



## Interim Report

# January–June 2015

- Net inflow totalled SEK 14,400 million (SEK 9,560m), corresponding to 10 (8 %) per cent of the total savings capital at the beginning of the year
- The number of customers increased by 14 (8 %) per cent to 423,500 (371,200 as of 31 December 2014)
- The total savings capital increased by 20 (16 %) per cent to SEK 170,000 million (SEK 141,900m as of 31 December 2014)
- Operating income increased by 35 (17 %) per cent to SEK 456 million (SEK 337m)
- Operating margin was 52 (42 %) per cent
- The profit after tax increased by 68 (57 %) per cent to SEK 203 million (SEK 121m)
- Earnings per share increased by 67 (57 %) per cent to SEK 7.00 (SEK 4.18)
- No significant events have occurred after the end of the reporting period

### Second Quarter

- Operating income increased by 41 percent (20 %) to SEK 231 million (SEK 164m)
- The profit after tax increased by 86 percent (75 %) to SEK 104 million (SEK 56m)
- Earnings per share increased by 86 percent (73 %) to SEK 3.57 (1.92)

### Quarterly highlights

- Avanza Markets, commission-free trading in certificates and mini futures, was launched in May
- In June the Portfolio Generator was launched, a digital service that allows fund savers to create a fund portfolio with a good risk diversification
- In a scientific study, Sustainability Index 2015, Avanza received the highest score among the financial participants
- New mobile apps for iOS and Android was launched in the beginning of the summer
- Brokerage fees on trades on foreign markets was reduced in connection with the app launch
- MTG Sweden chose Avanza's occupational pension plans for around 1,000 employees

# Avanza in brief

## This is Avanza

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

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

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

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

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



## Our mission & business model

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

## Our long-term goals

Satisfied customers:

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

Satisfied shareholders:

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

Satisfied employees:

- A Net Promoter Score (NPS) over 40

## Our strategies

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

Quarterly overview	Q2 2015	Q1 2015	Q4 2014	Q3 <sup>1)</sup> 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Operating income, SEK m	231	225	193	166	164	173	162	148	137
Operating profit, SEK m	121	115	82	71	67	76	64	73	35
Operating margin, %	52	51	42	43	41	44	40	49	26
Earnings per share, SEK	3.57	3.43	2.36	2.10	1.92	2.26	1.85	2.15	1.11
Shareholders' equity per share, SEK	30.97	24.65	28.22	25.85	23.67	29.75	27.49	25.64	23.49
Return on shareholders' equity, %	13	13	9	8	7	8	7	9	4
Net inflow, SEK m	4,370	10,000	5,940	4,560	4,040	5,520	2,490	2,260	2,860
No. new customers (net)	20,500	31,800	15,900	12,800	11,500	14,500	9,600	8,600	6,100
No. customers at the end of the period	423,500	403,000	371,200	355,300	342,500	331,000	316,500	306,900	298,300
Savings capital at the end of the period, SEK m	170,000	168,200	141,900	133,400	130,100	121,800	112,600	105,000	94,600
Income to savings capital ratio %	0.14	0.15	0.14	0.13	0.13	0.15	0.15	0.15	0.15
Costs to savings capital ratio, %	0.07	0.07	0.08	0.07	0.08	0.08	0.09	0.08	0.11

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

## Comments from the CEO

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### Operating profit up by 81 per cent

*Our strongest quarterly result to date, driven by high trading volumes, high customer growth and high activity in Corporate Finance.*

While the first quarter of the year was marked by optimism and rising share prices, the second has been significantly more volatile. In the wake of the crisis in Greece many customers have started to adjust their savings towards safe investments, resulting in a high level of activity in the equity market and a shift among fund investors towards interests and lower risk as the summer approaches. Many have also reviewed their bank relationships. With 20,500 new active customers (+78 per cent) in the second quarter, we gained a total of 52,300 new customers in the first six months of the year (+101 per cent). We have thus comfortably exceeded our target of 30,000 – 40,000 new customers per year.

The impact of the market situation coupled with our new price plans is shown in our trading figures, with the number of trades per customer per month up by a massive 52 per cent compared with the same quarter in 2014. The activity in the market is also evident in a strong quarter for our Corporate Finance department, which saw revenues grow by 74 per cent year on year. This shows that our ambition of taking on contracts higher up the value chain for smaller companies has started to bear fruit.

Yet the current market situation is also putting mounting pressure on our interest income. The growth in deposits which has previously largely offset falling interest margins is now instead weighing on our net interest income due to the negative market interest rates. This has led to a 29 per cent reduction in net interest income compared with the previous year. Despite this, we are able to present our strongest result to date in the second quarter, with an operating profit of SEK 121m, an increase of 81 per cent compared with the same period in 2014.

### Continuing to challenge the market with new services

One of our key development projects this year has been the new mobile service that was launched in June. Our new mobile apps for iOS and Android allow users to trade in Nordic, US and Canadian shares as well as funds and to set up watch lists – the services that have been most in demand from our customers. In connection with the launch of our new mobile service we also reduced our prices on trading on foreign markets and now offer a minimum brokerage fee on US trades that is one hundredth of what the big banks are offering.

Another important development project that saw the light of day in June was our new decision support service for fund savings

– the Portfolio Generator. Fund savings in Sweden are growing every year and reached new record levels last year, with over SEK 150 billion invested in funds. At the same time only two out of ten fund savers currently have adequate risk diversification, geographically and in terms of the number of funds. The Portfolio Generator is a new digital service that allows fund savers to create a fund portfolio with a good risk diversification in three simple steps based on those funds which have the highest ratings regarding fees, risk and return.

In the second quarter we launched, as the only bank in Sweden, commission-free trading in certificates and mini futures – Avanza Markets. We also introduced the option of selecting funds based on sustainability.

### Continued development

In view of the gradual change in customer behaviour prompted by new technological advances, we believe continued development of mobile services and digital savings tools will be key development areas going forward. Having introduced our first services in these areas, I am confident that we are well equipped with a more competitive product and service offering than ever before.

