



# Interim Report January-June 2020

Avanza Bank Holding AB (publ)

## Second quarter 2020 compared to second quarter 2019

- **Customer growth** was 53,000 (31,500), an increase of 68 per cent
- **Net inflow** in the quarter was SEK 19,400 million (8,270), an increase of 134 per cent
- **Operating income** increased by 85 per cent. All revenue lines improved. Net brokerage income increased by 148 per cent. Currency-related income and revenues from Avanza Markets, within other income, increased by 175 per cent and 43 per cent respectively. Net interest income increased mainly as a result of improved returns on surplus liquidity and larger lending volumes
- **Operating expenses** increased by 12 per cent, mainly due to more staff and consequently higher personnel costs
- **The cost increase for the full year** is, as communicated earlier, estimated as 12 per cent, which is within the long-term guidance of an annual cost increase of 9-12 per cent
- **Net profit** amounted to SEK 281 million, an increase of 178 per cent
- Anna Casselblad was appointed new CFO and member of Group Management. She will take on her new role in the spring of 2021
- "My sustainability label" was launched for funds to facilitate sustainable savings
- Avanza 75 received a Lipper Fund Award for best fund in the category Mixed Asset SEK Aggressive for the second consecutive year
- Avanza ranked highest among banks and number six overall in Sweden in Kantar Sifo's reputation index for 2020
- In a unique collaboration with TIN Fonder, Avanza launched its first actively managed fund, Avanza World Tech by TIN with focus on Technology, Health and Sustainability
- Avanza announced that customers with endowment insurance will be able, beginning this autumn, to get an extra return through securities lending

## Quote from Rikard Josefson, CEO Avanza

"The trend toward increased interest in savings has strengthened. Especially in the times of crisis it is obvious how important it is to have adequate savings. For Avanza, this has contributed to continued strong customer growth, where we are already in line with 2019 as a whole. Our aim to create the best platform for savings and investments is what has gotten us where we are today. Even if activity slows going forward, I am convinced that we continued to raise our lowest level during the quarter."

	Q2 2020	Q1 2020	Change %	Q2 2019	Change %	Jan-Jun 2020	Jan-Jun 2019	Change %
Operating income, SEK m	526	542	-3	284	85	1,067	552	93
Operating expenses, SEK m	-185	-179	4	-166	12	-364	-330	10
Operating profit, SEK m	333	361	-8	117	184	694	217	219
Net profit, SEK m	281	305	-8	101	178	585	188	211
Earnings per share before dilution, SEK	1.83	1.98	-8	0.67	173	3.81	1.24	206
Operating margin, %	63	67	-3	41	22	65	39	26
Net inflow, SEK m	19,400	21,900	-11	8,270	134	41,300	15,800	161
No. of new customers (net)	53,000	86,100	-38	31,500	68	139,100	65,200	113
Savings capital at the end of the period, SEK m	444,600	368,200	21	359,300	24	444,600	359,300	24

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 [avanza.se/ir](http://avanza.se/ir) and the Annual Report.



## CEO comment

### Importance of savings growing more apparent

Stock market turnover and volatility were high during the quarter, though we did not see the same extreme levels as in March. I am surprised by the stock market's strength and rapid recovery after March's big decline. Customer activity remained high in terms of both funds and equities. In times of crisis, it is obvious how important savings are. Not only to buy a home or invest for retirement, but also to prepare for unforeseen events. We have seen savings grow during the crisis. Many people know someone who has lost their job and realise the consequences of not having a buffer and adequate savings. For Avanza, this meant 53,000 new customers during the quarter. Through the first half-year, growth is already in line with 2019 as a whole. We are also seeing significantly higher inflows and by May passed the net inflow for all of 2019. The net inflow for the first half-year was SEK 41 billion, which is higher than Avanza has ever had in a full year before.

### High customer activity and scalability

Equity trading remained at record levels and inflow to mutual funds in the quarter was SEK 7.4 billion. The high level of activity generated operating profit of SEK 333 million, which was slightly lower than the previous quarter's record result. Brokerage income decreased, but then there were nearly five fewer trading days this quarter. In just 6 months, brokerage has already passed last year's net brokerage income. Fund commissions were down due to the large decrease in fund capital in March, although income per SEK of fund capital rose slightly. The high level of activity also spilled over to income from Avanza Markets and currency-related income. Turnover in commission-generating foreign trading increased by 15 per cent compared to first quarter. Trading in European markets saw the biggest increase. The question is how trading activity will develop going forward. No one can answer that. I am convinced, however, that the growth we have seen in the last six months, along with the increased interest in savings, has further raised our lowest level. Even if we see lower volatility and stock market turnover going forward, Avanza will be able to perform at a higher level than before.

The scalability of Avanza's business model was evident in the first half-year. The cost to savings capital ratio fell by 2 basis points to 0.18 per cent, while the income to savings capital ratio rose by 19 basis points.

When we look at recent growth, we also have to remember that Avanza generated good growth in 2019 and before the COVID-19 crisis. Over the years, we have tried to develop Avanza with an overarching goal in mind: to create the best platform for savings and investments – and with the most satisfied customers.

### Record-high employee engagement

Around 80 per cent of our employees have been working from home since March. I am proud of how well this has worked. We have not slowed down a bit with our distributed way of working. The responsibility that employees are taking is fantastic and engagement is at the highest level. We conducted an employee survey during the quarter where our eNPS landed at 75, the highest outcome ever. The crisis has brought us closer together despite that we do not meet every day. In May, we held one of the year's two "Brainy days", this time digitally. We had lots of ideas and great engagement among participants and cheering colleagues. Several of the ideas will probably result in future products, services and functions.

The customer survey during the month also had a higher result, and in Kantar Sifo's reputation index Avanza climbed two spots to sixth among all Swedish companies. Avanza still has the highest reputation in the financial industry. One reason for our success during these turbulent times has been that we have been there for our customers. We have blogged and podcasted more than ever and we have used all available resources to address our customers' concerns by phone and email. Our most important job is to be available for our customers when they need us most.

### Unique collaboration with actively managed fund

In June, Avanza World Tech by TIN was launched. Here we took a new approach with an actively managed fund through a collaboration with TIN Fonder. Their highly experienced team of managers and history bode well for the future. As of 30 June, about three weeks after launch, 45,000 customers had invested nearly SEK 700 million in the fund. We also introduced a "sustainability label," so customers can sort funds to invest in based on their personal definition of sustainability. Sustainability is vital to us and an important part of our development work. We also announced that this autumn we are launching stock lending for customers with endowment insurance, giving them the opportunity for an extra return.

Our Avanza 75 fund received a Lipper Fund Award for the second year in a row, which is gratifying since many customers have it in their occupational pension plan. After launching our own funds in recent years, we have a fund management company that today accounts for 28.5 per cent of the fund volume on the platform.

### Important that promised improvements to pension transfers are implemented

When interest in savings growing and occupational pensions becoming a more important part of overall retirement savings, I cannot challenge our politicians enough to keep their word and implement the promised improvements to pension transfers. There are far too many savers out there who are stuck paying indefensible fees, which year after year are eroding their pension capital. I truly hope that by year-end we see the democratisation of pension savings we have long waited for.

### Our new CFO shows that there are opportunities for internal promotion

I am pleased that we appointed Anna Casselblad as the new CFO during the quarter to take over in spring 2021 when Birgitta Hagenfeldt leaves the operational part of her career. Anna is a popular leader with extensive accounting and regulatory experience. She will play an important role in Avanza's continued development. We had many strong candidates for CFO, which is why we were especially happy to have appointed an internal candidate. It shows that we provide our employees with opportunities to develop and advance within the organisation.

