



Interim Report January-March 2020

Avanza Bank Holding AB (publ)

First quarter 2020 compared to first quarter 2019

- **Customer growth** was 86,100 (33,600), an increase of 156 per cent
- **Net inflow** in the quarter was SEK 21,900 million (7,570), an increase of 189 per cent
- **Operating income** increased by 102 per cent. All revenue lines improved. Net brokerage income increased by 138 per cent. Currency-related income and revenues from Avanza Markets, within other income, increased by 130 per cent and 55 per cent respectively. Revenues from Corporate Finance also increased
- **Operating expenses** increased by 9 per cent, mainly due to more staff and consequently higher personnel costs. Other expenses also increased mainly due to higher IT and premises costs
- **The cost increase for the full year** is estimated as 12 per cent, which was communicated in March. It is an increase from the earlier estimate of around 10 per cent, but within the long-term guidance of an annual cost increase of 9-12 per cent. The cost increase is made to meet the strong growth and to maintain high customer satisfaction and high stability of the website
- **Net profit** amounted to SEK 305 million, an increase of 250 per cent
- The AGM in March resolved to reelect the Chairman of the Board and the board members, with the exception of Jacqueline Winberg who declined re-election. Magnus Dybeck, Catharina Eklöf and Johan Roos were newly elected as board members. As proposed, a dividend of SEK 2.30 per share was authorised, corresponding to 79 per cent of net profit for the year
- Birgitta Hagenfeldt, CFO and Deputy CEO of Avanza, will leave Avanza in the summer of 2021
- The target of 1 million customers was reached already in January
- Avanza broadened its range of cheap index funds further with Avanza Europe
- The fund pages on the website were improved with focus on sustainability and customers can now also exclude industries
- Large focus on increased customer communication through blog posts and podcasts during the uncertainty following covid-19

Quote from Rikard Josefson, CEO Avanza

"Activity among our customers has been record high and we see that confidence in the stock market in the long term is there. Net inflow and customer growth have also broken records. The big question is what happens after covid-19, when the worst of the crisis is over. Avanza has for several years built a strong customer base at the same time that more people are realising the importance of savings and having a financial buffer. Even if activity declines going forward, we should have raised our lowest level."

	Q1 2020	Q4 2019	Change %	Q1 2019	Change %
Operating income, SEK m	542	329	65	268	102
Operating expenses, SEK m	-179	-187	-4	-164	9
Operating profit, SEK m	361	140	158	100	261
Net profit, SEK m	305	121	152	87	250
Earnings per share before dilution, SEK ¹	1.98	0.79	152	0.57	245
Operating margin, %	67	43	24	37	29
Net inflow, SEK m	21,900	6,820	221	7,570	189
No. of new customers (net)	86,100	37,300	131	33,600	156
Savings capital at the end of the period, SEK m	368,200	407,700	-10	335,700	10

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

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

Avanza in brief

This is Avanza

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

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

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

An investment in growth

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

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

The sensitivity in the event of a decrease in savings capital due to a stock market downturn is difficult to assess, as income is dependent on, among other things, how customers choose to invest their savings capital. To manage fluctuations in the market, the aim is to broaden the offering and increase the proportion of recurring revenues.

Vision & business model

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

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

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

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

Long-term targets

Satisfied customers:

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

Engaged employees:

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

Value growth:

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

Sustainability:

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

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



CEO comment

A different quarter

The first quarter of 2020 was perhaps the most turbulent quarter I have experienced in my career. January began strongly and most indicators were positive until we were impacted by covid-19. The market that followed has had unprecedented volatility. This is a difficult time for many people. We have customers who have seen their investments drastically drop in value. At the same time, there is great concern for those near and dear to us as well as about the social problems that are arising, and which could further intensify as time goes by. Problems that will have consequences for many people financially, but that we will get through and be able to draw important conclusions from.

Record-strong customer growth together with a record-high net inflow

Trading volumes on the stock exchange have been high and activity among our customers was record-high. The number of commission-generating notes nearly doubled compared to the previous quarter. Compared to the first quarter of 2019, the number of notes increased by no less than 130% at the same time that the number of commission-generating customers was nearly 60% higher. We see that confidence in the stock market in the long term is there and our customers have chosen to transfer more capital to Avanza than ever before. The net inflow for the quarter was a record-high SEK 21.9 billion. Although many are concerned about the market here and now, as the increased percentage of liquidity being held by our customers indicates, many see the big slump as an opportunity to begin investing and became customers of Avanza. A total of 86,100 new customers joined, which is our highest quarterly growth ever.

We were somewhat cautious with product launches during the quarter and instead focused on the stability of the website. In early January, however, we added another index fund to our record-low fee funds – Avanza Europe – which could eventually be an important piece of the investment puzzle in many portfolios, although it has developed weakly in the current market. We have also improved our fund pages with a focus on sustainability. A fund's sustainability value can now be measured against other funds we offer through a sustainability indicator. We have also made it easier to filter funds which invest in companies that work positively with climate change, and our customers can decide to exclude industries. During the quarter, we also greatly increased our range of ETFs.

Record quarterly profit and increased investments to ensure customer satisfaction

The record-high trading in the quarter produced net brokerage income of SEK 268 million, which is the best quarter by far in Avanza's history. We also had record currency-related income and income from Avanza Markets. Corporate Finance had a strong quarter as well. Customers were net buyers of equities, but sold funds. Despite the strong fund inflow at the beginning of the year, we therefore saw a total fund outflow for the quarter. While the quarter was record-strong and the strong growth creates confidence going forward, the feeling is mixed. Many of our customers have seen their savings shrink and have been concerned and confused how they should manage their investments. We have therefore provided our customers with additional support in the form of more podcasts with interesting guests and more blog updates than normal. The

large numbers of listeners and readers is an indication of the demand among customers to learn more.

We also received a record number of phone calls from customers and experienced a few stability problems due to extreme trading. Coupled with the high customer growth, this is why we raised our cost guidance for 2020. Our costs are expected to increase by 12 per cent compared to 2019, instead of the previous estimate of around 10 per cent. This is because we chose to launch a number of initiatives ahead of schedule. Besides ensuring the stability of the website, the goal is mainly to increase capacity in our customer service, private banking and backoffice.

What can we say about the future?

The big question we face is what the market for savings and investments will look like after covid-19, when the crisis is behind us. No one can answer that with certainty. Avanza has for several years built up a strong base of more than 1 million customers. At the same time, more people are realising the importance of having a financial buffer. I am convinced therefore that while we may see a more passive period going forward with lower activity, it should mean that we have raised our lowest level. In the insurance business, we are at this point seeing only marginal impact despite having some customers who could face difficulties because of current economic conditions. In today's market there are other things for companies to focus on besides pensions, which could result in slightly lower growth in the inflow of occupational pension premiums for some time.

