



# Interim Report

## January–September 2016

- Growth in number of customers remained strong in the third quarter. During the nine-month period the number of new customers was 73,700. The annual target of 46,760 new customers was surpassed already before the end of the second quarter
- Net inflow in the third quarter was SEK 5,920 million, an increase by 18 per cent compared to the previous year. For the nine-month period net inflow increased by 5 per cent compared to last year
- Operating income increased by 9 per cent compared to the third quarter 2015, primarily due to increased income from Avanza Markets and higher fund commissions. Compared to the second quarter, income was slightly lower as a result of seasonally low Corporate Finance activity
- Operating expenses increased by 4 per cent compared to the previous year, primarily due to increased number of employees. Compared to the second quarter, expenses were lower, mainly due to seasonally low personnel costs. The announced increase in full-year expenses of 8–10 per cent remains unchanged
- Net profit for the third quarter was SEK 105 million, an increase by 13 per cent compared to the previous year. Compared to the second quarter, net profit increased by 12 per cent, mainly due to lower operating expenses
- Increased digitisation and pending regulations for the financial sector provide good opportunities for Avanza to further strengthen its position. The pace of development will therefore be increased, which is expected to generate increased expenses at a rate of 15–20 per cent in 2017 before returning to a rate of 8–10 per cent

	Q3 2016	Q2 2016	Change %	Q3 2015	Change %	Jan–Sep 2016	Jan–Sep 2015	Change %
Operating income, SEK m	220	225	-2	203	9	671	652	3
Operating expenses, SEK m	-98	-113	-13	-95	4	-323	-307	5
Operating profit, SEK m	122	111	10	108	13	348	345	1
Net profit, SEK m	105	94	12	94	13	298	297	0
Earnings per share, SEK	3.53	3.18	11	3.19	11	10.06	10.19	-1
Operating margin, %	55	49	6	53	2	52	53	-1
Net inflow, SEK m	5,920	9,430	-37	5,010	18	20,300	19,400	5
No. new customers (net)	24,500	23,100	6	20,400	20	73,700	72,700	1
Savings capital at the end of the period, SEK m	222,900	199,200	12	170,700	31	222,900	170,700	31

### Quarterly highlights

- Avanza's new CEO Johan Prom, who was presented in July, will assume his position by 7 November 2016. Henrik Källén remains as Acting CEO until then
- New price list for Private Banking customers which allows them to choose the brokerage fee class best suited to their trading
- Top score of 70 in Net Promoter Score, concerning customers' recommendation rate
- Record high market share of 15.2 per cent regarding number of transactions on the stock exchange

# 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 a digital bank and pension provider, challenging the major banks among others. Avanza is driving the long-term development of new financial products and services on the Swedish savings market – a market with considerable growth potential.

Avanza offers leading digital services for savings with the market's broadest range of savings products, simple decision-making tools and a strong occupational pension offering. Customers are offered cost-effective ways to save without fixed account charges in Swedish and foreign securities, currency and savings accounts. Avanza primarily targets private savers in Sweden, but also offers services for professional traders and corporate customers, such as small businesses, 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 Mid Cap (short name AZA).

For more information about Avanza, see [avanza.se](http://avanza.se) and [avanza.com](http://avanza.com).



## Our vision & business model

Avanza wants to create a better future for millions of people. We do so by offering the best savings alternatives and at the same time providing guidance and education to help customers increase their savings knowledge and make sound investment decisions. Our promise to customers is that they can get a better return on their savings with us than with any other bank. Through a better, less expensive and simpler offering, we want to create a world-class customer experience. To fulfil our promise to customers and at the same time create value for shareholders, we have a business model based on the law of large numbers. Strong customer growth, combined with the market's lowest cost to savings capital ratio, generates higher long-term operating income. Cost effectiveness and economies of scale are achieved through continuous development, digitisation and internal efficiencies. This also reduces operational risks and increases stability.

## Our long-term targets

Satisfied customers:

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

Satisfied shareholders:

- Market share of at least 7 per cent of the total net inflow to the Swedish savings market
- Annual customer growth of at least 10 per cent of the customer base at the beginning of the year
- Dividend shall amount to at least 70 per cent of the profit of the year
- Cost increase shall not exceed the income growth

Satisfied employees:

- NPS (Net Promoter Score) over 40

Quarterly overview	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 <sup>2)</sup> 2014
Operating income, SEK m <sup>1)</sup>	220	225	226	253	203	227	222	189	163
Operating profit, SEK m	122	111	115	140	108	121	115	82	71
Operating margin, % <sup>1)</sup>	55	49	51	56	53	53	52	43	44
Earnings per share, SEK	3.53	3.18	3.35	4.03	3.19	3.57	3.43	2.36	2.10
Shareholders' equity per share, SEK	40.44	36.64	41.71	38.37	34.33	30.97	24.65	28.22	25.85
Return on shareholders' equity, %	9	8	8	11	10	13	13	9	8
Net inflow, SEK m	5,920	9,430	4,960	5,790	5,010	4,370	10,000	5,940	4,560
No. new customers (net)	24,500	23,100	26,100	23,700	20,400	20,500	31,800	15,900	12,800
No. customers at the end of the period	541,300	516,900	493,800	467,600	443,900	423,500	403,000	371,200	355,300
Savings capital at the end of the period, SEK m	222,900	199,200	188,900	191,600	170,700	170,000	168,200	141,900	133,400
Income to savings capital ratio, annualised, % <sup>1)</sup>	0.42	0.46	0.48	0.56	0.48	0.54	0.57	0.55	0.49
Costs to savings capital ratio, annualised, % <sup>1)</sup>	0.19	0.23	0.23	0.25	0.22	0.25	0.28	0.31	0.28

1) As of 2016, the deposit guarantee fee and the resolution fee are reported as interest expenses and has therefore been transferred from other operating expenses to net interest income. Historical numbers have been adjusted.

2) Operating profit in the third quarter of 2014 was burdened by provisions of SEK 8 million concerning VAT referring to 2010–2012.

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

## Comments of the CEO

### **Innovative product development an important part of our business model**

Avanza began the summer with a strengthened customer offering. The mobile customer experience was improved by allowing direct deposits from other banks and the Private Banking offer was made more attractive through lower mortgage rates and a new price list. Equity trading for savers with a smaller savings capital was improved as well, through the introduction of Avanza Start. These efforts, coupled with our existing offering, paid off with a net inflow of SEK 5.9 billion and 24,500 new customers during the third quarter. This resulted in a higher profit than both the second quarter of this year and the third quarter of 2015 and underscores the strength of our business model and the importance of innovative product development.

### **Good customer activity and higher risk appetite**

After Brexit pounded the stock market in late June, we saw a rebound in the third quarter, with the Stockholm Stock Exchange posting a 10 per cent gain. The number of Avanza customers who trade stocks stayed at record levels and impacted trading data. We consolidated our top position on the Stockholm Stock Exchange and First North with a share of transactions of over 15 per cent. Our customers were net buyers in the stock market, which is reflected in lower deposits and higher risk appetite. Margin lending as well as equity trading on foreign exchanges increased.

