



Interim Report January-September 2020

Avanza Bank Holding AB (publ)

Third quarter 2020 compared to third quarter 2019

- **Customer growth** was 79,200 (36,800), an increase of 115 per cent
- **Net inflow** in the quarter was SEK 16,300 million (9,940), an increase of 64 per cent
- **Operating income** increased by 84 per cent. All revenue lines improved. Net brokerage income increased by 125 per cent as a result of high market activity. Currency-related income increased by 167 per cent. Net interest income increased mainly as a result of higher lending volumes and improved return on surplus liquidity
- **Operating expenses** increased by 19 per cent, mainly due to more staff and consequently higher personnel costs. IT and premises costs also increased
- **The cost increase for the full year** is, as communicated earlier, estimated as 12 per cent, which is within the long-term guidance of an annual cost increase of 9–12 per cent
- **Net profit** amounted to SEK 331 million, an increase of 140 per cent
- As previously announced, a leverage ratio requirement will be introduced in June 2021. This means that Avanza has to strengthen its Tier 1 capital by between SEK 750 million and SEK 850 million. Because of this year's strong result, the Board of Directors has resolved to do this by temporarily reducing the dividend ratio for 2020. See also page 11
- As previously announced, Anna Casselblad will take over as the new CFO, effective 1 February 2021
- Improvements to monthly savings in the apps
- New pages launched for certificates
- The customer onboarding was updated with better guidance to make it easier for new customers to start saving

Quote from Rikard Josefson, CEO Avanza

"We can again look back at a quarter with high activity. Customer growth was strong, and we passed SEK 500 billion in savings capital. The high activity and strong growth resulted in the best quarterly result ever for Avanza. 170,000 more customers traded equities during the quarter compared to a year ago. So even if activity were to decrease going forward, there is no doubt we have raised our lowest level."

	Q3 2020	Q2 2020	Change %	Q3 2019	Change %	Jan-Sep 2020	Jan-Sep 2019	Change %
Operating income, SEK m	575	526	9	313	84	1,643	865	90
Operating expenses, SEK m	-177	-185	-4	-148	19	-541	-478	13
Operating profit, SEK m	396	333	19	163	144	1,091	380	187
Net profit, SEK m	331	281	18	138	140	917	326	181
Earnings per share before dilution, SEK	2.15	1.83	18	0.91	137	5.96	2.15	177
Operating margin, %	69	63	6	52	17	66	44	22
Net inflow, SEK m	16,300	19,400	-16	9,940	64	57,600	25,800	123
No. of new customers (net)	79,200	53,000	49	36,800	115	218,300	101,900	114
Savings capital at the end of the period, SEK m	514,200	444,600	16	377,100	36	514,200	377,100	36

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 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 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 savings capital 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 and increase the proportion of recurring revenues.

Vision & business model

Avanza's vision is to create a better future for millions of people through a cheaper, better and simpler offering. This is based on customer focus, a broad product range, good decision support, and on educating the public about saving and investing. Satisfied customers and a world-class customer experience are the key to Avanza's business.

Avanza is driven by a consistent focus on creating customer value, and the promise to customers is that they will get a better return on their savings with Avanza than any other bank. This makes innovation, as well as scalability and efficiency, important to Avanza's strategy. Avanza's business model is built on scalability and the industry's lowest cost to the savings capital ratio. Strong customer growth, combined with low costs, leads to long-term growth and enables Avanza to deliver value to both customers and shareholders. Continuous development, digitisation and internal efficiency also reduce operational risks and increase stability.

Sustainability is becoming increasingly important to customers and to Avanza's business. Since 2019, Avanza's sustainability work has been focused on three areas: Sustainable investments, Educate and challenge, and Sustainable organisation.

Delivering on our vision also requires engaged employees and a strong corporate culture that draws its energy from a willingness to change. Avanza's corporate climate is characterized by collaboration and humility, and by constantly challenging and thinking innovatively.

Long-term targets

Satisfied customers:

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

Engaged employees:

- eNPS (Employee Net Promoter Score) of at least 45

Value growth:

- Market share of at least 15 per cent of the total net inflow to the Swedish savings market 2025
- Market share of nearly 7 per cent of the Swedish savings market by the end of 2025
- Return on equity of 25-30 per cent
- Dividend of at least 70 per cent of the profit of the year

Sustainability:

- Increased share of capital in sustainable investments and increased share of customers who save in sustainable alternatives
- Be seen as the leading sustainable brand and the natural choice for sustainable savings as well as increase the share of female to 50 per cent of new customers
- An organisation with parity between women and men, and to become climate positive

For more information about Avanza, see avanza.se/ir and the Annual Report.



CEO comment

Very high level of customer activity continues

We can again look back at a quarter with a high activity level. Uncertainty about the pandemic and its impact on asset prices persists, while we have geopolitical uncertainty from the US presidential election and Brexit. It is hard to draw any conclusions about the future. What I can say is that the importance of savings has rarely been so obvious. The best we at Avanza can do is to support our customers through education and information on savings as well as continuously improve and develop our offering. Being there for our customers wherever they need us will contribute to a better future for millions of people. This is how we will ensure Avanza's continued development as a company. It is also worth noting that over 70% of orders are placed by mobile phone. This underscores that Avanza is available where the customer needs us. Regardless of the market's future performance, there is no doubt we have raised our lowest level.

So far this year, over 200,000 savers have chosen Avanza

The quarter generated a record of 79,200 new customers; only the first quarter was slightly stronger. So far this year, over 200,000 savers have chosen Avanza. We are still growing strongly among young urbanites, but growth among customers in smaller locations is also increasing on a relative basis. Few customers are leaving us. We have a customer churn of 1.3%.

We passed an important milestone during the quarter when our customers' assets exceeded SEK 500 billion. This is something to be proud of. The net inflow amounted to SEK 16.3 billion in the quarter and SEK 57.6 billion for the year so far. These are strong numbers considering that we had SEK 32.6 billion in net inflow in 2019, which was then our best year ever.

Market shares in the Swedish savings market for the second quarter, which were released in August, show that Avanza had a share of 4.9%. In the last year, we accounted for nearly 20% of market growth. It is also a sign of strength that we continue to see an increase in occupational pension premiums and now receive 6.9% of the non-collectively bargained share. Occupational pension premium payments, together with monthly fund savings, are growing and now exceed SEK 900 million per month, up 26% compared to the end of the third quarter 2019.

Record-high quarter

The high activity level and strong growth resulted in our best quarterly result ever. Although seasonal expenses are always lower in the third quarter, income was record high. We had 170,000 more equity-trading customers than a year ago and 60,000 more than the beginning of the year. While turnover per customer and per trade has fallen, total turnover in commission-generating securities has increased. Fund savings rose as well, and fund capital now amounts to SEK 134 billion. Trading in foreign equities remained strong and accounted for just over 13% of the turnover, which together with continued high activity in Avanza Markets contributed to strong other income. Income from Corporate Finance was seasonally low, but activity increased in September. Our strength in Corporate Finance is our distribution capacity, which is gaining traction with a growing number of companies.

Personnel costs are always seasonally low in the third quarter. For the full year, our guidance of a cost increase of 12% compared to 2019 remains unchanged.

Lower dividend ratio for 2020, but the long-term dividend policy remains unchanged

As previously announced, a regulatory requirement of a 3% leverage ratio will be introduced next summer. The Swedish Financial Supervisory Authority has also communicated that it is introducing a leverage ratio guidance, which means that banks must have a buffer to the requirement of between 0.2–0.5%. As a result, we have to strengthen our Tier 1 capital by SEK 750–850 million to meet our internal target of a leverage ratio of 3.8%. Thanks to a strong year, the Board of Directors has resolved to achieve this by deviating in 2020 from our dividend policy. This should be seen as an extraordinary measure. Over the long term, the dividend policy of at least 70% of profit remains unchanged.

Big step toward better occupational pension transfer rights

An important factor and convenient way to build savings capital is to routinely save monthly. To simplify monthly savings for our customers, improvements have been made to the apps. Stock pages have been improved as well by showing customers which funds have large holdings in their favourite stocks. They can also see the largest holdings in the funds.

The big news for Swedish savers this quarter still had to be that limits will finally be introduced on transfer fees for occupational pensions. The legislative council had no objections to the draft law, which will now enter into force on 1 April 2021. This means that savers will be able to transfer their occupational pension for a maximum cost of about SEK 600, compared to up to tens of thousands of kronor today. We see good opportunities here to attract capital considering our competitive offering with a broad range of investment alternatives and no maintenance fees. It is still an administrative headache, however, and there is a lot of room for the industry to self-regulate to simplify for the customer.