Despite the trying times, I wish you all a very happy summer.

Stockholm, 14 July 2020



Rikard Josefson, CEO Avanza

# Operations

## Activity and market shares

The Stockholm Stock Exchange was strong during the quarter with continued high volatility, though not at the same historically high level as the first quarter. During the quarter, the OMX Stockholm Gross Index rose by 16.8 per cent.

Total turnover on the Stockholm Stock Exchange including First North decreased by 13 per cent and the number of transactions was down 11 per cent compared to the previous quarter. Among Avanza's customers, turnover on these marketplaces decreased by 5 per cent and the number of transactions was lower by 3 per cent.

In the second 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 turnover. Avanza's market shares increased during the quarter.

The fund market's net outflow in the first quarter was turned to a net inflow. Avanza also saw a strong net inflow into funds during the second quarter.

The Riksbank raised the repo rate by 25 basis points on 8 January 2020 to 0 per cent. The Riksbank's own forecast indicates a zero per cent repo rate for the foreseeable future.

### *Information related to COVID-19*

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

Avanza's operations have continued uninterrupted after the outbreak with no major disruptions during the quarter.

To help reduce the spread of the coronavirus in society and among our employees, Avanza is following the Swedish Public Health Agency's recommendations and instructions. The majority of employees continue to work from home. Recruitment of new talents accelerated during the quarter to accommodate the strong growth. New communication channels and routines have been adopted to maintain operations, the pace of development and employee engagement, and to safeguard the culture. The introduction for new employees has also been done digitally. Working remotely is changing our internal communication needs, and we have added digital demos of new functions and products as well as digital project updates and monthly meetings. The almost entirely digital communication has mostly increased availability for employees, which is an important part in building Avanza's culture and cohesion. Many of these new routines are here to stay, at the same time that spontaneous interactions with colleagues should not be underestimated and are easier when everyone can meet face-to-face in the office. In the year's second employee survey, which was conducted during the quarter, the eNPS reached a record high of 75 (63) and the leadership index increased to 82 (81), compared with the long-term target of an eNPS of at least 45 and a leadership index of 80.

The COVID-19 crisis, together with various political measures and stimulus from central banks, continued to affect stock market turnover and volatility during the quarter. In a turbulent environment, customers took an active interest in their savings and investing, and trading activity among Avanza's customers remained at historically high levels. Customer growth and the net inflow were also high. Since the first quarter's high level of customer activity, measures to stabilise and strengthen IT systems have continued with e.g. investments in complementary hardware and capacity. No major incidents occurred during the quarter and site availability was 100 per cent.

The macro variables in Avanza's IFRS 9 model, which are used to calculate expected credit losses, were updated during

the quarter to reflect among other things COVID-19's effects on the Swedish economy, such as unemployment and housing prices. The update increased the provision for expected credit losses by approximately SEK 5 million, which affected the result for the second quarter. The provision mainly related to mortgage loans, which have a low risk with an average loan to value ratio of 38 per cent and are designed for Private Banking customers. The provision for margin lending rose slightly. No actual credit losses related to COVID-19 were recognised in the first half of 2020, which shows that Avanza's risk tolerance, collateral and processes are working as they should even in these highly uncertain and volatile market conditions.

The large outflow from mutual funds in the first quarter was followed in second quarter by a net inflow, and fund capital is now back at the same level as in the fourth quarter of 2019.

Customers' liquidity remains at a historically high level, which is producing a high volume of surplus liquidity. This liquidity has generated a positive return since 2019. The vast majority of the increased surplus liquidity is invested in short-term instruments, however, where the return is lower. The reason is to remain prepared when customers begin investing more again and in anticipation of a new normal.

In the occupational pension business, we are still seeing only a marginal impact on premium inflows after a few companies had to put their pension contributions on hold due to falling revenues. To help these companies, they have been allowed to retain their risk insurance protection. Several companies have accepted. The number of sales meetings decreased this spring when some companies decided to delay any decision on a new occupational pension partner. This is expected to impact growth in the occupational pension business in the third quarter, though it should be largely offset by a number of larger deals during the quarter. The exposure in Avanza's occupational pension business to the most vulnerable sectors is very limited.

The aftermath of COVID-19 is still hard to predict. It is not unusual for customer activity to slow after great turbulence as the market stabilises. As a result of the strong growth in the first half of 2020, however, our view is that our lowest level has been raised.

Although savings could be negatively impacted by high unemployment, leaving individuals with less opportunity to save, the turbulence in the last six months has to an even greater degree proven the importance of savings and a capital buffer. Avanza saw a continued strong net inflow and customer growth during the quarter.

In connection with the strong growth and high level of activity in the wake of COVID-19, Avanza at the end of March raised its guidance on the cost increase for 2020 to 12 per cent from previously around 10 per cent. This corresponds to just over SEK 10 million in additional costs for the full-year at the same time that revenues rose by 93 per cent in the first half of 2020. The cost guidance was raised after several investments were brought forward and capacity is being increased in customer service and the backoffice as well as in IT.

In response to the financial strain caused by COVID-19, the government decided in the first quarter to reduce social security contributions for up to 30 employees per company. Since Avanza has not and is not expected to be greatly impacted by COVID-19, the companies in the Avanza Group will not apply for reduced security contributions.

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



## Events during the second quarter

During the quarter, Avanza launched its first actively managed fund in collaboration with TIN Fonder: Avanza World Tech by TIN. The fund invests in companies with the potential to become future winners in the areas of Technology, Health and Sustainability and has an estimated total fee of 1.34 per cent. This makes it one of the market's cheapest actively managed technology funds for individual investors. The fund is exclusively available to Avanza's customers. As of 30 June, about three weeks after launch, the assets under management reached nearly SEK 700 million.

One of Avanza's targets is to encourage sustainable investments. Interest in saving sustainably is growing, but many find it hard to figure out which investments are sustainable, at the same time that personal views are important. Avanza's response to this is "My sustainability label," where customers decide for themselves what is sustainable based on four areas: Environment & Climate, Controversial Industries, Social Responsibility and Corporate Governance.

This autumn securities lending will be introduced as an option for customers with endowment insurance. Securities lending means that Avanza lends shares to Morgan Stanley, with the customer receiving 60 per cent of the return and Avanza receiving 40 per cent. Initially, securities lending applies to Swedish shares with a limit on total loan volume of SEK 5 billion. The return differs from share to share, depending on demand, but this is expected to give customers with endowment insurance an extra return totalling SEK 20–30 million in the programme's first year.

A number of improvements were made to the apps during the quarter. The design and navigation were updated for a better user experience. The search function was given new functionality to make it easier for customers to search for securities. New stock pages were launched for Android, allowing users to among other things see buy and sell transactions in the graphs and compare shares and indexes. Private Banking mortgages were added in the account summary to give customers a better overview of their mortgages. The "Save Sustainably" page was updated as well with new functions and educational material to inspire sustainable savings. The monthly savings function in the apps was also simplified.

Communication with customers remained at a high level during the quarter and questions by savers about the current market were answered in large part through an increased number of podcasts and blog entries. In the first half of 2020, the number of unique podcasts listeners grew by 88 per cent to nearly 1.6 million compared to the first half of 2019. The number of visits to the Avanza blog increased by 151 per cent to SEK 2.5 million.

