



Interim Report January–June 2018

Avanza Bank Holding AB (publ)

Second quarter 2018 compared to second quarter 2017

- **Customer growth** remained positive at 23,300 (27,900) despite an unsettled market
- **Net inflow** in the quarter was SEK 4,840 million (8,710). The share of net inflow from existing customers decreased
- **Operating income** increased by 4 per cent, mainly due to higher fund volumes and, as a result, higher fund commissions. Brokerage income decreased due to lower turnover
- **Operating expenses** increased by 17 per cent. The cost increase is a result of expanded development capacity for future growth, where a larger share than planned was devoted this spring to regulatory implementation. The cost increase in the second quarter was according to plan
- **The cost increase for 2018 will be nearly 11 per cent, compared to the previous estimate of 8-10 per cent.** A decision was made to recruit 20 new employees in innovation and development this autumn to further expand the capacity of the development team. The long-term plan to maintain a yearly cost increase of 8-10 per cent remains unchanged
- **Net profit** of SEK 79 million, a decrease of 11 per cent compared to previous year
- After the end of the quarter, the Swedish Tax Agency announced that it intends to impose a retroactive tax on Avanza Pension for 2016. If the equivalent is done for 2017 and 2018, the total tax expense is estimated at SEK 5 million. Avanza will consider a possible appeal
- For the fourth year Avanza was awarded for the best customer service in financial services in Service Score's ranking
- Avanza Corporate Finance was named the best advisor in the category "quality in small cap class", according to SVD Börsplus IPO-guide
- Sustainability aspects were implemented by Avanza's funds

Quote from Rikard Josefson, CEO Avanza

"We at Avanza are driven by still having much to do in the savings market. While cost control is strategically important to us, we will not let it limit our development. The industry is changing faster than ever and after my first half year as CEO I feel that we need to increase capacity in order to more quickly deliver on our ambitions."

	Q2 2018	Q1 2018	Change %	Q2 2017	Change %	Jan-Jun 2018	Jan-Jun 2017	Change %
Operating income, SEK m ¹	244	271	-10	234	4	515	478	8
Operating expenses, SEK m ¹	-153	-152	1	-131	17	-305	-255	20
Operating profit, SEK m	90	120	-25	103	-13	209	224	-6
Net profit, SEK m	79	104	-24	89	-11	183	192	-5
Earnings per share, SEK	2.64	3.45	-24	2.97	-11	6.10	6.43	-5
Operating margin, % ¹	37	44	-7	44	-7	41	47	-6
Net inflow, SEK m	4,840	7,960	-39	8,710	-44	12,800	17,300	-26
No. new customers (net)	23,300	42,400	-45	27,900	-16	65,700	66,200	-1
Savings capital at the end of the period, SEK m ²	307,100	288,700	6	270,300	14	307,100	270,300	14

1) A transfer of costs related to search engine marketing and similar services has been made. These are now reported as Commission expenses under Operating income (previously, Other operating expenses). Historical figures and key ratios have been adjusted.

2) The definition of savings capital has been changed compared to what has been previously reported and lending is no longer deducted. Historical figures have been adjusted.

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.

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 SQI's (Swedish Quality Index) annual award

Satisfied employees:

- eNPS (Employee Net Promoter Score) over 45

Long-term value growth:

- Market share of at least 10 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 investors.avanza.se/en and the Annual Report.

CEO comment

A fairly dull quarter

I would sum up the second quarter as mediocre, which is reflected in our results. The net inflow is not at the level we would like to see. This is a pattern we are familiar with in this type of market. Our existing customers are holding off on making deposits until they know where to put their capital. Turnover and the number of transactions among our customers were both significantly lower than the previous quarter, and turnover was lower than the second quarter of 2017 as well. On the whole a hesitant market, as evidenced by brokerage commissions, which fell 25% in the quarter. Notwithstanding market conditions and the dull quarter, 23,300 new customers were added. We are also seeing fund commissions continue to rise. They were up 3% compared to the first quarter, but rose as much as 22% compared to the second quarter of 2017. We are also seeing the share of fund investors increase among our new customers. This is important for Avanza and in line with our strategy to build income that is less volatile by nature than trading income.

Mortgage lending is a marathon where we won't hold back on the customer experience

Gratifyingly, the launch of Bolån+ mortgage has been well received after we released it to everyone on 4 April. Volume as of 30 June amounted to SEK 2 billion despite limited marketing. Building a mortgage portfolio is a marathon that happens over time. For Avanza it is vital therefore that the experience customers have when applying for a loan is excellent. We will never deviate from our most important target of satisfied customers.

Increased focus on sustainability

We have always invested a lot in information and education, but we can do more in the area of sustainability. An important example is that we implemented sustainability aspects in our Avanza funds in the quarter, which feels important and positive and timely to say the least. Our customers have as much as SEK 7.6 billion invested in sustainable Avanza funds, with the Auto funds launched last September accounting for SEK 2.5 billion. We are working actively in many areas, including with recruiting more women to engineering school. Many Swedish companies are looking for people with technical skills. Last year more people applied to the Swedish music competition "Idol" than to college-level engineering programmes. Is this sustainable?

Strong cost control but we won't let it limit our development

Costs rose 20% in the first half of the year compared to the first half of 2017. This is exactly as planned and means that we could meet the communicated cost increase within the range of 8-10% in 2018. I have now worked at Avanza for over a half year, however, and gotten to know the operations on a deeper level. My analysis is that pace of change in the market is accelerating, at the same time that we in the industry are devoting major resources to developing and managing

regulatory requirements. Given the development investments in 2017, Avanza has sufficient capacity, but to increase the pace and meet our ambitions we have decided to begin recruiting more employees, specifically to our innovation and development teams. These recruitments will begin right after the summer and in all likelihood will lead to higher cost growth for the year compared to 2017 – probably closer to 11%, depending on how quickly we can have our new employees in place. I am convinced that this is the right decision for Avanza in the long term. We don't talk about the offers we are working on before launch, but I am very optimistic that we will deliver what we have to in order to support our customers and Avanza's growth going forward – including in the form of internal efficiencies. By this autumn we will have exciting launches underway. Our long-term goal of keeping annual cost increases in the range of 8-10% remains unchanged. Low costs are an important part of our business model.

