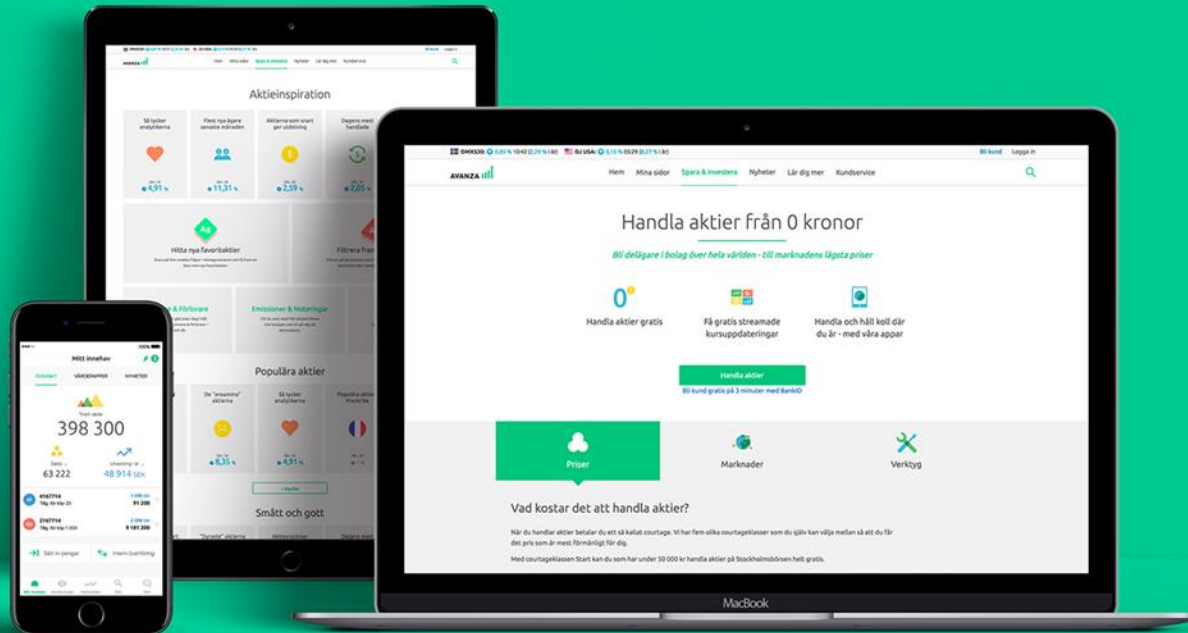


# Company presentation

July 2018



AVANZA 

# Sweden's leading online savings platform

- Founded in 1999
- No 1 in stock market transactions in Sweden
- Most satisfied savings customers in Sweden for 8 consecutive years
- 776,400 customers
- SEK 307 bn in savings capital
- 407 employees
- 3.7% market share of the Swedish savings market



# Customer satisfaction and employee engagement create shareholder value over time



## Long-term targets

- Customer satisfaction & Employee engagement
  - Growth in customers and savings capital
    - Scalability and cost efficiencies



## Customer proposition

- Cheaper, better and simpler offering through scale, cost control and top modern IT platform
  - High user experience
- Information, education and decision-making tools



## Growth potential

- Occupational pension business
- Focus on broader customer groups
- Strong potential in existing customer base



## Revenues and costs

- More stable revenues through funds and mortgages
  - High NII sensitivity
- Scalability and cost control vital

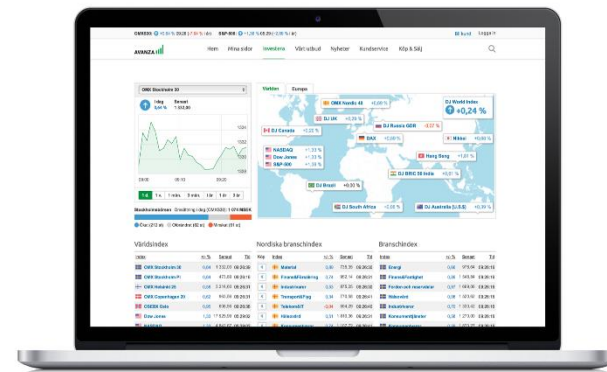
# High customer satisfaction

Creating a better future for millions of people

## Customer promise

To give our customers a better return on their savings than with any other bank or pension company

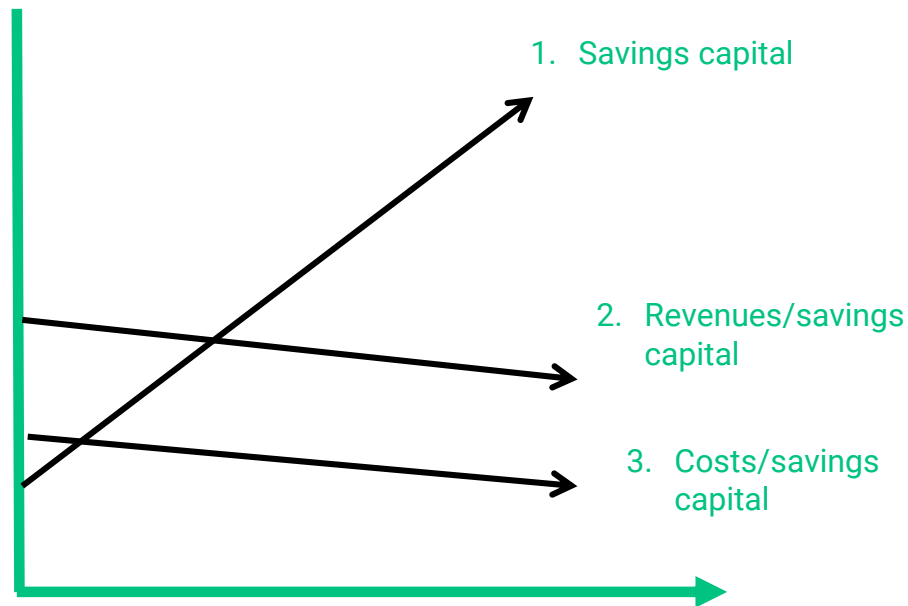
- Price leadership
- Wide range of products
- Better tools
- Excellence in customer service



