



Interim Report

January-September 2019

Avanza Bank Holding AB (publ)

Third quarter 2019 compared to third quarter 2018

- **Customer growth** was 36,800 (32,200), an increase of 14 per cent
- **Net inflow** in the quarter was SEK 9,940 million (8,380), an increase of 19 per cent
- **Operating income** increased by 17 per cent. All revenue lines improved, but mainly net interest income and net brokerage income
- **Operating expenses** increased by 10 per cent, mainly due to higher personnel cost. The long-term guidance on Avanza's annual cost increase is 9–12 per cent, with a budget figure for 2019 of 10.5 per cent
- **Net profit** amounted to SEK 138 million, an increase of 30 per cent
- Biometric logins with fingerprint authentication and facial recognition were introduced in the apps, giving customers simpler and faster access to Avanza
- Further steps were taken to improve Open Banking with the goal to give customers a better overview of their finances
- New "My pages" are being rolled out. The pages have several new functions such as new navigation and a personalised start page
- Swish was added as an alternative for direct deposits, making it easier to start saving
- Camilla Hedenfelt, the new HR Manager and member of Group Management, took on her role on 1 September

Quote from Rikard Josefson, CEO Avanza

"Operating profit was record high and we see that our increased investments in development and innovation are beginning to pay off. For the nine-month period, revenues increased faster than costs. If nothing unexpected happens, I am confident that we will reach this target for the full-year 2019 as well. The engagement among our employees is crucial for us to succeed, and I am pleased therefore that we have achieved our employee target for 2019."

	Q3 2019	Q2 2019	Change %	Q3 2018	Change %	Jan-Sep 2019	Jan-Sep 2018	Change %
Operating income, SEK m	313	284	10	267	17	865	782	11
Operating expenses, SEK m	-148	-166	-10	-135	10	-478	-440	9
Operating profit, SEK m	163	117	38	132	23	380	342	11
Net profit, SEK m	138	101	36	106	30	326	289	13
Earnings per share before dilution, SEK ¹	0.91	0.67	36	0.71	28	2.15	1.93	12
Operating margin, %	52	41	11	49	2	44	44	0
Net inflow, SEK m	9,940	8,270	20	8,380	19	25,800	21,200	22
No. of new customers (net)	36,800	31,500	17	32,200	14	101,900	97,900	4
Savings capital at the end of the period, SEK m	377,100	359,300	5	331,000	14	377,100	331,000	14

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

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, our 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

Satisfied employees:

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

Long-term value growth:

- Market share of at least 10 per cent of the total net inflow to the Swedish savings market
- 1 million customers 2020
- Cost increase shall not exceed income growth
- Dividend of at least 70 per cent of the profit of the year

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

CEO comment

Our increased investments in development and innovation are beginning to pay off

I can say with certainty that the third quarter was strong and satisfactory in many ways. We had a net inflow of SEK 10 billion in the quarter and for the nine-month period had the highest net inflow ever compared to corresponding periods. We also increased revenues more than costs for the second quarter in a row, and revenues outpaced costs for the nine-month period as well. I am confident that we will also reach the target for the full-year 2019 if nothing unexpected happens. Customer growth remains strong and we are nearing the goal of one million customers.

What worries me a little looking forward is the weak Swedish krona and lack of debate on what it means for Sweden over time. A year ago many, including myself, thought that interest rates would begin to rise, but today we see no such signs. I am convinced that we will have to live with these low rates for some time. From a savings perspective this makes Avanza's work more important than ever. Conventional savings accounts no longer work, at the same time that all of us are expected in various ways to take greater responsibility for our personal finances.

Launches for an even better user experience

We want to offer an exceptional user experience and make it as easy for our customers as we possibly can. As a complement to our existing real-time deposit solutions, we launched Swish during the quarter. Customers now can also log in to the apps through facial recognition or fingerprint authentication. Our new "My pages" are being rolled out. They will give customers a better overview of their savings, including clearer analysis and greater fee transparency. During the year, we delivered our first Open Banking services and customers now can also add accounts and mortgages from other banks to their account summary. This makes it easier to compare Avanza's offering with others'.

Record-high operating profit

More customers than ever are trading stocks and the number of transactions reached a record level for the third quarter. Our mission to create awareness and increased responsibility for savings works. We are a valuable support for Swedish savers, with the goal to be even better. Net brokerage income rose by 20% during the quarter, although a higher number of trading days was a strong contributing factor. All revenue lines increased.

Profit from Corporate Finance was low, according to the normal seasonal pattern. In September, Avanza helped to spread EQT's IPO, and the vast majority of EQT's new shareholders are customers of Avanza. This is a sign of strength and proof of our distribution power. During the year, we built up a new department for Corporate Finance, which is now at full strength.

Operating profit was record high and it is due not only to seasonally lower operating expenses in the quarter but also because operating income reached a record level.

It is now settled that the leverage ratio requirement will be 3% and will take effect in June 2021. We are currently at 3.5%.

Leverage ratio will be an important measure going forward in managing Avanza's capitalisation.

New law could limit occupational pension savers' choices and lock them into expensive solutions

Avanza has for a number of years been deeply engaged in the issue of pension transfers and now in October this issue will come to a head when it is taken up by Parliament's Committee on Finance. Today, in 2019, a substantial number of Swedish pension savers are locked into expensive solutions. At the same time, they are encouraged in various ways to take greater responsibility for their pension. It is incomprehensible therefore that it should take so long and cost as much as it does to transfer pension savings. Last week the Committee on Finance held its first meeting and the signals are promising that a change may be on the way. Sweden's savers cannot rest easy just yet, but a first step has been taken in the right direction. We in Sweden need an occupational pension system where the customer has the power to decide over their own money. In unit-linked insurance it is the savers themselves who bear the entire risk. And yet there is very little opportunity to decide how and where an occupational pension is managed. Such an important consumer question must be addressed from the standpoint of pension savers, not pension companies.

Employee goal for 2019 reached

For me, the engagement among everyone in the company is crucial for us to succeed. During the quarter, we conducted a new employee satisfaction survey, which gave us a score of 54, compared to our goal of at least 45. This is very gratifying, but not something I take for granted. Creating an environment where employees thrive and want to develop is one of my most important tasks. When it comes to employee development and leadership, I am pleased therefore to welcome Camilla Hedenfelt, who brings years of experience, as our new head of HR.

Stockholm, 17 October 2019



Rikard Josefson, CEO Avanza



Operations

Activity and market shares

The SIX Return Index rose by 2 per cent, but with large fluctuations during the quarter. Volatility increased slightly compared to the previous quarter.

Total turnover on the Stockholm Stock Exchange including First North increased by 1 per cent and the number of transactions by 12 per cent compared to the previous quarter. Among Avanza's customers, turnover on these marketplaces increased by 8 per cent and the number of transactions by 14 per cent. There were 8.5 more trading days.

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 the second largest Swedish player in terms of turnover. Avanza's market shares increased during the quarter.