Development is driven by engaged employees

The most important thing we have at Avanza is our magical employees and we have set a high goal in terms of employee satisfaction. We are happy that the internal survey we just conducted clearly indicates that we are heading in the right direction compared to the goal achievement last year. We are an engaged and motivated team at Avanza that places a high value on having fun at work and making a difference for our customers. We are also driven by still having plenty left to do!

Wishing you a wonderful summer!

Stockholm, 12 July 2018



Rikard Josefson, CEO Avanza



Operations

Activity and market shares

The Stockholm Stock Exchange began strongly in the second quarter but fell slightly in the latter part. The SIX Return Index rose a total of 5 per cent in the quarter. The SIX Volatility Index was slightly higher at an average of 14.4, compared to 14.0 in the previous quarter.

Turnover on the Stockholm Stock Exchange including First North fell 6 per cent in the quarter. Turnover among Avanza's customers decreased by 18 per cent. The number of transactions by Avanza's customers fell 17 per cent, while the number of transactions on the Stockholm Stock Exchange including First North fell 8 per cent.

Avanza was the largest Swedish player on the Stockholm Stock Exchange including First North in the second quarter in terms of the number of transactions, and the second largest in terms of turnover. Avanza's market share decreased due to higher activity among institutional investors, mainly foreign players.

The net inflow in the fund market was strong in the quarter after a weak finish to the first quarter, which was also reflected among Avanza's customers. Among Avanza's customers, inflow was highest to sector funds, followed by fixed income and mixed funds.

The Riksbank left the repo rate unchanged during the quarter. A rate hike is expected by the end of 2018.

Events during the second quarter

For the fourth consecutive year, Avanza was named the best financial services company in customer service in a survey by ServiceScore. Customer satisfaction is among Avanza's highest goals and we are working actively on how customers are treated through customer service and social media, as well as proactively through the website and apps.

Avanza's Corporate Finance department was named best advisor in the category "quality in small cap class", according to SvD Børsplus IPO-guide. In the second quarter Avanza recruited Pauline Holst-Blomqvist as the new head of Corporate Finance.

Placera also received an award in the quarter, when Lars Frick was named Sweden's best business journalist in the category Pharma & Healthcare by financialhearings.com.

Sustainability and corporate social responsibility are an integral part of Avanza's operations. During the quarter, sustainability aspects were implemented by Avanza's own funds, which means that three different levels of the principle of "exclusion" have been introduced. At the end of the quarter SEK 7.6 billion was invested in Avanza's sustainable funds, of which Auto funds accounted for SEK 2.5 billion.

Development of the website and mobile apps continued in the quarter.

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 2017 – March 2018 was 10.2 per cent, just over our long-term goal of at least 10 per cent. At the end of the first quarter, Avanza's share of the Swedish savings market was 3.7 per cent.

The net inflow in the second quarter was 39 per cent lower than the inflow in the previous quarter; 72 per cent of the net inflow was from new customers. The second quarter, like the end of the first quarter, saw a lower net inflow from existing customers. Customers who are already invested tend to transfer less money to Avanza in an unsettled market. This also affected net inflow within the Pro and Private Banking segment, where net inflow from Private Banking customers was negative for the quarter. A survey during the quarter showed that customers withdrawing money mainly do so to consume or invest in real estate. We still see that customer satisfaction is high and that customers like Avanza's platform. The largest share of the net inflow was to investment savings accounts, which at current interest rates offer tax advantages for customers. Compared to the same quarter in 2017, the net inflow decreased 44 per cent.

The unsettled market was also reflected in customer growth, with 23,300 new customers added in the quarter. This was significantly fewer than the first quarter, which is seasonally strong, however. The number of occupational pension customers rose by 3,500.

Nearly 66,000 new customers were added in the first half year, in line with customer growth in the first half of 2017 and a big step toward the target of 1 million customers by 2020.

Savings capital grew by 6 per cent in the second quarter driven by net inflow as well as the stock market development. At the end of the period, 29 per cent of customers' savings capital was invested in funds, which was slightly higher than the beginning of the quarter and 2 percentage points higher than the same date in 2017. This is in line with Avanza's growth objectives.

Customers' total deposits increased during the quarter by SEK 2,900 million, of which SEK 1,000 million related to external deposits to Savings Accounts+. Liquidity as a share of savings capital was 15.5 per cent at the end of the period, which was marginally higher than the beginning of the quarter.

Total lending grew 14 per cent in the second quarter to SEK 11,900 million. External mortgage volume through the cooperation with Stabelo amounted to SEK 2,020 million at the end of the quarter. The new offer was launched on a limited scale in mid-November. As of April, the offer has been available to the public. Superbolånet, an internally financed mortgage for Private Banking customers, amounted to SEK 5,640 million, an increase of 3 per cent in the quarter. Margin lending decreased slightly.