On the topic of pensions, the government has now released its promised memorandum on pension transfer costs, and we finally see that fees will be greatly reduced for customers who decide to transfer their pension from one provider to another. The new rules, as drafted, will take effect on 1 January 2021 – this is not a day too soon! It is very surprising therefore that the big insurance companies have now decided to oppose the proposal, which clearly shows how this market is an anti-consumer oligopoly that some in the industry don't want to see change.

Our commitment to our customers never fails

When I look back at the last quarter, I am extremely proud of all our fantastic employees at Avanza, who have been working extremely hard. We have had long queue times for customer service, and customers have rightly expressed their irritation on social media with the stability problems we have had. Although the site has worked very well for the most part, this is not what Avanza stands for. We are working every day to deliver services and products that result in high customer satisfaction and strong customer value. It is clear that we are affected by this, but it is also driving us to be even better. We have never lost our focus on customers. This passion is also precisely what the Avanza culture stands for. It is a privilege to work with such motivated and engaged colleagues. Many, just like in other companies, have worked from home. This has worked very well, even though we are at our best when we are together. It is in turbulent times like these that we are put to the test, and so far we have passed it.

Stockholm, 21 April 2020



Rikard Josefson, CEO Avanza

Operations

Activity and market shares

The year began strongly on the Stockholm Stock Exchange before turning extremely turbulent with sharp declines later in the quarter due to covid-19 concerns. At the end of the quarter, the OMX Stockholm Gross Index had dropped by 18 per cent. Volatility was record high.

Total turnover on the Stockholm Stock Exchange including First North increased by 47 per cent and the number of transactions by 66 per cent compared to the previous quarter. Among Avanza's customers, turnover on these marketplaces increased by 88 per cent and the number of transactions by 85 per cent.

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

The fund market saw large net outflows. Avanza also saw net sales of funds.

The Riksbank raised the repo rate by 25 basis points on 8 January 2020 to 0.00 per cent. The Riksbank's own forecast indicates a repo rate increase by the end of 2022.

Information related to covid-19

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

During the outbreak, Avanza has been able to maintain operations without major disruptions. To reduce the spread of the virus in society and among our employees, Avanza is following the Swedish Public Health Agency's recommendations and instructions. The majority of employees are working from home and new communication channels and methods have been adopted to avoid disruptions, and to safeguard the strong corporate culture.

Concerns about covid-19 and its impact on companies and the real economy have affected market activity and volatility. The turbulent stock climate has made customers more active in their saving and investments. In the aggregate, our customers were net equity buyers in the quarter, while there was an outflow from funds, which has also increased customers' liquidity.

Trading activity among Avanza's customers has reached record levels. Customer growth and the net inflow were also record high in the quarter. To a limited extent this has also affected the website and its various systems, which during peak times such as market openings has caused the apps to slow down and resulted in log-in problems with BankID and on one occasion a brief shutdown of the site for 14 minutes. The availability of the site was 99.8 per cent in the quarter. Continuing efforts were made to stabilise and strengthen our IT systems, including investments in additional hardware and capacity.

In the wake of the big market fluctuations, a large number of margin calls prompted sales. This contributed to a lower volume of margin loans, but did not result in any credit losses, which shows that collateral and Avanza's processes are working the way they should even in very uncertain and volatile market conditions.

In the occupational pension business, we are seeing only marginal impact yet. Going forward, there may be a risk that the inflow of occupational pension premiums decreases for a period while some companies might fight for their survival, although the exposure in Avanza's occupational pension business to the most vulnerable industries is very limited. The current crisis could also mean that some companies put off

decisions on a new occupational pension partner, which in the short term could affect the business's growth.

The aftermath of covid-19 are difficult to predict. It is not unusual for customer activity to slow after great turbulence as the market stabilises. As a result of the strong recent growth, however, our view is that the lowest level has been raised. The big outflow from funds stopped at the end of the quarter, and when confidence in the market has stabilised volumes are likely to gradually return. The lower fund capital adversely affects fund commissions. Customers' increased liquidity creates a higher volume of surplus liquidity. The surplus liquidity has generated a positive return since 2019, though the vast majority of the increased surplus liquidity is invested in instruments with shorter maturities, where returns are lower. The reason is to be prepared when customers increasingly start to invest again.

Although savings could be negatively impacted by high unemployment, giving individuals less opportunity to save, the recent turbulence has to an even greater degree proven the importance of savings and a capital buffer. Avanza saw an increased net inflow in the quarter, and it is possible that many investors are waiting for the right opportunity after the market's broad decline.

In connection with the strong recent growth and increased activity in the wake of covid-19, Avanza raised its guidance on the cost increase for 2020 to 12 per cent from previously around 10 per cent. This is because several investments have now been brought forward and capacity will be increased in customer service, our backoffice and IT. In response to the financial straits many companies find themselves in owing to covid-19, the government has decided to reduce social security contributions for businesses with up to 30 employees. Since Avanza has not been and does not expect to be greatly impacted by covid-19, a decision was made that the companies in the Avanza Group will not apply for reduced social security contributions.

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

Events during the first quarter

The Avanza Europe index fund, which gives more savers an opportunity to invest cheaply and sustainably in the European stock market, was launched in the quarter. The fund charges a total fee of 0.17 per cent, half the average price for similar funds, according to Morningstar Direct. The goal is to generate a return on par with a MSCI index, where sustainability aspects are also taken into account in the index composition.

During the quarter, a number of improvements and simplifications were made to the user experience on Avanza's website. A new contents page was launched with expanded information on e.g. performance, trading and dividends. The pages have also been given new functions and graphs to make it easier to sort and analyse holdings. The fund pages were expanded with improved sustainability data to create a better overview of more sustainability aspects. As part of the effort to meet customer demand for more ETF's, around 800 German ETFs were added to the current selection.

Due to covid-19 and the big drop in stock prices, interest in podcast episodes and blog entries grew markedly in the quarter. Most of all, savers have sought out help on how best to navigate a jittery stock market, statistics on previous stock market crashes and concrete advice on how to avoid common psychological investing mistakes. In response to savers' concerns and demand, more podcasts and blog entries were published during the quarter. The number of unique podcast

listeners rose by 113 per cent to over 850,000 compared to the same quarter in 2019 and the number of visits to the Avanza blog climbed 175 per cent to nearly 1.7 million.

Development of customers and savings capital

Data on the Swedish savings market for the fourth quarter of 2019 were released in February. Avanza's share of the total net inflow to the Swedish savings market in 2019 was 15.6 per cent, which exceeded the target for 2019 of at least 10 per cent. Avanza's share of the Swedish savings market was 4.5 per cent at the end of the year.

In the first quarter, 86,100 new customers were added, which was 131 per cent higher than the previous quarter and 156 per cent higher than the first quarter of 2019. The decrease in the number of Private Banking customers is the result of a review at the beginning of the year, where customers who do not qualify for the service were transferred to other benefit levels. This affected just over 3,000 customers. The number of occupational pension customers increased by 5 per cent. The total number of customers at the end of the period was 1,062,500 and the target of 1 million customers 2020 was reached by January.

