



# Interim Report

## January–September 2015

- Net inflow totalled SEK 19,400 million (SEK 14,100m), corresponding to 14 (13 %) percent of the savings capital at the beginning of the year
- The number of customers increased by 20 (12 %) per cent to 443,900 (371,200 as of 31 December 2014)
- The total savings capital increased by 20 (18 %) per cent to SEK 170,700 million (SEK 141,900m as of 31 December 2014)
- Operating income increased by 32 (16 %) per cent to SEK 665 million (SEK 503m)
- Operating margin was 52 (43 %) per cent
- The profit after tax increased by 64 (30 %) per cent to SEK 297 million (SEK 181m)
- Earnings per share increased by 62 (30 %) per cent to SEK 10.19 (SEK 6.28)
- After the end of the reporting period Lisa Lindström stepped down from the Board of Directors to avoid the risk of potential conflicts of interest between her role as a board member and ongoing engagements in other companies
- Other than the aforesaid no other significant events have occurred after the end of the reporting period

### Third Quarter

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- Operating income increased by 26 per cent (12 %) to SEK 209 million (SEK 166m)
- The profit after tax increased by 57 per cent (-3 %) to SEK 94 million (SEK 60m)
- Earnings per share increased by 52 per cent (-2 %) to SEK 3.19 million (SEK 2.10)

### Quarterly highlights

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- In August and September Avanza was no. 1 in terms of transactions and turnover on Nasdaq Stockholm including First North
- Avanza received the highest score among Swedish banks in a survey of trust conducted by the finance magazine *Privata Affärer*
- Avanza achieved a new top score in its regular survey of customer satisfaction (Net Promoter Score)
- The CEO of Avanza Pension was named "Influencer of the Year" at Strategitorget Försäkring, a forum for decision-makers in the Swedish insurance industry

### This is Avanza

Avanza was founded in 1999 and has since grown from a small company, dealing solely in share broking, into a digital bank that is challenging the major banks and insurance brokers on the Swedish savings market – a market which still has considerable growth potential.

Avanza offers leading digital services in savings and investment, in direct savings as well as pension-based savings. Customers are offered simple and cost-effective ways of saving without fixed account charges, yearly fees or depositing fees in shares, funds, equity-linked bonds, derivatives, currency positions, on savings accounts and in pension products such as endowment insurance, pension insurance and occupational pensions.

In addition to a wide range of savings products and pension solutions, Avanza offers trading on various exchanges and decision-making support, such as share prices and news items in real time, share analyses, portfolio reports, tax return support and software. Avanza primarily targets private investors in Sweden, but also offers services for professional day traders and corporate customers, such as small businesses, banks and asset managers.

Avanza Bank Holding AB (publ) is listed on Nasdaq Stockholm Mid Cap, is covered by the state deposit guarantee and supervised by the Swedish Financial Supervisory Authority.

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



### Our mission & business model

With us our customers will have more money left in their pockets than with any other bank. To achieve this mission Avanza has an Internet-based business model that is based on the law of large numbers. That is charging each customer as little as possible, thereby attracting an ever larger customer base. A strong customer growth, combined with the lowest cost per customer and transaction on the market, through high scalability and good cost control, creates excellent conditions for satisfied customers and long-term profitable growth.

### Our long-term goals

Satisfied customers:

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

Satisfied shareholders:

- A market share of at least 7 per cent of the overall net inflow to the Swedish savings market
- 30,000 – 40,000 net new customers per year
- The dividend shall amount to at least 70 per cent of the profit of the year
- The cost increase shall not exceed the revenue growth

Satisfied employees:

- A Net Promoter Score (NPS) over 40

### Our strategies

- Customers first
- Price leadership
- We only do what we do best
- 100 % digital
- Improve and challenge ourselves every day

	Q3	Q2	Q1	Q4	Q3 <sup>1)</sup>	Q2	Q1	Q4	Q3
Quarterly overview	2015	2015	2015	2014	2014	2014	2014	2013	2013
Operating income, SEK m	209	231	225	193	166	164	173	162	148
Operating profit, SEK m	109	121	115	82	71	67	76	64	73
Operating margin, %	52	52	51	42	43	41	44	40	49
Earnings per share, SEK	3.19	3.57	3.43	2.36	2.10	1.92	2.26	1.85	2.15
Shareholders' equity per share, SEK	34.33	30.97	24.65	28.22	25.85	23.67	29.75	27.49	25.64
Return on shareholders' equity, %	10	13	13	9	8	7	8	7	9
Net inflow, SEK m	5,010	4,370	10,000	5,940	4,560	4,040	5,520	2,490	2,260
No. new customers (net)	20,400	20,500	31,800	15,900	12,800	11,500	14,500	9,600	8,600
No. customers at the end of the period	443,900	423,500	403,000	371,200	355,300	342,500	331,000	316,500	306,900
Savings capital at the end of the period, SEK m	170,700	170,000	168,200	141,900	133,400	130,100	121,800	112,600	105,000
Income to savings capital ratio %	0.12	0.14	0.15	0.14	0.13	0.13	0.15	0.15	0.15
Costs to savings capital ratio, %	0.06	0.07	0.07	0.08	0.07	0.08	0.08	0.09	0.08

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

## Comments from the CEO

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### Strong growth and unusually high trading activity during the summer

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With new mobile trading services, the launch of a new digital decision support service for fund savings (the Portfolio Generator), reduced prices on foreign securities trading and the launch of Avanza Markets, we entered the summer with a more competitive customer offering than ever. The result was a net inflow of SEK 5 billion and a customer inflow of 20,400 new customers in the third quarter. The customer inflow corresponds to an increase of 59 per cent compared to the same period in the previous year.

Trading in the summer months is normally calmer, but a volatile stock market coupled with a growing customer base had an impact on our trading figures. In the third quarter, for the first time, Avanza was the largest Swedish bank on the Stockholm stock exchange in terms of turnover. August also brought a new trading record with 200,000 transactions in a single day. Total brokerage income increased by 5 per cent on the previous three-month period, which is unusual for a summer quarter.

### Income pressure due to turbulent market and falling repo rate

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The third quarter has been a period of an unstable and falling stock market with further declining market interest rates following the Greek crisis and broad sell-offs in the Chinese stock markets. As a result, savings capital at Avanza has remained relatively stable despite a high net inflow. Savers' search for safe investments is noticeable in decreasing income from fund commissions as investors shift their savings away from active investments awaiting a more stable market situation. The current market environment has also been a factor behind an unusually slow start to the autumn in Corporate Finance business, where many companies are postponing their IPO's waiting for clear sky. A continued decline in the repo rate during the period has also put further pressure on our interest income. Consequently, we did not reach up to the record earnings of the previous quarter, in spite of increased brokerage income. Still, the operating profit was up by 54 per cent compared with the same period in 2014.

### Highest level of trust among Swedish banks

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Although we have recently been operating in a volatile environment, where falling market interest rates and rapid changes in customers' investment decisions have had a short-term impact on our income, I feel very confident in our long-term

growth prospects. The key factor for long-term growth in operating income is that we continue to provide tangible customer value, capture market share from the major banks and gain the confidence of new customers. That is why it is particularly satisfying to note that we achieved a new top score in our regular Net Promoter Score customer satisfaction survey in the third quarter, a survey showing customer recommendation rate. The finance magazine *Privata Affärer's* survey in the summer also showed that Avanza enjoys the highest level of trust among all Swedish banks. That is a trust that we will do our very best to continue to be worthy of.