# Growth strategy built on scale

## 1. Growth in savings capital

- Customer satisfaction
  - Innovation and user experience
- ➔
- Customer growth
  - Net inflow



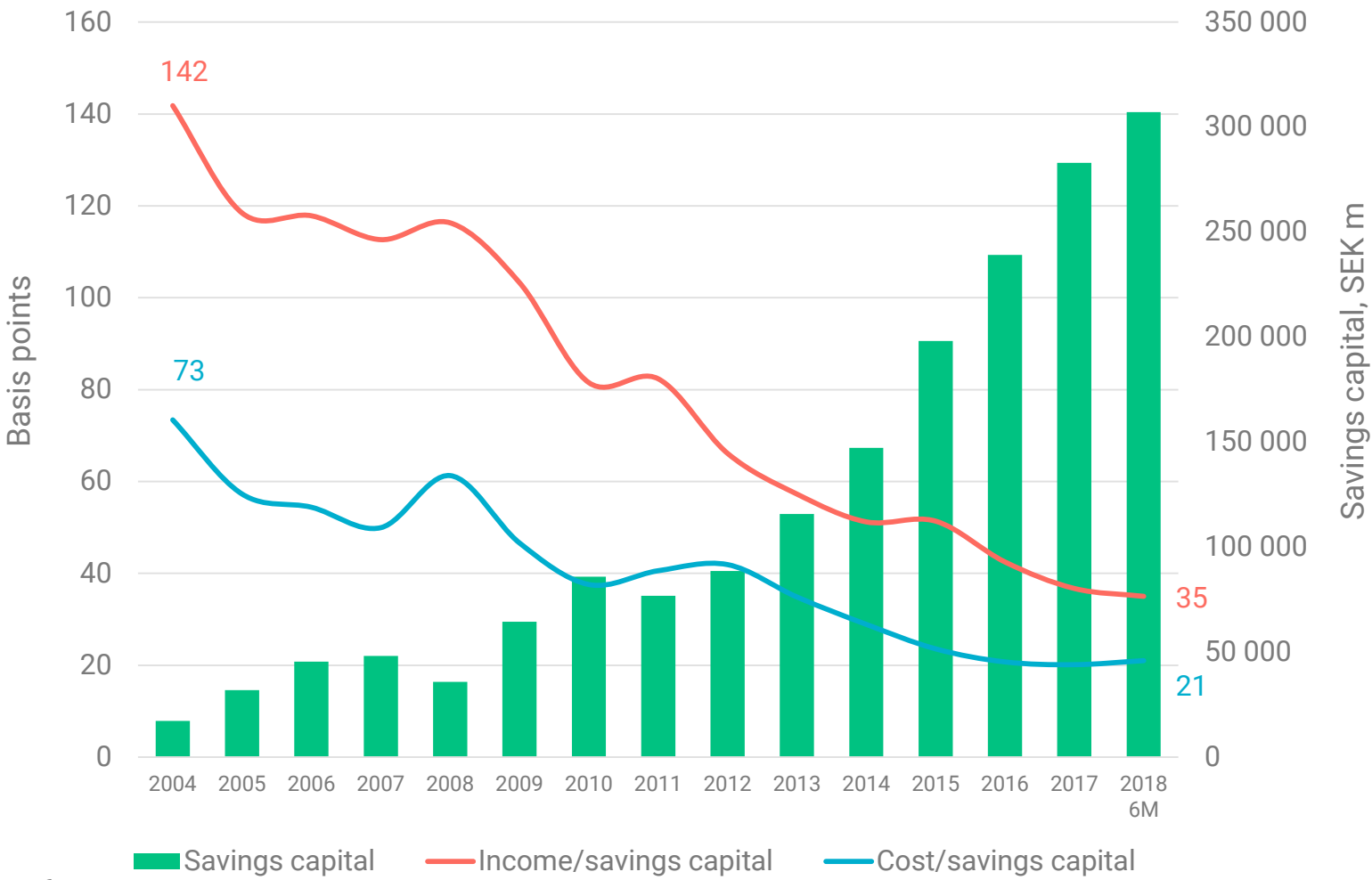
## 2. Revenues/savings capital

- No fixed fees
- Revenues mainly based on transaction fees, net interest income (NII) and distribution fees from mutual funds
- NII and transaction revenues tend to be inversely correlated

