



Interim Report January-June 2017

Avanza Bank Holding AB (publ)

Second quarter 2017 compared to second quarter 2016

- **Customer growth** remained strong and the number of new customers was 27,900 (23,100)
- **Net inflow** in the quarter was SEK 8,710 million, a decrease of 8 per cent. Net inflow in second quarter 2016 included SEK 2.2 billion from the expanded Remium cooperation
- **Operating income** increased by 5 per cent, mainly due to higher fund provisions
- **Operating expenses** increased by 17 per cent as part of our investment in future growth, and are mainly attributable to an increased number of employees in IT and product development as well as compliance
- **Net profit** of SEK 89 million, a decrease of 6 per cent
- Rikard Josefson was named the new CEO. Rikard will assume the role within six months and Johan Prom will continue as CEO until then
- Avanza was awarded the best customer service in the financial services industry during the quarter
- The Savings Account+ offer was improved with a higher interest rate
- The digital European trading offer was expanded
- Small businesses can now obtain an occupational pension digitally and all sales resources within occupational pensions will be allocated to Göteborg and Stockholm
- Claes Hemberg was voted "Personal Finance Commentator of the Year"

Quote from Johan Prom, CEO Avanza

"Customer growth remained strong in the second quarter and we were proud to win an award for best customer service. The willingness of Avanza's customers to take on risk was low, as was volatility in the equity market, which negatively affected brokerage income despite that the number of brokerage customers remained high. The upward trend in funds and in the pension business continued. This, coupled with strong product development, bodes well for stable income going forward."

	Q2	Q1	Change	Q2	Change	Jan-Jun	Jan-Jun	Change
	2017	2017	%	2016	%	2017	2016	%
Operating income, SEK m	236	247	-5	225	5	482	451	7
Operating expenses, SEK m	-133	-126	5	-113	17	-259	-225	15
Operating profit, SEK m	103	121	-15	111	-7	224	226	-1
Net profit, SEK m	89	103	-14	94	-6	192	192	-0
Earnings per share, SEK	2.97	3.46	-14	3.18	-7	6.43	6.53	-2
Operating margin, %	44	49	-5	49	-6	46	50	-4
Net inflow, SEK m	8,710	8,620	1	9,430	-8	17,300	14,400	20
No. new customers (net)	27,900	38,400	-27	23,100	21	66,200	49,300	34
Savings capital at the end of the period, SEK m	261,600	246,300	6	199,200	31	261,600	199,200	31

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

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 Sweden's leading digital platform for savings and investments. Avanza offers the market's broadest range of savings products, competitive occupational pension solutions and mortgages to customers within Private Banking.

Avanza challenges established structures of large banks and pension providers in the Swedish savings market and drives long-term development of new financial products and services. Customers are offered to save in Swedish and foreign securities and in savings accounts, without fixed account charges and at a very low brokerage fee. Avanza primarily targets individual investors, but also offers services for professional traders, corporate customers, banks and asset managers.

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

An investment in growth

To create long-term shareholder value, growth in customers and savings capital is key, since there is an underlying connection between inflow and income. Income in turn is driven and affected by:

- attractive offers
- market conditions such as trading activity, fund volumes and interest rates
- changes in deposit and lending volumes

The sensitivity in the event of a decrease in savings capital due to a stock market downturn is difficult to assess, as income is dependent on, among other things, how customers choose to invest their savings capital.

To manage fluctuations in the market, the aim is to broaden the offering.



Vision & business model

Avanza's vision is to create a better future for millions of people, where the contribution is a cheaper, better and simpler offering. This is based on price leadership, a broad product range and effective decision-making support tools, and by education increase knowledge about savings and investments. The promise is to give customers a better return on their savings than any other bank, due to lower fees and better tools. Satisfied customers and a world-class user experience are key to Avanza's business idea and critical to future growth. Avanza is driven by a consistent focus on creating customer value.

To deliver shareholder value, while the customer promise is fulfilled, cost efficiency is crucial. Avanza's business model is therefore built on scale and the market's lowest cost per transaction and customer. Strong customer growth and the market's lowest cost to savings capital ratio are what lead to long-term growth. Cost effectiveness and economies of scale are achieved through continuous development, digitisation and internal efficiencies. This also reduces operational risks and increases stability.

To deliver on the vision also requires engaged employees and a strong corporate culture that draws its energy from a willingness to change. The corporate climate is characterised by collaboration and humility, and to constantly challenge and think differently.

Long-term targets

Satisfied customers:

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

Satisfied employees:

- eNPS (Employee Net Promoter Score) over 45

Long-term value growth:

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

For more information about Avanza, see avanza.com and the Annual Report.

CEO comment

High customer satisfaction...

During the quarter, 27,900 new customers chose Avanza for their savings. We now have 636,900 customers on the platform, which generated a net inflow of SEK 8.7 billion in the quarter. In April, Avanza was named the best financial services company in customer service in a survey by ServiceScore. The customer satisfaction survey for the second quarter gave us a high Net Promoter score (NPS) of 70 and a customer satisfaction score of 87. We are extremely proud of this confirmation from customers that we are doing the right things, and it is encouraging us to improve even more.

... and a culture of innovation are driving growth

Our excellent customer growth is also a result of continuous efforts to develop the business and our offers. For the last month, a couple of our partners are offering a higher interest rate on Savings Account+, an alternative for those who do not want to be fully invested in equities and funds. Interest has been strong to date and our customers passed SEK 10 billion in Savings Account+ deposits during the quarter. In April, we expanded our digital European trading to include France and Italy. Interest in foreign equities is growing and in the second quarter foreign trading accounted for nearly 7 per cent of equity trading by turnover. The subsidiary Placera has worked to expand and simplify information on fund savings to educate and inform Sweden's savers. Placera and our savings economist Claes Hemberg received several awards during the quarter for their efforts to drive opinion in savings and investments.