Stockholm, 14 July 2015



Martin Tivéus, CEO Avanza



# Operations

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## **Market and sales**

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

In the first quarter the Stockholm stock exchange performed very strongly. Although the market retreated somewhat in the second quarter the SIX Return Index still ended the first half of 2015 with a gain of 10 per cent. Turnover on the Stockholm stock exchange in the half of the year was 27 per cent higher than in the same period in 2014 as the rally in equities encouraged a high volume of trades.

Fund trading also increased sharply year on year. Equity funds dominated in the first quarter. In the second savers shifted their assets towards interests and lower risk options. Avanza's Fund-in-Funds also attracted strong interest, with total assets under management in the funds passing SEK 1 billion in February.

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

Due to the worries surrounding Greece during the second quarter, coupled with the preceding strong stock market development in the first quarter, more customers chose to remain uninvested.

Due to Avanza's growing surplus liquidity and the negative interest rates, the interest rate sensitivity has increased from the previously communicated SEK 100–120m at a 1 percentage point change in repo rate. All else equal, disregarding changes in customer behaviour, a 1 percentage point interest change would, at current volumes, imply an effect on net interest income of SEK 200–230m.

## *Strongest growth to date*

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In the first half of the year Avanza saw a record inflow of customers and capital as savers shifted a growing number of flows from the big banks to cheaper alternatives and from savings accounts to the stock market. Marketing efforts during the period, for instance the marketing of the new price plan, and communication through social as well as traditional media contributed to the increased level of activity. During the second quarter the inflow of customers and capital was lower than during the first, largely due to seasonal variations, but remained high compared with historical periods.

Inflows to investment savings accounts (ISK), in particular, continued to grow. More than half of Avanza's net inflow in the first half of the year went to ISKs and the number of accounts increased by 76 per cent. The reduced and soon to be abolished tax deductibility for private pensions has had a positive impact on ISKs as an alternative form of savings. Trading activity has also benefited from the low rate of tax on ISKs.

Despite falling key interest rate, deposits continued to grow. The share of deposits that is held in external deposit accounts has fallen slightly, however, which may point to a change in savings behaviour where savers are shifting money away from traditional savings accounts but are not yet prepared to take the step to investing in securities.

## *Continued efforts in occupational pensions*

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The targeting of the sales organisation towards the market for occupational pensions which Avanza Pension initiated in 2014 was expanded in the first quarter with the establishment of a new sales office in Malmö. The net inflow to Avanza's occupational pension products remained strong in the first half of the year, both in terms of capital and new accounts. 1,600 new companies chose Avanza as their provider of occupational pension plans, including MTG Sweden, which chose Avanza's occupational pension plans for around 1,000 of its employees. In the first six months of 2015 Avanza's customers transferred SEK 430m in occupational pension capital from other insurance companies, which was an increase of 39 per cent compared with the same period in 2014.

## *Satisfied customers*

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In January Avanza's free Avanza Zero fund was named "The Readers' Favourite 2014" in a vote on privataffärer.se and in February Avanza was voted "The People's Favourite 2014" on Bankbetyg.se, achieving the highest scores in all categories: customer service, services, technology, fees and recommendation. In April Avanza also received the award for "Best service in financial services" in the ServiceScore survey. Satisfied customers are the foundation of Avanza's business concept, and Avanza operates with a constant focus on the best interests of its customers. One of Avanza's long-term goals is to have Sweden's most satisfied savers, as measured by the Swedish Quality Index (SKI), which is published at the end of each year – an award that Avanza has received for five years running.

## *Sustainability*

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Avanza creates the greatest benefit for its customers and indirectly for the society by doing what we do best, which is to offer savings and pension products with the lowest fees in the market. This ensures that Avanza's customers have more money left for other things.

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

These efforts have yielded a good result. In the scientific study Sustainability Index 2015 Avanza received the highest score among the financial participants by a wide margin.

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*Increased market shares*

Avanza's market share, as measured by the number of transactions on the Stockholm stock exchange including First North, increased in the second quarter to 10.3 (7.4) per cent.

Avanza's share of the total savings market in Sweden at 31 March 2015 was 2.6 (2.3) per cent. During the period April 2014 – March 2015 Avanza's share of the total net inflow to the Swedish savings market was 10.8 (7.5) per cent, which exceeded the company's long-term target of reaching at least 7 per cent of the net inflow to the Swedish savings market.

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*Seasonal variations*

Avanza's operations are to some extent affected by seasonal variations. Customer inflows and the net inflow, for example, are normally high at the beginning of the year while activity has historically been lower during the summer months. The latter trend has, however, become less pronounced in recent years, as trading activity during the summer has increased following the introduction of mobile services. The impact of these seasonal variations on Avanza's operations is not necessarily reflected in the company's financial results, which tends to be more affected by cyclical market effects such as the development of the stock market and the level of the key interest rate.

Activity	2015	2014	Change	2015	2014	Change	2014-2015	2014
	Apr-Jun	Apr-Jun	%	Jan-Jun	Jan-Jun	%	Jul-Jun	Jan-Dec
<b>Net inflow, SEK m</b>								
Standard	4,020	3,260	23	11,970	7,470	60	20,700	16,200
Private Banking	320	790	-59	2,270	2,090	9	3,870	3,690
Pro	30	-10	-	160	0	-	370	210
<b>Net inflow</b>	<b>4,370</b>	<b>4,040</b>	<b>8</b>	<b>14,400</b>	<b>9,560</b>	<b>51</b>	<b>24,940</b>	<b>20,100</b>
Equity & investment fund accounts	190	570	-67	450	1,540	-71	3,190	4,280
Investment savings accounts	2,470	1,960	26	9,060	4,500	101	13,450	8,890
Savings accounts	390	310	26	670	560	20	1,930	1,820
of which, external deposit accounts	310	280	11	670	630	6	1,980	1,940
Pension- & insurance-based accounts	1,320	1,200	10	4,220	2,960	43	6,370	5,110
of which, endowment insurance	760	620	23	3,130	1,880	66	4,340	3,090
of which, occupational pensions	530	400	33	1,000	750	33	1,800	1,550
<b>Net inflow</b>	<b>4,370</b>	<b>4,040</b>	<b>8</b>	<b>14,400</b>	<b>9,560</b>	<b>51</b>	<b>24,940</b>	<b>20,100</b>
Net inflow/Savings capital, %	10	13	-3	20	17	3	19	18
No. commission notes per customer & month	3.2	2.1	52	3.3	2.2	50	2.8	2.3
No. transactions per commission note	1.5	1.5	0	1.5	1.6	-6	1.5	1.6
<b>Market shares</b>								
<i>Nasdaq Stockholm and First North:</i>								
No. transactions, %	10.3	7.4	2.9	9.9	7.5	2.4	8.9	7.6
Turnover, %	5.3	4.2	1.1	5.1	4.2	0.9	4.7	4.2