Activity and market shares	2018 Q2	2018 Q1	Change %	2017 Q2	Change %	2018 Jan-Jun	2017 Jan-Jun	Change %	2017 Jan-Dec
Total no. commission notes, thousands	8,170	9,480	-14	7,260	13	17,600	15,100	17	30,800
Total no. commission notes/customer/month	3.4	4.0	-15	3.7	-8	3.7	4.0	-8	3.8
Total turnover, SEK m	162,500	200,800	-19	166,500	-2	363,300	353,900	3	705,400
Market shares									
<i>Nasdaq Stockholm and First North:</i>									
No. transactions, %	10.9	12.0	-1.1	12.9	-2.0	11.5	14.0	-2.5	14.2
Turnover, %	4.8	5.6	-0.8	5.3	-0.5	5.2	5.9	-0.7	5.9
Net inflow, SEK m	2018 Q2	2018 Q1	Change %	2017 Q2	Change %	2018 Jan-Jun	2017 Jan-Jun	Change %	2017 Jan-Dec
Standard	5,120	7,070	-28	7,200	-29	12,180	15,080	-19	27,090
Private Banking	-290	730	-140	980	-130	440	1,570	-72	-930
Pro	10	160	-94	530	-98	180	650	-73	640
Net inflow	4,840	7,960	-39	8,710	-44	12,800	17,300	-26	26,800
Equity & investment fund accounts	590	500	18	890	-34	1,070	50	1,199	130
Investment savings accounts	2,470	4,890	-49	4,160	-41	7,360	11,300	-35	17,900
Savings accounts	980	450	118	1,740	-44	1,440	1,570	-8	3,400
of which external deposit accounts	1,010	450	124	1,790	-44	1,460	1,670	-12	3,490
Pension- & insurance-based accounts	800	2,120	-62	1,920	-58	2,930	4,380	-33	5,370
of which endowment insurance	-10	1,340	-101	1,120	-101	1,330	2,840	-53	2,330
of which occupational pensions	810	800	1	780	4	1,610	1,550	4	3,050
Net inflow	4,840	7,960	-39	8,710	-44	12,800	17,300	-26	26,800
Net inflow/Savings capital, % ¹	7	11	-4	14	-7	9	14	-5	11
No. customers, savings capital and lending, SEK m (unless otherwise stated)	30-06-2018	31-03-2018	Change %	31-12-2017	Change %	30-06-2017	Change %		
Standard, no	752,120	729,590	3	687,770	9	615,480	22		
Private Banking, no	22,500	21,700	4	21,100	7	19,600	15		
Pro, no	1,780	1,810	-2	1,730	3	1,820	-2		
No. customers	776,400	753,100	3	710,600	9	636,900	22		
of which occupational pension customers, no	70,900	67,400	5	63,700	11	56,700	25		
Standard	168,600	158,800	6	157,170	7	147,710	14		
Private Banking	127,100	119,700	6	115,800	10	113,300	12		
Pro	11,400	10,200	12	9,930	15	9,290	23		
Savings capital¹	307,100	288,700	6	282,900	9	270,300	14		
Equity & investment fund accounts	98,500	93,500	5	93,400	5	92,500	6		
Investment savings accounts	97,100	89,800	8	85,800	13	78,100	24		
Savings accounts	14,400	13,400	7	12,900	12	11,000	31		
of which external deposit accounts	13,600	12,600	8	12,100	12	10,300	32		
Pension- & insurance-based accounts	97,100	92,000	6	90,800	7	88,700	9		
of which endowment insurance	67,400	64,300	5	63,600	6	63,600	6		
of which occupational pensions	18,400	16,800	10	16,100	14	14,300	29		
Savings capital¹	307,100	288,700	6	282,900	9	270,300	14		
Equities, bonds, derivatives, etc.	171,000	161,600	6	159,500	7	156,300	9		
Investment funds	88,500	82,400	7	80,200	10	73,700	20		
Deposits	47,600	44,700	6	43,200	10	40,300	18		
of which external deposits	13,600	12,600	8	12,100	12	10,300	32		
Savings capital¹	307,100	288,700	6	282,900	9	270,300	14		
Internally financed lending	9,890	9,790	1	9,510	4	8,770	13		
of which margin lending	4,230	4,300	-2	4,230	-	4,110	3		
of which mortgage loans (Superbolånet PB)	5,650	5,480	3	5,280	7	4,660	21		
External mortgage volume (Bolån+)	2,020	630	221	-	-	-	-		
Lending	11,900	10,400	14	9,510	25	8,770	36		
Deposits/Lending, %	481	457	24	454	27	460	21		
Net deposits/Savings capital, % ¹	12	12	0	12	0	12	0		
Return, average account since 1 Jan, % ¹	4	-1	5	6	-2	6	-2		
SIX Return Index since 1 Jan, %	4	0	4	9	-5	11	-7		

1) The definition of savings capital has been changed compared to what has been previously reported and lending is no longer deducted. Historical figures have been adjusted for comparability.

For definitions see page 20.

Financial overview

	2018 Q2	2018 Q1	Change %	2017 Q2	Change %	2018 Jan-Jun	2017 Jan-Jun	Change %	2017 Jan-Dec
Income Statement, SEK m									
Net brokerage income	92	122	-25	100	-9	213	222	-4	449
Fund commissions	74	72	3	61	22	146	114	29	240
Net interest income	29	29	-1	27	8	58	56	5	108
Other income ¹	49	48	1	46	7	97	87	12	179
Operating income¹	244	271	-10	234	4	515	478	8	975
Personnel	-97	-90	8	-87	12	-188	-168	12	-340
Marketing ¹	-3	-5	-34	-2	37	-8	-7	20	-18
Depreciation	-5	-5	3	-2	137	-10	-4	138	-12
Other expenses	-48	-52	-9	-39	21	-100	-76	32	-164
Operating expenses before credit losses¹	-153	-152	1	-131	17	-305	-255	20	-535
Profit before credit losses	91	119	-24	103	-12	210	223	-6	441
Credit losses, net	-1	0	-	0	-	0	0	-	0
Operating profit	90	120	-25	103	-13	209	224	-6	441
Tax on profit for the period	-11	-16	-33	-15	-27	-27	-32	-17	-63
Net profit	79	104	-24	89	-11	183	192	-5	379
Key ratios									
Operating margin, % ¹	37	44	-7	44	-7	41	47	-6	45
Profit margin, % ¹	33	38	-6	38	-5	36	40	-5	39
Earnings per share, SEK	2.64	3.45	-24	2.97	-11	6.10	6.43	-5	12.66
Earnings per share after dilution, SEK	2.63	3.44	-24	2.96	-11	6.07	6.41	-5	12.66
Return on shareholders' equity, %	25	31	-6	31	-6	28	32	-4	30
Credit loss level, %	-0.01	0.00	-0.01	0.00	-0.01	-0.00	0.00	-0.01	0.00
Investments, SEK m	4	11	-58	19	-76	15	26	-41	50
Net brokerage income/Operating income, % ¹	38	45	-7	43	-5	41	46	-5	46
Fund commissions/Operating income, % ¹	31	27	4	26	4	28	24	5	25
Net interest income/Operating income, % ¹	12	11	1	11	0	11	12	-0	11
Other income/Operating income, % ¹	20	18	2	19	0	19	18	1	18
Income to savings capital ratio, % ¹	0.33	0.38	-0.05	0.36	-0.03	0.35	0.38	-0.02	0.37
Costs to savings capital ratio, % ¹	0.21	0.21	-0.01	0.20	0.01	0.21	0.20	0.01	0.20
Income per customer, SEK ¹	1,270	1,480	-14	1,500	-15	1,380	1,580	-13	1,530
Costs per customer, SEK ¹	-800	-830	-4	-840	-4	-820	-840	-3	-840
Net brokerage income per trading day, SEK m	1.6	2.0	-21	1.7	-10	1.8	1.8	-4	1.8
Brokerage per commission note, SEK	30	32	-6	34	-9	31	34	-8	34
Brokerage/Turnover, %	0.093	0.100	-0.007	0.092	0.001	0.097	0.094	0.003	0.096
No. trading days	59.0	62.0	-5	58.0	2	121.0	121.5	-0	249.0
Average no. employees	401	393	2	377	6	397	373	7	383
Web service operational availability, %	100.0	100.0	-	100.0	-	100.0	100.0	-	99.9