The fund market saw a strong net inflow in the third quarter, mainly to fixed income funds. The fund inflow to Avanza was strong as well, but with a larger inflow to equity funds.

The repo rate was unchanged during the quarter. The Riksbank's own forecast indicates that the next repo rate hike is still likely to be later this year or early next year. Few in the market expect a rate hike, however.

Events during the third quarter

As a way to improve and simplify the user experience, Avanza started rolling out new "My pages" to customers during the quarter. The pages have several added functions such as new navigation and a personalised start page. Avanza wants to create a tool to help customers successfully manage their finances. Through Open Banking and the PSD2 payment services directive, which with the customer's approval gives third-party players access to information on the customer's accounts with other banks, the first steps have been taken to give customers a better overview of their savings and loans. Customers' accounts with other players can now be shown in their Avanza account summary. This allows them for example to compare their current mortgage rate to Avanza's offer.

During the summer, biometric login was added as an alternative in the apps. With fingerprint authentication or facial recognition customers get faster access to their accounts. This creates a better user experience with a high security standard.

To more quickly start saving and further simplify transfers to Avanza, Swish was launched as another alternative for customers to make direct deposits to their accounts.

After-hours trading has been introduced for Avanza Markets with US equities, commodities and currencies as the underlying asset.

Avanza released its second book *Aktieskolan*, about stock saving, in cooperation with the audiobook and e-book streaming service Storytel. The venture is part of Avanza's efforts to educate the public on personal finances and to reduce inequality in savings by reaching out to a broader target audience. Both books have topped the Finance & Business

category at Storytel, which shows the public's great interest in personal finances.

Avanza improved its ranking to 17th (31th) among most popular employers in 2019 in the Business category. In IT, Avanza retained 11th place – in tough competition with companies such as Spotify, IKEA and Google. The survey was conducted by Universum and included companies on the Swedish labour market.

During the quarter, the Avanza Global index fund celebrated its first year and assets under management passed SEK 3 billion. Avanza Auto, with the six automatically managed funds Auto 1-6, celebrated its second year and is managing over SEK 4.6 billion in assets. These funds are some of the most popular for monthly savings among Avanza's customers.

Development of customers and savings capital

Data on the Swedish savings market for the second quarter of 2019 was released in August. Avanza's share of the net inflow to the Swedish savings market for the period July 2018 – June 2019 was 13.4 per cent, exceeding the long-term target of at least 10 per cent. At the end of the second quarter, Avanza's share of assets in the Swedish savings market was 4.2 per cent.

During the third quarter, 36,800 new customers were added, which was 17 per cent higher than previous quarter and 14 per cent higher than the third quarter of 2018. The number of occupational pension customers grew by 4 per cent. At the end of the period, there were a total of 939,100 customers, closing in on the target of 1 million customers 2020.

The net inflow was 20 per cent higher than the inflow in the previous quarter and 19 per cent higher than the same quarter in 2018. The net inflow from existing customers accounted for 55 per cent in the quarter, which was higher than the previous quarter. For the nine-month period net inflow increased by 22 per cent compared to the same period in 2018. The inflow of occupational pension premiums averaged SEK 225 million per month in the last 12-month period, an increase of 21 per cent compared to a year earlier.

Savings capital increased by 5 per cent in the quarter mainly due to the net inflow but also higher positive stock market development. At the end of the period, 29 per cent of customer capital was invested in funds, which was 2 percentage points higher than at the beginning of the year.

Customers' total deposits are still at a high level of just over SEK 62 billion, of which SEK 22 billion related to external deposits. Deposits as a share of savings capital decreased marginally during the quarter to just under 17 per cent at the end of the period.

Total lending grew by 10 per cent in the third quarter to just over SEK 21 billion. External mortgage volume through Stabelo amounted to SEK 9.2 billion at the end of the quarter. Internally financed mortgages for Private Banking customers amounted to just over SEK 7.2 billion, an increase of 7 per cent. Margin lending increased by 4 per cent.

Activity and market shares	2019 Q3	2019 Q2	Change %	2018 Q3	Change %	2019 Jan-Sep	2018 Jan-Sep	Change %	2018 Jan-Dec
No. commission generating notes, thousands	4,760	4,070	17	3,960	20	12,800	11,200	14	15,000
Commission generating turnover, SEK m	140,800	125,800	12	134,200	5	408,800	397,600	3	532,400
<i>Market shares</i>									
<i>Nasdaq Stockholm and First North:</i>									
No. transactions, %	13.6	13.3	0.3	13.2	0.4	13.4	12.0	1.4	11.9
Turnover, %	5.2	4.8	0.4	6.1	-0.9	5.2	5.5	-0.3	5.5
Net inflow, SEK m	2019 Q3	2019 Q2	Change %	2018 Q3	Change %	2019 Jan-Sep	2018 Jan-Sep	Change %	2018 Jan-Dec
Standard	8,620	7,200	20	7,180	20	23,140	19,390	19	26,300
Private Banking	1,290	1,090	18	770	68	2,650	1,200	120	730
Pro	30	-20	-	430	-93	10	610	-98	570
Net inflow	9,940	8,270	20	8,380	19	25,800	21,200	22	27,600
Equity & investment fund accounts	1,730	1,780	-3	1,360	27	3,420	2,450	40	4,570
Investment savings accounts	4,820	4,100	18	4,030	20	13,300	11,400	16	12,300
Savings accounts	1,150	600	92	1,260	-9	2,820	2,700	5	6,930
of which external deposit accounts	1,130	610	85	1,290	-12	2,930	2,750	7	6,850
Pension- & insurance-based accounts	2,240	1,790	25	1,730	29	6,260	4,650	35	3,800
of which endowment insurance	1,310	860	52	950	38	3,650	2,290	60	460
of which occupational pensions	910	890	2	760	20	2,560	2,370	8	3,330
Net inflow	9,940	8,270	20	8,380	19	25,800	21,200	22	27,600
Net inflow/Savings capital, %	11	10	1	11	-	11	10	1	10

For definitions see page 23.