For definitions see page 18

The net inflow in the second quarter was SEK 4.4bn, which was 8 per cent higher than in the same period in 2014. The total net inflow in the first six months was SEK 14.4bn, which was 51 per cent higher than in the first half of 2014. While the largest portion of the net inflow continued to go to investment savings accounts, endowment insurances continued to attract significant inflows. The net inflow for occupational pension plans increased by 33 per cent year on year.

In the first half of the year trading activity among Avanza's customers increased sharply. The number of trades per customer per month was 50 per cent higher than in the same period in 2014, compared with 30 per cent for the market as a whole. Expanded communication activities on the website and in social and traditional media during the period, emphasising the new price list, the option of trading for SEK 1 and other new launches, contributed to the increased activity.

Customers and accounts	30-06-2015	31-03-2015	Change	31-12-2014	Change	30-06-2014	Change
			%				
Standard	408,350	388,440	5	357,520	14	330,310	24
Private Banking	13,300	12,800	4	12,000	11	11,100	20
Pro	1,850	1,760	5	1,680	10	1,090	70
<b>No. customers</b>	<b>423,500</b>	<b>403,000</b>	<b>5</b>	<b>371,200</b>	<b>14</b>	<b>342,500</b>	<b>24</b>
Equity & investment fund accounts	290,000	281,400	3	269,400	8	254,200	14
Investment savings accounts	141,700	119,800	18	80,600	76	55,300	156
Savings accounts	98,700	96,200	3	90,900	9	83,200	19
of which, external deposit accounts	69,800	67,300	4	61,500	13	52,900	32
Pension- & insurance-based accounts	238,200	228,800	4	217,400	10	205,200	16
of which, endowment insurance	125,000	119,300	5	112,100	12	106,200	18
of which, occupational pensions	36,000	32,900	9	29,900	20	25,900	39
<b>No. accounts</b>	<b>768,600</b>	<b>726,200</b>	<b>6</b>	<b>658,300</b>	<b>17</b>	<b>597,900</b>	<b>29</b>
No. accounts per customer	1.81	1.80	1	1.77	2	1.75	3

For definitions see page 18.

Avanza achieved its long-term target of increasing its customer base by 30,000 – 40,000 net new customers annually already in the first quarter and customer growth remained strong in the second quarter. The number of customers increased by 52,300 (26,000) in the first half of the year. Avanza also passed the 400,000 mark for the number of active customers. The high customer growth is due to a stronger offering, increased marketing activities and a favourable growth climate.

The number of accounts increased by 110,000 (53,000) in the first six months. More than half of the increase referred to

investment savings accounts, which overtook endowment insurances during the period in terms of the number of accounts. The number of occupational pension plans increased by 39 per cent compared with 30 June 2014.

The number of accounts per customer is a good measure of savers' engagement with Avanza and thus also of Avanza's share of customers' savings. The number of accounts per customer increased in the first half, to 1.81 (1.75) accounts at the end of the period.

Savings capital, SEK m	30-06-2015	31-03-2015	Change		Change		Change	
			%	31-12-2014	%	30-06-2014	%	
Standard	98,180	96,260	2	81,200	21	73,300	34	
Private Banking	67,600	67,900	0	56,800	19	53,300	27	
Pro	4,220	4,040	4	3,900	8	3,500	21	
<b>Savings capital</b>	<b>170,000</b>	<b>168,200</b>	<b>1</b>	<b>141,900</b>	<b>20</b>	<b>130,100</b>	<b>31</b>	
Equity & investment fund accounts	60,800	62,800	-3	56,700	7	53,290	14	
Investment savings accounts	36,200	33,500	8	23,500	54	18,200	99	
Savings accounts	8,100	7,700	5	7,400	9	6,110	33	
of which, external deposit accounts	7,390	7,070	5	6,700	10	5,360	38	
Pension- & insurance-based accounts	64,900	64,200	1	54,300	20	52,500	24	
of which, endowment insurance	48,000	47,400	1	39,700	21	39,300	22	
of which, occupational pensions	7,320	7,000	5	5,930	23	4,900	49	
<b>Savings capital</b>	<b>170,000</b>	<b>168,200</b>	<b>1</b>	<b>141,900</b>	<b>20</b>	<b>130,100</b>	<b>31</b>	
Equities, bonds, derivatives, etc.	96,550	97,820	-1	84,350	14	79,600	21	
Investment funds	47,700	50,000	-5	40,300	18	35,900	33	
Deposits	31,500	26,200	20	22,600	39	19,100	65	
of which, external deposits	7,390	7,070	5	6,700	10	5,360	38	
Lending	-5,750	-5,820	-1	-5,350	7	-4,500	28	
of which, mortgage loans	-2,360	-2,290	3	-2,010	17	-1,200	97	
<b>Savings capital</b>	<b>170,000</b>	<b>168,200</b>	<b>1</b>	<b>141,900</b>	<b>20</b>	<b>130,100</b>	<b>31</b>	
Deposits/Lending, %	548	450	98	422	126	424	124	
Net deposits/Savings capital, %	15	12	3	12	3	11	4	
Return, average account since Jan 1 st, %	10	11	-1	8	2	7	3	
SIX Return Index since Jan 1 st, %	10	16	-6	16	-6	9	1	

For definitions see page 18.