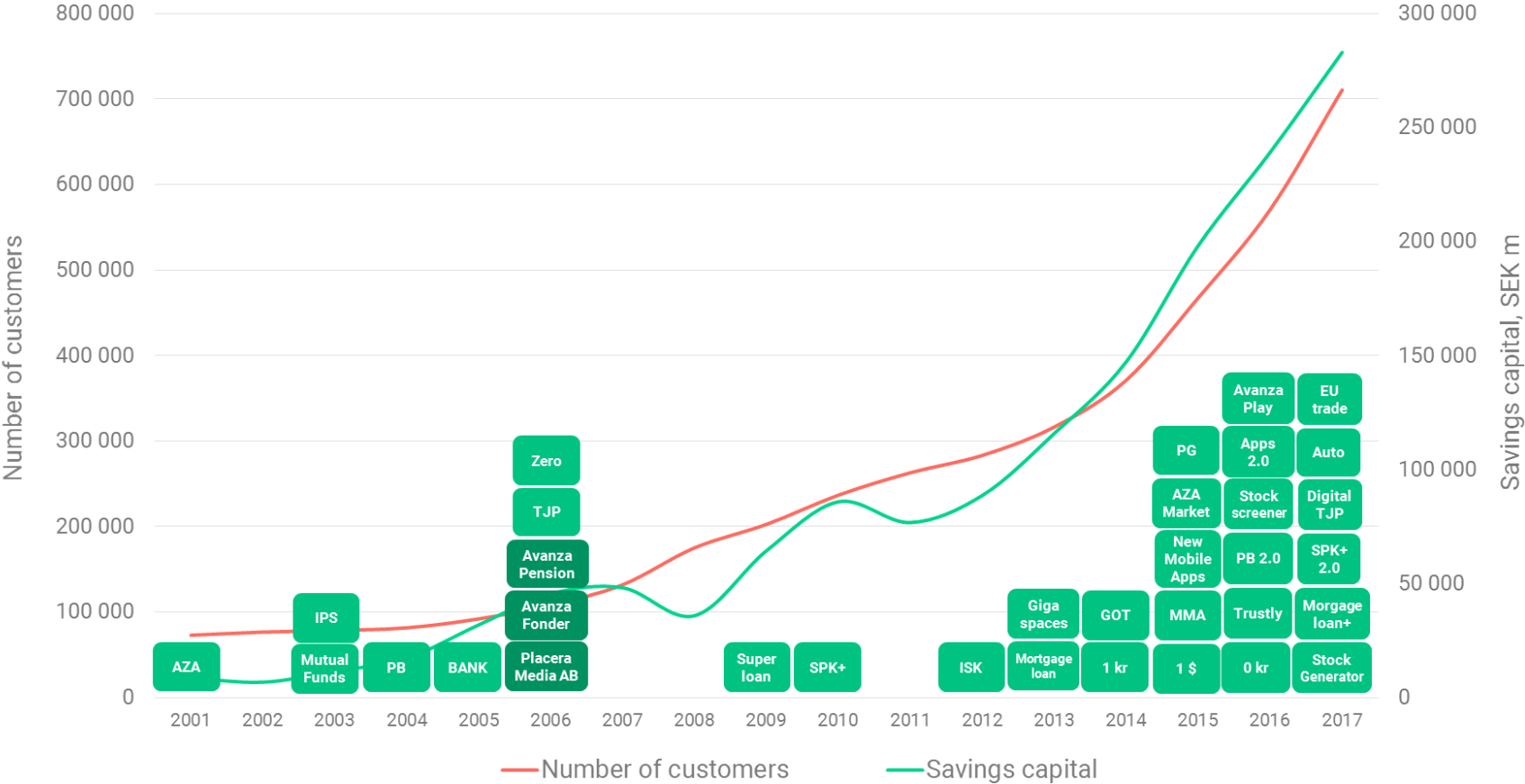
## 3. Costs/savings capital

- Mainly fixed costs, tight cost control
- High scalability
- Long term, cost growth should never exceed revenue growth

