redeemed at a price corresponding to the nominal amount plus unpaid accrued interest.

The cost of the subordinated bond during the year referred to interest expenses and accrued listing costs and amounted to SEK 3,131 thousand (SEK 3,168 thousand).

Note 31 Equity

As of 31 December 2020, the registered share capital comprised 154,954,010 (153,786,322) ordinary shares with a quotient value of SEK 0.50 (0.50) per share. During 2020, 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 4.4 per cent, if fully exercised. Of these warrants, 2,241,820 were transferred to employees. The warrant programme is divided into three sub-programmes and the total warrant programme runs from August 2018 to November 2023.

- 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.
- Outstanding warrants 2020–2023 grant entitlement to subscribe to a total of 2,250,000 shares at an exercise price of SEK

194.09 per share. The expiration date is 23 November 2023. The warrants may be exercised on 31 August 2023, 26 October 2023 or 23 November 2023.

The warrant programme 2017–2020 had an exercise period from 26 August 2020 to 30 August 2020. After recalculation the exercise price was SEK 82.60 per share. A total of 1,257,850 shares were available for subscription. 1,167,688 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 has been determined as 120 per cent of the weighted average of the share price over a period determined by the General Meeting
- Volatility – based on the historical volatility of the Avanza Bank Holding's share on the stock exchange
- Dividend – consideration has been given to the estimated dividend that will be paid during the term of the option
- Liquidity discount 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
31-12-2019	153,786,322
Warrants issue due to exercise of share warrants	1,167,688
31-12-2020	154,954,010

Note 32 Shares and participations in Group companies

SEK m – Parent Company	31-12-2020	31-12-2019
<i>Acquisition value</i>		
At beginning of year	423	423
Shareholder contribution paid (2020; Avanza Fonder AB)	3	–
At end of year	426	423
<i>Accumulated write-downs</i>		
At beginning of year	–7	–7
At end of year	–7	–7
Carrying amount at end of year	420	417

31-12-2020 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	15
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					420

¹⁾ Unquoted securities.

²⁾ Holdings in credit institutions.

Note 33 Terms for assets and liabilities

Remaining term (undiscounted cash flows)

31-12-2020 SEK m – The Group	Upon request	<3 months	3–12 months	1–5 years	>5 years	Perpetual	Total
Assets							
Cash and balances with central banks	1,428	–	–	–	–	–	1,428
Treasury bills eligible for refinancing	–	245	–	–	–	–	245
Loans to credit institutions	2,272	–	–	–	–	–	2,272
Loans to the public	–	6,970	–	–	9,317	–	16,287
Bonds	–	1,100	5,322	18,714	–	–	25,136
Shares and participations	–	–	–	–	–	244	244
Assets in insurance operations ¹⁾	–	73,272	479	9,381	72,800	–	155,931
Intangible assets	–	–	–	–	–	82	82
Right-of-use assets	–	–	–	–	–	153	153
Tangible fixed assets	–	–	–	–	–	64	64
Other assets	–	2,153	–	–	–	–	2,153
Prepaid expenses and accrued income	–	344	–	–	–	–	344
Total assets	3,700	84,083	5,801	28,095	82,117	543	204,340
Liabilities							
Deposits and borrowing from the public	43,987	–	–	–	–	–	43,987
Liabilities in insurance operations ¹⁾²⁾	–	73,272	479	9,381	72,800	1	155,933
Lease liabilities	–	11	35	125	–	–	171
Other liabilities	–	1,380	–	–	–	–	1,380
Accrued expenses and deferred income	–	133	–	–	–	–	133
Total liabilities	43,987	74,796	514	9,506	72,800	1	201,604

¹⁾ 100 per cent of the distribution of endowment insurance terms are within <3 months. 1.8 per cent of the terms for endowment pensions are within <3 months, 5.3 per cent between 3–12 months, 73.7 per cent 1–5 years and 19.2 per cent >5 years. 0.4 per cent of private pension insurance terms are within <3 months, 1.2 per cent 3–12 months, 15.8 per cent 1–5 years and 82.6 per cent >5 years. 0.1 per cent of the terms for occupational pensions are within <3 months, 0.4 per cent 3–12 months, 8.6 per cent 1–5 years and 90.9 per cent are >5 years.

²⁾ See also the section on Liquidity risks in Note 37 Financial risks.

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
Assets							
Cash and balances with central banks	1,340	–	–	–	–	–	1,340
Loans to credit institutions	1,766	–	–	–	–	–	1,766
Loans 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 expenses and accrued income	–	262	–	–	–	–	262
Total assets	3,106	65,611	2,575	23,497	60,487	295	155,570
Liabilities							
Deposits and borrowing from 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 expenses and deferred 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 per cent 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 37 Financial risks.

³⁾ Interest payments during the entire duration are calculated using STIBOR 3M + 3 %.

Note 34 Financial instruments

Classification of financial information

31-12-2020 SEK m – The Group	Fair value via Income Statement	Amortised cost	Fair value via Other compre- hensive income	Non financial instruments	Total
<i>Assets</i>					
Cash and balances with central banks	–	1,428	–	–	1,428
Treasury bills eligible for refinancing	–	245	–	–	245
Loans to credit institutions	–	2,272	–	–	2,272
Loans to the public	–	16,287	–	–	16,287
Bonds ¹⁾	–	18,828	6,744	–	25,572
Shares and participations	7	–	237	–	244
Assets in insurance operations	144,685	11,247	–	–	155,931
Intangible assets	–	–	–	82	82
Right-of-use assets	–	–	–	153	153
Tangible fixed assets	–	–	–	64	64
Other assets	–	2,153	–	0	2,153
Prepaid expenses and accrued income	–	308	–	37	344
Total assets	144,692	52,768	6,981	335	204,755
<i>Liabilities</i>					
Deposits and borrowing from the public	–	43,987	–	–	43,987
Liabilities in insurance operations	155,931	–	–	1	155,933
Lease liabilities	–	–	–	171	171
Other liabilities	–	1,202	–	178	1,380
Accrued expenses and deferred income	–	78	–	54	133
Subordinated liabilities	–	0	–	–	0
Total liabilities	155,931	45,267	–	404	201,603

¹⁾ In 2020, the bond portfolio was divided up, where one portion is now measured at an amortised. As of 31 December 2020 amortised cost of bonds reclassified amounted to SEK 17,799 million and the fair value of this portion was SEK 17,854 million, which would correspond to carrying amount if no reclassification was carried out.