Avanza's savings capital grew slightly in the second quarter driven by the high customer and net inflow, which was partly counteracted by a negative performance in the stock market. Customer's savings capital with Avanza at the end of the period was SEK 170bn, which represents an increase of 20 per cent from year-end 2014. The average return on customers' accounts in the first half was 10 per cent.

Savings capital in investment savings accounts was 54 per cent higher at the end of the period compared with year-end 2014. Savings capital held in external deposit accounts and in occupational pension plans was 10 per cent and 23 per cent higher, respectively.

At 30 June 28 per cent of customers' capital was invested in funds, the same as at year-end 2014. Despite the reduction in interest rates, deposits grew by 39 per cent in the first six months. Lending increased by 7 per cent from year-end and at the end of the period the allocation was 59 per cent securities loans and 41 per cent mortgage loans. In the second quarter Avanza raised the ceiling on its mortgage lending volume by a further SEK 1bn to SEK 3.5bn to meet demand from customers.

### Product and business development

The first six months have been a period of intensive development, both in terms of new mobile services and decision support services, efficiencies in internal flows and customer-driven improvements.

In June we launched the first versions of our new apps for iOS and Android. In the past few years we have seen a clear trend among customers towards logging in and executing transactions using mobile units, an activity that normally increases in the summer. One of the new functions in the apps is trading in foreign

markets, and Avanza therefore chose to cut its fees on foreign trades in connection with the launch.

In the second quarter our development activities also focused on decision support and inspiration for customers. In June we launched Portfolio Generator, a digital service that will help fund savers to create a fund portfolio with a good risk diversification. We also launched Avanza Academy, which provides accessible information on savings and investments as well as pages for stock market inspiration.

In the second half we also launched Avanza Markets, where Avanza in partnership with the issuer Morgan Stanley offers commission-free trading in commercial paper and mini futures as the only bank in Sweden. The products enable customers to invest in markets such as gold, oil and many global stock market indices without transaction fees.

As net inflows and customer numbers grow, it is more important than ever to ensure that our internal processes and systems are maintained and developed so that we can continue to create economies of scale and stability and thereby maintain our strong pace of growth as well as the high quality of our services to customers. Due to the increase in the number of new customer registrations a key focus area for Avanza in the first half was on new customer processes.

With Avanza's strong customer focus, development activities in the first half of the year were also targeted at the development of customer-driven improvements, enhancements to the customer experience, and new services and functions. One focus area was continued development of Avanza's website with the aim of offering customers a world-class digital experience. A host of measures aimed at improving efficiency were also implemented, including improvements to the underlying system and stability measures, largely based on feedback from customers

## Financial overview

	2015 Apr-Jun	2014 Apr-Jun	Change %	2015 Jan-Jun	2014 Jan-Jun	Change %	2014-2015 Jul-Jun	2014 Jan-Dec
<b>Income Statement, SEK m</b>								
Brokerage income	108	60	80	221	138	60	369	286
Fund commissions	43	27	59	83	51	63	144	113
Net interest income	40	56	-29	87	108	-19	183	204
Other income	40	21	90	65	40	63	119	93
<b>Operating income</b>	<b>231</b>	<b>164</b>	<b>41</b>	<b>456</b>	<b>337</b>	<b>35</b>	<b>815</b>	<b>696</b>
Personnel	-69	-58	19	-133	-116	15	-251	-234
Marketing	-6	-6	0	-15	-11	36	-29	-25
Depreciation	-2	-2	0	-4	-4	0	-7	-7
Other expenses	-33	-31	6	-68	-63	8	-131	-126
<b>Operating expenses before credit losses and provisions of VAT</b>	<b>-110</b>	<b>-97</b>	<b>13</b>	<b>-220</b>	<b>-194</b>	<b>13</b>	<b>-418</b>	<b>-392</b>
<b>Profit before credit losses and provisions of VAT</b>	<b>121</b>	<b>67</b>	<b>81</b>	<b>236</b>	<b>143</b>	<b>65</b>	<b>397</b>	<b>304</b>
Credit losses, net	0	0	0	0	0	0	0	0
Provision of VAT *	-	-	-	-	-	-	-8	-8
<b>Operating profit</b>	<b>121</b>	<b>67</b>	<b>81</b>	<b>236</b>	<b>143</b>	<b>65</b>	<b>389</b>	<b>296</b>
<b>Key ratios</b>								
Operating margin, %	52	41	11	52	42	10	48	43
Profit margin, %	45	34	11	45	36	9	41	36
Cost/Income ratio, %	48	59	-11	48	58	-10	51	56
Earnings per share, SEK	3.57	1.92	86	7.00	4.18	67	11.47	8.64
Earnings per share after dilution, SEK	3.54	1.90	86	6.95	4.14	68	11.40	8.56
Return on shareholders' equity, %	13	7	6	25	15	10	43	32
Credit loss level, %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Investments, SEK m	7	3	133	13	5	160	20	12
Brokerage income/Operating income, %	47	37	10	48	41	7	45	41
Fund commissions/Operating income, %	19	16	3	18	15	3	18	16
Net interest income/Operating income, %	17	34	-17	19	32	-13	22	29
Other income/Operating income, %	17	13	4	14	12	2	15	13
Operating income/Savings capital, %	0.14	0.13	0.01	0.28	0.28	0.00	0.55	0.54
Operating expenses/Savings capital, %	0.07	0.08	-0.01	0.14	0.16	-0.02	0.28	0.31
Brokerage per commission note, SEK	54	69	-22	56	70	-20	61	68
Brokerage income per trading day, SEK m	1.8	1.0	80	1.8	1.2	50	1.5	1.2
No. trading days	58.5	57.5	2	120.0	119.5	0	247.5	247.0
Average no. employees	322	282	14	313	276	13	302	283
Web service operational availability, %	100.0	99.6	0.4	99.9	99.7	0.2	99.9	99.7

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

### Key ratios

	30-06-2015	31-03-2015	Change %	31-12-2014	Change %	30-06-2014	Change %
Shareholders' equity per share, SEK	30.97	24.65	26	28.22	10	23.67	31
Capital base/Capital requirement	1.62	1.74	-7	1.72	-6	1.59	2
No. employees	324	320	1	296	9	281	15
Market value, SEK	301.50	300.50	0	258.00	17	280.00	8
Market capitalisation, SEK m	8,850	8,680	2	7,450	19	8,080	10

For definitions see page 18.

