



# Interim Report January–September 2018

Avanza Bank Holding AB (publ)

## Third quarter 2018 compared to third quarter 2017

- **Customer growth** was strong and 32,200 (31,200) new customers were added
  - **Net inflow** improved by 42 per cent to SEK 8,380 million (5,900)
  - **Operating income** increased by 18 per cent mainly due to higher fund commissions, although all income streams improved
  - **Operating expenses** rose by 9 per cent mainly due to increased personnel costs as a result of larger development efforts. Full-year costs are still expected to grow by nearly 11 per cent compared to 2017
  - **Tax on profit for the period** was affected by the Swedish Tax Agency's decision in the third quarter to impose a retroactive tax on Avanza related to intermediary commissions in Försäkringsaktiebolaget Avanza Pension, as announced in the interim report for the second quarter. This resulted in an increased tax cost of SEK 6 million for the quarter, of which SEK 2 million relates to the current year. The decision will not be appealed
  - **Net profit** amounted to SEK 106 million, an increase of 20 per cent
- Avanza Global, the world's cheapest global index fund, was launched
  - Avanza ranked as the most reputable bank in Nordic Brands' survey
  - Avanza climbed from 26th to 10th place on Lynxeye's list of Sweden's most purposeful brands
  - In early October, the margin loan was improved to allow customers to borrow up to SEK 50,000 at 0% interest

## Quote from Rikard Josefson, CEO Avanza

*"A bullish stock market, coupled with new product launches, improved the net inflow and strengthened customer growth in the quarter. The number of new fund owners at Avanza was high. Quarterly operating profit reached a record level despite that – or presumably because – we continue to revolutionise the market with cheaper, better and simpler products and now have free offers in every product area."*

	Q3 2018	Q2 2018	Change %	Q3 2017	Change %	Jan-Sep 2018	Jan-Sep 2017	Change %
Operating income, SEK m <sup>1</sup>	267	244	10	227	18	782	705	11
Operating expenses, SEK m <sup>1</sup>	-135	-153	-12	-123	9	-440	-378	16
Operating profit, SEK m	132	90	47	104	27	342	327	4
Net profit, SEK m	106	79	34	89	20	289	280	3
Earnings per share, SEK	3.54	2.64	34	2.97	19	9.63	9.40	3
Operating margin, % <sup>1</sup>	49	37	13	46	4	44	46	-3
Net inflow, SEK m	8,380	4,840	73	5,900	42	21,200	23,200	-9
No. of new customers (net)	32,200	23,300	38	31,200	3	97,900	97,500	0
Savings capital at the end of the period, SEK m <sup>2</sup>	331,000	307,100	8	281,000	18	331,000	281,000	18

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 from 2018 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](http://investors.avanza.se/en) and the Annual Report.

## CEO comment

### Increased activity among customers and from us

After a dull second quarter, activity increased among our customers in the third quarter, despite that activity in the market as a whole decreased. The market environment continues to be affected by political and economic uncertainty. We hear many people saying that asset prices will drop once interest rates rise and the economy slows. Personally, I think the situation is difficult to interpret. The political uncertainty during the quarter was offset by a buoyant stock market.

At the beginning of the year, as we previously announced, a great deal of development time was spent on regulatory adaptations. This affected the pace of product launches in the first half of 2018. Together with the dull market, it produced an unsatisfactory net inflow in the second quarter, and to some extent affected customer growth as well. The strong report season and rising equity prices in July and August again accelerated the inflow, and customer growth increased. At the end of August, we launched a new fund, Avanza Global, the world's cheapest global index fund, which further sped up net inflow and customer growth. It is wonderful, how our customers have welcomed the fund. That it delivers on our customer promise – more for you and less for the bank – is probably one of the reasons for its success. At the end of the quarter, and after little more than a month, Avanza Global already had assets under management of over SEK 1 billion. In the late summer, we improved and simplified the website and app for fund purchases and added securities transfers from other institutions to Avanza through the app. We often talk about the importance of simplicity and a richer customer experience, and here we saw, in black and white, how it led to higher fund purchases and fund transfers.

### Free offers in every product area

After the end of the quarter, on 3 October, we launched the Super Loan, an improved margin loan. Customers can now borrow up to SEK 50,000 at an interest rate of 0%. With this offer Avanza is not only challenging the industry by making a number of services cheaper, better and simpler, but we are also the first in Sweden to drop our prices to zero in all four of our product areas: equities, funds, pensions and fixed-income products. Over ten years ago, in 2006, we launched Sweden's first fund with no fees, Avanza Zero, and were also the first in Sweden to introduce occupational pensions without fixed fees. Ten years later, we were the first in Sweden to introduce free equity trading with our Start offering, and now we are the first Swedish bank to offer a margin loan with no fees and 0% interest. A fantastic milestone on the road to a better future for millions of people!

### Increased trading activity, higher fund volumes and seasonally lower costs positively affected profit

Operating profit reached a record level, not only due to seasonally low costs but also strong income. The increased trading activity among our customers is reflected in brokerage income, which was 21% higher than the previous quarter. Fund commissions remained strong and account for 30% of the

revenues so far this year. The number of corporate transactions is seasonally low in the third quarter, which is reflected in income from Corporate Finance and impacts other income, which fell by 9% compared to the second quarter. This was in spite of increased foreign trading and, as a result, higher currency-related income. Personnel costs were seasonally low and other expenses decreased. Cost growth is developing according to plan in 2018 compared to 2017 and, as previously announced, is estimated at nearly 11%.

### Corporate culture at its best

One of Avanza's biggest competitive advantages is our strong corporate culture. This was fully on display during the quarter in the preparations and launch of Avanza Global and the Super Loan. When we work intensely together and launch something that truly reflects Avanza's soul, we all feel very proud. Then taking the time to call attention to and appreciate what we have achieved is also one of the things that makes Avanza so special. I have soon been at Avanza for a year and really enjoy coming to work every day. It is a creative and enjoyable environment.

A couple of management changes were announced in the quarter. Annika Saramies, CEO of our pension company, has decided to leave Avanza after 11 years and will be succeeded by Åsa Mindus Söderlund, currently CEO of our fund management company, who will continue to pursue our ambitions in the pension market.

When it comes to pensions, the market's processes and regulations need revamping. Most pension savers don't understand what they are paying for and the potential long-term consequences. Also, because of how difficult it is to transfer pensions, many people don't do anything about it and give up. It is time for our politicians to respond with rules that put the customer first, not the pension companies.