No. customers, savings capital and lending, SEK m (unless otherwise stated)	30-09-2019	30-06-2019	Change %	31-12-2018	Change %	30-09-2018	Change %
Standard, No.	911,040	874,850	4	810,990	12	783,180	16
Private Banking, No.	26,100	25,600	2	24,200	8	23,500	11
Pro, No.	1,960	1,850	6	1,910	3	1,820	8
No. of customers	939,100	902,300	4	837,100	12	808,500	16
of which occupational pension customers, No.	88,600	84,900	4	77,700	14	73,800	20
Standard	211,000	200,500	5	166,400	27	181,300	16
Private Banking	151,800	145,600	4	122,000	24	136,900	11
Pro	14,300	13,200	8	11,600	23	12,800	12
Savings capital	377,100	359,300	5	300,000	26	331,000	14
Equity & investment fund accounts	112,400	108,400	4	94,900	18	105,000	7
Investment savings accounts	127,600	119,600	7	94,200	35	106,900	19
Savings accounts	22,800	21,600	6	19,900	15	15,700	45
of which external deposit accounts	22,000	20,800	6	19,000	16	14,900	48
Pension- & insurance-based accounts	114,300	109,700	4	91,000	26	103,400	11
of which endowment insurance	77,200	74,500	4	61,800	25	71,900	7
of which occupational pensions	24,600	23,000	7	18,600	32	19,800	24
Savings capital	377,100	359,300	5	300,000	26	331,000	14
Equities, bonds, derivatives, etc.	205,500	197,400	4	161,000	28	185,000	11
Investment funds	109,300	101,900	7	81,100	35	95,400	15
Deposits	62,300	60,000	4	57,900	8	50,600	23
of which external deposits (Savings account+)	22,000	20,800	6	19,000	16	14,900	48
Savings capital	377,100	359,300	5	300,000	26	331,000	14
Internally financed lending	12,000	11,300	6	10,400	15	10,100	19
of which margin lending	4,780	4,600	4	4,370	9	4,380	9
of which mortgages (Superbolånet PB)	7,220	6,740	7	5,980	21	5,760	25
External mortgages (Bolån+)	9,200	7,890	17	4,210	119	2,890	218
Lending	21,200	19,200	10	14,600	45	13,000	63
Deposits/Lending, %	519	531	-12	557	-38	501	18
Net deposits/Savings capital, %	13	14	-1	16	-3	12	1
Return, average account since 1 Jan, %	16	14	2	-4	20	9	7
SIX Return Index since 1 Jan, %	23	21	2	-4	27	11	12

For definitions see page 23.

Financial overview

	2019 Q3	2019 Q2	Change %	2018 Q3	Change %	2019 Jan-Sep	2018 Jan-Sep	Change %	2018 Jan-Dec
Income Statement, SEK m									
Net brokerage income	126	105	20	111	13	343	324	6	435
Fund commissions	86	83	4	81	7	241	227	6	301
Net interest income	53	51	5	31	71	143	89	60	119
Other income	48	46	4	44	8	138	141	-2	194
Operating income	313	284	10	267	17	865	782	11	1,049
Personnel	-90	-107	-16	-83	9	-300	-271	11	-367
Marketing	-4	-3	29	-5	-10	-16	-13	22	-17
Depreciation	-14	-14	-1	-5	176	-41	-14	182	-20
Other expenses	-40	-42	-4	-42	-4	-122	-142	-14	-225
Operating expenses before credit losses	-148	-166	-10	-135	10	-478	-440	9	-629
Profit before credit losses	165	118	39	133	24	386	342	13	420
Credit losses, net	0	2	-	0	-	0	-1	-101	-1
Profit/loss from participations in associated companies	-2	-2	-	-	-	-6	-	-	-1
Operating profit	163	117	38	132	23	380	342	11	418
Tax on profit for the period	-25	-16	51	-26	-4	-54	-52	3	-69
Net profit	138	101	36	106	30	326	289	13	349
Key ratios									
Operating margin, %	52	41	11	49	2	44	44	0	40
Profit margin, %	44	36	8	40	4	38	37	1	33
Earnings per share before dilution, SEK ²	0.91	0.67	36	0.71	28	2.15	1.93	12	2.32
Earnings per share after dilution, SEK ²	0.91	0.67	36	0.71	28	2.15	1.92	12	2.31
Return on shareholders' equity, %	33	27	5	30	3	27	28	-1	24
Credit loss level, %	-0.00	0.01	-0.01	-0.00	0.00	0.00	-0.01	0.01	-0.01
Investments, SEK m	1	2	-36	9	-86	5	25	-80	71
Net brokerage income/Operating income, %	40	37	3	42	-1	40	41	-2	41
Fund commissions/Operating income, %	28	29	-2	30	-3	28	29	-1	29
Net interest income/Operating income, %	17	18	-1	12	5	17	11	5	11
Other income/Operating income, %	15	16	-1	17	-1	16	18	-2	19
Income to savings capital ratio, %	0.34	0.33	0.01	0.33	0.01	0.34	0.34	-0.01	0.35
Costs to savings capital ratio, % ¹	0.16	0.19	-0.03	0.17	-0.01	0.19	0.19	-0.01	0.20
Income per customer, SEK	1,360	1,280	6	1,350	1	1,300	1,370	-5	1,350
Costs per customer, SEK ¹	-640	-750	-14	-680	-5	-720	-770	-7	-760
Net brokerage income per trading day, SEK m	1.9	1.8	4	1.7	12	1.8	1.7	5	1.8
Brokerage per commission note, SEK	28	28	2	30	-5	29	31	-7	31
Brokerage/Turnover, %	0.107	0.100	0.006	0.099	0.008	0.100	0.098	0.003	0.098
No. trading days	66.0	57.5	15	65.0	2	186.5	186.0	0	247.5
Average no. employees	430	418	3	412	5	425	402	6	406
Web service operational availability, %	99.9	99.8	0.1	100.0	-0.1	99.9	100.0	-0.1	100.0

1) Excluding the Swedish Financial Supervisory Authority decision imposing a fine of SEK 35 million on Försäkringsaktiebolaget Avanza Pension, reported in the fourth quarter of 2018.

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

Key ratios	30-09-2019	30-06-2019	Change %	31-12-2018	Change %	30-09-2018	Change %
Shareholders' equity per share before dil., SEK ^{1,2}	11.96	10.10	18	10.66	12	10.16	18
Own funds/Capital requirement ¹	1.32	1.22	8	1.34	-1	1.34	-1
No. employees	443	417	6	422	5	416	7
Share price, SEK ²	80.20	70.90	13	84.72	-5	80.96	-1
Market capitalisation, SEK m	12,300	10,700	15	12,800	-4	12,300	-

1) The holding in Stabelo has been revalued in connection with the transition to IFRS 9, resulting in an increase of SEK 10 million in the opening balance. Historical figures and key ratios have been adjusted.

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

For definitions see page 23.

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 38 per cent compared to the previous quarter, mainly due to higher revenues but also seasonally lower expenses.

The operating margin was 52 per cent, an improvement of 11 percentage points.

Revenues

Total operating income increased by 10 per cent compared to the previous quarter. The increase is mainly due to higher brokerage income, but all revenue lines rose.

Net brokerage income increased by 20 per cent, mainly because there were 8.5 more trading days in the quarter. Brokerage income per SEK of turnover also increased, from 10.0 to 10.7 basis points because of a higher percentage of trades in lower commission classes. The number of commission-generating customers was record high, as was the number of commission-generating notes. Turnover per note decreased slightly. Commission-generating turnover rose by 12 per cent and the number of commission-generating notes was 17 per cent higher.

Fund commissions increased by 4 per cent mainly due to higher average fund capital. Income per SEK of fund capital decreased slightly to 33 basis points.

