



Interim Report

January–September 2017

Avanza Bank Holding AB (publ)

Third quarter 2017 compared to third quarter 2016

- **Customer growth** remained strong and the number of new customers was 31,200 (24,500)
- **Net inflow** in the quarter was SEK 5,900 million, the same level as the previous year
- **Operating income** increased by 4 per cent, mainly due to higher fund provisions
- **Operating expenses** increased by 27 per cent, mainly due to an increased number of employees and higher other costs, to a large extent attributable to expanded development capacity
- **Net profit** of SEK 89 million, a decrease of 16 per cent
- The cost increase for full-year 2017 has been estimated at 15–20 per cent. The forecast is now that the increase will be nearer 20 per cent
- Avanza Auto was launched – a smart, cheap and automatic way to manage savings for those who don't feel that they have the time or knowledge to make active decisions themselves
- Customers can now track the value of their investments in cryptocurrencies in the account overview
- On 6 November, Rikard Josefson takes over as CEO, succeeding Johan Prom

Quote from Johan Prom, CEO Avanza

“Customer growth was strong during the quarter, and we are seeing great interest in Avanza Auto. Fund commissions were also strong, but trading income was again affected by low volatility and a risk aversion among customers. At the same time, the number of commission-paying customers was record high. The pension business performed strongly, and we welcome the government's proposal to make it easier to transfer pension savings.”

	Q3	Q2	Change	Q3	Change	Jan–Sep	Jan–Sep	Change
	2017	2017	%	2016	%	2017	2016	%
Operating income, SEK m	229	236	-3	220	4	711	671	6
Operating expenses, SEK m	-125	-133	-6	-98	27	-384	-323	19
Operating profit, SEK m	104	103	1	122	-15	327	348	-6
Net profit, SEK m	89	89	0	105	-16	280	298	-6
Earnings per share, SEK	2.97	2.97	0	3.53	-16	9.40	10.06	-7
Operating margin, %	45	44	2	55	-10	46	52	-6
Net inflow, SEK m	5,900	8,710	-32	5,920	-0	23,200	20,300	14
No. new customers (net)	31,200	27,900	12	24,500	28	97,500	73,700	32
Savings capital at the end of the period, SEK m	272,000	261,600	4	222,900	22	272,000	222,900	22

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

Strong customer growth and great interest in Avanza Auto

Customer growth was strong during the quarter. The launch of Avanza Auto had an impact, with a record-high customer inflow in the days immediately following the launch. To date, after only three weeks, over SEK 300 million have been invested in the Auto funds. In terms of net inflow as a whole, we are seeing less willingness among customers to take on risk. The net inflow amounted to SEK 5.9 billion, with lower inflows from new as well as existing customers. The risk aversion is also evident in the fund inflow and in trading activity per day. Nevertheless, the number of commission-generating customers is record high.

Fund commissions stay strong at the same time that trading income was affected by risk aversion

Stock market turnover declined during the quarter and the SIX Return Index rose by 1.5 per cent. At the same time, volatility has remained low, slightly lower in fact than the second quarter. This affected our brokerage income, which fell compared to the same quarter last year. Income was higher than the second quarter because of more trading days. Fund commissions have risen since last year due to strong fund inflows and remain at the same high level as the second quarter. Net interest income was adversely affected by increased deposits. Margin lending decreased during the quarter, but the higher mortgage volume had a counteracting positive effect. Other income was lower than the second quarter due to seasonally low Corporate Finance income and lower currency-related income. The market for corporate transactions looks good heading into the fourth quarter.

Personnel costs were seasonally low in the third quarter due to the summer holiday. Expenses were otherwise according to plan and previous guidance. Our expectation is that we wind up at the upper end of the range, i.e. a cost increase closer to 20 per cent.

Through continuous everyday innovation our ambition is to become the tool for our customers to succeed with their economy

In addition to the launch during the quarter of Avanza Auto, we are staying innovative by continuously improving our apps and website. Customers can now track their investments in cryptocurrencies on the platform, a small step in giving them a better overview. We continue to broaden our offering, not least in the form of our upcoming mortgage offer in cooperation with Stabelo. As a result of our consistent focus on improvements, Avanza is now the eleventh most popular website in the .se domain, after giants such as Google and Hemnet. We are extremely pleased about this.

A step toward simplifying transfer rights for pension savings

We have been working for a long time to promote better transfer rights for pension savings, and in August a long-awaited proposal came from the government to do just that. The focus has been on fees, i.e. how much a transfer costs, and allowing customers to combine their policies in one place. This is positive news for everyone saving for retirement and something we truly welcome. For many people, their pension is the biggest part of their savings. Our hope now is that administration will be further simplified and the time it takes for a transfer will be reduced, and that older policies will be included as well. We will continue to push for a better pension market to ensure a better future for our savers.