Stockholm, 18 October 2018



Rikard Josefson, CEO Avanza



# Operations

## Activity and market shares

The Stockholm Stock Exchange was strong in the third quarter despite geopolitical uncertainty and a Swedish election in September, the outcome of which remains uncertain. The SIX Return Index rose by 7 per cent, while the SIX Volatility Index, at an average of 13.1, was slightly lower than the previous quarter but higher than the third quarter of 2017.

Total turnover on the Stockholm Stock Exchange including First North fell by 8 per cent in the quarter and the number of transactions by 3 per cent, despite more trading days. Among Avanza's customers, on the other hand, turnover and the number of transactions both increased by 16 per cent on these marketplaces.

Avanza was the largest Swedish player on the Stockholm Stock Exchange including First North in the third quarter in terms of number of transactions and the second largest Swedish player in terms of turnover. Avanza's market share increased in the quarter in terms of both turnover and number of transactions.

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

The Riksbank held the repo rate unchanged in the quarter. A rate hike is expected in late 2018 or early 2019.

## Events during the third quarter

During the third quarter, Avanza Global was launched with a management fee of 0.05 per cent, making it the world's cheapest global index fund for individual investors, according to a survey by Morningstar. Avanza Global has been well-received by customers and at the end of the quarter, after just one month, Avanza's customers had invested over SEK 1 billion in the fund.

During the quarter, Avanza gave customers the option to transfer securities from other banks using the app, and the fund order process was simplified in the app and on the website. This has contributed to a higher conversion rate for fund purchases, and a large percentage of fund transfers are now made using the app.

Avanza Auto celebrated its one-year anniversary at the end of the quarter and is now one of Avanza's most popular monthly savings products. At the end of the quarter, SEK 3.5 billion had been invested in the six Auto funds.

Avanza was ranked as the most reputable bank and made the top 10 list of most reputable companies regardless of industry in a survey conducted by Nordic Brands.

In Lynxeye's 2018 survey on Sweden's most purposeful brands, Avanza climbed from 26th to 10th place in competition with Swish and BankID as well as major global brands such as Spotify and Google.

In early October, Avanza improved its Super Loan by offering a 0% interest rate on margin loans of up to SEK 50,000 for customers with a maximum loan to value ratio of 10 per cent and equities as collateral. At the same time, the rate was reduced for customers with a loan to value ratio of up to 25 per

cent. The improvements have been well-received, and the feedback from customers is positive.

## Development of customers and savings capital

Data on the Swedish savings market for the second quarter of 2018 were released in August. Avanza's share of the total net inflow to the Swedish savings market was 5.7 per cent. Avanza's share of the net inflow usually is seasonally lower in the second quarter, partly because tax refunds are deposited in customers' current accounts, a product Avanza does not offer. In the twelve-month period July 2017 – June 2018 the share was 9.5 per cent, slightly lower than the long-term target of at least 10 per cent. Avanza's market share of the Swedish savings market was 3.8 per cent at the end of the second quarter.

The net inflow in the third quarter was 73 per cent higher than the inflow in the previous quarter, when the market struggled with uncertainty. The net inflow from existing customers improved during the quarter and accounted for 48 per cent, compared to 28 per cent in the second quarter. The net inflow also improved among Private Banking and Pro customers. The largest percentage of the net inflow was to investment savings accounts, which currently offer tax advantages for customers. Quarterly net inflow grew by 42 per cent year-over-year, but for the nine-month period fell by 9 per cent.

During the quarter, 32,200 new customers were added, significantly more than in the second quarter and in line with the same quarter in 2017. The number of occupational pension customers grew by 2,900 in the quarter. The total number of new customers in the first nine months of the year was nearly 98,000, in line with the same period in 2017. Avanza passed 800,000 customers in September and is well on the way to meeting the goal of 1 million customers by 2020.

Savings capital grew by 8 per cent in the quarter due to net inflow and a rising stock market. At the end of the period, 29 per cent of customers' savings capital was invested in funds. This was the same level as the beginning of the quarter and 2 percentage points higher than at the same point in 2017, in line with Avanza's growth ambitions.

Customers' total deposits increased during the quarter by SEK 3.0 billion, of which SEK 1.3 billion related to external deposits to Savings Accounts+. Liquidity as a share of the savings capital was 15.3 per cent at the end of the period, marginally lower than the beginning of the quarter.

Total lending grew by 9 per cent in the third quarter to SEK 13 billion. External mortgage volume through the cooperation with Stabelo, Bolån+, amounted to SEK 2.9 billion at the end of the quarter. The offer was launched on a limited scale in mid-November 2017 and made available to the public in early April. The internally financed Super Mortgage for Private Banking customers amounted to nearly SEK 5.8 billion, an increase of 2 per cent in the quarter. Margin lending also increased slightly.