Avanza 75, which is managed by Avanza's fund company and is one of the entry products in occupational pensions, received for the second consecutive year a Lipper Fund Award

for best fund in the category Mixed Asset SEK Aggressive. The fund was awarded for having the highest risk-adjusted return in its category for five years, which means that customers received the best return on their capital in relation to the risk the fund has taken.

Avanza was the highest ranked bank and placed sixth among all companies in Sweden in Kantar Sifo's reputation index for 2020 – in tight competition when well-known companies such as IKEA, Volvo and ICA.

## Development of customers and savings capital

Data on the Swedish savings market for the first quarter of 2020 were released in May. Avanza's share of the total net inflow to the Swedish savings market during the period April 2019 – March 2020 was 17.8 per cent. Avanza's share of the Swedish savings market was 4.4 per cent at the end of the period.

Customer growth remained strong in the second quarter, and 53,000 new customers were added. This was 38 per cent lower than the record level in the previous quarter but 68 per cent higher than the second quarter of 2019. The number of occupational pension customers grew by 3 per cent. The total number of customers at the end of the period was 1,115,500.

The net inflow was 11 per cent lower than the inflow in the previous quarter and 134 per cent higher than the equivalent quarter in 2019. Of the quarterly net inflow, SEK 3.9 billion related to a closer cooperation with an asset management firm, which can be seen in the net inflow in Private Banking. The net inflow from existing customers accounted for 50 per cent in the quarter, compared to 62 per cent in the previous quarter. Recurring occupational pension premiums averaged SEK 242 million per month in the latest 12-month period, an increase of 16 per cent compared to the equivalent period a year ago.

Savings capital increased by 21 per cent in the quarter to a record-high SEK 445 billion, mainly due to rising stock prices but also net inflow. At the end of the quarter, 26 per cent of customers' capital was invested in funds, 4 percentage points lower than the beginning of the year. Net fund inflow was SEK 7.4 billion and the fund capital increased by 22 per cent in the quarter. Of the fund capital, 28.5 per cent was invested in Avanza's own funds.

Customers' total deposits remain at a high level at just over SEK 79 billion, of which SEK 25.5 billion related to external deposits. Customers' liquidity, i.e. deposits as a share of savings capital, decreased from 23 to 18 per cent in the quarter.

Total lending increased by 9 per cent in the second quarter to SEK 25.2 billion. External mortgage volume through Stabelo amounted to SEK 11.2 billion at the end of the quarter. Internally financed mortgages for Private Banking customers was just over SEK 8.6 billion, up by 3 per cent. Margin lending increased by 25 per cent.

Activity and market shares	2020 Q2	2020 Q1	Change %	2019 Q2	Change %	2020 Jan-Jun	2019 Jan-Jun	Change %	2019 Jan-Dec
No. commission generating notes, thousands	9,200	9,170	0	4,070	126	18,400	8,060	128	17,500
Commission generating turnover, SEK m	277,800	282,400	-2	125,800	121	560,200	268,000	109	557,800
<i>Market shares</i>									
<i>Nasdaq Stockholm and First North:</i>									
No. transactions, %	17.5	16.6	0.9	13.3	4.2	17.0	13.2	3.8	13.7
Turnover, %	8.4	7.6	0.8	4.8	3.6	8.0	5.3	2.7	5.4
Net inflow, SEK m	2020 Q2	2020 Q1	Change %	2019 Q2	Change %	2020 Jan-Jun	2019 Jan-Jun	Change %	2019 Jan-Dec
Standard	13,080	19,340	-32	7,200	82	32,420	14,450	124	31,090
Private Banking	6,230	2,510	149	1,090	469	8,740	1,370	539	1,700
Pro	90	50	79	-20	-	140	-20	-	-190
<b>Net inflow</b>	<b>19,400</b>	<b>21,900</b>	<b>-11</b>	<b>8,270</b>	<b>134</b>	<b>41,300</b>	<b>15,800</b>	<b>161</b>	<b>32,600</b>
Equity & investment fund accounts	5,590	2,520	121	1,780	213	8,110	1,670	372	4,050
Investment savings accounts	9,310	13,000	-28	4,100	127	22,300	8,440	164	18,100
Savings accounts	1,470	1,440	2	600	144	2,920	1,670	75	3,430
of which external deposit accounts	1,480	1,430	4	610	144	2,910	1,800	62	3,450
Pension- & insurance-based accounts	3,030	4,940	-39	1,790	69	7,970	4,020	99	7,020
of which endowment insurance	1,950	3,780	-48	860	127	5,730	2,340	145	3,380
of which occupational pensions	1,030	1,110	-8	890	16	2,140	1,650	30	3,500
<b>Net inflow</b>	<b>19,400</b>	<b>21,900</b>	<b>-11</b>	<b>8,270</b>	<b>134</b>	<b>41,300</b>	<b>15,800</b>	<b>161</b>	<b>32,600</b>

For definitions see page 23.

No. customers, savings capital and lending, SEK m (unless otherwise stated)	30-06-2020	31-03-2020	Change %	31-12-2019	Change %	30-06-2019	Change %
Standard, No.	1,087,770	1,035,940	5	947,920	15	874,850	24
Private Banking, No.	25,300	24,500	3	26,500	-5	25,600	-1
Pro, No.	2,430	2,060	18	1,980	23	1,850	31
<b>No. of customers</b>	<b>1,115,500</b>	<b>1,062,500</b>	<b>5</b>	<b>976,400</b>	<b>14</b>	<b>902,300</b>	<b>24</b>
of which occupational pension customers, No.	100,200	97,100	3	92,600	8	84,900	18
Standard	256,600	216,200	19	228,200	12	200,500	28
Private Banking	172,100	139,700	23	164,500	5	145,600	18
Pro	15,900	12,300	29	15,000	6	13,200	20
<b>Savings capital</b>	<b>444,600</b>	<b>368,200</b>	<b>21</b>	<b>407,700</b>	<b>9</b>	<b>359,300</b>	<b>24</b>
Equity & investment fund accounts	123,400	103,600	19	121,100	2	108,400	14
Investment savings accounts	165,600	131,600	26	141,100	17	119,600	38
Savings accounts	26,400	24,900	6	23,400	13	21,600	22
of which external deposit accounts	25,500	24,000	6	22,500	13	20,800	23
Pension- & insurance-based accounts	129,200	108,100	20	122,100	6	109,700	18
of which endowment insurance	88,300	72,400	22	82,000	8	74,500	19
of which occupational pensions	27,900	24,100	16	26,700	4	23,000	21
<b>Savings capital</b>	<b>444,600</b>	<b>368,200</b>	<b>21</b>	<b>407,700</b>	<b>9</b>	<b>359,300</b>	<b>24</b>
Equities, bonds, derivatives, etc.	251,200	190,600	32	225,000	12	197,400	27
Investment funds	114,100	93,300	22	119,900	-5	101,900	12
Deposits	79,300	84,300	-6	62,800	26	60,000	32
of which external deposits (Savings account+)	25,500	24,000	6	22,500	13	20,800	23
<b>Savings capital</b>	<b>444,600</b>	<b>368,200</b>	<b>21</b>	<b>407,700</b>	<b>9</b>	<b>359,300</b>	<b>24</b>
Internally financed lending	14,000	12,700	10	13,100	7	11,300	24
of which margin lending	5,370	4,290	25	5,160	4	4,600	17
of which mortgages (Superbolånet PB)	8,640	8,390	3	7,950	9	6,740	28
External mortgages (Bolån+)	11,200	10,400	8	9,840	14	7,890	42
<b>Lending</b>	<b>25,200</b>	<b>23,100</b>	<b>9</b>	<b>23,000</b>	<b>10</b>	<b>19,200</b>	<b>31</b>
Deposits/Savings capital, %	18	23	-5	15	3	17	1
Return, average account since 1 Jan, %	-1	-15	14	24	-25	14	-15
OMX Stockholm GI since 1 Jan, %	-4	-18	14	35	-39	20	-24

For definitions see page 23.