Another government proposal that in contrast would not benefit investors is the higher tax on investment savings accounts and endowment insurance. Our view, even though these accounts will still offer tax advantages, is that higher taxes on savings send the wrong signal at a time when debt is growing. Savings affect our future quality of life, and we have to do more to encourage savings.

I would lastly like to wish Avanza the best of luck on its journey to create a better future for millions of people. In a couple of weeks, on 6 November to be exact, I will hand over the duties of CEO to my successor, Rikard Josefson. I will continue to follow Avanza's development and exciting journey in the future.

Stockholm, 19 October 2017



Johan Prom, CEO Avanza



Operations

Activity and market shares

The Stockholm Stock Exchange fell in the first part of the third quarter, but finished strongly in September. The SIX Return Index rose by 1.5 per cent during the quarter. Volatility remained low and the SIX Volatility Index averaged 12.5, which was slightly lower than the previous quarter and compares to 17.1 in the third quarter of 2016. Market sentiment and the reluctance to take on risk that distinguished the second quarter continued to affect trading activity in the third quarter as well.

Turnover on the Stockholm Stock Exchange including First North decreased during the quarter despite more trading days. Among Avanza's customers, turnover rose by 10 per cent, while turnover per trading day was slightly lower. Compared to the same quarter last year, turnover was 1 per cent higher. The number of commission-generating notes among Avanza's customers grew compared to the previous quarter, but was lower relative to the number of trading days. Compared to third quarter of 2016, the total number of commission-generating notes and the number of notes per trading day were both higher.

Avanza's share of transactions on the Stockholm Stock Exchange including First North was 14.3 (15.2) per cent in the third quarter. Avanza's share of turnover was 6.3 (7.5) per cent. Compared to third quarter of 2016, Swedish institutes have seen their market shares decline slightly as foreign competitors have become more active in institutional trading.

The reluctance to take on risk was also evident in the decrease in fund inflows to the market as a whole as well as among Avanza's customers. Increased market confidence at the end of the quarter, together with the launch of Avanza Auto, contributed however to higher inflows in September.

Data on the Swedish savings market for the second quarter of 2017 were released in August. Avanza's share of the total net inflow to the Swedish savings market in the period July 2016 – June 2017 was 12.6 per cent, clearly exceeding the long-term target of at least 9 per cent. Avanza's share of the Swedish savings market was 3.5 per cent at the end of the second quarter.

The Riksbank left the repo rate unchanged during the quarter. A raise is not expected until mid-2018.

Events during the third quarter

In September, Avanza Auto was launched – a simple, cheap and automatic way to manage savings. Avanza Auto is the collective name for six investment funds (Auto1-6) with different risk profiles

and investment horizons. Each fund comprises a portfolio of securities managed by Avanza Fonder AB. The fund management is optimized continuously based on modern portfolio theory developed by Nobel laureates and world-leading researchers. The funds have a management fee of 0.35 per cent. Avanza Auto is specially designed for all those who want to save in a better way, but don't feel that they have the time, interest or know-how.

As part of an effort to give customers a better overview of their investments, we added a feature in September that allows them to track the value of cryptocurrencies in their account overview.

The application process for margin lending was also converted to digital form at the end of the quarter.

Mobile app development is a continuous process. New features include the ability to follow the online magazine Placera's stock forum, set price alarms and save in Avanza Auto.

Avanza's cooperation with Stabelo AB to distribute mortgages to a broader customer group is progressing according to plan and Avanza is planning a new offer to customers in the fourth quarter.

Development of customers and savings capital

The net inflow in the third quarter was 32 per cent lower than the inflow in the previous quarter; 53 per cent of the net inflow came from new customers. The largest share of the net inflow was to investment savings accounts, which offer tax advantages for customers. The net inflow was unchanged compared to the same quarter in 2016.

A total of 31,200 new customers were added during the quarter, a record high for a third quarter. At the same time, nearly 800 new companies chose Avanza for their occupational pensions.

Savings capital grew by 4 per cent during the quarter driven by higher stock prices and the net inflow.

At the end of the period, 28 per cent of customers' savings capital was invested in funds, in line with the start of the quarter, but 3 percentage points higher than the third quarter of 2016.

Customers' total deposits increased during the quarter by nearly SEK 2.2 billion, of which SEK 1.2 billion related to external deposits to Savings Accounts+. Liquidity as a share of savings capital was 16 per cent at the end of the period. Total lending grew by 2 per cent during the quarter. Mortgage volume rose by 7 per cent, while margin lending decreased as customers became more risk averse. On 30 September, the distribution was 44 per cent margin lending and 56 per cent mortgages.