Stockholm, 20 October 2015



Martin Tivéus, CEO Avanza



## Operations

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### Market and sales

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Avanza's focus is the Swedish savings market, which in the first nine months of 2015 was characterized by interest rate reductions and an upturn in the stock market followed by mounting concerns in the financial markets.

After performing very strongly in the first quarter the Stockholm stock exchange retreated somewhat in the second quarter. The third quarter of the year would prove to be a turbulent period. A sharp decline on the Shanghai stock exchange and mounting concerns about the global economy had the effect of wiping out all the upturn of the year. Since the beginning of the year the Stockholm All Share Index has increased by 0.4 per cent while the SIX Return Index, which includes dividends, is up by 3.8 per cent. Trading activity was high and the turnover on the Stockholm stock exchange during January-September was up by 30 per cent on the same period in 2014. At Avanza the number of customer transactions topped the previous record by a wide margin.

Fund trading among Avanza's customers also increased sharply year on year. In the first quarter equity funds dominated. Avanza's Fund-in-Funds also attracted strong interest, with assets under management passing SEK 1 billion in February. At the end of September the assets under management had increased to SEK 1.3 billion. In the second quarter savers shifted their savings towards fixed income and lower risk products. In the third quarter concerns about China dragged down biotech and real estate funds, with investors opting to invest in more stable hedge funds or be uninvested.

In the first quarter the Swedish central bank reduced the repo rate in two steps, bringing the rate into negative territory. In early July, the rate was further reduced, to -0.35 per cent. The below-zero rate encouraged a growing number of savers to look for better returns in the stock market, as it became increasingly clear that Swedish savers were not receiving any return from traditional savings accounts.

#### *Continued strong growth*

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In the first nine months of the year, Avanza saw a record inflow of customers and capital as savers shifted a growing number of flows from the major banks to cheaper alternatives. Marketing efforts during the first half year, for instance the marketing of the new price plan which was introduced in the end of 2014, and communication through social as well as traditional media also contributed to the increased level of activity. During the second and third quarter the inflow of customers and capital was seasonally lower than during the first, but remained high compared with historical periods. In September Avanza exceeded 800,000 active accounts.

Inflows to investment savings accounts (ISK), in particular, continued to grow. More than half of Avanza's net inflow in the first nine months of the year went to ISKs and the number of accounts were doubled. The reduced and soon to be abolished tax deductibility for private pensions has had a positive impact on ISKs as an alternative form of savings. Trading activity has also benefited from the low rate of tax on ISKs.

Despite falling key interest rates, Greek worries in the second quarter and falling stock markets in China in the third quarter, coupled with the preceding sharp appreciation in equity

prices in the first quarter, meant that a growing number of Avanza customers opted to be uninvested. This is a sign of uncertainty and points to a form of savings behaviour where savers are choosing to move money out of traditional savings accounts but are not yet prepared to invest in securities.

#### *Continued efforts in occupational pensions*

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The targeting of the sales organisation towards the market for occupational pensions which Avanza Pension initiated in 2014 was expanded in the first quarter with the establishment of a new sales office in Malmö. The net inflow to Avanza's occupational pension products remained strong in the first nine months of the year, both in terms of capital and new accounts. 2,160 new companies chose Avanza as their provider of occupational pension plans, including MTG Sweden, which chose Avanza's occupational pension plans for around 1,000 of its employees. In the first nine months of 2015 Avanza's customers transferred net SEK 640m in occupational pension capital from other insurance companies, which was an increase of 44 per cent compared with the same period in 2014.

Avanza Pension, which celebrates its tenth anniversary this year, has evolved into a player that drives, challenges and influences the insurance industry. Discussions are underway on issues such as digitalisation, decision support, a ban on commissions, and advisory services. In the third quarter Avanza Pension participated in StrategiTorget Försäkring, a forum which brings together decision-makers from different insurance companies for discussions and presentations on the future of the industry. At this forum the CEO of Avanza Pension, Annika Saramies, was named "Influencer of the Year".

#### *Satisfied customers*

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In January Avanza's free Avanza Zero fund was named "The Readers' Favourite 2014" in a vote on [privataaffarer.se](http://privataaffarer.se) and in February Avanza was voted "The People's Favourite 2014" on [Bankbetyg.se](http://Bankbetyg.se), achieving the highest scores in all categories: customer service, services, technology, fees and recommendation. In April Avanza also received the award for "Best service in financial services" in the ServiceScore survey. In September Avanza received the highest score among Swedish banks in a survey of trust conducted by the finance magazine *Privata Affärer*. Avanza's high level of customer satisfaction is also borne out by internal surveys. In the third quarter Avanza achieved a new high in its Net Promoter Score survey (also known as the "ambassador index"), with a score of 70. Avanza's score on the index, which measures the customers' degree of recommendation, was 67 in the second quarter, compared with an average of 15 for the industry as a whole.

Satisfied customers are the foundation of Avanza's business concept, and Avanza operates with a constant focus on the best interests of its customers. One of Avanza's long-term goals is to have Sweden's most satisfied savers, as measured by the Swedish Quality Index (SKI), which is published at the end of each year – an award that Avanza has received for five years running.

## Sustainability

Avanza creates the greatest benefit for its customers and indirectly for the society by doing what Avanza does best, which is to offer savings and pension products with the lowest fees in the market. This ensures that Avanza's customers have more money left for other things. In the scientific study Sustainability Index 2015 Avanza received the highest score among the financial participants by a wide margin.

As part of its work on sustainability issues, during the second quarter Avanza introduced an option for customers to select funds which report in accordance with the Sustainability Profile. The Sustainability Profile has been developed by SWESIF, which is an independent non-profit organisation and a forum for organisations that are working for or with sustainable investments in Sweden.

Each Christmas Avanza donates money to a non-profit organisation. In view of the current refugee emergency Avanza decided to make a special effort and donated SEK 100,000 to UNICEF's aid work for refugee children in the third quarter.

### Increased market shares

Avanza's market share, as measured by the number of transactions on the Stockholm stock exchange including First North, increased significantly in the third quarter to 10.8 (8.0) per cent. Busy holiday trading and market volatility in Asia contributed to a high level of trading activity among Avanza's customers and

resulted in Avanza being the largest bank on the Stockholm stock exchange and First North also in terms of turnover in August as well as in September.

Avanza's share of the total savings market in Sweden at 30 June 2015 was 2.7 (2.4) per cent. During the period July 2014 – June 2015 Avanza's share of the total net inflow to the Swedish savings market was 9.3 (8.0) per cent, which exceeded the company's long-term target of reaching at least 7 per cent of the net inflow to the Swedish savings market.

### Seasonal variations

Avanza's operations are to some extent affected by seasonal variations. Customer inflows and the net inflow, for example, are normally high at the beginning of the year while activity has historically been lower during the summer months. The latter trend has, however, become less pronounced in recent years, as trading activity during the summer has increased following the introduction of mobile services. Mobile services have enabled savers to manage their savings during their holiday rather than when they get back, as before.

The impact of these seasonal variations on Avanza's operations is not necessarily reflected in the company's financial results, which tends to be more affected by cyclical market effects such as the development of the stock market and the level of the key interest rate.