Financial instruments valued at fair value in balance sheet

31-12-2020 SEK m – The Group	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Equities	86,181	0	237	86,418
Fund units	55,096	0	–	55,096
Bonds and other interest-bearing securities	8,444	466	–	8,910
Other securities	1,078	170	–	1,248
Total assets	150,799	637	237	151,673
<i>Liabilities</i>				
Liabilities in insurance operations (investment agreements)	–	155,931	–	155,931
Total liabilities	–	155,931	–	155,931

SEK m – The Group	Level 3
31-12-2019	0
Change in value	–
Reclassification	237
Sale	–
31-12-2020	237

Financial instruments valued at amortized cost in balance sheet where fair value is given for information purposes

31-12-2020 SEK m – The Group	Carrying amount	Level 1	Level 2	Level 3	Total
Assets					
Cash and balances with central banks	1,428	1,428	–	–	1,428
Treasury bills eligible for refinancing	245	245	–	–	245
Loans to credit institutions	2,272	–	2,272	–	2,272
Loans to the public	16,287	–	16,287	–	16,287
Bonds	18,828	18,884	–	–	18,884
Assets in insurance operations	11,247	–	11,247	–	11,247
Other assets	2,153	2,153	–	–	2,153
Prepaid expenses and accrued income	308	308	–	–	308
Total assets	52,768	23,018	29,805	–	52,824
Liabilities					
Deposits and borrowing from the public	43,987	–	43,987	–	43,987
Other liabilities	1,380	1,380	–	–	1,380
Accrued expenses and deferred income	133	133	–	–	133
Total liabilities	45,499	1,512	43,987	–	45,499

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
Assets					
Cash and balances with central banks	–	1,340	–	–	1,340
Loans to credit institutions	–	1,766	–	–	1,766
Loans 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 expenses and accrued income	–	227	–	35	262
Total assets	107,032	28,905	19,782	222	155,942
Liabilities					
Deposits and borrowing from 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 expenses and deferred income	–	51	–	46	97
Subordinated liabilities	–	100	–	–	100
Total liabilities	116,369	37,490	–	138	153,996

Financial instruments valued at fair value in balance sheet

31-12-2019 SEK m – The Group	Level 1	Level 2	Level 3	Total
Assets				
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
Liabilities				
Liabilities in insurance operations (investment agreements)	–	116,369	–	116,369
Subordinated liabilities	–	–	100	100
Total liabilities	–	116,369	100	116,469

Financial instruments valued at fair value in balance sheet

31-12-2019 SEK m – The Group	Level 1	Level 2	Level 3	Total
SEK m – The Group				Level 3
31-12-2018				0
Change in value				0
Reclassification				0
Sale				0
31-12-2019				0

Financial instruments valued at amortized cost in balance sheet where fair value is given for information purposes

31-12-2019 SEK m – The Group	Carrying amount	Level 1	Level 2	Level 3	Total
<i>Assets</i>					
Cash and balances with central banks	1,340	1,340	–	–	1,340
Loans to credit institutions	1,766	–	1,766	–	1,766
Loans to the public	13,106	–	13,106	–	13,106
Shares and participations in associated companies	108	–	–	108	108
Assets in insurance operations	9,337	–	9,337	–	9,337
Other assets	3,022	3,022	–	–	3,022
Prepaid expenses and accrued income	227	227	–	–	227
Total assets	28,906	4,589	24,209	108	28,906
<i>Liabilities</i>					
Deposits and borrowing from the public	36,400	–	36,400	–	36,400
Other liabilities	940	940	–	–	940
Accrued expenses and deferred income	51	51	–	–	51
Subordinated liabilities	100	–	–	100	100
Total liabilities	37,491	991	36,400	100	37,491

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 as well as bonds and other interest-bearing securities in Avanza's liquidity portfolio 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 operators who quote daily prices, mainly the asset values quoted by the fund companies, where the issuer values every individual security, and secondarily, by assessing the most recently completed market transaction between two mutually independent parties. 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 35 Pledged assets and contingent liabilities

SEK m – The Group	31-12-2020	31-12-2019
<i>Pledged assets provided for own liabilities</i>		
Securities liquidation, Euroclear	659	666
Securities liquidation, EMCF	405	205
The Riksbank	557	200
Nasdaq OMX MRAH	2	2
<i>Other pledged collateral and comparable collateral</i>		
Stock lending	294	195
Collateral requirement, Nasdaq derivatives	596	456
Nasdaq Default fund	23	23
Total pledged assets	2,536	1,747
<i>Contingent liabilities</i>		
Contingency	None	None
Commitment	None	None

Pledged assets

Pledged assets total SEK 2,536 million (SEK 1,747m) which refers mainly to credit institutions and the stock exchange. The pledged assets are comprised of cash and cash equivalents of SEK 25 million (SEK 29m) and bonds of SEK 2,510 million (SEK 1,718m).

Pledged assets for own liabilities primarily relate to liquid assets, and obligations pledged as security for securities settlement with parties on different markets. These funds are held on account in Swedish banks and arise as a consequence of the security requirements, calculated for participants in the settlement of trades via a central clearing counterpart. Avanza also pledges bonds with SEB to cover the security requirement for CCP terminated transactions (EMCF). The Riksbank clearing relates to securities for the settlement of transactions via Data-clearing. 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.

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.

In the insurance business, registered assets, pledged as collateral to cover the technical provisions, amounted to SEK 155,931 million (SEK 116,369m) as at 31 December 2020. 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 2020.

SEK m – Parent Company	31-12-2020	31-12-2019
Pledged assets	None	None
Contingent liabilities	None	None

Note 36 Own funds 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 92.3 d and f, 436, 437 b and 438 in regulation (EU) no 575/2013 (CRR) and of 8 chap. 8 § of the Swedish Financial Supervisory Authority provisions and general advice (FFFS 2014:12) on prudential requirements and capital buffers as well as own funds disclosure requirements according to appendix 4 in Commission implementing regulation (EU) no 1423/2013. Other information, that is mandatory in accordance with FFFS

2014:12 and CRR, is available in "Annual capital adequacy information and risk management" at the Avanza website investors.avanza.se/en.

The conglomerate's own funds 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 own funds and capital requirements have been calculated using the consolidation method (fully consolidated). The conglomerate's own funds 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 own funds 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 own funds 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 own funds 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.

The 10-year, SEK 100 million subordinated bond Avanza decided in 2015 to issue in Avanza Bank AB was redeemed in advance in December 2020.

The consolidated situation's and Avanza Bank AB's (publ) own funds 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 (CRR), 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 own funds 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 countercyclical buffer) and additional Pillar 2 requirements (interest rate risk in the banking book, credit-related concentration risk and pension risk).