Culture is an important success factor

It is easy in a digital world to forget that every success is built on the people behind it. At Avanza, the culture is extremely strong and critical to our success. We have the most engaged and motivated employees in the industry. The culture and customer focus at Avanza make me confident that we will manage the future with continued success.

For us it is always essential therefore to recruit people who can thrive in and contribute to our culture. Working at Avanza means being part of a unique community. It creates energy and is the key to always do everything we can to keep our customers satisfied.

In September, we secured another important recruitment when we found our new head of compliance. In this case we were again able to promote internally. Susanne Uväng, who has over a decade of experience in the critical area of compliance, will take over the position on 1 December, succeeding Anna Casselblad, who on 1 February 2021 will become our new CFO. This ensures a smooth transition from our current CFO, Birgitta Hagenfeldt, who will serve as advisor to me until she retires from an operational role on 31 May 2021.

Stockholm, 19 October 2020



Rikard Josefson, CEO Avanza

Operations

Activity and market shares

The Stockholm Stock Exchange continued to develop strongly with relatively high volatility during the quarter. The OMX Stockholm Gross Index rose by 12.8 per cent.

Total turnover on the Stockholm Stock Exchange including First North decreased by 11 per cent and the number of transactions was down 1 per cent compared to the previous quarter. Among Avanza's customers, turnover on these marketplaces increased by 1 per cent and the number of transactions by 12 per cent.

In the third quarter, Avanza was again by far the largest Swedish player on the Stockholm Stock Exchange including First North in terms of number of transactions and turnover. Avanza's market shares increased during the quarter.

According to the Swedish Investment Fund Association the fund market reported a net inflow mainly to equity funds in the third quarter. Avanza's share of new savings in the fund market (excluding PPM) was close to 17 per cent.

The Riksbank raised the repo rate by 25 basis points on 8 January 2020 to 0 per cent. The Riksbank's own forecast indicates a zero per cent repo rate for the foreseeable future.

Information related to COVID-19

Because of COVID-19, Avanza is providing information on its impact on the company.

Avanza's operations have continued uninterrupted after the outbreak with no major disruptions during the quarter.

Avanza continue to follow the Swedish Public Health Agency's recommendations and instructions. While the majority of employees are working from home, a slightly larger share has been to the office since September – a maximum of 40 per cent. New communication channels and routines have been adopted to maintain operations, the pace of development and employee engagement, and to safeguard the culture. The introduction for new employees has also been done digitally. Internal communication has been improved and adapted, e.g. with digital demos of new functions and products as well as digital project updates and monthly meetings. The almost entirely digital communication has to a large extent increased availability for employees, which is an important part in building Avanza's culture and cohesion. Many of these new routines are here to stay, at the same time as spontaneous interactions with colleagues should not be underestimated and are easier when everyone can meet face-to-face in the office. In the employee survey, which was conducted during the second quarter, the eNPS reached a record high of 75 (63), compared with the long-term target of an eNPS of at least 45.

The COVID-19 crisis, together with various political measures and stimulus from central banks, continued to affect stock market turnover and volatility during the quarter. In the current environment, customers took an active interest in their savings, and trading activity among Avanza's customers remained at historically high levels. Customer growth and the net inflow also remained high. This year's high level of customer activity and strong growth meant that Avanza, somewhat earlier than expected, needed to strengthen its IT systems with e.g. investments in complementary hardware and capacity. The site availability during the quarter was 99.8 per cent.

The macro variables in Avanza's IFRS 9 model, which are used to calculate expected credit losses, were updated during the second quarter to reflect among other things COVID-19's effects on the Swedish economy, such as unemployment and

housing prices. The update increased the provision for expected credit losses by approximately SEK 5 million, which affected the result for the second quarter. The provision mainly relates to mortgage loans, which have a low risk with an average loan to value ratio of 38 per cent and are designed for Private Banking customers. The provision for margin lending rose slightly. No additional provisions were installed during the third quarter and no actual credit losses related to COVID-19 were recognised during the first nine months of 2020, which shows that Avanza's risk tolerance, collateral and processes are working as they should even in these highly uncertain and volatile market conditions.

The large fund outflow and decrease in fund volume after the first quarter's dramatic drop in equity prices were recouped in the second and third quarters and are now at record levels.

Customers' liquidity, which increased significantly at the start of the crisis, was back to a normal level by the end of the quarter.

During the beginning of the crisis the occupational pension business showed a marginal impact on premium inflows after a few companies had to put their pension contributions on hold due to falling revenues, and the number of sales meetings decreased when some companies decided to delay any decision on a new occupational pension partner. The temporary drop in sales has now been regained and the transition to more digital meetings and sales has, if anything, increased efficiency in the occupational pension business. The companies, hardest hit by the coronavirus pandemic, have been contacted to inform them of the valuable services they have access to through their risk insurance. The exposure in Avanza's occupational pension business to the most vulnerable sectors is, however, very limited.

The aftermath of COVID-19 is hard to predict. It is not unusual for customer activity to slow after great turbulence as the market stabilises. As a result of the strong growth in the nine-months period, however, our view is that our lowest level has been raised.

Although savings could be negatively impacted by high unemployment, leaving individuals with less opportunity to save, the turbulence during this past period has to an even greater degree proven the importance of savings and a capital buffer.

In connection with the strong growth and high level of activity in the wake of COVID-19, Avanza at the end of March raised its guidance on the cost increase for 2020 to 12 per cent from previously around 10 per cent. This corresponds to just over SEK 10 million in additional costs for the full year. The cost guidance was raised after several investments were brought forward and capacity is being increased in Customer service and the Backoffice as well as in IT. The long-term guidance on Avanza's annual cost growth remains at 9–12 per cent.

In response to the financial strain caused by COVID-19, the government decided in the first quarter to reduce social security contributions for up to 30 employees per company. Since Avanza has not and is not expected to be negatively impacted to a large extent by COVID-19, the companies in the Avanza Group will not apply for reduced security contributions.

Avanza's long-term strategies and targets remain unchanged.

Events during the third quarter

During the quarter, the site and apps were improved with expanded information and functionality. Setting up monthly savings through the apps is now much easier when it comes to individual funds. It is also easier for customers to boost their savings with a one-time purchase of the funds they already save in. Stock pages were improved as well. Those who like stocks, but love funds can now see on each stock page which funds hold a stock and can quickly and easily click on each fund for more information and trading options. In addition, new pages have been launched for certificates with graphs and more information, including news and order volume.

In the customer onboarding, which is the first thing a new customer sees, better guidance is provided. This makes it easier for new customers to get started with their savings based on their level of knowledge and interest.

The new Corporate Finance department has now been up and running for about a year and, despite COVID-19, has made it through an active period. During the quarter, Avanza participated in the IPOs of Readly as a retail manager and Implantica as exclusive retail distributor. Avanza also served as an advisor to the software company Seamless Distribution Systems when it expanded its ownership base.

Communication with customers in a market with continued volatility is still high with many podcasts and blog entries as well as higher readership and listener numbers than in previous years. Activity in Customer service and Private Banking is higher as well.

During the quarter, the two Stockholm offices were combined, and all employees are now at Regeringsgatan 103, although the majority are still working from home due to COVID-19. Avanza's culture is one of its most important sources of success and being together will improve efficiency, collaboration and innovation.

Development of customers and savings capital

Data on the Swedish savings market for the second quarter of 2020 were released in August. Avanza's share of the total net inflow to the Swedish savings market during the period July 2019–June 2020 was 19.2 per cent. Avanza's share of the Swedish savings market was 4.9 per cent at the end of the period.

Avanza's market share of premiums paid for non-collective agreement occupational pension insurance was 6.9 per cent during the period July 2019–June 2020 according to statistics from Insurance Sweden. This was an increase from 6.3 per cent during the corresponding period the previous year. The market share of the premium inflow for the entire life insurance market, i.e. including endowment insurance, was 10.2 per cent in the second quarter.

Customer growth remained strong in the third quarter, and 79,200 new customers were added. This was 49 per cent more than the previous quarter and 115 per cent more than the third quarter of 2019. The number of occupational pension customers grew by 4 per cent. The total number of customers at the end of the period was 1,194,700.

The net inflow was 16 per cent lower than in the previous quarter and 64 per cent higher than the third quarter in 2019. SEK 3.9 billion of net inflow in the second quarter related to a closer cooperation with an asset management firm, which can be seen in the net inflow in Private Banking. The net inflow from existing customers accounted for 61 per cent in the quarter, compared to 50 per cent in the previous quarter. Recurring occupational pension premiums averaged SEK 243 million per month in the latest 12-month period, an increase of 8 per cent compared to the equivalent period a year ago.