Net interest income increased by 5 per cent. Average STIBOR (3M) was 1 basis point lower than the second quarter. In spite of this, the return on surplus liquidity improved slightly due to the three-month interest duration and subsequent lag in the bond portfolio. Higher average volume in both margin lending and Private Banking mortgage lending also contributed positively. The state deposit guarantee and resolution fee were stable at SEK 8 million.

Other income, mainly consisting of currency-related income, income from Avanza Markets and Corporate Finance, increased by 4 per cent compared to the second quarter. The increase was mainly due to higher currency-related income and income from Avanza Markets. Income from Corporate Finance was seasonally low. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 9.0 per cent (9.4) of turnover. Currency-related income accounted for SEK 33 million (29) of other income, Avanza Markets for SEK 20 million (18) and income from Corporate Finance for SEK 3 million (7).

Operating expenses

Operating expenses decreased by 10 per cent, mainly due to seasonally low personnel costs.

Credit losses

Reported credit losses are attributable to calculated expected credit losses according to IFRS 9.

January–September 2019 compared to January–September 2018

Operating profit increased by 11 per cent compared to the nine-month period in 2018. Operating income increased by 11 per cent while operating expenses rose by 9 per cent, and consequently the operating margin increased marginally.

Revenues

Operating income increased mainly as a result of higher net interest income and net brokerage income. Fund commissions also increased while other income decreased.

Net brokerage income increased by 6 per cent. This was due to more commission-generating notes, higher

commission-generating turnover and higher brokerage income per SEK of turnover. The number of notes increased by 14 per cent and turnover grew 3 per cent, which shows that customers have continued to trade at lower volumes. A higher share of brokerage income was generated in lower brokerage fee classes, which slightly increased brokerage income per SEK of turnover.

Fund commissions increased by 6 per cent due to higher average fund capital. Income per SEK of fund capital dropped by 2 basis points to 0.33 per cent due to a somewhat higher proportion of index funds.

Net interest income increased by 60 per cent mainly due to an improved return on surplus liquidity. The repo rate was raised by 25 basis points on 9 January 2019 to –0.25 per cent and the average STIBOR (3M) was 35 basis points higher than last year. The bond portfolio is managed with an average interest duration of 3 months, because of which the rate hike did not have a full impact until March. Income from external deposits and Private Banking mortgages also increased. The repo rate hike itself has no effect on Private Banking mortgages, however, as long as the repo rate is lower than –0.20 per cent. Income from margin lending was slightly lower despite average higher lending volumes, which is a result of a lower average interest rate. Margin lending is not tied to the repo rate and instead is adjusted based on market interest rates and the competitive landscape. All else being equal, without taking changes in customer behaviour into account, a 1 per cent rate change with today's volumes would affect full-year net interest income by around SEK 300 million. The effect is greater with a rate hike and less with a rate cut. The percentage rate to calculate the resolution fee was cut in 2019 from 0.125 per cent to 0.09 per cent, and in 2020 will be further reduced to 0.05 per cent. The deposit guarantee fee and resolution fee increased despite this due to larger volumes. Because IFRS 16 Leases was implemented as a new standard as of 1 January 2019, without retroactive application, leases of premises are now recognised as a right-of-use asset and lease liability in the balance sheet. As a result, part of the rental expense is also defined as an interest expense, which amounts to approximately SEK 0.5 million per quarter in 2019.

Other income decreased mainly due to higher other commission expenses, mostly because of an increased number of mortgage applications. Income from Corporate Finance and currency-related income were slightly lower, while income from Avanza Markets and external mortgages increased.

Operating expenses

Operating expenses increased by 9 per cent mainly due to higher personnel costs.

Personnel costs rose due to an increased number of employees, mainly to expanded development capacity. IT costs increased, whereas costs related to external services decreased. Due to the introduction of IFRS 16 Leases in 2019, leases on premises are now recognised as a right-of-use asset and lease liability in the balance sheet. This reduces reported costs for premises, while depreciation increases by about the same amount. At the same time, an interest expense arises in net interest income.

The guidance on Avanza's annual cost growth is 9–12 per cent, with a budget figure of 10.5 per cent for 2019. The increased costs will allow Avanza to capitalise on new growth opportunities in a responsible way while staying focused on costs, benefitting both customers and shareholders. The Swedish Financial Supervisory Authority's administrative fee

on Försäkringsaktiebolaget Avanza Pension of SEK 35 million in 2018 is fully excluded from the guidance on cost growth.

The cost to savings capital ratio was 0.19 per cent, which was a decrease of 1 percentage point. Given continued strong growth in customers and savings capital as well as further efficiency improvements, the long-term aim is to reduce the cost to savings capital ratio to 0.16 per cent, in line with the very best international peers in the industry. This makes Avanza resilient in various market conditions at the same time that it provides an important competitive advantage. In the last five years, Avanza has cut its cost to savings capital ratio from 0.35 to 0.20 per cent on a full year basis.

Result from participations in associated companies

Avanza's holdings in Stabelo amounts to nearly 30 per cent. Stabelo is therefore 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

At the beginning of the year, the corporate tax rate was lowered from 22 to 21.4 per cent. As the Avanza Group's effective tax rate is lower, only around 75 per cent of the tax cut will have an impact. Based on current volumes, the tax is estimated to 13-14 per cent in 2019. Further reduction of corporate tax will be made in 2021 to 20.6 per cent.

In its budget bill the Ministry of Finance has announced plans to introduce a banking tax as of 2022. There is no concrete information yet on what it will look like or how it will be calculated. There are no plans, however, to raise the resolution fee. The tax will affect a limited number of companies and it will not matter where they have their head office.

Seasonal effects

Avanza has no major seasonal variations, except from the third quarter which is characterised by lower personnel costs, based on employees' summer vacation, and also seasonally low Corporate Finance activity. The company's financial

results are rather impacted by cyclical market factors such as stock market development, volatility and the repo rate. Customer and net inflow are normally higher at the beginning of the year.

Future outlook

Avanza's share of the Swedish savings market is growing, and Avanza is well-positioned to meet the changing conditions facing the financial services industry. Increased transparency and a greater focus on the impact of fees on savings in a low interest rate environment, coupled with the gradual deterioration of national collective pension and welfare systems, create a favourable growth outlook for Avanza.

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

Avanza's growth objectives includes 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, 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.

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

Read more in the Annual Report at investors.avanza.se.