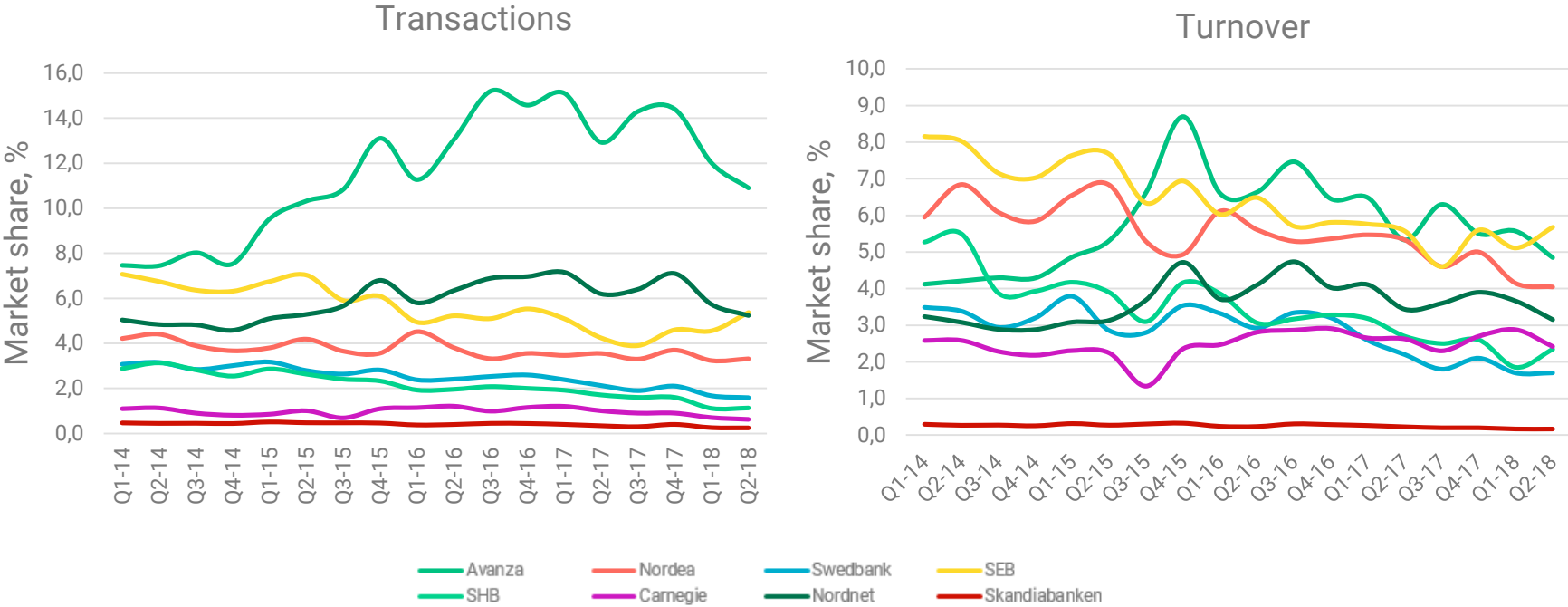
# Leading cost position



# A history of growth built on innovation



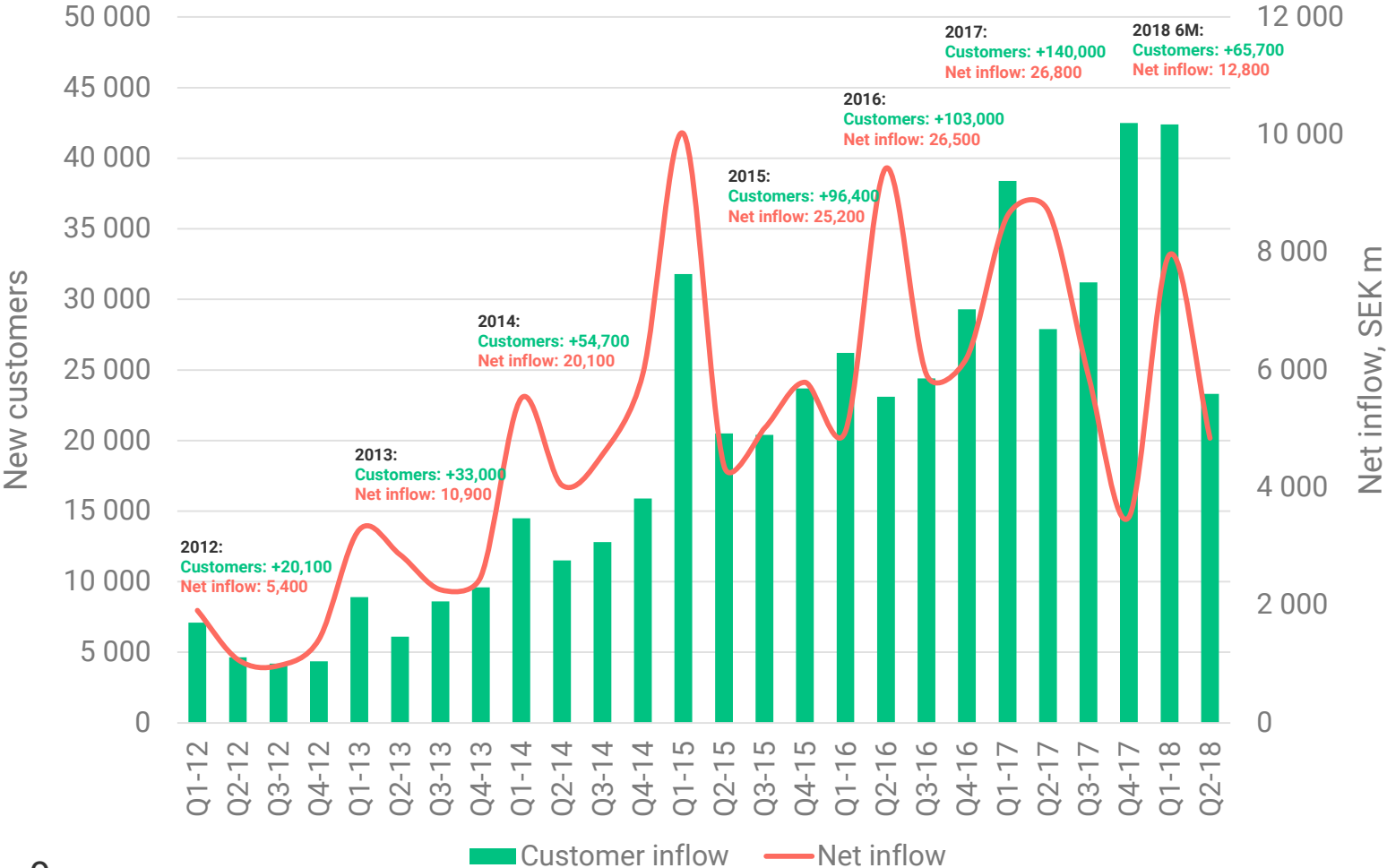
# Largest Swedish player in