## Financial overview

	2020 Q2	2020 Q1	Change %	2019 Q2	Change %	2020 Jan-Jun	2019 Jan-Jun	Change %	2019 Jan-Dec
<b>Income Statement, SEK m</b>									
Net brokerage income	260	268	-3	105	148	528	217	143	466
Fund commissions	88	96	-9	83	7	184	154	19	332
Net interest income	83	74	13	51	65	157	90	75	201
Other income	94	104	-9	46	104	198	90	119	194
<b>Operating income</b>	<b>526</b>	<b>542</b>	<b>-3</b>	<b>284</b>	<b>85</b>	<b>1,067</b>	<b>552</b>	<b>93</b>	<b>1,193</b>
Personnel	-120	-111	8	-107	12	-231	-210	10	-414
Marketing	-2	-8	-71	-3	-33	-10	-11	-11	-19
Depreciation	-17	-14	15	-14	22	-31	-27	14	-63
Other expenses	-46	-45	2	-42	11	-92	-82	12	-169
<b>Operating expenses before credit losses</b>	<b>-185</b>	<b>-179</b>	<b>4</b>	<b>-166</b>	<b>12</b>	<b>-364</b>	<b>-330</b>	<b>10</b>	<b>-666</b>
<b>Profit before credit losses</b>	<b>340</b>	<b>363</b>	<b>-6</b>	<b>118</b>	<b>188</b>	<b>703</b>	<b>222</b>	<b>217</b>	<b>528</b>
Credit losses, net	-5	1	-	2	-	-4	0	-	0
Profit/loss from participations in associated companies	-2	-2	-12	-2	-16	-4	-5	-6	-8
<b>Operating profit</b>	<b>333</b>	<b>361</b>	<b>-8</b>	<b>117</b>	<b>184</b>	<b>694</b>	<b>217</b>	<b>219</b>	<b>520</b>
Tax on profit for the period	-52	-56	-7	-16	221	-109	-29	271	-73
<b>Net profit</b>	<b>281</b>	<b>305</b>	<b>-8</b>	<b>101</b>	<b>178</b>	<b>585</b>	<b>188</b>	<b>211</b>	<b>447</b>
<b>Key ratios</b>									
Operating margin, %	63	67	-3	41	22	65	39	26	44
Profit margin, %	53	56	-3	36	18	55	34	21	37
Earnings per share before dilution, SEK	1.83	1.98	-8	0.67	173	3.81	1.24	206	2.94
Earnings per share after dilution, SEK	1.81	1.98	-9	0.67	171	3.78	1.24	205	2.94
Return on shareholders' equity, %	56	64	-8	27	29	59	25	34	27
Return on assets, %	0.7	0.8	-0.1	0.3	0.4	0.7	0.3	0.4	0.3
Credit loss level, %	-0.03	0.00	-0.04	0.01	-0.04	-0.03	0.00	-0.03	0.00
Investments, SEK m	26	7	275	2	1,219	32	4	780	10
Net brokerage income/Operating income, %	49	49	0	37	13	49	39	10	39
Fund commissions/Operating income, %	17	18	-1	29	-12	17	28	-11	28
Net interest income/Operating income, %	16	14	2	18	-2	15	16	-2	17
Other income/Operating income, %	18	19	-1	16	2	19	16	2	16
Income to savings capital ratio, %	0.52	0.56	-0.04	0.33	0.19	0.52	0.33	0.19	0.34
Costs to savings capital ratio, %	0.18	0.18	-0.00	0.19	-0.01	0.18	0.20	-0.02	0.19
Income per customer, SEK	1,930	2,130	-9	1,280	51	2,030	1,270	60	1,320
Costs per customer, SEK	-680	-700	-3	-750	-9	-690	-760	-9	-740
Net brokerage income per trading day, SEK m	4.4	4.3	5	1.8	144	4.3	1.8	141	1.9
Brokerage per commission note, SEK	29	30	-3	28	3	29	29	2	29
Brokerage/Turnover, %	0.108	0.108	-0.001	0.100	7	0.108	0.097	0.011	0.100
No. trading days	58.5	63.0	-7	57.5	2	121.5	120.5	1	248.0
Average no. employees	466	452	3	418	11	459	420	9	429
Web service operational availability, %	100.0	99.8	0.2	99.8	0.2	99.9	99.8	0.1	99.9

<b>Key ratios</b>	<b>30-06-2020</b>	<b>31-03-2020</b>	<b>Change %</b>	<b>31-12-2019</b>	<b>Change %</b>	<b>30-06-2019</b>	<b>Change %</b>
Shareholders' equity per share before dil., SEK	14.13	11.95	18	12.65	12	10.10	40
Own funds/Capital requirement	1.39	1.43	-3	1.30	7	1.22	14
No. employees	472	460	3	445	6	417	13
Share price, SEK	132.30	82.80	60	97.80	35	70.90	87
Market capitalisation, SEK m	20,300	12,700	60	15,000	35	10,700	90

For definitions see page 23.

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

### Second quarter compared to the previous quarter

Operating profit for the second quarter decreased by 8 per cent compared to the previous quarter, mainly as a result of lower revenues but also increased expenses.

The operating margin decreased to 63 per cent (67) and the return on equity was 56 per cent.

### Revenues

Total operating income decreased by 3 per cent compared to the previous quarter. Net brokerage income, fund commissions and other income decreased compared to the

previous quarter's record levels, while net interest income rose.

Net brokerage income decreased by 3 per cent, mainly because there were 4.5 fewer trading days in the quarter. Commission-generating turnover decreased by 1.6 per cent, while the number of commission-generating notes increased by 0.4 per cent. As a result, turnover per note decreased slightly. Brokerage income per SEK of turnover was stable at 10.8 basis points.

Fund commissions decreased by 9 per cent. Although fund capital increased and the net fund inflow was SEK 7.4 billion, the lower fund capital at the start of the quarter negatively affected fund commissions. Income per SEK of fund capital increased to 0.34 per cent (0.33). The share of index and fixed income funds decreased slightly. Fund capital increased by 22 per cent.

Net interest income increased by 13 per cent, mainly as a result of a higher return on surplus liquidity and a larger bond portfolio. Higher mortgage volume also contributed slightly. The repo rate has been 0 per cent since 8 January. Average STIBOR (3M) was 1 basis point higher than the first quarter. The resolution fee decreased slightly, based on the actual outcome for 2020, and together the state deposit guarantee and resolution fee amounted to SEK 7 million (8). Income from margin lending decreased slightly due to a lower average lending volume.

Other income, primarily consisting of currency-related income and income from Avanza Markets and Corporate Finance, decreased by 9 per cent. The decrease was mainly due to significantly lower income from Corporate Finance, where transaction activity was lower after the turbulent market in March. Income from Corporate Finance decreased to SEK 2 million (14). Activity in Avanza Markets remained high, but not at the same record level as the first quarter. This contributed to lower income from Avanza Markets, which amounted to SEK 26 million (29). Currency-related income increased to SEK 81 million (73) as a result of increased trading in foreign equities, while trading in foreign funds decreased. During the quarter, equity trading in foreign markets by Avanza's customers accounted for 15.4 per cent (11.9) of transactions and 13.2 per cent (10.9) of turnover. Trading in foreign funds accounted for 8.7 per cent (9.1) of trades. Other commission expenses increased, mainly due to higher payment commissions, which was a result of increased customer activity.

