



# Interim Report January–June 2016

- Growth in number of customers remained strong in the second quarter. During the first six months the number of new customers was 49,300 and we surpassed our annual target of 46,760 new customers
- Net inflow in the second quarter was SEK 9,430 million, an increase by 116 per cent compared to the previous year. Compared to the first quarter, net inflow increased by 90 per cent
- Operating income in the second quarter amounted to SEK 225 million, a decrease by 1 per cent both Y/Y and compared to the first quarter 2016
- Operating expenses in the second quarter increased by 7 per cent compared to the previous year, primarily due to increased personnel costs. Compared to the first quarter, the expenses increased by 1 per cent to SEK 113 million
- Net profit for the second quarter was SEK 94 million, a decrease by 9 per cent compared to the previous year. Compared to the first quarter, net profit decreased by 4 per cent, mainly due to lower brokerage income and decreased net interest income
- After the end of the reporting period, Johan Prom was announced as new CEO of Avanza. He will take over the position by 1 January 2017, at the latest. Henrik Källén remains as Acting CEO until then

	Q2 2016	Q1 2016	Change %	Q2 2015	Change %	Jan–Jun 2016	Jan–Jun 2015	Change %
Operating income, SEK m	225	226	-1	227	-1	451	449	0
Operating expenses, SEK m	-113	-112	1	-106	7	-225	-213	6
Operating profit, SEK m	111	115	-3	121	-8	226	236	-4
Net profit, SEK m	94	98	-4	104	-9	192	203	-6
Earnings per share, SEK	3.18	3.35	-5	3.57	-11	6.53	7.00	-7
Operating margin, %	49	51	-2	53	-4	50	53	-3
Net inflow, SEK m	9,430	4,960	90	4,370	116	14,400	14,400	0
No. new customers (net)	23,100	26,200	-12	20,500	13	49,300	52,300	-6
Savings capital at the end of the period, SEK m	199,200	188,900	5	170,000	17	199,200	170,000	17

## Quarterly highlights

- Launched, as first institute in Sweden, free stock trading on the Stockholm Stock Exchange for customers with a savings capital of less than SEK 50,000
- Welcomed Tobii, which chose Avanza's occupational pensions for their employees
- Served as principal advisor in the largest IPO in Avanza's history – Paradox Interactive
- Cut mortgage rate for Private Banking customers to 0.79 per cent from 0.99 per cent
- Consolidated top ranking in consumer trust among banks in Sweden in the annual Reputational Survey 2016
- Won "Life Insurance Company of the Year" and "Marketing Achievement of the Year" for 2015 at the Insurance Awards, arranged by Risk & Försäkring magazine
- Won the award for Best Service in the Financial Service Industry from ServiceScore, for the second consecutive year
- Avanza's savings economist Claes Hemberg was named "Personal Finance Commentator of the Year" in the Financial Awards 2016

## Avanza in brief

### This is Avanza

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

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

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

For more information about Avanza, see [avanza.se](http://avanza.se) and [avanza.com](http://avanza.com).



### Our vision & business model

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

### Our long-term targets

Satisfied customers:

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

Satisfied shareholders:

- Market share of at least 7 per cent of the total net inflow to the Swedish savings market
- Annual customer growth of at least 10 per cent of the customer base at the beginning of the year
- Dividend shall amount to at least 70 per cent of the profit of the year
- Cost increase shall not exceed the income growth

Satisfied employees:

- NPS (Net Promoter Score) over 40

Quarterly overview	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 <sup>3)</sup> 2014	Q2 2014
Operating income, SEK m <sup>1)</sup>	225	226	253	203	227	222	190	163	161
Operating profit, SEK m	111	115	140	108	121	115	82	71	67
Operating margin, % <sup>1)</sup>	49	51	55	53	53	52	43	44	42
Earnings per share, SEK	3.18	3.35	4.03	3.19	3.57	3.43	2.36	2.10	1.92
Shareholders' equity per share, SEK	36.64	41.71	38.37	34.33	30.97	24.65	28.22	25.85	23.67
Return on shareholders' equity, %	8	8	11	10	13	13	9	8	7
Net inflow, SEK m	9,430	4,960	5,790	5,010	4,370	10,000	5,940	4,560	4,040
No. new customers (net)	23,100	26,200	23,700	20,400	20,500	31,800	15,900	12,800	11,500
No. customers at the end of the period	516,900	493,800	467,600	443,900	423,500	403,000	371,200	355,300	342,500
Savings capital at the end of the period, SEK m	199,200	188,900	191,600	170,700	170,000	168,200	141,900	133,400	130,100
Income to savings capital ratio, annualised, % <sup>1)</sup>	0.46	0.48	0.56	0.48	0.54	0.57	0.55	0.49	0.51
Costs to savings capital ratio, annualised, % <sup>1)</sup>	0.23	0.24	0.25	0.22	0.25	0.28	0.31	0.28	0.30

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

2) Operating profit in the third quarter of 2014 was burdened by provisions of SEK 8 million concerning VAT referring to 2010–2012.

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

## Comments of the CEO

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### Strong customer growth and high trading activity despite market turmoil

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Growth prospects were challenging during the first-half-year. The Stockholm Stock Exchange continued downward in the second quarter due to uncertainty before and after the Brexit referendum. Volatility generally decreased, though not in the second half of June in connection with the referendum. Market fluctuations and negative interest rates have made it tough to generate a return on savings. Normally, in these conditions savers will stay on the sidelines. And yet 49,300 new customers chose Avanza in the first half-year, which means we have already surpassed our annual target and that our efforts are attracting more customers – especially younger ones. The net inflow of SEK 14,400 million is strong considering the turbulent savings market. In such times, the net inflow from existing customers tends to decline, as evidenced in the first quarter. During the second quarter, with lower volatility, the net inflow increased from existing customers. Over a half million savers have now chosen Avanza and our total savings capital amounts to SEK 199 billion, which we are proud of.

### High trading activity but smaller transactions affected brokerage income

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Operating income for the second quarter amounted to SEK 111 million, a decrease from both the first quarter of 2016 and the second quarter of 2015. The number of commission notes remained high but decreased from the first quarter's record number. At the same time the average commission per note fell as more customers trade smaller amounts. The market for corporate transactions received a boost in the early summer and Avanza was involved in a number of public offerings, including as principal advisor in the IPO of the gaming company Paradox Interactive. It is our largest IPO so far, proving that Avanza is a good alternative also for larger transactions. The occupational pension business continues to grow at a solid pace and we welcomed Tobii as a new occupational partner during the quarter. The repo rate cut in February, coupled with a lower mortgage rate, kept pressure on net interest income.