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017
Net brokerage income	126	105	112	111	111	92	122	122	106
Fund commissions	86	83	72	74	81	74	72	64	62
Net interest income	53	51	39	29	31	29	29	27	25
Other income	48	46	44	53	44	49	48	58	34
Operating income	313	284	268	267	267	244	271	271	227
Personnel	-90	-107	-103	-97	-83	-97	-90	-98	-74
Marketing	-4	-3	-8	-4	-5	-3	-5	-8	-4
Depreciation ¹	-14	-14	-14	-5	-5	-5	-5	-3	-5
Other expenses ^{1,2}	-40	-42	-40	-84	-42	-48	-52	-48	-41
Operating expenses before credit losses	-148	-166	-164	-190	-135	-153	-152	-157	-123
Credit losses, net	0	2	-1	0	0	-1	0	0	0
Profit/loss from participations in associated companies	-2	-2	-2	-1	-	-	-	-	-
Operating profit	163	117	100	76	132	90	120	114	104
Operating margin, %	52	41	37	29	49	37	44	42	46
Earnings per share before dil., SEK ³	0.91	0.67	0.57	0.40	0.71	0.53	0.69	0.65	0.59
Shareholders' equity per share before dilution, SEK ^{3,4}	11.96	10.10	9.35	10.66	10.16	8.82	8.32	9.51	8.86
Return on shareholders' equity, %	33	27	23	15	30	25	31	28	28
Net inflow	9,940	8,270	7,570	6,360	8,380	4,840	7,960	3,550	5,900
No. of new customers (net)	36,800	31,500	33,600	28,600	32,200	23,300	42,400	42,500	31,200
No. of customers at the end of the period	939,100	902,300	870,800	837,100	808,500	776,400	753,100	710,600	668,100
Savings capital at the end of the period	377,100	359,300	335,700	300,000	331,000	307,100	288,700	282,900	281,000
Income to savings capital ratio, %	0.34	0.33	0.34	0.34	0.33	0.33	0.38	0.38	0.33
Costs to savings capital ratio, % ⁵	0.16	0.19	0.21	0.20	0.17	0.21	0.21	0.22	0.18

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.

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) The holding in Stabelo has been revalued in connection with the transition to IFRS 9. Historical figures and key ratios have been adjusted.

5) 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 and with systemically important Nordic banks and to a lesser extent in bonds issued by the Swedish Government and Municipalities.

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

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and the third quarter 2019 total credit losses amounted to SEK 11 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 2018, Note 36 and pages 30–32. 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 first nine months of 2019 was SEK -15 million (SEK -13m). The Parent Company does not report any revenues.

A dividend payment, related to 2018, of SEK 318 million (SEK 315m) has been made to the shareholders in March 2019, following the decision at the Annual General Meeting.

Capital surplus

SEK m	30-09-2019	31-12-2018
Own funds		
Shareholders' equity, the Group	1,839	1,614
Solvency capital	1,185	909
Less non-distributable solvency capital ¹	-162	-138
Subordinated loan ²	78	75
Additional value adjustments ²	-20	-17
Intangible assets and deferred tax receivables	-80	-85
Own funds before dividend adjustments²	2,841	2,359
Capital requirements		
Capital requirement Pillar 1 ²	-1,596	-1,253
of which Solvency capital requirement ¹	-1,023	-771
Buffer requirement ²	-382	-288
Capital requirement Pillar 2	-115	-83
Capital requirements²	-2,092	-1,624
Capital surplus before dividend²	748	735
Capital surplus per share, SEK ^{2,3}	4.87	4.85

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

2) *A revision has been made for additional value adjustments, which relate to assets that are measured at fair value through other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 30 September 2019 with adjusted comparative figures for 31 December 2018.*

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

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 748 million as of 30 September 2019.

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.

Other corporate events

Executive Management

Jesper Bonnavier took over as new CEO of Avanza Fonder AB and as a member of Group Management on 10 April. Jesper has over 18 years of experience in asset management and for the last 13 years has held senior positions at Länsförsäkringar Fonder.

Malin Nybladh, Head of HR and a member of Group Management since May 2018, left Avanza on 1 April.

Camilla Hedenfelt, new Head of HR and member of Group Management, took on her role on 1 September. Camilla has 20 years of experience in strategic and operative HR work within telecom and consumer goods. Most recently she has been the HR Director of Orkla Care where she has worked with, among other things, organisational change and development.

A reorganisation is planned in the fourth quarter which will move the Customer Relations department to Group Operation. Group Operations currently includes Brokerage, Back Office and Credit, which along with Customer Relations have to accommodate to adopt to a growing business. The reorganisation is being done to better capture synergies between these departments. As a consequence, Maria Christofi-Johansson, Head of Customer Relations, will no longer be a member of Group Management.

Annual General Meeting 2019

The Annual General Meeting on 19 March 2019 resolved to reelect the Chairman of the Board and the board members, with the exception of Sophia Bendz who declined re-election.

As proposed, a dividend of SEK 10.50 per share was authorised (corresponding to SEK 2.10 per share after share split).

KPMG was elected new company auditor according to the nomination committee's proposal, with Mårten Asplund as Auditor-in-Charge.

The income statements and balance sheets for the Parent Company and the Group for the financial year 2018 were adopted.

The Annual General Meeting approved the Board of Directors' proposed guidelines for salaries and other remuneration to the CEO and other members of the company's management. Unlike previous years, no variable, performance-based remuneration will be paid.

The Annual Report 2018 was published on 26 February 2019.

Share split and amendment of the articles of association

The Annual General Meeting approved a share split in Avanza Bank Holding AB (publ), whereby each existing share was divided into five shares. The Board decided the 16 April 2019 as record date for the split, which increased the total number of shares in the company from 30,272,996 to 151,364,980. The Annual General Meeting also resolved to amend the articles of association related to the split.

Annual General Meeting 2020

The Annual General Meeting of the company's shareholders will be held in Stockholm on 17 March 2020. The annual report

is scheduled to be made available at the company's office and on the website, investors.avanza.se, on 21 February 2020.

Nomination committee

The Nomination Committee comprises the Chairman of the Board Sven Hagströmer, Erik Törnberg representing Creades AB, Sean Barrett representing HMI Capital, LLC and Magnus Dybeck representing the Dybeck family and companies. Erik Törnberg has been appointed Chairman of the Nomination Committee. For further information about the Nomination Committee, please visit Avanza's website at investors.avanza.se.

Incentive programmes

Sub-programme 3 of the warrant programme authorized by the Extraordinary General Meeting on 13 June 2014 had exercise period from 26 August 2019 to 2 September 2019. After recalculation of the warrant programme the exercise price was SEK 75.40 per share (adjusted for the share split) and 2,440,200 shares were possible to subscribe for. 2,421,342 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 30 September 2019 amounts to 153,786,322.

The Annual General Meeting 2019 authorised a new incentive programme based on warrants. The programme runs for three years and comprises a maximum of 2,250,000 warrants (the number of warrants takes into account the share split), each of which grants entitlement to subscribe for one share in the company. 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 94.80 per share and the expiration date is 1 September 2022. 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 2019 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 2019 and the company holds no repurchased shares as of 30 September 2019.

Transactions with associated parties

Avanza's transactions with associated parties are presented in the Annual Report for 2018, Note 37. No significant changes have taken place since then the publication of the Annual Report.