We were especially pleased with reaching a NPS of 70 during the quarter in our regular survey of customer satisfaction. The Net Promoter Score shows our customers' recommendation rate. This is an extremely high result which we will continue to make the most of.

### **Increased profit and a strong cost position**

Although lending increased during the quarter, negative interest rates continued to put pressure on net interest income. Brokerage income rose by 3 per cent during the quarter. Fund capital grew and savings gradually shifted more to equity and mixed funds, which strengthened commission income. The Portfolio Generator, Avanza's first digital decision-making support tool for fund savings launched just over a year ago, continues to attract fund capital. Our customers have invested as much as SEK 1.3 billion in various funds through the Portfolio Generator, an increase of 30 per cent since 30 June. This encourages us to make further investment in digital decision-making support. Avanza Markets continues to develop strongly, with a market share of 67 per cent during the quarter, and now accounts for a growing share of other income. Corporate transactions were seasonally low on the other hand, but are expected to increase later in the year if the investment climate remains.

Expenses are seasonally lower in the third quarter. The previously announced rate of an increase of 8–10 per cent for the full-year 2016 remains unchanged, which means that costs for the fourth quarter will increase around 20 per cent compared to the same period 2015.

Avanza's business model is based on scalability in order to always give our customers a less expensive, better and easier offering than any other bank – more for the customer and less for

the bank. This is what is driving customer inflows and growth in savings capital, which in turn generates income. Our cost position is a critical success factor and also our way to offset lower income due to changing customer behaviours and market trends. During the quarter, we further cut our costs per savings ratio. We continue to improve efficiencies and automate internal processes in order to lower costs. Our strong cost position is an important competitive advantage, which also allows us to continue to invest to attract customers and savings capital.

### **We increase our efforts**

The financial sector is facing major changes as a result of digitisation and regulatory changes. We see good opportunities in this regard to strengthen Avanza's position as Sweden's best platform for savings and investments. During the year, and especially in the third quarter, we saw confirmation that our digital decision-making support and an improved mobile user experience have a positive impact on growth. In order to raise the growth rate and further improve our customer offer we will invest greater resources during 2017, with a focus on an improved user experience. Avanza is bursting with innovation and everything we want to do to improve our savings offer while truly focusing on the customer. More resources will give us the best opportunity to develop Avanza's offering without losing momentum in an industry where competition is increasing from new Fintech companies as well. We estimate that expenses will rise by 15–20 per cent in 2017 before returning to a rate of 8–10 per cent in 2018.

On 7 November, Johan Prom will assume his position as CEO. Personally, I will return to my role as COO and Deputy CEO. We welcome our new captain to Avanza!

Stockholm, 18 October 2016



Henrik Källén, Acting CEO Avanza



# Operations

Satisfied customers are fundamental to Avanza's business concept. The operations are focused on what is best for customers, and customer-driven improvements are constantly made in order to offer new services and digital functions for a world-class customer experience.

## Market environment

During the first half-year the stock market saw falling prices and high volatility due to geopolitical concerns. During the third quarter, the market reversed course and the Stockholm Stock Exchange rose, driven by Sweden's strong economy and less concern about global economic development. In the third quarter SIX Return Index increased by 10 per cent. For the nine-month period SIX Return Index was up 6 per cent.

Trading activity among Avanza's customers increased compared to the second quarter and the number of transactions per customer and month was up 9 per cent. The number of fund commission notes was high as well, and customers rebalanced to a higher share of equity and mixed funds at the expense of a lower proportion of fixed income and hedge funds.

Turnover on the Stockholm Stock Exchange including First North was lower in the third quarter than both the second quarter of 2016 and the third quarter of 2015. Turnover declined 15 per cent compared with last year. The number of trans-actions, however, rose by 4 per cent during the same period and the average volume per transaction was consequently lower. Turnover among Avanza's customers decreased significantly less, than the overall stock market development (−5 per cent).

Avanza's share of transactions on the Stockholm Stock Exchange including First North was a record high 15.2 (10.8) per cent in the third quarter and its share of turnover was 7.5 (6.6) per cent.

In February, the Riksbank cut the repo rate by 0.15 percentage points to a new record low of −0.50 per cent. Interest rates has since remained unchanged, but the forecast for the future benchmark rate has been adjusted downwards a number of times.

## Events during the third quarter

In early July, Johan Prom was named the new CEO of Avanza. Johan has executive experience at the supermarket chain ICA and has served as an advisor to a number of consumer companies. His work at ICA mainly involved in developing a customer offer and creating consumer products. Johan Prom will take over the position by 7 November 2016 and Henrik Källén remains as Acting CEO until then.

Avanza's focus on what is best for our customers, is confirmed in internal surveys were customer satisfaction is high. During the third quarter, Avanza reached a NPS (Net Promoter Score, also known as the "ambassador index"), of 70, compared to 68 for the full-year 2015. The index, which measures the customers' degree of recommendation, is an average of 20 for the industry as a whole.

During the quarter, the business daily Dagens Industri conducted a review of the pension savings market with an emphasis on management and brokerage fees. This lead to an intensified debate, and government repeated in this context its intention to come forward regarding transfer right for pensions during its current term, which lasts until 2018. Avanza, which does not charge fixed fees, has seen strong growth in the pension area in recent years – growth opportunities which are expected to continue going forward.

## Product and business development during the third quarter

During the third quarter, a new price list for securities trading was launched for Private Banking customers. This allow customer to choose the brokerage fee class best suited to their trading and contributes to creating the best offer in the market in terms of price, selection and service.

The lending ceiling on Avanza's mortage offering was raised by further SEK 0.5 billion to SEK 4.5 billion to meet customer demand.

During the quarter, several updates on the mobile apps were made. This included direct deposits from other banks, price and news alerts, order settlement notices and a number of general improvements.

## Activity and market shares

	2016 Jul–Sep	2015 Jul–Sep	Change %	2016 Jan–Sep	2015 Jan–Sep	Change %	2015–2016 Okt–Sep	2015 Jan–Dec
No. transactions, thousands	6,310	4,410	43	17,600	12,600	40	23,000	18,000
No. transactions per customer and month	3.8	3.3	15	3.7	3.3	12	3.7	3.4
<i>Market shares</i>								
<i>Nasdaq Stockholm and First North:</i>								
No. transactions, %	15.2	10.8	4.4	13.2	10.2	3.0	13.2	10.9
Turnover, %	7.5	6.6	0.9	6.9	5.6	1.3	7.3	6.4

For definitions see page 20.

## Net inflow

SEK m	2016	2015	Change	2016	2015	Change	2015–2016	2015
	Jul–Sep	Jul–Sep	%		Jan–Sep	%	Okt–Sep	Jan–Dec
Standard	5,100	4,160	23	14,580	16,120	-10	18,710	20,250
Private Banking	740	690	7	5,410	2,960	83	6,770	4,320
Pro	80	160	-50	310	320	-3	620	630
<b>Net inflow</b>	<b>5,920</b>	<b>5,010</b>	<b>18</b>	<b>20,300</b>	<b>19,400</b>	<b>5</b>	<b>26,100</b>	<b>25,200</b>
Equity & investment fund accounts	630	950	-34	5,230	1,360	285	7,580	3,720
Investment savings accounts (ISK)	3,670	2,800	31	9,480	11,900	-20	12,200	14,600
Savings accounts	70	-30	-	1,050	640	64	1,230	820
of which, external deposit accounts	50	-60	-	1,030	600	72	1,140	710
Pension- & insurance-based accounts	1,550	1,290	20	4,540	5,500	-17	5,100	6,060
of which, endowment insurance	910	750	21	2,740	3,880	-29	2,590	3,740
of which, occupational pensions	660	520	27	1,920	1,520	26	2,590	2,200
<b>Net inflow</b>	<b>5,920</b>	<b>5,010</b>	<b>18</b>	<b>20,300</b>	<b>19,400</b>	<b>5</b>	<b>26,100</b>	<b>25,200</b>
Net inflow/Savings capital, %	12	12	0	14	18	-4	15	18

For definitions see page 20.