To help small businesses, we introduced an option in June where they can obtain an occupational pension digitally in just minutes. It was also a way for us to make the business more efficient, enabling us to enter a new phase. We are now reallocating our sales resources to Göteborg and Stockholm and can focus more on large and medium-sized companies. This resulted in 1,800 companies obtaining occupational pensions from Avanza in the first half-year, an increase of 18 per cent compared to the first half of 2016. The mobile registration process for new Avanza customers is generally growing and now accounts for over 50 per cent.

Fund savings performing strongly while equity trading is being squeezed by low volatility

The Swedish stock market was strong during the quarter with the index rising by 4 per cent. The record-high index level, together with the low volatility during the quarter, reduced equity trading volume among Avanza's customers and resulted in a lower number of commission-generating transactions. Compared to the first quarter there were five and a half fewer trading days, which also contributed to lower brokerage income. On the other hand, we have continued to see a strong inflow to funds, with interest remaining high in both equity and fixed income funds. The climate for corporate transactions has stayed positive. This produced a strong result in Corporate Finance, though slightly lower than the same quarter in 2016, when we completed our largest transaction to date. Net interest income remained under pressure from the

negative interest rate, and the decline in interest among customers in taking on risk increased surplus liquidity. This was at the same time that the supply of mortgage bonds is low and demand in the market is high. As a result, a larger share of capital has been invested overnight at a lower interest rate.

Our aim is to be less sensitive to market fluctuations. The collaboration with Stabelo to broaden our mortgage offer is an important part of this. The work is progressing according to plan and we will provide more information on the offer later in the year.

Expenses increased during the quarter, mainly due to a faster pace of development and investments in growth, which resulted in more employees and bigger premises. Our guidance on expenses, which calls for an increase of 15–20 per cent compared to the full-year 2016, remains unchanged.

Willingness to create change is driving us to help customers manage their finance

When the financial market is redrawn and competition increases from major banks as well as other established players and new fintech start-ups, our strong innovative abilities and culture will be especially important. We are building a company we ourselves would want to be customers of and see the world as it should be. We are driven to accomplish what is meaningful and important for our customers and for society as a whole. Our position as a challenger and our willingness to change are setting the direction going forward. I would like to take this opportunity to welcome Rikard Josefson, Avanza's incoming CEO, on this journey.

I wish you all a wonderful summer!

Stockholm, 13 July 2017



Johan Prom, CEO Avanza



Operations

Market environment

The Stockholm Stock Exchange rose during the quarter and the SIX Return Index gained 4 per cent to record levels. The trend was driven by a strong Swedish economy and positive economic outlook. Volatility was relatively low and the SIX Volatility Index averaged 12.9 during the quarter, compared to 21.4 in the second quarter of 2016.

Trading activity among Avanza's customers decreased compared to the first quarter 2017 and the number of commission notes per customer and month fell by 11 per cent. Fund trading activity was positive with inflows mainly to equity and fixed income funds. Equity funds decreased as a share of fund assets, however, at the same time that outflows from hedge funds continued.

Turnover on the Stockholm Stock Exchange including First North rose by 6 per cent during the quarter compared to the previous quarter, despite fewer trading days. Compared to the second quarter of 2016 turnover was up 14 per cent, and the number of transactions grew by 24 per cent. The increase is mainly due to a number of international banks with institutional trading, but also to foreign high-frequency trading, while trading among Swedish banks has been largely stable. Turnover among Avanza's customers in the second quarter decreased by 13 per cent from the previous quarter and the number of transactions was down 7 per cent. Compared to the second quarter of 2016 turnover fell by 9 per cent while the number of transactions rose by 23 per cent.

Avanza's share of transactions on the Stockholm Stock Exchange including First North was 12.9 (13.0) per cent in the second quarter, a decrease by 2.2 percentage points compared to previous quarter. Avanza's share of turnover was 5.3 (6.6) per cent, just about one percentage point lower than in the first quarter of 2017.

The market climate, with stock indexes at record levels, reduced the willingness of Avanza's customers to take on risk at the same time that the low volatility reduced activity among Avanza's more active traders.

The Riksbank left the repo rate unchanged during the quarter. Not until early 2018 is the repo rate expected to rise.

Events during the second quarter

In April, Avanza expanded its digital equity trading on European exchanges, which was launched in March, with trading on the stock exchanges in Italy and France.

For the third consecutive year, Avanza was named the winner of best customer service in the financial services industry in a survey by ServiceScore. The award is a recognition of Avanza's aim to improve the customer experience by prioritising customer value and putting the customer first.

Avanza's savings economist, Claes Hemberg, was voted in the second quarter as "Personal Finance Commentator of the Year" by financial analysts, investors and others in the Swedish capital market in the communications firm Hallvarsson & Halvarsson's annual survey. Avanza's savings economists monitor savings opportunities and shortcomings on the Swedish savings markets for the benefit of savers. Avanza's subsidiary Placera, Sweden's second largest financial website, also won awards during the quarter. Tomas Linnala posthumously received the financial journalist award presented in memory of Björn Davegårdh and journalist Lars Frick received an award as the year's best moderator.

Avanza's savings account offer was strengthened in June when the interest rate on Savings Account+ was raised to 0.7 per cent in collaboration with a couple of our partners. The net inflow to Savings Account+ increased substantially as a result and totalled SEK 1,790 million during the quarter.

