



Interim Report

January–March 2018

Avanza Bank Holding AB (publ)

First quarter 2018 compared to first quarter 2017

- **Customer growth** was 42,400 (38,400), which marked the second largest increase ever for a single quarter
- **Net inflow** in the quarter was SEK 7,960 million, a decrease of 8 per cent
- **Operating income** increased by 11 per cent, mainly due to higher fund volumes and, as a result, higher fund commissions. Other income also increased, mainly as a result of increased trading in foreign securities and higher income from Avanza Markets
- **Operating expenses** increased by 23 per cent, mainly due to expanded development capacity for further growth. The cost increase in the first quarter is according to plan and the estimate of a cost growth of 8-10 per cent for the full year remains
- **Net profit** of SEK 104 million, in line with last year
- The Annual General Meeting on 20 March 2018 resolved to re-elect the board members and elect Viktor Fritzén as a new member. The dividend, as proposed SEK 10.50 per share, was authorised corresponding to 83 per cent of profit
- Avanza has Sweden's most satisfied banking customers and is by far the country's best brokerage firm, according to a customer survey conducted by Nordic Bench

Quote from Rikard Josefson, CEO Avanza

"Activity was mixed during the quarter – record-high initially but slower in the second half. Volatility in brokerage income is high, but fund capital is growing and will give us more stable income over time. At the same time, the implementation of the MiFID2 regulation creates good growth opportunities as customers become more price conscious. The advantages of our offer will shine through, especially when it comes to pensions."

	Q1 2018	Q4 2017	Change %	Q1 2017	Change %
Operating income, SEK m ¹	271	271	0	244	11
Operating expenses, SEK m ¹	-152	-157	-3	-124	23
Operating profit, SEK m	120	114	5	121	-1
Net profit, SEK m	104	98	6	103	0
Earnings per share, SEK	3.45	3.27	6	3.46	0
Operating margin, % ¹	44	42	2	49	-5
Net inflow, SEK m	7,960	3,550	124	8,620	-8
No. new customers (net)	42,400	42,500	0	38,400	11
Savings capital at the end of the period, SEK m ²	288,700	282,900	2	255,100	13

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

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

Numbers in the parentheses refer to the corresponding period or date in previous year unless otherwise is stated.

Avanza in brief

This is Avanza

Avanza was founded in 1999 and has since grown from a small company, dealing solely in online stock broking, into Sweden's leading digital platform for savings and investments. Avanza offers the market's broadest range of savings products, competitive occupational pension solutions and mortgages.

Avanza challenges established structures of large banks and pension providers in the Swedish savings market and drives long-term development of new financial products and services. Customers are offered to save in Swedish and foreign securities and in savings accounts, without fixed account charges and at a very low brokerage fee. Avanza primarily targets individual investors, but also offers services for professional traders, corporate customers, banks and asset managers.

Avanza is covered by the state deposit guarantee and supervised by the Swedish Financial Supervisory Authority. The Parent Company Avanza Bank Holding AB (publ) is listed on Nasdaq Stockholm Large Cap (short name AZA).

An investment in growth

To create long-term shareholder value, growth in customers and savings capital is key, since there is an underlying connection between inflow and income. Income in turn is driven and affected by:

- attractive offers
- market conditions such as trading activity, fund volumes and interest rates
- changes in deposit and lending volumes

The sensitivity in the event of a decrease in savings capital due to a stock market downturn is difficult to assess, as income is dependent on, among other things, how customers choose to invest their savings capital.

To manage fluctuations in the market, the aim is to broaden the offering.



Vision & business model

Avanza's vision is to create a better future for millions of people, where the contribution is a cheaper, better and simpler offering. This is based on price leadership, a broad product range and effective decision-making support tools, and by education increase knowledge about savings and investments. The promise is to give customers a better return on their savings than any other bank, due to lower fees and better tools. Satisfied customers and a world-class user experience are key to Avanza's business idea and critical to future growth. Avanza is driven by a consistent focus on creating customer value.

To deliver shareholder value, while the customer promise is fulfilled, cost efficiency is crucial. Avanza's business model is therefore built on scale and the market's lowest cost per transaction and customer. Strong customer growth and the market's lowest cost to savings capital ratio are what lead to long-term growth. Cost effectiveness and economies of scale are achieved through continuous development, digitisation and internal efficiencies. This also reduces operational risks and increases stability.

To deliver on the vision also requires engaged employees and a strong corporate culture that draws its energy from a willingness to change. The corporate climate is characterised by collaboration and humility, and to constantly challenge and think differently.

Long-term targets

Satisfied customers:

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

Satisfied employees:

- eNPS (Employee Net Promoter Score) over 45

Long-term value growth:

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

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

CEO comment

Mixed activity in the first quarter

Avanza delivered a strong profit for the first quarter of SEK 104 million. The quarter can be divided into three periods, with a very strong first period with high activity among our customers. The second period, i.e., February, started strongly, but activity slowed and uncertainty grew among private investors. In March, the third period, market activity went down significantly. While we are seeing underlying global economic growth, political uncertainty, partly stemming from the tariff threats by the Trump administration, has made savers jittery and less willing to take risk.

We see that many investors are pending their investments and are confused where to put their money. This was also evidenced by existing customers with money already on our platform, who are awaiting to deposit more. Net inflow, which in the first quarter amounted to nearly SEK 8 billion, therefore mainly came from new customers. This was particularly apparent in the latter part of the quarter.