SEK m – The financial conglomerate	31-12-2020	31-12-2019 ²⁾
Own funds		
Shareholders' equity, the Group	3,172	1,945
Proposed/assumed dividend	-132	-354
Shareholders' equity, financial conglomerate (Tier 1 capital)	3,040	1,592
<i>Additional</i>		
Solvency capital ¹⁾	1,794	1,294
Subordinated bond	-	80
<i>Less</i>		
Additional value adjustments	-7	-20
Intangible fixed assets	-82	-76
Deferred tax receivables	-	-
Total own funds	4,745	2,870
Own funds per sector		
Own funds for regulated units in the insurance sector	2,598	1,492
Own funds for regulated units within the banking and securities sector	2,147	1,378
Total own funds	4,745	2,870
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector	1,500	1,108
Capital requirement for regulated units within the banking and securities sector	1,235	1,105
of which additional buffer requirement	224	378
of which additional Pillar 2 requirement	286	113
Total capital requirement	2,735	2,212
Capital surplus	2,010	657
Own funds/Capital requirement	1,74	1,30

¹⁾ Non-distributable solvency capital = Solvency capital - Solvency capital requirement.

²⁾ An adjustment has been made in the calculation of the institution-specific capital buffer requirement, which affects some of the amounts as at 2019-12-31. The adjusted figures have been reported to the Swedish FSA.

Common equity tier 1 capital consists of own funds less unverified profits, foreseeable dividends and charges, additional value adjustments, intangible assets and significant holdings in the financial sector. Profits are included in common equity tier 1 capital before a resolution of the Annual General Meeting only after approval from the Swedish Financial Supervisory Authority, after deductions have been made for proposed dividends or other foreseeable charges and the surplus has been verified by the company's auditors. Deductions for foreseeable charges and any dividends are made according to Commission Delegated Regulation (EU) 241/2014. Additional value adjustments are calculated according to Commission Delegated Regulation (EU) 2016/101 and relate to prudent measurement of financial instruments at fair value. Intangible assets largely consist of goodwill and IT development. Deductions for significant holdings in the financial sector relate to the subsidiary Försäkringsaktiebolaget Avanza Pension and the holding in Stabelo Group AB.

Avanza calculate capital requirements according to CRR's standard models. Avanza's capital requirement essentially stems from credit risk and operational risk. In the category of credit risk, it is mainly Avanza's mortgage lending and portfolio of covered bonds that require capital. The risk-weighted exposure amount for credit risk for mortgage lending is calculated as the 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. As of 2019, Avanza Bank Holding AB's holdings in Försäkringsaktiebolaget 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 own funds.

Avanza's margin lending also require capital, but to a lesser extent, since this exposure category allows credit risk adjustments in the form of pledged collateral.

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

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.

The capital requirement for operational risk is calculated as of 2020 according to CRR's standardised approach, compared to the base method earlier. Accordingly, the capital requirement is calculated by taking the three-year average of the annual capital base requirements for the bank's various business areas. The annual capital base requirement for a business area is equal to the business area's beta multiplied by the business area's 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. Avanza does not calculate pension risk as there is no pension liability.

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 24.4 per cent as of 31 December 2020 and 23.9 per cent for Avanza Bank which can be compared to total requirements and buffers of 13.5 per cent respectively 13.7 percent for Avanza Bank. The capital ratio have historically always been above 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.

Upcoming changes in the capital adequacy rules

In 2019, the EU adopted amendments to regulations and directives regarding capital adequacy and management of banks in crisis, which go under the collective name "Bank package". The new rules, which will largely enter into force on 28 June 2021, will have a limited impact on Avanza's capital base and capital requirements, where Avanza must comply with the new requirement of a leverage ratio of at least 3 per cent. To ensure that Avanza at all times meets the forthcoming leverage ratio requirement, Avanza complies with both external and internally set buffer requirements. Avanza is well capitalized to handle future requirements.

Impact of Covid-19 on capital adequacy

The impact from Covid-19 in 2020 has had a limited negative effect on Avanza's capital requirements, however, the capital base has increased after a higher result in 2020.

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 value all risks to ensure that Avanza's business model is sustainable. A capital need is calculated for each risk, which is then compared to the prescribed minimum requirement and buffer requirement. Included in the forward-looking analysis are several highly stressed scenarios, as well as their consequences for the own funds, 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.

Avanza's latest ICAAP was prepared as of 31 December 2019. An assessment was made at the time that the total capital requirement to cover unexpected losses including an internal capital planning buffer amounted to SEK 285 million for the consolidated situation and SEK 268 million for Avanza Bank. At the same

time, the total capital requirement for the consolidated situation was SEK 1,208 million and for Avanza Bank was SEK 1,092 million, while Avanza's actual capital base amounted to SEK 1,490 million and SEK 1,365 million respectively. The ICAAP stated that Avanza was well-capitalised and did not expose depositors

to risk. Due to the introduction of the EU's banking package, the capital planning buffer was replaced by a leverage ratio buffer as of 31 December 2020, which will be reflected in the upcoming ICAAP.

SEK m – Consolidated situation	31-12-2020	31-12-2019
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	642	729
of which: Instrument type 1	77	77
of which: Instrument type 2	564	652
Retained earnings	961	721
Accumulated other comprehensive income	149	15
Independently reviewed interim profits net of any foreseeable charge or dividend	795	46
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,546	1,511
Additional value adjustments		
Intangible assets (net of related tax liability)	-82	-76
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-30	-5
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-119	-101
Common Equity Tier 1 (CET1) capital	2,427	1,411
Additional Tier 1 (AT1) capital		
Tier 1 capital (T1 = CET1 + AT1)	2,427	1,411
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts ²⁾	-	80
Tier 2 (T2) capital²⁾	-	80
Total capital (TC = T1 + T2)²⁾	2,427	1,490
Total risk-weighted assets	9,957	8,367
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	24.4	16.9
Tier 1 (as a percentage of total risk exposure amount)	24.4	16.9
Total capital (as a percentage of total risk exposure amount)	24.4	17.8
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	2.5	5.0
of which: capital conservation buffer requirement	2.5	2.5
of which: countercyclical buffer requirement	-	2.5
of which: systemic risk buffer requirement	-	-
of which: global systemically important institution or other systemically important institution buffer	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ¹⁾	16.4	9.8
Own funds in relation to capital requirement	3.05	2.23
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	246	142

¹⁾ An adjustment has been made in the calculation of Common Equity Tier 1 capital that is available for use as of 31 December 2019.

²⁾ An adjustment has been made in the calculation of Tier 2 capital that is available for use as of 31 December 2019.