#### *Operating expenses*

Operating expenses increased by 4 per cent. All costs increased except for marketing, which normally is higher at the beginning of the year. Depreciation rose as a result of higher IT investments. Personnel costs increased mainly because of new employees. Other expenses were essentially unchanged.

In connection with the announced move this autumn, when the office on Vasagatan in Stockholm moves back to Regeringsgatan, estimated moving costs of SEK 11 million will be recognised for 2020, partly due to the double rent from June to September. The estimated cost growth for 2020 of 12 per cent includes neither these extraordinary costs associated with the move nor the write-down of leased assets of SEK 8.3 million which was made in 2019.

#### *Credit losses*

Reported credit losses are attributable to calculations of expected credit losses according to IFRS 9. The macro variables in Avanza's IFRS 9 model were updated during the quarter. The update resulted in a higher provision for expected credit losses, which affected the result for the second quarter.

## **January-June 2020 compared to January-June 2019**

Operating profit increased by 219 per cent compared to first half of 2019. Operating income nearly doubled, while operating expenses rose by 10 per cent. As a result, the operating margin increased to 65 per cent from 39 per cent and the return on equity was 59 per cent.

#### *Revenues*

Revenues increased, mainly due to higher net brokerage income and other income. Net interest income and fund commissions improved as well.

Net brokerage income increased by 143 per cent. This was a result of 128 per cent more commission-generating notes, 109 per cent higher commission-generating turnover and higher brokerage income per SEK of turnover. Brokerage income per SEK of turnover increased from 9.7 to 10.8 basis points as a higher share of brokerage income was generated in lower brokerage fee classes. The number of commission-generating customers was record high.

Fund commissions increased by 19 per cent due to higher average fund capital. Fund capital was 12 per cent higher at the end of June 2020 compared to June 2019, while income per SEK of fund capital was slightly lower than the first half of 2019.

Net interest income increased by 75 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 average STIBOR (3M) was 25 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 substantially after the interest rates on margin lending and Private Banking mortgages were raised by 25 and 20 basis points respectively in connection with the repo rate hike in January. 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 400 million, compared to an effect of 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. However, the Riksbank's own forecast indicates a zero per cent repo rate for the foreseeable future. The deposit guarantee fee and resolution fee decreased to SEK 15 million (16). The percentage rate used to calculate the resolution fee was reduced in 2020 from 0.09 per cent to 0.05 per cent.

Other income increased by 119 per cent, mainly due to significantly higher currency-related income, which amounted to SEK 153 million (61). Income from Avanza Markets was also significantly higher and amounted to SEK 55 million (37). Income from Corporate Finance increased to SEK 16 million (11). Other commission expenses increased, mainly due to higher payment service commissions. Since the start of the year, Stabelo has taken over administrative costs for external mortgages, which has had an offsetting effect and reduced other commission expenses. Distribution compensation was only marginally affected by this.

#### *Operating expenses*

Operating expenses increased by 10 per cent, mainly due to higher personnel costs as well as an increase in other expenses and depreciation. Personnel costs increased due to more employees, mainly to expand development capacity. Other expenses increased mainly due to higher costs for IT and premises. Marketing costs were slightly lower.



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 communicated in March. This was 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 additional employees in customer service and backoffice, but also in IT development. 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, while the income to savings capital ratio rose by 19 basis points in the first half of 2020. This demonstrates the scalability of Avanza's business model. 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 calculations of expected credit losses according to IFRS 9. The macro variables in Avanza's IFRS 9 model were updated in the second quarter of 2020. This resulted in a higher provision for expected credit losses, which affected the result. No actual credit losses linked to COVID-19 were recognised in the first half of 2020.

#### *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 first half-year increased to 15.7 per cent (13.5) as 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 revenues are taxed according to the laws for life insurance companies. Because of this and based on current volumes, the effective tax rate in 2020 is estimated at around 15 per cent, from the previous estimate of nearly 15 per cent. The Swedish corporate tax rate is 21.4 per cent. A tax cut 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 growth 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 include 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](http://www.avanza.se/ir).

## Quarterly overview

Quarterly overview (SEK m unless otherwise stated)	Q2-2020	Q1-2020	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018
Net brokerage income	260	268	123	126	105	112	111	111	92
Fund commissions	88	96	91	86	83	72	74	81	74
Net interest income	83	74	58	53	51	39	29	31	29
Other income	94	104	56	48	46	44	53	44	49
<b>Operating income</b>	<b>526</b>	<b>542</b>	<b>329</b>	<b>313</b>	<b>284</b>	<b>268</b>	<b>267</b>	<b>267</b>	<b>244</b>
Personnel	-120	-111	-115	-90	-107	-103	-97	-83	-97
Marketing	-2	-8	-3	-4	-3	-8	-4	-5	-3
Depreciation <sup>1</sup>	-17	-14	-22	-14	-14	-14	-5	-5	-5
Other expenses <sup>1,2</sup>	-46	-45	-48	-40	-42	-40	-84	-42	-48
<b>Operating expenses before credit losses</b>	<b>-185</b>	<b>-179</b>	<b>-187</b>	<b>-148</b>	<b>-166</b>	<b>-164</b>	<b>-190</b>	<b>-135</b>	<b>-153</b>
Credit losses, net	-5	1	0	0	2	-1	0	0	-1
Profit/loss from participations in associated companies	-2	-2	-2	-2	-2	-2	-1	-	-
<b>Operating profit</b>	<b>333</b>	<b>361</b>	<b>140</b>	<b>163</b>	<b>117</b>	<b>100</b>	<b>76</b>	<b>132</b>	<b>90</b>
Operating margin, %	63	67	43	52	41	37	29	49	37
Earnings per share before dil., SEK <sup>3</sup>	1.83	1.98	0.79	0.91	0.67	0.57	0.40	0.71	0.53
Shareholders' equity per share before dilution, SEK <sup>3,4</sup>	14.13	11.95	12.65	11.96	10.10	9.35	10.66	10.16	8.82
Return on shareholders' equity, %	56	64	26	33	27	23	15	30	25
Net inflow	19,400	21,900	6,820	9,940	8,270	7,570	6,360	8,380	4,840
No. of new customers (net)	53,000	86,100	37,300	36,800	31,500	33,600	28,600	32,200	23,300
No. of customers at the end of the period	1,115,500	1,062,500	976,400	939,100	902,300	870,800	837,100	808,500	776,400
Savings capital at the end of the period	444,600	368,200	407,700	377,100	359,300	335,700	300,000	331,000	307,100
Income to savings capital ratio, %	0.52	0.56	0.34	0.34	0.33	0.34	0.34	0.33	0.33
Costs to savings capital ratio, % <sup>5</sup>	0.18	0.18	0.19	0.16	0.19	0.21	0.20	0.17	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 i 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 second quarter 2020 total actual and expected credit losses amounted to SEK 15 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 period January–June was SEK –12 million (SEK –11m). 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	30-06-2020	31-12-2019
<b>Own funds</b>		
Shareholders' equity, the Group	2,173	1,945
Solvency capital	1,369	1,294
Less non-distributable solvency capital <sup>1</sup>	-229	-186
Subordinated loan	70	80
Additional value adjustments	-28	-20
Intangible assets and deferred tax receivables	-73	-76
<b>Own funds before dividend adjustments</b>	<b>3,282</b>	<b>3,037</b>
<b>Capital requirements</b>		
Capital requirement Pillar 1	-1,788	-1,721
of which Solvency capital requirement <sup>1</sup>	-1,140	-1,108
Buffer requirement	-200	-378
Capital requirement Pillar 2	-120	-113
<b>Capital requirements</b>	<b>-2,108</b>	<b>-2,212</b>
<b>Capital surplus before dividend</b>	<b>1,175</b>	<b>825</b>
Capital surplus per share, SEK	7.64	5.36

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

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 1,175 million as of 30 June 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 30 June the leverage ratio for the consolidated situation was 2.8 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 in connection with the preliminary financial statement for 2020. 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, which can be achieved by a lower dividend ratio or by issuing Additional Tier 1 capital (AT1), and by reducing the balance sheet or off-balance sheet commitments, see Note 8 for details.