Activity	2015 Jul-Sep	2014 Jul-Sep	Change %	2015 Jan-Sep	2014 Jan-Sep	Change %	2014-2015 Oct-Sep	2014 Jan-Dec
<b>Net inflow, SEK m</b>								
Standard	4,160	3,840	8	16,120	11,290	43	21,030	16,200
Private Banking	690	610	13	2,960	2,700	10	3,950	3,690
Pro	160	110	45	320	110	191	420	210
<b>Net inflow</b>	<b>5,010</b>	<b>4,560</b>	<b>10</b>	<b>19,400</b>	<b>14,100</b>	<b>38</b>	<b>25,400</b>	<b>20,100</b>
Equity & investment fund accounts	950	840	13	1,360	2,360	-42	3,280	4,280
Investment savings accounts	2,800	2,280	23	11,900	6,780	76	14,010	8,890
Savings accounts	-30	200	-115	640	760	-16	1,700	1,820
of which, external deposit accounts	-60	300	-120	600	930	-35	1,610	1,940
Pension- & insurance-based accounts	1,290	1,240	4	5,500	4,200	31	6,410	5,110
of which, endowment insurance	750	860	-13	3,880	2,740	42	4,230	3,090
of which, occupational pensions	520	360	44	1,520	1,110	37	1,960	1,550
<b>Net inflow</b>	<b>5,010</b>	<b>4,560</b>	<b>10</b>	<b>19,400</b>	<b>14,100</b>	<b>38</b>	<b>25,400</b>	<b>20,100</b>
Net inflow/Savings capital, %	12	14	-2	18	17	1	19	18
No. commission notes per customer & month	3.3	2.1	57	3.3	2.2	50	3.1	2.3
No. transactions per commission note	1.5	1.5	0	1.5	1.6	-6	1.5	1.6
<b>Market shares</b>								
<i>Nasdaq Stockholm and First North:</i>								
No. transactions, %	10.8	8.0	2.8	10.2	7.6	2.6	9.6	7.6
Turnover, %	6.6	4.3	2.3	5.6	4.2	1.4	5.3	4.2

For definitions see page 21.

The net inflow in the third quarter was SEK 5.0bn, which was 10 per cent higher than in the same period in 2014. The total net inflow in the first nine months was SEK 19.4bn, which was 38 per cent higher than in the same period in 2014. The largest portion of the net inflow continued to go to investment savings

accounts. The net inflow for occupational pension plans in the third quarter increased by 44 per cent year on year.

During the period January – September the trading activity among Avanza's customers increased sharply. The number of trades per customer per month was 50 per cent higher than in

the same period in 2014, compared with 32 per cent for Stockholm stock exchange as a whole. Together with high volatility, the new mobile apps and expanded communication activities on the website as well as in social and traditional media, with a particular emphasis in the new price list with the option of

trading for SEK 1 and other new launches, contributed to the increased activity. In the third quarter trading activity among Avanza's customers was significantly higher than in previous summer months, which resulted in a new record high in August of 200,000 transactions in a single day.

Customers and accounts	30-09-2015	30-06-2015	Change %	31-12-2014	Change %	30-09-2014	Change %
Standard	428,460	408,350	5	357,520	20	342,660	25
Private Banking	13,700	13,300	3	12,000	14	11,500	19
Pro	1,740	1,850	-6	1,680	4	1,140	53
<b>No. customers</b>	<b>443,900</b>	<b>423,500</b>	<b>5</b>	<b>371,200</b>	<b>20</b>	<b>355,300</b>	<b>25</b>
Equity & investment fund accounts	296,900	290,000	2	269,400	10	261,200	14
Investment savings accounts	162,800	141,700	15	80,600	102	65,300	149
Savings accounts	100,200	98,700	2	90,900	10	86,100	16
of which, external deposit accounts	71,300	69,800	2	61,500	16	56,400	26
Pension- & insurance-based accounts	245,900	238,200	3	217,400	13	210,500	17
of which, endowment insurance	129,100	125,000	3	112,100	15	109,000	18
of which, occupational pensions	38,900	36,000	8	29,900	30	27,600	41
<b>No. accounts</b>	<b>805,800</b>	<b>768,600</b>	<b>5</b>	<b>658,300</b>	<b>22</b>	<b>623,100</b>	<b>29</b>
No. accounts per customer	1.82	1.81	1	1.77	3	1.75	4

For definitions see page 21.

Avanza achieved its long-term target of increasing its customer base by 30,000 – 40,000 net new customers annually already in the first quarter and customer growth remained strong in the third quarter with 20,400 new customers. The number of customers increased by 72,700 (38,800) during the first nine months of the year. In the second quarter Avanza passed the 400,000 mark for the number of active customers. The high customer growth is due to a stronger offering, increased marketing activities and a favourable growth climate.

The number of accounts increased by 147,500 (78,200) in the first nine months of the year and in September the number of active accounts passed the 800,000 mark. More than half of the

increase referred to investment savings accounts, which overtook endowment policies during the period in terms of the number of accounts. At the end of the third quarter the number of investment savings accounts had doubled since year-end. The number of occupational pension plans also increased sharply, by 41 per cent compared with the end of the same quarter in 2014.

The number of accounts per customer is a good measure of savers' engagement with Avanza and thus also of Avanza's share of customers' savings. The number of accounts per customer increased in the first nine months, to 1.82 (1.75) accounts at the end of the period.

<b>Savings capital, SEK m</b>	<b>30-09-2015</b>	<b>30-06-2015</b>	<b>Change %</b>	<b>31-12-2014</b>	<b>Change %</b>	<b>30-09-2014</b>	<b>Change %</b>
Standard	99,020	98,180	1	81,200	22	76,000	30
Private Banking	67,500	67,600	0	56,800	19	53,800	25
Pro	4,180	4,220	-1	3,900	7	3,600	16
<b>Savings capital</b>	<b>170,700</b>	<b>170,000</b>	<b>0</b>	<b>141,900</b>	<b>20</b>	<b>133,400</b>	<b>28</b>
Equity & investment fund accounts	59,020	60,800	-3	56,700	4	53,070	11
Investment savings accounts	38,800	36,200	7	23,500	65	20,600	88
Savings accounts	8,080	8,100	0	7,400	9	6,330	28
of which, external deposit accounts	7,330	7,390	-1	6,700	9	5,670	29
Pension- & insurance-based accounts	64,800	64,900	0	54,300	19	53,400	21
of which, endowment insurance	48,200	48,000	0	39,700	21	39,800	21
of which, occupational pensions	7,440	7,320	2	5,930	25	5,300	40
<b>Savings capital</b>	<b>170,700</b>	<b>170,000</b>	<b>0</b>	<b>141,900</b>	<b>20</b>	<b>133,400</b>	<b>28</b>
Equities, bonds, derivatives, etc.	99,680	96,550	3	84,350	18	80,820	23
Investment funds	45,400	47,700	-5	40,300	13	38,400	18
Deposits	31,500	31,500	0	22,600	39	19,100	65
of which, external deposits	7,330	7,390	-1	6,700	9	5,670	29
Lending	-5,880	-5,750	2	-5,350	10	-4,920	20
of which, mortgage loans	-2,480	-2,360	5	-2,010	23	-1,490	66
<b>Savings capital</b>	<b>170,700</b>	<b>170,000</b>	<b>0</b>	<b>141,900</b>	<b>20</b>	<b>133,400</b>	<b>28</b>
Deposits/Lending, %	536	548	-12	422	114	388	148
Net deposits/Savings capital, %	15	15	0	12	3	11	4
Return, average account since Jan 1 st, %	7	10	-3	8	-1	6	1
SIX Return Index since Jan 1 st, %	4	10	-6	16	-12	9	-5

For definitions see page 21.