SEK m – Consolidated situation	31-12-2020		31-12-2019	
Risk exposure amount				
Credit risk according to standard model		7,970		6,530
of which Institutions		450		350
of which Corporates		94		73
of which Households		306		310
of which Collateral in real estate		3,272		2,809
of which Exposures in default		6		–
of which Covered bonds		2,475		1,879
of which Shares		614		353
of which Other items		754		756
Market risk		14		0
Settlement risk		0		2
Credit valuation adjustment risk according to the standardised method		0		–
Operational risk according to the basic indicator approach ¹⁾		1,973		1,836
Total risk exposure amount¹⁾		9,957		8,367
Capital requirement				
Credit risk according to standard model	638	6,4%	522	6.2%
of which Institutions	36	0,4%	28	0.3%
of which Corporates	8	0,1%	6	0.1%
of which Households	24	0,2%	25	0.3%
of which Collateral in real estate	262	2,6%	225	2.7%
of which Exposures in default	0	0,0%	–	–
of which Covered bonds	198	2,0%	150	1.8%
of which Shares	49	0,5%	28	0.3%
of which Other items	60	0,6%	60	0.7%
Market risks (position risk)	1	0,0%	0	0.0%
Settlement risk	0	0,0%	0	0.0%
Credit valuation adjustment risk according to the standardised method	0	0,0%	–	–
Operational risk according to the basic indicator approach ¹⁾	158	1,6%	147	1.8%
Total capital requirement Pillar 1¹⁾	797	8,0%	669	8.0%
Own funds ²⁾	2,427	24,4%	1,490	17.8%
Capital requirement (8%) ¹⁾	–797	–8,0%	–669	–8.0%
Buffer requirement ¹⁾²⁾	–249	–2,5%	–418	–5.0%
Additional requirement with reference to Pillar 2	–295	–3,0%	–120	–1.4%
Total requirements¹⁾³⁾	–1,340	–13,5%	–1,208	–14.4%
Capital surplus after buffer requirement and Pillar 2¹⁾³⁾	1,087	10,9%	283	3.4%
Leverage ratio				
Total exposure amount leverage ratio		50,032		40,868
Tier 1 capital		2,427		1,411
Leverage ratio, %		4.9		3.5

Information is only provided regarding the buffer requirements which have come into force. The table shows the capital requirement expressed both in SEK million and as a percentage of the risk-weighted exposure amount.

¹⁾ The measurement method used to calculate the own funds requirement for operational risk changed from the basic indicator approach to the standardised approach during 2020. Comparative figures for 2019-12-31 have not been adjusted.

²⁾ An adjustment has been made in the calculation of the institution-specific capital buffer requirement, which affects some of the amounts as at 2019-12-31. The adjusted figures have been reported to the Swedish FSA.

SEK m – Avanza Bank AB (publ)	31-12-2020	31-12-2019
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	79	73
of which: Instrument type 1	55	55
of which: Instrument type 2	24	18
Retained earnings	1,251	1,001
Accumulated other comprehensive income	14	15
Independently reviewed interim profits net of any foreseeable charge or dividend	853	250
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,198	1,339
Additional value adjustments	-7	-20
Intangible assets (net of related tax liability)	-59	-53
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-66	-73
Common Equity Tier 1 (CET1) capital	2,132	1,266
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital (T1 = CET1 + AT1)	2,132	1,266
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts	-	100
Tier 2 (T2) capital	-	100
Total capital (TC = T1 + T2)	2,132	1,365
Total risk-weighted assets	8,915	7,527
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	23.9	16.8
Tier 1 (as a percentage of total risk exposure amount)	23.9	16.8
Total capital (as a percentage of total risk exposure amount)	23.9	18.1
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	2.5	5.0
of which: capital conservation buffer requirement	2.5	2.5
of which: countercyclical buffer requirement	-	2.5
of which: systemic risk buffer requirement	-	-
of which: global systemically important institution or other systemically important institution buffer	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) ¹⁾	15.9	10.1
Own funds in relation to capital requirement	2.99	2.27
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	-	-

¹⁾ An adjustment has been made in the calculation of Common Equity Tier 1 capital that is available for use as of 31 December 2019.

SEK m – Avanza Bank AB (publ)	31-12-2020		31-12-2019	
Risk exposure amount				
Credit risk according to standard model		7,182		6,032
of which Institutions		437		350
of which Corporates		94		73
of which Households		306		310
of which Collateral in real estate		3,272		2,809
of which Exposures in default		6		–
of which Covered bonds		2,475		1,879
of which Shares		0		–
of which Other items		592		612
Market risk		14		0
Settlement risk		0		2
Credit valuation adjustment risk according to the standardised method		0		–
Operational risk according to the basic indicator approach ¹⁾		1,719		1,493
Total risk exposure amount¹⁾		8,915		7,527
Capital requirement				
Credit risk according to standard model	575	6.4%	483	6.4%
of which Institutions	35	0.4%	28	0.4%
of which Corporates	8	0.1%	6	0.1%
of which Households	24	0.3%	25	0.3%
of which Collateral in real estate	262	2.9%	225	3.0%
of which Exposures in default	0	0.0%	–	–
of which Covered bonds	198	2.2%	150	2.0%
of which Shares	0	0.0%	–	–
of which Other items	47	0.5%	49	0.7%
Market risks (position risk)	1	0.0%	0	0.0%
Settlement risk	0	0.0%	0	0.0%
Credit valuation adjustment risk according to the standardised method	0	0.0%	–	–
Operational risk according to the basic indicator approach ¹⁾	137	1.5%	119	1.6%
Total capital requirement Pillar 1¹⁾	713	8.0%	602	8.0%
Own funds	2,132	23.9%	1,365	18.1%
Capital requirement (8%) ¹⁾	–713	–8.0%	–602	–8.0%
Buffer requirement ^{1) 2)}	–223	–2.5%	–376	–5.0%
Additional requirement with reference to Pillar 2	–286	–3.2%	–113	–1.5%
Total requirements¹⁾	–1,222	–13.7%	–1,092	–14.5%
Capital surplus after buffer requirement and Pillar 2¹⁾	910	10.2%	274	3.6%
Leverage ratio				
Total exposure amount leverage ratio		49,558		40,580
Tier 1 capital		2,132		1,266
Leverage ratio, %		4.3		3.1

Information is only provided regarding the buffer requirements which have come into force. The table shows the capital requirement expressed both in SEK million and as a percentage of the risk-weighted exposure amount.

¹⁾ The measurement method used to calculate the own funds requirement for operational risk changed from the basic indicator approach to the standardised approach during 2020. Comparative figures for 2019-12-31 have not been adjusted.

²⁾ An adjustment has been made in the calculation of the institution-specific capital buffer requirement, which affects some of the amounts as at 2019-12-31. The adjusted figures have been reported to the Swedish FSA.

Note 37 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.