The net inflow was 221 per cent higher than the inflow in the previous quarter and 189 per cent higher than the same

quarter in 2019. The net inflow from existing customers accounted for 62 per cent in the quarter, which was clearly higher than 44 per cent in the previous quarter. The inflow of recurring occupational pension premiums averaged SEK 239 million per month in the latest 12-month period. This is an increase of 18 per cent compared to the equivalent period a year ago.

Savings capital decreased by 10 per cent in the quarter due to negative stock market development. At the end of the quarter, 25 per cent of customers' capital was invested in funds, which was 4 percentage points lower than the beginning of the year. This is a result of lower valuations and net sales of funds in the turbulent market in the wake of covid-19.

Customers' total deposits are at a record level of just over SEK 84 billion, of which SEK 24 billion relates to external deposits. Deposits as a share of savings capital increased in the quarter to 23 per cent at the end of the period.

Total lending grew marginally in the first quarter to SEK 23.1 billion. External mortgage volume through Stabelo amounted to SEK 10.4 billion at the end of the quarter. Internally financed mortgages for Private Banking customers amounted to nearly SEK 8.4 billion, an increase of 6 per cent. Margin lending decreased by 17 per cent, mainly because customers have rebalanced their positions after the recent market volatility.

Activity and market shares	2020 Q1	2019 Q4	Change %	2019 Q1	Change %	2019 Jan-Dec
No. commission generating notes, thousands	9,170	4,680	96	3,990	130	17,500
Commission generating turnover, SEK m	282,400	149,000	90	142,300	98	557,800
<i>Market shares</i>						
<i>Nasdaq Stockholm and First North:</i>						
No. transactions, %	16.6	14.5	2.1	13.2	3.4	13.7
Turnover, %	7.6	6.0	1.6	5.7	1.9	5.4
Net inflow, SEK m	2020 Q1	2019 Q4	Change %	2019 Q1	Change %	2019 Jan-Dec
Standard	19,340	7,970	143	7,300	165	31,090
Private Banking	2,510	-950	-	270	830	1,700
Pro	50	-200	-	0	-	-190
Net inflow	21,900	6,820	221	7,570	189	32,600
Equity & investment fund accounts	2,520	590	327	-60	-	4,050
Investment savings accounts	13,000	4,860	167	4,340	200	18,100
Savings accounts	1,440	610	136	1,060	36	3,430
of which external deposit accounts	1,430	520	175	1,190	20	3,450
Pension- & insurance-based accounts	4,940	760	550	2,230	122	7,020
of which endowment insurance	3,780	-270	-	1,480	155	3,380
of which occupational pensions	1,110	940	18	760	46	3,500
Net inflow	21,900	6,820	221	7,570	189	32,600

For definitions see page 22.

No. customers, savings capital and lending, SEK m (unless otherwise stated)	31-03-2020	31-12-2019	Change %	31-03-2019	Change %
Standard, No.	1,035,940	947,920	9	844,180	23
Private Banking, No.	24,500	26,500	-8	24,700	-1
Pro, No.	2,060	1,980	4	1,920	7
No. of customers	1,062,500	976,400	9	870,800	22
of which occupational pension customers, No.	97,100	92,600	5	81,300	19
Standard	216,200	228,200	-5	186,300	16
Private Banking	139,700	164,500	-15	136,200	3
Pro	12,300	15,000	-18	13,200	-7
Savings capital	368,200	407,700	-10	335,700	10
Equity & investment fund accounts	103,600	121,100	-14	103,400	0
Investment savings accounts	131,600	141,100	-7	108,800	21
Savings accounts	24,900	23,400	6	21,000	19
of which external deposit accounts	24,000	22,500	7	20,200	19
Pension- & insurance-based accounts	108,100	122,100	-11	102,500	5
of which endowment insurance	72,400	82,000	-12	69,600	4
of which occupational pensions	24,100	26,700	-10	21,300	13
Savings capital	368,200	407,700	-10	335,700	10
Equities, bonds, derivatives, etc.	190,600	225,000	-15	184,600	3
Investment funds	93,300	119,900	-22	94,200	-1
Deposits	84,300	62,800	34	56,900	48
of which external deposits (Savings account+)	24,000	22,500	7	20,200	19
Savings capital	368,200	407,700	-10	335,700	10
Internally financed lending	12,700	13,100	-3	11,100	14
of which margin lending	4,290	5,160	-17	4,810	-11
of which mortgages (Superbolånet PB)	8,390	7,950	6	6,280	34
External mortgages (Bolån+)	10,400	9,840	6	7,050	48
Lending	23,100	23,000	0	18,100	28
Deposits/Savings capital, %	23	15	8	17	6
Return, average account since 1 Jan, %	-15	24	-39	9	-24
OMX Stockholm GI since 1 Jan, %	-18	35	-53	13	-31

For definitions see page 22.

Financial overview

	2020 Q1	2019 Q4	Change %	2019 Q1	Change %	2019 Jan-Dec
Income Statement, SEK m						
Net brokerage income	268	123	118	112	138	466
Fund commissions	96	91	5	72	34	332
Net interest income	74	58	26	39	87	201
Other income	104	56	85	44	135	194
Operating income	542	329	65	268	102	1,193
Personnel	-111	-115	-3	-103	8	-414
Marketing	-8	-3	195	-8	-1	-19
Depreciation	-14	-22	-35	-14	6	-63
Other expenses	-45	-48	-5	-40	13	-169
Operating expenses before credit losses	-179	-187	-4	-164	9	-666
Profit before credit losses	363	142	156	103	251	528
Credit losses, net	1	0	-	-1	-	0
Profit/loss from participations in associated companies	-2	-2	30	-2	6	-8
Operating profit	361	140	158	100	261	520
Tax on profit for the period	-56	-19	196	-13	333	-73
Net profit	305	121	152	87	250	447
Key ratios						
Operating margin, %	67	43	24	37	29	44
Profit margin, %	56	37	19	33	24	37
Earnings per share before dilution, SEK ¹	1.98	0.79	152	0.57	245	2.94
Earnings per share after dilution, SEK ¹	1.98	0.79	151	0.57	245	2.94
Return on shareholders' equity, %	64	26	39	23	41	27
Return on assets, %	0.8	0.3	0.5	0.3	0.5	0.3
Credit loss level, %	0.00	0.00	0.00	-0.01	0.01	0.00
Investments, SEK m	7	5	46	2	292	10
Net brokerage income/Operating income, %	49	37	12	42	7	39
Fund commissions/Operating income, %	18	28	-10	27	-9	28
Net interest income/Operating income, %	14	18	-4	15	-1	17
Other income/Operating income, %	19	17	2	17	3	16
Income to savings capital ratio, %	0.56	0.34	0.22	0.34	0.22	0.34
Costs to savings capital ratio, %	0.18	0.19	-0.01	0.21	-0.02	0.19
Income per customer, SEK	2,130	1,370	55	1,250	70	1,320
Costs per customer, SEK	-700	-780	-10	-770	-9	-740
Net brokerage income per trading day, SEK m	4.3	2.0	113	1.8	138	1.9
Brokerage per commission note, SEK	30	28	7	30	0	29
Brokerage/Turnover, %	0.108	0.098	0.010	0.094	15	0.100
No. trading days	63.0	61.5	2	63.0	-	248.0
Average no. employees	452	444	2	421	8	429
Web service operational availability, %	99.8	99.9	-0.1	99.9	-0.1	99.9