Despite falling share prices in the third quarter, savings capital remained flat over the period thanks to a high net inflow of customers and capital. Customers' savings capital at Avanza touched SEK 180bn during the period but decreased due to falling equity prices to stand at SEK 171bn at the end of the period, an increase of 20 per cent since year-end 2014. The average return on customers' accounts in the first nine months was 7 per cent.

Savings capital in investment savings accounts was 65 per cent higher at the end of the period compared with year-end 2014. Savings capital held in occupational pension plans was 25 per cent higher.

At the end of the third quarter 27 per cent of customers' capital was invested in funds, which was a slightly lower share than at year-end 2014 and a decrease of 5 per cent since the end of the second quarter. Despite reductions in interest rates, deposits grew by 39 per cent in the first nine months of the year. The increase occurred mainly in the first half of the year, with deposits at the end of the third quarter standing roughly at the same level as at the end of the second quarter. Lending increased by 10 per cent from year-end and at the end of the period the allocation was 58 per cent securities loans and 42 per cent mortgage loans. In the second quarter Avanza raised the ceiling on its mortgage lending volume by a further SEK 1bn to SEK 3.5bn to meet demand from customers.

## Product and business development

The first nine months of the year were a development-intensive period both in terms of new mobile and decision support services as well as customer-driven improvements and efficiencies in internal flows. New developments are driven primarily by changing user behavior and new regulations, which could change the playing field for the industry ahead.

## Mobile services

A clear trend in the past few years is that a growing number of customers are choosing to log in and execute transactions through mobile units, an activity that normally increases during the summer months. In June Avanza launched the first versions of new apps for iOS and Android. One of the new functions in the apps is trading in foreign markets, and Avanza therefore chose to cut its fees on foreign trades in connection with the launch. Customers' mobile use has increased sharply. In the third quarter mobile users overtook computer users, and in September apps accounted for 63 per cent more traffic than the website. In the third quarter Avanza launched updates of its apps for iOS, including new features for customer portfolios and watch lists and expanded order information, and for Android, including an expansion of trading options to comprise the full range of Avanza's products, synchronised watch lists, a new search engine and a faster, more stable and more logical design. In the coming quarter customers will be able to look forward to additional updates and improvements.

## Digital decision support

In the second quarter the development activities were focused on decision support services and customer inspiration as part of an effort to help customers invest liquid assets without incurring high advisory fees. Demand for decision support services is particularly strong during volatile market conditions. In June Avanza launched the Portfolio Generator, a digital service that helps fund savers to create a fund portfolio with a good risk diversification in three stages. In the third quarter the option of using the Portfolio Generator for occupational pension plans was also introduced. Other launches included the Avanza Academy, which provides easy-to-access information on savings and investments, and the Stock Inspiration service, which allows savers to search for investment ideas based on investment

themes or get inspiration from different customer groups and portfolios.

#### *Customer-driven improvements and new partnerships*

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With Avanza's strong customer focus, development activities in the first nine months of the year were also targeted at developing customer-driven improvements, fine-tuning the customer experience and offering new services and functions, largely based on feedback from customers. One focus area was continued development of website and mobile functions with the aim of offering customers a world-class digital experience.

In the second quarter Avanza Markets was launched, where Avanza in partnership with the issuer Morgan Stanley offers commission-free trading in commercial paper with Bull & Bear certificates and Mini Futures as the only bank in Sweden. The products, which are issued by Morgan Stanley, enable customers to invest in underlying assets such as gold, oil and many global

stock market indices without transaction fees. In September 2015 Avanza Markets accounted for 34 per cent of turnover and 53 per cent of transactions in exchange-traded products on the Nordic Growth Market (NGM).

#### *Internal processes and systems*

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As net inflows and customer numbers grow, it is more important than ever to ensure that internal processes and systems are maintained and developed in order to continue to create economies of scale and stability and thereby maintain the strong pace of growth, as well as the high quality of the services to customers. A host of efficiency-raising measures were implemented in the first nine months of the year, including improvements to underlying systems and stability measures aimed at supporting high levels of trading activity, such as the record number of log-ins and transactions at the end of August.



## Financial overview

	2015 Jul-Sep	2014 Jul-Sep	Change %	2015 Jan-Sep	2014 Jan-Sep	Change %	2014-2015 Oct-Sep	2014 Jan-Dec
<b>Income Statement, SEK m</b>								
Brokerage income	113	67	69	334	205	63	415	286
Fund commissions	37	31	19	120	82	46	151	113
Net interest income	35	48	-27	121	156	-22	169	204
Other income	24	20	20	90	60	50	123	93
<b>Operating income</b>	<b>209</b>	<b>166</b>	<b>26</b>	<b>665</b>	<b>503</b>	<b>32</b>	<b>858</b>	<b>696</b>
Personnel	-58	-51	14	-191	-167	14	-258	-234
Marketing	-6	-5	20	-21	-16	31	-30	-25
Depreciation	-2	-2	0	-6	-6	0	-7	-7
Other expenses	-35	-29	21	-102	-92	11	-136	-126
<b>Operating expenses before credit losses and provisions of VAT</b>	<b>-100</b>	<b>-87</b>	<b>15</b>	<b>-320</b>	<b>-281</b>	<b>14</b>	<b>-431</b>	<b>-392</b>
<b>Profit before credit losses and provisions of VAT</b>	<b>109</b>	<b>79</b>	<b>38</b>	<b>345</b>	<b>222</b>	<b>55</b>	<b>427</b>	<b>304</b>
Credit losses, net	0	0	0	0	0	0	0	0
Provision of VAT *	-	-8	-	-	-8	-	-	-8
<b>Operating profit</b>	<b>109</b>	<b>71</b>	<b>54</b>	<b>345</b>	<b>214</b>	<b>61</b>	<b>427</b>	<b>296</b>
<b>Key ratios</b>								
Operating margin, %	52	43	9	52	43	9	50	43
Profit margin, %	45	36	9	45	36	9	43	36
Cost/Income ratio, %	48	52	-4	48	56	-8	50	56
Earnings per share, SEK	3.19	2.10	52	10.19	6.28	62	12.56	8.64
Earnings per share after dilution, SEK	3.16	2.08	52	10.10	6.22	62	12.47	8.56
Return on shareholders' equity, %	10	8	2	34	24	10	44	32
Credit loss level, %	0.00	0.00	0	0.00	0.00	0	0.00	0.00
Investments, SEK m	6	3	100	20	8	150	24	12
Brokerage income/Operating income, %	54	40	14	50	41	9	48	41
Fund commissions/Operating income, %	18	19	-1	18	16	2	18	16
Net interest income/Operating income, %	17	29	-12	18	31	-13	20	29
Other income/Operating income, %	11	12	-1	14	12	2	14	13
Operating income/Savings capital, %	0.12	0.13	-0.01	0.41	0.40	0.01	0.55	0.54
Operating expenses/Savings capital, %	0.06	0.07	-0.01	0.20	0.23	-0.03	0.27	0.31
Brokerage per commission note, SEK	57	70	-19	56	70	-20	58	68
Brokerage income per trading day, SEK m	1.7	1.0	70	1.8	1.1	64	1.7	1.2
No. trading days	66.0	66.0	0	186.0	185.5	0	247.5	247.0
Average no. employees	332	286	16	328	279	18	314	283
Web service operational availability, %	100.0	99.9	0.1	100.0	99.7	0.3	99.9	99.7

\* Provision of VAT during the third quarter 2014 refers to the years 2010–2012

Key ratios	Change			Change			
	30-09-2015	30-06-2015	%	31-12-2014	%	30-09-2014	%
Shareholders' equity per share, SEK	34.33	30.97	11	28.22	22	25.85	33
Capital base/Capital requirement	1.91	1.62	18	1.72	11	1.35	41
No. employees	340	324	5	296	15	290	17
Market value, SEK	343.50	301.50	14	258.00	33	243.50	41
Market capitalisation, SEK m	10,080	8,850	14	7,450	35	7,030	43

For definitions see page 21.