The ceiling on mortgage lending for Avanza's Private Banking customers was raised by SEK 500 million to SEK 6,375 million to meet demand.

In April, Avanza signed a cooperation agreement with Stabelo 2 AB to distribute mortgages to a broader customer group, with Stabelo as a lender. Avanza's ownership interest in the parent company, Stabelo AB, is just under 20 per cent. The project is progressing according to plan and Avanza plans to present customers with an offer later in the year.

During the quarter, Avanza enabled companies with up to four employees to obtain an occupational pension with the help of BankID. By simplifying the process, applications can now be filed digitally in just minutes. Moreover, sales work has become more efficient and is now being consolidated in Göteborg and Stockholm. As a result, the Malmö office is being closed and the Malmö region is being served from Göteborg.

Development work on mobile apps continued during the quarter. One of the new functions launched in the quarter allows customers to track share issues and other offers.

Development of customers and savings capital

Data on the Swedish savings market for the first quarter of 2017 were released in May. Avanza's share of the total net inflow to the Swedish savings market during the period April 2016 – March 2017 was 12.2 per cent, surpassing our long-term goal of at least 9 per cent. At the end of the first quarter of 2017, Avanza's share of the Swedish savings market was 3.3 per cent.

The net inflow in the second quarter was 1 per cent higher than the inflow in the previous quarter and 60 per cent came from new customers. The largest share of the net inflow was to investment savings accounts, which offer tax advantages for customers in the current interest rate environment.

During the quarter, 27,900 new customers were added, and more than 800 new companies selected Avanza for their occupational pensions.

Savings capital grew by 6 per cent in the second quarter driven by the high customer growth and net inflow as well as the strong stock market development.

At the end of the period, 28 per cent of customer capital was invested in funds, an increase of one percentage point during the quarter. Net inflow into funds was high during the quarter.

Customers' total deposits increased during the quarter by just over SEK 5 billion, of which SEK 2 billion related to external deposits to Savings Account+. Liquidity as a share of savings capital increased by one percentage point to 15 per cent at the end of the period. Total lending was unchanged in the quarter. Mortgage volume rose by 4 per cent, however, while securities loans decreased as customers were less willing to take on risk. On 30 June, the distribution was 47 per cent securities loans and 53 per cent Private Banking mortgages.

	2017 Q2	2017 Q1	Change %	2016 Q2	Change %	2017 Jan-Jun	2016 Jan-Jun	Change %	2016 Jan-Dec
Activity and market shares									
No. commission notes (incl fund notes), thousands	7,260	7,790	-7	5,600	30	15,100	11,300	34	24,600
No. commission notes per customer and month	3.7	4.2	-11	3.5	6	4.0	3.7	7	3.8
Turnover (excl fund trans.), SEK m	128,300	147,200	-13	149,800	-14	275,400	318,100	-13	615,000
<i>Market shares</i>									
<i>Nasdaq Stockholm and First North:</i>									
No. transactions, %	12.9	15.1	-2.2	13.0	-0.1	14.0	12.2	1.8	13.5
Turnover, %	5.3	6.5	-1.2	6.6	-1.3	5.9	6.6	-0.7	6.8
Net inflow, SEK m									
Standard	7,200	7,910	-9	4,960	45	15,080	9,490	59	20,020
Private Banking	980	590	65	4,340	-78	1,570	4,670	-66	6,030
Pro	530	120	345	130	313	650	240	175	450
Net inflow	8,710	8,620	1	9,430	-8	17,300	14,400	20	26,500
Equity & investment fund accounts	890	-810	-	4,750	-81	50	4,620	-98	6,840
Investment savings accounts (ISK)	4,160	7,140	-42	2,890	44	11,300	5,810	95	13,400
Savings accounts	1,740	-170	-	460	280	1,570	980	61	1,150
of which external deposit accounts	1,790	-120	-	460	286	1,670	980	70	1,100
Pension- & insurance-based accounts	1,920	2,460	-22	1,330	44	4,380	2,990	47	5,110
of which endowment insurance	1,120	1,720	-35	700	60	2,840	1,830	56	2,540
of which occupational pensions	780	770	0	670	17	1,550	1,260	24	2,680
Net inflow	8,710	8,620	1	9,430	-8	17,300	14,400	20	26,500
Net inflow/Savings capital, %	14	15	-1	20	-6	15	15	-0	14
No. customers and accounts, SEK m (unless otherwise stated)									
	30-06-2017	31-03-2017	Change %	31-12-2016	Change %	30-06-2016	Change %		
Standard, no	615,480	588,200	5	550,910	12	499,380	23		
Private Banking, no	19,600	18,900	4	17,700	11	15,700	25		
Pro, no	1,820	1,900	-4	1,990	-9	1,820	-0		
No. customers	636,900	609,000	5	570,600	12	516,900	23		
of which occupational pension customers, no	56,700	53,400	6	49,100	16	43,600	30		
Standard	146,470	138,050	6	129,150	13	113,470	29		
Private Banking	107,100	101,000	6	95,100	13	80,300	33		
Pro	8,030	7,250	11	6,750	19	5,430	48		
Savings capital	261,600	246,300	6	231,000	13	199,200	31		
Equity & investment fund accounts	81,900	78,620	4	77,350	6	67,850	21		
Investment savings accounts	79,200	72,900	9	64,000	24	50,700	56		
Savings accounts	11,000	9,280	19	9,450	17	9,250	19		
of which external deposit accounts	10,300	8,460	21	8,580	20	8,450	21		
Pension- & insurance-based accounts	89,500	85,500	5	80,200	12	71,400	25		
of which endowment insurance	64,400	61,600	4	57,900	11	52,500	23		
of which occupational pensions	14,300	13,300	7	12,100	18	9,610	48		
Savings capital	261,600	246,300	6	231,000	13	199,200	31		
Equities, bonds, derivatives, etc.	156,370	152,260	3	145,280	8	122,820	27		
Investment funds	73,700	67,700	9	58,900	25	48,100	53		
Deposits	40,300	35,100	15	35,000	15	34,900	16		
of which external deposits	10,300	8,460	21	8,580	20	8,450	21		
Lending	-8,770	-8,760	0	-8,180	7	-6,620	32		
of which mortgage loans (Superbolånet PB)	-4,660	-4,460	4	-4,060	15	-3,020	54		
Savings capital	261,600	246,300	6	231,000	13	199,200	31		
Deposits/Lending, %	460	401	59	427	33	527	-67		
Net deposits/Savings capital, %	12	11	1	12	0	14	-2		
Return, average account since 1 Jan, %	6	3	3	6	-0	-3	9		
SIX Return Index since 1 Jan, %	11	6	4	10	1	-4	14		