Our business model is based on scalability and being better, easier and less expensive than the competition. This is driving the customer inflow and inflow of new capital, which in turn is driving income. Our cost position is thus critical. During the second quarter, the costs to savings capital ratio fell from 24 to 23 basis points. This gives us a competitive edge and provides a good starting point for further growth.

### Price leadership strengthens Avanza's position

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Avanza Zero – our fund with no fees – is now 10 years old and has nearly SEK 13 billion under management and over 280,000 fund savers. Compared with the average fees charged by other Swedish index funds, Avanza Zero has saved customers nearly SEK 200 million in fees so far. The Portfolio Generator tool, which was launched a year ago, has already helped over 25,000 customers to invest over SEK 1 billion in various funds based on their risk tolerance. Another sign that our efforts to create a better, easier and less expensive alternative for Swedish savers are working is the

annual Reputational Survey. The results were announced during the quarter and Avanza reinforced its first-place position as the Swedish bank with the highest consumer trust. In addition, Avanza was included on the list of Sweden's most purposeful digital brands in the Purpose Brands survey for 2016.

We continue to improve our offering. In April, we launched our new stock list, which makes it easier to choose stocks based on each individual's investment strategy. In May, we introduced brokerage class "Start", commission-free trading on the Stockholm Stock Exchange, to get more people interested in stocks and starting saving. The reception has been positive, as demonstrated by the increased customer inflow. We have also improved our mobile services for app users, who can now make direct deposits from other banks through the app.

### Full speed ahead!

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To maintain strong growth and attract broader customer groups, with younger savers as well as those who need more support, we continue to improve our digital support tools and mobile services. We continue to operate more efficiently in order to improve scalability and quality. The rate of innovation going forward will be critical as digitisation and new regulations in the financial industry create exciting opportunities for Avanza at the same time that the competition from established players and niche Fintech companies grows.

On 8 July, Avanza announced its new CEO, Johan Prom. Johan joins Avanza with extensive experience in consumer products and to meet customers' growing and varying demands. Johan will begin at the latest on 1 January 2017. We warmly welcome him!

Stockholm, 13 July 2016



Henrik Källén, Acting CEO Avanza



## Operations

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

### Market and sales

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The stock market began the year with falling prices and high volatility due to geopolitical developments. In the second quarter, the market remained nervous and uncertainty about Brexit led to major fluctuations in equities and interest rates. At the end of June, after the referendum in which the Leave side won, global stock markets fell significantly. The Stockholm Stock Exchange also fell after the referendum and closed the first trading day down 7.8 per cent. The market recovered part of the decline and the SIX Return Index fell overall by 0.3 per cent in the second quarter. For the six-month period the SIX Return Index was down 3.7 per cent.

Trading activity among Avanza's customers remained high in the second quarter but fell slightly compared with the first quarter – despite intense trading days at the end of the period. Trading after the Brexit referendum resulted in a new record among Avanza's stock investors. The number of transactions per customer and month fell by 8 per cent, however, compared with first quarter.

Turnover on the Stockholm Stock Exchange was lower in the second quarter than both the first quarter of 2016 and the second quarter of 2015. Turnover declined 9 per cent compared with last year. During the same period, turnover among Avanza's customers increased by 17 per cent.

Avanza's share of transactions on the Stockholm Stock Exchange including First North was 13.0 (10.3) per cent during the second quarter and its share of turnover was 6.6 (5.3) per cent.

Avanza was involved in a number of public offerings in the second quarter and interest among customers was high. Avanza was also the principal advisor to the gaming company Paradox Interactive in its initial public offering, the largest transaction in Avanza's history.

The financial service cooperation with Remium was expanded in the first quarter, producing a net inflow of SEK 2.2 billion in the second quarter, compared with the previous estimate of SEK 2.5 billion. The income generated through the cooperation is in line with the current income to savings capital ratio.

In February, the Riksbank cut the repo rate by 0.15 percentage points to a new record low of –0.50 per cent and the repo rate path was adjusted downwards. At the end of the second quarter, the repo rate was unchanged.

### Events during the second quarter

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In April, Avanza was awarded for the best service 2016 in the financial service industry for the second consecutive year in a survey by ServiceScore. Avanza was also on the list of Sweden's most Purposeful Brands in 2016. The awards are the result of Avanza's

efforts to improve its customer experience by putting customer benefit first. In April, Avanza also ranked at the top of the annual Reputational Survey, which shows that the public continues to have stronger trust in Avanza than in other Swedish banks.

During the second quarter, Avanza's savings economist, Claes Hemberg, was voted "Personal Finance Commentator of the Year" by financial analysts, investors and others in the Swedish capital market as part of the Financial Awards 2016. Avanza's savings economists cover the pitfalls and opportunities in the savings market for everyday investors.

In April, Avanza Pension was named "Life Insurance Company of the Year 2015" at the Insurance Awards arranged by Risk & Försäkring magazine. Avanza Pension was also awarded "Marketing Achievement of the Year 2015" in the insurance industry for the launch of "Avanza Academy," an online educational service. Avanza Pension is driving, challenging and influencing the insurance industry by digitising service and support, debating a ban on advisory fees and expanded transfer rights, and lowering prices so that customers can get a better return on their savings. During the first half-year, 1,530 new companies chose Avanza Pension as their occupational pension provider, of which 800 were added in the second quarter. Among them was Tobii, which selected Avanza's occupational pensions for its 260 employees. During the first-half-year, Avanza's customers transferred a net of SEK 450 million in occupational pension capital from other insurance companies, of which SEK 260 million in the second quarter.

### Product and business development during the second quarter

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During the second quarter, Avanza was the first institute in Sweden to launch free stock trading on the Stockholm Stock Exchange. The offer is for new and existing customers with savings capital of less than SEK 50,000. The aim is to get more people interested in stocks, at the same time that Avanza reinforces its position as a price leader.

A new and improved stock list was introduced, making it possible to quickly select stocks to match a desired investment strategy.

Avanza strengthened its mortgage offering for Private Banking customers by cutting mortgage rates to 0.79 per cent from 0.99 per cent. In addition, the lending ceiling was raised by SEK 0.5 billion to SEK 4 billion to meet customer demand.

To improve the customer experience, a new website design and new navigation were launched in the second quarter. The new navigation is designed to work the same way regardless of screen size, while also providing a better overview and better website guidance.

In addition, the mobile apps were updated during the quarter. This included a number of general improvements as well as a new feature allowing customers to make deposits in real time from other banks and transfer internally between their accounts with Avanza.