Savings capital exceeded SEK 500 billion during the quarter and increased by 16 per cent to a record-high SEK 514 billion, mainly due to rising stock prices but also net inflow. At the end of the quarter, 26 per cent of customers' capital was invested in funds, 3 percentage points lower than the beginning of the year. Still, fund capital has increased by 12 per cent during the year and by 17 per cent in the quarter. Net fund inflow was SEK 7.5 billion in the quarter. Of the fund capital, 28 per cent was invested in Avanza's own funds. Monthly savings in funds by Avanza's customers is growing and at the end of the quarter amounted to SEK 680 million, an increase of 39 per cent compared to a year ago.

Customers' total deposits decreased by 4 per cent during the quarter and the liquidity per customer is back at normal levels. Customers' liquidity, i.e. deposits as a share of savings capital, decreased from 18 to 15 per cent in the quarter. Total deposits amounted to SEK 76 billion, of which SEK 25.7 billion related to external deposits.

Total lending increased by 8 per cent in the third quarter to SEK 27.3 billion. External mortgage volume through Stabelo amounted to SEK 12.2 billion at the end of the quarter. Internally financed mortgages for Private Banking customers was just over SEK 8.8 billion, up by 2 per cent. Margin lending increased by 17 per cent and amounted to SEK 6.3 billion.

Activity and market shares	2020 Q3	2020 Q2	Change %	2019 Q3	Change %	2020 Jan-Sep	2019 Jan-Sep	Change %	2019 Jan-Dec
No. commission generating notes, thousands	10,800	9,200	18	4,760	127	29,200	12,800	128	17,500
Commission generating turnover, SEK m	288,200	277,800	4	140,800	105	848,400	408,800	108	557,800
<i>Market shares</i>									
<i>Nasdaq Stockholm and First North:</i>									
No. transactions, %	19.9	17.5	2.4	13.6	6.3	18.0	13.4	4.6	13.7
Turnover, %	9.6	8.4	1.2	5.2	4.4	8.5	5.2	3.3	5.4

Net inflow, SEK m	2020 Q3	2020 Q2	Change %	2019 Q3	Change %	2020 Jan-Sep	2019 Jan-Sep	Change %	2019 Jan-Dec
Standard	13,730	13,080	5	8,620	59	46,120	23,140	100	31,090
Private Banking	2,130	6,230	-66	1,290	66	10,900	2,650	310	1,700
Pro	440	90	411	30	-	580	10	-	-190
Net inflow	16,300	19,400	-16	9,940	64	57,600	25,800	123	32,600
Equity & investment fund accounts	1,520	5,590	-71	1,730	-8	9,590	3,420	181	4,050
Investment savings accounts	11,000	9,310	18	4,820	128	33,300	13,300	151	18,100
Savings accounts	90	1,470	-94	1,150	-92	3,010	2,820	7	3,430
of which external deposit accounts	170	1,480	-89	1,130	-85	3,080	2,930	5	3,450
Pension- & insurance-based accounts	3,690	3,030	22	2,240	64	11,700	6,260	86	7,020
of which endowment insurance	2,620	1,950	34	1,310	99	8,350	3,650	129	3,380
of which occupational pensions	1,010	1,030	-1	910	12	3,160	2,560	24	3,500
Net inflow	16,300	19,400	-16	9,940	64	57,600	25,800	123	32,600

For definitions see page 24.

No. customers, savings capital and lending, SEK m (unless otherwise stated)	30-09-2020	30-06-2020	Change %	31-12-2019	Change %	30-09-2019	Change %
Standard, No.	1,165,810	1,087,770	7	947,920	23	911,040	28
Private Banking, No.	26,400	25,300	4	26,500	-0	26,100	1
Pro, No.	2,490	2,430	2	1,980	26	1,960	27
No. of customers	1,194,700	1,115,500	7	976,400	22	939,100	27
of which occupational pension customers, No.	104,000	100,200	4	92,600	12	88,600	17
Standard	294,000	256,600	15	228,200	29	211,200	39
Private Banking	200,800	172,100	17	164,500	22	151,800	32
Pro	19,400	15,900	22	15,000	29	14,100	38
Savings capital	514,200	444,600	16	407,700	26	377,100	36
Equity & investment fund accounts	139,300	123,400	13	121,100	15	112,400	24
Investment savings accounts	199,900	165,600	21	141,100	42	127,600	57
Savings accounts	26,500	26,400	0	23,400	13	22,800	16
of which external deposit accounts	25,700	25,500	1	22,500	14	22,000	17
Pension- & insurance-based accounts	148,500	129,200	15	122,100	22	114,300	30
of which endowment insurance	102,900	88,300	17	82,000	25	77,200	33
of which occupational pensions	31,300	27,900	12	26,700	17	24,600	27
Savings capital	514,200	444,600	16	407,700	26	377,100	36
Equities, bonds, derivatives, etc.	304,500	251,200	21	225,000	35	205,500	48
Investment funds	133,700	114,100	17	119,900	12	109,300	22
Deposits	76,000	79,300	-4	62,800	21	62,300	22
of which external deposits (Savings account+)	25,700	25,500	1	22,500	14	22,000	17
Savings capital	514,200	444,600	16	407,700	26	377,100	36
Internally financed lending	15,100	14,000	8	13,100	15	12,000	26
of which margin lending	6,280	5,370	17	5,160	22	4,780	31
of which mortgages (Superbolånet PB)	8,830	8,640	2	7,950	11	7,220	22
External mortgages (Bolån+)	12,200	11,200	9	9,840	24	9,200	33
Lending	27,300	25,200	8	23,000	19	21,200	29
Deposits/Savings capital, %	15	18	-3	15	0	17	-2
Return, average account since 1 Jan, %	11	-1	12	24	-13	16	-5
OMX Stockholm GI since 1 Jan, %	8	-4	12	35	-27	23	-15

For definitions see page 24.

Financial overview

	2020 Q3	2020 Q2	Change %	2019 Q3	Change %	2020 Jan-Sep	2019 Jan-Sep	Change %	2019 Jan-Dec
Income Statement, SEK m									
Net brokerage income	283	260	9	126	125	811	343	136	466
Fund commissions	109	88	24	86	26	293	241	22	332
Net interest income	84	83	1	53	58	241	143	68	201
Other income	100	94	6	48	109	298	138	116	194
Operating income	575	526	9	313	84	1,643	865	90	1,193
Personnel	-103	-120	-14	-90	14	-334	-300	11	-414
Marketing	-7	-2	195	-4	52	-17	-16	7	-19
Depreciation	-19	-17	15	-14	40	-50	-41	23	-63
Other expenses	-49	-46	5	-40	21	-140	-122	15	-169
Operating expenses before credit losses	-177	-185	-4	-148	19	-541	-478	13	-666
Profit before credit losses	398	340	17	165	142	1,101	386	185	528
Credit losses, net	0	-5	-	0	-	-5	0	-	0
Profit/loss from participations in associated companies	-1	-2	-36	-2	-18	-6	-6	-9	-8
Operating profit	396	333	19	163	144	1,091	380	187	520
Tax on profit for the period	-65	-52	25	-25	164	-174	-54	222	-73
Net profit	331	281	18	138	140	917	326	181	447
Key ratios									
Operating margin, %	69	63	6	52	17	66	44	22	44
Profit margin, %	58	53	4	44	14	56	38	18	37
Earnings per share before dilution, SEK	2.15	1.83	18	0.91	137	5.96	2.15	177	2.94
Earnings per share after dilution, SEK	2.12	1.81	18	0.91	134	5.92	2.15	175	2.94
Return on shareholders' equity, %	55	56	-1	33	23	57	27	30	27
Return on assets, %	0.7	0.7	0.1	0.4	0.4	0.7	0.3	0.4	0.3
Credit loss level, %	0.00	-0.03	0.03	0.00	-	-0.03	0.00	-0.03	0.00
Investments, SEK m	13	26	-50	1	924	45	5	816	10
Net brokerage income/Operating income, %	49	49	0	40	9	49	40	10	39
Fund commissions/Operating income, %	19	17	2	28	-9	18	28	-10	28
Net interest income/Operating income, %	15	16	-1	17	-2	15	17	-2	17
Other income/Operating income, %	17	18	-1	15	2	18	16	2	16
Income to savings capital ratio, %	0.48	0.52	-0.04	0.34	0.14	0.51	0.34	0.17	0.34
Costs to savings capital ratio, %	0.15	0.18	-0.03	0.16	-0.01	0.17	0.19	-0.02	0.19
Income per customer, SEK	1,990	1,930	3	1,360	47	2,010	1,300	55	1,320
Costs per customer, SEK	-610	-680	-10	-640	-5	-660	-720	-8	-740
Net brokerage income per trading day, SEK m	4.3	4.4	-4	1.9	125	4.3	1.8	135	1.9
Brokerage/Turnover, %	0.114	0.108	0.006	0.107	7	0.110	0.100	0.010	0.100
No. trading days	66.0	58.5	13	66.0	-	187.5	186.5	1	248.0
Average no. employees	487	466	5	430	13	470	425	10	429
Web service operational availability, %	99.8	100.0	-0.2	99.9	-0.1	99.9	99.9	-	99.9
Key ratios									
	30-09-2020	30-06-2020	Change %	31-12-2019	Change %	30-09-2019	Change %		
Shareholders' equity per share before dil., SEK	16.88	14.13	19	12.65	33	11.96	41		
Own funds/Capital requirement	1.45	1.39	4	1.30	12	1.32	10		
No. employees	502	472	6	445	13	443	13		
Share price, SEK	175.80	132.30	33	97.80	80	80.20	119		
Market capitalisation, SEK m	27,200	20,300	34	15,000	81	12,300	121		

For definitions see page 24.