Activity and market shares	2017	2017	Change	2016	Change	2017	2016	Change	2016
	Q3	Q2	%	Q3	%	Jan-Sep	Jan-Sep	%	Jan-Dec
Total no. commission notes, thousands	7,290	7,260	0	6,310	16	22,300	17,600	27	24,600
Total no. commission notes/customer/month	3.6	3.7	-3	3.8	-5	3.8	3.7	3	3.8
Total turnover, SEK m	170,700	166,500	3	178,000	-4	524,600	557,000	-6	746,200
Market shares									
<i>Nasdaq Stockholm and First North:</i>									
No. transactions, %	14.3	12.9	1.4	15.2	-0.9	14.1	13.2	0.9	13.5
Turnover, %	6.3	5.3	1.0	7.5	-1.2	6.1	6.9	-0.8	6.8
Net inflow, SEK m	2017	2017	Change	2016	Change	2017	2016	Change	2016
	Q3	Q2	%	Q3	%	Jan-Sep	Jan-Sep	%	Jan-Dec
Standard	5,350	7,200	-26	5,100	5	20,440	14,580	40	20,020
Private Banking	380	980	-61	740	-49	1,950	5,410	-64	6,030
Pro	170	530	-68	80	113	810	310	160	450
Net inflow	5,900	8,710	-32	5,920	0	23,200	20,300	14	26,500
Equity & investment fund accounts	1,050	890	18	630	67	1,080	5,230	-78	6,840
Investment savings accounts (ISK)	2,770	4,160	-33	3,670	-25	14,100	9,480	49	13,400
Savings accounts	1,180	1,740	-32	70	1,586	2,750	1,050	163	1,150
of which external deposit accounts	1,180	1,790	-34	50	2,260	2,850	1,030	177	1,100
Pension- & insurance-based accounts	900	1,920	-53	1,550	-42	5,270	4,540	16	5,110
of which endowment insurance	280	1,120	-75	910	-69	3,130	2,740	14	2,540
of which occupational pensions	630	780	-19	660	-5	2,190	1,920	14	2,680
Net inflow	5,900	8,710	-32	5,920	0	23,200	20,300	14	26,500
Net inflow/Savings capital, %	9	14	-5	12	-3	13	14	-1	14
No. customers and accounts, SEK m (unless otherwise stated)	Change			Change			Change		
	30-09-2017	30-06-2017	%	31-12-2016	%	30-09-2016	%	%	
Standard, no	646,080	615,480	5	550,910	17	522,890	24		
Private Banking, no	20,300	19,600	4	17,700	15	16,600	22		
Pro, no	1,720	1,820	-5	1,990	-14	1,810	-5		
No. customers	668,100	636,900	5	570,600	17	541,300	23		
of which occupational pension customers, no	59,600	56,700	5	49,100	21	45,900	30		
Standard	152,510	146,470	4	129,150	18	125,730	21		
Private Banking	111,200	107,100	4	95,100	17	91,000	22		
Pro	8,290	8,030	3	6,750	23	6,170	34		
Savings capital	272,000	261,600	4	231,000	18	222,900	22		
Equity & investment fund accounts	83,800	81,900	2	77,350	8	73,970	13		
Investment savings accounts	83,900	79,200	6	64,000	31	59,900	40		
Savings accounts	12,200	11,000	11	9,450	29	9,330	31		
of which external deposit accounts	11,400	10,300	11	8,580	33	8,500	34		
Pension- & insurance-based accounts	92,100	89,500	3	80,200	15	79,700	16		
of which endowment insurance	66,100	64,400	3	57,900	14	58,700	13		
of which occupational pensions	15,100	14,300	6	12,100	25	11,000	37		
Savings capital	272,000	261,600	4	231,000	18	222,900	22		
Equities, bonds, derivatives, etc.	161,630	156,370	3	145,280	11	140,720	15		
Investment funds	76,800	73,700	4	58,900	30	55,200	39		
Deposits	42,500	40,300	5	35,000	21	34,500	23		
of which external deposits	11,400	10,300	11	8,580	33	8,500	34		
Lending	-8,930	-8,770	2	-8,180	9	-7,520	19		
of which mortgage loans (Superbolånet PB)	-4,990	-4,660	7	-4,060	23	-3,600	39		
Savings capital	272,000	261,600	4	231,000	18	222,900	22		
Deposits/Lending, %	476	460	16	428	48	459	17		
Net deposits/Savings capital, %	12	12	0	12	0	12	0		
Return, average account since 1 Jan, %	7	6	1	6	1	5	2		
SIX Return Index since 1 Jan, %	12	11	1	10	2	6	6		

For definitions see page 19.