Strong income and the expenses according to plan

The high activity at the start of the quarter contributed to strong brokerage income, and record-high fund commissions. Net interest income is still affected by the negative interest rates, while lending contributed to slightly higher net interest income than the previous quarter. Other income was lower than the fourth quarter, when we saw an especially high level of activity in Corporate Finance. At the same time, interest in foreign equities continued to rise, but from low levels, contributing to increased currency-related income. A major event during the quarter was Spotify's IPO, which interested many of our customers. In connection with the IPO, we posted a Spotify list on Twitter where customers could add their favourite savings-related songs – just one example of how we have fun together. My contribution was "Money" by Pink Floyd!

Expenses for the quarter rose 23 per cent compared to the first quarter of 2017, in line with our expectations. The cost increase will be higher in the first half of 2018, before dropping in the second half. Our guidance of a cost increase of 8-10 per cent applies to the full-year and remains intact.

Solid growth opportunities as customers become more cost-conscious

On January 3, the MiFID2 regulation took effect. This has increased transparency, which we think is positive. Risk-adjusted returns are naturally the most important factor for investors, but the cost of their investments is also a big consideration, since compound interest has a major impact. Cost comparisons have now become easier, and our aim is to be best in class when it comes to price transparency. We have seen that customers appreciate this.

During the quarter, 42,400 new customers were added, which is gratifying and shows that we are having an impact and creating value. This is true also in Private Banking, where we see good growth opportunities as increased transparency is expected to make customers more price conscious. And in this respect Avanza is well-positioned.

In the area of pensions, Avanza continues to win market share, and here we see big growth opportunities too. More and more people are discovering our products and services. Avanza does not charge any fees for the insurance itself, unlike many other companies. Because of this alone, pension savers can save 65 basis points on their capital per year. We

offer a broad range of funds and equities where customers can invest their pension capital. We are also focused on the user experience on our platform. Our way to charge – or rather, the fact that we don't charge as much – make a big difference to a saver's pension capital over time, and until it is time for them to withdraw the money. At the same time, we see that even better regulations are needed on how long it takes to transfer pension capital and the fees that companies can charge for a transfer. For me it is a question of democracy. It has to be easier for individuals to decide what to do with the money they have earned.

High demand for mortgage loans and growing fund capital mean more stable income

Last November we released a low-rate mortgage to a limited number of customers. By the end of the first quarter the mortgage volume amounted to SEK 630 million. In early April, we expanded the offer to everyone. Demand is high among customers and in the first half of April an additional SEK 240 million was lent out. While we know it takes time to build up a mortgage portfolio, this bodes well for the future. This particular mortgage loan is designed with the customer experience in mind and offers a digital application process and preapproved rate. The mortgage offer will broaden our revenue base over time, and, like the pension offer, will provide a more stable income source for Avanza.

Like pension savings, which are invested predominately in funds, our Auto funds contribute to more stable earnings. Total fund capital has grown 22 per cent since the first quarter of 2017 and fund commissions represent a growing share of income. Assets under management in our Auto funds now amount to SEK 1.8 billion.

In conclusion, I can't help but mention the energy and commitment I see at Avanza. I often, in conversations with people outside the organisation, come back to how incredibly important our culture is to Avanza's continued success and to customer satisfaction. It is therefore natural that the HR unit is now being incorporated into the management team. Malin Nybladh will take on her new role as Head of HR by May 28 at the latest.

Stockholm, 18 April 2018



Rikard Josefson, CEO Avanza



Operations

Activity and market shares

The Stockholm Stock Exchange saw big swings in the first quarter. The quarter began with a strong January, but the index fluctuated wildly in February and March. The SIX Return Index fell a total of 0.5 per cent in the quarter. The SIX Volatility Index was slightly higher at an average of 14.0, compared to 11.9 in the previous quarter.

Turnover on the Stockholm Stock Exchange including First North rose 10 per cent in the quarter, and turnover among Avanza's customers kept pace. The number of transactions by Avanza's customers fell 3 per cent, while the number of transactions on the Stockholm Stock Exchange including First North rose 16 per cent. The big increase in transactions for the stock exchange as a whole is mainly due to higher activity among foreign institutional investors.

Avanza was the biggest Swedish player on the Stockholm Stock Exchange including First North in the first quarter in terms of the number of transactions and turnover.

The fund market began January with a strong inflow for the market as a whole and among Avanza's customers. Fund savers were affected by the stock market's gyrations in the latter part of the quarter, however, resulting in a net outflow for the market as a whole and a slight shift from equity funds to mixed and fixed income funds. The same trends were evident among Avanza's customers.

The Riksbank left the repo rate unchanged during the quarter. A rate hike is expected in the second half of 2018.

Events during the first quarter

On 3 January the MiFID2 regulation entered into force, increasing the requirements placed on consumer protection and transparency. This aligns well with Avanza's value and strategies, and our aim was to meet the increased demands with simplicity and clarity. In our fund marketplace, for example, we go beyond the new regulations and provide information on the total fees charged by each fund, which can also be used as a filter in the fund list. When investors trade equities, the commission and any foreign exchange fees are shown before an order is placed.

Avanza Auto, which was launched at the end of the third quarter, has seen a strong capital inflow. From inception through the end of the first quarter, 45,000 customers had invested over SEK 1.8 billion in the funds.

According to a survey conducted by Nordic Bench in September 2017 to January 2018, Avanza has Sweden's most satisfied banking customers and is by far the country's best brokerage firm. We are the bank that customers are most likely to recommend. The driving factors behind this are Avanza's investments in technology, value for the money and support, according to the survey.

Avanza was named one of Sweden's five best banking and insurance sites by IDG Topp100 in March. The site is updated every ten days with new functions and improvements. The mobile apps are continuously updated as well.

Development of customers and savings capital

To more accurately report savings capital development and provide a fairer comparison to other players, Avanza has changed its definition of savings capital. As a result, lending is no longer deducted from savings capital and instead is reported separately. Historical figures have been restated.