During the quarter, the net inflow amounted to SEK 5.9 billion, 18 per cent higher than the same quarter in 2015. The increased net inflow is mainly a result of a strong inflow of new customers. Just under two thirds of net inflow during the third quarter came from customers added during the year. Compared to the second quarter, were inflows of 2.2 billions were attributable to the expanded Remium cooperation, net inflow decreased by 37 per cent.

During the nine-month period, the net inflow was SEK 20.3 billion, an increase of 5 per cent compared to same period previous year.

During the third quarter, the largest share of the net inflow was to Investment savings accounts, which offer tax benefits for customers in the current low interest rate environment.

The net inflow to Avanza's occupational pension products remained strong and increased by 27 per cent compared to the third quarter previous year.

## No. customers and accounts

	30-09-2016	30-06-2016	Change	31-12-2015	Change	30-09-2015	Change
	%	%	%		%		%
Standard	522,890	499,380	5	451,490	16	428,460	22
Private Banking	16,600	15,700	6	14,300	16	13,700	21
Pro	1,810	1,820	-1	1,810	-0	1,740	4
<b>No. customers</b>	<b>541,300</b>	<b>516,900</b>	<b>5</b>	<b>467,600</b>	<b>16</b>	<b>443,900</b>	<b>22</b>
Equity & investment fund accounts	331,600	325,300	2	306,100	8	296,900	12
Investment savings accounts	271,900	243,200	12	188,000	45	162,800	67
Savings accounts	109,700	107,800	2	101,700	8	100,200	9
of which, external deposit accounts	80,700	78,900	2	72,800	11	71,300	13
Pension- & insurance-based accounts	281,500	273,900	3	255,900	10	245,900	14
of which, endowment insurance	151,900	146,700	4	135,100	12	129,100	18
of which, occupational pensions	52,000	49,400	5	42,400	23	38,900	34
<b>No. accounts</b>	<b>994,700</b>	<b>950,200</b>	<b>5</b>	<b>851,700</b>	<b>17</b>	<b>805,800</b>	<b>23</b>
No. accounts per customer	1.84	1.84	0	1.82	1	1.82	1

For definitions see page 20.

Customer growth remained strong in the third quarter. So far this year, the number of customers has increased by 73,700, of which 24,500 were added in the third quarter. The reasons for the continued growth are among other things, a strong offering. The

annual target of growing the customer base by at least 10 per cent from the beginning of the year was surpassed before the end of the second quarter. At the end of the period, Avanza had 541,300 customers.

## Savings capital

SEK m	30-09-2016	30-06-2016	Change %	31-12-2015	Change %	30-09-2015	Change %
Standard	125,730	113,470	11	109,960	14	99,020	27
Private Banking	91,000	80,300	13	76,300	19	67,500	35
Pro	6,170	5,430	14	5,340	16	4,180	48
<b>Savings capital</b>	<b>222,900</b>	<b>199,200</b>	<b>12</b>	<b>191,600</b>	<b>16</b>	<b>170,700</b>	<b>31</b>
Equity & investment fund accounts	73,970	67,850	9	66,140	12	59,020	25
Investment savings accounts	59,900	50,700	18	46,600	29	38,800	54
Savings accounts	9,330	9,250	1	8,260	13	8,080	15
of which, external deposit accounts	8,500	8,450	1	7,450	14	7,330	16
Pension- & insurance-based accounts	79,700	71,400	12	70,600	13	64,800	23
of which, endowment insurance	58,700	52,500	12	52,400	12	48,200	22
of which, occupational pensions	11,000	9,610	14	8,520	29	7,440	48
<b>Savings capital</b>	<b>222,900</b>	<b>199,200</b>	<b>12</b>	<b>191,600</b>	<b>16</b>	<b>170,700</b>	<b>31</b>
Equities, bonds, derivatives, etc.	140,720	122,820	15	118,940	18	99,680	41
Investment funds	55,200	48,100	15	48,900	13	45,400	22
Deposits	34,500	34,900	-1	30,300	14	31,500	10
of which, external deposits	8,500	8,450	1	7,450	14	7,330	16
Lending	-7,520	-6,620	14	-6,540	15	-5,880	28
of which, mortgage loans	-3,600	-3,020	19	-2,720	32	-2,480	45
<b>Savings capital</b>	<b>222,900</b>	<b>199,200</b>	<b>12</b>	<b>191,600</b>	<b>16</b>	<b>170,700</b>	<b>31</b>
Deposits/Lending, %	459	527	-68	463	-4	536	-77
Net deposits/Savings capital, %	12	14	-2	12	0	15	-3
Return, average account since 1 Jan, %	5	-3	8	16	-11	7	-2
SIX Return Index since 1 Jan, %	6	-4	10	10	-4	4	2

For definitions see page 20.

Avanza's savings capital grew in third quarter driven by customer growth and high net inflow as well as the strong stock market development. Savings capital amounted to SEK 222,900 million at the end of the period, up 16 per cent from the beginning of the year. During the same period, the stock market was up 6 per cent.

At the end of the period, 25 per cent of customer capital was invested in funds, unchanged from the beginning of the year. Fund capital have increased by 13 per cent since the beginning of the year.

An uncertain stock market contributed to higher deposits during the first half-year. Deposits decreased slightly in the third quarter in connection with customers' net buying.

Lending rose by 15 per cent from the beginning of the year and at the end of the period was comprised of 52 per cent securities loans and 48 per cent mortgage loans.

Savings capital in occupational pension accounts has increased by 29 per cent compared to the beginning of the year.

## Seasonal effects

Customer and net inflow are normally higher at the beginning of the year, while activity has historically been lower in the summer months. The introduction of mobile services has made it possible for customers to manage their savings while on vacation, which has kept summer activity higher in recent years. During the third quarter, over 60 per cent of visits to avanza.se were from mobile devices. The third quarter is also characterized by lower personnel costs, based on employees' summer vacation. Income from Corporate Finance activity is seasonally low as well. Seasonal variations are not necessarily reflected in the company's financial results, which are impacted more by cyclical market factors such as stock market development and the repo rate.