Financial overview

	2017 Q3	2017 Q2	Change %	2016 Q3	Change %	2017 Jan-Sep	2016 Jan-Sep	Change %	2016 Jan-Dec
Income Statement, SEK m									
Brokerage income	106	100	5	113	-6	328	348	-6	469
Fund commissions	62	61	1	44	39	175	120	46	168
Net interest income	25	27	-6	25	-1	81	84	-3	114
Other income	36	48	-25	38	-5	127	120	6	167
Operating income	229	236	-3	220	4	711	671	6	919
Personnel	-74	-87	-15	-62	19	-242	-207	17	-290
Marketing	-6	-4	25	-5	3	-17	-20	-19	-32
Depreciation	-5	-2	151	-2	182	-9	-6	49	-8
Other expenses	-41	-39	3	-29	38	-116	-89	31	-123
Operating expenses before credit losses	-125	-133	-6	-98	27	-384	-323	19	-453
Profit before credit losses	104	103	1	122	-15	327	348	-6	465
Credit losses, net	0	0	-	-1	-	0	-1	-	-1
Operating profit	104	103	1	122	-15	327	348	-6	465
Tax on profit for the period	-15	-15	3	-17	-10	-47	-50	-6	-66
Net profit	89	89	0	105	-16	280	298	-6	399
Key ratios									
Operating margin, %	45	44	2	55	-10	46	52	-6	51
Profit margin, %	39	38	1	48	-9	39	44	-5	43
Earnings per share, SEK	2.97	2.97	0	3.53	-16	9.40	10.06	-7	13.45
Earnings per share after dilution, SEK	2.97	2.96	0	3.53	-16	9.40	10.06	-7	13.44
Return on shareholders' equity, %	28	31	-3	37	-8	30	34	-4	33
Credit loss level, %	-0.00	-0.00	-0.00	0.00	-0.00	-0.00	0.01	-0.01	0.01
Investments, SEK m	9	19	-55	9	-1	35	21	66	36
Brokerage income/Operating income, %	46	43	4	51	-5	46	52	-6	51
Fund commissions/Operating income, %	27	26	1	20	7	25	18	7	18
Net interest income/Operating income, %	11	11	-0	11	-0	11	12	-1	12
Other income/Operating income, %	16	20	-4	17	-1	18	18	-0	18
Income to savings capital ratio, %	0.34	0.37	-0.03	0.42	-0.08	0.38	0.45	-0.07	0.44
Costs to savings capital ratio, %	0.19	0.21	-0.02	0.19	0.00	0.20	0.21	-0.01	0.22
Brokerage income per trading day, SEK m	1.6	1.7	-6	1.7	-5	1.8	1.9	-5	1.9
Brokerage per commission note, SEK	34	34	1	39	-12	34	42	-20	41
Brokerage/Turnover, %	0.094	0.092	0.002	0.091	0.003	0.094	0.087	0.007	0.088
No. trading days	65.0	58.0	12	66.0	-2	186.5	187.5	-1	251.0
Average no. employees	392	377	4	344	14	381	338	13	343
Web service operational availability, %	100.0	100.0	-	100.0	-	100.0	100.0	-	99.9
Key ratios									
	30-09-2017	30-06-2017	Change %	31-12-2016	Change %	30-09-2016	Change %		
Shareholders' equity per share, SEK	44.30	39.75	11	43.83	1	40.44	10		
Capital base/Capital requirement	1.65	1.60	3	1.66	-1	1.66	-1		
No. employees	405	379	7	365	11	355	14		
Market value, SEK	341.20	367.90	-7	369.00	-8	339.00	1		
Market capitalisation, SEK m	10,200	11,000	-7	11,000	-7	10,100	1		

For definitions see page 19.

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

Third quarter compared to the previous quarter

Operating profit during the third quarter increased by 1 per cent compared to previous quarter, which was mainly a result of lower costs. Operating margin increased to 45 per cent.

Revenues

Total revenues decreased by 3 per cent compared to the previous quarter.

Brokerage income increased due to more trading days. Turnover, number of commission notes and number of brokerage customers were all record high. Per trading day, however, revenues

and the number of notes were slightly lower. Revenues per trade also decreased slightly.

Fund commissions increased by 1 per cent due to higher fund volumes, which on average rose by 2 per cent during the period. The increase is mainly a result of rising stock prices at the end of the quarter. Equity funds decreased as a share of fund capital, at the same time that the share of fixed income funds rose.

Net interest income decreased by 6 per cent due to increased deposits, which raised costs for surplus liquidity. A large part of the surplus liquidity was deposited over night, since the supply of covered bonds has been low. The repo rate was unchanged, while

STIBOR (3M) was 4 bps higher, which only marginally affected net interest income, however.