For definitions see page 19.

Financial overview

	2017 Q2	2017 Q1	Change %	2016 Q2	Change %	2017 Jan-Jun	2016 Jan-Jun	Change %	2016 Jan-Dec
Income Statement, SEK m									
Brokerage income	100	122	-18	110	-9	222	235	-5	469
Fund commissions	61	53	16	38	60	114	75	51	168
Net interest income	27	29	-8	27	-1	56	58	-5	114
Other income	48	44	9	50	-4	91	83	10	167
Operating income	236	247	-5	225	5	482	451	7	919
Personnel	-87	-82	6	-74	18	-168	-146	15	-290
Marketing	-4	-7	-34	-8	-44	-11	-15	-26	-32
Depreciation	-2	-2	3	-2	4	-4	-4	-7	-8
Other expenses	-39	-36	9	-30	33	-76	-60	27	-123
Operating expenses before credit losses	-133	-126	5	-113	17	-259	-225	15	-453
Profit before credit losses	103	120	-14	111	-7	223	226	-1	465
Credit losses, net	0	0	-	0	-	0	0	-	-1
Operating profit	103	121	-15	111	-7	224	226	-1	465
Tax on profit for the period	-15	-17	-16	-17	-15	-32	-33	-4	-66
Net profit	89	103	-14	94	-6	192	192	-0	399
Key ratios									
Operating margin, %	44	49	-5	49	-6	46	50	-4	51
Profit margin, %	38	42	-4	42	-4	40	43	-3	43
Earnings per share, SEK	2.97	3.46	-14	3.18	-7	6.43	6.53	-2	13.45
Earnings per share after dilution, SEK	2.96	3.45	-14	3.18	-7	6.41	6.52	-2	13.44
Return on shareholders' equity, %	8	9	-1	8	-0	16	17	-1	33
Credit loss level, %	-0.00	-0.00	0.00	0.00	-0.00	-0.00	0.00	-0.01	0.01
Investments, SEK m	19	7	171	6	229	26	12	114	36
Brokerage income/Operating income, %	43	49	-7	49	-6	46	52	-6	51
Fund commissions/Operating income, %	26	21	5	17	9	24	17	7	18
Net interest income/Operating income, %	11	12	-0	12	-1	12	13	-1	12
Other income/Operating income, %	20	18	3	22	-2	19	18	1	18
Income to savings capital ratio, %	0.37	0.41	-0.04	0.46	-0.09	0.39	0.47	-0.07	0.44
Costs to savings capital ratio, %	0.21	0.21	-0.00	0.23	-0.02	0.21	0.23	-0.02	0.22
Brokerage income per trading day, SEK m	1.7	1.9	-10	1.8	-3	1.8	1.9	-5	1.9
Brokerage per commission note, SEK	34	35	-3	42	-19	34	44	-23	41
Brokerage/Turnover, %	0.092	0.095	-0.003	0.084	0.008	0.094	0.086	0.008	0.088
No. trading days	58.0	63.5	-9	61.5	-6	121.5	121.5	-	251.0
Average no. employees	377	370	2	331	14	373	332	12	343
Web service operational availability, %	100.0	100.0	-	100.0	-	100.0	100.0	-	99.9
Key ratios									
	30-06-2017	31-03-2017	Change %	31-12-2016	Change %	30-06-2016	Change %		
Shareholders' equity per share, SEK	39.75	36.78	8	43.83	-9	36.64	8		
Capital base/Capital requirement	1.60	1.62	-1	1.66	-4	1.57	2		
No. employees	379	374	1	365	4	332	14		
Market value, SEK	367.90	336.90	9	369.00	-0	323.00	14		
Market capitalisation, SEK m	11,000	10,100	9	11,000	-	9,640	14		

For definitions see page 19.

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

Second quarter compared to the previous quarter

Operating profit during the second quarter decreased by 15 per cent compared to previous quarter, which was a result of lower revenues while costs increased. Operating margin decreased to 44 per cent.

Revenues

Total revenues decreased by 5 per cent compared to the previous quarter. The number of commission-generating customers remained strong, but turnover fell as well as the number of commission notes, mainly as a result of fewer trading days. Even

brokerage income per turnover decreased somewhat. All taken together, this resulted in lower brokerage income.

Fund commissions increased by 16 per cent, due to larger fund volumes, which on average increased by 12 per cent during the period.