1) A transfer of costs related to search engine marketing and similar services has been made. These are now reported as Other income (previously, Marketing expenses). Historical figures and key ratios have been adjusted.

Key ratios	30-06-2018	31-03-2018	Change %	31-12-2017	Change %	30-06-2017	Change %
Shareholders' equity per share, SEK	43.79	41.29	6	47.57	-8	39.75	10
Capital base/Capital requirement	1.42	1.47	-3	1.55	-8	1.60	-11
No. employees	407	395	3	390	4	379	7
Market value, SEK	460.00	440.20	4	344.10	34	367.90	25
Market capitalisation, SEK m	13,800	13,200	5	10,300	34	11,000	25

For definitions see page 20.

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 25 per cent compared to previous quarter, mainly due to lower operating income. Operating margin decreased to 37 per cent.

Revenues

Total revenues decreased by 10 per cent compared to the previous quarter, mainly due to lower brokerage income.

Brokerage income fell 25 per cent. Unsettled market conditions made Avanza's customers less willing to take on risk, resulting in significantly lower turnover and activity. Fewer customers traded securities and the number of

commission-generating notes decreased. Customer's securities transactions are still being done in smaller volumes. Compared to the first quarter there were three fewer trading days, which also contributed to lower income. The proportion of brokerage income from Pro and Private Banking customers increased. This produced lower brokerage income per SEK of turnover, which fell from 10.0 to 9.3 basis points. Interest in cryptocurrencies among Avanza's customers slowed significantly compared to previous quarters. In total, trading in certificates based on cryptocurrencies accounted for 2 per cent of brokerage income in the second quarter.

Fund commissions rose 3 per cent due to net inflow and growth in fund capital. During the quarter, equity funds decreased as a share of fund capital at the same time that sector funds and mixed funds increased.

Net interest income fell 1 per cent mainly due to increased surplus liquidity, which was partly compensated by an improved return on the bond portfolio.

Other income, mainly consisting of currency-related income, income from Avanza Markets and Corporate Finance, increased by 1 per cent compared to the first quarter. Currency-related income fell slightly due to decreased trading in foreign equities. Trading in foreign funds was somewhat lower than in the first quarter as well. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 10.4 per cent of turnover, which was slightly higher than in the first quarter. Currency-related income was SEK 30 million of other income, income from Avanza Markets represented SEK 15 million, and Corporate Finance income amounted to SEK 8 million.

Operating expenses

Operating expenses increased by 1 per cent, mainly due to higher personnel costs.

Credit losses

Recognised credit losses are attributable to new models used to calculate expected credit losses according to IFRS 9.

Taxes

Parliament has decided to reduce Sweden's corporate tax rate in two steps, from 22 to 20.6 per cent from 2019 to 2021. In the first two years the tax will be lowered to 21.4 per cent, and then to 20.6 per cent. The Avanza Group's effective tax rate is about 14 per cent, because of which only around 75 per cent of the tax cut is expected to have an impact, based on current volumes.

January-June 2018 compared to January-June 2017

Operating profit decreased by 6 per cent compared to the first half of 2017. Income rose less than operating expenses, as a result of which the operating margin decreased to 41 per cent.

Revenues

Income increased mainly due to higher fund commissions, but also higher other income. Brokerage income decreased.

Brokerage income was affected by 5 per cent lower turnover, even though the number of commission-generating customers and notes increased. Customers continue to trade securities at low volumes and in lower commission classes. Brokerage income per SEK of turnover was 3 basis points higher than the first half of 2017.

Fund commissions increased by 29 per cent, mainly due to a strong fund inflow and in line with Avanza's growth objectives.

Net interest income increased somewhat, mainly due to higher lending. The negative effect of higher surplus liquidity was compensated by a slightly improved return. The resolution fee has been raised in 2018, which is expected to increase expenses by SEK 4-5 million for the full-year, after which the fee will be gradually reduced. The deposit guarantee fee and resolution fee amounted to SEK 16.0 million in the first half of 2018, up nearly SEK 2.3 million. The repo rate in the first half of 2018 was -0.50 per cent, unchanged from the same period in 2017. The average STIBOR (3M) was 10 basis points higher than last year. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point increase in the interest rate with today's volumes would affect full-year net interest income by over SEK 250 million.

Other income increased, largely due to higher currency-related income, caused by increased trading in foreign securities, and higher income from Avanza Markets. This was partly offset by lower Corporate Finance income.

Operating expenses

Operating expenses rose 20 per cent due to higher personnel costs and other expenses. Personnel costs rose after the hiring of more employees, mainly to expand development capacity, where a larger share than planned was devoted this spring to regulatory implementation. Other expenses increased as a result of added office space and IT costs associated with regulatory changes, not least Mifid2 and GDPR. New regulatory implementation will always demand a significant share of development resources, but not to the same degree as the last year.

Depreciation was higher due to the new trading system, which began being written off in the third quarter of 2017. The cost increase in the first half year was according to plan and attributable to the capacity expansion in 2017. The rate of increase will be significantly lower in the second half of the year.