Other income decreased by 25 per cent due to seasonally lower Corporate Finance income. Currency-related income also fell, which was a result of less trading in foreign equities and funds. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 5.2 per cent of turnover. Avanza Markets' share of total trading in exchange-traded products (ETP) represented 66 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. Avanza Markets accounted for 42 per cent, currency-related income for 54 per cent and Corporate Finance income for 4 per cent of other income.

Operating expenses

Operating expenses decreased by 6 per cent, mainly due to seasonally lower personnel costs. Depreciation of a new trading system began in the third quarter and amounted to SEK 2.9 million.

January–September 2017 compared to January–September 2016

Operating profit decreased by 6 per cent compared to the first nine months of 2016, a net of higher operating costs and increased income. The operating margin declined to 46 per cent.

Revenues

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

Brokerage income decreased by 6 per cent, even though the number of commission-generating notes increased by 10 per cent and the number of commission-generating customers rose by 19 per cent. Transaction sizes are still small and involve lower commission classes. This contributed to a slight increase in brokerage income per SEK of turnover compared to 2016, from 8.7 to 9.4 basis points.

Fund commissions increased by 46 per cent, mainly due to a strong fund inflow.

Net interest income fell, mainly as a result of higher expenses for the deposit guarantee fee and resolution fee, but also because of increased expenses for surplus liquidity. This was partly offset by higher lending. The deposit guarantee fee and resolution fee amounted to SEK 20.1 million. The repo rate averaged -0.50 per cent in the first nine months of 2017, compared to -0.47 per cent in the same period last year. STIBOR (3M) was an average of 2 bps lower than last year. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point change in interest rate with today's volumes would affect full-year net interest income by around SEK 200 million.

Other income increased, largely due to higher currency-related income caused by increased trading in foreign securities. Corporate Finance income decreased slightly compared to the previous year, when the second quarter was strong due to the Paradox Interactive listing. Income from Avanza Markets was slightly higher than in 2016.

Operating expenses

Operating expenses increased mainly due to an increased number of employees and higher other costs, to a large extent attributable to expanded development capacity.

In 2017, expenses are expected to rise by nearly 20 per cent, at the high end of the previously estimated range of 15–20 per cent, before returning to an estimated yearly rate of 8–10 per cent; see Future outlook.

Seasonal effects

Avanza has no major 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 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. The gradual deterioration of national and collective pension and welfare systems increases the need for individual savings.

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.

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 more affected. 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.

Avanza expects these trends and changes 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.

In August, the government proposed an amendment that would make it easier to repurchase and transfer life insurance. The proposal covers policies signed after June 2007 and is intended to give investors more savings options. The proposal limits the fees that can be charged by insurance companies and specifies those that can be charged for transfers. At the same time, it would be possible to combine policies with a single insurer. The amendments are proposed to take effect on 1 July 2018.

In its budget bill for 2018, the government has proposed higher taxes on investment savings accounts and endowment insurance. The proposal is scheduled to take effect on 1 January 2018. Avanza does not expect it to have an impact on the inflow of savings capital.

The government's previous proposal to introduce a new tax on financial services based on wages has been withdrawn. The proposal now on the table calls for raising the resolution fee in 2018 and then gradually reducing it till 2020.

Avanza does not foresee a return to the previous level of income per savings capital given current savings habits and the competitive landscape. Competition and profitability will instead have to be generated through cost efficiency and innovative product development. Avanza's focus on pensions and new products is expected to contribute as a long term shock absorber if the market fluctuates.

In 2017, expenses are expected to rise at a rate of nearly 20 per cent before returning to a yearly rate of 8–10 per cent. Given continued strong growth in customers and savings capital, we

estimate the cost to savings capital ratio to fall below 20 basis points soon.

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015
Brokerage income	106	100	122	122	113	110	125	146	113
Fund commissions	62	61	53	48	44	38	37	38	38
Net interest income	25	27	29	31	25	27	31	30	29
Other income	36	48	44	47	38	50	33	38	24
Operating income	229	236	247	247	220	225	226	253	203
Personnel	-74	-87	-82	-83	-62	-74	-72	-75	-58
Marketing	-6	-4	-7	-11	-5	-8	-7	-6	-6
Depreciation	-5	-2	-2	-2	-2	-2	-2	-2	-2
Other expenses	-41	-39	-36	-34	-29	-30	-30	-29	-29
Operating expenses before credit losses	-125	-133	-126	-130	-98	-113	-112	-112	-95
Operating profit	104	103	121	117	122	111	115	140	108
Operating margin, %	45	44	49	47	55	49	51	56	53
Earnings per share, SEK	2.97	2.97	3.46	3.39	3.53	3.18	3.35	4.03	3.19
Shareholders' equity per share, SEK	44.30	39.75	36.78	43.83	40.44	36.64	41.71	38.37	34.33
Return on shareholders' equity, %	28	31	34	32	37	32	33	44	39
Net inflow	5,900	8,710	8,620	6,210	5,920	9,430	4,960	5,790	5,010
No. new customers (net)	31,200	27,900	38,400	29,300	24,500	23,100	26,100	23,700	20,400
No. customers at the end of the period	668,100	636,900	609,000	570,600	541,300	516,900	493,800	467,600	443,900
Savings capital at the end of the period	272,000	261,600	246,300	231,000	222,900	199,200	188,900	191,600	170,700
Income to savings capital ratio, %	0.34	0.37	0.41	0.44	0.42	0.46	0.48	0.56	0.48
Costs to savings capital ratio, %	0.19	0.21	0.21	0.23	0.19	0.23	0.24	0.25	0.22