Net interest income decreased by 8 per cent, mainly due to an increase in surplus liquidity and because a larger share of this liquidity has been invested in systemically important banks at a lower interest rate. The repo rate remained unchanged, while STIBOR (3M) was 4 bps higher which, however, had a marginal effect on NII.

Other income increased by 9 per cent, mainly due to higher income from Avanza Markets. Avanza Markets accounted for 31 per cent, currency-related income for 51 per cent and income from Corporate Finance for 18 per cent of other income. Currency-related income was down as a result of fewer trading days. Equity trading in foreign markets by Avanza's customers accounted for 6.9 per cent of turnover in the quarter. Avanza Market's share of total trading in exchange-traded products (ETP) represented 63 per cent of the turnover on the Stockholm Stock Exchange and NDX Sweden. The market share in terms of number of transactions was 67 per cent.

Operating expenses

Operating expenses increased by 5 per cent, mainly due to personnel costs and external services.

The first half year 2017 compared to the first half of 2016

Operating profit decreased by 1 per cent compared to the first half of 2016, a net of higher operating costs and increased income. The operating margin lowered to 46 per cent.

Revenues

Income increased mainly due to higher fund commissions but also due to an increase in other income, while lower net interest income and brokerage commission had the opposite effect.

Brokerage income decreased by 5 per cent, even though the number of equity transactions gained 9 per cent and the number of commission-generating customers rose by 20 per cent. Transaction size was smaller, however, and income per commission note therefore fell, even though brokerage income per turnover increased somewhat compared to 2016 from 8.6 basis points to 9.4.

Avanza's turnover on Nasdaq OMX and First North was 7 per cent lower than the first half of 2016, which partly is a result of especially high turnover in Fingerprint Cards 2016.

Fund commissions increased by 51 per cent, mainly due to higher fund volumes and partly because customers have reweighted to equity funds.

Net interest income fell, mainly as a result of higher expenses for the deposit guarantee fee and resolution fee, but also the negative interest rate with increased expenses for surplus liquidity. The deposit guarantee fee and resolution fee amounted to SEK 13.7 million. The repo rate averaged -0.50 per cent in 2017, compared to -0.46 per cent in the same period 2016. STIBOR (3M) was on average 7 bps lower than the previous year. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point change in interest rates with today's volumes would affect full-year net interest income by around SEK 200 million.

Other income increased, mainly as a result of higher currency-related income caused by increased trading in foreign securities. Corporate Finance income decreased somewhat compared to the previous year, which was a strong second quarter with the listing of Paradox Interactive.

Operating expenses

Operating expenses increased mainly due to higher personnel costs, external services and extended office space, partly as a result of added IT and product development capacity as well as compliance.

In 2017, expenses are expected to rise at a rate of 15–20 per cent before returning to a yearly rate of 8–10 per cent. For more information, see Future outlook.

Seasonal effects

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

Future outlook

Avanza's share of the Swedish savings market is growing and Avanza is well-positioned to meet the changing conditions facing the financial services industry.

The greater focus on the importance of fees and the negative interest rates eventually create a favourable growth climate for Avanza. When interest rates eventually turn higher, we expect to see the positive results of the sharp increase in savings capital, even though stock market activity could decline.

Mobile usage has increased customer activity. Digitisation makes them more willing to switch banks, at the same time that new fintech companies are being started and competition in the financial market is increasing.

The gradual deterioration of national and collective pension and welfare systems increases the need for individual savings. New regulation increases consumer protection and transparency in the market, which is positive for customers. However, these requirements will mean greater complexity and higher costs for Avanza as well as other financial players, even though companies that offer financial advice for private individuals will be hit harder. The new rules banning advisory fees, which will be introduced no later than in the MiFID II regulations, do not affect Avanza directly, since Avanza does not offer advice. In Sweden, platforms are exempt from the ban on commissions as long as the service provides value for the customer. Regulated pension transfer rights are being discussed, although it is unclear at present whether and when they may be introduced. The government has repeatedly stressed that it hopes to make progress on transfer rights during its current term, which stretches until September 2018.

Avanza expects these trends to further drive digitisation, especially digital decision-making support. Here Avanza is on the forefront. Its modern platform, low prices and broad range of products enable Avanza to meet savers' changing needs and preferences. Not least as the need for a better overview increases as consumers use several providers for their banking services.

Avanza's focus on pensions and new products is expected to contribute as a long-term shock absorber if the market fluctuates.

Avanza does not foresee a return to the previous income per savings capital level given current savings habits and competitive market. Competition and profitability will instead have to be generated through cost efficiency and innovative product development.

The introduction of a new tax on financial services based on wages, previously proposed by the government, was withdrawn earlier this spring. The proposal now on the table calls for raising the resolution fee in 2018 and then gradually reducing it till 2020.

In 2017, expenses are expected to rise at a rate of 15–20 per cent before returning to a yearly rate of 8–10 per cent. Given continued strong growth in customers and savings capital, we see good opportunities to lower the cost to savings capital ratio over the next few years to below 20 basis points.