In 2020, Avanza's customer base grew significantly, which led to increased deposits and a larger liquidity portfolio. Lending has continued to grow as well. The intense market stress in the first quarter showed that both Avanza's credit portfolio and liquidity portfolio have high credit quality. In the third quarter, Avanza's liquidity portfolio was divided up into two portfolios, one of which is measured at fair value and the other at amortised cost. The change reduces the risk of an impact on own funds in the event of increased market stress.

No other major operational changes affected Avanza's risk profile or exposure to risks in 2020. For further information on risks and risk management in business operations, see pages 36–39 and the Corporate governance report pages 48–49.

Credit risks

Avanza's lending and management of surplus liquidity expose the business to credit risk, i.e. the risk that borrowers will not fulfill their financial commitments to Avanza and that securities will not cover the claim. Counterparty risk also arises as a result of customers 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.

Avanza's lending is in the form of margin lending and mortgages. The majority of all exposures are to customers residing in Sweden. Loans are only made to Swedes domiciled outside the Nordic countries in exceptional circumstances. On the closing day, lending to the public amounted to SEK 16,287 million (13,106). Average lending in 2020 was SEK 14,696 million (11,722). 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 has limited lending to Private Banking customers (who are required to have SEK 3 million in assets with Avanza) with a maximum loan to value ratio of 50 % and a conservative remain-to-live-calculation (RTL) and to the employees of Avanza. Also, Avanza does not offer loan commitments. As a consequence of Avanza's restrictive lending and proactive credit risk management, Avanza has historically had very limited credit losses.

The low credit risk mentioned above is reflected in the small expected credit losses (ECL) as of 31 December 2020 amounted to SEK 14 million (SEK 10m). To calculate expected credit losses, Avanza has developed a forward-looking model adapted to the loan products it offers; margin lending and mortgages (Superbolånet PB). The assets are divided into three categories depending on the degree of credit impairment according to IFRS 9. 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. See also Note 2 Accounting principles (i) Financial instruments section Impairment in accordance with IFRS 9 and Note 19 Loans to the public for more information on IFRS 9.

See the following table for how expected credit losses (ECL) have changed in the last year. The changes in ECL are mainly due to Avanza's updated macro variables for the ECL calculation in the second quarter in light of Covid-19's impact on the economy as a whole. The forward-looking macroeconomic factors Avanza uses in its IFRS 9 model are revised continuously based on a reasonability and sensitivity assessment of their impact on ECL. The macro variables that affect the ECL calculation for margin lending are: probability of a significant drop in stock prices, probability of significant price drop in individual securities and unemployment. The macro variables that affect the ECL calculation for mortgage lending are: repo rate, unemployment and house price index.

Avanza's macro scenario work is based on three different scenarios to assess any impact on probability of default (PD), loss given default (LGD) and exposure at default (EAD); a base scenario, a negative scenario and a positive scenario. The weights of these scenarios are divided with 70 per cent weight for the baseline scenario, 15 per cent weight for the positive scenario and 15 per cent weight for the negative scenario.

Changes in expected credit losses

	31-12-2020	31-12-2019	Change, %
Mortgage lending (Superbolånet PB)			
Category 1	-2,226	-603	269
Category 2	-4,615	-1,862	148
Category 3	-1	-301	-100
Total	-6,841	-2,766	147
Margin lending			
Category 1	-267	-629	-58
Category 2	-8	-11	-27
Category 3	-6,949	-6,836	2
Total	-7,223	-7,477	-3
Total ECL	-14,065	-10,243	37

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 and default credits.

Margin lending

All margin lending is secured against listed securities. As of year-end, margin lending totalled SEK 6,970 million (SEK 5,156m). The market value of pledged securities with deductions for expected credit losses was SEK 57,613 million (SEK 39,625m). 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 the fair value on the particular market. Avanza makes an assessment of the appropriate loan to value ratio based on the liquidity and the volatility of the security and based on company-specific aspects and sets a substantial risk margin to protect Avanza as well as its customers against credit losses. 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.

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 2020, 57 (45) margin loans exceeded SEK 10 million. The combined total of these loans was SEK 1,281 million (SEK 1,152m), of which the highest individual exposure was SEK 111 million (SEK 110m).

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 through the sale of securities more urgently to counteract credit losses. As of 31 December 2020, excess leverage amounted to SEK 1.3 million (SEK 1.5m) or 0.02 (0.03) per cent of securitybacked lending. Average excess leverage during the year amounted to SEK 3.9 million (SEK 2.7m) or 0.07 (0.06) 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 the closing day, provisions for expected credit losses on margin lending in accordance with IFRS 9 amounted to SEK 7 million (SEK 7m). Avanza had confirmed credit losses during the year on margin lending of SEK 0 million (SEK 1m). As of 31 December 2020, 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 19 Loans to the public.

Avanza regularly stress tests its margin lending in a number of hypothetical scenarios. Margin lending portfolios are, among others, stress tested in terms of margin losses and losses arising due to a lack of diversification (concentration risk).

If a customer has signed Nasdaq OMX standardized option and derivative agreements and has an approved margin loan with Avanza, he has the opportunity to trade in standardized equity / index derivatives. Derivative positions do not automatically mean that the customer uses any credit, but depending on his exposure, a credit utilization may be relevant in the redemption procedure. To take into account the customer's exposure, a collateral requirement is calculated that limits the derivative customer's available funds. At the turn of the year, the number of accounts with derivative positions amounted to 704 and the collateral requirement among these amounted to SEK 564 million.

Pledged financial assets for margin lending

31-12-2020	Market value, SEK m	Credit exposure, SEK m	Share of balanced exposure, %
Shares	51,263	6,085	87
Funds	5,550	851	12
Other	799	35	1
Total	57,613	6,970	100

Currency for pledged financial assets for margin lending

31-12-2020	Market value, SEK m	Credit exposure, SEK m	Share of balanced exposure, %
SEK	50,698	6,195	89
USD	4,227	477	7
EUR	1,107	125	2
DKK	495	63	1
NOK	594	56	1
Other	494	54	1
Total	57,613	6,970	100

Mortgage lending

Avanza has offered mortgages 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 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 2020 lending after deductions for expected credit losses amounted to SEK 9,317 million (SEK 7,949m).

Avanza had confirmed credit losses during the year on mortgage lending of SEK – million (SEK –m). Provisions for expected credit losses on Superbolånet PB amounted to SEK 7 million (3), an increase mainly due to updated macro variables. All mortgages are secured with pledges on houses and tenant-owned apartments in Sweden. The average loan to value ratio was 37 (37) per cent at the end of the year. Pledged properties are

Pledged assets for mortgage lending

31-12-2020	Credit limit, SEK m	Lending, SEK m	Loan-to-value ratio (credit limit), %	Loan-to-value ratio (lending), %
Houses	6,557	6,187	38	36
Tenant-owned apartments	3,309	3,130	40	38
Total	9,866	9,317	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 mortgage bonds with short terms issued by Swedish banks and at to a lesser extent interest-bearing securities issued by the Riksbank, the Swedish government, municipalities and county councils.