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 third 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 for the nine months was SEK -11 million (SEK -9m). 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	30-09-2017	31-12-2016
Capital base		
Shareholders' equity, the Group	1,329	1,308
Solvency capital (NPV)	2,536	2,340
Less non-distributable solvency capital ¹	-1,005	-908
Subordinated bond	99	92
Intangible fixed assets and deferred tax receivables	-84	-63
Capital base before dividend adjustments	2,876	2,769
Capital requirements		
Capital requirement Pillar 1	-1,957	-1,810
of which Solvency capital requirements (SCR)	-1,531	-1,432
Buffer requirement	-236	-184
Capital requirement Pillar 2	-40	-35
Capital requirements	-2,233	-2,029
Capital surplus before dividend	642	740
Capital surplus per share, SEK	21.42	24.79

1) *Non-distributable solvency capital = Solvency capital (NPV) - Solvency capital requirement (SCR)*

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 642 million as of 30 September 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 September Gustav Berggren, member of Group Management since 2014 and Head of the Private Bank since 2009, announced that he will be leaving his position. Gustav Berggren will remain with Group Management for the duration of his contract leave of 6 months at the longest.

In June, Johan Prom, CEO of Avanza, decided to step down. He will hand over to Rikard Josefson who will assume the role on 6 November. Rikard served most recently as CEO of Länsförsäkrings Bank, prior to which he spent 25 years at SEB.

Chief Legal Officer Teresa Schechter joined Group Management on 20 April.

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 2018

The Annual General Meeting of the company's shareholders will be held in Stockholm on 20 March 2018.

Nomination committee

The Nomination Committee comprises the Chairman of the Board Sven Hagströmer representing the Hagströmer family and companies, Erik Törnberg representing Creades AB, Magnus Dybeck representing the Dybeck family and companies and Per Colleen representing Fjärde AP-fonden. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, please visit Avanza's website at avanza.com.

Incentive programmes

Sub-programme 1 of the stock option programme 2014–2017 had exercise period from 25 August 2017 to 1 September 2017. After recalculation of the option programme the exercise price was

SEK 315.74 per share and 157,300 shares were possible to subscribe for. All 157,300 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 30 September 2017 amounts to 29,996,222.

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. The programme has an exercise price of SEK 430.33 and the expiration date is 30 August 2020. The stock option programme has been implemented on market terms.

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 nine months of 2017 and the company holds no repurchased shares as of 30 September 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

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

Consolidated Income Statements ¹

SEK m	2017 Q3	2016 Q3	2017 Jan-Sep	2016 Jan-Sep	2016-2017 Oct-Sep	2016 Jan-Dec
Operating income						
Commission income	236	227	732	684	983	934
Commission expenses	-35	-32	-105	-99	-139	-133
Interest income	54	51	162	155	218	211
Interest expenses	-29	-26	-81	-71	-107	-97
Net result of financial transactions	2	0	2	3	3	3
Other operating income	0	0	0	0	0	0
Total operating income	229	220	711	671	958	919
Operating expenses						
General administrative costs	-110	-86	-345	-283	-459	-397
Depreciation of tangible and intangible fixed assets	-5	-2	-9	-6	-11	-8
Other operating expenses	-10	-10	-30	-34	-44	-48
Total operating expenses before credit losses	-125	-98	-384	-323	-514	-453
Operating profit before credit losses	104	122	327	348	444	465
Credit losses, net	0	0	0	-1	0	-1
Operating profit	104	122	327	348	445	465
Tax on profit for the period	-15	-17	-47	-50	-63	-66
Net profit²	89	105	280	298	382	399
Earnings per share, SEK	2.97	3.53	9.40	10.06	12.78	13.45
Earnings per share after dilution, SEK	2.97	3.53	9.40	10.06	12.78	13.44
Average no. shares before dilution, thousands	29,883	29,839	29,854	29,600	29,850	29,660
Average no. shares after dilution, thousands	29,883	29,839	29,854	29,610	29,850	29,682
Outstanding no. shares before dilution, thousands	29,996	29,839	29,996	29,839	29,996	29,839
Outstanding no. shares after dilution, thousands	29,996	29,871	29,996	29,871	29,996	29,908
No. shares upon full dilution, thousands	30,976	31,309	30,976	31,309	30,976	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	30-09-2017	31-12-2016
Assets			
Lending to credit institutions	1	1,579	1,583
Lending to the public	2	9,917	8,175
Bonds		15,134	13,244
Shares and participations		18	5
Assets in insurance operations		87,474	75,934
Intangible fixed assets		81	62
Tangible fixed assets		25	18
Other assets		3,080	1,432
Prepaid costs and accrued income		108	164
Total assets		117,415	100,616
Liabilities and shareholders' equity			
Deposits by the public		27,903	22,832
Liabilities in insurance operations		87,474	75,934
Other liabilities		504	353
Accrued costs and prepaid income		106	89
Subordinated liabilities		99	99
Shareholders' equity		1,329	1,308
Total liabilities and shareholders' equity		117,415	100,616