## Financial overview

	2016 Jul–Sep	2015 Jul–Sep	Change %	2016 Jan–Sep	2015 Jan–Sep	Change %	2015–2016 Okt–Sep	2015 Jan–Dec
<b>Income Statement, SEK m</b>								
Brokerage income	113	113	0	348	334	4	493	479
Fund commissions	44	38	18	120	121	-1	158	160
Net interest income <sup>1)</sup>	25	29	-12	84	108	-23	114	139
Other income	38	24	58	120	89	36	158	127
<b>Operating income<sup>1)</sup></b>	<b>220</b>	<b>203</b>	<b>9</b>	<b>671</b>	<b>652</b>	<b>3</b>	<b>924</b>	<b>904</b>
Personnel	-62	-58	6	-207	-191	8	-280	-264
Marketing	-5	-6	-4	-20	-21	-1	-27	-27
Depreciation	-2	-2	-13	-6	-6	1	-8	-8
Other expenses <sup>1)</sup>	-29	-29	2	-89	-89	0	-120	-121
<b>Operating expenses before credit losses<sup>1)</sup></b>	<b>-98</b>	<b>-95</b>	<b>4</b>	<b>-323</b>	<b>-307</b>	<b>5</b>	<b>-435</b>	<b>-420</b>
<b>Profit before credit losses</b>	<b>122</b>	<b>108</b>	<b>13</b>	<b>348</b>	<b>345</b>	<b>1</b>	<b>489</b>	<b>485</b>
Credit losses, net	-0	-0	-	-1	-0	44	-0	-0
<b>Operating profit</b>	<b>122</b>	<b>108</b>	<b>13</b>	<b>348</b>	<b>345</b>	<b>1</b>	<b>488</b>	<b>485</b>
Tax on profit for the period	-17	-15	14	-50	-48	4	-72	-70
<b>Net profit</b>	<b>105</b>	<b>94</b>	<b>13</b>	<b>298</b>	<b>297</b>	<b>0</b>	<b>416</b>	<b>415</b>
<b>Key ratios</b>								
Operating margin, % <sup>1)</sup>	55	53	2	52	53	-1	53	54
Profit margin, % <sup>1)</sup>	48	46	2	44	46	-1	45	46
Earnings per share, SEK	3.53	3.19	11	10.06	10.19	-1	14.09	14.23
Earnings per share after dilution, SEK	3.53	3.16	12	10.06	10.10	-0	14.08	14.10
Return on shareholders' equity, %	9	10	-1	26	34	-8	37	45
Credit loss level, %	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Investments, SEK m	9	6	50	21	20	5	29	28
Brokerage income/Operating income, % <sup>1)</sup>	51	55	-4	52	51	1	53	53
Fund commissions/Operating income, % <sup>1)</sup>	20	19	2	18	19	-1	17	18
Net interest income/Operating income, % <sup>1)</sup>	11	14	-3	12	17	-4	12	15
Other income/Operating income, % <sup>1)</sup>	17	12	5	18	14	4	17	14
Income to savings capital ratio, % <sup>1)</sup>	0.42	0.48	-0,06	0,45	0,53	-0,09	0,47	0,54
Costs to savings capital ratio, % <sup>1)</sup>	0.19	0.22	-0,04	0,21	0,25	-0,04	0,22	0,25
Brokerage income per trading day, SEK m	1.7	1.7	0	1.9	1.8	3	2.0	1.9
Brokerage per commission note, SEK	39	57	-32	42	56	-25	44	55
No. trading days	66.0	66.0	0	187.5	186.0	1	250.0	248.5
Average no. employees	344	332	4	338	320	6	338	323
Web service operational availability, %	100.0	100.0	0.0	100.0	99.9	0.0	100.0	100.0

1) As of 2016, the deposit guarantee fee and the resolution fee are reported as interest expenses and a transfer has been made from other operating expenses to net interest income. Historical numbers have been adjusted.

<b>Key ratios</b>	30-09-2016	30-06-2016	Change %	31-12-2015	30-09-2015	Change %
Shareholders' equity per share, SEK	40.44	36.64	10	38.37	34.33	18
Capital base/Capital requirement	1.66	1.57	6	1.67 <sup>1)</sup>	—	—
No. employees	355	332	7	334	340	4
Market value, SEK	339.00	323.00	5	367.50	343.50	-1
Market capitalisation, SEK m	10,120	9,640	5	10,780	10,080	0

1) The figure of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with the figure of 30-09-2016, which are adjusted to the new Solvency 2 rules that took effect on 1 January 2016. A restated figure of 30-09-2015 is not available.

For definitions see page 20.

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

Operating profit amounted to SEK 122 million in the third quarter, an increase of 13 per cent compared with the third quarter of 2015. Compared with the second quarter of 2016, when operating profit was SEK 111 million, the increase was 10 per cent. The profit for the third quarter represents an operating

margin of 55 per cent. For the nine-month period operating margin was 52 per cent.

Operating income rose by 9 per cent in the third quarter compared with the same quarter in 2015, mainly due to higher other income and higher fund commissions.

Compared with the second quarter, operating income decreased by 2 per cent.

Quarterly brokerage income was stable year-on-year, rising by 3 per cent compared to the second quarter. The number of stock transactions increased by 43 per cent year-on-year and the number of commission-generating customers rose 30 per cent. At the same time, the size of the transactions was smaller. Taken together, this means that more customers are trading equities, but at lower volumes and in lower brokerage fee classes more suited to their trading patterns. This is fully in line with Avanza's scalable business model: lower prices attract more customers, which increases overall income even if income per transaction declines. The introduction of the brokerage fee class Start, with free trading on the Stockholm Stock Exchange, has generated brokerage income from transactions outside Nasdaq OMX Stockholm. Over 70 per cent of Start customers generate brokerage income.

Fund commissions rose year-on-year thanks to higher fund volumes, which was a result of value appreciation and net buying. Customers' higher risk tolerance and larger share of investments in equity and mixed funds also led to higher commission income. Compared to second quarter, fund commissions rose 16 per cent.

Net interest income decreased by 12 per cent compared to the third quarter of 2015 and by 6 per cent compared to the second quarter of 2016. This is a result of lower market interest rates, lower mortgage rate and increased deposits. The repo rate averaged -0.50 per cent in the third quarter, to be compared to -0.34 per cent in the corresponding quarter last year. STIBOR (3M) was on average 27 points lower than the third quarter of 2015 and 8 points lower than the second quarter. The pressure on net interest income compared with the third quarter 2015 was offset to some extent by increased lending. All else being equal, without taking changes in customer behaviour into account, a 1 per cent change in interest rates with today's volumes would affect net interest income by SEK 180–220 million.

Other income increased compared with the previous year, mainly because of the launch of Avanza Markets in May 2015. Currency-related income was higher as well as a result of increased trading in foreign securities. Compared with second quarter, other income fell by 24 per cent, mainly due to seasonally low income from Corporate Finance. During the third quarter, Avanza Market's share of total trading in ETPs corresponded to 67 per cent of turnover on the Stockholm Stock Exchange and NDX Sweden, and by 73 per cent in terms of number of transactions. Since the launch of Avanza Markets, the majority of

income from ETPs is reported as other income. Income from other ETPs is still reported as brokerage income. Avanza Markets accounted for 36 per cent of other income in the third quarter and currency-related income for 62 per cent.