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015
Brokerage income	100	122	122	113	110	125	146	113	108
Fund commissions	61	53	48	44	38	37	38	38	44
Net interest income	27	29	31	25	27	31	30	29	36
Other income	48	44	47	38	50	33	38	24	39
Operating income	236	247	247	220	225	226	253	203	227
Personnel	-87	-82	-83	-62	-74	-72	-75	-58	-69
Marketing	-4	-7	-11	-5	-8	-7	-6	-6	-6
Depreciation	-2	-2	-2	-2	-2	-2	-2	-2	-2
Other expenses	-39	-36	-34	-29	-30	-30	-29	-29	-30
Operating expenses before credit losses	-133	-126	-130	-98	-113	-112	-112	-95	-106
Operating profit	103	121	117	122	111	115	140	108	121
Operating margin, % ¹⁾	44	49	47	55	49	51	56	53	53
Earnings per share, SEK	2.97	3.46	3.39	3.53	3.18	3.35	4.03	3.19	3.57
Shareholders' equity per share, SEK	39.75	36.78	43.83	40.44	36.64	41.71	38.37	34.33	30.97
Return on shareholders' equity, %	8	9	8	9	8	8	11	10	13
Net inflow, SEK m	8,710	8,620	6,210	5,920	9,430	4,960	5,790	5,010	4,370
No. new customers (net)	27,900	38,400	29,300	24,500	23,100	26,100	23,700	20,400	20,500
No. customers at the end of the period	636,900	609,000	570,600	541,300	516,900	493,800	467,600	443,900	423,500
Savings capital at the end of the period,	261,600	246,300	231,000	222,900	199,200	188,900	191,600	170,700	170,000
Income to savings capital ratio,	0.37	0.41	0.44	0.42	0.46	0.48	0.56	0.48	0.54
Costs to savings capital ratio, annualised,	0.21	0.21	0.23	0.19	0.23	0.24	0.25	0.22	0.25

Financial position

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

The surplus liquidity is mainly invested in covered bonds and with systemically important Nordic banks and to a lesser extent in bonds issued by the Swedish Government and Municipalities.

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 2017 total credit losses amounted to SEK 10 million, which is the equivalent, on average, to less than 0.03 per cent per year.

Significant risks and uncertainly factors

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

risks has a bearing on the soundness of the business and on the company's long-term profitability.

A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2016, Note 36 and pages 28–30. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this Interim Report.

The Parent Company Avanza Bank Holding AB (publ)

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result in the first quarter was SEK -7 million (SEK -6m). The Parent Company does not report any revenues. A dividend payment, related to 2016, of SEK 313 million (SEK 308m) has in March 2017 been made to the shareholders, following the decision at the Annual General Meeting.

Capital surplus

SEK m	30-06-2017	31-12-2016
Shareholders' equity, the Group	1,186	1,308
<i>Additional</i>		
Solvency capital (NPV)	2,563	2,340
Subordinated bond	99	92
<i>Less</i>		
Intangible fixed assets	-77	-62
Deferred tax receivables	-2	-1
Capital requirement Pillar 1	-1,974	-1,810
Buffer requirement	-224	-184
Capital requirement Pillar 2	-39	-35
Non-distributable solvency capital	-996	-908
Capital surplus before dividend	537	740
Capital surplus per share, SEK	17.99	24.79

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.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 537 million as of 30 June 2017.

The Solvency 2 rules means that the conglomerate's largest sector is insurance. Due to this, 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.

Other corporate events

Executive Management

In June, Johan Prom, CEO of Avanza, decided, in consultation with the Board of Directors, to step down.

At the end of June, Rikard Josefson was appointed the new CEO. Rikard served most recently as CEO of Länsförsäkringar Bank, prior to which he spent 25 years at SEB. Rikard will assume the role within six months and Johan Prom will continue as CEO until then.

Joining Group Management on 20 April is Chief Legal Officer Teresa Schechter.

Henrik Källén, COO and deputy CEO of Avanza, left Group Management in April and his role in June.

Birgitta Hagenfeldt, CFO, was named deputy CEO in April.

Annual General Meeting 2017

The Annual General Meeting on 21 March 2017 resolved to re-elect the Chairman of the Board and all board members. As proposed, a dividend of SEK 10.50 per share was authorised. The Annual Report was published on 24 February 2017.

Incentive programmes

An Extraordinary General Meeting held on 5 July 2017 authorized a new incentive programme comprising a maximum of 450,000

warrants, each of which grants entitlement to subscribe for one share in the company. If all the warrants are exercised, the company's share capital will increase by a maximum of SEK 1,125,000, corresponding to a dilution effect of 1.5 per cent.

Repurchase of the company's own shares

On 21 March 2017, 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 half year of 2017 and the company holds no repurchased shares as of 30 June 2017.

Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2016, Note 37. No significant changes have taken place since the publication of the Annual Report.

Significant events after the end of the reporting period

An Extraordinary General Meeting was held on 5 July 2017. Read more under Incentive programmes above.

Consolidated Income Statements ¹

SEK m	2017 Q2	2016 Q2	2017 Jan-Jun	2016 Jan-Jun	2016-2017 Jul-Jun	2016 Jan-Dec
Operating income						
Commission income	243	228	496	457	973	934
Commission expenses	-35	-33	-70	-67	-136	-133
Interest income	54	51	108	104	215	211
Interest expenses	-27	-24	-52	-45	-104	-97
Net result of financial transactions	0	2	0	3	1	3
Other operating income	0	0	0	0	0	0
Total operating income	236	225	482	451	950	919
Operating expenses						
General administrative costs	-122	-99	-235	-197	-435	-397
Depreciation of tangible and intangible fixed assets	-2	-2	-4	-4	-8	-8
Other operating expenses	-9	-12	-20	-24	-45	-48
Total operating expenses before credit losses	-133	-113	-259	-225	-487	-453
Operating profit before credit losses	103	111	223	226	463	465
Credit losses, net	0	0	0	0	0	-1
Operating profit	103	111	224	226	463	465
Tax on profit for the period	-15	-17	-32	-33	-65	-66
Net profit²	89	94	192	192	398	399
Earnings per share, SEK	2.97	3.18	6.43	6.53	13.35	13.45
Earnings per share after dilution, SEK	2.96	3.18	6.41	6.52	13.33	13.44
Average no. shares before dilution, thousands	29,839	29,615	29,839	29,479	29,839	29,660
Average no. shares after dilution, thousands	29,896	29,622	29,909	29,496	29,887	29,682
Outstanding no. shares before dilution, thousands	29,839	29,839	29,839	29,839	29,839	29,839
Outstanding no. shares after dilution, thousands	29,907	29,848	29,907	29,848	29,907	29,908
No. shares upon full dilution, thousands	31,309	30,819	31,309	30,819	31,309	31,309

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.