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

Key ratios	31-03-2020	31-12-2019	Change %	31-03-2019	Change %
Shareholders' equity per share before dil., SEK ¹	11.95	12.65	-6	9.35	28
Own funds/Capital requirement	1.43	1.30	10	1.26	13
No. employees	460	445	3	419	10
Share price, SEK ¹	82.80	97.80	-15	79.80	4
Market capitalisation, SEK m	12,700	15,000	-15	12,100	5

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

For definitions see page 22.

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

First quarter compared to the previous quarter

Operating profit for the first quarter increased by 158 per cent compared to the previous quarter mainly as a result of higher revenues, although slightly lower costs contributed as well.

The operating margin was 67 per cent, an increase of 24 percentage points.

The return on equity was 64 per cent.

Revenues

Total operating income increased by 65 per cent compared to the previous quarter. The biggest increases were in net brokerage income and other income, but net interest income and fund commissions rose as well.

Net brokerage income increased by 118 per cent. Commission-generating turnover increased by 90 per cent and the number of commission-generating notes by 96 per cent. Turnover per note decreased slightly. Brokerage income per SEK of turnover increased from 9.8 to 10.8 basis points because a higher share of brokerage income was generated in lower commission fee classes. The number of commission-generating customers was record high and there were 1.5 more trading days.

Fund commissions increased by 5 per cent due to higher average fund capital in January and February. The capital then decreased significantly due to slumping share prices and net sales. Fund capital decreased by 22 per cent compared to the beginning of the quarter. Income per SEK of fund capital increased slightly to 0.33 per cent despite an essentially unchanged share of index funds.

Net interest income increased by 26 per cent mainly as a result of raised lending rates in connection with the repo rate hike of 25 basis points in January. The interest rate on margin loans was raised by 25 basis points and on Private Banking mortgages by 20 basis points. The repo rate was 0 per cent as of 8 January. Average STIBOR (3M) was 19 basis points higher than in the fourth quarter, which also improved the return on surplus liquidity. The state deposit guarantee and resolution fee decreased slightly to SEK 8 million (SEK 9m) as a result of the lower resolution fee.

Other income, primarily consisting of currency-related income and income from Avanza Markets and Corporate Finance, increased by 85 per cent compared to the fourth quarter. The increase was mainly due to significantly higher currency-related income, which amounted to SEK 73 million (31). This is mostly a result of increased trading in foreign equities, but also foreign funds. During the quarter, equity trading in foreign markets among Avanza's customers accounted for 11.9 per cent (9.3) of the number of trades and 10.9 per cent (8.3) of turnover. Trading in foreign funds accounted for 9.1 per cent (10.1) of the number of fund transactions. Income from Avanza Markets also rose substantially, to SEK 29 million (SEK 19m). Income from Corporate Finance increased slightly to SEK 14 million (SEK 13m).

Operating expenses

Operating expenses decreased by 4 per cent. All costs decreased except for marketing, which normally is higher at the beginning of the year. The biggest decrease was in depreciation due to an extraordinary write-down of leased assets of SEK 8.3 million in the fourth quarter. The write-down was made because the office on Vasagatan in Stockholm will be moved back to Regeringsgatan and relates to the risk of paying for unused premises from October of this year. In connection with the move, estimated moving costs of SEK 11 million for 2020 will also be recognised, partly due to the double rent from June to September. Estimated cost growth for 2020 of 12 per cent includes neither the write-down of SEK 8.3 million in 2019 nor the extraordinary costs associated with the move in 2020.

Personnel costs were slightly lower, as were other expenses, which mainly decreased as a result of lower costs for external services.

First quarter 2020 compared to first quarter 2019

Operating profit increased by 261 per cent compared to the first quarter of 2019. Operating income more than doubled, while operating expenses increased by 9 per cent. As a result, the operating margin rose to 67 per cent from 37 per cent and the return on equity was 64 per cent.

Revenues

Revenues increased, which was mainly due to higher net brokerage income and other income. Remaining income items improved as well.

Net brokerage income increased by 138 per cent. This was a result of 130 per cent more commission-generating notes, 98 per cent higher commission-generating turnover and higher brokerage income per SEK of turnover. Brokerage income per SEK of turnover increased from 9.4 to 10.8 basis points, since a higher share of brokerage income was generated in lower brokerage fee classes. The number of commission-generating customers was record high and increased by 59 per cent.

Fund commissions increased by 34 per cent due to higher average fund capital. Fund capital decreased by 22 per cent in the quarter and is on the same level as at the end of the first quarter 2019. Income per SEK of fund capital was unchanged at 0.33 per cent.

Net interest income increased by 87 per cent, mainly due to an improved return on surplus liquidity. The repo rate was raised by 25 basis points on 8 January 2020 to 0 per cent and the average STIBOR (3M) was 26 basis points higher than last year. The bond portfolio is managed with an average interest duration of 3 months linked to STIBOR. Net interest income also improved significantly because rates on margin lending and Private Banking mortgages were raised by 25 and 20 basis points respectively in connection with the January repo rate hike. Average lending volumes were also higher. All else being equal, without taking changes in customer behaviour into account, a 1 percentage point change in the repo rate with today's volumes and our customers' high share of liquidity would affect full-year net interest income by around SEK 450 million, to be compared with around SEK 300 million at year-end. The effect is smaller on the downside than the upside because of the interest rate floor on Private Banking mortgages of -20 basis points against the repo rate. The Riksbank's own forecast indicates a rate hike at the end of 2022. The percentage rate to calculate the resolution fee was cut in 2020 from 0.09 per cent to 0.05 per cent. In spite of this, the deposit guarantee fee and resolution fee were unchanged due to higher volumes and in the first quarter of 2020 amounted to SEK 8 million (SEK 8m).

Other income increased by 135 per cent, mainly due to significantly higher currency-related income, which amounted to SEK 73 million (32). Income from Avanza Markets and Corporate Finance was also significantly higher and amounted to SEK 29 million (SEK 19m) and SEK 14 million (SEK 4m) respectively. Other commission expenses decreased, mainly because Stabelo has taken over administration costs for external mortgages from the beginning of the year. Distribution compensation was only marginally affected by this.