Operating expenses increased in the second quarter by 4 per cent Y/Y, mainly due to higher personnel costs. These rose by 7 per cent, partly due to increased capacity in IT development and compliance. Compared to second quarter, operating expenses decreased by 13 per cent, mainly due to seasonally lower expenses in connection with employees' summer holidays. For the first nine month operating expenses amounted to SEK 323 million, up 5 per cent compared to the corresponding period the previous year. Full-year expenses are still expected to increase by 8–10 per cent. This means that costs for the forth quarter will increase with around 20 per cent compared to the same period 2015. In 2017, expenses are expected to rise at a rate of 15–20 per cent before returning to a rate of 8–10 per cent. For more information, see Future outlook on page 11.

## 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 invested in covered bonds and with systemically important Nordic banks. Of the liquid assets of SEK 1,946 million as per the end of the period, SEK 141 million were pledged as collateral mainly referring to Swedish credit institutions and the stock exchange.

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

All lending is secured against listed securities or with pledges on houses and tenant-owned apartments. Between 2001 and the third quarter 2016 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 nine month 2016 was SEK -9 million. The Parent Company does not report any revenues. A dividend payment of SEK 308 million was made to the shareholders during the second quarter

## Capital surplus

SEK m	30-09-2016	31-12-2015 <sup>1)</sup>
Shareholders' equity, the Group	1,207	1,126
<i>Additional</i>		
Solvency capital (NPV)	2,380	1,242
Subordinated bond	87	78
<i>Less</i>		
Intangible fixed assets	-50	-38
Deferred tax receivables	-3	-1
Capital requirement Pillar 1	-1,847	-1,108
Buffer requirement	-174	-137
Capital requirement Pillar 2	-34	-11
Non-distributable solvency capital	-923	-478
<b>Capital surplus before dividend</b>	<b>643</b>	<b>673</b>
Capital surplus per share, SEK	21.56	22.94

*Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the shareholders' equity. See also Note 4, page 6.*

1) The numbers of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with numbers of 30-09-2016, which are adjusted to the new Solvency 2 rules that took effect on 01-01-2016.

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 643 million as of 30 September 2016. The new Solvency 2 rules took effect on 1 January 2016, as a result of which the conglomerate's largest sector is insurance. Due to the new rules, the Group's capital base is increased by additional solvency

capital at the same time that the capital requirement rises. The net effect, which is positive, does not constitute distributable capital, however, due to which this is deducted as non-distributable solvency capital. For more information, see note 4.

## Future outlook

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To create growth and long-term shareholder value, Avanza's efforts are concentrated in areas where we can have an impact: high customer satisfaction and innovative product development, coupled with a continued focus on cost control and efficiency. Avanza is well prepared to meet the changing conditions facing the financial industry in the form of new user behaviours and regulations.

### **Avanza's growth opportunities in the savings market**

As of 30 June 2016 Avanza had 3.0 per cent of the Swedish savings market and during the period July 2015 – June 2016 Avanza's share of the total net inflow to the Swedish savings market was 9.2 per cent. Sweden has one of the world's highest percentages of stock and fund savings. An estimated 80 per cent of the population invests in equities or funds. The Swedish savings market amounts to SEK 6,900 billion, and we estimate long-term growth at 4–8 per cent per year, in line with the latest ten-year period. Pension and insurance savings represent just over half of the Swedish savings market. Future growth in the savings market may be adversely affected by concerns about the housing market. Coupled with an unstable stock market that could result in more Swedes saving by paying off their mortgages. At the same time, Avanza's growth opportunities are not limited by the savings market's growth. There are still large market shares to win. In addition, the capital that is transferred from other savings institutions to Avanza is not included in the net inflow to the savings market.

### **Changing customer behaviour**

We are seeing a clear trend with greater focus on the importance of fees, not least due to negative interest rates. The Riksbank has announced that interest rates will remain low in coming years, and savers are turning to the stock market to get returns. The low interest rates are also positively affecting customers' disposable income and savings potential. Avanza's low fees and position as a leading platform for savings and investment is favourable for growth given these market conditions. More customers create opportunities for growth in savings capital and in turn growth in income. At the same time, low interest rates are keeping pressure on net interest income. When interest rates eventually turn higher, we expect to see the positive results of the sharp increase in savings capital, even though customer growth may slow slightly as stock market activity could decline. All else being equal, without taking changes in customer behaviour into account, a 1 per cent change in interest rates with today's volumes would affect net interest income by SEK 180–220 million.

Another distinctive trend is that more customers are logging in and making their transactions by mobile devices. As many as 60 per cent of the visits during the nine-month period were from mobile devices, an increase of 13 percentage points since 2015. Mobile use has also been shown to increase customer activity, without cannibalizing on the number of visits from desktop. We expect this trend to continue and to help further strengthen Avanza's position.

### **Possible impact of pending regulations**

The gradual deterioration of national and collective pension and welfare systems increases the need for individual savings, which is leading to higher demand for easy information, freedom of choice, digital services and lower fees. Avanza benefits when more responsibility is shifted to the individual, since Avanza's IT platform, products and decision-support tools make it easy and less expensive to make the right investment choices.

We are in the midst of a period of extensive regulatory changes in the financial sector, driven by the EU. The majority of these rules aim to increase consumer protection and transparency in the market. This will mean greater complexity and higher costs for financial advice for private individuals. To cost-effectively serve the broad consumer market, more financial institutions will probably be forced to embrace digitisation and digital decision support. In this respect Avanza is in the forefront. Avanza does not offer individual advice and is well-positioned to meet the rising demand for digital investment services with low fees. As a result, the shift from physical meetings with a banker to digital services is expected to positively impact Avanza's growth opportunities. At the same time, we are seeing increased fragmentation as Fintech companies focused on the digitisation of the financial industry challenge traditional banks, which we expect will contribute to greater mobility in the market.

The new rules banning advisory fees, which will be introduced at the latest in conjunction with the MiFID II regulations, aim to benefit consumers who seek independent advice from insurance brokers and investment advisors. This is likely to affect advisory fees which customers are charged, as savers become more price conscious and less willing to pay. Avanza Pension is one of few pension providers in Sweden that doesn't pay broker commissions. As a result, a ban on commissions for insurance advice does not affect Avanza negatively but will rather benefit the company when it is clear to savers what they are paying for advice and can question whether they really need it.

Regulated transfer rights for pensions would also positively affect Avanza's growth prospects. At this point it is uncertain whether and when such rights can be introduced, but the government repeated during the autumn that it wants to see progress on transfer rights during its current term, which lasts until 2018. Avanza has a strong occupational pension offer and ranks fourth in pension capital transfers in the Swedish life insurance market. According to data from Svensk Försäkring, Avanza's share of life insurance premiums paid during the period July 2015 – June 2016 increased the most in the industry, from a market share of 5.7 per cent 2015 to 6.4 per cent. Considering the stable growth and revenue model in pension savings, Avanza's focus on pensions is a long-term shock absorber in the event of market fluctuations.