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

In the first half of the year the operating income grew by 35 (17) per cent compared with the same period in the prior year. In the second quarter the income grew by 41 (20) per cent compared with the second quarter of 2014. The commission per trade declined by 22 (-1) per cent, mainly due to the new price plan that was introduced at the end of 2014. Despite this, brokerage income grew due to the expanded customer base and increased

trading activity. Fund commissions increased on the back of a growing interest in investing in funds and thus an increased fund capital. Other income increased compared with the first half of 2014, mainly due to increased revenue from currency exchange and Corporate Finance services. Total Corporate Finance revenue during the period was SEK 18m, which was an increase of 74 per cent compared with the first half of 2014.

Net interest income declined compared with the previous year as a result of lower official and market interest rates. The official interest rate averaged –0.16 per cent in the first half of the year, which was 0.91 percentage points less than in the same period the year before. This was partly offset by higher lending. The increased excess liquidity, which has previously also helped to offset the falling interest margins, instead had a negative impact on net interest income in the second quarter due to the negative market interest rates. This despite the fact that Avanza has since late 2014 placed a large portion of its excess liquidity in covered mortgage bonds to achieve a better return and lower capital requirements.

Operating expenses increased by 13 (–2) per cent in the first half compared with the same period the year before, mainly due to a larger workforce. Staff costs grew by 15 per cent, partly due to increased activity in occupational pension plans, which required an expanded sales organisation, and increased capacity in IT development. In view of the strong growth figures which Avanza has achieved, driven by increased marketing activities at the beginning of the year, we intend to continue our expanded activities in 2015. We therefore expect costs to increase at a rate of 8–10 per cent for the full year.

Revenue growth outpaced cost increases by a significant margin in the first half, in line with Avanza's long-term goal. The operating profit in the second quarter was SEK 121m (67), an increase of 81 per cent compared with the same period in the previous year. The operating profit for the six-month period was SEK 236m (143), representing an operating margin of 52 (42) per cent.

## Capital surplus

SEK m	30-06-2015	31-12-2014
Shareholders' equity, the Group	909	815
Intangible fixed assets and deferred tax receivables	–34	–28
Capital requirement with reference to Pillar I	–416	–340
<b>Total capital surplus before dividend</b>	<b>459</b>	<b>447</b>
Capital surplus per share, SEK	15.65	15.49

*Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the equity. See also Note 4, page 15.*

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 459 million as of 30 June 2015.

Due to the large net inflow during the first half of the year, combined with a growing share of liquid assets in the customers' savings because of unstable stock markets, the company's capital requirement has increased by SEK 63 m during the second quarter. To enable a dividend level in accordance with company policy, even if this trend continues during the second half of the year, we intend to take several measures to both decrease the capital requirement and increase the capital base. These measures may include liquidity management as well as financing through Tier 1 or Tier 2 capital instruments.

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

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

## Financial position

Avanza is self-financed by equity and customer deposits. All of Avanza's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within a couple of days. The assets are deemed to be secure. The surplus liquidity is invested in covered bonds in systemically important Nordic banks and all lending is secured against listed securities and with pledges on houses and tenant-owned apartments. SEK 758m of the liquid assets as per the end of the period, SEK 7,578m, were pledged as collateral mainly referring to credit institutions and the stock exchange. Avanza does not conduct, and has not previously conducted, trading in securities on its own behalf. Between 2001 and the first half of 2015 total credit losses amounted to SEK 10 million, which is the equivalent, on average, to less than 0.03 per cent per year.

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

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result for the first half year was SEK –8 million (SEK –3m). The Parent Company does not report any sales. A dividend payment of SEK 202 million (SEK 231m) has been made to the shareholders.

# Outlook for the future

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## Avanza's growth potential

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

However, Avanza's growth opportunities are not limited by the growth of the savings market. This is due to the fact that Avanza only has a 2.6 per cent market share of the Swedish savings market and the fact that funds that are transferred to Avanza from other savings institutions do not count as part of the net inflow to the Swedish savings market. In order to create long-term shareholder value Avanza is focusing on areas which can be directly influenced and support the company's underlying growth, in combination with good cost control – economies of scale and focus on customer satisfaction, which over time promotes net inflow and a growth in the number of customers.

## 3–5 year outlook

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

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We perceive a clear trend whereby fees are becoming more and more significant for savers, not least because interest rates are going down. Customers review their savings and the significance of fees become more and more prominent. A low interest rate environment also affects our customers' disposable income and savings potential in a positive way, through for example lower housing costs. We believe it is likely that more capital will be transferred to Avanza, which will contribute to underlying growth in revenues. Meanwhile the Swedish Central bank has indicated that interest rates will stay low until the end of 2017, which will continue to impact negatively on our net interest income. All else equal, disregarding changes in customer behaviour, a 1 percentage point interest change would, at current volumes, imply an effect on net interest income of SEK 200–230m. Once interest rates finally go up again we fully expect to see a positive outcome due to a sharp increase in savings capital, even if growth in customers might slow down slightly.