Activity and market shares	2018 Q3	2018 Q2	Change %	2017 Q3	Change %	2018 Jan-Sep	2017 Jan-Sep	Change %	2017 Jan-Dec
Total no. commission notes, thousands	9,100	8,170	11	7,290	25	26,800	22,300	20	30,800
Total no. commission notes/customer/month	3.6	3.4	6	3.6	-	3.7	3.8	-3	3.8
Total turnover, SEK m	186,200	162,500	15	170,700	9	549,500	524,600	5	705,400
<b>Market shares</b>									
<i>Nasdaq Stockholm and First North:</i>									
No. transactions, %	13.2	10.9	2.3	14.3	-1.1	12.0	14.1	-2.1	14.2
Turnover, %	6.1	4.8	1.3	6.3	-0.2	5.5	6.1	-0.6	5.9
Net inflow, SEK m	2018 Q3	2018 Q2	Change %	2017 Q3	Change %	2018 Jan-Sep	2017 Jan-Sep	Change %	2017 Jan-Dec
Standard	7,180	5,120	40	5,350	34	19,390	20,440	-5	27,090
Private Banking	770	-290	-	380	103	1,200	1,950	-38	-930
Pro	430	10	-	170	153	610	810	-25	640
<b>Net inflow</b>	<b>8,380</b>	<b>4,840</b>	<b>73</b>	<b>5,900</b>	<b>42</b>	<b>21,200</b>	<b>23,200</b>	<b>-9</b>	<b>26,800</b>
Equity & investment fund accounts	1,360	590	131	1,050	30	2,450	1,080	117	130
Investment savings accounts	4,030	2,470	63	2,770	45	11,400	14,100	-19	17,900
Savings accounts	1,260	980	29	1,180	7	2,700	2,750	-2	3,400
of which external deposit accounts	1,290	1,010	28	1,180	9	2,750	2,850	-3	3,490
Pension- & insurance-based accounts	1,730	800	116	900	92	4,650	5,270	-12	5,370
of which endowment insurance	950	-10	-	280	239	2,290	3,130	-27	2,330
of which occupational pensions	760	810	-6	630	21	2,370	2,190	9	3,050
<b>Net inflow</b>	<b>8,380</b>	<b>4,840</b>	<b>73</b>	<b>5,900</b>	<b>42</b>	<b>21,200</b>	<b>23,200</b>	<b>-9</b>	<b>26,800</b>
Net inflow/Savings capital, % <sup>1</sup>	11	7	4	9	2	10	13	-3	11
No. customers, savings capital and lending, SEK m (unless otherwise stated)	30-09-2018	30-06-2018	Change %	31-12-2017	Change %	30-09-2017	Change %		
Standard, No.	783,180	752,120	4	687,770	14	646,080	21		
Private Banking, No.	23,500	22,500	4	21,100	11	20,300	16		
Pro, No.	1,820	1,780	2	1,730	5	1,720	6		
<b>No. of customers</b>	<b>808,500</b>	<b>776,400</b>	<b>4</b>	<b>710,600</b>	<b>14</b>	<b>668,100</b>	<b>21</b>		
of which occupational pension customers, No.	73,800	70,900	4	63,700	16	59,600	24		
Standard	181,300	168,600	8	157,170	15	153,720	18		
Private Banking	136,900	127,100	8	115,800	18	117,800	16		
Pro	12,800	11,400	12	9,930	29	9,480	35		
<b>Savings capital<sup>1</sup></b>	<b>331,000</b>	<b>307,100</b>	<b>8</b>	<b>282,900</b>	<b>17</b>	<b>281,000</b>	<b>18</b>		
Equity & investment fund accounts	105,000	98,500	7	93,400	12	95,000	11		
Investment savings accounts	106,900	97,100	10	85,800	25	82,700	29		
Savings accounts	15,700	14,400	9	12,900	22	12,200	29		
of which external deposit accounts	14,900	13,600	10	12,100	23	11,400	31		
Pension- & insurance-based accounts	103,400	97,100	6	90,800	14	91,100	14		
of which endowment insurance	71,900	67,400	7	63,600	13	65,100	10		
of which occupational pensions	19,800	18,400	8	16,100	23	15,100	31		
<b>Savings capital<sup>1</sup></b>	<b>331,000</b>	<b>307,100</b>	<b>8</b>	<b>282,900</b>	<b>17</b>	<b>281,000</b>	<b>18</b>		
Equities, bonds, derivatives, etc.	185,000	171,000	8	159,500	16	161,700	14		
Investment funds	95,400	88,500	8	80,200	19	76,800	24		
Deposits	50,600	47,600	6	43,200	17	42,500	19		
of which external deposits	14,900	13,600	10	12,100	23	11,400	31		
<b>Savings capital<sup>1</sup></b>	<b>331,000</b>	<b>307,100</b>	<b>8</b>	<b>282,900</b>	<b>17</b>	<b>281,000</b>	<b>18</b>		
Internally financed lending	10,100	9,890	2	9,510	6	8,930	13		
of which margin lending	4,380	4,230	4	4,230	4	3,930	11		
of which mortgage loans (Superbolånet PB)	5,760	5,650	2	5,280	9	4,990	15		
External mortgage volume (Bolån+)	2,890	2,020	43	-	-	-	-		
<b>Lending</b>	<b>13,000</b>	<b>11,900</b>	<b>9</b>	<b>9,510</b>	<b>37</b>	<b>8,930</b>	<b>46</b>		
Deposits/Lending, %	501	481	20	454	47	476	25		
Net deposits/Savings capital, % <sup>1</sup>	12	12	0	12	0	12	0		
Return, average account since 1 Jan, % <sup>1</sup>	9	4	5	6	3	7	2		
SIX Return Index since 1 Jan, %	11	4	7	9	2	12	-1		

1) The definition of savings capital has from 2018 been changed compared to what has been previously reported and lending is no longer deducted. Historical figures have been adjusted for comparability.

For definitions see page 20.