The holdings of interest-bearing securities including pledged assets at the closing day amounted to SEK 25,817 million (SEK 19,782m), of which securities issued by Swedish municipalities and county councils amounted to SEK 857 million (SEK 1,000m) and issued by the Riksbank amounted to SEK 245 million. 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 3,700 million (SEK 3,106m).

Avanza has a diversified portfolio of interest-bearing securities with limited concentration risk vis-a-vis individual issuers. Liquidity is invested in accordance with the company's internal regulations, which regulate allowed interest-bearing securities issu-

Administration of liquidity

31-12-2020	Book value, SEK m	Share, %
Cash and balances with central banks	1,428	5
Loans to credit institutions, including pledged assets	2,272	8
Interest-bearing securities, including pledged assets ¹⁾	25,817	87
of which Swedish government, municipalities and county councils (including the Riksbank)	1,102	4
of which covered bonds	24,715	96

¹⁾ Average duration of bondholders is 0.19.

reassessed at least once a year through a statistical evaluation, which is purchased from external parties. The last reassessment occurred in November 2020.

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

ers, set a maximum average interest duration of three months and require that the bonds as a basic rule be allowed as security at the Riksbank. Regulation also safeguards the quality of counterparties and pledged securities. All covered bonds are listed and 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. There are no significant OTC dealings. The risks are limited by Avanza's use of recognised clearing houses, e.g. Euroclear and Nasdaq in Sweden, to settle executed transactions.

The counterparty risk that arises in connection with margin lending, which is a product Avanza Pension offers, is managed by having the counterparty provide collateral. Avanza Pension will only accept collateral in the form of government bonds issued by certain specific countries. Pledged collateral shall amount to 105 per cent of the market value of loaned shares.

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 and managing risks. This approach facilitates a satisfactory management of risks considered to be serious within the established limit structure. 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.

IT risks and information security, i.e. processes and procedures to ensure the availability of the information, accuracy and confidentiality, is of major significance for Avanza. 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. Avanza does not engage in proprietary trading. 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 with today's volumes would affect full-year net interest income by around SEK 400 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 deposits.

Since 2015, Avanza has had a subordinated loan issued with a tenor of 10 years with a right of withdrawal after five years. This loan of a nominal SEK 100 million, including accrued interest, was redeemed early and repaid in full in December 2020.

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 appetite for interest risk. The investment of the bank's surplus liquidity is normally 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 0.5 percentage units of the interest curve, may normally not exceed 4 per cent of the bank's own funds. From 2021, the level will be reduced to 2.5 percent. Investable liquidity excluding pledged assets amounted to a value of SEK 26,981 million (SEK 21,141m) 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, 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, about 85 per cent have variable coupons (FRN – Floating Rate Notes) with quarterly interest revaluations, and about 15 per cent have fixed interest coupons and a remaining tenor of under one year. A sensitivity analysis of the portfolio is performed at the end of each quarter when an interest report is submitted to the Swedish Financial Supervisory Authority.

From 1 January 2018, as a result of the transition to IFRS 9, the liquidity portfolio has been measured at fair value through other comprehensive income. The substantial increase in the customer base in 2020 has led to increased deposits and a larger liquidity portfolio. To reduce the risk of an impact on own funds in the event of increased market stress, Avanza has as of 31 August 2020 divided up the portfolio of interest-bearing securities into two portfolios, where Portfolio 1 is measured at amortised cost and Portfolio 2 is measured at fair value through other comprehensive income. Of Avanza's total holding of interest-bearing securities, approximately 74 per cent of the market value is in Portfolio 1 and approximately 26 per cent of the market value is in Portfolio 2, see Note 2 Accounting principles, section (i), and Note

34 Financial instruments. With a 0.5 percent increase in 3 month STIBOR, the market value of the bond portfolio would decrease momentarily by SEK 25 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.

Liquidity risk is defined as the risk that Avanza cannot meet its payment commitments at maturity without the cost of obtaining means of payment rising significantly. Liquidity risk can be divided into two aspects. The first aspect is the risk of not being able to meet its payment obligations and the other aspect is the risk of not being able to convert investment assets to liquidity.

Avanza is financed by equity 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. 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 conservative risk appetite 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 a stable funding ratio (NSFR) and reports the results to the Board of Directors and management.

Forecasts are performed daily to manage short-term liquidity risks. A special contingency funding plan is 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 Riksbank's standing credit facility in the event of a short-term liquidity requirement.

SEK 25 million (SEK 29m) of lending to credit institutions has been pledged as security. Lending to credit institutions, excluding pledged securities, of SEK 2,246 million (SEK 1,737m) and balances at the Riksbank of SEK 1,428 million (SEK 1,340m) is available by the next banking day at the latest. Asides from mortgage lending 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 33 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 31-12-2020	Upon request	<3 months	3-12 months	1-5 years	>5 years	Perpetual	Total
Deposits and borrowing from the public	43,987	-	-	-	-	-	43,987
Lease liabilities	-	11	35	125	-	-	171
Other liabilities	-	1,380	-	-	-	-	1,380
Accrued expenses and deferred income	-	133	-	-	-	-	133
Total liabilities¹⁾	43,987	1,524	35	125	-	-	45,670

¹⁾ 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	31-12-2020	Term
Cash and balances with central banks	1,428	1 day
Loans to credit institutions, excluding client funds	2,272	1 day
Loans to the public – margin lending	6,970	1 month
Loans to the public – mortgage lending	9,317	At least 30 years
Interest-bearing securities	25,817	29 months
Deposits and borrowing from the public, excluding client funds	43,987	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 38 Related parties

Transactions with related parties are priced on market terms.

Nor have any provisions or costs for bad debts associated with related parties been reported during the financial year.

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.

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	31-12-2020	31-12-2019
Transactions with key individuals in senior positions and other related parties		
Lending, SEK m	41	21
Deposits, SEK m	372	230
	2020	2019
Brokerage fees, SEK thousand	1,749	989
Interest income, SEK thousand	327	205
Interest expenses, SEK thousand	29	55
Invoicing from related parties' limited companies, SEK m	3	15
The Parent Company		
Transactions with subsidiaries		
Parent Company receivables from Group companies, SEK m	121	352
Parent Company liabilities to Group companies, SEK m	-	-
	2020	2019
Parent Company interest income from Group companies, SEK m	-	-
Parent Company interest expenses to Group companies, SEK m	-	-
Transactions with associated companies		
<i>The Parent Company has not reported any transactions with associated companies.</i>		

Note 39 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.