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

### *A shift toward more individual savings*

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

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

### *The result of enhanced transferability of pensions*

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The pensions and insurance market is nearly twice the size of the market for direct savings in stocks, shares and funds. Today's transfer rights only cover pension policies initiated after 2007 and the transferable capital is thereby limited to a fraction of the pension and insurance market, even though this will gradually increase over time. Should there be a parliamentary decision on enhanced rights to transfer, customers would be able to move all, or parts of, their savings to Avanza and thereby increase their pension due to lower fees and a wider choice with access to Avanza's broad range of pension products. It is currently very unclear as to if and when enhanced transfer rights will come into effect, but the first move towards this is the new rules on commissions and stronger consumer protection for adoption in the summer of 2016 and entry into force in January 2017.

### *Decreasing income to savings capital ratio*

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

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

Competitiveness and profitability will need to be achieved through reduced cost to savings capital ratio. Avanza is well placed for this future prospect thanks to the company's highly scalable IT-systems. To enable us to deliver the highest possible customer service in the future we need to keep our focus on achieving further efficiencies and enhanced scalability in the years to come, as well as extending our IT-development capacity. We have previously communicated our intentions to keep the rate of cost increase at 6–8 per cent per annum in the coming years if the results remain. Given the efficiency we have in customer acquisition, and the good results in customer growth we have enjoyed with increased marketing efforts during the first quarter,

we intend to continue to invest in the coming years. Thus, we predict our costs would be more likely to rise by 8–10 per annum, given the high rate of growth we see today. This can be compared to an average figure of 11 percent in the previous five years. This rate range acts as either an accelerator or a brake to be able to combat or confront the market conditions with the necessary

efforts, and can be re-evaluated should the growth conditions change. Due to continued strong customer growth and growth in savings capital, we estimate that there is scope for lowering the cost to savings capital ratio over the next 3–5 years from today's level of 28 points to 20 points.

## Other corporate events

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### **Significant risks and uncertainly factors**

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

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

### **Transactions with associated parties**

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

### **Board of Directors**

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At the Annual General Meeting held on 18 March 2015 Andreas Rosenlew stepped down from the Board of Directors and Jonas Hagströmer was elected as a new board member. The other board members were re-elected together with the Chairman of the Board. More information about the Avanza Board of Directors and the individual board members can be found at [investors.avanza.se/en](http://investors.avanza.se/en).

### **Incentive program**

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Subsidiary program 2 of the 2014–2016 stock option program had exercise period from 4 May 2015 to 29 May 2015. The exercise price was SEK 198.10 per share. After recalculation of the option program 470,400 shares were possible to subscribe for. 470,341 shares were subscribed for and all subscribed shares have been issued. The number of shares outstanding and registered per 30 June 2015 amounts to 29,344,088.

### **Repurchase of the company's own shares**

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On 18 March 2015, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 percent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during the first six months of 2015 and the company holds no repurchased shares as of 30 June 2015.

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

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

### **Financial calendar**

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Interim Report, January – September 2015	20 October 2015
Preliminary Financial Statement 2015	21 January 2016

## Consolidated Income Statements\*

SEK m	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun	2014-2015 Jul-Jun	2014 Jan-Dec
<b>Operating income</b>						
Commission income	218	127	424	270	731	577
Commission expenses	-27	-19	-56	-41	-100	-85
Interest income	47	68	95	132	210	247
Interest expenses	-7	-12	-9	-24	-28	-43
Net result of financial transactions	0	0	1	0	1	0
Other operating income	-	-	-	-	0	0
<b>Total operating income</b>	<b>231</b>	<b>164</b>	<b>455</b>	<b>337</b>	<b>814</b>	<b>696</b>
<b>Operating expenses</b>						
General administrative costs	-95	-83	-187	-166	-355	-334
Depreciation of tangible and intangible fixed assets	-2	-2	-4	-4	-7	-7
Other operating expenses **	-13	-12	-29	-24	-64	-59
<b>Total operating expenses before credit losses</b>	<b>-110</b>	<b>-97</b>	<b>-220</b>	<b>-194</b>	<b>-426</b>	<b>-400</b>
<b>Operating profit before credit losses</b>	<b>121</b>	<b>67</b>	<b>236</b>	<b>143</b>	<b>388</b>	<b>296</b>
Credit losses, net	0	0	0	0	0	0
<b>Operating profit</b>	<b>121</b>	<b>67</b>	<b>236</b>	<b>143</b>	<b>388</b>	<b>296</b>
Tax on profit for the period	-17	-11	-33	-22	-57	-46
<b>Net profit/loss for the period ***</b>	<b>104</b>	<b>56</b>	<b>203</b>	<b>121</b>	<b>331</b>	<b>250</b>
Earnings per share, SEK	3.57	1.92	7.00	4.18	11.47	8.64
Earnings per share after dilution, SEK	3.54	1.90	6.95	4.14	11.40	8.56
Average no. shares before dilution, thousand	29,118	28,874	28,997	28,874	28,935	28,874
Average no. shares after dilution, thousand	29,412	29,159	29,226	29,142	29,128	29,139
Outstanding no. shares before dilution, thousand	29,344	28,874	29,344	28,874	29,344	28,874
Outstanding no. shares after dilution, thousand	29,558	29,223	29,558	29,223	29,558	29,170
No. shares upon full dilution, thousand	30,324	29,854	30,324	29,854	30,324	30,344

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

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

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

## Consolidated Balance Sheet

SEK m	Note	30-06-2015	31-12-2014
<b>Assets</b>			
Lending to credit institutions	1	7,578	4,535
Lending to the public	2	6,540	5,349
Bonds		10,886	6,070
Shares and participations		0	34
Assets in insurance operations		61,031	50,898
Intangible fixed assets		31	26
Tangible fixed assets		16	12
Other assets		378	207
Prepaid costs and accrued income		88	165
<b>Total assets</b>		<b>86,548</b>	<b>67,296</b>
<b>Liabilities and shareholders' equity</b>			
Deposits by the public		23,648	15,038
Liabilities in insurance operations		61,031	50,898
Other liabilities		877	454
Accrued costs and prepaid income		83	91
Shareholders' equity		909	815
<b>Total liabilities and shareholders' equity</b>		<b>86,548</b>	<b>67,296</b>