## Financial overview

	2018 Q3	2018 Q2	Change %	2017 Q3	Change %	2018 Jan-Sep	2017 Jan-Sep	Change %	2017 Jan-Dec
<b>Income Statement, SEK m</b>									
Net brokerage income	111	92	21	106	5	324	328	-1	449
Fund commissions	81	74	9	62	31	227	175	30	240
Net interest income	31	29	7	25	23	89	81	10	108
Other income <sup>1</sup>	44	49	-9	34	30	141	121	17	179
<b>Operating income<sup>1</sup></b>	<b>267</b>	<b>244</b>	<b>10</b>	<b>227</b>	<b>18</b>	<b>782</b>	<b>705</b>	<b>11</b>	<b>975</b>
Personnel	-83	-97	-15	-74	13	-271	-242	12	-340
Marketing <sup>1</sup>	-5	-3	53	-4	36	-13	-10	25	-18
Depreciation	-5	-5	2	-5	-4	-14	-9	59	-12
Other expenses	-42	-48	-12	-41	3	-142	-116	22	-164
<b>Operating expenses before credit losses<sup>1</sup></b>	<b>-135</b>	<b>-153</b>	<b>-12</b>	<b>-123</b>	<b>9</b>	<b>-440</b>	<b>-378</b>	<b>16</b>	<b>-535</b>
<b>Profit before credit losses</b>	<b>133</b>	<b>91</b>	<b>46</b>	<b>104</b>	<b>28</b>	<b>342</b>	<b>327</b>	<b>5</b>	<b>441</b>
Credit losses, net	0	-1	-	0	-	-1	0	-	0
<b>Operating profit</b>	<b>132</b>	<b>90</b>	<b>47</b>	<b>104</b>	<b>27</b>	<b>342</b>	<b>327</b>	<b>4</b>	<b>441</b>
Tax on profit for the period	-26	-11	141	-15	71	-52	-47	11	-63
<b>Net profit</b>	<b>106</b>	<b>79</b>	<b>34</b>	<b>89</b>	<b>20</b>	<b>289</b>	<b>280</b>	<b>3</b>	<b>379</b>
<b>Key ratios</b>									
Operating margin, % <sup>1</sup>	49	37	13	46	4	44	46	-3	45
Profit margin, % <sup>1</sup>	40	33	7	39	1	37	40	-3	39
Earnings per share, SEK	3.54	2.64	34	2.97	19	9.63	9.40	3	12.66
Earnings per share after dilution, SEK	3.53	2.63	34	2.97	19	9.61	9.40	2	12.66
Return on shareholders' equity, %	30	25	5	28	2	28	30	-2	30
Credit loss level, %	-0.00	-0.01	0.00	0.00	-0.00	-0.01	0.00	-0.01	0.00
Investments, SEK m	9	6	58	9	1	25	35	-28	50
Net brokerage income/Operating income, % <sup>1</sup>	42	38	4	47	-5	41	46	-5	46
Fund commissions/Operating income, % <sup>1</sup>	30	31	-0	27	3	29	25	4	25
Net interest income/Operating income, % <sup>1</sup>	12	12	-0	11	0	11	11	-0	11
Other income/Operating income, % <sup>1</sup>	17	20	-3	15	2	18	17	1	18
Income to savings capital ratio, % <sup>1</sup>	0.33	0.33	0.01	0.33	0.01	0.34	0.36	-0.01	0.37
Costs to savings capital ratio, % <sup>1</sup>	0.17	0.21	-0.04	0.18	-0.01	0.19	0.19	0.00	0.20
Income per customer, SEK <sup>1</sup>	1,350	1,270	6	1,390	-3	1,370	1,510	-10	1,530
Costs per customer, SEK <sup>1</sup>	-680	-800	-15	-750	-10	-770	-810	-5	-840
Net brokerage income per trading day, SEK m	1.7	1.6	10	1.6	5	1.7	1.8	-1	1.8
Brokerage per commission note, SEK	30	30	-1	34	-11	31	34	-9	34
Brokerage/Turnover, %	0.099	0.093	0.005	0.094	0.005	0.098	0.094	0.004	0.096
No. trading days	65.0	59.0	10	65.0	-	186.0	186.5	-0	249.0
Average no. employees	412	401	3	392	5	402	381	6	383
Web service operational availability, %	100.0	100.0	-	100.0	-	100.0	100.0	-	99.9

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

<b>Key ratios</b>	<b>30-09-2018</b>	<b>30-06-2018</b>	<b>Change %</b>	<b>31-12-2017</b>	<b>Change %</b>	<b>30-09-2017</b>	<b>Change %</b>
Shareholders' equity per share, SEK	50.48	43.79	15	47.57	6	44.30	14
Capital base/Capital requirement	1.34	1.42	-6	1.55	-14	1.65	-19
No. employees	416	407	2	390	7	405	3
Market value, SEK	404.80	460.00	-12	344.10	18	341.20	19
Market capitalisation, SEK m	12,300	13,800	-11	10,300	19	10,200	21

For definitions see page 20.

Extended financial history is available at Avanza's website, [avanza.se/keydata](http://avanza.se/keydata).

### Third quarter compared to the previous quarter

Operating profit for the third quarter increased by 47 per cent compared to the previous quarter thanks to higher income and lower costs. The operating margin rose to 49 per cent.

### Revenues

Total revenues increased by 10 per cent compared to the previous quarter mainly due to higher brokerage income and fund commissions.

Brokerage income rose by 21 per cent. Activity increased among Avanza's customers in terms of the number who traded securities, the number of commission-generating notes

and turnover. The third quarter also had more trading days than the second quarter. Brokerage income per SEK of turnover rose from 9.3 to 9.9 basis points due to a higher percentage of trades in lower commission classes.

Fund commissions increased by 9 per cent due to net inflow and growth in fund capital. Income per SEK of fund capital was stable at 35 basis points annually.

Net interest income increased by 7 per cent mainly due to increased lending and lower costs for the state deposit guarantee than previously estimated. The cost for surplus liquidity was slightly higher.

Other income, mainly consisting of currency-related income, income from Avanza Markets and Corporate Finance, decreased by 9 per cent compared to the second quarter. The decrease was mainly due to seasonally lower income from Corporate Finance. Currency-related income rose due to increased trading in foreign equities. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 10.7 per cent of turnover, slightly higher than in the second quarter. Trading in foreign funds was slightly lower. Currency-related income accounted for SEK 32 million of other income, Avanza Markets for SEK 16 million and income from Corporate Finance for nearly SEK 2 million.

#### *Operating expenses*

Operating expenses decreased by 12 per cent mainly due to seasonally lower personnel costs.

#### *Credit losses*

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

#### *Taxes*

In connection with the interim report for the second quarter, Avanza communicated that the Swedish Tax Agency had announced a draft decision to tax Avanza Pension for intermediary commissions. Avanza Pension has now received the Swedish Tax Agency's final decision, which conforms to its earlier draft. During the quarter, Avanza considered the ruling and decided not to appeal. This resulted in an increased tax expense of SEK 4 million for the years 2016 and 2017 and SEK 2 million for 2018.

As previously announced, the Swedish parliament, the Riksdag, decided to lower the corporate tax rate, which will be done in two steps from 22 to 20.6 per cent from 2019 to 2021. In the first two years, the tax will be cut to 21.4 per cent, and then to 20.6 per cent. The Avanza Group's effective tax rate is between 14 and 15 per cent, and consequently only around 75 per cent of the tax cut will have an impact, based on current volumes.

### **January-September 2018 compared to January-September 2017**

Operating profit increased by 4 per cent compared to the nine-month period in 2017. Operating expenses rose more than income, reducing the operating margin to 44 per cent.

#### *Revenues*

Revenues increased mainly as a result of higher fund commissions, but also higher other income and improved net interest income. Brokerage income decreased marginally.

Net brokerage income decreased due to higher transaction costs, mainly for foreign trading. The number of commission-generating customers and notes increased, while turnover in commission-generating notes was lower. Customers are trading securities at lower volumes and in lower commission

classes. Brokerage income per SEK of turnover was thus 4 basis points higher than in the first nine months of 2017.

Fund commissions increased by 30 per cent mainly due to a strong fund inflow. Fund commissions accounted for 29 per cent of total income, compared to 25 per cent for the same period in 2017, in line with Avanza's growth ambitions.