## Activity and market shares

	2016 Apr–Jun	2015 Apr–Jun	Change %	2016 Jan–Jun	2015 Jan–Jun	Change %	2015–2016 Jul–Jun	2015 Jan–Dec
No. transactions, thousands	5,600	4,050	38	11,300	8,180	38	21,100	18,000
No. transactions per customer and month	3.5	3.2	9	3.7	3.3	12	3.6	3.4
<i>Market shares</i>								
<i>Nasdaq Stockholm and First North:</i>								
No. transactions, %	13.0	10.3	2.7	12.2	9.9	2.3	12.1	10.9
Turnover, %	6.6	5.3	1.3	6.6	5.1	1.5	7.1	6.4

For definitions see page 19.

## Net inflow

SEK m	2016 Apr–Jun	2015 Apr–Jun	Change %	2016 Jan–Jun	2015 Jan–Jun	Change %	2015–2016 Jul–Jun	2015 Jan–Dec
Standard	4,960	4,020	23	9,490	11,970	-21	17,770	20,250
Private Banking	4,340	320	1,256	4,670	2,270	106	6,720	4,320
Pro	130	30	333	240	160	50	710	630
<b>Net inflow</b>	<b>9,430</b>	<b>4,370</b>	<b>116</b>	<b>14,400</b>	<b>14,400</b>	<b>0</b>	<b>25,200</b>	<b>25,200</b>
Equity & investment fund accounts	4,750	190	2,400	4,620	450	927	7,890	3,720
Investment savings accounts (ISK)	2,890	2,470	17	5,810	9,060	-36	11,350	14,600
Savings accounts	460	390	18	980	670	46	1,130	820
of which, external deposit accounts	460	310	48	980	670	46	1,020	710
Pension- & insurance-based accounts	1,330	1,320	1	2,990	4,220	-29	4,830	6,060
of which, endowment insurance	700	760	-8	1,830	3,130	-42	2,440	3,740
of which, occupational pensions	670	530	26	1,260	1,000	26	2,460	2,200
<b>Net inflow</b>	<b>9,430</b>	<b>4,370</b>	<b>116</b>	<b>14,400</b>	<b>14,400</b>	<b>0</b>	<b>25,200</b>	<b>25,200</b>
Net inflow/Savings capital, %	20	10	10	15	20	-5	15	18

For definitions see page 19.

During the second quarter, the net inflow amounted to SEK 9.4 billion, 116 per cent higher than the same quarter in 2015. The increased net inflow is mainly a result of strong inflow of new customers. SEK 2.2 billion is attributable to the expanded Remium cooperation.

During the first half-year, the net inflow was SEK 14.4 billion, in line with the same period last year. This was despite significantly lower inflows in the first quarter, when inflows from existing customers in particular were lower due to the market turmoil. Net inflow from existing customers increased during the second quarter.

During the second quarter, the largest share of the net inflow was to Equity & investment fund accounts, a result of a high level of activity in Private Banking and because of the customers who moved from Remium to Avanza's savings platform. A large share of the net inflow continued to go to Investment savings accounts, which offer tax benefits for customers in the current low interest rate environment.

The net inflow to Avanza's occupational pension products remained strong, increasing by 26 per cent in the second quarter Y/Y.

## No. customers and accounts

	30-06-2016	31-03-2016	Change %	31-12-2015	Change %	30-06-2015	Change %
Standard	499,380	477,130	5	451,490	11	408,350	22
Private Banking	15,700	14,800	6	14,300	10	13,300	18
Pro	1,820	1,870	-3	1,810	1	1,850	-2
<b>No. customers</b>	<b>516,900</b>	<b>493,800</b>	<b>5</b>	<b>467,600</b>	<b>11</b>	<b>423,500</b>	<b>22</b>
Equity & investment fund accounts	325,300	316,200	3	306,100	6	290,000	12
Investment savings accounts	243,200	217,200	12	188,000	29	141,700	72
Savings accounts	107,800	105,600	2	101,700	6	98,700	9
of which, external deposit accounts	78,900	76,500	3	72,800	8	69,800	13
Pension- & insurance-based accounts	273,900	264,500	4	255,900	7	238,200	15
of which, endowment insurance	146,700	140,900	4	135,100	9	125,000	17
of which, occupational pensions	49,400	45,700	8	42,400	17	36,000	37
<b>No. accounts</b>	<b>950,200</b>	<b>903,500</b>	<b>5</b>	<b>851,700</b>	<b>12</b>	<b>768,600</b>	<b>24</b>
No. accounts per customer	1.84	1.83	1	1.82	1	1.81	2

For definitions see page 19.

Customer growth was high in the second quarter but slightly lower than the first quarter, which is seasonally stronger. During the first half-year, the number of customers increased by 49,300, of which 23,100 were added in the second quarter. The reasons for the continued growth are a stronger offering and an active quarter in

terms of corporate transactions. As a result, Avanza has already surpassed its annual target to grow the customer base by at least 10 per cent from the beginning of the year. At the end of the period, Avanza had 516,900 customers.

## Savings capital

SEK m	30-06-2016	31-03-2016	Change %	31-12-2015	Change %	30-06-2015	Change %
Standard	113,470	109,510	4	109,960	3	98,180	16
Private Banking	80,300	73,900	9	76,300	5	67,600	19
Pro	5,430	5,490	-1	5,340	2	4,220	29
<b>Savings capital</b>	<b>199,200</b>	<b>188,900</b>	<b>5</b>	<b>191,600</b>	<b>4</b>	<b>170,000</b>	<b>17</b>
Equity & investment fund accounts	67,850	62,710	8	66,140	3	60,800	12
Investment savings accounts	50,700	47,600	7	46,600	9	36,200	40
Savings accounts	9,250	8,790	5	8,260	12	8,100	14
of which, external deposit accounts	8,450	7,970	6	7,450	13	7,390	14
Pension- & insurance-based accounts	71,400	69,800	2	70,600	1	64,900	10
of which, endowment insurance	52,500	51,600	2	52,400	0	48,000	9
of which, occupational pensions	9,610	8,840	9	8,520	13	7,320	31
<b>Savings capital</b>	<b>199,200</b>	<b>188,900</b>	<b>5</b>	<b>191,600</b>	<b>4</b>	<b>170,000</b>	<b>17</b>
Equities, bonds, derivatives, etc.	122,820	116,390	6	118,940	3	96,550	27
Investment funds	48,100	46,700	3	48,900	-2	47,700	1
Deposits	34,900	32,500	7	30,300	15	31,500	11
of which, external deposits	8,450	7,970	6	7,450	13	7,390	14
Lending	-6,620	-6,690	-1	-6,540	1	-5,750	15
of which, mortgage loans	-3,020	-2,890	4	-2,720	11	-2,360	28
<b>Savings capital</b>	<b>199,200</b>	<b>188,900</b>	<b>5</b>	<b>191,600</b>	<b>4</b>	<b>170,000</b>	<b>17</b>
Deposits/Lending, %	527	486	41	463	64	548	-21
Net deposits/Savings capital, %	14	14	0	12	2	15	-1
Return, average account since 1 Jan, %	-3	-4	1	16	-19	10	-13
SIX Return Index since 1 Jan, %	-4	-3	-1	10	-14	10	-14

For definitions see page 19.