To speed up the pace of development as time-to-market grows in importance, a decision was made to recruit another 20 employees in innovation and development this autumn. The aim is to also increase internal efficiencies. As a result, costs are likely to increase slightly more than estimated in 2018 at nearly 11 per cent, depending on how quickly new employees can be put in place. This is an increase from the previously estimate of 8-10 per cent. In the long term, costs are still expected to grow at a yearly rate of 8-10 per cent.

The cost to savings capital ratio was 21 basis points in the first half of the year. Given continued strong growth in customers and savings capital, the cost to savings capital ratio could fall below 20 basis points as early as in 2019.

Seasonal effects

Avanza has no major seasonal variations, except from the third quarter which is characterised 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.

Increased transparency and a greater focus on the impact of fees on savings in a low interest rate environment, coupled

with the gradual deterioration of national collective pension and welfare systems, create a favourable growth outlook for Avanza.

The increased transparency and fragmentation from new competition in the banking market in both savings and mortgages increase the importance of customer satisfaction, a strong brand and innovation. This has been accentuated by digitisation, which makes it easier for customers to switch banks, at the same time that mobile usage has made them more active. Avanza expects these trends and changes to continue to drive development in the future with regard to digitisation, customer offers and digital decision-making support.

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016
Net brokerage income	92	122	122	106	100	122	122	113	110
Fund commissions	74	72	64	62	61	53	48	44	38
Net interest income	29	29	27	25	27	29	31	25	27
Other income ¹	49	48	58	34	46	41	45	36	46
Operating income¹	244	271	271	227	234	244	245	219	221
Personnel	-97	-90	-98	-74	-87	-82	-83	-62	-74
Marketing ¹	-3	-5	-8	-4	-2	-4	-9	-4	-4
Depreciation	-5	-5	-3	-5	-2	-2	-2	-2	-2
Other expenses	-48	-52	-48	-41	-39	-36	-34	-29	-30
Operating expenses before credit losses¹	-153	-152	-157	-123	-131	-124	-128	-96	-109
Operating profit	90	120	114	104	103	121	117	122	111
Operating margin, % ¹	37	44	42	46	44	49	48	56	50
Earnings per share, SEK	2.64	3.45	3.27	2.97	2.97	3.46	3.39	3.53	3.18
Shareholders' equity per share, SEK	43.79	41.29	47.57	44.30	39.75	36.78	43.83	40.44	36.64
Return on shareholders' equity, %	25	31	28	28	31	34	32	37	32
Net inflow	4,840	7,960	3,550	5,900	8,710	8,620	6,210	5,920	9,430
No. new customers (net)	23,300	42,400	42,500	31,200	27,900	38,400	29,300	24,500	23,100
No. customers at the end of the period	776,400	753,100	710,600	668,100	636,900	609,000	570,600	541,300	516,900
Savings capital at the end of the period ²	307,100	288,700	282,900	281,000	270,300	255,100	239,100	230,400	205,900
Income to savings capital ratio, % ¹	0.33	0.38	0.38	0.33	0.36	0.40	0.42	0.40	0.44
Costs to savings capital ratio, % ¹	0.21	0.21	0.22	0.18	0.20	0.20	0.22	0.18	0.22

1) A transfer of costs related to search engine marketing and similar services has been made. These are now reported as Other income (previously, Marketing expenses). Historical figures and key ratios have been adjusted.

2) The definition of savings capital has been changed compared to what has been previously reported and lending is no longer deducted. Historical figures have been adjusted for comparability.

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 first quarter in 2018 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,

Avanza's growth objective going forward is to attract broader target groups – experienced and established investors as well as new ones. Avanza's modern platform, low prices and broad range of products and services provide ample opportunity to meet savers' changing needs and habits. In addition, Avanza's growth objectives in pensions and mortgages are expected to reduce sensitivity to market fluctuations.

When interest rates turn higher, Avanza is likely to benefit from the big increase in savings capital, even if stock market activity levels off.

For more information, see the Annual Report for 2017.

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 2017, Note 35 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 first half of 2018 was SEK -9 million (SEK -7m). The Parent Company does not report any revenues. A dividend payment, related to 2017, of SEK 315 million (SEK 313m) has been made to the shareholders in March 2018, following the decision at the Annual General Meeting.

Capital surplus

SEK m	30-06-2018	31-12-2017
Capital base		
Shareholders' equity, the Group	1,314	1,427
Solvency capital ¹	1,163	2,523
Less non-distributable solvency capital ²	-373	-960
Subordinated bond ³	81	99
Intangible fixed assets and deferred tax receivables	-89	-89
Capital base before dividend adjustments	2,097	3,001
Capital requirements		
Capital requirement Pillar 1 ⁴	-1,266	-2,018
of which Solvency capital requirements ¹	-790	-1,563
Buffer requirement ⁴	-273	-254
Capital requirement Pillar 2	-70	-81
Capital requirements	-1,609	-2,352
Capital surplus before dividend	488	648
Capital surplus per share, SEK	16.25	21.61

1) For 2018, assumptions for calculating Solvency Capital have been revised. See also Note 4, page 16.

2) Non-distributable solvency capital = Solvency capital - Solvency capital requirement

3) A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. See also Note 4, page 16.

4) A reinterpretation has been made in the calculation of the capital requirement for a credit facility to Stabelo AB, which has also been reported to the Swedish Financial Supervisory Authority. See also note 5, page 17. The facility was terminated during the second quarter of 2018.

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 16.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 488 million as of 30 June 2018.

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.

Other corporate events

Executive Management

Åsa Mindus Söderlund, CEO of Avanza Funds since August 2017, joined Group Management in February 2018.

On 1 March, Gunnar Olsson joined Group Management and took up his duties as Chief Operating Officer (COO). Gunnar has nearly 20 years of experience from the Swedish banking market and was most recently with Länsförsäkringar Bank, where he in the last three years has been responsible for digitisation issues and the bank's development portfolio.

Malin Nybladh took over on 28 May as Head of HR and a member of Group Management. Malin has extensive experience from customer-centric and value-creating organisations, serving most recently in an HR position at Swedavia.