Net interest income increased mainly due to higher lending and lower costs for surplus liquidity. The average STIBOR (3M) rate was 9 basis points higher than last year. In 2018, the resolution fee has been increased, raising costs by SEK 3 million for the full-year. The fee will then be gradually reduced. The deposit guarantee fee and resolution fee amounted to SEK 22.2 million for the period, an increase of nearly SEK 2.1 million. The repo rate in the nine-month period was -0.50 per cent, unchanged from the same period in 2017. All else being equal, without taking changes in customer behaviour into account, a 1 percentage rate increase with today's volumes would affect full-year net interest income by over SEK 250 million.

Other income increased, which was largely due to higher currency-related income caused by increased trading in foreign securities. Income from Avanza Markets was also higher. Income from Corporate Finance was slightly lower.

#### *Operating expenses*

Operating expenses increased by 16 per cent due to higher personnel costs and higher other expenses. Personnel costs rose due to an increased number of employees, mainly to expand development capacity. Other expenses increased as a result of added office space and IT costs associated with regulatory changes, not least Mifid2 and GDPR.

Depreciation was higher due to the new trading system, which began being depreciated in the third quarter of 2017.

The cost increase in the first nine months of the year was planned and attributable to the capacity added in 2017. As previously announced, the cost increase for 2018 is estimated at nearly 11 per cent. This is a result of the decision to recruit another 20 employees in innovation and development this autumn to speed up the pace of development and internal efficiencies. This assessment is dependent on how quickly the new employees can be put in place. The long-term yearly increase is still estimated at 8-10 per cent.

The cost to savings ratio was 19 basis points in the first nine months of the year. Given continued strong growth in customers and savings capital, the cost to savings capital ratio could fall below 20 points also for the full-year 2018.

### **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 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)	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016
Net brokerage income	111	92	122	122	106	100	122	122	113
Fund commissions	81	74	72	64	62	61	53	48	44
Net interest income	31	29	29	27	25	27	29	31	25
Other income <sup>1</sup>	44	49	48	58	34	46	41	45	36
<b>Operating income<sup>1</sup></b>	<b>267</b>	<b>244</b>	<b>271</b>	<b>271</b>	<b>227</b>	<b>234</b>	<b>244</b>	<b>245</b>	<b>219</b>
Personnel	-83	-97	-90	-98	-74	-87	-82	-83	-62
Marketing <sup>1</sup>	-5	-3	-5	-8	-4	-2	-4	-9	-4
Depreciation	-5	-5	-5	-3	-5	-2	-2	-2	-2
Other expenses	-42	-48	-52	-48	-41	-39	-36	-34	-29
<b>Operating expenses before credit losses<sup>1</sup></b>	<b>-135</b>	<b>-153</b>	<b>-152</b>	<b>-157</b>	<b>-123</b>	<b>-131</b>	<b>-124</b>	<b>-128</b>	<b>-96</b>
<b>Operating profit</b>	<b>132</b>	<b>90</b>	<b>120</b>	<b>114</b>	<b>104</b>	<b>103</b>	<b>121</b>	<b>117</b>	<b>122</b>
Operating margin, % <sup>1</sup>	49	37	44	42	46	44	49	48	56
Earnings per share, SEK	3.54	2.64	3.45	3.27	2.97	2.97	3.46	3.39	3.53
Shareholders' equity per share, SEK	50.48	43.79	41.29	47.57	44.30	39.75	36.78	43.83	40.44
Return on shareholders' equity, %	30	25	31	28	28	31	34	32	37
Net inflow	8,380	4,840	7,960	3,550	5,900	8,710	8,620	6,210	5,920
No. of new customers (net)	32,200	23,300	42,400	42,500	31,200	27,900	38,400	29,300	24,500
No. of customers at the end of the period <sup>2</sup>	808,500	776,400	753,100	710,600	668,100	636,900	609,000	570,600	541,300
Savings capital at the end of the period <sup>2</sup>	331,000	307,100	288,700	282,900	281,000	270,300	255,100	239,100	230,400
Income to savings capital ratio, % <sup>1</sup>	0.33	0.33	0.38	0.38	0.33	0.36	0.40	0.42	0.40
Costs to savings capital ratio, % <sup>1</sup>	0.17	0.21	0.21	0.22	0.18	0.20	0.20	0.22	0.18

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 from 2018 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 third quarter in 2018 total credit losses amounted to SEK 10 million, which is the equivalent, on average, to less than 0.03 per cent per year.

## Significant risks and uncertainly factors

Avanza's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary, 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 nine months of 2018 was SEK -13 million (SEK -11m). The Parent Company does not report any revenues. A dividend payment, related to 2017, of SEK 315 million (SEK 313m) has been made to the shareholders in March 2018, following the decision at the Annual General Meeting.



## Capital surplus

SEK m	30-09-2018	31-12-2017 <sup>4</sup>
<b>Capital base</b>		
Shareholders' equity, the Group	1,528	1,427
Solvency capital <sup>1</sup>	988	2,523
Less non-distributable solvency capital <sup>2</sup>	-144	-960
Subordinated bond <sup>3</sup>	77	99
Intangible fixed assets and deferred tax receivables	-86	-89
<b>Capital base before dividend adjustments</b>	<b>2,363</b>	<b>3,001</b>
<b>Capital requirements</b>		
Capital requirement Pillar 1 <sup>4</sup>	-1,335	-2,018
of which Solvency capital requirements <sup>1</sup>	-844	-1,563
Buffer requirement <sup>4</sup>	-281	-254
Capital requirement Pillar 2	-79	-81
<b>Capital requirements</b>	<b>-1,695</b>	<b>-2,352</b>
<b>Capital surplus before dividend</b>	<b>668</b>	<b>648</b>
Capital surplus per share, SEK	22.06	21.61

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

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

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

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

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

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 668 million as of 30 September 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

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

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

The CEO of Försäkringsaktiebolaget Avanza Pension, Annika Saramies, announced in September that she had decided to leave Avanza after 11 years. Annika has been a member of Group Management since 2014. Åsa Mindus Söderlund, CEO of Avanza Fonder AB since August 2017 and a member of Group Management since February 2018, has been appointed the new CEO of the pension company. Åsa will take up her new role before the end of the year, and recruitment of a new CEO for the fund management company has begun.

### Annual General Meeting 2019

The Annual General Meeting of the company's shareholders will be held in Stockholm on 19 March 2019. The annual report is scheduled to be made available at the company's office and on the website, [investors.avanza.se/en](http://investors.avanza.se/en), on 22 February 2019.