The net inflow in the first quarter was 124 per cent higher than the inflow in the previous quarter; 57 per cent of the net inflow was from new customers. During the quarter, the net inflow from existing customers decreased, especially at the end of the quarter as market concerns grew. Existing customers who are already invested tend to transfer less money to the platform in an unsettled market. The largest share of the net inflow was to investment savings accounts, which at current interest rates offer tax advantages for customers. Compared to the same quarter in 2017, the net inflow decreased 8 per cent.

A total of 42,400 new customers were added in the quarter, which was marginally lower than the previous quarter but marked the second largest net customer inflow ever for a single quarter. The number of occupational pension customers rose 3,700.

Savings capital rose 2 per cent in the quarter despite a 0.5% decline in stock prices. At the end of the period, 29 per cent of customers' savings capital was invested in funds, which was slightly higher than the beginning of the quarter and 2 percentage points higher than the same date in 2017. This is in line with Avanza's growth objectives.

Customers' total deposits increased during the quarter by SEK 1,500 million, of which SEK 500 million related to external deposits to Savings Accounts+. Liquidity as a share of savings capital was 15 per cent at the end of the period, which was marginally higher than the beginning of the year.

Total lending grew 9 per cent in the first quarter to SEK 10,400 million. External mortgage volume through the cooperation with Stabelo amounted to SEK 630 million at the end of the quarter. The new offer was launched on a limited scale in mid-November and has through the end of March only targeted a small share of existing customers and those who requested it. As of April, the offer has been available to the public. Since the end of the quarter, an additional SEK 240 million has been lent out. The "Superbolånet" product, an internally financed mortgage for Private Banking customers, amounted to SEK 5,480 million, an increase of 4 per cent in the quarter. Margin lending grew slightly.

Activity and market shares	2018 Q1	2017 Q4	Change %	2017 Q1	Change %	2017 Jan-Dec
Total no. commission notes, thousands	9,480	8,420	13	7,790	22	30,800
Total no. commission notes/customer/month	4.0	3.8	5	4.2	-5	3.8
Total turnover, SEK m	200,800	180,800	11	187,400	7	705,400
Market shares						
<i>Nasdaq Stockholm and First North:</i>						
No. transactions, %	12.0	14.4	-2.4	15.1	-3.1	14.2
Turnover, %	5.6	5.5	0.1	6.5	-0.9	5.9
Net inflow, SEK m	2018 Q1	2017 Q4	Change %	2017 Q1	Change %	2017 Jan-Dec
Standard	7,070	6,600	7	7,910	-11	27,090
Private Banking	730	-2,880	-	590	24	-930
Pro	160	-170	-	120	33	640
Net inflow	7,960	3,550	124	8,620	-8	26,800
Equity & investment fund accounts	500	-1,010	-	-810	-	130
Investment savings accounts	4,890	3,820	28	7,140	-32	17,900
Savings accounts	450	640	-30	-170	-	3,400
of which external deposit accounts	450	640	-30	-120	-	3,490
Pension- & insurance-based accounts	2,120	100	2,020	2,460	-14	5,370
of which endowment insurance	1,340	-800	-	1,720	-22	2,330
of which occupational pensions	800	870	-8	770	4	3,050
Net inflow	7,960	3,550	124	8,620	-8	26,800
Net inflow/Savings capital, % ¹	11	5	6	14	-3	11
No. customers, savings capital and lending, SEK m (unless otherwise stated)	31-03-2018	31-12-2017	Change %	31-03-2017	Change %	
Standard, no	729,590	687,770	6	588,200	24	
Private Banking, no	21,700	21,100	3	18,900	15	
Pro, no	1,810	1,730	5	1,900	-5	
No. customers	753,100	710,600	6	609,000	24	
of which occupational pension customers, no	67,400	63,700	6	53,400	26	
Standard	158,800	157,170	1	139,370	14	
Private Banking	119,700	115,800	3	107,300	12	
Pro	10,200	9,930	3	8,430	21	
Savings capital¹	288,700	282,900	2	255,100	13	
Equity & investment fund accounts	93,500	93,400	0	88,920	5	
Investment savings accounts	89,800	85,800	5	71,900	25	
Savings accounts	13,400	12,900	4	9,280	44	
of which external deposit accounts	12,600	12,100	4	8,460	49	
Pension- & insurance-based accounts	92,000	90,800	1	85,000	8	
of which endowment insurance	64,300	63,600	1	61,000	5	
of which occupational pensions	16,800	16,100	4	13,300	26	
Savings capital¹	288,700	282,900	2	255,100	13	
Equities, bonds, derivatives, etc.	161,600	159,500	1	152,300	6	
Investment funds	82,400	80,200	3	67,700	22	
Deposits	44,700	43,200	3	35,100	27	
of which external deposits	12,600	12,100	4	8,460	49	
Savings capital¹	288,700	282,900	2	255,100	13	
Internally financed lending	9,790	9,510	3	8,760	12	
of which margin lending	4,300	4,230	2	4,290	0	
of which mortgage loans (Superbolånet PB)	5,480	5,280	4	4,460	23	
External mortgage volume (Bolån+)	630	-	-	-	-	
Lending	10,400	9,510	9	8,760	19	
Deposits/Lending, %	457	454	3	401	56	
Net deposits/Savings capital, % ¹	12	12	0	10	2	
Return, average account since 1 Jan, % ¹	-1	6	-7	3	-4	
SIX Return Index since 1 Jan, %	0	9	-9	6	-6	

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

For definitions see page 19.