## Other corporate events

### Executive Management

Anna Casselblad will take over as the new CFO of Avanza in spring 2021. Anna replaces Birgitta Hagenfeldt, the current CFO, who this spring announced that she will leave Avanza and no longer serve in an operational capacity. Anna will also join Group Management. Anna started as an operational manager in Avanza's compliance department in autumn 2012 and since spring 2017 has been the head of the Avanza Group's compliance function, including overall responsibility for the companies under the supervision of the Swedish FSA. Anna also has several years of experience as a financial sector auditor at PwC in Stockholm.

### 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 half of 2020 and the company holds no repurchased shares as of 30 June 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 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019-2020 Jul-Jun	2019 Jan-Dec
<b>Operating income</b>							
Commission income	1, 2	515	283	1,053	562	1,683	1,191
Commission expenses	3	-75	-49	-145	-100	-245	-200
Interest income calculated using the effective interest method		93	63	175	114	313	253
Other interest and similar income		10	9	20	18	38	36
Interest expenses		-20	-21	-38	-42	-83	-87
Net result of financial transactions		2	0	2	0	2	0
Other operating income		-	-	-	0	0	0
<b>Total operating income</b>		<b>526</b>	<b>284</b>	<b>1,067</b>	<b>552</b>	<b>1,709</b>	<b>1,193</b>
<b>Operating expenses</b>							
General administrative expenses		-163	-145	-315	-283	-600	-569
Depreciation of tangible and intangible fixed assets		-17	-14	-31	-27	-67	-63
Other operating expenses		-6	-8	-19	-20	-33	-34
<b>Total operating expenses before credit losses</b>		<b>-185</b>	<b>-166</b>	<b>-364</b>	<b>-330</b>	<b>-700</b>	<b>-666</b>
<b>Operating profit before credit losses</b>		<b>340</b>	<b>118</b>	<b>703</b>	<b>222</b>	<b>1,009</b>	<b>528</b>
Credit losses, net		-5	2	-4	0	-5	0
Profit/loss from participations in associated companies		-2	-2	-4	-5	-8	-8
<b>Operating profit</b>		<b>333</b>	<b>117</b>	<b>694</b>	<b>217</b>	<b>997</b>	<b>520</b>
Tax on profit for the period		-52	-16	-109	-29	-152	-73
<b>Net profit for the period<sup>1</sup></b>		<b>281</b>	<b>101</b>	<b>585</b>	<b>188</b>	<b>844</b>	<b>447</b>
Earnings per share before dilution, SEK		1.83	0.67	3.81	1.24	5.51	2.94
Earnings per share after dilution, SEK		1.81	0.67	3.78	1.24	5.50	2.94
Average no. shares before dilution, thousands		153,786	151,365	153,786	151,365	153,317	152,115
Average no. shares after dilution, thousands		155,359	151,365	154,691	151,466	153,560	152,115
Outstanding no. shares before dilution, thousands		153,786	151,365	153,786	151,365	153,786	153,786
Outstanding no. shares after dilution, thousands		155,745	151,365	155,745	151,365	155,745	154,125
No. shares upon full dilution, thousands		160,536	158,315	160,536	158,315	160,536	160,536

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

## Consolidated statement of comprehensive income

SEK m	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019-2020 Jul-Jun	2019 Jan-Dec
<b>Net profit for the period</b>	<b>281</b>	<b>101</b>	<b>585</b>	<b>188</b>	<b>844</b>	<b>447</b>
<i>Items that will be reversed to the Income Statement</i>						
Changes in fair value of financial instruments <sup>1</sup>	70	15	-5	57	-42	19
Tax on changes in fair value of financial instruments <sup>1</sup>	-15	-3	1	-12	9	-4
<b>Other comprehensive income after tax</b>	<b>55</b>	<b>12</b>	<b>-4</b>	<b>45</b>	<b>-33</b>	<b>15</b>
<b>Total comprehensive income after tax<sup>2</sup></b>	<b>336</b>	<b>113</b>	<b>582</b>	<b>233</b>	<b>811</b>	<b>462</b>

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	30-06-2020	31-12-2019
<b>Assets</b>			
Balances at central banks		863	1,340
Treasury bills eligible for refinancing		1,929	–
Lending to credit institutions	4	1,855	1,766
Lending to the public	5	15,090	13,106
Bonds		25,662	19,782
Shares and participations		0	0
Shares and participations in associated companies		103	108
Assets in insurance operations		124,619	116,369
Intangible fixed assets		73	76
Right-of-use asset		191	76
Tangible fixed assets		57	35
Other assets		3,387	3,022
Prepaid costs and accrued income		186	262
<b>Total assets</b>		<b>174,016</b>	<b>155,942</b>
<b>Liabilities and shareholders' equity</b>			
Deposits by the public		45,265	36,400
Liabilities in insurance operations		124,620	116,370
Lease liability		193	86
Other liabilities		1,533	945
Accrued costs and prepaid income		132	97
Subordinated liabilities		100	100
Shareholders' equity		2,173	1,945
<b>Total liabilities and shareholders' equity</b>		<b>174,016</b>	<b>155,942</b>

## Changes in the Group's shareholders' equity

SEK m	Share capital	Other contributed capital	Fair value reserve	Retained earnings	Total equity
<b>January - June 2019</b>					
<b>Shareholders' equity 31-12-2018</b>	<b>76</b>	<b>484</b>	<b>-6</b>	<b>1,061</b>	<b>1,614</b>
Net profit for the period	–	–	–	188	188
Other comprehensive income for the period	–	–	45	–	45
Total comprehensive income for the period	–	–	45	188	233
<b>Transactions with owners</b>					
Dividend paid	–	-6	–	-312	-318
<b>Shareholder's equity 30-06-2019</b>	<b>76</b>	<b>478</b>	<b>39</b>	<b>937</b>	<b>1,529</b>
<b>January - December 2019</b>					
<b>Shareholder's equity 31-12-2018</b>	<b>76</b>	<b>484</b>	<b>-6</b>	<b>1,061</b>	<b>1,614</b>
Net profit for the period	–	–	–	447	447
Other comprehensive income for the period	–	–	15	–	15
Total comprehensive income for the period	–	–	15	447	462
<b>Transactions with owners</b>					
Dividend paid	–	-6	–	-312	-318
New issue (exercise of warrants)	1	181	–	–	183
Warrants issue	–	4	–	–	4
<b>Shareholders' equity 31-12-2019</b>	<b>77</b>	<b>663</b>	<b>9</b>	<b>1,196</b>	<b>1,945</b>
<b>January - June 2020</b>					
<b>Shareholders' equity 31-12-2019</b>	<b>77</b>	<b>663</b>	<b>9</b>	<b>1,196</b>	<b>1,945</b>
Net profit for the period	–	–	–	585	585
Other comprehensive income for the period	–	–	-4	–	-4
Total comprehensive income for the period	–	–	-4	585	582
<b>Transactions with owners</b>					
Dividend paid	–	-202	–	-152	-354
<b>Shareholders' equity 30-06-2020</b>	<b>77</b>	<b>462</b>	<b>5</b>	<b>1,629</b>	<b>2,173</b>