Note 40 Events after the closing day

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

Note 41 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. On 18 October 2020, the company announced that the dividend ratio for 2020 was temporarily being reduced to strengthen the leverage ratio through retained earnings. The long-term dividend policy to distribute at least 70 per cent of profits remains unchanged.

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 30 March 2021 agree to a dividend of SEK 0.85 per share for 2020. Thursday, 1 April 2021 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 Thursday, 8 April 2021.

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.

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	31-12-2020
The following profits are at the disposal of the Annual General Meeting:	
Share premium reserve	549,111,344
Retained profit	0
Net profit for the year	203,175,997
Total	752,287,341
The Board of Directors propose that the profits be disposed as follows:	
Dividend to shareholders, SEK 0.85 per share	131,710,909
To be carried forward	620,576,433
Total	752,287,341

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, 25 February 2021

Sven Hagströmer
Chairman of the Board

Magnus Dybeck
Board member

Catharina Eklöf
Board member

Viktor Fritzen
Board member

Jonas Hagströmer
Board member

Birgitta Klasén
Board member

Mattias Miksche
Board member

Johan Roos
Board member

Hans Toll
Board member

Rikard Josefson
CEO

Our Audit Report was submitted on 25 February 2021

KPMG AB

Mårten Asplund
Authorised Public Accountant
Auditor in charge

Dan Beitner
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Avanza Bank Holding AB,
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 2020. The annual accounts and consolidated accounts of the company are included on pages 55-107 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 2020 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 2020 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 42-54. 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.

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 disclosure 23 and accounting principles on page 75 in the annual account and consolidated accounts for detailed information and description of the matter.

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 company has processes and control activities to ensure valuation and existence of the financial investment assets.

Parts of the company's revenues are based on the size of what is assets under management. Revenues are calculated daily and consist of contractual fixed and variable charges. The company has a process and control environment for revenue recognition.

The valuation of liabilities in the insurance business is based on the the fair value of the underlying assets plus provision for outstanding claims. The provision is attributable to the risk element in endowment insurance.

Response in the audit

We have tested and evaluated the design and effectiveness of Avanza's controls for pricing, securities reconciliation and reconciliation of financial instruments.

For the instruments listed, we have evaluated Avanzas controls for obtaining prices from external sources and we have performed own tests of the pricing for the total portfolio by reconciling the holdings with external independent sources.

For income based on capital, we have tested selected key controls and recalculated outcome.

Commission income

See disclosure 4 and accounting principles on page 71 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Commission income is a significant part of Avanza's revenue. These consist primarily of brokerage received in connection with customers' purchases and sales of securities and commissions from the fund operations.

For 2020, the Group reports net sales related to commission income of MSEK 2 310 (1 228). 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.

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 audit procedures.

Loan receivables and provisions for loan losses

See disclosure 19 and accounting principles on page 73 in the annual account and consolidated accounts for detailed information and description of the matter.

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 16 287 (13 105) at December 31, 2020, which corresponds to 8.0 (8.4) percent of the Group's total assets. The company's reserves for credit losses in the loan portfolio amounts to SEK 14 (-10) million.

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

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.

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 and evaluated the management's assessments. In our audit, we have used our internal credit risk modelling specialists to assist us.

We have assessed the circumstances presented in the information in the annual report and if the information is sufficient comprehensive as a description of the company's assessments.

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 1–41 and 112–123. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. 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, measures that have been taken to eliminate the threats or 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 AB for the year 2020 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 AB by the general meeting of the shareholders on the 17 March 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Stockholm, 25 February 2021

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 114. 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 2019 and was published on 21 February 2020.

Avanza's policies are published on avanza.se/ir.

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Memberships

To share knowledge, meet for discussion with others in the industry and together 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 Markets Association and the Swedish Investment Fund Association. Avanza Funds is a member of Principles of Responsible Investments (PRI).

Morningstar Sustainability Rating (explanation of the target on page 20)

The Morningstar Sustainability Score is a weighted average of the sustainability risk of a fund's holdings. These ESG Risk Ratings are rendered on a scale of 0–100, where lower is better and indicates greater sustainability: 0 indicates that a company has no unmanaged ESG risk and 100 indicates the highest level of ESG risk. The scoring is based on research from Sustainalytics and more than 10,000 companies around the world have a Sustainalytics ESG Risk Rating, which is updated monthly.

Morningstar also assigns funds a sustainability rating of 1 to 5 globes. The globes measure how well companies and other holdings in a fund's portfolio manage risk from environmental, social and governance (ESG) factors relative to other funds in the same global category. The number of globes is a function of the fund's historical sustainability rating. It is a weighted average of its rating now and for the trailing 12 months. The current rating carries more weight than the one 12 months ago. The 10 per cent of funds with the lowest average sustainability risk in their cate-

gory receive 5 globes. Funds falling into the second best group (22.5 per cent) receive four globes, while 35 per cent of funds receive three globes, 22.5 per cent receive two globes, and the 10 per cent with the highest risk receive one globe.

We will be a climate-smart organisation that monitors our carbon footprint

Minimising our climate impact is part of the sustainability work, even though we as an online bank have a limited direct impact on the environment. As a result, we do not have a formal environmental management system. Most of our communication with customers is digital. Day-to-day operations do not require transports and travel is limited. We use sustainable procurement practices and create sustainable offices through healthy work environments and low resource and energy consumption. An analysis is conducted each year to monitor our impact on climate change. Total energy consumption in 2020 amounted to 1,134 MWh (1,142), of which 438 MWh (541) related to internal consumption. Total GHG emissions amounted to 263 tonnes CO₂e (224). We are striving to improve the analysis, and the year's increase is mainly due to purchased IT equipment.

The climate reports are published on avanza.se/ir.

Contact

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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 2020 on page 114 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the 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 25 February 2021

KPMG AB

Mårten Asplund
Authorised Public Accountant
Auditor-in-Charge

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 the offers they receive.



Standard offer

Most of our customers are included in our standard offer and are categorised as either Bronze, Silver, Gold or Platinum. In addition to receiving better interest rates and offers if they move to a higher benefit level, they can get help faster when they contact us by phone or email.

New customers are assigned to benefit level Bronze, where there is no required minimum deposit or number of transactions. To qualify for Silver, customers must 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 and here customers must 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

Private Banking serves our high-net-worth customers with savings of at least SEK 3 million. We offer 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 the same access to our services as private customers and can qualify for our standard offer or Private Banking.