Annual General Meeting 2018

The Annual General Meeting on 20 March 2018 resolved to reelect the Chairman of the Board and the board members. Viktor Fritzén was elected as new board member.

As proposed, a dividend of SEK 10.50 per share was authorised.

The Annual Report 2017 was published on 23 February 2018.

Incentive programmes

The Annual General Meeting authorised a new incentive programme based on warrants. The programme comprises 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 20 March 2018, 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 of 2018 and the company holds no repurchased shares as of 30 June 2018.

Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2017, Note 36.

The credit facility to Stabelo AB for a maximum of SEK 350 million was terminated during the second quarter of 2018. No other significant changes have taken place since the publication of the Annual Report.

Significant events after the end of the reporting period

In an ongoing case, the Swedish Tax Agency this week announced a draft decision to charge Försäkringsaktiebolaget Avanza Pension a retroactive tax on intermediary commissions. This is expected to raise the Group's tax expense by an estimated SEK 5 million for 2016 and beyond, divided into SEK 2 million per year for 2016 and 2017, and SEK 1 million for the first half of 2018. The tax is expected to be recognized in the third quarter of 2018. Avanza will analyze the Tax Agency's decision and then consider a possible appeal.

Consolidated Income Statements

SEK m	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun	2017-2018 Jul-Jun	2017 Jan-Dec
Operating income						
Commission income	260	243	549	496	1,075	1,023
Commission expenses ²	-45	-37	-92	-74	-175	-157
Interest income	58	54	117	108	227	218
Interest expenses	-29	-27	-58	-52	-117	-110
Net result of financial transactions	-0	0	-0	0	2	2
Other operating income	0	0	0	0	0	0
Total operating income²	244	234	515	478	1,012	975
Operating expenses						
General administrative expenses	-142	-122	-280	-235	-534	-489
Depreciation of tangible and intangible fixed assets	-5	-2	-10	-4	-18	-12
Other operating expenses ²	-7	-7	-16	-16	-34	-34
Total operating expenses before credit losses²	-153	-131	-305	-255	-585	-535
Operating profit before credit losses	91	103	210	223	427	441
Credit losses, net	-1	0	0	0	0	0
Operating profit	90	103	209	224	427	441
Tax on profit for the period	-11	-15	-27	-32	-57	-63
Net profit¹	79	89	183	192	370	379
Earnings per share, SEK	2.64	2.97	6.10	6.43	12.33	12.66
Earnings per share after dilution, SEK	2.63	2.96	6.07	6.41	12.33	12.66
Average no. shares before dilution, thousands	29,996	29,839	29,996	29,839	29,968	29,890
Average no. shares after dilution, thousands	30,120	29,896	30,120	29,909	29,982	29,890
Outstanding no. shares before dilution, thousands	29,996	29,839	29,996	29,839	29,996	29,996
Outstanding no. shares after dilution, thousands	30,186	29,907	30,186	29,907	30,186	29,996
No. shares upon full dilution, thousands	31,426	31,309	31,426	31,309	31,426	31,426

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

2) A transfer of costs related to search engine marketing and similar services has been made. These are now reported as Commission expenses (previously, Other operating expenses). Historical figures have been adjusted.

Consolidated statement of comprehensive income

SEK m	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun	2017-2018 Jul-Jun	2017 Jan-Dec
Net profit	79	89	183	192	370	379
Items that will be reversed to the income statement						
Changes in value of available-for-sale assets	-5	-	-3	-	-3	-
Tax on changes in value of available-for-sale assets	1	-	1	-	1	-
Other comprehensive income after tax	-4	-	-2	-	-2	-
Total comprehensive income after tax¹	75	89	181	192	368	379

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

Consolidated Balance Sheets

SEK m	Note	30-06-2018	31-12-2017
Assets			
Lending to credit institutions	1	1,852	1,731
Lending to the public	2	10,660	9,507
Bonds		15,362	14,420
Shares and participations		22	22
Assets in insurance operations		93,071	86,041
Intangible fixed assets		88	88
Tangible fixed assets		36	30
Other assets		4,660	4,113
Prepaid costs and accrued income		132	168
Total assets		125,883	116,120
Liabilities and shareholders' equity			
Deposits by the public		29,793	27,901
Liabilities in insurance operations		93,071	86,041
Other liabilities		1,481	544
Accrued costs and prepaid income		125	107
Subordinated liabilities		100	99
Shareholders' equity		1,314	1,427
Total liabilities and shareholders' equity		125,883	116,120

Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
Shareholders' equity 31-12-2016	75	449	-	784	1,308
Total comprehensive income for the period	-	-	-	192	192
Transactions with owners					
Dividend paid	-	-61	-	-252	-313
Shareholders' equity 30-06-2017	75	388	-	723	1,186
Shareholders' equity 31-12-2016					
Shareholders' equity 31-12-2016	75	449	-	784	1,308
Total comprehensive income for the period	-	-	-	379	379
Transactions with owners					
Dividend paid	-	-61	-	-252	-313
New issue (exercise of share warrants)	0	49	-	-	50
Warrants issue	-	4	-	-	4
Shareholders' equity 31-12-2017	75	442	-	910	1,427
Shareholders' equity 31-12-2017					
Shareholders' equity 31-12-2017	75	442	-	910	1,427
Adjustment of shareholder's equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)					
Increased provision for anticipated credit losses in accordance with IFRS 9	-	-	-	-3	-3
Valuation of bonds at fair value through other comprehensive income	-	-	24	-	24
Adjusted shareholders' equity 01-01-2018	75	442	24	907	1,448
Net profit for the period	-	-	-	183	183
Other comprehensive income for the period	-	-	-2	-	-2
Total comprehensive income for the period	-	-	-2	183	181
Transactions with owners					
Dividend paid	-	-70	-	-245	-315
Shareholders' equity 30-06-2018	75	372	22	845	1,314

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

Consolidated Cash Flow Statements

SEK m	2018 Q2	2017 Q2	2018 Jan-Jun	2017 Jan-Jun
Cash flow from operating activities before changes in operating activities' assets and liabilities	319	-373	349	-815
Cash flow from operating activities' assets and liabilities	-340	1,496	1,043	1,962
Cash flow from investment operations	-253	-1,351	-929	-575
Cash flow from financial operations	0	0	-315	-313
Cash flow for the period	-274	-229	148	258
Liquid assets at the beginning of the period ¹	2,103	1,940	1,681	1,453
Liquid assets at the end of the period ¹	1,829	1,711	1,829	1,711