Consolidated Balance Sheet

SEK m	Note	30-06-2017	31-12-2016
Assets			
Lending to credit institutions	1	1,759	1,583
Lending to the public	2	9,557	8,175
Bonds		13,792	13,244
Shares and participations		18	5
Assets in insurance operations		84,884	75,934
Intangible fixed assets		77	62
Tangible fixed assets		25	18
Other assets		2,587	1,432
Prepaid costs and accrued income		102	164
Total assets		112,802	100,616
Liabilities and shareholders' equity			
Deposits by the public		25,956	22,832
Liabilities in insurance operations		84,884	75,934
Other liabilities		575	353
Accrued costs and prepaid income		100	89
Subordinated liabilities		99	99
Shareholders' equity		1,186	1,308
Total liabilities and shareholders' equity		112,802	100,616

Changes in the Group's shareholders' equity

SEK m	2017	2016	2016
	Jan-Jun	Jan-Jun	Jan-Dec
Shareholders' equity at the beginning of the period	1,308	1,126	1,126
Dividend paid	-313	-308	-308
Exercise of share warrants	-	83	83
Warrants issue	-	-	8
Net profit for the period (also total comprehensive income)	192	192	399
Shareholders' equity at the end of the period	1,186	1,093	1,308

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

Consolidated Cash Flow Statements

SEK m	2017	2016	2017	2016
	Q2	Q2	Jan-Jun	Jan-Jun
Cash flow from operating activities before changes in operating activities' assets and liabilities	-373	365	-815	469
Cash flow from operating activities' assets and liabilities	1,496	1,972	1,962	3,872
Cash flow from investment operations	-1,351	-845	-575	-1,743
Cash flow from financial operations	0	-225	-313	-225
Cash flow for the period	-229	1,267	258	2,373
Liquid assets at the beginning of the period ¹	1,940	2,706	1,453	1,599
Liquid assets at the end of the period ¹	1,711	3,972	1,711	3,972

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 48 million (SEK 273m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

SEK m	2017	2016
	Jan-Jun	Jan-Jun
Operating expenses		
Administration expenses	-4	-3
Other operating expenses	-3	-3
Operating profit/loss	-7	-6
Profit from financial investments		
Profit/loss from participations in Group companies	-	-
Interest income and similar items	0	0
Profit before tax	-7	-6
Tax on profit for the period	2	1
Net profit/loss for the period	-6	-5

Parent Company Balance Sheets

SEK m	30-06-2017	31-12-2016
Assets		
Financial fixed assets	424	414
Current receivables ¹	23	354
Liquid assets	0	0
Total assets	447	767
Shareholders' equity and liabilities		
Shareholders' equity	442	761
Current liabilities	5	7
Total shareholders' equity and liabilities	447	767

1) Of which receivables from subsidiaries SEK 21 million (SEK 353m as of 31-12-2016)

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. Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the 2016 Annual Report.

The Group is working on preparations ahead of the introduction of *IFRS 9 Financial Instruments*, which will apply to annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the portions of IAS 39 that address the classification and measurement of financial instruments. IFRS 9 retains a mixed measurement model but simplifies it in certain respects. The part of the standard that will presumably have the biggest impact on the Group is the new model for calculating the credit loss reserve. The assessment is that the part of the standard that will have the biggest impact on the Group is the new model for calculating the credit loss reserve. The financial results are not expected to be significantly impacted.

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 2017 to SEK 1,112 million (SEK 1,143 m as of 31 December 2016) which are reported net against client fund payables of SEK 1,112 million (SEK 1,143 m as of 31 December 2016). Of the liquid assets of SEK 1,759 million as per the end of the period, SEK 48 million were pledged as collateral mainly referring to Swedish credit institutions and the stock exchange.

Note 2 Lending to the public

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

SEK 797 million (SEK 0 m as of 31 December 2016) of lending to the public at the end of the period 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 8,760 million at the end of the period, of which SEK 4,104 million (SEK 4,118 m as of 31 December 2016) with collateral in the form of securities and SEK 4,656 million (SEK 4,056 m as of 31 December 2016) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 5,639 million (SEK 5,074 m as of 31 December 2016) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 983 million (SEK 1,018 m as of 31 December 2016).