Avanza's savings capital grew in the second quarter driven by customer growth and the net inflow. Savings capital amounted to SEK 199,200 million at the end of the period, up 4 per cent from the beginning of the year. During the same period, the stock market fell by nearly 4 per cent.

At the end of the period, 24 per cent of customer capital was invested in funds, down 1 percentage points from the beginning of the year. The uncertain stock exchange contributed to an increase in deposits of 15 per cent in the first-half-year. Lending rose by 1 per cent from the beginning of the year and at the end of the period was comprised of 54 per cent securities loans and 46 per cent mortgage loans.

Savings capital in occupational pension accounts has increased by 13 per cent compared to the beginning of the year.

## Seasonal effects

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

## Financial overview

	2016 Apr–Jun	2015 Apr–Jun	Change %	2016 Jan–Jun	2015 Jan–Jun	Change %	2015–2016 Jul–Jun	2015 Jan–Dec
<b>Income Statement, SEK m</b>								
Brokerage income	110	108	2	235	221	6	493	479
Fund commissions	38	44	-13	75	84	-10	151	160
Net interest income <sup>1)</sup>	27	36	-25	58	79	-26	118	139
Other income	50	39	27	83	65	27	144	127
<b>Operating income<sup>1)</sup></b>	<b>225</b>	<b>227</b>	<b>-1</b>	<b>451</b>	<b>449</b>	<b>0</b>	<b>906</b>	<b>904</b>
Personnel	-74	-69	7	-146	-133	10	-277	-264
Marketing	-8	-6	40	-15	-15	0	-27	-27
Depreciation	-2	-2	-3	-4	-4	8	-9	-8
Other expenses <sup>1)</sup>	-30	-30	0	-60	-61	-2	-120	-121
<b>Operating expenses before credit losses<sup>1)</sup></b>	<b>-113</b>	<b>-106</b>	<b>7</b>	<b>-225</b>	<b>-213</b>	<b>6</b>	<b>-432</b>	<b>-420</b>
<b>Profit before credit losses</b>	<b>111</b>	<b>121</b>	<b>-8</b>	<b>226</b>	<b>236</b>	<b>-4</b>	<b>475</b>	<b>485</b>
Credit losses, net	0	0	3	0	0	11	0	0
<b>Operating profit</b>	<b>111</b>	<b>121</b>	<b>-8</b>	<b>226</b>	<b>236</b>	<b>-4</b>	<b>474</b>	<b>485</b>
<b>Key ratios</b>								
Operating margin, % <sup>1)</sup>	49	53	-4	50	53	-3	52	54
Profit margin, % <sup>1)</sup>	42	46	-4	43	45	-3	45	46
Earnings per share, SEK	3.18	3.57	-11	6.53	7.00	-7	13.75	14.23
Earnings per share after dilution, SEK	3.18	3.54	-10	6.52	6.95	-6	13.73	14.10
Return on shareholders' equity, %	8	13	-5	17	25	-8	38	45
Credit loss level, %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments, SEK m	6	7	-14	12	13	-8	27	28
Brokerage income/Operating income, % <sup>1)</sup>	49	48	1	52	49	3	54	53
Fund commissions/Operating income, % <sup>1)</sup>	17	19	-2	17	19	-2	17	18
Net interest income/Operating income, % <sup>1)</sup>	12	16	-4	13	18	-5	13	15
Other income/Operating income, % <sup>1)</sup>	22	17	5	18	14	4	16	14
Income to savings capital ratio, % <sup>1)</sup>	0.12	0.13	-0.02	0.23	0.28	-0.05	0.49	0.54
Costs to savings capital ratio, % <sup>1)</sup>	0.06	0.06	0.00	0.12	0.13	-0.02	0.23	0.25
Brokerage per commission note, SEK	42	54	-22	44	56	-21	49	55
Brokerage income per trading day, SEK m	1.8	1.8	-3	1.9	1.8	5	2.0	1.9
No. trading days	61.5	58.5	5	121.5	120.0	1	250.0	248.5
Average no. employees	331	322	3	332	313	6	332	323
Web service operational availability, %	100.0	100.0	0.0	100.0	99.9	0.1	100.0	100.0

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

Key ratios	30-06-2016	31-03-2016	Change %	31-12-2015	Change %	30-06-2015	Change %
Shareholders' equity per share, SEK	36.64	41.71	-12	38.37	-5	30.97	18
Capital base/Capital requirement	1.57	1.62	-3	1.67 <sup>1)</sup>	-6	- <sup>1)</sup>	-
No. employees	332	330	1	334	-1	324	2
Market value, SEK	323.00	362.00	-11	367.50	-12	301.50	7
Market capitalisation, SEK m	9,640	10,620	-9	10,780	-11	8,850	9

1) The figure of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with the figure of 30-06-2016, which are adjusted to the new Solvency 2 rules that took effect on 1 January 2016. A restated figure of 30-06-2015 is not available.

For definitions see page 19.

Longer financial history is available at Avanza's website, [avanza.se/keydata](http://avanza.se/keydata).

Operating profit amounted to SEK 111 million in the second quarter, a decrease of 8 per cent compared with the second quarter of 2015 and 3 per cent compared with the first quarter of 2016, when the operating profit was SEK 115 million. The operating profit for the second quarter represents an operating margin of 49 per cent.

Operating income fell by 1 per cent in the second quarter compared with the same quarter in 2015, mainly due to lower net interest income and lower fund commissions. This was essentially offset by other income, which was 27 per cent higher than in the

previous year. Compared the first quarter, operating income decreased by 1 per cent.