Operating expenses

Operating expenses for the quarter increased by 9 per cent. The increase is due to higher personnel costs and other expenses. Personnel costs rose due to a higher number of employees, mainly resulting from increased development capacity. Because of the financial straits many companies find themselves in related to covid-19, the government has decided to reduce social security contributions for companies with up to 30 employees. Since Avanza has not been and is

not expected to be greatly impacted by covid-19, a decision was made that the companies in the Avanza Group will not apply for reduced social security contributions. Other expenses increased mainly due to higher costs for IT and premises. Marketing costs and depreciation were unchanged.

The long-term guidance on Avanza's annual cost growth is 9–12 per cent. The cost increase for the full-year is estimated at 12 per cent, as announced at the end of March. This is an increase from the previous estimate of around 10 per cent, but within the long-term cost guidance. The estimated cost increase is a result of a number of initiatives which have been brought forward in response to the strong growth and to maintain high customer satisfaction. The increase mainly relates to the additional employees in customer service and our backoffice, but also in IT development. The latter increase is designed in part to improve the stability of the website. The guidance for the year includes neither the write-down of leased assets of SEK 8.3 million for 2019 nor the extraordinary costs associated with the move estimated at SEK 11 million for 2020.

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

The cost to savings ratio decreased by 2 basis points to 0.18 per cent. Given continued strong growth in customers and savings capital, as well as further efficiency improvements, the long-term ambition is to reduce the cost to savings capital ratio to 0.16 per cent, in line with the best international peers in the industry. This makes Avanza resilient in various market conditions at the same time that it provides an important competitive advantage. In the last five years, Avanza has cut its cost to savings capital ratio from 0.29 to 0.19 per cent on a full-year basis.

Credit losses

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

Result from participations in associated companies

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

Taxes

The tax rate in the quarter increased to 15.5 per cent (13.0) because a higher share of revenues was generated in the bank, where the ordinary corporate tax rate applies, in contrast with the insurance company, where most of the revenues are taxed according to tax laws applicable to life insurance companies. Because of this and based on current volumes, the effective tax rate in 2020 is estimated at nearly 15 per cent, from the previous estimate of around 14 per cent. The Swedish corporate tax rate is 21.4 per cent. A reduction to 20.6 per cent will take effect in 2021.

Seasonal effects

Avanza has no major seasonal variations, except from the third quarter which is characterised by lower personnel costs,

due to employees' summer vacation, and also seasonally low Corporate Finance activity. The company's financial results are rather impacted by cyclical market factors such as stock market development, volatility and the repo rate. Customer and net inflow are normally higher at the beginning of the year.

Future outlook

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

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

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

These trends and changes are expected to continue to drive development in the future with regard to digitisation, customer offers and digital decision support, and provide a favorable growth climate for Avanza. Avanza's growth objectives includes attracting broader target groups – experienced and established investors as well as new ones – and attracting a larger proportion of existing customer's savings by offering new products and services. Avanza's modern platform, high user experience, low prices and broad range of products and services provide ample opportunity to meet savers' changing needs and habits. Growth among new customers is expected to increase the share of fund savings at Avanza, which, together with the growth objectives in pensions and mortgages, reduce sensitivity to market fluctuations.

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

Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018	Q1-2018
Net brokerage income	268	123	126	105	112	111	111	92	122
Fund commissions	96	91	86	83	72	74	81	74	72
Net interest income	74	58	53	51	39	29	31	29	29
Other income	104	56	48	46	44	53	44	49	48
Operating income	542	329	313	284	268	267	267	244	271
Personnel	-111	-115	-90	-107	-103	-97	-83	-97	-90
Marketing	-8	-3	-4	-3	-8	-4	-5	-3	-5
Depreciation ¹	-14	-22	-14	-14	-14	-5	-5	-5	-5
Other expenses ^{1,2}	-45	-48	-40	-42	-40	-84	-42	-48	-52
Operating expenses before credit losses	-179	-187	-148	-166	-164	-190	-135	-153	-152
Credit losses, net	1	0	-0	2	0	0	-0	-1	0
Profit/loss from participations in associated companies	-2	-2	-2	-2	-2	-1	-	-	-
Operating profit	361	140	163	117	100	76	132	90	120
Operating margin, %	67	43	52	41	37	29	49	37	44
Earnings per share before dil., SEK ³	1.98	0.79	0.91	0.67	0.57	0.40	0.71	0.53	0.69
Shareholders' equity per share before dilution, SEK ^{3,4}	11.95	12.65	11.96	10.10	9.35	10.66	10.16	8.82	8.32
Return on shareholders' equity, %	64	26	33	27	23	15	30	25	31
Net inflow	21,900	6,820	9,940	8,270	7,570	6,360	8,380	4,840	7,960
No. of new customers (net)	86,100	37,300	36,800	31,500	33,600	28,600	32,200	23,300	42,400
No. of customers at the end of the period	1,062,500	976,400	939,100	902,300	870,800	837,100	808,500	776,400	753,100
Savings capital at the end of the period	368,200	407,700	377,100	359,300	335,700	300,000	331,000	307,100	288,700
Income to savings capital ratio, %	0.56	0.34	0.34	0.33	0.34	0.34	0.33	0.33	0.38
Costs to savings capital ratio, % ⁵	0.18	0.19	0.16	0.19	0.21	0.20	0.17	0.21	0.21

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

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

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

4) The holding in Stabelo has been revalued in connection with the transition to IFRS 9, resulting in an increase of SEK 10 million in the opening balance 2018. Historical figures and key ratios have been adjusted.

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

Financial position

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

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

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

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and the first quarter 2020 total credit losses amounted to close to SEK 12 million, which is the equivalent, on average, to less than 0.03 per cent per year.

Significant risks and uncertainty factors

Avanza's operations are exposed to risks on a daily basis. These risks are measured, controlled and, where necessary, acted upon, in order to protect the company's capital and

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

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

The Parent Company Avanza Bank Holding AB (publ)

Avanza Bank Holding AB (publ) is the Parent Company in the Avanza Group. The operating result for the first quarter was SEK -6 million (SEK -5m). The Parent Company does not report any revenues.

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

Capital surplus

SEK m	31-03-2020	31-12-2019 ³
Own funds		
Shareholders' equity, the Group	1,838	1,945
Solvency capital	1,114	1,294
Less non-distributable solvency capital ¹	-161	-186
Subordinated loan	67	80
Additional value adjustments	-33	-20
Intangible assets and deferred tax receivables	-74	-76
Own funds before dividend adjustments	2,750	3,037
Capital requirements		
Capital requirement Pillar 1	-1,562	-1,721
of which Solvency capital requirement ¹	-953	-1,108
Buffer requirement	-189	-378
Capital requirement Pillar 2	-119	-113
Capital requirements	-1,869	-2,212
Capital surplus before dividend	881	825
Capital surplus per share, SEK ²	5.73	5.36

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

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

3) An adjustment has been made in the calculation of the institution-specific capital buffer requirement, which affects some of the amounts as at 2019-12-31. The adjusted figures have been reported to the Swedish FSA.