stock market transactions on Nasdaq OMX and First North



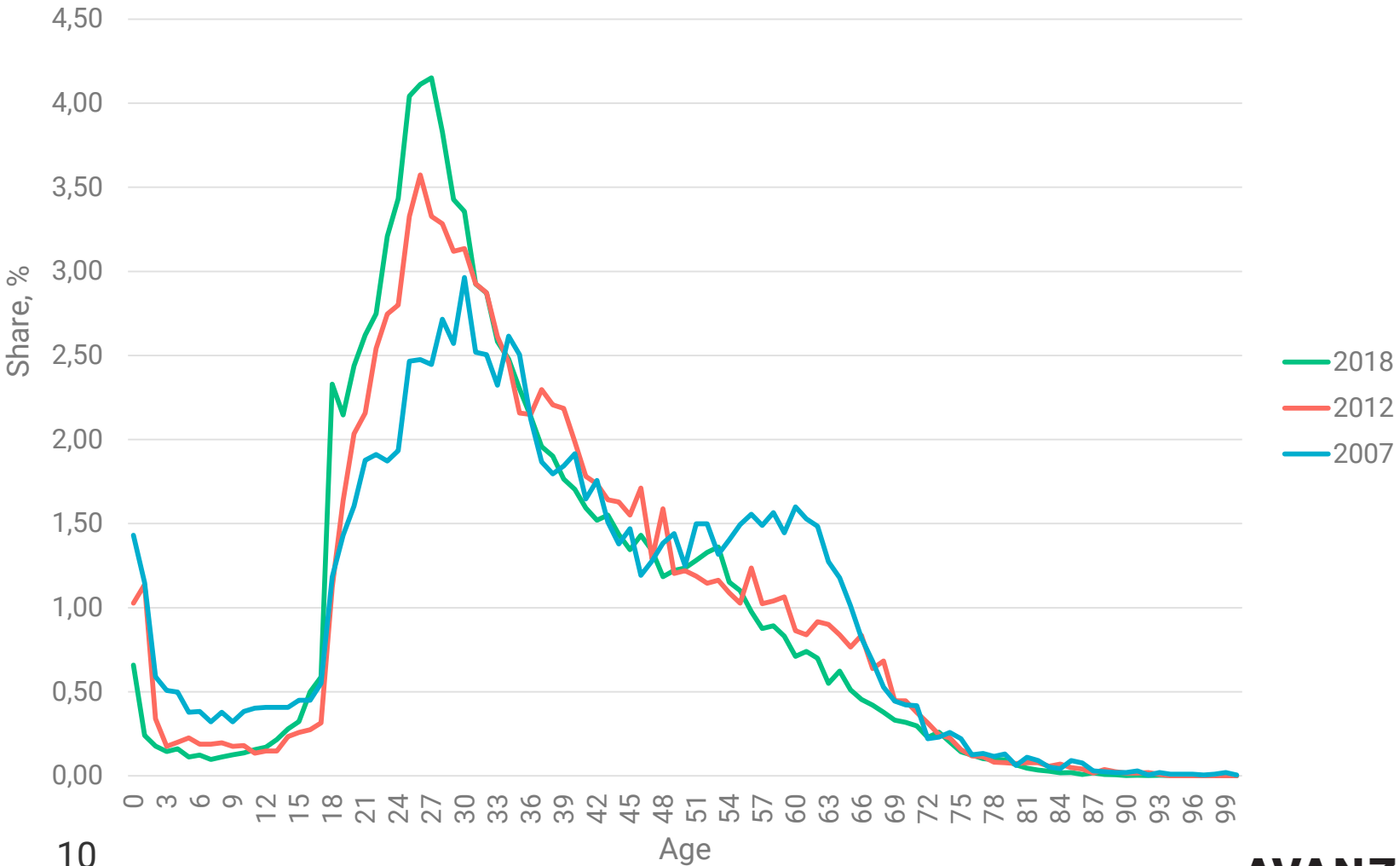
- Market share of 10.9% in terms of transactions and 4.8% in turnover in Q2 2018