## Changes in the Group's shareholders' equity

SEK m	2015 Jan-Jun	2014 Jan-Jun	2014 Jan-Dec
<b>Shareholders' equity at the beginning of the period</b>	<b>815</b>	<b>794</b>	<b>794</b>
Dividend paid	-202	-231	-231
Warrants issue	93	-	2
Net profit/loss for the period (also total comprehensive income)	203	121	250
<b>Shareholders' equity at the end of the period</b>	<b>909</b>	<b>683</b>	<b>815</b>

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

## Consolidated Cash Flow Statements

SEK m	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun
Cash flow from operating activities before changes in operating activities' assets and liabilities	-100	66	-11	105
Cash flow from operating activities' assets and liabilities	5,168	84	7,986	10
Cash flow from investment operations	-2,387	-4	-4,829	-6
Cash flow from financial operations	93	-226	-109	-226
<b>Cash flow for the period</b>	<b>2,774</b>	<b>-80</b>	<b>3,037</b>	<b>-117</b>
<b>Liquid assets at the beginning of the period *</b>	<b>4,046</b>	<b>8,424</b>	<b>3,783</b>	<b>8,461</b>
<b>Liquid assets at the end of the period *</b>	<b>6,820</b>	<b>8,344</b>	<b>6,820</b>	<b>8,344</b>

\* Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 758 million (SEK 648 m) of consolidated liquid assets are pledged as collaterals.

## Parent Company Income Statements

SEK m	2015 Jan-Jun	2014 Jan-Jun
<b>Operating expenses</b>		
Administration expenses	-5	-2
Other operating expenses	-3	-1
<b>Operating profit/loss</b>	<b>-8</b>	<b>-3</b>
<b>Profit/loss from financial investments</b>		
Profit/loss from participations in Group companies	2	3
Interest income and similar items	-	0
<b>Profit/loss before tax</b>	<b>-6</b>	<b>0</b>
Tax on profit for the period	1	0
<b>Net profit/loss for the period</b>	<b>-5</b>	<b>0</b>

## Parent Company Balance sheets

SEK m	30-06-2015	31-12-2014
<b>Assets</b>		
Financial fixed assets	409	408
Current receivables *	52	166
Liquid assets	0	0
<b>Total assets</b>	<b>461</b>	<b>574</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	457	571
Current liabilities	4	3
<b>Total shareholders' equity and liabilities</b>	<b>461</b>	<b>574</b>

\* Of which receivables from subsidiaries SEK 50 million (SEK 1 m).

## Accounting principles

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

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

## Notes

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### NOTE 1 LENDING TO CREDIT INSTITUTIONS

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Client fund receivables, attributable to banking business, amount to SEK 1,416 million (SEK 895 m as of 31 December 2014) which are reported net against client fund payables of SEK 1,416 million (SEK 895 m as of 31 December 2014).

### NOTE 2 LENDING TO THE PUBLIC

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

SEK 793 million (SEK - m as of 31 December 2014) of lending to the public as of 30 June 2015 are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. This portion of the lending does not impact the net interest income, as the interest on deposits is the same as the lending rate. The remaining part of lending to the public is secured with collateral in the form of securities SEK 3,389 million (3,345 as of 31 December 2014) and houses and tenant-owned apartments SEK 2,358 million (SEK 2,004 m as of 31 December 2014). Regarding mortgage loans as of 30 June 2015 SEK 2,803 million (SEK 2,439 m as of 31 December 2014) has been granted, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 445 million (SEK 435 m as of 31 December 2014).

### NOTE 3 FINANCIAL INSTRUMENTS

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Classification of financial instruments

30-06-2015, SEK m	Financial instruments valued at fair value via Income Statement	Investments held to maturity	Loan receivables and accounts receivable	Other financial liabilities	Non-financial instruments	Total
<b>Assets</b>						
Lending to credit institutions	–	–	7,578	–	–	7,578
Lending to the public	–	–	6,540	–	–	6,540
Bonds	–	10,886*	–	–	–	10,886
Shares and participations	0	–	–	–	–	0
Assets in insurance operations	61,031	–	–	–	–	61,031
Intangible assets	–	–	–	–	31	31
Tangible assets	–	–	–	–	16	16
Other assets	–	–	271	–	107	378
Prepaid costs and accrued income	–	26	45	–	17	88
<b>Total assets</b>	<b>61,031</b>	<b>10,912</b>	<b>14,434</b>	<b>–</b>	<b>171</b>	<b>86,548</b>
<b>Liabilities</b>						
Deposits by the public	–	–	–	26,648	–	23,648
Insurance operations liabilities	61,031	–	–	–	–	61,031
Other liabilities	–	–	–	876	1	877
Accrued costs and prepaid income	–	–	–	55	28	83
<b>Total liabilities</b>	<b>61,031</b>	<b>–</b>	<b>–</b>	<b>24,579</b>	<b>29</b>	<b>85,639</b>

\* The fair value amounts to SEK 10,848 million, of which SEK 10,848 million is attributed to level 1 and SEK – million to level 2 in the hierarchy for fair value. The valuation principles are the same as for similar instruments that are reported at fair value in the balance sheet.

#### Financial instruments valued at fair value

30-06-2015, SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	29,537	0	0	29,537
Fund units	1,577	19,524	–	21,101
Bonds and other interest-bearing securities	11,705	367	–	12,072
Other securities	126	272	–	398
Liquid assets	–	–	–	8,771
<b>Total assets</b>	<b>42,945</b>	<b>20,163</b>	<b>0</b>	<b>71,879</b>
<b>Liabilities</b>				
Liabilities in insurance operations (investment agreements)	–	61,031	–	61,031
<b>Total liabilities</b>	<b>–</b>	<b>61,031</b>	<b>–</b>	<b>61,031</b>

### Fair value

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

The fair value of those financial instruments reported at fair value through profit and loss is determined as shown below.