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

The capital surplus, i.e. the maximum amount available for dividend payments and repurchases of the company's own shares, totaled SEK 881 million as of 31 March 2020.

The Solvency 2 rules means that the conglomerate's largest sector is the insurance sector. As a result, the Group's own funds is increased by additional solvency capital at the same time that the capital requirement rises. The net effect, which is positive, does not constitute distributable capital. Consequently, this is deducted as non-distributable solvency capital.

Leverage ratio

A regulatory requirement for the leverage ratio of 3 per cent will be introduced as of 28 June 2021. As at 31 March the leverage ratio for the consolidated situation was 2.5 per cent, compared with 3.5 per cent at the year-end. The level of the ratio including an internal buffer is currently being investigated and will be communicated well in advance of the requirement being introduced. The ratio is negatively affected by increased deposits, which is why the ratio has decreased since the year-end. Avanza's leverage ratio can be improved through increased Tier 1 capital and by reducing the balance sheet and off-balance sheet commitments, see Note 8 for details.

Other corporate events

Executive Management

Birgitta Hagenfeldt, CFO and Deputy CEO of Avanza, has decided to leave Avanza in the summer of 2021 and no longer work in an operational role. Birgitta has been Avanza's CFO since 2008 and Deputy CEO since spring 2017. The recruitment of a new CFO has begun.

Annual General Meeting 2020

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

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

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

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

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

Incentive programmes

The Annual General Meeting 2020 authorised a new incentive programme based on warrants. The programme runs for three years and comprises a maximum of 2,250,000 warrants, each of which grants entitlement to subscribe for one share in the company. If all the warrants are exercised, the dilution effect is a maximum of 1.5 per cent.

Repurchase of the company's own shares

The Board of Directors has from the Annual General Meeting 2020 been authorised to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during the first quarter 2020 and the company holds no repurchased shares as of 31 March 2020.

Transactions with associated parties

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

Significant events after the end of the reporting period

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

Consolidated Income Statement

SEK m	Note	2020 Q1	2019 Q1	2019-2020 Apr-Mar	2019 Jan-Dec
Operating income					
Commission income	1, 2	538	279	1,450	1,191
Commission expenses	3	-70	-51	-219	-200
Interest income calculated using the effective interest method		82	52	283	253
Other interest and similar income		10	9	37	36
Interest expenses		-18	-21	-84	-87
Net result of financial transactions		0	0	0	0
Other operating income		-	0	0	0
Total operating income		542	268	1,467	1,193
Operating expenses					
General administrative expenses		-152	-138	-582	-569
Depreciation of tangible and intangible fixed assets		-14	-14	-64	-63
Other operating expenses		-12	-12	-34	-34
Total operating expenses before credit losses		-179	-164	-680	-666
Operating profit before credit losses		363	103	787	528
Credit losses, net		1	-1	2	0
Profit/loss from participations in associated companies		-2	-2	-8	-8
Operating profit		361	100	781	520
Tax on profit for the period		-56	-13	-116	-73
Net profit¹		305	87	665	447
Earnings per share before dilution, SEK ²		1.98	0.57	4.35	2.94
Earnings per share after dilution, SEK ²		1.98	0.57	4.35	2.94
Average no. shares before dilution, thousands ²		153,786	151,365	152,715	152,115
Average no. shares after dilution, thousands ²		153,992	151,509	152,715	152,115
Outstanding no. shares before dilution, thousands ²		153,786	151,365	153,786	153,786
Outstanding no. shares after dilution, thousands ²		153,786	151,509	153,786	154,125
No. shares upon full dilution, thousands ²		160,536	158,315	160,536	160,536

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

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

Consolidated statement of comprehensive income

SEK m		2020 Q1	2019 Q1	2019-2020 Apr-Mar	2019 Jan-Dec
Net profit		305	87	665	447
<i>Items that will be reversed to the income statement</i>					
Changes in fair value of financial instruments ¹		-75	41	-97	19
Tax on changes in fair value of financial instruments ¹		16	-9	21	-4
<i>Items that will not be reversed to the income statement</i>					
Changes in value of associated companies		-	-	-	-
Tax on changes in value of associated companies		-	-	-	-
Other comprehensive income after tax		-59	33	-76	15
Total comprehensive income after tax²		246	120	588	462

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

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

Consolidated Balance Sheet

SEK m	Note	31-03-2020	31-12-2019
Assets			
Balances at central banks		661	1,340
Treasury bills eligible for refinancing		7,936	–
Lending to credit institutions	4	1,694	1,766
Lending to the public	5	13,809	13,106
Bonds		24,789	19,782
Shares and participations		0	0
Shares and participations in associated companies		105	108
Assets in insurance operations		104,183	116,369
Intangible fixed assets		74	76
Right-of-use asset		67	76
Tangible fixed assets		38	35
Other assets		5,409	3,022
Prepaid costs and accrued income		246	262
Total assets		159,011	155,942
Liabilities and shareholders' equity			
Deposits by the public		51,593	36,400
Liabilities in insurance operations		104,184	116,370
Lease liability		77	86
Other liabilities		1,102	945
Accrued costs and prepaid income		118	97
Subordinated liabilities		100	100
Shareholders' equity		1,838	1,945
Total liabilities and shareholders' equity		159,011	155,942

Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
January - March 2019					
Shareholders' equity 31-12-2018	76	484	-6	1,061	1,614
Net profit for the period	–	–	–	87	87
Other comprehensive income for the period	–	–	33	–	33
Total comprehensive income for the period	–	–	33	87	120
Transactions with owners					
Dividend paid	–	–6	–	–312	–318
Shareholder's equity 31-03-2019	76	478	27	836	1,416
January - December 2019					
Shareholder's equity 31-12-2018	76	484	-6	1,061	1,614
Net profit for the period	–	–	–	447	447
Other comprehensive income for the period	–	–	15	–	15
Total comprehensive income for the period	–	–	15	447	462
Transactions with owners					
Dividend paid	–	–6	–	–312	–318
New issue (exercise of warrants)	1	181	–	–	183
Warrants issue	–	4	–	–	4
Shareholders' equity 31-12-2019	77	663	9	1,196	1,945
January - March 2020					
Shareholders' equity 31-12-2019	77	663	9	1,196	1,945
Net profit for the period	–	–	–	305	305
Other comprehensive income for the period	–	–	–59	–	–59
Total comprehensive income for the period	–	–	–59	305	246
Transactions with owners					
Dividend paid	–	–202	–	–152	–354
Shareholders' equity 31-03-2020	77	462	–50	1,349	1,838

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

Consolidated Cash Flow Statement

	2020 Q1	2019 Q1
SEK m		
Operating activities		
Operating profit	361	100
Adjustment for items not included in cash flow	6	6
Taxes paid	465	-90
Changes in operating activities' assets and liabilities	11,729	1,416
Cash flow from operating activities	12,560	1,432
Investment operations		
Acquisition and disposals of intangible and tangible fixed asset	-7	-2
Acquisition of shares and participations	-	-
Investment in treasury bills eligible for refinancing	-7,936	-
Investment in bonds	-5,065	-2,557
Cash flow from investment operations	-13,008	-2,558
Financial operations		
Cash dividend	-354	-318
Subordinated bond	0	0
New issue (exercise of warrants)	-	-
Warrants issue	-	-
Cash flow from financial operations	-354	-318
Cash flow for the period	-801	-1,445
Liquid assets at the beginning of the period ¹	3,077	3,797
Liquid assets at the end of the period ¹	2,276	2,352
Change	-801	-1,445

1) Liquid assets are defined as balances at central banks plus lending to credit institutions excluding pledged assets. At the end of the period SEK 80 million (SEK 239m) of consolidated liquid assets are pledged as collaterals.