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

During the first nine months the operating income grew by 32 (16) per cent compared with the same period in the prior year. In the third quarter the income grew by 26 (12) per cent compared with the third quarter of 2014.

Brokerage income increased sharply as a result of the expanded customer base and increased trading activity. This despite a reduction in the brokerage fee per trade of 20 (-3) per cent the first nine months, mainly due to the new price plan that

was introduced at the end of 2014. Fund commissions were also up sharply over the nine-month period, although the pace of growth moderated in the third quarter as savers started to sell active investments in favour of safer alternatives pending a more stable market environment. Other income increased by 50 per cent over the January–September period, mainly as a result of increased income from currency exchange and Corporate Finance services. Total Corporate Finance income in the first six months was SEK 18m, which was an increase of 74 per cent on

first half of 2014. In the third quarter sales tailed off sharply due to the summer period and the prevailing market environment, where many companies that are planning to go public are choosing to hold off.

Net interest income declined compared with the previous year as a result of further reductions of key- and market interest rates. The key interest rate averaged –0.22 per cent in the first nine months of the year, which was 0.82 percentage points less than in the same period the year before. This was partly offset by higher lending. The increased excess liquidity, which has previously also helped to offset the falling interest margins, instead had a negative impact on net interest income in the second and third quarter due to the negative market interest rates. This despite the fact that Avanza has since late 2014 placed a large portion of its excess liquidity in covered mortgage bonds to achieve a better return and lower capital requirements.

In the second quarter Avanza presented its highest operating income to date. Despite high trading activity and a growing customer base, revenues in the third quarter were slightly lower, mainly due to the turbulent market and the falling repo rate. Overall, revenues from fund savings decreased (SEK –6m) as well as foreign exchange fees (SEK –3m), Corporate Finance income (SEK –12m) and net interest income (SEK –5m). Brokerage income, on the other hand, was up by (SEK +5m) and the net decrease in operating income was SEK 22m compared with the previous quarter.

Operating expenses (before credit losses and provisions of VAT) increased by 14 (3) per cent in the first nine months compared with the same period the year before, mainly due to a larger workforce. Staff costs grew by 14 per cent, partly due to increased activity in occupational pension plans, which required an expanded sales organisation, and increased capacity in IT development. Due to deposit growth Avanza's cost for the government deposit guarantee scheme and the fee to the stability fund increased during the third quarter (SEK –3m) compared to the same period last year. We expect operating expenses

(including provisions of VAT) to increase at a rate of 10 per cent for the full year.

Revenue growth outpaced cost increases by a significant margin in the first nine months, in line with Avanza's long-term goal. The operating profit in the third quarter was SEK 109m (71), an increase of 54 per cent compared with the same period in the previous year. The operating profit for the nine-month period was SEK 345m (214), representing an operating margin of 52 (43) per cent.

In the first quarter of the year Avanza received a decision from the Swedish Tax Agency relating to the VAT investigation for the period 2010-2012 that was initiated in 2014. The decision is in line with the provisions for VAT that Avanza made in the third quarter of 2014.

### Financial position

Avanza is 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 assets are deemed to be secure. The surplus liquidity is invested in covered bonds in systemically important Nordic banks and all lending is secured against listed securities and with pledges on houses and tenant-owned apartments. SEK 789m of the liquid assets as per the end of the period, SEK 5,629m, were pledged as collateral mainly referring to credit institutions and the stock exchange. Avanza does not conduct, and has not previously conducted, trading in securities on its own behalf. Between 2001 and September 2015 total credit losses amounted to SEK 10 million, which is the equivalent, on average, to less than 0.03 per cent per year.

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

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result for the first nine months was SEK –10 million (SEK –4m). The Parent Company does not report any sales. A dividend payment of SEK 202 million (SEK 231m) has been made to the shareholders.

### Capital surplus

SEK m	30-09-2015	31-12-2014
Shareholders' equity, the Group	1,007	815
Intangible fixed assets and deferred tax receivables	–38	–28
Capital requirement with reference to Pillar I	–397	–340
<b>Total capital surplus before dividend</b>	<b>572</b>	<b>447</b>
Capital surplus per share, SEK	19.49	15.49

*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 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 572 million as of 30 September 2015.

Due to the large net inflow during the first nine months of the year, combined with a growing share of liquid assets in the customers' savings because of unstable stock markets, the company's capital requirement has increased by SEK 57 m in the period January – September. To enable a dividend level in accordance with company policy, even if this trend continues during the fourth quarter, we intend to take several measures to both decrease the capital requirement and increase the capital base. These measures may include liquidity management as well as financing through Tier 1 or Tier 2 capital instruments.

The new Basel 3 and Solvency 2 regulations entail increased capital requirements in the years ahead for both Avanza's banking company and the insurance company. With continued favorable growth conditions for 2015, the capital requirement is expected to increase further.

## Outlook for the future

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### Avanza's growth potential

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The growth potential for the Swedish savings market is considered to be good. We estimate that the Swedish savings market in the long-term will grow at a rate of 4–8 per cent per annum, which is in line with the growth we have seen over the last ten years. Pension and insurance savings plans normally account for half of this growth. Stricter mortgage repayment rules and concerns over falling property prices, coupled with an unstable stock market, could however lead to Swedish customers choosing to save by paying off more on their mortgages instead, which in turn could have a negative impact on the growth of the Swedish savings market.

However, Avanza's growth opportunities are not limited by the growth of the savings market. This is due to the fact that Avanza only has a 2.7 per cent market share of the Swedish savings market and the fact that funds that are transferred to Avanza from other savings institutions do not count as part of the net inflow to the Swedish savings market. In order to create long-term shareholder value Avanza is focusing on areas which can be directly influenced and support the company's underlying growth, in combination with good cost control – economies of scale and focus on customer satisfaction, which over time promotes net inflow and a growth in the number of customers.

### 3–5 year outlook

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#### *Low interest rate environment and focus on fees*

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We perceive a clear trend whereby fees are becoming more and more significant for savers, not least because interest rates are going down. Customers review their savings and the significance of fees become more and more prominent. A low interest rate environment also affects our customers' disposable income and savings potential in a positive way, through for example lower housing costs. We believe it is likely that more capital will be transferred to Avanza, which will contribute to underlying growth in revenues. Meanwhile the Swedish Central bank has indicated that interest rates will stay low, which will continue to impact negatively on our net interest income. All else equal, disregarding changes in customer behaviour, a 1 percentage point interest change would, at current volumes, imply an effect on net interest income of SEK 200–230m. Once interest rates finally go up again we fully expect to see a positive outcome due to a sharp increase in savings capital, even if growth in customers might slow down slightly.