### **Lower cost to savings capital ratio**

The income to savings capital ratio has dropped in the last five years until 2015 by 9 per cent annually, from 86 to 54 basis points. This is a result of falling interest rates, fluctuations in trading activity on the stock exchange and price changes, coupled with mix effects on savings. Given today's low interest

rates, we estimate that the income to savings capital ratio will fall at a slower rate than before – even if we continue to see mix effects in the savings capital. Fund investments are likely to increase going forward – not least in conjunction with further increases in pension capital. We do not expect the income to savings capital ratio to return to the previous level given current savings behaviour with a lower appetite for risk, the low interest rate level and growing cost awareness among customers. Competitiveness and profitability will have to be ensured going forward by reducing costs to savings capital ratio and through innovative product development to attract more savers. Avanza's business model is built on economies of scale and high customer inflow. Scalable IT systems facilitate cost efficiency and continued low fees as the customer base grows and business volume rises. We will continue to focus in the years ahead on efficiency improvements and digitisation as well as on further expanding our

IT development capacity. Together with new innovative products, this is expected to make Avanza more competitive and lead to growth in savings capital from new as well as existing customers.

In light of the major changes facing the financial sector due to increased digitisation and pending regulations, we see good opportunities to make Avanza even more competitive. To ensure customers the highest possible quality and enhance our position as Sweden's leading platform for savings and investments, we will add further resources to improve the user experience. In 2017, expenses are therefore expected to rise at a rate of 15–20 per cent before returning to a rate of 8–10 per cent. Given continued strong growth in customers and savings capital, we see good opportunities to lower the cost to savings capital ratio over the next few years to below 20 basis 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 2015, Note 36 and pages 35–37. 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 2015, Note 37. No significant changes have taken place since the publication of the Annual Report.

### CEO

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On 31 May, Martin Tivéus finished his assignments in Avanza's Board and Executive Management. Avanza Bank's Deputy CEO and COO Henrik Källén is Acting CEO from 1 June. On 8 July, it was announced that Johan Prom will be the new CEO of Avanza. Johan Prom will take over the position by 7 November and Henrik Källén will remain as Acting CEO until then.

### Incentive program

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Subsidiary program 3 of the 2014–2016 stock option program had exercise period from 2 May 2016 to 27 May 2016. After recalculation of the option program the exercise price was SEK 168.23 per share and 494,900 shares were possible to subscribe for. 494,834 shares were subscribed for and all

subscribed shares have been issued. The number of shares outstanding and registered per 30 September 2016 amounts to 29,838,922.

In accordance with a resolution at the extraordinary general meeting on 13 June 2014, Avanza introduced a stock option incentive program for employees of the Group in August. The program is the third of three stock option programs that were approved for implementation in 2014–2016. This year's program comprises stock options entitling employees to acquire 490,000 shares at an exercise price of SEK 375.52. The expiration date is 2 September 2019. The stock option program has been implemented on market terms.

### Repurchase of the company's own shares

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On 5 April 2016, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 per cent of the shares in Avanza Bank Holding AB (publ). The authorisation is valid until the following Annual General Meeting. No shares were repurchased during the first nine months of 2016 and the company holds no repurchased shares as of 30 September 2016.

### Annual General Meeting 2017

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The Annual General Meeting of the company's shareholders will be held in Stockholm on 21 March 2017.

### 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.

## Consolidated Income Statements<sup>1)</sup>

SEK m	2016	2015	2016	2015	2015–2016	2015
	Jul–Sep	Jul–Sep	Jan–Sep	Jan–Sep	Okt–Sep	Jan–Dec
<b>Operating income</b>						
Commission income	227	203	684	627	939	882
Commission expenses	–32	–29	–99	–85	–132	–118
Interest income	51	48	155	143	206	194
Interest expenses <sup>3)</sup>	–26	–19	–71	–35	–92	–55
Net result of financial transactions	0	0	3	1	3	2
Other operating income	0	–	0	–	0	0
<b>Total operating income<sup>3)</sup></b>	<b>220</b>	<b>203</b>	<b>671</b>	<b>652</b>	<b>924</b>	<b>904</b>
<b>Operating expenses</b>						
General administrative costs	–86	–83	–283	–269	–386	–372
Depreciation of tangible and intangible fixed assets	–2	–2	–6	–6	–8	–8
Other operating expenses <sup>3)</sup>	–10	–10	–34	–32	–41	–39
<b>Total operating expenses before credit losses<sup>3)</sup></b>	<b>–98</b>	<b>–95</b>	<b>–323</b>	<b>–307</b>	<b>–435</b>	<b>–420</b>
<b>Operating profit before credit losses</b>	<b>122</b>	<b>108</b>	<b>348</b>	<b>345</b>	<b>489</b>	<b>485</b>
Credit losses, net	–0	–0	–1	–0	–0	–0
<b>Operating profit</b>	<b>122</b>	<b>108</b>	<b>348</b>	<b>345</b>	<b>488</b>	<b>485</b>
Tax on profit for the period	–17	–15	–50	–48	–72	–70
<b>Net profit<sup>2)</sup></b>	<b>105</b>	<b>94</b>	<b>298</b>	<b>297</b>	<b>416</b>	<b>415</b>
Earnings per share, SEK	3.53	3.19	10.06	10.19	14.09	14.23
Earnings per share after dilution, SEK	3.53	3.16	10.06	10.10	14.08	14.10
Average no. shares before dilution, thousand	29,839	29,344	29,600	29,114	29,536	29,172
Average no. shares after dilution, thousand	29,839	29,634	29,610	29,366	29,559	29,441
Outstanding no. shares before dilution, thousand	29,839	29,344	29,839	29,344	29,839	29,344
Outstanding no. shares after dilution, thousand	29,871	29,630	29,871	29,630	29,871	29,675
No. shares upon full dilution, thousand	31,309	30,814	31,309	30,814	31,309	30,814

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

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

3) As of 2016, the deposit guarantee fee and the resolution fee are reported as interest expenses and a transfer has been made from other operating expenses to interest expenses. Historical figures have been adjusted.

## Consolidated Balance Sheet

SEK m	Note	30-09-2016	31-15-2015
<b>Assets</b>			
Treasury bills eligible for refinancing		–	250
Lending to credit institutions	1	1,946	1,701
Lending to the public	2	8,343	6,540
Bonds		13,540	11,850
Shares and participations		6	0
Assets in insurance operations		75,439	66,566
Intangible fixed assets		50	38
Tangible fixed assets		17	20
Other assets		1,117	1,542
Prepaid costs and accrued income		88	113
<b>Total assets</b>		<b>100,545</b>	<b>88,621</b>
<b>Liabilities and shareholders' equity</b>			
Deposits by the public		23,364	20,446
Liabilities in insurance operations		75,439	66,566
Other liabilities		350	292
Accrued costs and prepaid income		86	92
Subordinated liabilities		99	99
Shareholders' equity		1,207	1,126
<b>Total liabilities and shareholders' equity</b>		<b>100,545</b>	<b>88,621</b>

## Changes in the Group's shareholders' equity

SEK m	2016 Jan–Sep	2015 Jan–Sep	2015 Jan–Dec
<b>Shareholders' equity at the beginning of the period</b>	1,126	815	815
Dividend paid	–308	–202	–202
Excise of share warrants	83	93	93
Warrants issue	8	5	5
Net profit for the period (also total comprehensive income)	298	297	415
<b>Shareholders' equity at the end of the period</b>	<b>1,207</b>	<b>1,007</b>	<b>1,126</b>