Financial overview

	2018 Q1	2017 Q4	Change %	2017 Q1	Change %	2017 Jan-Dec
Income Statement, SEK m						
Brokerage income	122	122	-0	122	-0	449
Fund commissions	72	64	12	53	37	240
Net interest income	29	27	11	29	1	108
Other income ¹	48	58	-17	41	17	179
Operating income¹	271	271	0	244	11	975
Personnel	-90	-98	-8	-82	11	-340
Marketing ¹	-5	-8	-38	-4	10	-18
Depreciation	-5	-3	58	-2	139	-12
Other expenses	-52	-48	8	-36	44	-164
Operating expenses before credit losses¹	-152	-157	-3	-124	23	-535
Profit before credit losses	119	114	5	120	-1	441
Credit losses, net	0	0	-	0	-	0
Operating profit	120	114	5	121	-1	441
Tax on profit for the period	-16	-16	2	-17	-9	-63
Net profit	104	98	6	103	0	379
Key ratios						
Operating margin, % ¹	44	42	2	49	-5	45
Profit margin, % ¹	38	36	2	42	-4	39
Earnings per share, SEK	3.45	3.27	6	3.46	-0	12.66
Earnings per share after dilution, SEK	3.44	3.27	5	3.45	-0	12.66
Return on shareholders' equity, %	31	28	3	34	-3	28
Credit loss level, %	0.00	0.00	0.00	0.00	0.00	0.00
Investments, SEK m	11	16	-32	7	53	50
Brokerage income/Operating income, % ¹	45	45	-0	50	-5	46
Fund commissions/Operating income, % ¹	27	24	3	21	5	25
Net interest income/Operating income, % ¹	11	10	1	12	-1	11
Other income/Operating income, % ¹	18	21	-4	17	1	18
Income to savings capital ratio, % ¹	0.38	0.38	-0.00	0.40	-0.02	0.37
Costs to savings capital ratio, % ¹	0.21	0.22	-0.01	0.20	0.01	0.20
Income per customer, SEK ¹	1,480	1,570	-6	1,660	-11	1,530
Costs per customer, SEK ¹	-830	-910	-9	-840	-1	-840
Brokerage income per trading day, SEK m	2.0	1.9	1	1.9	2	1.8
Brokerage per commission note, SEK	32	33	-2	35	-7	34
Brokerage/Turnover, %	0.100	0.103	-0.003	0.095	0.005	0.096
No. trading days	62.0	62.5	-1	63.5	-2	249.0
Average no. employees	393	398	-1	370	6	383
Web service operational availability, %	100.0	99.8	0.2	100.0	-	99.9

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

Key ratios	31-03-2018	31-12-2017	Change %	31-03-2017	Change %
Shareholders' equity per share, SEK	41.29	47.57	-13	36.78	12
Capital base/Capital requirement	1.47	1.55	-5	1.62	-9
No. employees	395	390	1	374	6
Market value, SEK	440.20	344.10	28	336.90	31
Market capitalisation, SEK m	13,200	10,300	28	10,100	31

For definitions see page 19.

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

First quarter compared to the previous quarter

Operating profit during the first quarter increased by 5 per cent compared to previous quarter as a result of slightly lower operating costs. Operating margin increased to 44 per cent.

Revenues

Total revenues increased marginally compared to the previous quarter to a new record high.

Brokerage income was unchanged despite an increased number of commission-generating notes and higher turnover. Customer's securities transactions are still being done in smaller volumes and in lower commission classes. This

produced slightly lower brokerage income per SEK of turnover, which fell from 10.3 to 10.0 basis points. The big fluctuations on the Stockholm Stock Exchange in the quarter affected the willingness of Avanza's customers to take on risk, and activity declined significantly in the latter part of the quarter. Interest in cryptocurrencies among Avanza's customers remained high at the start of the quarter but slowed significantly in the second half. In total, trading in certificates based on cryptocurrencies accounted for 7 per cent of brokerage income in the first quarter.

Fund commissions rose 12 per cent due to a strong net inflow. During the quarter, equity funds decreased as a share of fund capital at the same time that fixed income and mixed funds increased.

Net interest income rose 11 per cent, mainly due to increased lending.

Other income decreased 17 per cent compared to the fourth quarter, when income from Corporate Finance was especially strong. Currency-related income rose slightly due to increased trading in foreign equities, while trading in foreign funds was somewhat lower than in the fourth quarter. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 10.1 per cent of turnover. Income from Avanza Markets increased and represented SEK 17 million of other income. Currency-related income was SEK 33 million and Corporate Finance income amounted to nearly SEK 7 million of other income. Commission expenses rose slightly due to increased foreign trading and higher expenses for search engine optimisation.

Operating expenses

Operating expenses decreased by 3 per cent due to lower personnel costs, but also due to lower marketing costs.

First quarter 2018 compared to first quarter 2017

Operating profit decreased by 1 per cent compared to the first quarter 2017. Operating income grew as well as operating costs, resulting in a decline in the operating margin to 44 per cent.

Revenues

Income increased mainly due to higher fund commissions, but also higher other income. Brokerage income and net interest income was unchanged.

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

Fund commissions increased by 37 per cent, mainly due to a strong fund inflow.

Net interest income was unchanged. The resolution fee has been raised in 2018, which is expected to increase expenses by SEK 4-5 million for the full-year, after which the fee will be gradually reduced. The deposit guarantee fee and resolution fee amounted to SEK 8.0 million in the quarter, up nearly SEK 1.5 million. This was offset by higher lending. The repo rate in the first quarter of 2018 was -0.50 per cent, unchanged from the same period in 2017. The average STIBOR (3M) was 8 basis points higher than last year. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point increase in the interest rate

with today's volumes would affect full-year net interest income by close to SEK 250 million.