### 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/en](http://investors.avanza.se/en).

### Incentive programmes

Sub-programme 2 of the warrant programme authorized by the Extraordinary General Meeting on 13 June 2014 had exercise period from 27 August 2018 to 3 September 2018.

After recalculation of the warrant programme the exercise price was SEK 391.60 per share and 276,774 shares were possible to subscribe for. 276,774 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 30 September 2018 amounts to 30,272,996.

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. The programme has an exercise price of SEK 504.30 per share and the expiration date is 2 September 2021. The warrant programme has been implemented on market terms.

### 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 nine months of 2018 and the company holds no repurchased shares as of 30 September 2018.

### Transactions with associated parties

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

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

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

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

## Consolidated Income Statements

SEK m	2018 Q3	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017-2018 Oct-Sep	2017 Jan-Dec
<b>Operating income</b>						
Commission income	278	236	827	732	1,117	1,023
Commission expenses <sup>2</sup>	-42	-36	-134	-111	-181	-157
Interest income	60	54	177	162	233	218
Interest expenses	-29	-29	-87	-81	-117	-110
Net result of financial transactions	0	2	0	2	0	2
Other operating income	-	0	0	0	0	0
<b>Total operating income<sup>2</sup></b>	<b>267</b>	<b>227</b>	<b>782</b>	<b>705</b>	<b>1,053</b>	<b>975</b>
<b>Operating expenses</b>						
General administrative expenses	-121	-110	-400	-345	-544	-489
Depreciation of tangible and intangible fixed assets	-5	-5	-14	-9	-17	-12
Other operating expenses <sup>2</sup>	-9	-8	-25	-23	-35	-34
<b>Total operating expenses before credit losses<sup>2</sup></b>	<b>-135</b>	<b>-123</b>	<b>-440</b>	<b>-378</b>	<b>-597</b>	<b>-535</b>
<b>Operating profit before credit losses</b>	<b>133</b>	<b>104</b>	<b>342</b>	<b>327</b>	<b>456</b>	<b>441</b>
Credit losses, net	0	0	-1	0	-1	0
<b>Operating profit</b>	<b>132</b>	<b>104</b>	<b>342</b>	<b>327</b>	<b>455</b>	<b>441</b>
Tax on profit for the period	-26	-15	-52	-47	-68	-63
<b>Net profit<sup>1</sup></b>	<b>106</b>	<b>89</b>	<b>289</b>	<b>280</b>	<b>387</b>	<b>379</b>
Earnings per share, SEK	3.54	2.97	9.63	9.40	12.90	12.66
Earnings per share after dilution, SEK	3.53	2.97	9.61	9.40	12.89	12.66
Average no. shares before dilution, thousands	30,077	29,883	30,024	29,854	30,017	29,890
Average no. shares after dilution, thousands	30,120	29,883	30,083	29,854	30,052	29,890
Outstanding no. shares before dilution, thousands	30,273	29,996	30,273	29,996	30,273	29,996
Outstanding no. shares after dilution, thousands	30,308	29,996	30,308	29,996	30,308	29,996
No. shares upon full dilution, thousands	31,663	31,426	31,663	31,426	31,663	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 in 2018. These are now reported as Commission expenses (previously, Other operating expenses). Historical figures have been adjusted.

## Consolidated statement of comprehensive income

SEK m	2018 Q3	2017 Q3	2018 Jan-Sep	2017 Jan-Sep	2017-2018 Oct-Sep	2017 Jan-Dec
<b>Net profit</b>	<b>106</b>	<b>89</b>	<b>289</b>	<b>280</b>	<b>387</b>	<b>379</b>
<b>Items that will be reversed to the income statement</b>						
Changes in value of available-for-sale assets	-6	-	-9	-	-9	-
Tax on changes in value of available-for-sale assets	1	-	2	-	2	-
<b>Other comprehensive income after tax</b>	<b>-5</b>	<b>-</b>	<b>-7</b>	<b>-</b>	<b>-7</b>	<b>-</b>
<b>Total comprehensive income after tax<sup>1</sup></b>	<b>102</b>	<b>89</b>	<b>282</b>	<b>280</b>	<b>380</b>	<b>379</b>

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

## Consolidated Balance Sheets

SEK m	Note	30-09-2018	31-12-2017
<b>Assets</b>			
Lending to credit institutions	1	2,021	1,731
Lending to the public	2	10,987	9,507
Bonds		17,152	14,420
Shares and participations		28	22
Assets in insurance operations		99,291	86,041
Intangible fixed assets		86	88
Tangible fixed assets		36	30
Other assets		4,180	4,113
Prepaid costs and accrued income		150	168
<b>Total assets</b>		<b>133,931</b>	<b>116,120</b>
<b>Liabilities and shareholders' equity</b>			
Deposits by the public		32,243	27,901
Liabilities in insurance operations		99,291	86,041
Other liabilities		643	544
Accrued costs and prepaid income		126	107
Subordinated liabilities		100	99
Shareholders' equity		1,528	1,427
<b>Total liabilities and shareholders' equity</b>		<b>133,931</b>	<b>116,120</b>

## Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
<b>Shareholders' equity 31-12-2016</b>	<b>75</b>	<b>449</b>	<b>-</b>	<b>784</b>	<b>1,308</b>
Total comprehensive income for the period	-	-	-	280	280
<b>Transactions with owners</b>					
Dividend paid	-	-61	-	-252	-313
New issue (exercise of warrants)	0	49	-	-	50
Warrants issue	-	4	-	-	4
<b>Shareholders' equity 30-09-2017</b>	<b>75</b>	<b>442</b>	<b>-</b>	<b>812</b>	<b>1,329</b>
<b>Shareholders' equity 31-12-2016</b>	<b>75</b>	<b>449</b>	<b>-</b>	<b>784</b>	<b>1,308</b>
Total comprehensive income for the period	-	-	-	379	379
<b>Transactions with owners</b>					
Dividend paid	-	-61	-	-252	-313
New issue (exercise of warrants)	0	49	-	-	50
Warrants issue	-	4	-	-	4
<b>Shareholders' equity 31-12-2017</b>	<b>75</b>	<b>442</b>	<b>-</b>	<b>910</b>	<b>1,427</b>
<b>Shareholders' equity 31-12-2017</b>	<b>75</b>	<b>442</b>	<b>-</b>	<b>910</b>	<b>1,427</b>
<b>Adjustment of shareholder's equity 01-01-2018 for retroactive application of IFRS 9 (net after tax)</b>					
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
<b>Adjusted shareholders' equity 01-01-2018</b>	<b>75</b>	<b>442</b>	<b>24</b>	<b>907</b>	<b>1,448</b>
Net profit for the period	-	-	-	289	289
Other comprehensive income for the period	-	-	-7	-	-7
Total comprehensive income for the period	-	-	-7	289	282
<b>Transactions with owners</b>					
Dividend paid	-	-70	-	-245	-315
New issue (exercise of warrants)	1	108	-	-	109
Warrants issue	-	5	-	-	5
<b>Shareholders' equity 30-09-2018</b>	<b>76</b>	<b>484</b>	<b>17</b>	<b>951</b>	<b>1,528</b>