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

## Consolidated Cash Flow Statements

SEK m	2016 Jul–Sep	2015 Jul–Sep	2016 Jan–Sep	2015 Jan–Sep
Cash flow from operating activities before changes in operating activities' assets and liabilities	–44	–11	425	–22
Cash flow from operating activities' assets and liabilities	–2,413	–493	1,459	7,493
Cash flow from investment operations	283	–1,480	–1,460	–6,309
Cash flow from financial operations	8	5	–217	–104
<b>Cash flow for the period</b>	<b>–2,166</b>	<b>–1,980</b>	<b>207</b>	<b>1,057</b>
<b>Liquid assets at the beginning of the period<sup>1)</sup></b>	<b>3,972</b>	<b>6,820</b>	<b>1,599</b>	<b>3,783</b>
<b>Liquid assets at the end of the period<sup>1)</sup></b>	<b>1,806</b>	<b>4,840</b>	<b>1,806</b>	<b>4,840</b>

1) Liquid assets are defined as lending to credit institutions excluding pledged assets. At the end of the period SEK 141 million (SEK 789m) of consolidated liquid assets are pledged as collaterals.

## Parent Company Income Statement

SEK m	2016 Jan–Sep	2015 Jan–Sep
<b>Operating expenses</b>		
Administration expenses	–5	–7
Other operating expenses	–4	–3
<b>Operating profit/loss</b>	<b>–9</b>	<b>–10</b>
<b>Profit from financial investments</b>		
Profit/loss from participations in Group companies	–	1
Interest income and similar items	–0	–
<b>Profit before tax</b>	<b>–9</b>	<b>–9</b>
Tax on profit for the period	2	2
<b>Net profit/loss for the period</b>	<b>–7</b>	<b>–7</b>

## Parent Company Balance Sheets

SEK m	30-09-2016	31-12-2015
<b>Assets</b>		
Financial fixed assets	414	409
Current receivables <sup>1)</sup>	140	378
Liquid assets	0	0
<b>Total assets</b>	<b>553</b>	<b>787</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	548	779
Current liabilities	6	8
<b>Total shareholders' equity and liabilities</b>	<b>553</b>	<b>787</b>

1) Of which receivables from subsidiaries SEK 137 million (SEK 377m as of 31 December 2015).

## Accounting principles

The Interim Report for the Group has been prepared in accordance with IAS 34 Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial

Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Interim Report for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act. Furthermore, the Swedish Financial Reporting Board's recommendation accounting for legal entities (RFR 2) has been applied. As of 2016 the fee for the government's deposit guarantee scheme and resolution fee are reclassified from other operating expenses to net interest income. Accounting principles and calculation methods for both the Group and the Parent Company remain otherwise unchanged from those applied in the 2015 Annual Report.

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

## Notes

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### NOTE 1 LENDING TO CREDIT INSTITUTIONS

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Client fund receivables, attributable to banking business, amount as of 30 September 2016 to SEK 1,163 million (SEK 1,086m as of 31 December 2015) which are reported net against client fund payables of SEK 1,163 million (SEK 1,086m as of 31 December 2015).

### 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 September 2016 anticipated credit losses amounted to SEK 8 million (SEK 8m as of 31 December 2015).

SEK 833 million (SEK – m as of 31 December 2015) of lending to the public as of 30 September 2016 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 totaled SEK 7,510 million, of which SEK 3,914 million (SEK 3,821m as of 31 December 2015) with collateral in the form of securities and SEK 3,596 million (SEK 2,719m as of 31 December 2015) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans as of 30 September 2016 SEK 4,471 million (SEK 3,333m as of 31 December 2015) has been granted, implying that the commitment for granted, undisbursed mortgage loans amounts to SEK 875 million (SEK 614m as of 31 December 2015).

### NOTE 3 FINANCIAL INSTRUMENTS

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Classification of financial instruments

30-09-2016, 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	–	–	1,946	–	–	1,946
Lending to the public	–	–	8,343	–	–	8,343
Bonds	–	13,540 <sup>1)</sup>	–	–	–	13,540
Shares and participations	6	–	–	–	–	6
Assets in insurance operations	75,439	–	–	–	–	75,439
Intangible assets	–	–	–	–	50	50
Tangible assets	–	–	–	–	17	17
Other assets	–	–	225	–	892	1,117
Prepaid costs and accrued income	–	11	54	–	23	88
<b>Total assets</b>	<b>75,445</b>	<b>13,551</b>	<b>10,568</b>	<b>–</b>	<b>982</b>	<b>100,545</b>
<b>Liabilities</b>						
Deposits by the public	–	–	–	23,364	–	23,364
Liabilities in insurance operations	75,439	–	–	–	–	75,439
Other liabilities	–	–	–	349	1	350
Accrued costs and prepaid income	–	–	–	41	45	86
Subordinated liabilities	–	–	–	99	–	99
<b>Total liabilities</b>	<b>75,439</b>	<b>–</b>	<b>–</b>	<b>28,853</b>	<b>46</b>	<b>99,338</b>

1) The fair value amounts to SEK 13,552 million, of which SEK 13,552 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**

30-09-2016, SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	41,036	0	0	41,036
Fund units	1,354	22,792	—	24,146
Bonds and other interest-bearing securities	14,653	304	—	14,957
Other securities	216	129	—	345
Liquid assets	—	—	—	8,513
<b>Total assets</b>	<b>57,259</b>	<b>23,225</b>	<b>0</b>	<b>88,997</b>
<b>Liabilities</b>				
Liabilities in insurance operations (investment agreements)	—	75,439	—	75,439
<b>Total liabilities</b>	<b>—</b>	<b>75,439</b>	<b>—</b>	<b>75,439</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 via the Income Statement, primarily Assets in the insurance operations, 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 categorized in its entirety shall be determined on the basis of the lowest level of input data of significance to the valuation at fair value in its entirety.

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

SEK m	30-09-2016	31-12-2015 <sup>1)</sup>
<b>Capital base</b>		
Shareholders' equity, the Group	1,207	1,126
Assumed/proposed dividend	-209	-308
<b>Shareholders' equity, financial conglomerate</b>	<b>998</b>	<b>818</b>
<i>Additional</i>		
Solvency capital (NPV)	2,380	1,266
Subordinated bond	87	78
<i>Less</i>		
Intangible fixed assets	-50	-38
Deferred tax receivables	-3	-1
<b>Total capital base</b>	<b>3,412</b>	<b>2,083</b>
<b>Capital base per sector</b>		
Capital requirement for regulated units in the insurance sector	2,578	1,430
Capital requirement for regulated units within the banking and securities sector	834	653
<b>Total capital base</b>	<b>3,412</b>	<b>2,083</b>
<b>Capital requirement per sector</b>		
Capital requirement for regulated units in the insurance sector	1,492	791
Capital requirement for regulated units within the banking and securities sector	562	458
of which additional buffer requirement	174	137
of which additional Pillar 2 requirement	34	11
<b>Total capital requirement</b>	<b>2,054</b>	<b>1,249</b>
<b>Capital surplus</b>		
<b>Capital base/Capital requirement</b>	<b>1.66</b>	<b>1.67</b>

1) The figures of 31-12-2015 have been restated compared with The Annual Report 2015 in order to be comparable with numbers of 30-09-2016, which are adjusted to the new Solvency 2 rules that took effect on 01-01-2016.