Significant events after the end of the reporting period

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

Consolidated Income Statement

SEK m	Note	2019 Q3	2018 Q3	2019 Jan-Sep	2018 Jan-Sep	2018-2019 Oct-Sep	2018 Jan-Dec
Operating income							
Commission income	1, 2	311	278	872	827	1 156	1 111
Commission expenses	3	-50	-42	-150	-134	-199	-183
Interest income calculated using the effective interest method		67	53	182	157	237	212
Other interest and similar income		8	7	26	20	34	29
Interest expenses		-23	-29	-65	-87	-99	-122
Net result of financial transactions		-0	0	-0	0	2	2
Other operating income		0	-	0	0	0	0
Total operating income		313	267	865	782	1 132	1 049
Operating expenses							
General administrative expenses		-127	-121	-410	-400	-551	-541
Depreciation of tangible and intangible fixed assets		-14	-5	-41	-14	-46	-20
Other operating expenses		-8	-9	-27	-25	-71	-69
Total operating expenses before credit losses		-148	-135	-478	-440	-668	-629
Operating profit before credit losses		165	133	386	342	464	420
Credit losses, net		0	0	0	-1	0	-1
Profit/loss from participations in associated companies		-2	-	-6	-	-7	-1
Operating profit		163	132	380	342	456	418
Tax on profit for the period		-25	-26	-54	-52	-71	-69
Net profit¹		138	106	326	289	386	349
Earnings per share before dilution, SEK ²		0,91	0,71	2,15	1,93	2,55	2,32
Earnings per share after dilution, SEK ²		0,91	0,71	2,15	1,92	2,55	2,31
Average no. shares before dilution, thousands ²		151 918	150 387	151 551	150 118	151 504	150 432
Average no. shares after dilution, thousands ²		151 918	150 600	151 551	150 417	151 504	150 827
Outstanding no. shares before dilution, thousands ²		153 786	151 365	153 786	151 365	153 786	151 365
Outstanding no. shares after dilution, thousands ²		153 786	151 542	153 786	151 542	153 786	151 643
No. shares upon full dilution, thousands ²		160 536	158 315	160 536	158 315	160 536	158 315

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

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

Consolidated statement of comprehensive income

SEK m	2019 Q3	2018 Q3	2019 Jan-Sep	2018 Jan-Sep	2018-2019 Oct-Sep	2018 Jan-Dec
Net profit	138	106	326	289	386	349
<i>Items that will be reversed to the income statement</i>						
Changes in fair value of financial instruments ¹	-18	-6	38	-9	8	-39
Tax on changes in fair value of financial instruments ¹	4	1	-8	2	-2	9
<i>Items that will not be reversed to the income statement</i>						
Changes in value of associated companies ²	-	-	-	-	40	40
Tax on changes in value of associated companies	-	-	-	-	-	-
Other comprehensive income after tax	-14	-5	30	-7	46	9
Total comprehensive income after tax³	123	102	356	282	432	359

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

2) Book value of the holdings in Stabelo has been set at market value based on the transaction made during the fourth quarter 2018.

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

Consolidated Balance Sheet

SEK m	Note	30-09-2019	31-12-2018
Assets			
Balances at central banks		–	2,907
Lending to credit institutions	4	2,474	914
Lending to the public	5	12,835	10,339
Bonds		20,238	16,958
Shares and participations		2	1
Shares and participations in associated companies		109	116
Assets in insurance operations		109,777	86,457
Intangible fixed assets		78	84
Right-of-use asset		89	–
Tangible fixed assets		35	40
Other assets		4,011	4,104
Prepaid costs and accrued income		170	221
Total assets		149,816	122,138
Liabilities and shareholders' equity			
Deposits by the public		37,256	33,317
Liabilities in insurance operations		109,778	86,458
Lease liability		91	–
Other liabilities		654	508
Accrued costs and prepaid income		98	142
Subordinated liabilities		100	100
Shareholders' equity		1,839	1,614
Total liabilities and shareholders' equity		149,816	122,138

Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
January - September 2018					
Shareholders' equity 31-12-2017	75	442	-	910	1,427
<i>Adjustment of shareholder's equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)</i>					
Increased provision for anticipated credit losses in accordance with IFRS 9	-	-	-	-3	-3
Valuation of bonds at fair value through other comprehensive income	-	-	24	-	24
Revaluation of shares and participations ¹	-	-	10	-	10
Adjusted shareholders' equity 01-01-2018¹	75	442	34	907	1,458
Net profit for the period	-	-	-	289	289
Other comprehensive income for the period	-	-	-7	-	-7
Total comprehensive income for the period	-	-	-7	289	282
Transactions with owners					
Dividend paid	-	-70	-	-245	-315
New issue (exercise of warrants)	1	108	-	-	108
Warrants issue	-	5	-	-	5
Shareholder's equity 30-09-2018¹	76	484	27	951	1,538
January - December 2018					
Shareholder's equity 31-12-2017	75	442	-	910	1,427
<i>Adjustment of shareholder's equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)</i>					
Increased provision for anticipated credit losses in accordance with IFRS 9	-	-	-	-3	-3
Valuation of bonds at fair value through other comprehensive income	-	-	24	-	24
Revaluation of shares and participations ¹	-	-	10	-	10
Adjusted shareholders' equity 01-01-2018¹	75	442	34	907	1,458
Net profit for the period	-	-	-	349	349
Other comprehensive income for the period	-	-	-40	50	9
Total comprehensive income for the period	-	-	-40	399	359
Transactions with owners					
Dividend paid	-	-70	-	-245	-315
New issue (exercise of warrants)	1	108	-	-	108
Warrants issue	-	5	-	-	5
Shareholders' equity 31-12-2018	76	484	-6	1,061	1,614
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
Shareholders' equity 30-09-2019	77	663	24	1,075	1,839

1) The holding in Stabelo has been revalued in connection with the transition to IFRS 9, resulting in an increase of SEK 10 million in the opening balance. Historical figures and key ratios have been adjusted.

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

Consolidated Cash Flow Statement

SEK m	2019 Q3	2018 Q3	2019 Jan-Sep	2018 Jan-Sep
Operating activities				
Operating profit	163	132	380	342
Adjustment for items not included in cash flow	6	5	18	14
Taxes paid	-19	56	-171	186
Changes in operating activities' assets and liabilities	-594	1,667	1,808	2,711
Cash flow from operating activities	-445	1,860	2,034	3,253
Investment operations				
Acquisition and disposals of intangible and tangible fixed asset	-1	-4	-5	-19
Acquisition of shares and participations	-	-5	-	-6
Investment in bonds	491	-1,796	-3,250	-2,710
Cash flow from investment operations	489	-1,805	-3,255	-2,735
Financial operations				
Cash dividend	-	-	-318	-315
Subordinated bond	0	0	0	0
New issue (Exercise of share warrants)	183	108	183	108
Warrants issue	4	5	4	5
Cash flow from financial operations	187	113	-131	-202
Cash flow for the period	232	169	-1,351	317
Liquid assets at the beginning of the period ¹	2,214	1,829	3,797	1,681
Liquid assets at the end of the period ¹	2,446	1,998	2,446	1,998
Change	232	169	-1,351	316

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 28 million (SEK 24m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