Other income increased, largely due to higher currency-related income, caused by increased trading in foreign securities, and higher income from Avanza Markets. This was partly offset by lower Corporate Finance income and higher commission expenses mainly due to increased foreign trading, but also increased cost for search engine optimisation.

Operating expenses

Operating expenses increased by 23 per cent mainly due to higher other costs and an increased number of employees, to a large extent attributable to expanded development capacity. Depreciations was higher due to a new trading system, which began to be written in the third quarter of 2017. From 2018, the cost growth is expected to a yearly rate of 8-10 per cent.

Given continued strong growth in customers and savings capital, the cost to savings capital ratio is estimated to fall below 20 basis points soon.

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 savings fees, coupled with the gradual deterioration of national and collective pension systems, are creating favourable growth prospects for Avanza. The negative interest rates also positively affect Avanza's growth.

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

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

For more information, see the Annual Report for 2017.

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016	Q2-2016	Q1-2016
Brokerage income	122	122	106	100	122	122	113	110	125
Fund commissions	72	64	62	61	53	48	44	38	37
Net interest income	29	27	25	27	29	31	25	27	31
Other income ¹	48	58	34	46	41	45	36	46	30
Operating income¹	271	271	227	234	244	245	219	221	224
Personnel	-90	-98	-74	-87	-82	-83	-62	-74	-72
Marketing ¹	-5	-8	-4	-2	-4	-9	-4	-4	-5
Depreciation	-5	-3	-5	-2	-2	-2	-2	-2	-2
Other expenses	-52	-48	-41	-39	-36	-34	-29	-30	-30
Operating expenses before credit losses¹	-152	-157	-123	-131	-124	-128	-96	-109	-109
Operating profit	120	114	104	103	121	117	122	111	115
Operating margin, % ¹	44	42	46	44	49	48	56	50	51
Earnings per share, SEK	3.45	3.27	2.97	2.97	3.46	3.39	3.53	3.18	3.35
Shareholders' equity per share, SEK	41.29	47.57	44.30	39.75	36.78	43.83	40.44	36.64	41.71
Return on shareholders' equity, %	31	28	28	31	34	32	37	32	33
Net inflow	7,960	3,550	5,900	8,710	8,620	6,210	5,920	9,430	4,960
No. new customers (net)	42,400	42,500	31,200	27,900	38,400	29,300	24,500	23,100	26,100
No. customers at the end of the period	753,100	710,600	668,100	636,900	609,000	570,600	541,300	516,900	493,800
Savings capital at the end of the period ²	288,700	282,900	281,000	270,300	255,100	239,100	230,400	205,900	195,600
Income to savings capital ratio, % ¹	0.38	0.38	0.33	0.36	0.40	0.42	0.40	0.44	0.46
Costs to savings capital ratio, % ¹	0.21	0.22	0.18	0.20	0.20	0.22	0.18	0.22	0.22

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

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

Financial position

Avanza is mainly self-financed by equity and customer deposits. All of Avanza's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within a couple of days.

The surplus liquidity is mainly invested in covered bonds and with systemically important Nordic banks and to a lesser extent in bonds issued by the Swedish Government and Municipalities.

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

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and the first quarter in 2018 total credit losses amounted to SEK 9 million, which is the equivalent, on average, to less than 0.03 per cent per year.

Significant risks and uncertainly factors

Avanza's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary,

acted upon, in order to protect the company's capital and reputation. The manner in which Avanza identifies, follows up and manages these risks has a bearing on the soundness of the business and on the company's long-term profitability.

A detailed description of the Group's risk exposure and risk management is provided in Avanza's Annual Report for 2017, Note 35 and pages 28-30. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this Interim Report.

The Parent Company Avanza Bank Holding AB (publ)

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result for the first quarter was SEK -5 million (SEK -3m). The Parent Company does not report any revenues. A dividend payment, related to 2017, of SEK 315 million (SEK 313m) has been made to the shareholders in March 2018, following the decision at the Annual General Meeting.

Capital surplus

SEK m	31-03-2018	31-12-2017
Capital base		
Shareholders' equity, the Group	1,239	1,427
Solvency capital ¹	1,091	2,523
Less non-distributable solvency capital ²	-377	-960
Subordinated bond ³	77	99
Intangible fixed assets and deferred tax receivables	-92	-89
Capital base before dividend adjustments	1,938	3,001
Capital requirements		
Capital requirement Pillar 1	-1,176	-2,018
of which Solvency capital requirements ¹	-714	-1,563
Buffer requirement	-266	-254
Capital requirement Pillar 2	-62	-81
Capital requirements	-1,504	-2,352
Capital surplus before dividend	433	648
Capital surplus per share, SEK	14.44	21.61

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

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

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

Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the shareholders' equity. See also Note 4, page 16.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 433 million as of 31 March 2018.

The Solvency 2 rules means that the conglomerate's largest sector is insurance. Due to this, the Group's capital

base is increased by additional solvency capital at the same time that the capital requirement rises. The net effect, which is positive, does not constitute distributable capital, however, due to which this is deducted as non-distributable solvency capital.

Other corporate events

Executive Management

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

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

Malin Nybladh has been appointed the new Head of HR and a member of Group Management. Malin has extensive experience from customer-centric and value-creating organisations and comes most recently from an HR position at Swedavia. Malin will take on her new role by May 28 at the latest.

Annual General Meeting 2018

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

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

The Annual Report 2017 was published on 23 February 2018.

Incentive programmes

The Annual General Meeting authorised a new incentive programme based on warrants. The programme comprises a

maximum of 450,000 warrants, each of which grants entitlement to subscribe for one share in the company. If all the warrants are exercised, the company's share capital will increase by a maximum of SEK 1,125,000, corresponding to a dilution effect of 1.5 per cent.