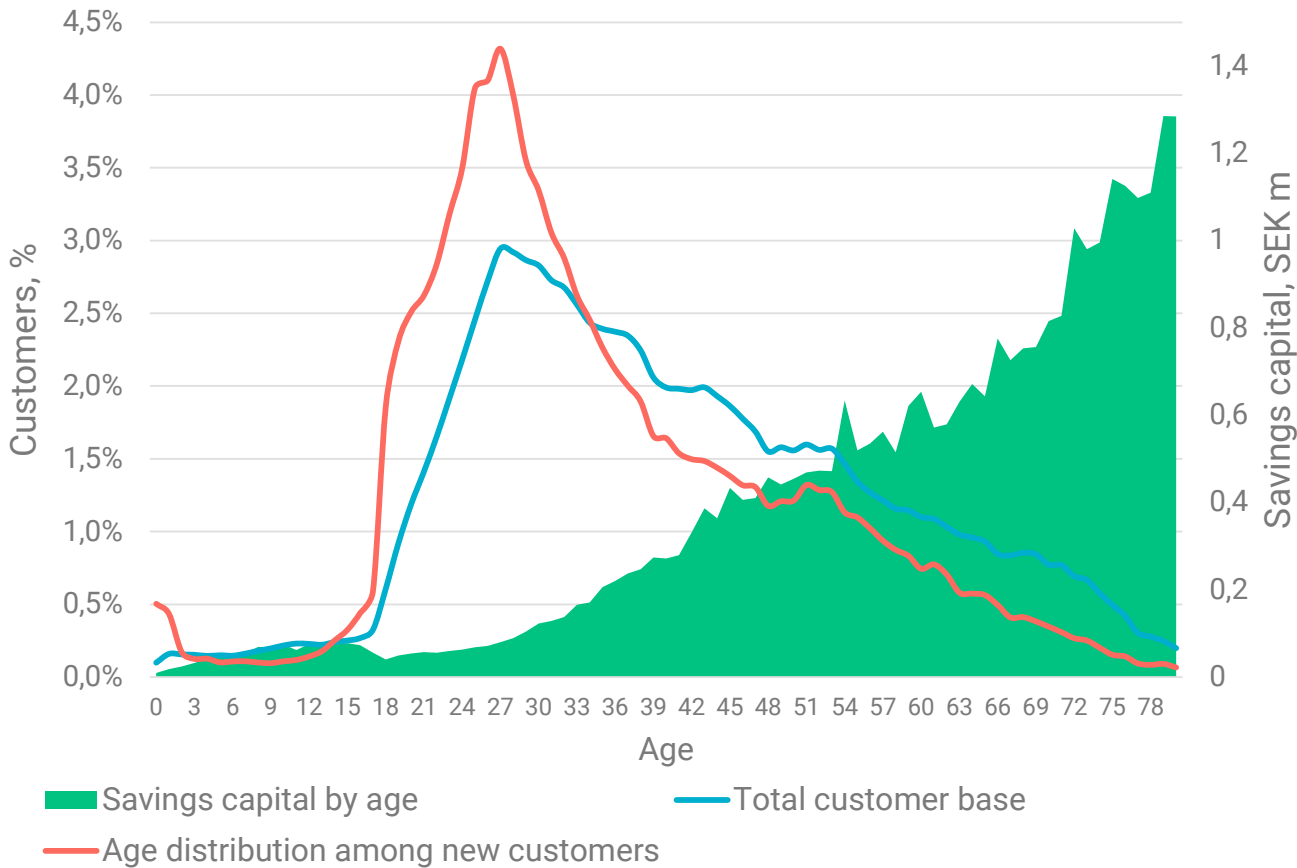
# Customer growth drives net inflow



# Age distribution among new customers



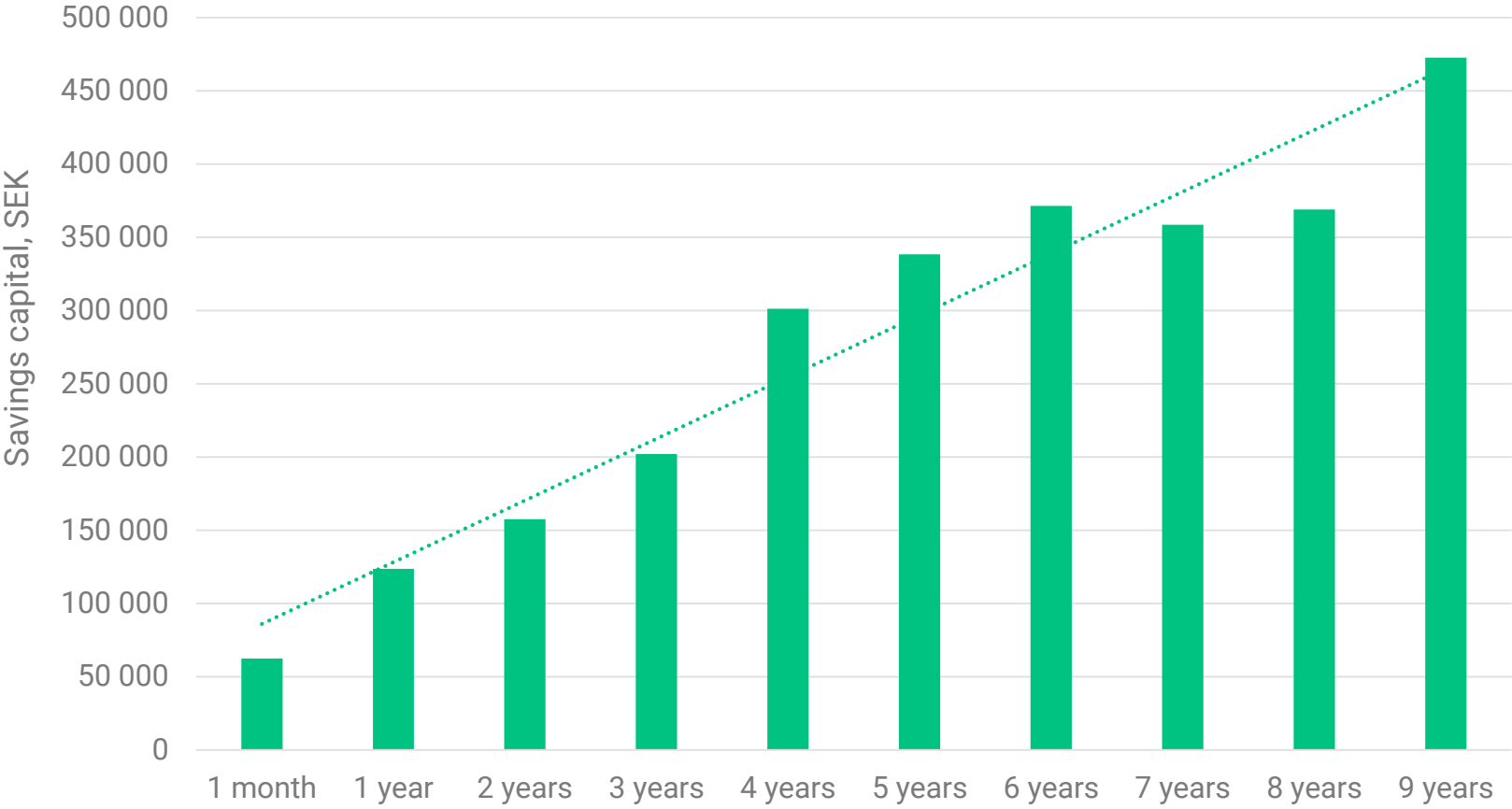
# Strong long-term potential in existing customer base



## Market penetration

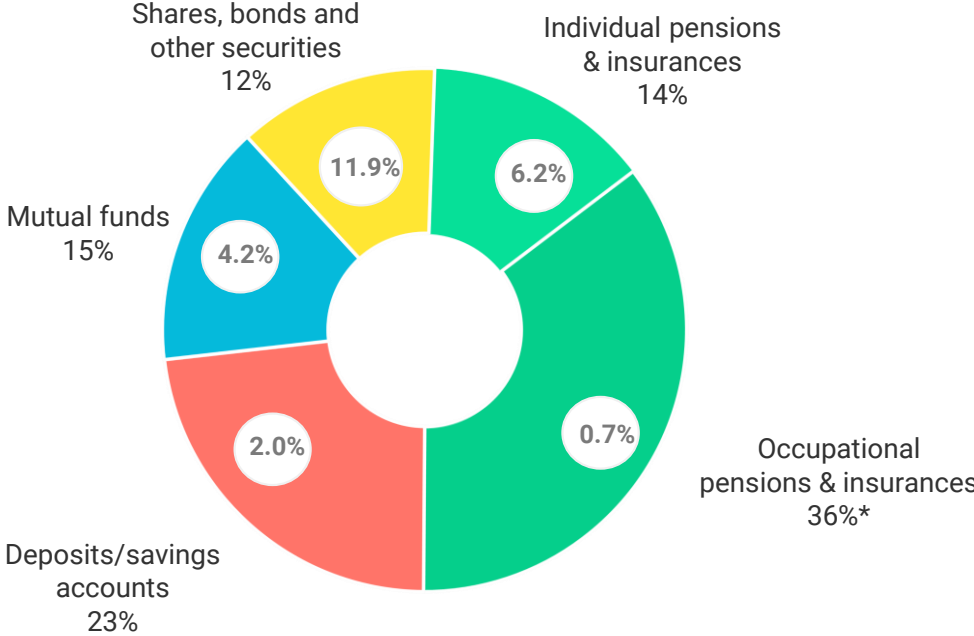
- Total share of Swedish savings market: 3.7% as of Q1
- Total share of Swedish population: 6.6% as of 1 November 2017
  - ages 20-29: 10.8%
  - ages 30-39: 12.6%
  - ages 40-49: 9.5%
- Highest penetration in urban areas. Stockholm region, snapshot (Women/Men) as of 1 November 2017:
  - ages 20-29: 10%/19%
  - ages 30-39: 13%/23%
  - ages 40-49: 10%/18%
  - ages 50-59: 9%/13%
  - ages 60-69: 7%/10%

# Savings capital grow by number of years at Avanza



■ Average savings capital per customer (excluding customers with > SEK 10m in savings capital)