Note 3 Financial instruments

Classification of financial instruments

30-06-2017	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non-financial instruments	Total
Assets						
Lending to credit institutions	-	-	1,759	-	-	1,759
Lending to the public	-	-	9,557	-	-	9,557
Bonds	-	13,792 ¹	-	-	-	13,792
Shares and participations	18	-	-	-	-	18
Assets in insurance operations	84,884	-	-	-	-	84,884
Intangible assets	-	-	-	-	77	77
Tangible assets	-	-	-	-	25	25
Other assets	-	-	433	-	2,154	2,587
Prepaid costs and accrued income	-	12	67	-	23	102
Total assets	84,903	13,804	11,816	-	2,279	112,802
Liabilities						
Deposits by the public	-	-	-	25,956	-	25,956
Liabilities in insurance operations	84,884	-	-	-	-	84,884
Other liabilities	-	-	-	575	-	575
Accrued costs and prepaid income	-	-	-	44	56	100
Subordinated liabilities	-	-	-	99	-	99
Total liabilities	84,884	-	-	26,674	56	111,614

¹) The fair value amounts to SEK 13,835 million, of which SEK 13,835 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

30-06-2017, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	43,432	0	15	43,447
Fund units	1,280	29,024	–	30,304
Bonds and other interest-bearing securities	15,050	432	–	15,482
Other securities	223	58	–	281
Liquid assets	–	–	–	9,223
Total assets	59,985	29,514	15	98,737
Liabilities				
Liabilities in insurance operations (investment agreements)	–	84,884	–	84,884
Total liabilities	–	84,884	–	84,884

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	30-06-2017	31-12-2016
Capital base		
Shareholders' equity, the Group	1,186	1,308
Less profits which are not audited	-192	-
Determined dividend	-	-313
Shareholders' equity, financial conglomerate	994	995
<i>Additional</i>		
Solvency capital (NPV)	2,563	2,340
Subordinated bond	99	92
<i>Less</i>		
Intangible fixed assets	-77	-62
Deferred tax receivables	-2	-1
Total capital base	3,578	3,364
Capital base per sector		
Capital requirement for regulated units in the insurance sector	2,705	2,482
Capital requirement for regulated units within the banking and securities sector	873	882
Total capital base	3,578	3,364
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector	1,567	1,432
Capital requirement for regulated units within the banking and securities sector	670	598
of which additional buffer requirement	224	184
of which additional Pillar 2 requirement	39	35
Total capital requirement	2,237	2,030
Capital surplus	1,341	1,334
Capital base/Capital requirement	1.60	1.66

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' assets. Capital requirements for regulated units in the insurance sector refers to the estimated Solvency Capital Requirement (SCR), which is also based on policyholders' assets.

Not 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.

SEK m	30-06-2017	31-12-2016
Tier 1 capital		
Shareholders' equity, the Group	1,186	1,308
Less profits which are not audited	-192	-
Determined dividend	-	-313
Equity not part of the consolidated situation	-66	-66
Equity, consolidated situation (adjusted for assumed/proposed dividend)	929	929
<i>Deducted items</i>		
Intangible assets	-77	-62
Deferred taxes	-2	-1
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension	-39	-39
Common equity tier 1 capital	811	827
Subordinated bond	99	92
Tier 2 capital	99	92
Total capital base	911	919
Capital requirement		
Credit risk according to standardised approach	302	275
Market risks	3	1
Settlement risk	0	0
Operational risk	93	93
Capital requirement	398	369
Risk exposure amount		
Credit risk according to standardised approach	3,770	3,436
of which Institutions	351	316
of which Corporates	26	28
of which Households	174	172
of which Collateral in real estate	1,630	1,420
of which Covered bonds	1,341	1,276
of which Other items	248	224
Market risks	37	11
Settlement risk	0	0
Operational risk	1,162	1,162
Total risk exposure amount	4,969	4,609
Capital ratios and buffers		
Common equity tier 1 ratio, %	16.3	17.9
Tier 1 ratio, %	16.3	17.9
Total capital ratio, %	18.3	19.9
Capital base in relation to capital requirement	2.29	2.49
Institution-specific buffer requirement, %	4.5	4.0
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	1.5
Total capital requirement including buffer requirement, %	12.5	12.0
Common equity tier 1 capital available for use as a buffer, %	11.8	13.4
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	289	366
Additional Pillar 2 requirement	39	35
Capital surplus after buffer requirement and Pillar 2	251	331

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

The Board of Directors and the 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 2017

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Member of the Board

Jonas Hagströmer
Member of the Board

Birgitta Klasén
Member of the Board

Mattias Miksche
Member of the Board

Hans Toll
Member of the Board

Jacqueline Winberg
Member of the Board

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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 2017.

A webcast presentation will be held by Johan Prom, CEO, and Birgitta Hagenfeldt, CFO, on 13 July 2017 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. 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.

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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Financial calendar

Interim Report January – September 2017	19 October 2017
Preliminary Financial Statement 2017	18 January 2018

Definitions

The measures and key ratios used in the Interim Report are defined below. The majority of the financial key ratios are considered to be widely accepted and are such that they are expected to be presented in the Interim Report to provide an indication of the Group's results, profitability and financial position. Information on financial measures which are not defined in IFRS and are presented outside the financial statements, so-called Alternative Performance Measures, follows from the note reference below.

Account

An open account with holdings.

Brokerage income²⁾

Gross brokerage income less direct costs.

Brokerage per commission note²⁾

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

Capital base³⁾

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

Client funds²⁾

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

Commission note

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

Costs to savings capital ratio²⁾

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

Credit loss level¹⁾

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

Customer

Individual or company with at least one account with holdings.

Deposits

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

Earnings per share¹⁾

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

eNPS

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

Equity per share¹⁾

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

External deposits

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

Income to savings capital ratio²⁾

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

Investment fund commission²⁾

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

Lending

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

Net deposits/Savings capital

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

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Net inflow/Savings capital

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

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

Profit margin¹⁾

Profit/loss after tax in relation to operating income.

Return on equity¹⁾

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

Savings capital

The combined value of accounts held with Avanza.

Solvency capital (NPV)³⁾

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

Solvency capital requirement (SCR)³⁾

Estimated capital requirements under Solvency 2 rules.

Turnover

Turnover in brokerage generating security trading.

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

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

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