Net interest income decreased by 25 per cent compared to the second quarter of 2015 and by 14 per cent compared to the first quarter of 2016. This is due to the lower repo rate, lower mortgage rate and increased deposits. The repo rate averaged -0.50 per cent in the second quarter, to be compared to -0.25 per cent in the corresponding quarter last year. The lower net interest income compared with the second quarter 2015 was offset to some extent by increased lending. All else being equal, without

taking changes in customer behaviour into account, a 1 per cent change in interest rates with today's volumes would affect net interest income by SEK 200–230 million.

Fund commissions decreased from the previous year as customers sought out funds with lower risk and lower fees. Compared with the first quarter, fund commissions rose by 3 per cent.

The number of transactions increased by 38 per cent compared to the previous year. Despite this, brokerage income was only 2 per cent higher than the in second quarter of 2015, which is because the size of transactions is smaller and consequently more of them qualify for lower commission rates. Brokerage commissions per transaction fell by 22 per cent to SEK 42 compared with the second quarter 2015, while the number of commission-generating customers increased by 37 per cent. The introduction of brokerage fee class "Start", with free trading on the Stockholm Stock Exchange, has not resulted in fewer commission-generating customers, which increased by 9 per cent from the first quarter of 2016.

Other income increased compared with the previous year, mainly because of the launch of Avanza Markets in May 2015. Currency-related income fell due to lower income from exchange fees on funds. Compared with first quarter, other income rose by 52 per cent, mainly due to higher income from Corporate Finance, but also due to the increased market shares for Avanza Markets. During the second quarter, Avanza Market's share of total trading in ETPs corresponded to 60 per cent of turnover on the Stockholm Stock Exchange and NDX Sweden, an increase of 2 percentage points since the first quarter. Avanza Markets accounted for just over 29 per cent of other income in the second quarter and Corporate Finance for 31 per cent.

Operating expenses increased in the second quarter by 7 per cent Y/Y, mainly due to higher personnel costs. These rose by 7

per cent, partly due to increased capacity in IT development and compliance. Compared with first quarter, operating expenses increased by 1 per cent. For the first half-year operating expenses amounted to SEK 225 million, up 6 per cent compared to the corresponding period the previous year. Full-year expenses are expected to increase by 8–10 per cent.

## Financial position

Avanza is mainly self-financed by equity and customer deposits. All of Avanza's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within a couple of days. In December 2015 Avanza Bank AB (publ) issued a subordinated bond of SEK 100 million. The bond is listed for trade on Nasdaq Stockholm.

The surplus liquidity is invested in covered bonds and with systemically important Nordic banks. Of the liquid assets as per the end of the period, SEK 4,245 million, SEK 273 million were pledged as collateral mainly referring to Swedish credit institutions and the stock exchange. Avanza does not conduct, and has not previously conducted, trading in securities on its own behalf.

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

## The Parent Company Avanza Bank Holding AB (publ)

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result for the first half of 2016 was SEK –6 million. The Parent Company does not report any revenues. A dividend payment of SEK 308 million was made to the shareholders during the second quarter.

## Capital surplus

SEK m	30-06-2016	31-12-2015 <sup>1)</sup>
Shareholders' equity, the Group	1,093	1,126
<i>Additional</i>		
Solvency capital (NPV)	2,133	1,242
Subordinated bond	93	78
<i>Less</i>		
Intangible fixed assets	–48	–38
Deferred tax receivables	–2	–1
Capital requirement Pillar 1	–1,725	–1,108
Buffer requirement	–187	–137
Capital requirement Pillar 2	–47	–11
Non-distributable solvency capital	–825	–478
<b>Capital surplus before dividend</b>	<b>485</b>	<b>673</b>
Capital surplus per share, SEK	16.27	22.94

*Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the shareholders' equity. See also Note 4, page 15.*

1) The numbers of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with numbers of 30-06-2016, which are adjusted to the new Solvency 2 rules that took effect on 01-01-2016.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 485 million as of 30 June 2016. During the second quarter dividend of SEK 10.50 per share, totaling SEK 308 million, was paid in accordance with the authorization of the Annual General Meeting.

The new Solvency 2 rules took effect on 1 January 2016, as a result of which the conglomerate's largest sector is insurance. Due to the new rules, the Group's capital base is increased by additional solvency capital at the same time that the capital requirement rises. The net effect, which is positive, does not constitute distributable capital, however, due to which this is deducted as non-distributable solvency capital. For more information, see note 4.



## Future outlook

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

### Avanza's growth opportunities in the savings market

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As of 31 March 2016 Avanza had 2.9 per cent of the Swedish savings market and during the period April 2015 – March 2016 Avanza's share of the total net inflow to the Swedish savings market was 7.4 per cent. Sweden has one of the world's highest percentages of stock and fund savings. An estimated 80 per cent of the population invests in equities or funds. The Swedish savings market amounts to SEK 6,800 billion, and we estimate long-term growth at 4–8 per cent per year, in line with the latest ten-year period. Pension and insurance savings represent just over half of the Swedish savings market. Market growth going forward could be adversely affected by the parliamentary decision in March to introduce an amortisation requirement on mortgages. Concerns about the housing market, coupled with an unstable stock market, could also lead more Swedes to save by paying off their mortgages. At the same time, Avanza's growth opportunities are not limited by the savings market's growth. There are still large market shares to win. In addition, the capital that is transferred from other savings institutions to Avanza is not included in the net inflow to the savings market.

### Changing customer behaviour

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We are seeing a clear trend with greater focus on the importance of fees, not least due to negative interest rates. The Riksbank has announced that interest rates will remain low in coming years, and savers are turning to the stock market to get returns. The low interest rates are also positively affecting customers' disposable income and savings potential. Avanza's low fees and position as a leading platform for savings and investment is favourable for growth given these market conditions. More customers create opportunities for growth in savings capital and in turn growth in income. At the same time, low interest rates are keeping pressure on net interest income. When interest rates eventually turn higher, we expect to see the positive results of the sharp increase in savings capital, even if customer growth slows slightly at the same time that stock market activity could decline.

Another distinctive trend is that more customers are logging in and making their transactions by mobile devices. Mobile use has also been shown to increase customer activity. We expect this trend to continue and to help further strengthen Avanza's position.

### Possible impact of pending regulations

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

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

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

Regulated transfer rights for pensions would also positively affect Avanza's growth prospects. It is uncertain at this point whether and when such rights can be introduced, but the government announced during the spring that it wants to see progress on transfer rights during its current term, which lasts until 2018. Avanza has a strong occupational pension offer and ranks fourth in pension capital transfers in the Swedish life insurance market. According to data from Svensk Försäkring, Avanza's share of life insurance premiums paid in 2015 increased the most in the industry, from a market share of 5.0 per cent to 6.4 per cent. Considering the stable growth and revenue model in pension savings, Avanza's focus on pensions is a long-term shock absorber in the event of market fluctuations.