# Significant growth potential with a 3.7% market share of the Swedish savings market



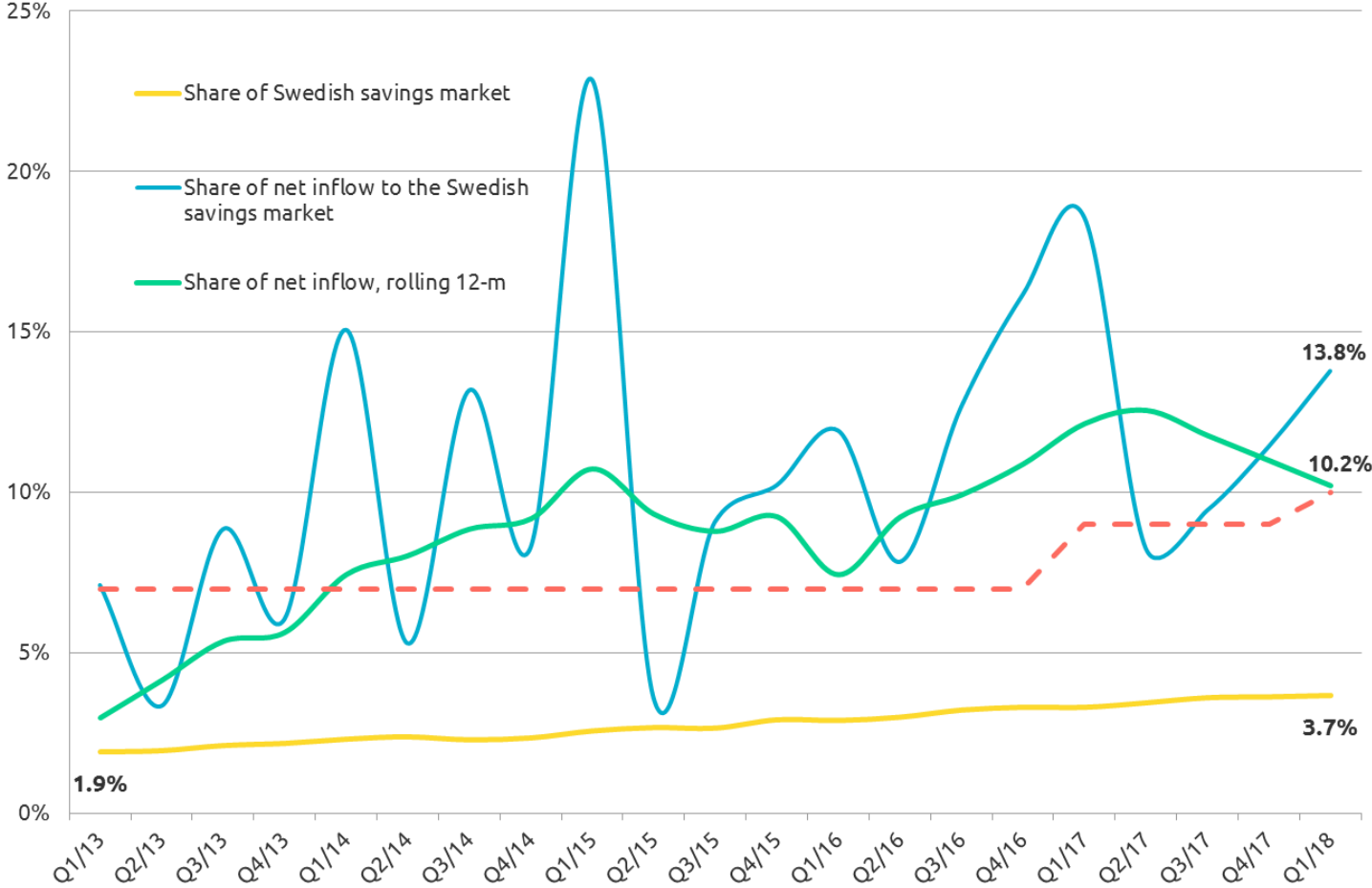
The Swedish savings market  
SEK 7,850 bn

Annual market growth of on  
average 8% last ten years

An estimated 80% of the Swedish  
population saves in funds and 13%  
own shares

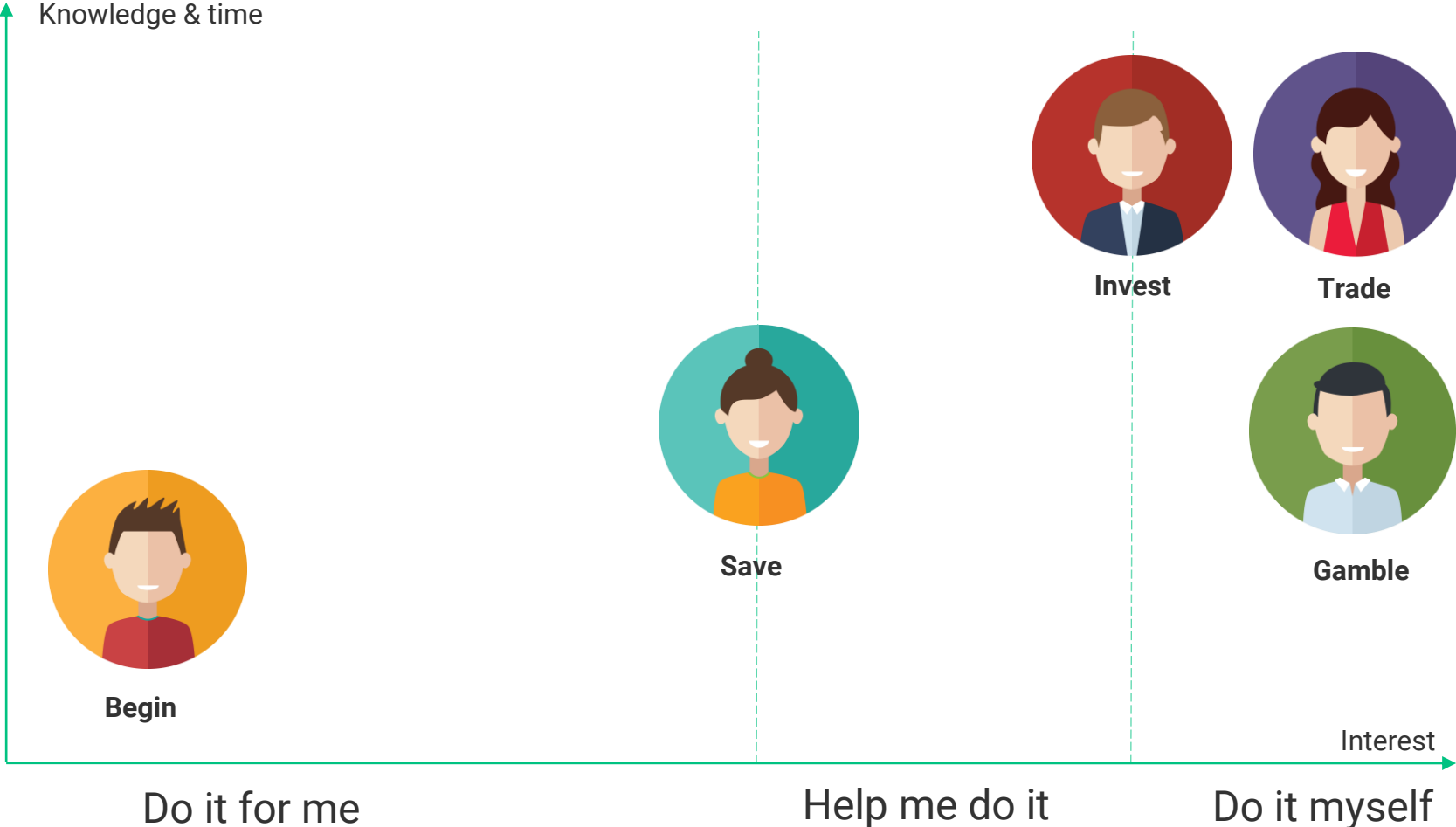
\* An estimated 50% of the market is addressable for Avanza