Parent Company Income Statement

	2020 Jan-Mar	2019 Jan-Mar
SEK m		
Operating expenses		
Administration expenses	-4	-3
Other operating expenses	-2	-2
Operating profit/loss	-6	-5
Profit from financial investments		
Profit/loss from participations in Group companies	20	-
Interest expenses and similar items	-	-0
Profit/loss before tax	14	-5
Tax on profit/loss for the period	-3	1
Net profit/loss for the period	11	-4

Parent Company statement of comprehensive income

	2020 Jan-Mar	2019 Jan-Mar
SEK m		
Net profit/loss for the period	11	-4
Other comprehensive income after tax	-	-
Total comprehensive income after tax	11	-4

Parent Company Balance Sheet

SEK m	31-03-2020	31-12-2019
Assets		
Financial fixed assets	533	533
Current receivables ¹	8	354
Liquid assets	3	0
Total assets	545	887
Shareholders' equity and liabilities		
Restricted shareholders' equity	77	77
Non-restricted shareholders' equity	460	803
Current liabilities	8	7
Total shareholders' equity and liabilities	545	887

1) Of which receivables from subsidiaries SEK 107 million (SEK 352m as of 31-12-2019).

Accounting principles

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

Accounting principles and calculation methods for both the Group and the Parent Company remain unchanged from those applied in the Annual Report 2019.

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

Notes

Note 1 Revenue from contracts with customers

SEK m	2020 Q1	2019 Q1	2019-2020 Apr-Mar	2019 Jan-Dec
Trading in commission-generating securities	366	159	861	654
Fund savings	109	78	389	359
Corporate services	14	4	37	27
Other commission income	50	38	163	151
Total	538	279	1,450	1,191
<i>Timing of revenue recognition</i>				
Service or goods transferred to customer at a specific point in time	538	279	1,450	1,191
Service or goods transferred to customer over time	–	–	–	–
Total	538	279	1,450	1,191

Revenue from contracts with customers largely comes from securities trading and includes profit from exchange income of SEK 73 million (SEK 32m) in the lines Trading in commission-generating securities and Fund savings for the first quarter 2020.

Note 2 Commission income

SEK m	2020 Q1	2019 Q1	2019-2020 Apr-Mar	2019 Jan-Dec
Gross brokerage income	306	134	728	556
Fund commissions	96	72	357	332
Other commission income ¹	136	74	366	303
Total	538	279	1,450	1,191

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

Note 3 Commission expenses

SEK m	2020 Q1	2019 Q1	2019-2020 Apr-Mar	2019 Jan-Dec
Transaction costs ¹	-38	-22	-107	-90
Payment services commissions	-19	-11	-61	-54
Other commission expenses ²	-13	-18	-51	-56
Total	-70	-51	-219	-200

1) Costs directly related to brokerage income.

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

Note 4 Lending to credit institutions

Client fund receivables, attributable to banking business, amounted at the end of the period to SEK 1,880 million (SEK 1,421m as of 31 December 2019) which are reported net against client fund payables of SEK 1,880 million (SEK 1,421m as of 31 December 2019). Of the liquid assets of SEK 2,356 million as per the end of the period, SEK 80 million were pledged as collateral, mainly referring to Swedish credit institutions and the stock exchange.

Note 5 Lending to the public

Lending to the public is reported after deduction for confirmed and expected credit losses. At the end of the period the accumulated provisions for expected credit losses amounted to SEK 10 million (SEK 10m as of 31 December 2019). The change in the accumulated provision for expected credit losses has affected the result of the first quarter by SEK 1 million.

SEK 1,147 million (SEK 0m as per 31 December 2019) of lending to the public at the end of the period was covered in its entirety by cash pledged on endowment insurance accounts. This portion of lending does not affect net interest income, since the deposit rate is the same as the lending rate. The rest of lending to the public amounted to SEK 12,662 million, of which SEK 4,278 million (SEK 5,156m as of 31 December 2019) with collateral in the form of securities and SEK 8,384 million (SEK 7,949m as of 31 December 2019) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 9,363 million (SEK 8,936m as of 31 December 2019) has been granted at the end of the period, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 976 million (SEK 984m as of 31 December 2019).

Note 6 Financial instruments

Classification of financial instruments

31-03-2020 SEK m	Fair value via Income Statement	Amortised cost	Fair value via Other comprehensive income	Non-financial instruments	Total
Assets					
Balances at central banks	–	661	–	–	661
Treasury bills eligible for refinancing	–	–	7,936	–	7,936
Lending to credit institutions	–	1,694	–	–	1,694
Lending to the public	–	13,809	–	–	13,809
Bonds	–	–	24,789	–	24,789
Shares and participations	0	–	–	–	0
Shares and participations in associated companies	–	105	–	–	105
Assets in insurance operations	87,200	16,983	–	–	104,183
Intangible assets	–	–	–	74	74
Right-of-use asset	–	–	–	67	67
Tangible assets	–	–	–	38	38
Other assets	–	5,409	–	–	5,409
Prepaid costs and accrued income	–	203	–	42	246
Total assets	87,200	38,865	32,725	222	159,011
Liabilities					
Deposits by the public	–	51,593	–	–	51,593
Liabilities in insurance operations	104,183	–	–	1	104,184
Lease liabilities	–	–	–	77	77
Other liabilities	–	1,065	–	37	1,102
Accrued costs and prepaid income	–	71	–	46	118
Subordinated liabilities	–	100	–	–	100
Total liabilities	104,183	52,830	–	162	157,174

Financial instruments valued at fair value

31-03-2020, SEK m	Level 1	Level 2	Level 3	Total
Assets				
Equities	48,158	0	0	48,158
Fund units	36,589	0	–	36,589
Bonds and other interest-bearing securities	34,186	547	–	34,733
Other securities	391	55	–	445
Total assets	119,323	602	0	119,925
Liabilities				
Liabilities in insurance operations (investment agreements)	–	104,183	–	104,183
Total liabilities	–	104,183	–	104,183