Repurchase of the company's own shares

On 20 March 2018, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during the first quarter 2018 and the company holds no repurchased shares as of 31 March 2018.

Transactions with associated parties

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

Significant events after the end of the reporting period

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

Consolidated Income Statements

SEK m	2018 Q1	2017 Q1	2017–2018 Apr-Mar	2017 Jan-Dec
Operating income				
Commission income	289	253	1,059	1,023
Commission expenses ²	-47	-37	-167	-157
Interest income	58	54	222	218
Interest expenses	-29	-25	-115	-110
Net result of financial transactions	-0	0	2	2
Other operating income	-	-	0	0
Total operating income²	271	244	1,002	975
Operating expenses				
General administrative expenses	-138	-113	-514	-489
Depreciation of tangible and intangible fixed assets	-5	-2	-15	-12
Other operating expenses ²	-10	-9	-34	-34
Total operating expenses before credit losses²	-152	-124	-563	-535
Operating profit before credit losses	119	120	439	441
Credit losses, net	0	0	1	0
Operating profit	120	121	440	441
Tax on profit for the period	-16	-17	-61	-63
Net profit¹	104	103	379	379
Earnings per share, SEK	3.45	3.46	12.66	12.66
Earnings per share after dilution, SEK	3.44	3.45	12.66	12.66
Average no. shares before dilution, thousands	29,996	29,839	29,929	29,890
Average no. shares after dilution, thousands	30,121	29,924	29,929	29,890
Outstanding no. shares before dilution, thousands	29,996	29,839	29,996	29,996
Outstanding no. shares after dilution, thousands	30,130	29,868	30,130	29,996
No. shares upon full dilution, thousands	31,426	31,309	31,426	31,426

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

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

Consolidated statement of comprehensive income

SEK m	2018 Q1	2017 Q1	2017–2018 Apr-Mar	2017 Jan-Dec
Net profit	104	103	379	379
Items that will be reversed to the income statement				
Changes in value of available-for-sale assets	3	-	3	-
Tax on changes in value of available-for-sale assets	-1	-	-1	-
Other comprehensive income after tax	2	-	2	-
Total comprehensive income after tax¹	106	103	381	379

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

Consolidated Balance Sheet

SEK m	Note	31-03-2018	31-12-2017
Assets			
Lending to credit institutions	1	2,125	1,731
Lending to the public	2	10,416	9,507
Bonds		15,119	14,420
Shares and participations		21	22
Assets in insurance operations		87,891	86,041
Intangible fixed assets		90	88
Tangible fixed assets		34	30
Other assets		4,119	4,113
Prepaid costs and accrued income		117	168
Total assets		119,934	116,120
Liabilities and shareholders' equity			
Deposits by the public		30,080	27,901
Liabilities in insurance operations		87,891	86,041
Other liabilities		514	544
Accrued costs and prepaid income		110	107
Subordinated liabilities		99	99
Shareholders' equity		1,239	1,427
Total liabilities and shareholders' equity		119,934	116,120

Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
Shareholders' equity 31-12-2016	75	449	-	784	1,308
Total comprehensive income for the period	-	-	-	103	103
Transactions with owners					
Dividend paid	-	-61	-	-252	-313
Shareholders' equity 31-03-2017	75	388	-	635	1,097
Shareholders' equity 31-12-2016					
Shareholders' equity 31-12-2016	75	449	-	784	1,308
Total comprehensive income for the period	-	-	-	379	379
Transactions with owners					
Dividend paid	-	-61	-	-252	-313
New issue (exercise of share warrants)	0	50	-	-	50
Warrants issue	-	4	-	-	4
Shareholders' equity 31-12-2017	75	442	-	910	1,427
Shareholders' equity 31-12-2017					
Shareholders' equity 31-12-2017	75	442	-	910	1,427
Adjustment of shareholder's equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)					
Increased provision for anticipated credit losses in accordance with IFRS 9	-	-	-	-3	-3
Valuation of bonds at fair value through other comprehensive income	-	-	24	-	24
Adjusted shareholders' equity 01-01-2018	75	442	24	907	1,448
Net profit for the period	-	-	-	104	104
Other comprehensive income for the period	-	-	2	-	2
Total comprehensive income for the period	-	-	2	104	106
Transactions with owners					
Dividend paid	-	-70	-	-245	-315
Shareholders' equity 31-03-2018	75	372	27	766	1,239

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

Consolidated Cash Flow Statements

SEK m	2018 Q1	2017 Q1
Cash flow from operating activities before changes in operating activities' assets and liabilities	30	-442
Cash flow from operating activities' assets and liabilities	1,383	466
Cash flow from investment operations	-676	776
Cash flow from financial operations	-315	-313
Cash flow for the period	422	487
Liquid assets at the beginning of the period ¹	1,681	1,453
Liquid assets at the end of the period ¹	2,103	1,940

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 23 million (SEK 143m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

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

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

Parent Company Balance Sheets

SEK m	31-03-2018	31-12-2017
Assets		
Financial fixed assets	434	430
Current receivables ¹	3	325
Liquid assets	0	0
Total assets	437	755
Shareholders' equity and liabilities		
Restricted shareholders' equity	75	75
Non-restricted shareholders' equity	351	670
Current liabilities	11	10
Total shareholders' equity and liabilities	437	755

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

Accounting principles

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

The liquidity portfolio that was recognised according to "Held to maturity" through 31 December 2017 is classified according to "Fair value via Other comprehensive income" as of 1 January 2018. On 31 December 2017, the book value of bonds amounted to SEK 14,420 million and the market value to SEK 14,451 million, which becomes the reclassified value as opening balance 2018 for "Bonds" with simultaneous impact on deferred tax liabilities of SEK 7 million and "Shareholders equity" of SEK 24 million, (net after tax). See also table "Changes in the Group's shareholders' equity" regarding transition effects on page 12.