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

### *Financial assets valued at fair value via the Income Statement*

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

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

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

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. The majority of the shares pertaining to the insurance operations are included in this category.
  - Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Funds (not traded on a stock exchange) are included in this category. Liabilities in the insurance operations are included in this category as the value of the entire balance sheet item is indirectly related to the value of the assets in the insurance operations.
  - Level 3 – Input data from the asset or liability in question that is not based on observable market data (non-observable input data).
- The level of the hierarchy for fair values where the valuation at fair value is categorised in its entirety shall be determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety.

## **NOTE 4 CAPITAL REQUIREMENT FOR THE FINANCIAL CONGLOMERATE**

SEK m	30-06-2015	31-12-2014
<b>Capital base</b>		
Shareholders' equity, the Group	909	815
Assumed/Proposed dividend	-203	-202
<b>Shareholders' equity, financial conglomerate</b>	<b>706</b>	<b>613</b>
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-34	-28
<b>Capital base</b>	<b>672</b>	<b>585</b>
<b>Capital requirement</b>		
Capital requirement for regulated units within the banking and securities sector	382	306
Capital requirement for regulated units in the insurance sector	34	34
Theoretical capital requirements for non-regulated units	0	0
<b>Capital requirement</b>	<b>416</b>	<b>340</b>
<b>Capital surplus</b>	<b>256</b>	<b>245</b>
<b>Capital base/Capital requirement</b>	<b>1.62</b>	<b>1.72</b>

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

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

Avanza has requested prior authorization from the Swedish Financial Supervisory Authority (Finansinspektionen) to include the interim surplus when calculating its capital base for 2015. The above table is valid provided the permission is granted.

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

## **NOTE 5 CAPITAL BASE AND CAPITAL REQUIREMENT IN THE CONSOLIDATED SITUATION**

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

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

SEK m	30-06-2015	31-12-2014
<b>Tier 1 capital</b>		
Shareholders' equity, the Group	909	815
Assumed/Proposed dividend	-89	-202
Equity not part of the consolidated situation	-202	-112
<b>Equity, consolidated situation</b>	<b>618</b>	<b>501</b>
Deducted items:		
Intangible assets and deferred taxes	-33	-28
<b>Common equity tier 1 capital</b>	<b>585</b>	<b>473</b>
<b>Total own funds</b>	<b>585</b>	<b>473</b>
<b>Capital requirement</b>		
Credit risk according to standardised approach	306	233
Market risks	0	6
Settlement risk	0	0
Operational risk	69	69
<b>Total capital requirement</b>	<b>375</b>	<b>308</b>
<b>Risk exposure amount</b>		
Credit risk according to standardised approach	3,822	2,902
of which Institutions	1,515	906
of which Corporates	27	70
of which Households	239	346
of which Collateral in real estate	825	702
of which Covered bonds	1,029	598
of which Other items	187	280
Market risks	0	69
Settlement risk	0	0
Operational risk	862	862
<b>Total risk exposure amount</b>	<b>4,684</b>	<b>3,833</b>
<b>Capital ratios and buffers</b>		
Common equity tier 1 ratio, %	12.5	12.3
Tier 1 ratio, %	12.5	12.3
Total capital ratio, %	12.5	12.3
Capital base in relation to capital requirement	1.56	1.54
Institution-specific buffer requirement, %	2.5	2.5
of which capital conservation buffer requirement, %	2.5	2.5
Total capital requirement including buffer requirement, %	10.5	10.5
Common equity tier 1 capital available for use as a buffer, %	8.0	7.8
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirements	93	69
Additional requirement with reference to Pillar 2	31	14
Capital surplus after buffer requirement and Pillar 2	62	55

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

The Board of Directors and the CEO ensures that the preliminary financial statement gives a fair overview of the company and group activities, balance and results, and describes the material risks and uncertainties that the company and the companies of the group is facing.

Stockholm, 14 July 2015

Sven Hagströmer  
Chairman of the Board

Jonas Hagströmer  
Member of the Board

Birgitta Klasén  
Member of the Board

Lisa Lindström  
Member of the Board

Mattias Miksche  
Member of the Board

Martin Tivéus  
CEO

Hans Toll  
Member of the Board

Jacqueline Winberg  
Member of the Board

#### For additional information

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The information contained in this report comprises information that Avanza Bank Holding AB (publ.) is obliged to provide as well as that which it has chosen to provide in accordance with the provisions of the Swedish Securities Market Act and the Swedish Financial Instruments Trading Act. The information has been released to the market for publication at 08.15 (CET) on 14 July 2015.

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

A presentation will be held by Martin Tivéus, CEO and Birgitta Hagenfeldt, CFO on 14 July 2015 at 10.00 (CET). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at [avanza.se/ir](http://avanza.se/ir). Phone number for participants:

- Sweden +46 (0)8 505 564 74
- UK +44 20 336 453 74
- US +1855 753 2230

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

#### Headoffice

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

## Definitions

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### **Account**

An open account with holdings.

### **Brokerage income**

Brokerage income less direct costs.

### **Brokerage per commission note**

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

### **Capital base**

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

### **Commission note**

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

### **Cost/income ratio**

Costs before credit losses in relation to income.

### **Credit loss level**

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

### **Customer**

Individuals or companies with at least one account with holdings.

### **Deposits**

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

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

### **Earnings per share**

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

### **Equity per share**

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

### **External deposits**

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

### **Investment fund commision**

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

### **Lending**

Lending to the public as per balance sheet with deduction for the portion which are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts.

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

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

### **Net inflow**

Deposits, less withdrawals, of liquid assets and securities.

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

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

### **Operating expenses**

Operating expenses before credit losses and provisions of VAT.

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

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

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

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

### **Operating margin**

Operating profit/loss in relation to operating income.

### **Profit margin**

Profit/loss after tax in relation to operating income.

### **Return on equity**

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

### **Savings capital**

The combined value of accounts held with Avanza.

### **Transactions**

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