### Falling income to savings capital ratio

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The income to savings capital ratio has dropped in the last five years by 9 per cent annually, from 86 to 54 basis points. This is a result of falling interest rates, fluctuations in trading activity on the stock exchange and price changes, coupled with mix effects on savings. Given today's low interest rates, we estimate that the income to savings capital ratio will fall at a slower rate than before – even if we continue to see mix effects on savings capital. Fund investments are likely to increase going forward – not least in conjunction with further increases in pension capital.

We do not expect the income to savings capital ratio to return to the previous level given current savings behaviour with a lower appetite for risk and growing cost awareness among customers. Competitiveness and profitability will have to be achieved through a reduced cost to savings capital ratio. Avanza's business model is built on economies of scale, and scalable IT systems facilitate cost efficiency and continued low fees as the customer base grows and business volume rises. Together with innovative products, this is

expected to make Avanza more competitive and lead to higher savings from new as well as existing customers.

To deliver the highest possible quality for our customers in the future, we need to keep our focus on efficiency improvements and digitisation in the years to come, and to expand our IT-development capacity further. We expect cost increases of 8–10 per cent per

year in coming years. This range serves as an accelerator or brake to counter and accommodate market conditions with the necessary investments and can be re-evaluated if growth conditions change. Given continued strong growth in the customer base and savings capital, we see good opportunities to lower the cost to savings capital ratio over the next 3–5 years to below 20 basis points.

## Other corporate events

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### Significant risks and uncertainly factors

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

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

### Transactions with associated parties

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

### Annual General Meeting

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The Annual General Meeting on 5 April 2016 re-elected the Chairman and members of the Board, with the exception of Martin Tivés who had declined to be re-elected.

The Annual General Meeting decided to authorise a dividend of ten kronor and fifty öre (SEK 10.50) per share. The record date for the dividend was set to 7 April, by which the dividend was paid out on 12 April.

### CEO

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On 31 May, Martin Tivés finished his assignments in Avanza's Board and executive management. Avanza Bank's Deputy CEO and COO, Henrik Källén, is Acting CEO from 1 June. On 8 July, it was announced that Johan Prom will be the new CEO of Avanza. Johan Prom will take over the position by 1 January 2017, at the latest. Henrik Källén will remain as Acting CEO until then.

### Incentive program

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Subsidiary program 3 of the 2014–2016 stock option program had exercise period from 2 May 2016 to 27 May 2016. After recalculation of the option program the exercise price was SEK 168.23 per share and 494,900 shares were possible to subscribe for. 494,834 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 30 June 2016 amounts to 29,838,922.

### Repurchase of the company's own shares

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On 5 April 2016, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during the first six months of 2016 and the company holds no repurchased shares as of 30 June 2016.

### Significant events after the end of the reporting period

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After the end of the reporting period, the Boards of Directors of Avanza Bank Holding AB (publ) and the subsidiary Avanza Bank AB (publ) have appointed Johan Prom as the new CEO. Johan Prom will take over the position by 1 January 2017, at the latest.

## Consolidated Income Statements <sup>1)</sup>

SEK m	2016 Apr–Jun	2015 Apr–Jun	2016 Jan–Jun	2015 Jan–Jun	2015–2016 Jul–Jun	2015 Jan–Dec
<b>Operating income</b>						
Commission income	228	218	457	424	916	882
Commission expenses	-33	-27	-67	-56	-130	-118
Interest income	51	47	104	95	202	194
Interest expenses <sup>3)</sup>	-24	-10	-45	-16	-85	-55
Net result of financial transactions	2	0	3	1	3	2
Other operating income	0	-	0	-	0	-
<b>Total operating income<sup>3)</sup></b>	<b>225</b>	<b>227</b>	<b>451</b>	<b>449</b>	<b>906</b>	<b>904</b>
<b>Operating expenses</b>						
General administrative costs	-99	-95	-197	-187	-382	-372
Depreciation of tangible and intangible fixed assets	-2	-2	-4	-4	-9	-8
Other operating expenses <sup>3)</sup>	-12	-9	-24	-22	-41	-40
<b>Total operating expenses before credit losses<sup>3)</sup></b>	<b>-113</b>	<b>-106</b>	<b>-225</b>	<b>-213</b>	<b>-432</b>	<b>-420</b>
<b>Operating profit before credit losses</b>	<b>111</b>	<b>121</b>	<b>226</b>	<b>236</b>	<b>475</b>	<b>485</b>
Credit losses, net	0	0	0	0	0	0
<b>Operating profit</b>	<b>111</b>	<b>121</b>	<b>226</b>	<b>236</b>	<b>474</b>	<b>485</b>
Tax on profit for the period	-17	-17	-33	-33	-70	-70
<b>Net profit/loss for the period<sup>2)</sup></b>	<b>94</b>	<b>104</b>	<b>192</b>	<b>203</b>	<b>404</b>	<b>415</b>
Earnings per share, SEK	3.18	3.57	6.53	7.00	13.75	14.23
Earnings per share after dilution, SEK	3.18	3.54	6.52	6.95	13.73	14.10
Average no. shares before dilution, thousand	29,615	29,118	29,479	28,997	29,411	29,172
Average no. shares after dilution, thousand	29,622	29,412	29,496	29,226	29,445	29,441
Outstanding no. shares before dilution, thousand	29,839	29,344	29,839	29,344	29,839	29,344
Outstanding no. shares after dilution, thousand	29,848	29,558	29,848	29,558	29,848	29,675
No. shares upon full dilution, thousand	30,819	30,324	30,819	30,324	30,819	30,814

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

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

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

## Consolidated Balance Sheet

SEK m	Note	30-06-2016	31-12-2015
<b>Assets</b>			
Treasury bills eligible for refinancing		-	250
Lending to credit institutions	1	4,245	1,701
Lending to the public	2	7,395	6,540
Bonds		13,831	11,850
Shares and participations		4	0
Assets in insurance operations		67,490	66,566
Intangible fixed assets		47	38
Tangible fixed assets		18	20
Other assets		947	1,543
Prepaid costs and accrued income		93	113
<b>Total assets</b>		<b>94,070</b>	<b>88,621</b>
<b>Liabilities and shareholders' equity</b>			
Deposits by the public		24,864	20,446
Liabilities in insurance operations		67,490	66,566
Other liabilities		429	292
Accrued costs and prepaid income		95	92
Subordinated liabilities		99	99
Shareholders' equity		1,093	1,126
<b>Total liabilities and shareholders' equity</b>		<b>94,070</b>	<b>88,621</b>