SEK m	2019 Jan-Sep	2018 Jan-Sep
Operating expenses		
Administration expenses	-10	-8
Other operating expenses	-5	-5
Operating profit/loss	-15	-13
Profit from financial investments		
Profit/loss from participations in Group companies	11	20
Interest expenses and similar items	-0	-0
Profit/loss before tax	-5	7
Tax on profit/loss for the period	1	-2
Net profit/loss for the period	-4	5

Parent Company statement of comprehensive income

SEK m	2019 Jan-Sep	2018 Jan-Sep
Net profit/loss for the period	-4	5
Other comprehensive income after tax	-	-
Total comprehensive income after tax	-4	5

Parent Company Balance Sheet

SEK m	30-09-2019	31-12-2018
Assets		
Financial fixed assets	533	533
Current receivables ¹	186	337
Liquid assets	1	1
Total assets	720	871
Shareholders' equity and liabilities		
Restricted shareholders' equity	77	76
Non-restricted shareholders' equity	639	779
Current liabilities	4	16
Total shareholders' equity and liabilities	720	871

1) Of which receivables from subsidiaries SEK 184 million (SEK 336m as of 31-12-2018).

Accounting principles

The Interim Report for the Group has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Interim Report for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR 2) has been applied.

As of 1 January 2019, Avanza applies IFRS 16 Leasing, which replaces IAS 17 Leases. Avanza applies the simplified transition method and the main impact on Avanza's accounts arise from the reporting of lease contracts for premises. The opening effect on the consolidated balance sheet as of 1 January 2019 is reported in the table below. The change means that leases (with the exception of short-term leases and low-value leases) are recognised as a right-of-use asset and a lease liability in the balance sheet. In the income statement the linear operating lease cost is replaced by depreciation of the right-of-use asset and an interest expense attributable to the lease liability.

IFRS 16 Leases - Transition effects on assets, liabilities and shareholder's equity as of 01-01-2019

SEK m	Reported balance sheet items 31-12-2018	Conversion to IFRS 16 01-01-2019	Adjusted balance sheet items 01-01-2019
Assets			
Right-of-use asset	–	115	115
Total assets	122,138	115	122,253
Liabilities and shareholders' equity			
Lease liability	–	115	115
Liabilities	120,524	115	120,639
Shareholders' equity	1,614	–	1,614
Total liabilities and shareholders' equity	122,138	115	122,253

Avanza has used a discount rate of 2 per cent to determine the lease liability in the opening balance as of 1 January 2019.

Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the Annual Report 2018.

The information on pages 1-11 is an integrated part of this financial report.

Notes

Note 1 Revenue from contracts with customers

SEK m	2019 Q3	2018 Q3	2019 Jan-Sep	2018 Jan-Sep	2018-2019 Oct-Sep	2018 Jan-Dec
Trading in commission-generating securities	175	158	483	462	641	621
Fund savings	94	88	261	248	340	327
Corporate services	3	2	15	16	22	24
Other commission income	38	32	113	101	153	140
Total	311	278	872	827	1,156	1,111
<i>Timing of revenue recognition</i>						
Service or goods transferred to customer at a specific point in time	311	278	872	827	1,156	1,111
Service or goods transferred to customer over time	-	-	-	-	-	-
Total	311	278	872	827	1,156	1,111

Revenue from contracts with customers largely comes from securities trading and includes profit from exchange income of SEK 33 million (SEK 32m) in the lines Trading in commission-generating securities and Fund savings for the third quarter.

Note 2 Commission income

SEK m	2019 Q3	2018 Q3	2019 Jan-Sep	2018 Jan-Sep	2018-2019 Oct-Sep	2018 Jan-Dec
Gross brokerage income	150	132	410	388	543	520
Fund commissions	86	81	241	227	314	301
Other commission income ¹	74	65	221	212	299	290
Total	311	278	872	827	1,156	1,111

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	2019 Q3	2018 Q3	2019 Jan-Sep	2018 Jan-Sep	2018-2019 Oct-Sep	2018 Jan-Dec
Transaction costs ¹	-24	-21	-67	-64	-89	-85
Payment services commissions	-14	-11	-40	-37	-51	-49
Other commission expenses ²	-12	-10	-43	-33	-59	-49
Total	-50	-42	-150	-134	-199	-183

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 1,369 million (SEK 1,575 m as of 31 December 2018) which are reported net against client fund payables of SEK 1,369 million (SEK 1,575 m as of 31 December 2018). Of the liquid assets of SEK 2,474 million as per the end of the period, SEK 28 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 11 million (SEK 12m as of 31 December 2018). Thus, the change in the accumulated provision for expected credit losses has affected the result of the first quarter by SEK 1 million.

SEK 853 million (0 as per 31 December 2018) 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 11,981 million, of which SEK 4,769 million (SEK 4,361m as of 31 December 2018) with collateral in the form of securities and SEK 7,213 million (SEK 5,978m as of 31 December 2018) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 7,713 million (SEK 6,979m as of 31 December 2018) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 498 million (SEK 998m as of 31 December 2018).

Note 6 Financial instruments

Classification of financial instruments

30-09-2019 SEK m	Fair value via Income Statement	Amortised cost	Fair value via Other comprehensive income	Non-financial instruments	Total
Assets					
Lending to credit institutions	–	2,474	–	–	2,474
Lending to the public	–	12,835	–	–	12,835
Bonds	–	–	20,238	–	20,238
Shares and participations	2	–	–	–	2
Shares and participations in associated companies	–	109	–	–	109
Assets in insurance operations	98,348	11,430	–	–	109,777
Intangible assets	–	–	–	78	78
Right-of-use asset	–	–	–	89	89
Tangible assets	–	–	–	35	35
Other assets	–	4,011	–	0	4,011
Prepaid costs and accrued income	–	124	–	46	170
Total assets	98,350	30,982	20,238	248	149,816
Liabilities					
Deposits by the public	–	37,256	–	–	37,256
Liabilities in insurance operations	109,777	–	–	1	109,778
Lease liability	–	–	–	91	91
Other liabilities	–	641	–	13	654
Accrued costs and prepaid income	–	55	–	42	98
Subordinated liabilities	–	100	–	–	100
Total liabilities	109,777	38,053	–	147	147,977

Financial instruments valued at fair value

30-09-2019, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	53,781	0	0	53,781
Fund units	1,364	40,609	–	41,973
Bonds and other interest-bearing securities	21,691	620	–	22,311
Other securities	452	69	–	522
Total assets	77,289	41,298	0	118,587
Liabilities				
Liabilities in insurance operations (investment agreements)	–	109,777	–	109,777
Total liabilities	–	109,777	–	109,777

Fair value

In the case of financial instruments reported at amortised cost, incurring variable interest, or with short maturities, the reported value and fair value are equal. The fair value of those financial instruments reported at fair value, primarily Assets in the insurance operations and bonds in Avanza's liquidity portfolio, is determined as shown below.

During the period, no transfers between the levels have taken place. Pension and insurance customers (assets in the insurance operations) are, in principle, only permitted to hold securities traded on a regulated market or a multilateral trading facility (MTF), investment funds or securities on unlisted securities markets managed electronically by Avanza.