More people discovers the advantages of saving with investment savings accounts (ISK) which offer low standard tax rates. At the end of March the government presented a proposal to increase the tax on ISK and endowment insurance. However we believe that the more profitable option will still be to save in accounts which are taxed on a standardized basis, compared to traditional saving in equity and investment fund accounts.

#### *A shift toward more individual savings*

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We can also see a trend towards an increased demand for digital services within savings. We think it is likely that this trend will continue and this should strengthen Avanza's position and growth prospects. The need for individual savings is increasing as a result

of a gradual deterioration of the public pension provisions, leading to a greater demand for enhanced product ranges, freedom of choice and lower fees. Avanza's IT platform, together with the range of products and services that the company offers, plus simple information and relevant tools for customers to make informed investment decisions, mean that Avanza will benefit as more responsibility is being transferred from public and corporate pension and welfare systems to the individual.

#### *Possible impact of coming regulations*

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We are currently going through a period in which financial sector regulations are undergoing major changes driven by the EU. The coming MiFID II directive and several other coming regulations are all aimed at increasing consumer protection and transparency requirements in the market. These requirements will increase both the complexity and the costs for financial institutions that provide financial advice to private individuals, which is likely to drive the growth of digitalisation in general and digital decision support solutions in particular in order to serve the consumer market in a cost-effective way. Other trends that are having a similar impact are the increased price awareness and the reduced willingness among savers to pay for, and increasing fragmentation of, financial services. All this considered we believe this development will have a positive impact on Avanza's growth prospects, as it is likely to speed up the transition from physical meetings with bank employees to digital services, where Avanza is highly competitive.

Another potential regulation that could have a positive impact on Avanza's growth prospects is an expanded right to transfer pension savings to other providers. It is currently very uncertain whether and when such a right will be introduced but one step in that direction are the new rules on commission-based remuneration and stronger consumer protection that are included in MiFID II, which is scheduled to be adopted in 2016 and take effect in 2017.

#### *Decreasing income to savings capital ratio*

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The income to savings capital ratio has fallen by 13 per cent per annum, from 109 to 54 basis points during the last five years, due to falling short-term interest rates, fluctuations in trading activity on the stock market, as well as price pressure coupled with mixed effects on savings. Taking into account the current low interest rate environment, we estimate that the income to savings capital ratio will continue to fall from its present level, but at a lower rate than in the past. We further anticipate continued effects of the product mix in savings capital as we think it is likely that fund savings will increase in the future, in conjunction with further increases in pension capital. On the other hand, price pressure due to competition is expected to be limited.

Within the foreseeable future, we are not expecting a return to previous levels of income to savings capital ratio, considering the current behavioural patterns among savers with a lower appetite for risk than previously, and a growing cost awareness. We believe that our constant focus on low fees and innovative products will work very well in such an environment and that Avanza is well positioned for further growth in terms of attracting new savings capital from new, as well as existing, clients.

Competitiveness and profitability will need to be achieved through reduced cost to savings capital ratio. Avanza is well placed for this future prospect thanks to the company's highly scalable IT-systems. To enable us to deliver the highest possible customer service in the future we need to keep our focus on achieving further efficiencies and enhanced scalability in the years to come, as well as extending our IT-development capacity. We therefore predict costs to increase 8-10 percent per annum,

given an equal result. This rate range acts as either an accelerator or a brake to be able to combat or confront the market conditions with the necessary efforts, and can be re-evaluated should the growth conditions change. Due to continued strong customer growth and growth in savings capital, we estimate that there is scope for lowering the cost to savings capital ratio over the next 3–5 years from today's level of 28 points to 20 points.

## Other corporate events

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### Significant risks and uncertainly factors

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

A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2014, Note 36 and pages 36–39. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this interim report.

### Transactions with associated parties

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Avanza's transactions with associated parties are presented in the Annual Report for 2014, Note 37. No significant changes have taken place since the publication of the Annual Report.

### Board of Directors

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At the Annual General Meeting held on 18 March 2015 Andreas Rosenlew stepped down from the Board of Directors and Jonas Hagströmer was elected as a new board member. The other board members were re-elected together with the Chairman of the Board.

In October 2015 Lisa Lindström stepped down from the Board of Directors in order to avoid potential risks of conflicts of interest between her role as a board member and ongoing engagements in other companies. More information about the Board of Directors and its members is available at [investors.avanza.se/en](http://investors.avanza.se/en).

### Incentive program

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Subsidiary program 2 of the 2014–2016 stock option program had exercise period from 4 May 2015 to 29 May 2015. The exercise price was SEK 198.10 per share. After recalculation of the option program 470,400 shares were possible to subscribe

for. 470,341 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 30 September 2015 amounts to 29,344,088.

In accordance with a resolution at the extraordinary general meeting on 13 June 2014, Avanza introduced a stock option incentive scheme for employees of the Group in August. The scheme is the second of three stock option schemes that were approved for implementation in 2014–2016. This year's scheme comprises stock options entitling employees to acquire 490,000 shares at an exercise price of SEK 393.58. The expiration date is 3 September 2018. The stock option scheme has been implemented on normal market terms.

### Repurchase of the company's own shares

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On 18 March 2015, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 percent 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 2015 and the company holds no repurchased shares as of 30 September 2015.

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

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Other than Lisa Lindström stepping down from the Board of Directors in October, no significant events have occurred after the end of the reporting period.

### Financial calendar

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Preliminary Financial Statement 2015	21 January 2016
Annual Report, 2015	March 2016
Annual General Meeting	5 April 2016
Interim Report, January – March 2016	19 April 2016

## Consolidated Income Statements\*

SEK m	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep	2014-2015 Oct-Sep	2014 Jan-Dec
<b>Operating income</b>						
Commission income	203	137	627	407	797	577
Commission expenses	-29	-19	-85	-60	-110	-85
Interest income	44	58	140	190	197	247
Interest expenses	-9	-10	-18	-34	-27	-43
Net result of financial transactions	0	0	1	0	1	0
Other operating income	-	0	-	0	0	0
<b>Total operating income</b>	<b>209</b>	<b>166</b>	<b>665</b>	<b>503</b>	<b>858</b>	<b>696</b>
<b>Operating expenses</b>						
General administrative costs	-82	-74	-269	-240	-363	-336
Depreciation of tangible and intangible fixed assets	-2	-2	-6	-6	-7	-7
Other operating expenses **	-16	-19	-45	-43	-61	-57
<b>Total operating expenses before credit losses</b>	<b>-100</b>	<b>-95</b>	<b>-320</b>	<b>-289</b>	<b>-431</b>	<b>-400</b>
<b>Operating profit before credit losses</b>	<b>109</b>	<b>71</b>	<b>345</b>	<b>214</b>	<b>427</b>	<b>296</b>
Credit losses, net	0	0	0	0	0	0
<b>Operating profit</b>	<b>109</b>	<b>71</b>	<b>345</b>	<b>214</b>	<b>427</b>	<b>296</b>
Tax on profit for the period	-15	-11	-48	-33	-61	-46
<b>Net profit/loss for the period ***</b>	<b>94</b>	<b>60</b>	<b>297</b>	<b>181</b>	<b>366</b>	<b>250</b>
Earnings per share, SEK	3.19	2.10	10.19	6.28	12.56	8.64
Earnings per share after dilution, SEK	3.16	2.08	10.10	6.22	12.47	8.56
Average no. shares before dilution, thousand	29,344	28,874	29,114	28,874	29,053	28,874
Average no. shares after dilution, thousand	29,634	29,159	29,366	29,148	29,270	29,139
Outstanding no. shares before dilution, thousand	29,344	28,874	29,344	28,874	29,344	28,874
Outstanding no. shares after dilution, thousand	29,630	29,129	29,630	29,129	29,630	29,170
No. shares upon full dilution, thousand	30,814	30,344	30,814	30,344	30,814	30,344

\* Corresponds to total comprehensive income in that no other total comprehensive income exists.