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

Third quarter compared to the previous quarter

Operating profit for the third quarter increased by 19 per cent compared to the previous quarter, mainly as a result of higher revenues but also due to seasonally low expenses.

The operating margin increased to 69 per cent (63) and the return on equity was 55 per cent.

Revenues

Total operating income increased by 9 per cent compared to the previous quarter. All revenue lines improved.

Net brokerage income increased by 9 per cent, mainly because there were 7.5 more trading days in the quarter. The commission-generating turnover increased by 4 per cent and the number of commission-generating notes were up by 18 per cent. As a result, turnover per note decreased. The number of commission-generating customers increased by 19 per cent compared to the second quarter and brokerage income per SEK of turnover increased slightly to 11.4 basis points.

Fund commissions increased by 24 per cent, mainly due to higher average fund capital. The value increase accounted for the largest part while net inflow amounted to SEK 7.5 billion. The share of index and fixed income funds decreased slightly and income per SEK of fund capital increased to 0.35 per cent (0.34). Fund capital increased by 17 per cent.

Net interest income increased by 1 per cent. Income increased mainly as a result of a higher margin lending. Higher mortgage volume contributed slightly. Return on surplus liquidity decreased as a result of lower average STIBOR (3M) while surplus liquidity volume was lower. The repo rate remains at 0 per cent since 8 January. Average STIBOR (3M) was 17 basis point lower than the second quarter. Together the resolution fee and the state deposit guarantee fee amounted to SEK 7 million (7).

Other income, primarily consisting of currency-related income and income from Avanza Markets and Corporate Finance, increased by 6 per cent. The increase was mainly due to higher currency-related income. Corporate Finance income increased to SEK 3 million (2) in a seasonally less active quarter. The lower income during the second quarter was a result of lower transaction activity after the turbulent market in March. Activity in Avanza Markets remained high, but slightly lower than the in the second quarter. This contributed to lower income from Avanza Markets, which amounted to SEK 24 million (26). Currency-related income increased to SEK 88 million (81) as a result of increased trading in foreign equities. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 15.9 per cent (15.4) of transactions and 13.3 per cent (13.2) of turnover. Trading in foreign funds accounted for 8.1 per cent (8.7) of trades. Other commission expenses decreased slightly.

Operating expenses

Operating expenses decreased by 4 per cent, primarily as a result of seasonally low personnel cost. Marketing cost increased as a result of more brand building advertising during the summer and a TV commercial in August as part of the autumn campaign. Depreciation increased as a result of a new lease agreement and thus to higher write-down of the leased asset. Other expenses increased mainly due to costs associated with the move into new facilities and due to higher cost for IT. When the office on Vasagatan in Stockholm was closed in September and employees moved back to Regeringsgatan, total moving costs of SEK 13 million were recognised, compared to the previous estimate for 2020 of SEK 11 million. The moving costs are partly due to the double rent from June to September. The estimated cost growth for 2020 of 12 per cent includes neither these extraordinary costs

associated with the move nor the write-down of leased assets of SEK 8.3 million which was made in 2019.

Credit losses

Reported credit losses are attributable to calculations of expected credit losses according to IFRS 9. The macro variables in Avanza's IFRS 9 model were updated during the second quarter. The update resulted in a higher provision for expected credit losses, which affected the result for the second quarter.

Investments

The investments in the third quarter relate to IT, office equipment after the company's office was moved and had to be refurbished, and to a project that was initiated to replace the backoffice system. The new system will enable Avanza to use smarter technology and solutions in order to increase efficiency while at the same time improving scalability and conditions for product development. In the second quarter, investments were mainly in equipment to strengthen IT systems with, for example, additional hardware, but also in computers and inventory.

January-September 2020 compared to January-September 2019

Operating profit increased by 187 per cent compared to the first nine months of 2019. Operating income nearly doubled, while operating expenses rose by 13 per cent. As a result, the operating margin increased to 66 from 44 per cent and the return on equity was 57 per cent.

Revenues

Revenues increased by 90 per cent compared to the nine-month period 2019, mainly due to higher net brokerage income but also higher other income, even though all revenue lines improved.

Net brokerage income increased by 136 per cent, as a result of increased customer activity and a larger customer base. The number of commission-generating customers was 63 per cent higher at the end of period compared to the corresponding period in 2019. The commission-generating notes increased by 128 per cent and the commission-generating turnover was up by 108 per cent. Brokerage income per SEK of turnover increased from 10.0 to 11.0 basis points. This is a result of an increased share of brokerage income generated in lower brokerage fee classes, in line with the strong customer growth. The share of brokerage income generated in the Private Banking and Pro customer segments accounted in the first nine months 2020 for 20 per cent of income, compared to 26 per cent in 2019.

Fund commissions increased by 22 per cent to due to higher average fund capital. Fund capital was 22 per cent higher at the end of the period compared to September 2019, while income per SEK of fund capital remained stable at 0.34 per cent.

Net interest income increased by 68 per cent, mainly due to an improved return on surplus liquidity and increased income from lending. The repo rate was raised by 25 basis points on 8 January 2020 to 0 per cent and average STIBOR (3M) was 19 basis points higher than last year. The bond portfolio is managed with an average interest duration of 3 months linked to STIBOR. Net interest income also improved substantially after the interest rates on margin lending and Private Banking mortgages were raised by 25 and 20 basis points respectively in connection with the repo rate hike in January. Average lending volumes were also higher. All else being equal, without

taking changes in customer behaviour into account, a 1 percentage point change in the repo rate with today's volumes would affect full-year net interest income by around SEK 400 million. The effect is smaller on the downside than the upside because of the interest rate floor on Private Banking mortgages of -20 basis points against the repo rate. However, the Riksbank's own forecast indicates a zero per cent repo rate for the foreseeable future. The deposit guarantee fee and resolution fee decreased to SEK 22 million (25). The percentage rate used to calculate the resolution fee was reduced in 2020 from 0.09 per cent to 0.05 per cent, which was not fully counteracted by the higher volumes.

Other income increased by 116 per cent, mainly due to significantly higher currency-related income, which amounted to SEK 241 million (94). Income from Avanza Markets was also significantly higher and amounted to SEK 79 million (57). Income from Corporate Finance increased to SEK 19 million (15). Other commission expenses increased, mainly due to higher payment service commissions which was a result of increased customer activity. Since the start of the year, Stabelo has taken over administrative costs for external mortgages, which has reduced other commission expenses. Distribution compensation was only marginally affected by this.

Operating expenses

Operating expenses increased by 13 per cent. The increase is mainly due to higher personnel costs but also increased other expenses. Personnel costs increased due to more employees, mainly to expand development capacity. Other expenses increased mainly due to moving costs and higher IT costs. Marketing costs were slightly higher. Depreciation increased due to a new lease and thus higher depreciation of leased assets as well as IT investments.

The long-term guidance on Avanza's annual cost growth is 9–12 per cent. The cost increase for the full year is estimated at 12 per cent, as communicated in March. This was an increase from the previous estimate of around 10 per cent, but within the long-term cost guidance. The increase in March is a result of a number of initiatives which have been brought forward in response to the strong growth and to maintain high customer satisfaction. The increase mainly relates to additional employees in Customer service and Backoffice, but also in IT development. The guidance for the year includes neither the write-down of leased assets of SEK 8.3 million for 2019 nor the extraordinary costs associated with the move estimated at SEK 13 million for 2020.

The long-term annual cost increase will give Avanza the opportunity to responsibly and cost-effectively respond to new growth opportunities through further innovations and thereby maintain a leading position for the benefit of both customers and shareholders.