Accounting principles for these new standards can be found in the 2017 Annual Report on pages 59-61. Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the 2017 Annual Report.

The information on pages 1-10 is an integrated part of this Interim Report.

Notes

Note 1 Lending to credit institutions

Client fund receivables, attributable to banking business, amounted at the end of the period to SEK 1,128 million (SEK 1,199 m as of 31 December 2017) which are reported net against client fund payables of SEK 1,128 million (SEK 1,199 m as of 31 December 2017). Of the liquid assets of SEK 1,855 million as per the end of the period, SEK 23 million were pledged as collateral mainly referring to Swedish credit institutions and the stock exchange.

Note 2 Lending to the public

Accumulated provision for expected credit losses as of 31 December 2017, amounting to SEK 8 million, was adjusted to SEK 11 million at the beginning of 2018 as a result of the transition to IFRS 9. Balance sheet items affected by adjusted opening balances are "Lending to the public" and "Shareholders' equity". See also the table "Changes in the Group's shareholders' equity" regarding transition effects on page 12.

Lending to the public is reported after deduction for confirmed and expected credit losses. At the end of the period expected credit losses amounted to SEK 10 million (SEK 8 m as of 31 December 2017). Thus, the change in the accumulated provision for expected credit losses has affected the result of the first quarter by SEK 1 million.

SEK 569 million (0 as of 31 December 2017) of lending to the public at the end of the period was covered in its entirety by cash pledged on endowment insurance accounts. This portion of lending does not affect net interest income, since the deposit rate is the same as the lending rate. SEK 71 million (43 as of 31 December 2017) was a credit to Stabelo AB secured by mortgages. The rest of lending to the public amounted to SEK 9,776 million, of which SEK 4,291 million (SEK 4,222m as of 31 December 2017) with collateral in the form of securities and SEK 5,485 million (SEK 5,284m as of 31 December 2017) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 6,677 million (SEK 6,466m as of 31 December 2017) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 1,192 million (SEK 1 182m as of 31 December 2017).

Note 3 Financial instruments

Classification of financial instruments

31-03-2018 SEK m	Fair value via Income Statement	Amortized cost	Fair value via Other comprehensive income	Non-financial instruments	Total
Assets					
Lending to credit institutions	–	2,125	–	–	2,125
Lending to the public	–	10,416	–	–	10,416
Bonds	–	–	15,119	–	15,119
Shares and participations	21	–	–	–	21
Assets in insurance operations	87,891	–	–	–	87,891
Intangible assets	–	–	–	90	90
Tangible assets	–	–	–	34	34
Other assets	–	428	–	3,691	4,119
Prepaid costs and accrued income	–	97	–	20	117
Total assets	87,913	13,066	15,119	3,836	119,934
Liabilities					
Deposits by the public	–	30,080	–	–	30,080
Liabilities in insurance operations	87,891	–	–	–	87,891
Other liabilities	–	507	–	7	514
Accrued costs and prepaid income	–	55	–	54	110
Subordinated liabilities	–	99	–	–	99
Total liabilities	87,891	30,742	–	62	118,695

Financial instruments valued at fair value

31-03-2018, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	43,622	–	21	43,643
Fund units	1,226	31,707	–	32,933
Bonds and other interest-bearing securities	16,215	732	–	16,947
Other securities	240	112	–	352
Liquid assets	–	–	–	9,157
Total assets	61,303	32,551	21	103,032
Liabilities				
Liabilities in insurance operations (investment agreements)	–	87,891	–	87,891
Total liabilities	–	87,891	–	87,891

Fair value

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

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

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

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

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

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

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares pertaining to the insurance operations and bonds in Avanza's liquidity portfolio are included in this category.
- Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Funds (not traded on a stock exchange) are included in this category. Liabilities in the insurance operations are included in this category as the value of the entire balance sheet item is indirectly related to the value of the assets in the insurance operations.
- Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).

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

Note 4 Capital requirement for the financial conglomerate

SEK m	31-03-2018	31-12-2017
Capital base		
Shareholders' equity, the Group	1,239	1,427
Less profits which are not audited	-106	-
Assumed/Proposed dividend	-	-315
Shareholders' equity, financial conglomerate	1,133	1,112
<i>Additional</i>		
Solvency capital ¹	1,091	2,523
Subordinated bond ²	77	99
Less		
Intangible fixed assets	-90	-88
Deferred tax receivables	-1	0
Total capital base	2,209	3,646
Capital base per sector		
Capital base for regulated units in the insurance sector ¹	1,223	2,683
Capital base for regulated units within the banking and securities sector	986	963
Total capital base	2,209	3,646
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector ¹	714	1,563
Capital requirement for regulated units within the banking and securities sector	791	790
of which additional buffer requirement	266	254
of which additional Pillar 2 requirement	62	81
Total capital requirement	1,504	2,352
Capital surplus	705	1,293
Capital base/Capital requirement	1.47	1.55

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

2) A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. As a result, Avanza Bank's subordinated bond of SEK 100 million can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement. Eligible Tier 2 capital thus amounts to SEK 77 million. If the same interpretation had been made as of 31 December 2017, eligible Tier 2 capital would have decreased by SEK 18 million, from SEK 99 million to SEK 81 million.

The above table refers to the financial conglomerate, including Avanza Bank Holding AB (publ) and all of its subsidiary companies. The financial conglomerate's capital base and capital requirement have been calculated using the consolidation method.