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

## Consolidated Cash Flow Statement

SEK m	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun
<b>Operating activities</b>				
Operating profit	333	117	694	217
Adjustment for items not included in cash flow	8	6	14	12
Taxes paid	-884	-62	-404	-152
Changes in operating activities' assets and liabilities	-4,241	986	7,488	2,402
<b>Cash flow from operating activities</b>	<b>-4,784</b>	<b>1,048</b>	<b>7,793</b>	<b>2,479</b>
<b>Investment operations</b>				
Acquisition and disposals of intangible and tangible fixed asset	-26	-2	-32	-4
Investment in treasury bills eligible for refinancing	6,007	-	-1,929	-
Investment in bonds	-803	-1,184	-5,885	-3,741
<b>Cash flow from investment operations</b>	<b>5,178</b>	<b>-1,186</b>	<b>-7,846</b>	<b>-3,744</b>
<b>Financial operations</b>				
Cash dividend	-	-	-354	-318
Subordinated bond	0	0	0	0
<b>Cash flow from financial operations</b>	<b>0</b>	<b>0</b>	<b>-354</b>	<b>-318</b>
<b>Cash flow for the period</b>	<b>394</b>	<b>-138</b>	<b>-407</b>	<b>-1,583</b>
Liquid assets at the beginning of the period <sup>1</sup>	2,276	2,352	3,077	3,797
Liquid assets at the end of the period <sup>1</sup>	2,670	2,214	2,670	2,214
<b>Change</b>	<b>394</b>	<b>-138</b>	<b>-407</b>	<b>-1,583</b>

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 48 million (SEK 25m) of consolidated liquid assets are pledged as collaterals.

## Parent Company Income Statement

SEK m	2020 Jan-Jun	2019 Jan-Jun
<b>Operating expenses</b>		
Administration expenses	-8	-7
Other operating expenses	-4	-4
<b>Operating profit/loss</b>	<b>-12</b>	<b>-11</b>
<b>Profit from financial investments</b>		
Profit/loss from participations in Group companies	23	11
Interest expenses and similar items	0	0
<b>Profit/loss before tax</b>	<b>11</b>	<b>-1</b>
Tax on profit/loss for the period	-2	0
<b>Net profit/loss for the period</b>	<b>8</b>	<b>0</b>

## Parent Company statement of comprehensive income

SEK m	2020 Jan-Jun	2019 Jan-Jun
<b>Net profit/loss for the period</b>	<b>8</b>	<b>0</b>
<b>Other comprehensive income after tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income after tax</b>	<b>8</b>	<b>0</b>

## Parent Company Balance Sheet

SEK m	30-06-2020	31-12-2019
<b>Assets</b>		
Financial fixed assets	533	533
Current receivables <sup>1</sup>	6	354
Liquid assets	2	0
<b>Total assets</b>	<b>541</b>	<b>887</b>
<b>Shareholders' equity and liabilities</b>		
Restricted shareholders' equity	77	77
Non-restricted shareholders' equity	457	803
Current liabilities	7	7
<b>Total shareholders' equity and liabilities</b>	<b>541</b>	<b>887</b>

1) Of which receivables from subsidiaries SEK 3 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	2019	2020	2019	2019-2020	2019
	Q2	Q2	Jan-Jun	Jan-Jun	Jul-Jun	Jan-Dec
Trading in commission-generating securities	372	149	738	308	1,084	654
Fund savings	96	89	205	167	396	359
Corporate services	2	7	16	11	32	27
Other commission income	45	37	95	75	171	151
<b>Total</b>	<b>515</b>	<b>283</b>	<b>1,053</b>	<b>562</b>	<b>1,683</b>	<b>1,191</b>
<i>Timing of revenue recognition</i>						
Service or goods transferred to customer at a specific point in time	515	283	1,053	562	1,683	1,191
Service or goods transferred to customer over time	-	-	-	-	-	-
<b>Total</b>	<b>515</b>	<b>283</b>	<b>1,053</b>	<b>562</b>	<b>1,683</b>	<b>1,191</b>

Revenue from contracts with customers largely comes from securities trading and includes profit from exchange income of SEK 81 million (SEK 29m) in the lines Trading in commission-generating securities and Fund savings for the second quarter 2020.

### Note 2 Commission income

SEK m	2020	2019	2020	2019	2019-2020	2019
	Q2	Q2	Jan-Jun	Jan-Jun	Jul-Jun	Jan-Dec
Gross brokerage income	299	126	605	260	901	556
Fund commissions	88	83	184	154	362	332
Other commission income <sup>1</sup>	128	74	264	147	420	303
<b>Total</b>	<b>515</b>	<b>283</b>	<b>1,053</b>	<b>562</b>	<b>1,683</b>	<b>1,191</b>

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 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019-2020 Jul-Jun	2019 Jan-Dec
Transaction costs <sup>1</sup>	-39	-21	-77	-43	-125	-90
Payment services commissions	-22	-14	-40	-26	-68	-54
Other commission expenses <sup>2</sup>	-14	-13	-27	-31	-52	-56
<b>Total</b>	<b>-75</b>	<b>-49</b>	<b>-145</b>	<b>-100</b>	<b>-245</b>	<b>-200</b>

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 2,097 million (SEK 1,421m as of 31 December 2019) which are reported net against client fund payables of SEK 2,097 million (SEK 1,421m as of 31 December 2019). Of the liquid assets of SEK 2,718 million as per the end of the period, SEK 48 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 15 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 -4 million.

SEK 1,096 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 13,995 million, of which SEK 5,363 million (SEK 5,156m as of 31 December 2019) with collateral in the form of securities and SEK 8,632 million (SEK 7,949m as of 31 December 2019) with collateral in the form of houses and tenant-owned apartments. Regarding mortgage loans SEK 9,433 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 793 million (SEK 984m as of 31 December 2019).

## Note 6 Financial instruments

### Classification of financial instruments

30-06-2020 SEK m	Fair value via Income Statement	Amortised cost	Fair value via Other comprehensive income	Non-financial instruments	Total
<b>Assets</b>					
Balances at central banks	–	863	–	–	863
Treasury bills eligible for refinancing	–	–	1,929	–	1,929
Lending to credit institutions	–	1,855	–	–	1,855
Lending to the public	–	15,090	–	–	15,090
Bonds	–	–	25,662	–	25,662
Shares and participations	0	–	–	–	0
Shares and participations in associated companies	–	103	–	–	103
Assets in insurance operations	110,171	14,448	–	–	124,619
Intangible assets	–	–	–	73	73
Right-of-use asset	–	–	–	191	191
Tangible assets	–	–	–	57	57
Other assets	–	3,387	–	–	3,387
Prepaid costs and accrued income	–	147	–	38	186
<b>Total assets</b>	<b>110,171</b>	<b>35,893</b>	<b>27,591</b>	<b>361</b>	<b>174,016</b>
<b>Liabilities</b>					
Deposits by the public	–	45,265	–	–	45,265
Liabilities in insurance operations	124,619	–	–	1	124,620
Lease liabilities	–	–	–	193	193
Other liabilities	–	1,465	–	69	1,533
Accrued costs and prepaid income	–	73	–	59	132
Subordinated liabilities	–	100	–	–	100
<b>Total liabilities</b>	<b>124,619</b>	<b>46,902</b>	<b>–</b>	<b>322</b>	<b>171,843</b>