We also have an occupational pension offer for companies, free from unnecessary insurance fees, which can give each employee up to SEK 1 million more in retirement. The majority of corporate customers with occupational pensions are small and medium-sized companies with less than 100 employees. Firms with up to four employees can obtain an occupational pension digitally, which many choose to do.

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. We have around 50 institutional trading customers, mainly Swedish asset managers, who trade for their funds or other management vehicles through Avanza. This is in addition to around 15 collaborations with managers who use Avanza's platform to manage their clients' wealth.

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. Our large customer base provides an attractive platform for cost-effective diversification, at the same time that our customers gain access to investment opportunities that otherwise are available only to institutions and a select few individuals. Avanza is a party in most transactions that occur on the Stockholm Stock Exchange.

Brokerage fee classes

We offer various brokerage fee classes to fit each customer's trading activity. We have something for everyone, from the smallest trader to those who make large trades and want to pay a flat fee. Customers choose a brokerage fee class and can switch classes whenever they like, but at the earliest one day after the last change. Fund trading is commission free.

Start

Variable brokerage fee

0 %

Lowest brokerage fee

SEK 0

Selectable if you have less than

SEK 50,000*

Mini

Variable brokerage fee

0.25 %

Lowest brokerage fee

SEK 1

Suitable for trades below

SEK 15,600

Small

Variable brokerage fee

0.15 %

Lowest brokerage fee

SEK 39

Suitable for trades between

SEK 15,600 – 46,000

Medium

Variable brokerage fee

0.069 %

Lowest brokerage fee

SEK 69

Suitable for trades between

SEK 46,000 – 143,500

Fast Pris

Variable brokerage fee

0 %

Lowest brokerage fee

SEK 99

Suitable for trades over

SEK 143,500

PB Mini

Variable brokerage fee

0.15 %

Lowest brokerage fee

SEK 1

PB

Variable brokerage fee

0.055 %

Lowest brokerage fee

SEK 59

PB Fast Pris

Variable brokerage fee

0 %

Lowest brokerage fee

SEK 99

Pro

Variable brokerage fee

0.034 % and below

Lowest brokerage fee

SEK 49 and below

The prices in our brokerage fee classes apply to equity trading on the Stockholm Stock Exchange including First North, with the exception of Start, which applies only to equity trading on the Stockholm Stock Exchange. For more information on our prices, please visit our website, avanza.se (in Swedish only).

* Brokerage fee class Start can be chosen if you have never had SEK 50,000 or more in total savings capital with us. If you reach SEK 50,000 or make more than 500 brokerage-free trades during a 12-month period, you are automatically placed in brokerage fee class Mini and cannot 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 a website that is easy to use and navigate. 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 per cent 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 (SEK 1,050,000 as of 2021).

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 has been eliminated, there is no longer a tax advantage to contributing 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. This includes 16 of Avanza's own funds. Among them are index funds with record-low fees, the specialty funds Avanza Auto for smart, automatic management, three fund of funds and two actively managed funds in collaboration with Tin Funds and Fredrik Skoglund. In addition to Sweden's broadest range of low-cost funds, customers have access to exchange-traded funds (ETFs), which track various stock indices among other things. Filtering tools can be used to search e.g. by type of fund, investment strategy, risk, fees and sustainability.

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 floating¹⁾. 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.

¹⁾ Interest rate as of 31 December 2020.

Margin loan

Margin lending with no minimum term or fees and the possibility to borrow as low as 0 per cent¹. The rate depends on the size of the loan, the account holding and the customer's benefit level.

Stock lending

Gives endowment insurance customers with shareholdings the opportunity for a higher return by allowing Avanza to lend the shares to Morgan Stanley. The loan does not affect the customer's holding. Avanza pays the expenses and 60 per cent of the compensation from Morgan Stanley goes back to the customer.

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.

Avanza Svajper

Avanza Svajper makes it easier to find interesting new stocks and diversify your investments. Using the function, swipe right or left depending on whether you like a company or not based on a brief company presentation and a number of performance metrics.

¹) Interest rate as of 31 December 2020.

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 ratios are widely accepted and are such are expected to be presented in the Annual Report to provide information on the Group's results, profitability and financial position. Financial disclosures that are not defined in IFRS and are presented outside the financial statements, so-called alternative performance measures, follow in 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.

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.

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.

P/E ratio

Share price in relation to earnings per share.

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 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 on Tuesday, 30 March 2021.

Information on the Annual General Meeting

Due to the ongoing Covid-19 pandemic, the Annual General Meeting of Avanza Bank Holding AB (publ) on 30 March 2021 will be held without the physical presence of shareholders, proxies or third parties. Shareholders will only be able to exercise their voting rights through postal voting before the meeting. Information on the decisions made by the Annual General Meeting will be published on Avanza's website on 30 March 2021, as soon as the outcome of the postal voting is compiled.

Shareholders can submit written questions to Avanza before the meeting and will also have an opportunity to ask Avanza's CEO and Chairman of the Board questions at an interactive virtual meeting several days before the Annual General Meeting. More information on the Annual General Meeting and information meeting will be available in the Notice of the Annual General Meeting and on Avanza's website avanza.se/ir.

Right to participate in the Annual General Meeting

Shareholders who wish to participate in Avanza's Annual General Meeting through postal voting must:

- be listed in the shareholder register maintained by Euroclear Sweden AB no later than Monday, 22 March 2021,
- have cast their postal vote so that it received by Avanza no later than Monday, 29 March 2021.

How to register as a shareholder

Avanza's share register is maintained by Euroclear Sweden AB. Only owner-registered holdings are listed in the shareholder's own name in the register.

Shareholders with nominee registered shares through a bank or other nominee must, to be entitled to vote by post, register those shares in their own name with Euroclear Sweden AB.

Re-registration must be completed by Wednesday, 24 March 2021. The institution responsible for administration of the shares must be instructed well in advance to assist the shareholder with this.

How postal voting works

Shareholders will only be able to exercise their voting rights at the Annual General Meeting by voting in advance through postal voting. To vote in advance, shareholders must use a form that will be available on Avanza's website avanza.se/ir. The completed form must be received by Avanza no later than 29 March 2021. A shareholder who exercises their voting rights through postal voting in advance does not have to separately register for the meeting; the voting form serves as registration.

More information on postal voting and how shareholders cast their votes will be available in the Notice and on Avanza's website avanza.se/ir.

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.

The shareholder's written request should be submitted no later than Tuesday, 9 February 2021 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

30 March
2021

Annual General Meeting

20 April
2021

Interim Report January–March

14 July
2021

Interim Report January–June

Published

26 February
2021

Annual Report 2020

21 February
2020

Annual Report 2019

Our financial reports are digitally distributed via the corporate website.

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Corporate web: avanza.se/ir

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.