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 23 million (SEK 48m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

SEK m	2018 Jan-Jun	2017 Jan-Jun
Operating expenses		
Administration expenses	-5	-4
Other operating expenses	-4	-3
Operating profit/loss	-9	-7
Profit from financial investments		
Profit/loss from participations in Group companies	8	-
Interest income and similar items	-	0
Interest expenses and similar items	-0	-
Profit before tax	-1	-7
Tax on profit for the period	0	2
Net profit/loss for the period¹	-1	-6

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

Parent Company Balance Sheets

SEK m	30-06-2018	31-12-2017
Assets		
Financial fixed assets	435	430
Current receivables ¹	2	325
Liquid assets	0	0
Total assets	436	755
Shareholders' equity and liabilities		
Restricted shareholders' equity	75	75
Non-restricted shareholders' equity	354	670
Current liabilities	7	10
Total shareholders' equity and liabilities	436	755

1) Of which receivables from subsidiaries SEK 1 million (SEK 324m as of 31-12-2017)

Accounting principles

The Interim Report for the Group has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Interim Report for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR 2) has been applied. As of 1 January 2018, Avanza applies IFRS 9 Financial Instruments, which replaces the portions of IAS 39 that address the classification and measurement of financial instruments, and IFRS 15 Revenue from Contracts with Customers.

The liquidity portfolio that was recognised according to "Held to maturity" through 31 December 2017 is classified according to "Fair value via Other comprehensive income" as of 1 January 2018. On 31 December 2017, the book value of bonds amounted to SEK 14,420 million and the market value to SEK 14,451 million, which becomes the reclassified value as opening balance 2018 for "Bonds" with simultaneous impact on deferred tax liabilities of SEK 7 million and "Shareholders equity" of SEK 24 million, (net after tax). See also table "Changes in the Group's shareholders' equity" regarding transition effects on page 12. Accounting principles for these new standards can be found in the 2017 Annual Report on pages 59-61. Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the 2017 Annual Report.

IFRS 16 Leasing have been issued by the IASB and adopted by the EU and is affective from the financial year 2019. The main impact on Avanzas accounts is expected to arise from the reporting of lease contracts for premises. Avanza is currently assessing the financial impact of the new standard.

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 1,206 million (SEK 1,199 m as of 31 December 2017) which are reported net against client fund payables of SEK 1,206 million (SEK 1,199 m as of 31 December 2017). Of the liquid assets of SEK 1,852 million as per the end of the period, SEK 23 million were pledged as collateral, mainly referring to Swedish credit institutions and the stock exchange.

Note 2 Lending to the public

Accumulated provision for expected credit losses as of 31 December 2017, amounting to SEK 8 million, was adjusted to SEK 11 million at the beginning of 2018 as a result of the transition to IFRS 9. Balance sheet items affected by adjusted opening balances are "Lending to the public" and "Shareholders' equity". See also the table "Changes in the Group's shareholders' equity" on page 12 regarding transition effects. Lending to the public is reported after deduction for confirmed and expected credit losses. At the end of the period the accumulated provisions for expected credit losses amounted to SEK 11 million. Thus, the change in the accumulated provision for expected credit losses has affected the result of the six month period by SEK 0 million.

SEK 785 million (0 as of 31 December 2017) of lending to the public at the end of the period was covered in its entirety by cash pledged on endowment insurance accounts. This portion of lending does not affect net interest income, since the deposit rate is the same as the lending rate. The rest of lending to the public amounted to SEK 9,875 million, of which SEK 4,222 million (SEK 4,179m as of 31 December 2017) with collateral in the form of securities and SEK 5,653 million (SEK 5,284m as of 31 December 2017) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 6,624 million (SEK 6,466m as of 31 December 2017) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 971 million (SEK 1,182m as of 31 December 2017).

The credit facility to Stabelo AB was terminated during the second quarter of 2018.

Note 3 Financial instruments

Classification of financial instruments

30-06-2018 SEK m	Fair value via Income Statement	Amortized cost	Fair value via Other comprehensive income	Non-financial instruments	Total
Assets					
Lending to credit institutions	–	1,852	–	–	1,852
Lending to the public	–	10,660	–	–	10,660
Bonds	–	–	15,362	–	15,362
Shares and participations	22	–	–	–	22
Assets in insurance operations	93,071	–	–	–	93,071
Intangible assets	–	–	–	88	88
Tangible assets	–	–	–	36	36
Other assets	–	1,203	–	3,457	4,660
Prepaid costs and accrued income	–	105	–	27	132
Total assets	93,093	13,820	15,362	3,608	125,883
Liabilities					
Deposits by the public	–	29,793	–	–	29,793
Liabilities in insurance operations	93,071	–	–	–	93,071
Other liabilities	–	1,474	–	6	1,481
Accrued costs and prepaid income	–	61	–	64	125
Subordinated liabilities	–	100	–	–	100
Total liabilities	93,071	31,428	–	70	124,569

Financial instruments valued at fair value

30-06-2018, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	45,820	0	22	45,842
Fund units	1,187	34,006	–	35,192
Bonds and other interest-bearing securities	16,314	998	–	17,312
Other securities	236	158	–	394
Liquid assets	–	–	–	9,715
Total assets	63,556	35,162	22	108,455
Liabilities				
Liabilities in insurance operations (investment agreements)	–	93,071	–	93,071
Total liabilities	–	93,071	–	93,071

Fair value

In the case of financial instruments reported at amortized 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, primarily Assets in the insurance operations and bonds in Avanza's liquidity portfolio, 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 or via Other comprehensive income