The cost to savings capital ratio decreased by 2 basis points to 0.17 per cent, while the income to savings capital ratio rose by 17 basis points in the first nine months of 2020. This demonstrates the scalability of Avanza's business model. Given continued strong growth in customers and savings capital, as well as further efficiency improvements, the long-term ambition is to reduce the cost to savings capital ratio to 0.16 per cent, in line with the best international peers in the industry. This looks like it will be achieved as early as this year. This makes Avanza resilient in various market conditions, at the same time that it provides an important competitive advantage. During the period 2015–2019, Avanza has cut its cost to savings capital ratio from 0.29 to 0.19 per cent.

Credit losses

Reported credit losses are attributable to calculations of expected credit losses according to IFRS 9. The macro variables in Avanza's IFRS 9 model were updated in the second quarter of 2020. This resulted in a higher provision for expected credit losses, which affected the result. No actual credit losses linked to COVID-19 were recognised in the first nine months of 2020.

Result from participations in associated companies

Avanza holds just over 27 per cent of the shares in the mortgage institute Stabelo. Stabelo is consequently classified as an associated company in Avanza's accounts and Stabelo's results are included in the consolidated accounts in accordance with the equity method.

Taxes

The tax rate in the first nine months increased to 16.0 per cent (14.2) as a higher share of revenues was generated in the bank, where the ordinary corporate tax rate applies, in contrast with the insurance company, where most revenues are taxed according to the laws for life insurance companies. The Swedish corporate tax rate is 21.4 per cent. A tax cut to 20.6 per cent will take effect in 2021.

Seasonal effects

Avanza has no major seasonal variations, except from the third quarter which is characterised by lower personnel costs, due to 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 growth and net inflow are normally higher at the beginning of the year.

Future outlook

The Swedish financial market is becoming highly digitised, which is making it easier for customers to switch banks, at the same time that mobile usage has increased customer activity. Transparency has increased, as has the understanding of the impact that fees have on savings in a low interest rate environment. Customers today also have more rights when it comes to data portability, i.e. the right to receive their data in a format that can be shared with other companies. This is often called Open Banking. Because of this, the banking market is fragmenting with new competition, which is increasing the importance of customer satisfaction as well as a strong brand and innovation. As customers spread their personal finances between multiple companies, there is also a growing need for a better overview.

Demographic trends and the increasing financial burden being placed on the working population, as well as the gradual deterioration of the public and collective pension and welfare systems, are raising the importance of individual pension savings. Here the stricter loan to value requirements for mortgage loans have also focused attention on the need for savings.

The UN's Sustainable Development Goals have brought to the forefront the financial industry's opportunities to positively impact climate change. There has also been talk about climate risks: how a company's products or services could be affected by climate change and how profitability is affected by stricter regulations and climate laws. A sustainability perspective is becoming both a financial and ethical issue in the area of savings as well. By educating, inspiring and making it easier for customers to find sustainable choices, Avanza can contribute to the Sustainable Development Goals and at the

same time provide savings options that are well-suited for the times we live in.

These trends and changes are expected to continue to drive development in the future regarding digitisation, customer offers and digital decision support, and provide a favorable growth climate for Avanza. Avanza's growth objectives include attracting broader target groups – experienced and established investors as well as new ones – and attracting a larger proportion of existing customer's savings by offering new products and services. Avanza's modern platform, high user experience, low prices and broad range of

products and services provide ample opportunity to meet savers' changing needs and habits. Growth among new customers is expected to increase the share of fund savings at Avanza, which, together with the growth objectives in pensions and mortgages, reduce sensitivity to market fluctuations.

Also read the section about covid-19 and its effects on Avanza's operations on page 4 of this report. More information about the long-term trends can be found in Avanza's Annual Report at www.avanza.se/ir.

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q3-2020	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018
Net brokerage income	283	260	268	123	126	105	112	111	111
Fund commissions	109	88	96	91	86	83	72	74	81
Net interest income	84	83	74	58	53	51	39	29	31
Other income	100	94	104	56	48	46	44	53	44
Operating income	575	526	542	329	313	284	268	267	267
Personnel	-103	-120	-111	-115	-90	-107	-103	-97	-83
Marketing	-7	-2	-8	-3	-4	-3	-8	-4	-5
Depreciation ¹	-19	-17	-14	-22	-14	-14	-14	-5	-5
Other expenses ^{1,2}	-49	-46	-45	-48	-40	-42	-40	-84	-42
Operating expenses before credit losses	-177	-185	-179	-187	-148	-166	-164	-190	-135
Credit losses, net	0	-5	1	0	0	2	-1	0	0
Profit/loss from participations in associated companies	-1	-2	-2	-2	-2	-2	-2	-1	-
Operating profit	396	333	361	140	163	117	100	76	132
Operating margin, %	69	63	67	43	52	41	37	29	49
Earnings per share before dil., SEK ³	2.15	1.83	1.98	0.79	0.91	0.67	0.57	0.40	0.71
Shareholders' equity per share before dilution, SEK ³	16.88	14.13	11.95	12.65	11.96	10.10	9.35	10.66	10.16
Return on shareholders' equity, %	55	56	64	26	33	27	23	15	30
Net inflow	16,300	19,400	21,900	6,820	9,940	8,270	7,570	6,360	8,380
No. of new customers (net)	79,200	53,000	86,100	37,300	36,800	31,500	33,600	28,600	32,200
No. of customers at the end of the period	1,194,700	1,115,500	1,062,500	976,400	939,100	902,300	870,800	837,100	808,500
Savings capital at the end of the period	514,200	444,600	368,200	407,700	377,100	359,300	335,700	300,000	331,000
Income to savings capital ratio, %	0.48	0.52	0.56	0.34	0.34	0.33	0.34	0.34	0.33
Costs to savings capital ratio, % ⁴	0.15	0.18	0.18	0.19	0.16	0.19	0.21	0.20	0.17

1) Due to the introduction of IFRS 16 Leases in 2019, leases on premises are now recognised in the balance sheet, which results in reduced reported costs for premises, while depreciation increases. Depreciation also includes write-down of SEK 8.3 m i Q4-2019.

2) Other expenses for the fourth quarter 2018 includes the administrative fee of SEK 35 million imposed on Försäkringsaktiebolaget Avanza Pension by the Swedish Financial Supervisory Authority.

3) Adjusted in accordance with the share split in April 2019.

4) Excluding the administrative fee of SEK 35 million imposed on Försäkringsaktiebolaget Avanza Pension by the Swedish Financial Supervisory Authority, reported in the fourth quarter of 2018.

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, Riksbank Certificates and as deposits with the Riksbank and systemically important Nordic banks, plus to a lesser extent in bonds issued by the Swedish Government and Municipalities.

Avanza does not conduct, and has not previously conducted, trading in securities on its own behalf.

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and the third quarter 2020 total actual and expected credit losses amounted to SEK 15 million, which is the equivalent, on average, to less than 0.03 per cent per year.

Significant risks and uncertainty factors

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

A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2019, Note 36 and pages 32–35. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this 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 period January–

September 2020 was SEK –18 million (SEK –15m). The Parent Company does not report any revenues.

A dividend payment, related to 2019, of SEK 354 million (SEK 318m) has been made to the shareholders in March 2020, following the decision at the Annual General Meeting.

Capital surplus

SEK m	30-09-2020	31-12-2019
Own funds		
Shareholders' equity, the Group	2,616	1,945
Solvency capital	1,585	1,294
Less non-distributable solvency capital ¹	-304	-186
Subordinated loan	69	80
Additional value adjustments	-8	-20
Intangible assets and deferred tax receivables ²	-75	-76
Own funds before dividend adjustments	3,882	3,037
Capital requirements		
Capital requirement Pillar 1	-1,921	-1,721
of which Solvency capital requirement ¹	-1,281	-1,108
Buffer requirement	-197	-378
Capital requirement Pillar 2	-123	-113
Capital requirements	-2,241	-2,212
Capital surplus before dividend	1,641	825
Capital surplus per share, SEK	10.59	5.36

1) Non-distributable solvency capital = Solvency capital - Solvency capital requirement.

2) Intangible assets and deferred tax receivables are not included in own funds under the capital adequacy rules and are thus not distributable and should be deducted from the shareholders' equity. See also Note 7, page 19.

The capital surplus, i.e. the maximum amount available for dividend payments and repurchases of the company's own shares, totaled SEK 1,641 million as of 30 September 2020.

The Solvency 2 rules means that the conglomerate's largest sector is the insurance sector. As a result, the Group's own funds 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. Consequently, this is deducted as non-distributable solvency capital.