## Changes in the Group's shareholders' equity

SEK m	2016	2015	2015
	Jan-Jun	Jan-Jun	Jan-Dec
<b>Shareholders' equity at the beginning of the period</b>	<b>1,126</b>	<b>815</b>	<b>815</b>
Dividend paid	-308	-202	-202
Exercise of share warrants	83	-	93
Warrants issue	-	93	5
Net profit/loss for the period (also total comprehensive income)	192	203	415
<b>Shareholders' equity at the end of the period</b>	<b>1,093</b>	<b>909</b>	<b>1,126</b>

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

## Consolidated Cash Flow Statements

SEK m	2016	2015	2016	2015
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun
Cash flow from operating activities before changes in operating activities' assets and liabilities	365	-100	469	-11
Cash flow from operating activities' assets and liabilities	1,972	5,168	3,872	7,986
Cash flow from investment operations	-845	-2,387	-1,743	-4,829
Cash flow from financial operations	-225	93	-225	-109
<b>Cash flow for the period</b>	<b>1,267</b>	<b>2,774</b>	<b>2,373</b>	<b>3,037</b>
<b>Liquid assets at the beginning of the period<sup>1)</sup></b>	<b>2,706</b>	<b>4,046</b>	<b>1,599</b>	<b>3,783</b>
<b>Liquid assets at the end of the period<sup>1)</sup></b>	<b>3,972</b>	<b>6,820</b>	<b>3,972</b>	<b>6,820</b>

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 273 million (SEK 758m) of consolidated liquid assets are pledged as collaterals.

## Parent Company Income Statement

SEK m	2016	2015
	Jan-Jun	Jan-Jun
<b>Operating expenses</b>		
Administration expenses	-3	-5
Other operating expenses	-3	-3
<b>Operating profit/loss</b>	<b>-6</b>	<b>-8</b>
<b>Profit/loss from financial investments</b>		
Profit/loss from participations in Group companies	-	2
Interest income and similar items	0	-
<b>Profit/loss before tax</b>	<b>-6</b>	<b>-6</b>
Tax on profit for the period	1	1
<b>Net profit/loss for the period</b>	<b>-5</b>	<b>-5</b>

## Parent Company Balance Sheets

SEK m	30-06-2016	31-12-2015
<b>Assets</b>		
Financial fixed assets	409	409
Current receivables <sup>1)</sup>	146	378
Liquid assets	0	0
<b>Total assets</b>	<b>554</b>	<b>787</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	550	779
Current liabilities	5	8
<b>Total shareholders' equity and liabilities</b>	<b>554</b>	<b>787</b>

1) Of which receivables from subsidiaries SEK 143 million (SEK 0 m).

## Accounting principles

The Interim Report for the Group has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Interim Report for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR 2) has been applied. As of 2016 the fee for the government's deposit

guarantee scheme and resolution fee are reclassified from other operating expenses to net interest income. Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the 2015 Annual Report.

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

## Notes

### NOTE 1 LENDING TO CREDIT INSTITUTIONS

Client fund receivables, attributable to banking business, amount as of 30 June 2016 to SEK 1,182 million (SEK 1,086m as of 31 December 2015) which are reported net against client fund payables of SEK 1,182 million (SEK 1,086m as of 31 December 2015).

### NOTE 2 LENDING TO THE PUBLIC

Lending to the public is reported after deduction for confirmed and anticipated credit losses. As per 30 June 2016 anticipated credit losses amounted to SEK 8 million (SEK 8m as of 31 December 2015).

SEK 781 million (SEK – m as of 31 December 2015) of lending to the public as of 30 June 2016 are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. This portion of the lending does not impact the net interest income, as the interest on deposits is the same as the lending rate. The remaining part of lending to the public totaled SEK 6,614 million, of which SEK 3,592 million (SEK 3,821m as of 31 December 2015) with collateral in the form of securities and SEK 3,021 million (SEK 2,719m as of 31 December 2015) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans as of 30 June 2016 SEK 3,868 million (SEK 3,333m as of 31 December 2015) has been granted, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 847 million (SEK 614m as of 31 December 2015).

### NOTE 3 FINANCIAL INSTRUMENTS

Classification of financial instruments

30-06-2016, SEK m	Financial instruments ed at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non-financial instruments	Total
<b>Assets</b>						
Lending to credit institutions	–	–	4,245	–	–	4,245
Lending to the public	–	–	7,395	–	–	7,395
Bonds	–	13,831 <sup>1)</sup>	–	–	–	13,831
Shares and participations	4	–	–	–	–	4
Assets in insurance operations	67,490	–	–	–	–	67,490
Intangible assets	–	–	–	–	47	47
Tangible assets	–	–	–	–	18	18
Other assets	–	–	206	–	741	947
Prepaid costs and accrued income	–	27	48	–	18	93
<b>Total assets</b>	<b>67,494</b>	<b>13,858</b>	<b>11,894</b>	<b>–</b>	<b>824</b>	<b>94,070</b>
<b>Liabilities</b>						
Deposits by the public	–	–	–	24,864	–	24,864
Liabilities in insurance operations	67,490	–	–	–	–	67,490
Other liabilities	–	–	–	428	1	429
Accrued costs and prepaid income	–	–	–	47	48	95
Subordinated liabilities	–	–	–	99	–	99
<b>Total liabilities</b>	<b>67,490</b>	<b>–</b>	<b>–</b>	<b>25,438</b>	<b>49</b>	<b>92,977</b>

1) The fair value amounts to SEK 13,827 million, of which SEK 13,827 million is attributed to Level 1 and SEK – million to Level 2 in the hierarchy for fair value. The valuation principles are the same as for similar instruments that are reported at fair value in the balance sheet.