\*\* Other operating expenses during the third quarter 2014 include provisions of SEK 8 m concerning VAT referring to the years 2010–2012.

\*\*\* The entire profit accrues to the Parent Company's shareholders.

## Consolidated Balance Sheet

SEK m	Note	30-09-2015	31-12-2014
<b>Assets</b>			
Lending to credit institutions	1	5,629	4,535
Lending to the public	2	6,837	5,349
Bonds		12,360	6,070
Shares and participations		1	34
Assets in insurance operations		61,011	50,898
Intangible fixed assets		35	26
Tangible fixed assets		17	12
Other assets		519	207
Prepaid costs and accrued income		107	165
<b>Total assets</b>		<b>86,516</b>	<b>67,296</b>
<b>Liabilities and shareholders' equity</b>			
Deposits by the public		23,988	15,038
Liabilities in insurance operations		61,011	50,898
Other liabilities		433	454
Accrued costs and prepaid income		77	91
Shareholders' equity		1,007	815
<b>Total liabilities and shareholders' equity</b>		<b>86,516</b>	<b>67,296</b>

## Changes in the Group's shareholders' equity

SEK m	2015	2014	2014
	Jan-Sep	Jan-Sep	Jan-Dec
<b>Shareholders' equity at the beginning of the period</b>	<b>815</b>	<b>794</b>	<b>794</b>
Dividend paid	-202	-231	-231
Exercise of share warrants	93	-	-
Warrants issue	5	2	2
Net profit/loss for the period (also total comprehensive income)	297	181	250
<b>Shareholders' equity at the end of the period</b>	<b>1,007</b>	<b>747</b>	<b>815</b>

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

## Consolidated Cash Flow Statements

SEK m	2015	2014	2015	2014
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
Cash flow from operating activities before changes in operating activities' assets and liabilities	-11	86	-22	191
Cash flow from operating activities' assets and liabilities	-494	-648	7,493	-638
Cash flow from investment operations	-1,480	-2	-6,310	-8
Cash flow from financial operations	5	-48	-104	-274
<b>Cash flow for the period</b>	<b>-1,980</b>	<b>-612</b>	<b>1,057</b>	<b>-729</b>
<b>Liquid assets at the beginning of the period *</b>	<b>6,820</b>	<b>8,344</b>	<b>3,783</b>	<b>8,461</b>
<b>Liquid assets at the end of the period *</b>	<b>4,840</b>	<b>7,732</b>	<b>4,840</b>	<b>7,732</b>

\* Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 789 million (SEK 657 m) of consolidated liquid assets are pledged as collaterals.

## Parent Company Income Statements

SEK m	2015	2014
	Jan-Sep	Jan-Sep
<b>Operating expenses</b>		
Administration expenses	-7	-2
Other operating expenses	-3	-2
<b>Operating profit/loss</b>	<b>-10</b>	<b>-4</b>
<b>Profit/loss from financial investments</b>		
Profit/loss from participations in Group companies	1	4
Interest income and similar items	-	0
<b>Profit/loss before tax</b>	<b>-9</b>	<b>0</b>
Tax on profit for the period	2	0
<b>Net profit/loss for the period</b>	<b>-7</b>	<b>0</b>

## Parent Company Balance sheets

SEK m	30-09-2015	31-12-2014
<b>Assets</b>		
Financial fixed assets	409	408
Current receivables *	50	166
Liquid assets	0	0
<b>Total assets</b>	<b>459</b>	<b>574</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	454	570
Current liabilities	5	4
<b>Total shareholders' equity and liabilities</b>	<b>459</b>	<b>574</b>

\* Of which receivables from subsidiaries SEK 48 million (SEK 166 m).

## Accounting principles

The Interim Report for the Group has been prepared in accordance with IAS 34, Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Interim

Report for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the supplementary accounting rules for legal entities (RFR 2) issued by the Swedish Financial Reporting Board. Accounting principles and calculation methods for the Group as well as the Parent Company remain unchanged from those applied in the 2014 Annual Report. A new interpretation of IFRIC 21 became effective in 2014, applicable to the financial year commencing 17 June 2014. This change has not impacted on the Group's financial reports, capitalization or major exposures.

## Notes

### NOTE 1 LENDING TO CREDIT INSTITUTIONS

Client fund receivables, attributable to banking business, amount as of 30 September 2015 to SEK 1,149 million (SEK 895 m as of 31 December 2014) which are reported net against client fund payables of SEK 1,149 million (SEK 895 m as of 31 December 2014).

### NOTE 2 LENDING TO THE PUBLIC

Lending to the public is reported after deduction for confirmed and anticipated credit losses. As per 30 September 2015, anticipated credit losses amounted to SEK 8 million (SEK 8 m as of 31 December 2014).

SEK 958 million (SEK - m as of 31 December 2014) of lending to the public as of 30 September 2015 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 is secured with collateral in the form of securities SEK 3,400 million (3,345 as of 31 December 2014) and houses SEK 2,479 million (SEK 2,004 m as of 31 December 2014). Regarding mortgage loans as of 30 September 2015 SEK 3,100 million (SEK 2,439 m as of 31 December 2014) has been granted, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 621 million (SEK 435 m as of 31 December 2014).

### NOTE 3 FINANCIAL INSTRUMENTS

Classification of financial instruments

30-09-2015, 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
<b>Assets</b>						
Lending to credit institutions	-	-	5,629	-	-	5,629
Lending to the public	-	-	6,837	-	-	6,837
Bonds	-	12,360*	-	-	-	12,360
Shares and participations	1	-	-	-	-	1
Assets in insurance operations	61,011	-	-	-	-	61,011
Intangible assets	-	-	-	-	35	35
Tangible assets	-	-	-	-	17	17
Other assets	-	-	305	-	214	519
Prepaid costs and accrued income	-	43	44	-	20	107
<b>Total assets</b>	<b>61,012</b>	<b>12,403</b>	<b>12,815</b>	<b>-</b>	<b>286</b>	<b>86,516</b>
<b>Liabilities</b>						
Deposits by the public	-	-	-	23,988	-	23,988
Insurance operations liabilities	61,011	-	-	-	-	61,011
Other liabilities	-	-	-	431	2	433
Accrued costs and prepaid income	-	-	-	36	41	77
<b>Total liabilities</b>	<b>61,011</b>	<b>-</b>	<b>-</b>	<b>24,455</b>	<b>43</b>	<b>85,509</b>

\* The fair value amounts to SEK 12,314 million, of which SEK 12,314 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

30-09-2015, SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	30,592	0	0	30,592
Fund units	1,407	18,577	-	19,984
Bonds and other interest-bearing securities	13,273	267	-	13,539
Other securities	144	237	-	381
Liquid assets	-	-	-	8,830
<b>Total assets</b>	<b>45,415</b>	<b>19,081</b>	<b>0</b>	<b>73,326</b>
<b>Liabilities</b>				
Liabilities in insurance operations (investment agreements)	-	61,011	-	61,011
<b>Total liabilities</b>	<b>-</b>	<b>61,011</b>	<b>-</b>	<b>61,011</b>

### Fair value

In the case of financial instruments reported at accrued acquisition cost, incurring variable interest, or with short maturities, the reported value and fair value are equal.