Leverage ratio

On 28 June 2021, a leverage ratio requirement of 3 per cent will be introduced. In addition, the Swedish FSA has announced that it will introduce leverage ratio guidance, which means that banks will need a buffer to the requirement of between 0.2 and 0.5 per cent. As previously announced, an internal buffer is needed as well to ensure that Avanza has a ratio that regardless of market conditions exceeds the

requirement. As of 30 September, the leverage ratio for the consolidated situation was 3.1 per cent, compared to 3.5 per cent at the beginning of the year. What is adversely affecting the ratio is increased deposits, which is why the ratio has fluctuated during the year. As previously stated, Avanza can improve its leverage ratio through increased Tier 1 capital, which is done through a lower dividend ratio or by issuing additional Tier 1 capital (AT1), as well as by reducing the balance sheet or off-balance sheet commitments. To maintain a satisfactory margin to the requirement regardless of market conditions, the Board of Directors has resolved that the internal leverage ratio target will be 3.8 per cent and that Tier 1 capital therefore has to be strengthened by SEK 750–850 million. Owing to the strong result for the nine-month period, the Board of Directors has therefore resolved, as communicated in the press release on 18 October, to do so by temporarily deviating from the dividend policy for 2020. The long-term policy to distribute at least 70 per cent of profit remains unchanged.

Other corporate events

Executive Management

Anna Casselblad will take over as the new CFO on the 1 of February 2021. Anna replaces Birgitta Hagenfeldt, the current CFO, who this spring announced that she will leave Avanza and no longer serve in an operational capacity. Anna will also join Group Management. Anna started as an operational manager in Avanza's compliance department in autumn 2012 and since spring 2017 has been the head of the Avanza Group's compliance function, including overall responsibility for the companies under the supervision of the Swedish FSA. Anna also has several years of experience as a financial sector auditor at PwC in Stockholm.

Annual General Meeting 2020

The Annual General Meeting on 17 March 2020 resolved on a change in the articles of association to allow a maximum of nine Board members elected by the Annual General Meeting. The resolved change in the articles of association also enable shareholders to exercise their voting rights by mail before the Annual General Meeting as well as enable the Board to collect proxy forms in accordance with the procedure set out in Chapter 7 Section 4 of the Swedish Companies Act.

The Annual General Meeting resolved to reelect the Chairman of the Board and the Board members, with the exception of Jacqueline Winberg who declined re-election. Magnus Dybeck, Catharina Eklöf and Johan Roos were newly elected as Board members. The Board of Directors thus consists of nine members.

As proposed, a dividend of SEK 2.30 per share was authorised.

The income statements and balance sheets for the Parent Company and the Group for the financial year 2019 were adopted.

Avanza's Annual and Sustainability Report for 2019 was published on 21 February 2020.

Annual General Meeting 2021

The Annual General Meeting of the company's shareholders will be held in Stockholm on 30 March 2021.

The annual report is scheduled to be made available at the company's office and on the website, www.avanza.se/ir, on 26 February 2021.

Nomination committee

The Nomination Committee comprises the Chairman of the Board Sven Hagströmer, Erik Törnberg representing Creades AB, Moritz Sitte representing Baillie Gifford & Co and Sean Barrett representing HMI Capital, LLC. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, please visit Avanza's website at www.avanza.se/ir.

Incentive programmes

The incentive programme of the warrant programme authorized by the Extraordinary General Meeting on 5 July 2017 had exercise period from 26 August 2020 to 30 August 2020. After recalculation of the warrant programme the exercise price was SEK 82.60 per share. 1,167,688 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 30 September 2020 amounts to 154,954,010.

The Annual General Meeting 2020 authorised a new incentive programme based on warrants. The programme runs for three years and comprises a maximum of 2,250,000 warrants, each of which grants entitlement to subscribe for one share in the company. Warrants corresponding to 591 890 shares have been transferred. If all the warrants are exercised, the dilution effect is a maximum of 1.5 per cent. The programme has an exercise price of SEK 194.09 per share and the expiration date is 23 November 2023. The warrant programme has been implemented on market terms.

Repurchase of the company's own shares

The Board of Directors has from the Annual General Meeting 2020 been authorised to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during the first nine months of 2020 and the company holds no repurchased shares as of 30 September 2020.

Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2019, Note 37. No significant changes have taken place since then.

Significant events after the end of the reporting period

On 18 October the Board of Directors decided that Avanzas leverage ratio will be strengthened through retained earnings by temporarily deviating from the dividend policy for 2020. The long-term policy to distribute at least 70 per cent of the profits remains unchanged.

Consolidated Income Statement

SEK m	Note	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019-2020 Oct-Sep	2019 Jan-Dec
Operating income							
Commission income	1, 2	570	311	1,623	872	1,943	1,191
Commission expenses	3	-80	-50	-224	-150	-274	-200
Interest income calculated using the effective interest method		94	67	269	182	340	253
Other interest and similar income		10	8	30	26	40	36
Interest expenses		-21	-23	-58	-65	-81	-87
Net result of financial transactions		1	0	3	0	4	0
Other operating income		-	0	-	0	0	0
Total operating income		575	313	1,643	865	1,971	1,193
Operating expenses							
General administrative expenses		-148	-127	-462	-410	-621	-569
Depreciation of tangible and intangible fixed assets		-19	-14	-50	-41	-72	-63
Other operating expenses		-11	-8	-29	-27	-36	-34
Total operating expenses before credit losses		-177	-148	-541	-478	-729	-666
Operating profit before credit losses		398	165	1,101	386	1,243	528
Credit losses, net		0	0	-5	0	-5	0
Profit/loss from participations in associated companies		-1	-2	-6	-6	-8	-8
Operating profit		396	163	1,091	380	1,231	520
Tax on profit for the period		-65	-25	-174	-54	-193	-73
Net profit for the period¹		331	138	917	326	1,038	447
Earnings per share before dilution, SEK		2.15	0.91	5.96	2.15	6.74	2.94
Earnings per share after dilution, SEK		2.12	0.91	5.92	2.15	6.71	2.94
Average no. shares before dilution, thousands		154,066	151,918	153,880	151,551	153,857	152,115
Average no. shares after dilution, thousands		155,888	151,918	154,937	151,551	154,607	152,115
Outstanding no. shares before dilution, thousands		154,954	153,786	154,954	153,786	154,954	153,786
Outstanding no. shares after dilution, thousands		156,950	153,786	156,950	153,786	156,950	154,125
No. shares upon full dilution, thousands		161,704	160,536	161,704	160,536	161,704	160,536

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

Consolidated statement of comprehensive income

SEK m	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep	2019-2020 Oct-Sep	2019 Jan-Dec
Net profit for the period	331	138	917	326	1,038	447
<i>Items that will be reversed to the Income Statement</i>						
Changes in fair value of financial instruments ¹	17	-18	12	38	-7	19
Tax on changes in fair value of financial instruments ¹	-4	4	-3	-8	2	-4
Other comprehensive income after tax	13	-14	9	30	-6	15
Total comprehensive income after tax²	344	123	926	356	1,032	462

1) Refers to financial instruments at fair value via other comprehensive income.

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

Consolidated Balance Sheet

SEK m	Note	30-09-2020	31-12-2019
Assets			
Balances at central banks		702	1,340
Treasury bills eligible for refinancing		1,087	–
Lending to credit institutions	4	865	1,766
Lending to the public	5	16,226	13,106
Bonds		25,631	19,782
Shares and participations		0	0
Shares and participations in associated companies		102	108
Assets in insurance operations		143,310	116,369
Intangible fixed assets		75	76
Right-of-use asset		182	76
Tangible fixed assets		61	35
Other assets		3,219	3,022
Prepaid costs and accrued income		218	262
Total assets		191,678	155,942
Liabilities and shareholders' equity			
Deposits by the public		44,421	36,400
Liabilities in insurance operations		143,312	116,370
Lease liability		184	86
Other liabilities		917	945
Accrued costs and prepaid income		129	97
Subordinated liabilities		100	100
Shareholders' equity		2,616	1,945
Total liabilities and shareholders' equity		191,678	155,942

Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
January - September 2019					
Shareholders' equity 31-12-2018	76	484	-6	1,061	1,614
Net profit for the period	–	–	–	326	326
Other comprehensive income for the period	–	–	30	–	30
Total comprehensive income for the period	–	–	30	326	356
Transactions with owners					
Dividend paid	–	-6	–	-312	-318
New issue (exercise of warrants)	1	181	–	–	183
Warrants issue	–	4	–	–	4
Shareholder's equity 30-09-2019	77	663	24	1,075	1,839
January - December 2019					
Shareholder's equity 31-12-2018	76	484	-6	1,061	1,614
Net profit for the period	–	–	–	447	447
Other comprehensive income for the period	–	–	15	–	15
Total comprehensive income for the period	–	–	15	447	462
Transactions with owners					
Dividend paid	–	-6	–	-312	-318
New issue (exercise of warrants)	1	181	–	–	183
Warrants issue	–	4	–	–	4
Shareholders' equity 31-12-2019	77	663	9	1,196	1,945
January - September 2020					
Shareholders' equity 31-12-2019	77	663	9	1,196	1,945
Net profit for the period	–	–	–	917	917
Other comprehensive income for the period	–	–	9	–	9
Total comprehensive income for the period	–	–	9	917	926
Transactions with owners					
Dividend paid	–	-202	–	-152	-354
New issue (exercise of warrants)	1	100	–	–	101
Warrants issue	–	6	–	–	6
Changed accounting principle interest-bearing securities	–	–	-8	–	-8
Shareholders' equity 30-09-2020	77	568	19	1,960	2,616