Fair value

In the case of financial instruments reported at amortised cost, incurring variable interest, or with short maturities, the reported value and fair value are equal. The fair value of those financial instruments reported at fair value, primarily assets in the insurance operations and bonds and other interest-bearing securities 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 and other interest-bearing securities 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 and funds pertaining to the insurance operations and bonds and other interest-bearing securities in Avanza's liquidity portfolio are included in this category.
- Level 2 – Input data other than the quoted prices included in Level 1, but which are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Liabilities in the insurance operations are included in

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

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

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

Note 7 Capital requirement for the financial conglomerate

SEK m	31-03-2020	31-12-2019 ²
Own funds		
Shareholders' equity, the Group		
Shareholders' equity, the Group	1,838	1,945
Less profits which are not audited	-246	-
Assumed/Proposed dividend	-	-354
Shareholders' equity, financial conglomerate	1,592	1,592
Additional		
Solvency capital ¹	1,114	1,294
Subordinated loan	67	80
Less		
Additional value adjustments	-33	-20
Intangible assets	-74	-76
Deferred tax receivables	-	-
Total own funds	2,666	2,870
Own funds per sector		
Own funds for regulated units in the insurance sector ¹	1,298	1,492
Own funds for regulated units within the banking and investment services sector	1,368	1,378
Total own funds	2,666	2,870
Capital requirement per sector		
Capital requirement for regulated units in the insurance sector ¹	953	1,108
Capital requirement for regulated units within the banking and investment services sector	917	1,105
of which additional buffer requirement	189	378
of which additional Pillar 2 requirement	119	113
Total capital requirement	1,869	2,212
Capital surplus		
Own funds/Capital requirement	1.43	1.30

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

2) An adjustment has been made in the calculation of the institution-specific capital buffer requirement, which affects some of the amounts as at 2019-12-31. The adjusted figures have been reported to the Swedish FSA.

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

During the year only audited profits are included in the calculation of shareholder's equity for the financial conglomerate. Adjustments are made for assumed or proposed dividend if the profit for the period has been audited. Assumed dividend refers to the current period and the proposed dividend is dividend proposed by the Board of Directors to the Annual General Meeting for the full financial year.

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

Note 8 Own funds and capital requirement for the consolidated situation

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

SEK m	31-03-2020	31-12-2019 ²
Tier 1 capital		
Shareholders' equity, consolidated situation	1,654	1,865
Less profits which are not audited	-142	-
Assumed/Proposed dividend	-	-354
Equity, consolidated situation (adjusted for assumed/proposed dividend)	1,511	1,511
<i>Deducted items</i>		
Additional value adjustments	-33	-20
Intangible assets	-74	-76
Deferred tax receivables	-	-
Significant holdings in the financial sector ¹	-3	-5
Common equity tier 1 capital	1,401	1,411
Subordinated loan	67	80
Tier 2 capital	67	80
Total own funds	1,468	1,490
Capital requirement		
Credit risk according to the standardised approach	533	522
Market risk (position risk)	0	0
Settlement risk	0	0
Credit valuation adjustment risk according to the standardised method	-	-
Operational risk according to the standardised approach	116	147
Capital requirement	649	669
Risk exposure amount		
Credit risk according to the standardised approach	6,660	6,530
of which exposures to institutions (risk weight 20%)	336	350
of which exposures to corporates (risk weight 100%)	61	73
of which retail exposures (risk weight 75%)	168	310
of which exposures secured by mortgages on immovable property (risk weight 35%)	2,962	2,809
of which exposures to covered bonds (risk weight 10%)	2,365	1,879
of which exposures to equity (risk weight 250%)	351	353
of which exposures to other items (risk weight 100%)	418	756
Market risk (position risk)	1	0
Settlement risk	0	2
Credit valuation adjustment risk according to the standardised method	-	-
Operational risk according to the standardised approach	1,449	1,836
Total risk exposure amount¹	8,109	8,367
Capital ratios and buffers		
Common equity tier 1 ratio, %	17.3	16.9
Tier 1 ratio, %	17.3	16.9
Total capital ratio, %	18.1	17.8
Own funds in relation to capital requirement	2.26	2.23
Institution-specific buffer requirement, %	2.5	5.0
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	-	2.5
Total capital requirement including buffer requirement, %	10.5	13.0
Common equity tier 1 capital available for use as a buffer, %	12.8	12.4
Total own funds	1,468	1,490
Capital requirement (8%)	-649	-669
Buffer requirement	-203	-418
Additional Pillar 2 requirement	-122	-120
Total capital requirement	-974	-1,208
Capital surplus after buffer requirement and Pillar 2	494	283
Leverage ratio		
Total exposure amount leverage ratio	55,899	40,868
Tier 1 capital	1,401	1,411
Leverage ratio, %	2.5	3.5

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

2) An adjustment has been made in the calculation of the institution-specific capital buffer requirement, which affects some of the amounts as at 2019-12-31. The adjusted figures have been reported to the Swedish FSA.

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, 21 April 2020

Rikard Josefson
CEO

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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 (CEST) on 21 April 2020.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 21 April 2020 at 10.00 (CEST). The presentation will be held in English and there will be opportunities to ask questions. The presentation can be followed at investors.avanza.se. Phone number for participants:

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- Confirmation code: 38713286#

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

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

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

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Financial calendar

Interim Report January – June 2020	14 July 2020
Interim Report January – September 2020	20 October 2020
Preliminary Financial Statement 2020	January 2021

Definitions

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

Brokerage per commission note²⁾

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

Brokerage/Turnover²⁾

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

Client funds²⁾

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

Commission note

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

Costs per customer²⁾

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

Costs to savings capital ratio²⁾

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

Credit loss level¹⁾

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

Customer

Individual or company with at least one account with holdings or an external mortgage.

Deposits

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

Deposits/Savings capital

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

Earnings per share¹⁾

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

eNPS

Employee Net Promoter Score, i.e. employees' recommendation level, according to Avanza's pulse surveys.

Equity per share¹⁾

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

External deposits

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

Fund commissions²⁾

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

Income per customer²⁾

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

Income to savings capital ratio²⁾

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

Internally financed lending

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

Net brokerage income²⁾

Gross brokerage income less direct costs.

Net inflow

Deposits, less withdrawals, of liquid assets and securities.

Operating expenses¹⁾

Operating expenses before credit losses.

Operating margin¹⁾

Operating profit/loss in relation to operating income.

Own funds³⁾

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

Profit margin¹⁾

Profit/loss after tax in relation to operating income.

Return on assets¹⁾

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

Return on equity¹⁾

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

Savings capital

The combined value of accounts held with Avanza.

Solvency capital³⁾

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

Solvency capital requirement³⁾

Estimated capital requirements under Solvency 2 rules.

Turnover

Turnover in security trading.

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

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

3) Key ratios that are reported with respect to F1's regulations and general guidelines, see Note 7 and 8 of capital adequacy.