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

## Consolidated Cash Flow Statements

SEK m	2018 Q3	2017 Q3	2018 Jan-Sep	2017 Jan-Sep
Cash flow from operating activities before changes in operating activities' assets and liabilities	193	-384	542	-1,200
Cash flow from operating activities' assets and liabilities	1,667	1,505	2,711	3,467
Cash flow from investment operations	-1,805	-1,350	-2,735	-1,925
Cash flow from financial operations	113	54	-202	-259
<b>Cash flow for the period</b>	<b>169</b>	<b>-175</b>	<b>317</b>	<b>83</b>
Liquid assets at the beginning of the period <sup>1</sup>	1,829	1,711	1,681	1,453
Liquid assets at the end of the period <sup>1</sup>	1,998	1,536	1,998	1,536

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 24 million (SEK 42m) of consolidated liquid assets are pledged as collaterals.

## Parent Company Income Statement

SEK m	2018 Jan-Sep	2017 Jan-Sep
<b>Operating expenses</b>		
Administration expenses	-8	-6
Other operating expenses	-5	-4
<b>Operating profit/loss</b>	<b>-13</b>	<b>-11</b>
<b>Profit from financial investments</b>		
Profit/loss from participations in Group companies	20	-
Interest income and similar items	-	0
Interest expenses and similar items	-0	-
<b>Profit/loss before tax</b>	<b>7</b>	<b>-11</b>
Tax on profit/loss for the period	-2	2
<b>Net profit/loss for the period<sup>1</sup></b>	<b>5</b>	<b>-8</b>

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

## Parent Company Balance Sheets

SEK m	30-09-2018	31-12-2017
<b>Assets</b>		
Financial fixed assets	440	430
Current receivables <sup>1</sup>	109	325
Liquid assets	5	0
<b>Total assets</b>	<b>554</b>	<b>755</b>
<b>Shareholders' equity and liabilities</b>		
Restricted shareholders' equity	76	75
Non-restricted shareholders' equity	468	670
Current liabilities	10	10
<b>Total shareholders' equity and liabilities</b>	<b>554</b>	<b>755</b>

1) Of which receivables from subsidiaries SEK 109 million (SEK 324m as of 31-12-2017).

## Accounting principles

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

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

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

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

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

## Notes

### Note 1 Lending to credit institutions

Client fund receivables, attributable to banking business, amounted at the end of the period to SEK 1,328 million (SEK 1,199 m as of 31 December 2017) which are reported net against client fund payables of SEK 1,328 million (SEK 1,199 m as of 31 December 2017). Of the liquid assets of SEK 2,021 million as per the end of the period, SEK 24 million were pledged as collateral, mainly referring to Swedish credit institutions and the stock exchange.

### Note 2 Lending to the public

Accumulated provision for expected credit losses as of 31 December 2017, amounting to SEK 8 million, was adjusted to SEK 11 million at the beginning of 2018 as a result of the transition to IFRS 9. Balance sheet items affected by adjusted opening balances are "Lending to the public" and "Shareholders' equity". See also the table "Changes in the Group's shareholders' equity" on page 12 regarding transition effects. Lending to the public is reported after deduction for confirmed and expected credit losses. At the end of the period the accumulated provisions for expected credit losses amounted to SEK 12 million. Thus, the change in the accumulated provision for expected credit losses has affected the result of the six month period by SEK -1 million.

SEK 860 million (0 as of 31 December 2017) of lending to the public at the end of the period was covered in its entirety by cash pledged on endowment insurance accounts. This portion of lending does not affect net interest income, since the deposit rate is the same as the lending rate. The rest of lending to the public amounted to SEK 10,128 million, of which SEK 4,368 million (SEK 4,179m as of 31 December 2017) with collateral in the form of securities and SEK 5,759 million (SEK 5,284m as of 31 December 2017) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 6,714 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 954 million (SEK 1,182m as of 31 December 2017).

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

## Note 3 Financial instruments

### Classification of financial instruments

30-09-2018 SEK m	Fair value via Income Statement	Amortized cost	Fair value via Other comprehensive income	Non-financial instruments	Total
<b>Assets</b>					
Lending to credit institutions	–	2,021	–	–	2,021
Lending to the public	–	10,987	–	–	10,987
Bonds	–	–	17,152	–	17,152
Shares and participations	28	–	–	–	28
Assets in insurance operations	99,291	–	–	–	99,291
Intangible assets	–	–	–	86	86
Tangible assets	–	–	–	36	36
Other assets	–	802	–	3,377	4,180
Prepaid costs and accrued income	–	122	–	27	150
<b>Total assets</b>	<b>99,318</b>	<b>13,933</b>	<b>17,152</b>	<b>3,527</b>	<b>133,931</b>
<b>Liabilities</b>					
Deposits by the public	–	32,243	–	–	32,243
Liabilities in insurance operations	99,291	–	–	–	99,291
Other liabilities	–	635	–	8	643
Accrued costs and prepaid income	–	71	–	55	126
Subordinated liabilities	–	100	–	–	100
<b>Total liabilities</b>	<b>99,291</b>	<b>33,049</b>	<b>–</b>	<b>63</b>	<b>132,402</b>

### Financial instruments valued at fair value

30-09-2018, SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	49,466	0	27	49,493
Fund units	1,135	36,102	–	37,237
Bonds and other interest-bearing securities	18,077	1,146	–	19,223
Other securities	244	165	–	408
Liquid assets	–	–	–	10,109
<b>Total assets</b>	<b>68,922</b>	<b>37,413</b>	<b>27</b>	<b>116,470</b>
<b>Liabilities</b>				
Liabilities in insurance operations (investment agreements)	–	99,291	–	99,291
<b>Total liabilities</b>	<b>–</b>	<b>99,291</b>	<b>–</b>	<b>99,291</b>