Financial assets valued at fair value via the Income Statement or via Other comprehensive income

The majority of the securities in this category, primarily comprising assets within the insurance operations and bonds in Avanza's liquidity portfolio, comprise listed securities and the fair value is determined by using the official bid rate on the closing date. The fair value of securities without an active market is determined, initially, by obtaining pricing information from operators who quote daily prices, mainly the net asset values quoted by the fund companies, where the issuer values every individual security, and secondarily, by assessing the most recently completed market transaction between two mutually independent parties.

Changes in the value of assets in the insurance operations correspond to changes in the value of liabilities in the insurance operations and the net result is, therefore, zero.

Financial assets valued at fair value are classified through the use of a hierarchy for fair value that reflects the significance of the input data used in the valuations. The hierarchy contains the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares pertaining to the insurance operations and bonds in Avanza's liquidity portfolio are included in this category.
- Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Funds (not traded on a stock exchange) are included

in this category. Liabilities in the insurance operations are included in this category as the value of the entire balance sheet item is indirectly related to the value of the assets in the insurance operations.

- Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).

The level of the hierarchy for fair values where the valuation at fair value is categorized in its entirety shall be determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety.

Note 7 Capital requirement for the financial conglomerate

SEK m	30-09-2019	31-12-2018
Own funds		
Shareholders' equity, the Group	1,839	1,614
Assumed ¹ /Proposed dividend	-249	-318
Shareholders' equity, financial conglomerate	1,590	1,296
<i>Additional</i>		
Solvency capital ²	1,185	909
Subordinated loan ³	78	75
<i>Less</i>		
Additional value adjustments ³	-20	-17
Intangible assets	-78	-84
Deferred tax receivables	-2	0
Total own funds³	2,754	2,179
Own funds per sector		
Own funds for regulated units in the insurance sector ²	1,430	1,071
Own funds for regulated units within the banking and investment services sector ³	1,324	1,108
Total own funds	2,754	2,179
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector ²	1,023	771
Capital requirement for regulated units within the banking and investment services sector ³	1,069	853
of which additional buffer requirement ³	382	288
of which additional Pillar 2 requirement	115	83
Total capital requirement³	2,092	1,624
Capital surplus	661	555
Own funds/Capital requirement	1.32	1.34

1) Based on the dividend policy of 70 per cent.

2) 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. Non-distributable solvency capital (future profits) = Solvency capital - Solvency capital requirement.

3) A revision has been made for additional value adjustments, which relate to assets that are measured at fair value through other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 30 September 2019 with adjusted comparative figures for 31 December 2018.

The above table refers to the financial conglomerate, including Avanza Bank Holding AB (publ) and all of its subsidiary companies Avanza Bank AB (publ), Försäkringsaktiebolaget 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	30-09-2019	31-12-2018 ²
Tier 1 capital		
Shareholders' equity, consolidated situation	1,652	1,585
Assumed ¹ /Proposed dividend	-120	-318
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,532	1,267
<i>Deducted items</i>		
Additional value adjustments ³	-20	-17
Intangible assets	-78	-84
Deferred taxes	-1	0
Significant holdings in the financial sector ^{2,3}	-5	-38
Common equity tier 1 capital³	1,427	1,128
Subordinated loan	78	75
Tier 2 capital	78	75
Total own funds	1,505	1,203
Capital requirement		
Credit risk according to the standardised approach ³	483	384
Market risk (position risk)	0	0
Settlement risk	0	0
Operational risk according to the basic indicator approach	128	128
Capital requirement	611	512
Risk exposure amount		
Credit risk according to the standardised approach	6,034	4,795
of which institutions	493	182
of which corporates	58	37
of which retail	228	161
of which secured by mortgages on immovable property	2,554	2,092
of which covered bonds ³	1,903	1,643
of which equity ^{2,3}	358	291
of which other items	442	389
Market risks (position risk)	3	1
Settlement risk	0	3
Operational risk according to the basic indicator approach	1,599	1,599
Total risk exposure amount²	7,636	6,398
Capital ratios and buffers		
Common equity tier 1 ratio, % ³	18.7	17.6
Tier 1 ratio, % ³	18.7	17.6
Total capital ratio, % ³	19.7	18.8
Own funds in relation to capital requirement ³	2.46	2.35
Institution-specific buffer requirement, %	5.0	4.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.5	2.0
Total capital requirement including buffer requirement, %	13.0	12.5
Common equity tier 1 capital available for use as a buffer, % ³	14.2	13.1
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement ³	512	403
Additional Pillar 2 requirement	115	83
Capital surplus after buffer requirement and Pillar 2	398	321
Leverage ratio		
Total exposure amount leverage ratio ³	41,128	36,406
Tier 1 capital ³	1,427	1,128
Leverage ratio, %	3.5	3.1

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

2) As of 31 March 2019, Avanza Bank Holding AB's holdings in Försäkringsaktiefbolaget Avanza Pension and Stabelo Group AB are managed partly through capital requirements for Equity with a risk-weight of 250 per cent, partly through deductions from the capital base. Comparative figures have been adjusted.

3) A revision has been made for additional value adjustments, which relate to assets that are measured at fair value through other comprehensive income. This has been reported to the Swedish FSA. The deduction is included as of 30 September 2019 with adjusted comparative figures for 31 December 2018.

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, 17 October 2019

Rikard Josefson
CEO

For additional information



Rikard Josefson, CEO
+46 (0)70 206 69 55



Birgitta Hagenfeldt, CFO, Deputy CEO
+46 (0)73 661 80 04



Sofia Svavar, Head of IR
+46 (0)8 409 420 17
sofia.svavar@avanza.se

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 08.15 (CEST) on 17 October 2019.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 17 October 2019 at 10.00 (CEST). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at investors.avanza.se. Phone number for participants:

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

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.

Contact information

Visiting address: Regeringsgatan 103, Stockholm
Postal address: Box 1399, SE-111 93 Stockholm
Telephone: +46 (0)8 562 250 00
Corp. Identity no: 556274-8458
Registered office: Stockholm
Website: avanza.se
Corporate web: investors.avanza.se

Financial calendar

Preliminary Financial Statement 2019	21 January 2020
Annual Report 2019	21 February 2020
Annual General Meeting	17 March 2020
Interim Report January – March 2020	21 April 2020

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 2019 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 17 October 2019

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

Brokerage per commission note²⁾

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

Brokerage/Turnover²⁾

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

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.

Deposits

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

Deposits/lending

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

Earnings per share¹⁾

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

eNPS

Employee Net Promoter Score, i.e. employees' recommendation level, according to Avanza's 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 entry commission and commission based on fund volume) and management fees from Avanza funds.

Income per customer²⁾

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

Income to savings capital ratio²⁾

Operating income on 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 deposits/Savings capital

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

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Net inflow/Savings capital

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

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

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 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 <http://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.