### Financial instruments valued at fair value

30-06-2020, SEK m	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	63,769	–	0	63,769
Fund units	43,766	–	–	43,766
Bonds and other interest-bearing securities	29,103	532	–	29,635
Other securities	503	89	–	592
<b>Total assets</b>	<b>137,142</b>	<b>621</b>	<b>0</b>	<b>137,762</b>
<b>Liabilities</b>				
Liabilities in insurance operations (investment agreements)	–	124,619	–	124,619
<b>Total liabilities</b>	<b>–</b>	<b>124,619</b>	<b>–</b>	<b>124,619</b>

#### 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	30-06-2020	31-12-2019
<b>Own funds</b>		
Shareholders' equity, the Group	2,173	1,945
Less profits which are not audited	-582	-
Assumed/Proposed dividend	-	-354
<b>Shareholders' equity, financial conglomerate</b>	<b>1,591</b>	<b>1,592</b>
<i>Additional</i>		
Solvency capital <sup>1</sup>	1,369	1,294
Subordinated loan	70	80
<i>Less</i>		
Additional value adjustments	-28	-20
Intangible assets	-73	-76
<b>Total own funds</b>	<b>2,930</b>	<b>2,870</b>
<b>Own funds per sector</b>		
Own funds for regulated units in the insurance sector <sup>1</sup>	1,585	1,492
Own funds for regulated units within the banking and investment services sector	1,345	1,378
<b>Total own funds</b>	<b>2,930</b>	<b>2,870</b>
<b>Capital requirement per sector</b>		
Capital requirement for regulated units in the insurance sector <sup>1</sup>	1,140	1,108
Capital requirement for regulated units within the banking and investment services sector	967	1,105
of which additional buffer requirement	200	378
of which additional Pillar 2 requirement	120	113
<b>Total capital requirement</b>	<b>2,108</b>	<b>2,212</b>
<b>Capital surplus</b>	<b>822</b>	<b>657</b>
<b>Own funds/Capital requirement</b>	<b>1.39</b>	<b>1.30</b>

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.

The above table refers to the financial conglomerate, including Avanza Bank Holding AB (publ) and all of its subsidiary companies Avanza Bank AB (publ), Försäkringsaktiefbolaget Avanza Pension, Avanza Fonder AB, Placera 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	30-06-2020	31-12-2019
<b>Tier 1 capital</b>		
Shareholders' equity, consolidated situation	1,894	1,865
Less profits which are not audited	-384	-
Assumed/Proposed dividend	-	-354
<b>Equity, consolidated situation (adjusted for assumed/proposed dividend)</b>	<b>1,511</b>	<b>1,511</b>
<i>Deducted items</i>		
Additional value adjustments	-28	-20
Intangible assets	-73	-76
Significant holdings in the financial sector <sup>1</sup>	-1	-5
<b>Common equity tier 1 capital</b>	<b>1,409</b>	<b>1,411</b>
Subordinated loan	70	80
<b>Tier 2 capital</b>	<b>70</b>	<b>80</b>
<b>Total own funds</b>	<b>1,479</b>	<b>1,490</b>
<b>Capital requirement</b>		
Credit risk according to the standardised approach	577	522
Market risk (position risk)	0	0
Settlement risk	0	0
Credit valuation adjustment risk according to the standardised method	0	-
Operational risk according to the standardised approach	116	147
<b>Capital requirement</b>	<b>693</b>	<b>669</b>
<b>Risk exposure amount</b>		
Credit risk according to the standardised approach	7,214	6,530
of which exposures to institutions (risk weight 20%)	368	350
of which exposures to corporates (risk weight 100%)	83	73
of which retail exposures (risk weight 75%)	241	310
of which exposures secured by mortgages on immovable property (risk weight 35%)	3,037	2,809
of which exposures in default (risk weight 100%/150%)	7	-
of which exposures to covered bonds (risk weight 10%)	2,482	1,879
of which exposures to equity (risk weight 250%)	352	353
of which exposures to other items (risk weight 100%)	645	756
Market risk (position risk)	0	0
Settlement risk	0	2
Credit valuation adjustment risk according to the standardised method	0	-
Operational risk according to the standardised approach	1,449	1,836
<b>Total risk exposure amount<sup>1</sup></b>	<b>8,663</b>	<b>8,367</b>
<b>Capital ratios and buffers</b>		
Common equity tier 1 ratio, %	16.3	16.9
Tier 1 ratio, %	16.3	16.9
Total capital ratio, %	17.1	17.8
Own funds in relation to capital requirement	2.13	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, %	11.8	12.4
Total own funds	1,479	1,490
Capital requirement (8%)	-693	-669
Buffer requirement	-217	-418
Additional Pillar 2 requirement	-123	-120
Total capital requirement	-1,033	-1,208
Capital surplus after buffer requirement and Pillar 2	446	283
<b>Leverage ratio</b>		
Total exposure amount leverage ratio	50,575	40,868
Tier 1 capital	1,409	1,411
Leverage ratio, %	2.8	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.

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

The Board of Directors and 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, 14 July 2020

Sven Hagströmer  
Chairman of the Board

Magnus Dybeck  
Member of the Board

Catharina Eklöf  
Member of the Board

Viktor Fritzen  
Member of the Board

Jonas Hagströmer  
Member of the Board

Birgitta Klasén  
Member of the Board

Mattias Miksche  
Member of the Board

Johan Roos  
Member of the Board

Hans Toll  
Member of the Board

Rikard Josefson  
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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 14 July 2020.

A webcast presentation will be held by Rikard Josefson, CEO, and Birgitta Hagenfeldt, CFO, on 14 July 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 [avanza.se/ir](https://avanza.se/ir). Phone number for participants:

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- Confirmation code: 98215329#

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](https://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 – September 2020	19 October 2020
Preliminary Financial Statement 2020	21 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 note<sup>2)</sup>

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

## Brokerage/Turnover<sup>2)</sup>

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

## Client funds<sup>2)</sup>

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

## Commission note

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

## Costs per customer<sup>2)</sup>

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

## Costs to savings capital ratio<sup>2)</sup>

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

## Credit loss level<sup>1)</sup>

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

## Customer

Individual or company with at least one account with holdings or an external mortgage (Bolån+).

## Deposits

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

## Deposits/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 share<sup>1)</sup>

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

## eNPS

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

## Equity per share<sup>1)</sup>

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

## External deposits

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

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

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

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

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

## Income to savings capital ratio<sup>2)</sup>

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

## Internally financed lending

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

## Net brokerage income<sup>2)</sup>

Gross brokerage income less direct costs.

## Net inflow

Deposits, less withdrawals, of liquid assets and securities.

## Operating expenses<sup>1)</sup>

Operating expenses before credit losses.

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

Operating profit/loss in relation to operating income.

## Own funds<sup>3)</sup>

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

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

Profit/loss after tax in relation to operating income.

## Return on assets<sup>1)</sup>

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 equity<sup>1)</sup>

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

## Savings capital

The combined value of accounts held with Avanza.

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

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

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

Estimated capital requirements under Solvency 2 rules.

## Turnover

Turnover in security trading.

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

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

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