#### Fair value

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

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

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

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

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

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

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

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

## Note 4 Capital requirement for the financial conglomerate

SEK m	30-09-2018	31-12-2017
<b>Capital base</b>		
Shareholders' equity, the Group	1,528	1,427
Less profits which are not audited	–	–
Assumed/Proposed dividend	–238	–315
<b>Shareholders' equity, financial conglomerate</b>	<b>1,290</b>	<b>1,112</b>
<i>Additional</i>		
Solvency capital <sup>1</sup>	988	2,523
Subordinated bond <sup>2</sup>	77	99
Less		
Intangible fixed assets	–86	–88
Deferred tax receivables	0	0
<b>Total capital base</b>	<b>2,268</b>	<b>3,646</b>
<b>Capital base per sector</b>		
Capital base for regulated units in the insurance sector <sup>1</sup>	1,174	2,683
Capital base for regulated units within the banking and securities sector	1,094	963
<b>Total capital base</b>	<b>2,268</b>	<b>3,646</b>
<b>Capital requirement per sector</b>		
Capital requirement for regulated units in the insurance sector <sup>1</sup>	844	1,563
Capital requirement for regulated units within the banking and securities sector	851	790
of which additional buffer requirement	281	254
of which additional Pillar 2 requirement	79	81
<b>Total capital requirement</b>	<b>1,695</b>	<b>2,352</b>
<b>Capital surplus</b>	<b>573</b>	<b>1,293</b>
<b>Capital base/Capital requirement</b>	<b>1.34</b>	<b>1.55</b>

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. In the third quarter, insurance technical guidelines and the basis for actuarial calculation, as well as assumptions, have been adjusted, resulting in a change in solvency capital and solvency capital requirements as of 30-09-2018. Figures as per 31-12-2017 have not been recalculated.

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	30-09-2018	31-12-2017 <sup>4</sup>
<b>Tier 1 capital</b>		
Shareholders' equity, consolidated situation	1,295	1,327
Less profits which are not audited	–	–
Assumed/Proposed dividend <sup>1</sup>	–107	–315
<b>Equity, consolidated situation (adjusted for assumed/proposed dividend)</b>	<b>1,187</b>	<b>1,012</b>
<i>Deducted items</i>		
Intangible assets	–86	–88
Deferred taxes	0	0
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension <sup>2</sup>	–	–39
<b>Common equity tier 1 capital</b>	<b>1,101</b>	<b>885</b>
Subordinated bond <sup>3</sup>	77	99
<b>Tier 2 capital</b>	<b>77</b>	<b>99</b>
<b>Total capital base</b>	<b>1,178</b>	<b>984</b>
<b>Capital requirement</b>		
Credit risk according to standardised approach <sup>4</sup>	386	338
Market risks	0	0
Settlement risk	0	0
Operational risk	113	113
<b>Capital requirement</b>	<b>499</b>	<b>451</b>
<b>Risk exposure amount</b>		
Credit risk according to standardised approach	4,824	4,227
of which Institutions	403	345
of which Corporates <sup>4</sup>	44	55
of which Households	194	175
of which Collateral in real estate	2,015	1,850
of which Covered bonds	1,645	1,397
of which Equity <sup>2</sup>	164	52
of which Other items	360	354
Market risks	1	3
Settlement risk	0	0
Operational risk	1,410	1,410
<b>Total risk exposure amount</b>	<b>6,236</b>	<b>5,641</b>
<b>Capital ratios and buffers</b>		
Common equity tier 1 ratio, %	17.7	15.7
Tier 1 ratio, %	17.7	15.7
Total capital ratio, %	18.9	17.5
Capital base in relation to capital requirement	2.36	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, %	13.2	11.2
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	399	279
Additional Pillar 2 requirement	79	81
Capital surplus after buffer requirement and Pillar 2	319	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 a credit facility to Stabelo AB, which has also been reported to the Swedish Financial Supervisory Authority. As a result, the facility is treated as a corporate exposure with mortgage loans as collateral, where the risk-weighted exposure is calculated with a risk weight of 35 per cent of actual lending instead a risk weight of 100 per cent of maximum lending. This in turn means that the capital requirement for credit risk as of 31 December 2017 decreased to SEK 338 million from SEK 365 million. Restatements have been made in the table above. The credit facility was terminated during the second quarter of 2018.

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

The 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, 18 October 2018

Rikard Josefson  
CEO

### For additional information



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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation 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 October 2018.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 18 October 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](http://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

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

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

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### Financial calendar

Preliminary Financial Statement 2018	17 January 2019
Annual Report 2018	22 February 2019
Annual General Meeting	19 March 2019
Interim Report January – March 2019	16 April 2019

# Auditor's report

## Introduction

We have reviewed the condensed interim financial information (interim report) of Avanza Bank Holding AB (publ) as of 30 September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information for the Group in accordance with IAS 34 and the Annual Accounts Act of credit institutions and investment companies, as well as for the parent company in accordance with the Swedish Annual Accounts Act. 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 the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act of credit institutions and investment companies, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 18 October 2018

Öhrlings PricewaterhouseCoopers AB

Helena Kaiser de Carolis  
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 note<sup>2)</sup>**

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/Turnover<sup>2)</sup>**

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 base<sup>3)</sup>**

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 funds<sup>2)</sup>**

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 customer<sup>2)</sup>**

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 ratio<sup>2)</sup>**

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 level<sup>1)</sup>**

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

## **Customer**

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

## **Deposits**

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

## **Deposits/lending**

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

## **Earnings per share<sup>1)</sup>**

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 share<sup>1)</sup>**

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

## **External deposits**

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

## **Fund commissions<sup>2)</sup>**

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

## **Income per customer<sup>2)</sup>**

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 ratio<sup>2)</sup>**

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 income<sup>2)</sup>**

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 expenses<sup>1)</sup>**

Operating expenses before credit losses.

## **Operating margin<sup>1)</sup>**

Operating profit/loss in relation to operating income.

## **Profit margin<sup>1)</sup>**

Profit/loss after tax in relation to operating income.

## **Return on equity<sup>1)</sup>**

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 capital<sup>3)</sup>**

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

## **Solvency capital requirement<sup>3)</sup>**

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](http://avanza.se/keydata).

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