**Financial instruments valued at fair value**

<b>30-06-2016, SEK m</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Equities	35,761	0	0	35,761
Fund units	1,263	19,996	–	21,259
Bonds and other interest-bearing securities	14,710	354	–	15,064
Other securities	154	166	–	320
Liquid assets	–	–	–	8,917
<b>Total assets</b>	<b>51,888</b>	<b>20,516</b>	<b>0</b>	<b>81,321</b>
<b>Liabilities</b>				
Liabilities in insurance operations (investment agreements)	–	67,490	–	67,490
<b>Total liabilities</b>	<b>–</b>	<b>67,490</b>	<b>–</b>	<b>67,490</b>

*Fair value*

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

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

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

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

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

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

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

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

#### NOTE 4 CAPITAL REQUIREMENT FOR THE FINANCIAL CONGLOMERATE

SEK m	30-06-2016	31-12-2015 <sup>1)</sup>
<b>Capital base</b>		
Shareholders' equity, the Group	1,093	1,126
Less profits that are not audited	-192	-
Determined dividend	-	-308
<b>Shareholders' equity, financial conglomerate</b>	<b>901</b>	<b>818</b>
<i>Additional</i>		
Solvency capital (NPV)	2,133	1,266
Subordinated bond	93	78
<i>Less</i>		
Intangible fixed assets	-48	-38
Deferred tax receivables	-2	-1
<b>Total capital base</b>	<b>3,077</b>	<b>2,083</b>
<b>Capital base per sector</b>		
Capital requirement for regulated units in the insurance sector	2,415	1,430
Capital requirement for regulated units within the banking and securities sector	662	653
<b>Total capital base</b>	<b>3,077</b>	<b>2,083</b>
<b>Capital requirement per sector</b>		
Capital requirement for regulated units in the insurance sector	1,342	791
Capital requirement for regulated units within the banking and securities sector	617	458
of which additional buffer requirement	187	137
of which additional Pillar 2 requirement	47	11
<b>Total capital requirement</b>	<b>1,959</b>	<b>1,249</b>
<b>Capital surplus</b>	<b>1,118</b>	<b>834</b>
<b>Capital base/Capital requirement</b>	<b>1.57</b>	<b>1.67</b>

1) The figures of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with numbers of 30-06-2016, which are adjusted to the new Solvency 2 rules that took effect on 1 January 2016.

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

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

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

## NOTE 5 CAPITAL BASE AND CAPITAL REQUIREMENT IN THE CONSOLIDATED SITUATION

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

Consolidated situation, SEK m	30-06-2016	31-12-2015
<b>Tier 1 capital</b>		
Shareholders' equity, the Group	1,093	1,126
Less profits that are not audited	-192	-
Determined dividend	-	-308
Equity not part of the consolidated situation	-100	-100
<b>Equity, consolidated situation (adjusted for determined dividend)</b>	<b>801</b>	<b>718</b>
<i>Deducted items:</i>		
Intangible assets	-48	-38
Deferred taxes	-2	-1
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension	-39	-39
<b>Common equity tier 1 capital</b>	<b>712</b>	<b>640</b>
Subordinated bond	93	78
<b>Tier 2 capital</b>	<b>93</b>	<b>78</b>
<b>Total capital base</b>	<b>805</b>	<b>718</b>
<b>Capital requirement</b>		
Credit risk according to standardised approach	293	234
Market risks	1	0
Settlement risk	0	0
Operational risk	80	80
<b>Capital requirement</b>	<b>374</b>	<b>314</b>
<b>Risk exposure amount</b>		
Credit risk according to standardised approach	3,670	2,929
of which Institutions	848	340
of which Corporates	32	27
of which Households	216	163
of which Collateral in real estate	1,057	952
of which Covered bonds	1,313	1,103
of which Other items	204	344
Market risks	8	1
Settlement risk	0	0
Operational risk	995	995
<b>Total risk exposure amount</b>	<b>4,673</b>	<b>3,925</b>
<b>Capital ratios and buffers</b>		
Common equity tier 1 ratio, %	15.2	16.3
Tier 1 ratio, %	15.2	16.3
Total capital ratio, %	17.2	18.3
Capital base in relation to capital requirement	2.15	2.29
Institution-specific buffer requirement, %	4.0	3.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	1.5	1.0
Total capital requirement including buffer requirement, %	12.0	11.5
Common equity tier 1 capital available for use as a buffer, %	10.7	11.8
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	244	267
Additional Pillar 2 requirement	47	11
Capital surplus after buffer requirement and Pillar 2	197	256

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



The Board of Directors and the Acting CEO ensures that the Interim Report gives a fair overview of the Company and Group activities, balance and results, and describes the material risks and uncertainties that the company and the companies of the Group is facing.

Stockholm, 13 July 2016

Sven Hagströmer  
Chairman of the Board

Sophia Bendz  
Member of the Board

Jonas Hagströmer  
Member of the Board

Birgitta Klasén  
Member of the Board

Mattias Miksche  
Member of the Board

Hans Toll  
Member of the Board

Jacqueline Winberg  
Member of the Board

Henrik Källén  
Acting CEO

## For additional information

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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 (CEST) on 13 July 2016.

A webcast presentation will be held by Henrik Källén, Acting CEO and Birgitta Hagenfeldt, CFO on 13 July 2016 at 10.00 (CEST). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at [avanza.se/ir](http://avanza.se/ir). Phone number for participants:

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

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

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

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

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Registered office: Stockholm  
Website: [avanza.se](http://avanza.se)  
Corporate web: [avanza.com](http://avanza.com)

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### Financial calendar

Interim Report January – September 2016	18 October 2016
Preliminary Financial Statement 2016	19 January 2017

## Definitions

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The measures and key ratios used in the interim report are defined below. The majority of the key ratios are considered to be widely accepted and are such that they are expected to be presented in the interim report to provide an indication of the Group's results, profitability and financial position. Most of the measures and key ratios are directly cited in the financial reports or can be traced to Avanza's Excel spreadsheets with financial histories published quarterly on [avanza.se/keydata](http://avanza.se/keydata).

### **Account**

An open account with holdings.

### **Brokerage income**

Gross brokerage income less direct costs.

### **Brokerage per commission note**

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

### **Capital base**

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

### **Client funds**

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

### **Commission note**

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

### **Costs to savings capital ratio**

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

### **Credit loss level**

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

### **Customer**

Individual or company with at least one account with holdings.

### **Deposits**

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

### **Earnings per share**

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

### **Equity per share**

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

### **External deposits**

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

### **Income to savings capital ratio**

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

### **Investment fund commission**

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

### **Lending**

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

### **Net deposits/Savings capital**

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

### **Net inflow**

Deposits, less withdrawals, of liquid assets and securities.

### **Net inflow/Savings capital**

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

### **Operating expenses**

Operating expenses before credit losses.

### **Operating margin**

Operating profit/loss in relation to operating income.

### **Profit margin**

Profit/loss after tax in relation to operating income.

### **Return on equity**

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

### **Savings capital**

The combined value of accounts held with Avanza.

### **Solvency capital (NPV)**

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

### **Solvency capital requirement (SCR)**

Estimated capital requirements under Solvency 2 rules.