The majority of the securities in this category, primarily comprising Assets within the insurance operations and bonds in Avanza's liquidity portfolio, 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 and bonds in Avanza's liquidity portfolio 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	30-06-2018	31-12-2017
Capital base		
Shareholders' equity, the Group	1,314	1,427
Less profits which are not audited	-181	-
Assumed/Proposed dividend	-	-315
Shareholders' equity, financial conglomerate	1,133	1,112
<i>Additional</i>		
Solvency capital ¹	1,163	2,523
Subordinated bond ²	81	99
<i>Less</i>		
Intangible fixed assets	-88	-88
Deferred tax receivables	0	0
Total capital base	2,288	3,646
Capital base per sector		
Capital base for regulated units in the insurance sector ¹	1,300	2,683
Capital base for regulated units within the banking and securities sector	988	963
Total capital base	2,288	3,646
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector ¹	790	1,563
Capital requirement for regulated units within the banking and securities sector	819	790
of which additional buffer requirement	273	254
of which additional Pillar 2 requirement	70	81
Total capital requirement	1,609	2,352
Capital surplus	679	1,293
Capital base/Capital requirement	1.42	1.55

1) Avanza Pension's solvency capital requirement and capital base are calculated using the Solvency 2 directive's standard model. The standard model requires assumptions that are determined partly by authorities and partly by Avanza Pension's Board of Directors. Leading up to the calendar year 2018, Avanza Pension's Board of Directors decided to adjust a number of assumptions. If these assumptions had been applied on holdings as of 31 December 2017, Avanza Pension's aggregate capital requirement had decreased from SEK 1,563 million to SEK 810 million, at the same time as Avanza Pension's solvency capital had decreased from SEK 2,643 million to SEK 1,309 million.

2) A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. As a result, Avanza Bank's subordinated bond of SEK 100 million can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement. Eligible Tier 2 capital thus amounts to SEK 81 million. If the same interpretation had been made as of 31 December 2017, eligible Tier 2 capital would have decreased by SEK 18 million, from SEK 99 million to SEK 81 million.

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 shareholder's equity for the financial conglomerate 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, 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, which is also based on policyholders' assets.

Note 5 Capital base and capital requirement in the consolidated situation

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

SEK m	30-06-2018	31-12-2017 ⁴
Tier 1 capital		
Shareholders' equity, consolidated situation	1,124	1,327
Less profits which are not audited	-90	-
Assumed/Proposed dividend ¹	-	-315
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,033	1,012
<i>Deducted items</i>		
Intangible assets	-88	-88
Deferred taxes	0	0
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension ²	-	-39
Common equity tier 1 capital	945	885
Subordinated bond ³	81	99
Tier 2 capital	81	99
Total capital base	1,026	984
Capital requirement		
Credit risk according to standardised approach ⁴	372	338
Market risks	0	0
Settlement risk	0	0
Operational risk	113	113
Capital requirement	485	451
Risk exposure amount		
Credit risk according to standardised approach	4,647	4,227
of which Institutions	370	345
of which Corporates ⁴	35	55
of which Households	187	175
of which Collateral in real estate	1,978	1,850
of which Covered bonds	1,473	1,397
of which Equity ²	151	52
of which Other items	453	354
Market risks	1	3
Settlement risk	0	0
Operational risk	1,410	1,410
Total risk exposure amount	6,058	5,641
Capital ratios and buffers		
Common equity tier 1 ratio, %	15.6	15.7
Tier 1 ratio, %	15.6	15.7
Total capital ratio, %	16.9	17.5
Capital base in relation to capital requirement	2.12	2.18
Institution-specific buffer requirement, %	4.5	4.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	2.0
Total capital requirement including buffer requirement, %	12.5	12.5
Common equity tier 1 capital available for use as a buffer, %	11.1	11.2
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	269	279
Additional Pillar 2 requirement	70	81
Capital surplus after buffer requirement and Pillar 2	199	199

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.

2) As of 31 March 2018, Avanza Bank Holding AB's holding in Försäkringsaktiebolaget Avanza Pension is treated by calculating the capital requirement for shareholdings with a risk weight of 250 per cent instead of for a deduction directly in the capital base.

3) A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. As a result, Avanza Bank's subordinated bond of SEK 100 million can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement. Eligible Tier 2 capital thus amounts to SEK 81 million. If the same interpretation had been made as of 31 December 2017, eligible Tier 2 capital would have decreased by SEK 18 million, from SEK 99 million to SEK 81 million.

4) A reinterpretation has been made in the calculation of the capital requirement for a credit facility to Stabelo AB, which has also been reported to the Swedish Financial Supervisory Authority. As a result, the facility is treated as a corporate exposure with mortgage loans as collateral, where the risk-weighted exposure is calculated with a risk weight of 35 per cent of actual lending instead a risk weight of 100 per cent of maximum lending. This in turn means that the capital requirement for credit risk as of 31 December 2017 decreased to SEK 338 million from SEK 365 million. Restatements have been made in the table above. The credit facility was terminated during the second quarter of 2018.

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, 12 July 2018

Sven Hagströmer
Chairman of the Board

Sophia Bendz
Member of the Board

Viktor Fritzen
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

Rikard Josefson
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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 12 July 2018.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 12 July 2018 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 investors.avanza.se/en. 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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Corporate web: investors.avanza.se/en

Financial calendar

Interim Report January – September 2018	18 October 2018
Preliminary Financial Statement 2018	17 January 2019

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.

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 per customer²⁾

Operating expenses on an annual basis in relation to the average number of customers during the period. The ratio shows how a focus on scalability and cost efficiency yields results.

Costs to savings capital ratio²⁾

Operating expenses 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 or Bolån+.

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.

Deposits/lending

Deposits in relation to internally financed lending. The measure shows how large a share of customer deposits is used for lending.

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.

Fund commissions²⁾

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

Income per customer²⁾

Operating income on an annual basis in relation to the average number of customers during the period. The ratio shows the effect of price reductions and gives an indication of changes in the customer base and trading in various price tiers.

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.

Internally financed lending

Lending to the public as per the balance sheet less the portion which is covered in its entirety by cash pledged on endowment insurance accounts, without deducting provisions for bad debt.

Net brokerage income²⁾

Gross brokerage income less direct costs.

Net deposits/Savings capital

Deposits minus internally financed 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 capital³⁾

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

Solvency capital requirement³⁾

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.