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

Consolidated Cash Flow Statement

SEK m	2020 Q3	2019 Q3	2020 Jan-Sep	2019 Jan-Sep
Operating activities				
Operating profit	396	163	1,091	380
Adjustment for items not included in cash flow	2	6	16	18
Taxes paid	1,081	-19	677	-171
Changes in operating activities' assets and liabilities	-3,591	-594	3,897	1,808
Cash flow from operating activities	-2,112	-445	5,681	2,034
Investment operations				
Acquisition and disposals of intangible and tangible fixed asset	-13	-1	-45	-5
Investment in treasury bills eligible for refinancing	842	-	-1,087	-
Investment in bonds	48	491	-5,837	-3,250
Cash flow from investment operations	877	489	-6,969	-3,255
Financial operations				
Cash dividend	-	-	-354	-318
Subordinated bond	0	0	0	0
New issue (exercise of warrants)	101	183	101	183
Warrants issue	6	4	6	4
Cash flow from financial operations	107	187	-247	-131
Cash flow for the period	-1,128	232	-1,535	-1,351
Liquid assets at the beginning of the period ¹	2,670	2,214	3,077	3,797
Liquid assets at the end of the period ¹	1,542	2,446	1,542	2,446
Change	-1,128	232	-1,535	-1,351

1) Liquid assets are defined as balances at central banks plus lending to credit institutions excluding pledged assets. At the end of the period SEK 25 million (SEK 28m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

SEK m	2020 Jan-Sep	2019 Jan-Sep
Operating expenses		
Administration expenses	-12	-10
Other operating expenses	-6	-5
Operating profit/loss	-18	-15
Profit from financial investments		
Profit/loss from participations in Group companies	33	11
Interest expenses and similar items	0	0
Profit/loss before tax	15	-5
Tax on profit/loss for the period	-3	1
Net profit/loss for the period	12	-4

Parent Company statement of comprehensive income

SEK m	2020 Jan-Sep	2019 Jan-Sep
Net profit/loss for the period	12	-4
Other comprehensive income after tax	-	-
Total comprehensive income after tax	12	-4

Parent Company Balance Sheet

SEK m	30-09-2020	31-12-2019
Assets		
Financial fixed assets	536	533
Current receivables ¹	107	354
Liquid assets	4	0
Total assets	647	887
Shareholders' equity and liabilities		
Restricted shareholders' equity	77	77
Non-restricted shareholders' equity	561	803
Current liabilities	9	7
Total shareholders' equity and liabilities	647	887

1) Of which receivables from subsidiaries SEK 105 million (SEK 352m as of 31-12-2019).

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.

In the third quarter, the business model for management of interest-bearing securities such as bonds and treasury bills eligible for refinancing was changed. As a result, the existing portfolio, which previously had been recognised in its entirety at fair value through other comprehensive income, has been divided up into two portfolios, one of which is now recognised at amortised cost, while the other continues to be recognised at fair value through other comprehensive income. The financial assets that have been reclassified are measured as if they had always been measured at amortised cost. Amortised cost for the reclassified portfolio amounts as of 30 September 2020 to SEK 19,964 million and the fair value of the same amounts to SEK 20,003 million, which corresponds to the carrying amount before reclassification. As of 30 September 2020, 74.8 per cent of the total nominal value is measured at amortised cost and 25.2 per cent at fair value through other comprehensive income.

Except for above mentioned, the accounting principles and calculation methods for both the Group and the Parent Company remain unchanged from those applied in the Annual Report 2019.

The information on pages 1-12 is an integrated part of this financial report.

Notes

Note 1 Revenue from contracts with customers

SEK m	2020	2019	2020	2019	2019-2020	2019
	Q3	Q3	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
Trading in commission-generating securities	407	175	1,145	483	1,315	654
Fund savings	117	94	322	261	420	359
Corporate services	3	3	19	15	32	27
Other commission income	43	38	137	113	176	151
Total	570	311	1,623	872	1,943	1,191
<i>Timing of revenue recognition</i>						
Service or goods transferred to customer at a specific point in time	570	311	1,623	872	1,943	1,191
Service or goods transferred to customer over time	-	-	-	-	-	-
Total	570	311	1,623	872	1,943	1,191

Revenue from contracts with customers largely comes from securities trading and includes profit from exchange income of SEK 88 million (SEK 33m) in the lines Trading in commission-generating securities and Fund savings for the third quarter 2020.

Note 2 Commission income

SEK m	2020	2019	2020	2019	2019-2020	2019
	Q3	Q3	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
Gross brokerage income	327	150	932	410	1,079	556
Fund commissions	109	86	293	241	385	332
Other commission income ¹	134	74	398	221	480	303
Total	570	311	1,623	872	1,943	1,191

1) Includes mainly currency-related income, income from Avanza Markets and Corporate Finance, but also compensation for distribution, advertising sales, subscriptions and customer's ad-on services.

Note 3 Commission expenses

SEK m	2020	2019	2020	2019	2019-2020	2019
	Q3	Q3	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
Transaction costs ¹	-45	-24	-122	-67	-145	-90
Payment services commissions	-21	-14	-61	-40	-75	-54
Other commission expenses ²	-14	-12	-41	-43	-54	-56
Total	-80	-50	-224	-150	-274	-200

1) Costs directly related to brokerage income.

2) Include application costs related to mortgages, SEO costs, costs for traders systems as well as a number of smaller costs.

Note 4 Lending to credit institutions

Client fund receivables, attributable to banking business, amounted at the end of the period to SEK 1,521 million (SEK 1,421m as of 31 December 2019) which are reported net against client fund payables of SEK 1,521 million (SEK 1,421m as of 31 December 2019). Of the liquid assets of SEK 1,567 million as per the end of the period, SEK 25 million were pledged as collateral, mainly referring to Swedish credit institutions and the stock exchange.

Note 5 Lending to the public

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 15 million (SEK 10m as of 31 December 2019). The change in the accumulated provision for expected credit losses has affected the result for the period January–September 2020 by SEK -5 million.

SEK 1,124 million (SEK 0m as per 31 December 2019) 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 15,103 million, of which SEK 6,278 million (SEK 5,156m as of 31 December 2019) with collateral in the form of securities and SEK 8,825 million (SEK 7,949m as of 31 December 2019) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 9,869 million (SEK 8,936m as of 31 December 2019) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 1,036 million (SEK 984m as of 31 December 2019).

Note 6 Financial instruments

Classification of financial instruments

30-09-2020 SEK m	Fair value via Income Statement	Amortised cost	Fair value via Other comprehensive income	Non-financial instruments	Total
Assets					
Balances at central banks	-	702	-	-	702
Treasury bills eligible for refinancing	-	1,087	-	-	1,087
Lending to credit institutions	-	865	-	-	865
Lending to the public	-	16,226	-	-	16,226
Bonds	-	18,877 ¹	6,754	-	25,631
Shares and participations	0	-	-	-	0
Shares and participations in associated companies	-	102	-	-	102
Assets in insurance operations	129,569	13,741	-	-	143,310
Intangible assets	-	-	-	75	75
Right-of-use asset	-	-	-	182	182
Tangible assets	-	-	-	61	61
Other assets	-	3,219	-	-	3,219
Prepaid costs and accrued income	-	184	-	34	218
Total assets	129,569	55,003	6,754	352	191,678
Liabilities					
Deposits by the public	-	44,421	-	-	44,421
Liabilities in insurance operations	143,310	-	-	1	143,312
Lease liabilities	-	-	-	184	184
Other liabilities	-	804	-	113	917
Accrued costs and prepaid income	-	84	-	46	129
Subordinated liabilities	-	100	-	-	100
Total liabilities	143,310	45,408	-	344	189,062

1) Fair value amounts to SEK 18,916 million.

Financial instruments valued at fair value

30-09-2020, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	76,874	0	0	76,874
Fund units	49,813	0	-	49,813
Bonds and other interest-bearing securities	8,088	782	-	8,870
Other securities	527	238	-	766
Total assets	135,303	1,021	0	136,323
Liabilities				
Liabilities in insurance operations (investment agreements)	-	143,310	-	143,310
Total liabilities	-	143,310	-	143,310

Fair value

All financial instruments recognised at amortised cost with the exception of bonds (which were partly reclassified at amortised cost in the third quarter 2020) carry variable interest or have short maturities, because of which book value and fair value coincide. 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.