When calculating the shareholder's equity for the financial conglomerate during the course of an ongoing year, audited profits only are included in the calculations. If the profit for the period has been audited, adjustments are made for the assumed or proposed dividend. Assumed dividend refers to the current period and the proposed dividend is dividend proposed by the Board of Directors to the Annual General Meeting for the full financial year.

When the new Solvency 2 rules took effect on 1 January 2016, insurance became the largest sector. Previously, banking and securities had been the largest sector. As a result of the new solvency rules, a line has been added to the above table for solvency capital, which refers to the estimated future present value of the insurance company Avanza Pension's profits generated from policyholders' assets. Capital requirements for regulated units in the insurance sector refers to the estimated Solvency Capital Requirement, which is also based on policyholders' assets.

Note 5 Capital base and capital requirement in the consolidated situation

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

SEK m	31-03-2018	31-12-2017 ⁴
Tier 1 capital		
Shareholders' equity, consolidated situation	1,092	1,327
Assumed/Proposed dividend ¹	-36	-315
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,056	1,012
<i>Deducted items</i>		
Intangible assets	-90	-88
Deferred taxes	-1	0
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension ²	-	-39
Common equity tier 1 capital	964	885
Subordinated bond ³	77	99
Tier 2 capital	77	99
Total capital base	1,041	984
Capital requirement		
Credit risk according to standardised approach ⁴	359	338
Market risks	0	0
Settlement risk	0	0
Operational risk	113	113
Capital requirement	472	451
Risk exposure amount		
Credit risk according to standardised approach	4,493	4,227
of which Institutions	424	345
of which Corporates ⁴	54	55
of which Households	168	175
of which Collateral in real estate	1,920	1,850
of which Covered bonds	1,466	1,397
of which Equity ²	149	52
of which Other items	313	354
Market risks	1	3
Settlement risk	0	0
Operational risk	1,410	1,410
Total risk exposure amount	5,904	5,641
Capital ratios and buffers		
Common equity tier 1 ratio, %	16.3	15.7
Tier 1 ratio, %	16.3	15.7
Total capital ratio, %	17.6	17.5
Capital base in relation to capital requirement	2.20	2.18
Institution-specific buffer requirement, %	4.5	4.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	2.0	2.0
Total capital requirement including buffer requirement, %	12.5	12.5
Common equity tier 1 capital available for use as a buffer, %	11.8	11.2
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	303	279
Additional Pillar 2 requirement	62	81
Capital surplus after buffer requirement and Pillar 2	240	199

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

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

3) A reinterpretation has been made in the calculation of the capital base for the consolidated situation according to the group rules for banking, which also affects the conglomerate. As a result, Avanza Bank's subordinated bond of SEK 100 million can only be included in the consolidated situation's capital base proportionate to what is needed to cover Avanza Bank's capital requirement. Eligible Tier 2 capital thus amounts to SEK 77 million. If the same interpretation had been made as of 31 December 2017, eligible Tier 2 capital would have decreased by SEK 18 million, from SEK 99 million to SEK 81 million.

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

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

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

Stockholm, 18 April 2018

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 and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 (CEST) on 18 April 2018.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 18 April 2018 at 10.00 (CEST). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at investors.avanza.se/en. Phone number for participants:

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

This report has not been subject to review by the company's auditors.

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

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

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: www.avanza.se
Corporate web: investors.avanza.se/en

Financial calendar

Interim Report January – June 2018	12 July 2018
Interim Report January – September 2018	18 October 2018
Preliminary Financial Statement 2018	January 2019

Definitions

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

Brokerage income²⁾

Gross brokerage income less direct costs.

Brokerage per commission note²⁾

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

Brokerage/Turnover²⁾

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

Capital base³⁾

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

Client funds²⁾

Liquid assets with Avanza which are held on behalf of a third party and which consequently are not reported in the balance sheet.

Commission note

A customer's buying and selling assignments involving a specific security. A commission note may comprise one or more transactions. A commission note constitutes the basis on which brokerage is levied.

Costs per customer²⁾

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

Costs to savings capital ratio²⁾

Operating expenses on annual basis in relation to average savings capital during the period. The ratio shows how focus on scalability and cost efficiency pay off. A low relation indicates high competitiveness and is needed to be able to deliver high margins regardless of interest rate level.

Credit loss level¹⁾

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

Customer

Individual or company with at least one account with holdings och Bolån+.

Deposits

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

Deposits/lending

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

Earnings per share¹⁾

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

eNPS

Employee Net Promoter Score, i.e. employees' recommendation level, according to Avanza's annual employee survey.

Equity per share¹⁾

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

External deposits

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

Income per customer²⁾

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

Income to savings capital ratio²⁾

Operating income on annual basis in relation to average savings capital during the period. There is a strong correlation between savings capital and income. This ratio shows the effect of price reductions, mix-effects in the savings capital and effects of interest rate changes.

Internally financed lending

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

Investment fund commissions²⁾

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

Lending

Lending to the public as per balance sheet with deduction for the portion which are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. Provisions for bad debt are not deducted.

Net deposits/Savings capital

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

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Net inflow/Savings capital

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

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

Profit margin¹⁾

Profit/loss after tax in relation to operating income.

Return on equity¹⁾

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

Savings capital

The combined value of accounts held with Avanza.

Solvency capital³⁾

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

Solvency capital requirement³⁾

Estimated capital requirements under Solvency 2 rules.

Turnover

Turnover in security trading.

1) Financial key ratios that are directly cited in the financial reports.

2) Financial key ratios that can be traced in Avanza's Excel spreadsheets with financial histories, published quarterly on avanza.se/keydata.

3) Key ratios that are reported with respect to FI's regulations and general guidelines, see Note 5 of capital adequacy.