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 or proposed dividend. Assumed dividend refers to the current period and the proposed dividend is dividend proposed by the Board of Directors to the Annual General Meeting for the full financial year.

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

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

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

Consolidated situation, SEK m	30-09-2016	31-12-2015
<b>Tier 1 capital</b>		
Shareholders' equity, the Group	1,207	1,126
Assumed/proposed dividend	-122 <sup>1)</sup>	-308
Equity not part of the consolidated situation	-232	-100
<b>Equity, consolidated situation (adjusted for assumed/proposed dividend)</b>	<b>853</b>	<b>718</b>
<i>Deducted items:</i>		
Intangible assets	-50	-38
Deferred taxes	-3	-1
Avanza Bank Holding AB:s holding in Försäkringsaktiebolaget Avanza Pension	-39	-39
<b>Common equity tier 1 capital</b>	<b>761</b>	<b>640</b>
Subordinated bond	87	78
<b>Tier 2 capital</b>	<b>87</b>	<b>78</b>
<b>Total capital base</b>	<b>847</b>	<b>718</b>
<b>Capital requirement</b>		
Credit risk according to standardised approach	267	234
Market risks	1	0
Settlement risk	0	0
Operational risk	80	80
<b>Capital requirement</b>	<b>348</b>	<b>314</b>
<b>Risk exposure amount</b>		
Credit risk according to standardised approach	3,340	2,929
of which Institutions	388	340
of which Corporates	26	27
of which Households	169	163
of which Collateral in real estate	1,259	952
of which Covered bonds	1,282	1,103
of which Other items	216	344
Market risks	11	1
Settlement risk	0	0
Operational risk	995	995
<b>Total risk exposure amount</b>	<b>4,346</b>	<b>3,925</b>
<b>Capital ratios and buffers</b>		
Common equity tier 1 ratio, %	17.5	16.3
Tier 1 ratio, %	17.5	16.3
Total capital ratio, %	19.5	18.3
Capital base in relation to capital requirement	2.44	2.29
Institution-specific buffer requirement, %	4.0	3.5
of which capital conservation buffer requirement, %	2.5	2.5
of which countercyclical buffer, %	1.5	1.0
Total capital requirement including buffer requirement, %	12.0	11.5
Common equity tier 1 capital available for use as a buffer, %	13.0	11.8
Capital surplus after buffer requirement remaining to cover additional Pillar 2 requirement	326	267
Additional Pillar 2 requirement	34	11
Capital surplus after buffer requirement and Pillar 2	292	256

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

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

Avanza has, for the consolidated situation, requested prior authorization from the Swedish Financial Supervisory Authority (Finansinspektionen) to include the interim surplus when calculating the capital base. The capital base amounts to SEK 795 million if the interim surplus, adjusted for dividend, is not included in the calculation.

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

Stockholm, 18 October 2016

Henrik Källén  
Acting CEO

#### For additional information

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This information is information that Avanza Bank Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 08.15 (CEST) on 18 October 2016.

A webcast presentation will be held by Henrik Källén, Acting CEO and Birgitta Hagenfeldt, CFO on 18 October 2016 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 [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 +1 855 753 22 30

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

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

#### Contact information

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Corporate web: [avanza.com](http://avanza.com)

#### Financial calendar

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Preliminary Financial Statement 2016	19 January 2017
Annual Report	March 2017
Annual General Meeting	21 March 2017
Intern Report January – March 2016	20 April 2017

# Report of Review of Interim Financial Information

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## **Introduction**

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We have reviewed the condensed interim financial information (interim report) of Avanza Bank Holding AB (publ) as of 30 September 2016 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## **Scope of Review**

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We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

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

Stockholm, 18 October 2016

Öhrlings PricewaterhouseCoopers

Catarina Ericsson  
Authorized Public Accountant

*For translation purposes only.*

## Definitions

The measures and key ratios used in the interim report are defined below. The majority of the financial key ratios are considered to be widely accepted and are such that they are expected to be presented in the interim report to provide an indication of the Group's results, profitability and financial position.

<b>Account</b>	<b>Customer</b>	<b>Net deposits/Savings capital</b>
An open account with holdings.	Individual or company with at least one account with holdings.	Deposits minus lending, in relation to the savings capital at the end of the period. The ratio shows how much liquidity the customers hold and indirectly how much is invested in securities.
<b>Brokerage income<sup>2)</sup></b>	<b>Deposits</b>	<b>Net inflow</b>
Gross brokerage income less direct costs.	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, plus the addition of client fund deposits and external deposits.	Deposits, less withdrawals, of liquid assets and securities.
<b>Brokerage per commission note<sup>2)</sup></b>	<b>Earnings per share<sup>1)</sup></b>	<b>Net inflow/Savings capital</b>
Gross brokerage income for account customers 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.	Profit/loss after tax in relation to the average number of shares during the period.	The period's net inflow on an annual basis in relation to savings capital at the beginning of the period.
<b>Capital base<sup>3)</sup></b>	<b>Equity per share<sup>1)</sup></b>	<b>Operating expenses<sup>1)</sup></b>
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.	Shareholders' equity in relation to the number of outstanding ordinary shares before dilution at the end of the period.	Operating expenses before credit losses.
<b>Client funds<sup>2)</sup></b>	<b>External deposits</b>	<b>Operating margin<sup>1)</sup></b>
Liquid assets with Avanza which are held on behalf of a third party and which consequently are not reported in the balance sheet.	Savings accounts in external banks and credit market companies, Sparkonto+, opened and managed by customers via Avanza's website.	Operating profit/loss in relation to operating income.
<b>Commission note</b>	<b>Income to savings capital ratio<sup>2)</sup></b>	<b>Profit margin<sup>1)</sup></b>
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 charges are levied.	Operating income 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.	Profit/loss after tax in relation to operating income.
<b>Costs to savings capital ratio<sup>2)</sup></b>	<b>Investment fund commission<sup>2)</sup></b>	<b>Return on equity<sup>1)</sup></b>
Operating expenses 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.	Kickbacks from fund management companies (comprises entry commission and commission based on fund volume) and management fees from Avanza funds.	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.
<b>Credit loss level<sup>1)</sup></b>	<b>Lending</b>	<b>Savings capital</b>
Net credit losses in relation to opening balance for lending to credit institutions and lending to the public.	Lending to the public as per balance sheet with deduction for the portion which are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. Provisions for bad debt are not deducted.	The combined value of accounts held with Avanza.
<b>1)</b> <i>Financial key ratios that are directly cited in the financial reports.</i>		<b>Solvency capital (NPV)<sup>3)</sup></b>
<b>2)</b> <i>Financial key ratios that can be traced in Avanza's Excel spreadsheets with financial histories, published quarterly on <a href="http://avanza.se/keydata">avanza.se/keydata</a>.</i>		<b>Solvency capital requirement (SCR)<sup>3)</sup></b>
<b>3)</b> <i>Key ratios that are reported with respect to FI's regulations and general guidelines, see note 5 of capital adequacy.</i>		Estimated capital requirements under Solvency 2 rules.

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

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

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