The fair value of those financial instruments reported at fair value through profit and loss 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 categorised 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.

## NOT 4 CAPITAL REQUIREMENT FOR THE FINANCIAL CONGLOMERATE

SEK m	30-09-2015	31-12-2014
<b>Capital base</b>		
Shareholders' equity, the Group	1,007	815
Assumed/Proposed dividend	-209	-202
<b>Shareholders' equity, financial conglomerate</b>	<b>798</b>	<b>613</b>
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-38	-28
<b>Capital base</b>	<b>760</b>	<b>585</b>
<b>Capital requirement</b>		
Capital requirement for regulated units within the banking and securities sector	363	306
Capital requirement for regulated units in the insurance sector	34	34
Theoretical capital requirements for non-regulated units	0	0
<b>Capital requirement</b>	<b>397</b>	<b>340</b>
<b>Capital surplus</b>	<b>363</b>	<b>245</b>
<b>Capital base/Capital requirement</b>	<b>1,91</b>	<b>1,72</b>

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 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.

In addition to this there are buffer requirements for regulated units within the banking and securities sector (the consolidated situation) which are reported in note 5.



## NOT 5 CAPITAL BASE AND CAPITAL REQUIREMENT IN THE CONSOLIDATED SITUATION

Figures reported in this section refer to the minimum capital requirements under Pillar 1 and capital requirements under Pillar 2, according to the capital adequacy regulations applying from time to time. On 1 January 2014, the European Capital Requirements Regulation (CRR) came into force. The capital base and capital requirement as of 2014 are calculated in accordance with the new EU regulations.

The consolidated situation includes Avanza Bank Holding AB (publ) and the subsidiaries Avanza Bank AB and Avanza Fonder AB.

Consolidated situation, SEK m	30-09-2015	31-12-2014
<b>Tier 1 capital</b>		
Shareholders' equity, the Group	1,007	815
Assumed/Proposed dividend	-96	-202
Equity not part of the consolidated situation	-209	-73
<b>Equity, consolidated situation (adjusted for assumed/proposed dividend)</b>	<b>702</b>	<b>540</b>
Deducted items:		
Intangible assets and deferred taxes	-38	-28
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension	-39	-39
<b>Common equity tier 1 capital</b>	<b>625</b>	<b>473</b>
<b>Total own funds</b>	<b>625</b>	<b>473</b>
<b>Capital requirement</b>		
Credit risk according to standardised approach	291	233
Market risks	0	6
Settlement risk	0	0
Operational risk	69	69
<b>Total capital requirement</b>	<b>360</b>	<b>308</b>
<b>Risk exposure amount</b>		
Credit risk according to standardised approach	3,632	2,902
of which Institutions	1,125	906
of which Corporates	32	70
of which Households	208	346
of which Collateral in real estate	868	702
of which Covered bonds	1,158	598
of which Other items	241	280
Market risks	2	69
Settlement risk	0	0
Operational risk	862	862
<b>Total risk exposure amount</b>	<b>4,496</b>	<b>3,833</b>
<b>Capital ratios and buffers</b>		
Common equity tier 1 ratio, %	13.9	12.3
Tier 1 ratio, %	13.9	12.3
Total capital ratio, %	13.9	12.3
Capital base in relation to capital requirement	1.74	1.54
Institution-specific buffer requirement, %	3.5	2.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	1.0	-
Total capital requirement including buffer requirement, %	11.5	10.5
Common equity tier 1 capital available for use as a buffer, %	9.4	7.8
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirements	108	69
Additional requirement with reference to Pillar 2	31	14
Capital surplus after buffer requirement and Pillar 2	77	55

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

The CEO ensures that the preliminary financial statement 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, 20 October 2015

Martin Tivéus  
CEO

## For additional information

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Martin Tivéus, CEO  
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Birgitta Hagenfeldt, CFO  
Telephone: +46 (0)73 661 80 04

The information contained in this report comprises information that Avanza Bank Holding AB (publ.) is obliged to provide as well as that which it has chosen to provide in accordance with the provisions of the Swedish Securities Market Act and the Swedish Financial Instruments Trading Act. The information has been released to the market for publication at 08.15 (CET) on 20 October 2015.

A presentation will be held by Martin Tivéus, CEO and Birgitta Hagenfeldt, CFO on 20 October 2015 at 10.45 (CET). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at [avanza.se/ir](http://avanza.se/ir). Phone number for participants:

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

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

## Headoffice

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*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.*

# Report of Review of Interim Financial Information

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## **Introduction**

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We have reviewed the condensed interim financial information (interim report) of ABC Entity as of 30 September 201x 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, the Swedish Annual Accounts Act and the Swedish Annual Accounts Act of Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

## **Scope of Review**

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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**

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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 Act and the Swedish Annual Accounts Act of Credit Institutions and Securities Companies, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 20 October 2015

Öhrlings PricewaterhouseCoopers

Catarina Ericsson  
Authorized Public Accountant

*For translation purposes only.*

## Definitions

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### **Account**

An open account with holdings.

### **Brokerage income**

Brokerage income less direct costs.

### **Brokerage per commission note**

Gross brokerage income for account customers in relation to the number of commission notes excluding investment fund commission notes.

### **Capital base**

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

### **Commission note**

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

### **Cost/income ratio**

Costs before credit losses in relation to income.

### **Credit loss level**

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

### **Customer**

Individuals or companies with at least one account with holdings.

### **Deposits**

Deposits by the public as per balance sheet with deduction for the portion

which are covered in their entirety by cash pledged on endowment insurance accounts which entirely corresponds to the lending to the public and the addition of client fund deposits and external deposits.

### **Earnings per share**

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

### **Equity per share**

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

### **External deposits**

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

### **Investment fund commission**

Kickbacks from fund management companies. Comprises entry commission and commission based on fund volume.

### **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.

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

Deposits minus lending, in relation to the savings capital at the end of the period.

### **Net inflow**

Deposits, less withdrawals, of liquid assets and securities.

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

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

### **Operating expenses**

Operating expenses before credit losses and provisions of VAT.

### **Operating expenses/Savings capital**

Operating expenses in relation to average savings capital during the period.

### **Operating income/Savings capital**

Operating income in relation to average savings capital during the period.

### **Operating margin**

Operating profit/loss in relation to operating income.

### **Profit margin**

Profit/loss after tax in relation to operating income.

### **Return on equity**

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

### **Savings capital**

The combined value of accounts held with Avanza.

### **Transactions**

Buying and selling transactions completed in different markets and involving different securities.



Avanza Bank Holding AB (publ) • Registered office: Stockholm • Corporate ID no: 556274-8458