Changes in the Group's shareholders' equity

SEK m	2017	2016	2016
	Jan-Sep	Jan-Sep	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	50	83	83
Warrants issue	4	8	8
Net profit for the period (also total comprehensive income)	280	298	399
Shareholders' equity at the end of the period	1,329	1,207	1,308

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

Consolidated Cash Flow Statements

SEK m	2017	2016	2017	2016
	Q3	Q3	Jan-Sep	Jan-Sep
Cash flow from operating activities before changes in operating activities' assets and liabilities	-384	-44	-1,200	425
Cash flow from operating activities' assets and liabilities	1,505	-2,413	3,467	1,459
Cash flow from investment operations	-1,350	283	-1,925	-1,460
Cash flow from financial operations	54	8	-259	-217
Cash flow for the period	-175	-2,166	83	207
Liquid assets at the beginning of the period ¹	1,711	3,972	1,453	1,599
Liquid assets at the end of the period ¹	1,536	1,806	1,536	1,806

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 42 million (SEK 141 m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

SEK m	2017	2016
	Jan-Sep	Jan-Sep
Operating expenses		
Administration expenses	-6	-5
Other operating expenses	-4	-4
Operating profit/loss	-11	-9
Profit from financial investments		
Profit/loss from participations in Group companies	-	-
Interest income and similar items	0	-0
Profit before tax	-11	-9
Tax on profit for the period	2	2
Net profit/loss for the period	-8	-7

Parent Company Balance Sheets

SEK m	30-09-2017	31-12-2016
Assets		
Financial fixed assets	424	414
Current receivables ¹	72	354
Liquid assets	0	0
Total assets	495	767
Shareholders' equity and liabilities		
Restricted shareholders' equity	75	75
Non-restricted shareholders' equity	414	686
Current liabilities	6	7
Total shareholders' equity and liabilities	495	767

1) Of which receivables from subsidiaries SEK 69 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 with the implementation of the introduction of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, which will apply to annual periods beginning on or after 1 January 2018.

IFRS 9 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 Group's project on implementing the new accounting regulations is progressing according to plan. Development of models and processes is currently ongoing, primarily concerning the classification based on business model and the characteristics of the contractual cash flows as well as assumptions regarding expected credit losses. 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. This impact primarily involves a changed way for the organization to monitor and analyze existing and new credits. The financial results are not expected to be significantly impacted.

IFRS 15 contains a single model for recognizing revenue from contracts with customers that is not encompassed by other standards. The Group is working on analyzing the effects of IFRS 15 and preparation for implementation. The assessment is that, in addition to expanded disclosure requirements, the standard will not have any significant effect on the Group's financial reports.

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, amounted at the end of the period to SEK 1,147 million (SEK 1,143 m as of 31 December 2016) which are reported net against client fund payables of SEK 1,147 million (SEK 1,143 m as of 31 December 2016). Of the liquid assets of SEK 1,579 million as per the end of the period, SEK 42 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 997 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 8,920 million at the end of the period, of which SEK 3,926 million (SEK 4,118 m as of 31 December 2016) with collateral in the form of securities and SEK 4,994 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 6,128 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 1,134 million (SEK 1,018 m as of 31 December 2016).