The portion of the bond portfolio that was reclassified in the third quarter 2020 was removed from level 1 and is no longer included in the table. During the period, no other 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 securities in this category, mainly assets in the insurance business and bonds (the portion of the bond portfolio measured at fair value through other comprehensive income) in Avanza's liquidity portfolio, comprise listed securities, and fair value is determined 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 and funds pertaining to the insurance operations and bonds and other interest-bearing securities 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). 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 7 Capital requirement for the financial conglomerate

SEK m	30-09-2020	31-12-2019
Own funds		
Shareholders' equity, the Group	2,616	1,945
Less profits which are not audited	-926	-
Assumed/Proposed dividend	-	-354
Shareholders' equity, financial conglomerate	1,690	1,592
<i>Additional</i>		
Solvency capital ¹	1,585	1,294
Subordinated loan	69	80
<i>Less</i>		
Additional value adjustments	-8	-20
Intangible assets	-75	-76
Deferred tax receivables	-	-
Total own funds	3,260	2,870
Own funds per sector		
Own funds for regulated units in the insurance sector ¹	1,892	1,492
Own funds for regulated units within the banking and investment services sector	1,368	1,378
Total own funds	3,260	2,870
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector ¹	1,281	1,108
Capital requirement for regulated units within the banking and investment services sector	960	1,105
of which additional buffer requirement	197	378
of which additional Pillar 2 requirement	123	113
Total capital requirement	2,241	2,212
Capital surplus	1,019	657
Own funds/Capital requirement	1.45	1.30

1) Avanza Pension's solvency capital requirement and own funds are calculated using the Solvency 2 directive's standard model. The standard model requires assumptions that are determined partly by the authorities and partly by Avanza Pension's Board of Directors.

The above table refers to the financial conglomerate, including Avanza Bank Holding AB (publ) and all of its subsidiary companies Avanza Bank AB (publ), Försäkringsaktiefbolaget Avanza Pension, Avanza Fonder AB, Placera Media Stockholm AB and Avanza Förvaltning AB. The financial conglomerate's own funds and capital requirement have been calculated using the consolidation method (fully consolidated).

During the year only audited profits are included in the calculation of shareholder's equity for the financial conglomerate. Adjustments are made for assumed or proposed dividend if the profit for the period has been audited. 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, the insurance sector became the largest sector for the financial conglomerate. Previously, the banking and investment services sector had been the largest sector. Solvency capital, which refers to the estimated future present value of the insurance company Avanza Pension's profits generated from the policyholders' assets, is included as a separate item in the above table as a result of the new solvency rules. Capital requirements for regulated units in the insurance sector refers to the estimated Solvency Capital Requirement, which is also based on the policyholders' assets.

Note 8 Own funds and capital requirement for the consolidated situation

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

SEK m	30-09-2020	31-12-2019
Capital base		
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	637	729
of which: Instrument type 1	77	77
of which: Instrument type 2	559	652
Retained earnings	967	721
Accumulated other comprehensive income (and any other reserves)	9	15
Independently reviewed interim profits net of any foreseeable charge or dividend	-	46
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1,613	1,511
Additional value adjustments	-8	-20
Intangible assets (net of related tax liability)	-75	-76
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-	-5
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-83	-101
Common Equity Tier 1 (CET1) capital	1,529	1,411
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital (T1 = CET1 + AT1)	1,529	1,411
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts	69	80
Tier 2 (T2) capital	69	80
Total capital (TC = T1 + T2)	1,598	1,490
Total risk-weighted assets	8,525	8,367
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.9	16.9
Tier 1 (as a percentage of total risk exposure amount)	17.9	16.9
Total capital (as a percentage of total risk exposure amount)	18.7	17.8
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	2.5	5.0
of which: capital conservation buffer requirement	2.5	2.5
of which: countercyclical buffer requirement	-	2.5
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.4	12.4

SEK m	30-09-2020	31-12-2019
Risk exposure amount and capital requirement		
Risk exposure amount		
Credit risk according to the standardised approach	7,077	6,530
of which exposures to institutions (risk weight 20%)	169	350
of which exposures to corporates (risk weight 100%)	83	73
of which retail exposures (risk weight 75%)	325	310
of which exposures secured by mortgages on immovable property (risk weight 35%)	3,112	2,809
of which exposures in default (risk weight 100%/150%)	7	–
of which exposures to covered bonds (risk weight 10%)	2,481	1,879
of which exposures to equity (risk weight 250%)	351	353
of which exposures to other items (risk weight 100%)	549	756
Market risk (position risk)	0	0
Settlement risk	0	2
Credit valuation adjustment risk according to the standardised method	0	–
Operational risk according to the standardised approach	1,449	1,836
Total risk exposure amount¹	8,525	8,367
Capital requirement		
Credit risk according to the standardised approach	566	522
of which exposures to institutions (risk weight 20%)	14	28
of which exposures to corporates (risk weight 100%)	7	6
of which retail exposures (risk weight 75%)	26	25
of which exposures secured by mortgages on immovable property (risk weight 35%)	249	225
of which exposures in default (risk weight 100%/150%)	1	–
of which exposures to covered bonds (risk weight 10%)	199	150
of which exposures to equity (risk weight 250%)	28	28
of which exposures to other items (risk weight 100%)	44	60
Market risk (position risk)	1.42	0
Settlement risk	0.02	0
Credit valuation adjustment risk according to the standardised method	0.00	–
Operational risk according to the standardised approach	116	147
Capital requirement	682	669
Capital ratios and buffers		
Common equity tier 1 ratio, %	17.9	16.9
Tier 1 ratio, %	17.9	16.9
Total capital ratio, %	18.7	17.8
Own funds in relation to capital requirement	2.34	2.23
Common equity tier 1 capital requirement	4.5	4.5
Additional tier 1 capital	1.5	1.5
Tier 1 capital requirement	6.0	6.0
Tier 2 capital	2.0	2.0
Total minimum capital requirement	8.0	8.0
Institution-specific buffer requirement, %	2.5	5.0
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	–	2.5
Total capital requirement including buffer requirement, %	10.5	13.0
Common equity tier 1 capital available for use as a buffer, %	13.4	12.4
Total own funds	1,598	1,490
Capital requirement (8%)	–682	–669
Buffer requirement	–213	–418
Additional Pillar 2 requirement	–128	–120
Total capital requirement	–1,023	–1,208
Capital surplus after buffer requirement and Pillar 2	575	283
Leverage ratio		
Total exposure amount leverage ratio	49,688	40,868
Tier 1 capital	1,529	1,411
Leverage ratio, %	3.1	3.5

1) The measurement method used to calculate the own funds requirement for operational risk changed from the basic indicator approach to the standardised approach during Q1 2020. Comparative figures for 2019-12-31 have not been adjusted.

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

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

Stockholm, 19 October 2020

Rikard Josefson
CEO

For additional information



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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07.45 (CEST) on 19 October 2020.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 19 October 2020 at 10.00 (CEST). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at avanza.se/ir. Phone number for participants:

- Sweden: +46 (0)8 566 426 51
- UK: +44 33 330 008 04
- US: +1 63 191 314 22
- Confirmation code: 22941979#

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

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

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Financial calendar

Preliminary Financial Statement 2020	21 January 2021
Annual Report 2020	26 February 2021
Annual General Meeting	30 March 2021
Interim Report January – March 2021	20 April 2021

Auditor's review report

To the Board of Directors of Avanza Bank Holding AB
Corp. id. 556274-8458

Introduction

We have reviewed the condensed interim financial information (interim report) of Avanza Bank Holding AB as of 30 September 2020 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies for the Group and in accordance with the Annual Accounts Act for the Parent Company. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information 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 and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm 19 October 2020

KPMG AB

KPMG AB

Mårten Asplund

Dan Beitner

Authorized Public Accountant
Auditor in charge

Authorized Public Accountant

For translation purposes only.

Definitions

The measures and key ratios used in the financial 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.

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 an 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 an external mortgage (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/Savings capital

Deposits 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.

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 pulse surveys.

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, Savings account+, opened and managed by customers via Avanza's website.

Fund commissions²⁾

Kickbacks from fund management companies (comprises 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 an 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 inflow

Deposits, less withdrawals, of liquid assets and securities.

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

Own funds³⁾

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 own funds and the capital requirement are determined.

Profit margin¹⁾

Profit/loss after tax in relation to operating income.

Return on assets¹⁾

Profit/loss after tax in relation to the average assets during the period. The return on assets for interim periods is recalculated at a yearly rate.

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 7 and 8 of capital adequacy.