Note 3 Financial instruments

Classification of financial instruments

30-09-2017 SEK m	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non-financial instruments	Total
Assets						
Lending to credit institutions	-	-	1,579	-	-	1,579
Lending to the public	-	-	9,917	-	-	9,917
Bonds	-	15,134 ¹	-	-	-	15,134
Shares and participations	18	-	-	-	-	18
Assets in insurance operations	87,474	-	-	-	-	87,474
Intangible assets	-	-	-	-	81	81
Tangible assets	-	-	-	-	25	25
Other assets	-	-	447	-	2,633	3,080
Prepaid costs and accrued income	-	19	69	-	20	108
Total assets	87,492	15,153	12,012	-	2,759	117,415
Liabilities						
Deposits by the public	-	-	-	27,903	-	27,903
Liabilities in insurance operations	87,474	-	-	-	-	87,474
Other liabilities	-	-	-	503	1	504
Accrued costs and prepaid income	-	-	-	56	50	106
Subordinated liabilities	-	-	-	99	-	99
Total liabilities	87,474	-	-	28,561	51	116,086

1) The fair value amounts to SEK 15,171 million, of which SEK 15,171 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

30-09-2017, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	44,223	0	15	44,238
Fund units	1,331	30,182	-	31,513
Bonds and other interest-bearing securities	16,380	535	-	16,915
Other securities	272	63	-	335
Liquid assets	-	-	-	9,663
Total assets	62,206	30,780	15	102,664
Liabilities				
Liabilities in insurance operations (investment agreements)	-	87,474	-	87,474
Total liabilities	-	87,474	-	87,474

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	30-09-2017	31-12-2016
Capital base		
Shareholders' equity, the Group	1,329	1,308
Assumed/Proposed dividend	-196	-313
Shareholders' equity, financial conglomerate	1,133	995
<i>Additional</i>		
Solvency capital (NPV)	2,536	2,340
Subordinated bond	99	92
<i>Less</i>		
Intangible fixed assets	-81	-62
Deferred tax receivables	-3	-1
Total capital base	3,684	3,364
Capital base per sector		
Capital requirement for regulated units in the insurance sector	2,729	2,482
Capital requirement for regulated units within the banking and securities sector	955	882
Total capital base	3,684	3,364
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector	1,531	1,432
Capital requirement for regulated units within the banking and securities sector	702	598
of which additional buffer requirement	236	184
of which additional Pillar 2 requirement	40	35
Total capital requirement	2,233	2,030
Capital surplus	1,451	1,334
Capital base/Capital requirement	1.65	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	30-09-2017	31-12-2016
Tier 1 capital		
Shareholders' equity, the Group	1,329	1,308
Assumed/Proposed dividend	-196 ¹	-313
Equity not part of the consolidated situation	-130	-66
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,002	929
<i>Deducted items</i>		
Intangible assets	-81	-62
Deferred taxes	-3	-1
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension	-39	-39
Common equity tier 1 capital	880	827
Subordinated bond	99	92
Tier 2 capital	99	92
Total capital base	980	919
Capital requirement		
Credit risk according to standardised approach	324	275
Market risks	3	1
Settlement risk	0	0
Operational risk	93	93
Capital requirement	420	369
Risk exposure amount		
Credit risk according to standardised approach	4,049	3,436
of which Institutions	314	316
of which Corporates	36	28
of which Households	169	172
of which Collateral in real estate	1,748	1,420
of which Covered bonds	1,465	1,276
of which Other items	316	224
Market risks	37	11
Settlement risk	0	0
Operational risk	1,162	1,162
Total risk exposure amount	5,248	4,609
Capital ratios and buffers		
Common equity tier 1 ratio, %	16.8	17.9
Tier 1 ratio, %	16.8	17.9
Total capital ratio, %	18.7	19.9
Capital base in relation to capital requirement	2.33	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, %	12.3	13.4
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	324	366
Additional Pillar 2 requirement	40	35
Capital surplus after buffer requirement and Pillar 2	284	331

1) Based on the dividend policy of 70 per cent, excluding dividend due to earning in companies that are not part of the consolidated situation.

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

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 are facing.

Stockholm, 19 October 2017

Johan Prom
CEO

For additional information



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

A webcast presentation will be held by Johan Prom, CEO, and Birgitta Hagenfeldt, CFO, on 19 October 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.com. Phone number for participants:

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

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

Preliminary Financial Statement 2017	18 January 2018
Annual Report 2017	February 2018
Annual General Meeting	20 March 2018
Interim Report January – March 2018	18 April 2018

Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (Interim Report) of Avanza Bank Holding AB (publ) as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this Interim Report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts for Credit Institutions and Securities Companies Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 19 October 2017

Öhrlings PricewaterhouseCoopers

Catarina Ericsson
Authorized Public Accountant

For translation purposes only.

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 references below.

Account

An open account with holdings.

Brokerage income²⁾

Gross brokerage income less direct costs.

Brokerage per commission note²⁾

Gross brokerage income 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.

Brokerage/Turnover²⁾

Gross brokerage income in relation to turnover excluding investment fund trading and free-of-charge trading in 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 is 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, i.e. employees' recommendation level, according to 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 commissions²⁾

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 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 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.