# Market share of 10.2% rolling 12M of net savings on the Swedish savings market

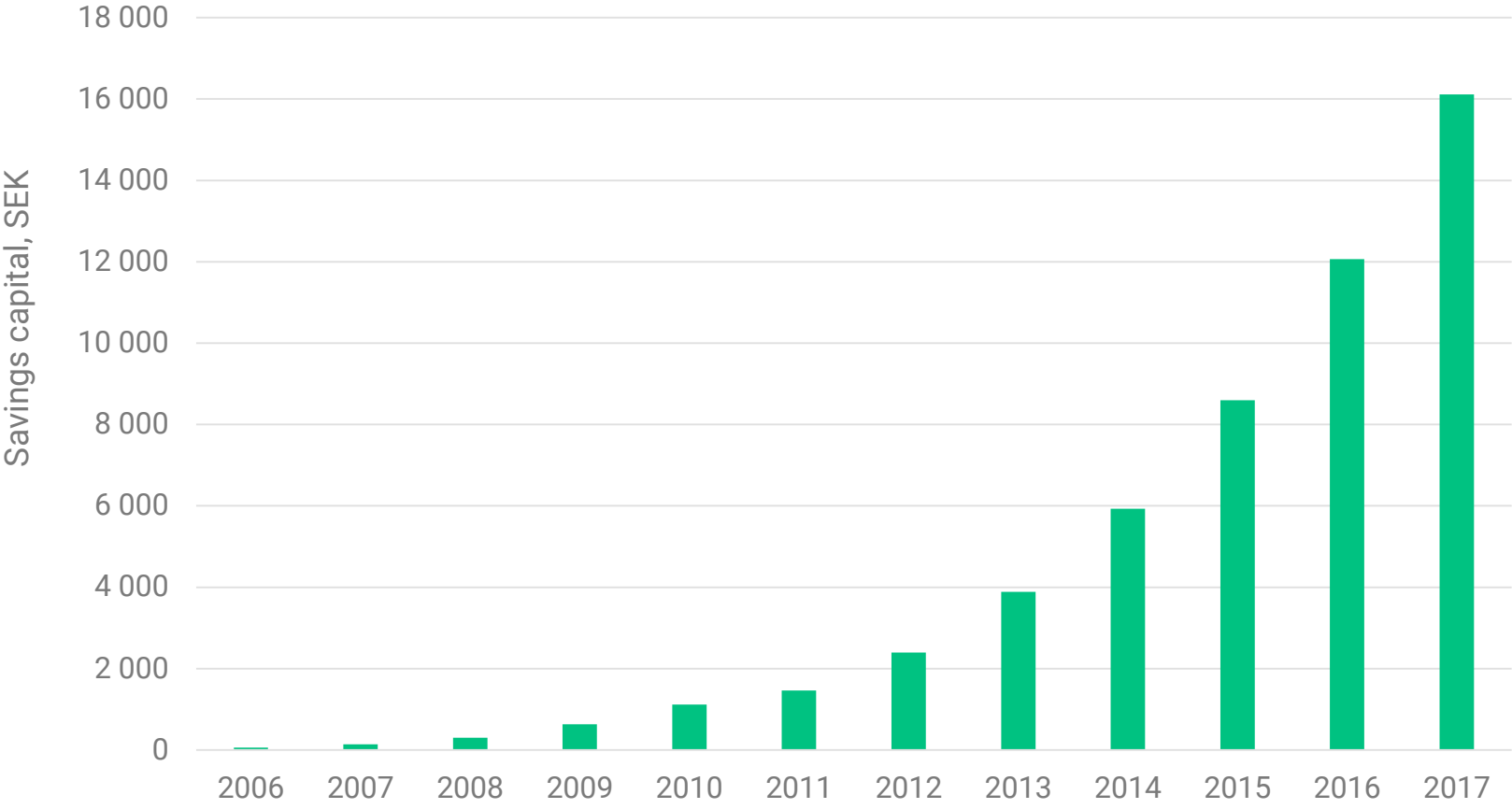


Target raised to 10% as of 2018

# Growth potential in broader customer groups



# Strong growth in occupational pension





# Digitisation and new regulation potential for growth

- New customer behaviors – already seen in other industries
- Focus on attracting new and broader customer groups as well as keeping current customers happy
  - Product innovation and evolution
  - User experience increasingly important
  - Price remains key
- Increased scalability and cost leadership a prerequisite for a continued attractive customer offering

# As always... key success factors for Avanza

- Customer satisfaction – keep the No 1 position
- Continuous growth in both number of customers and volume
- Create possibilities for continued strong innovation



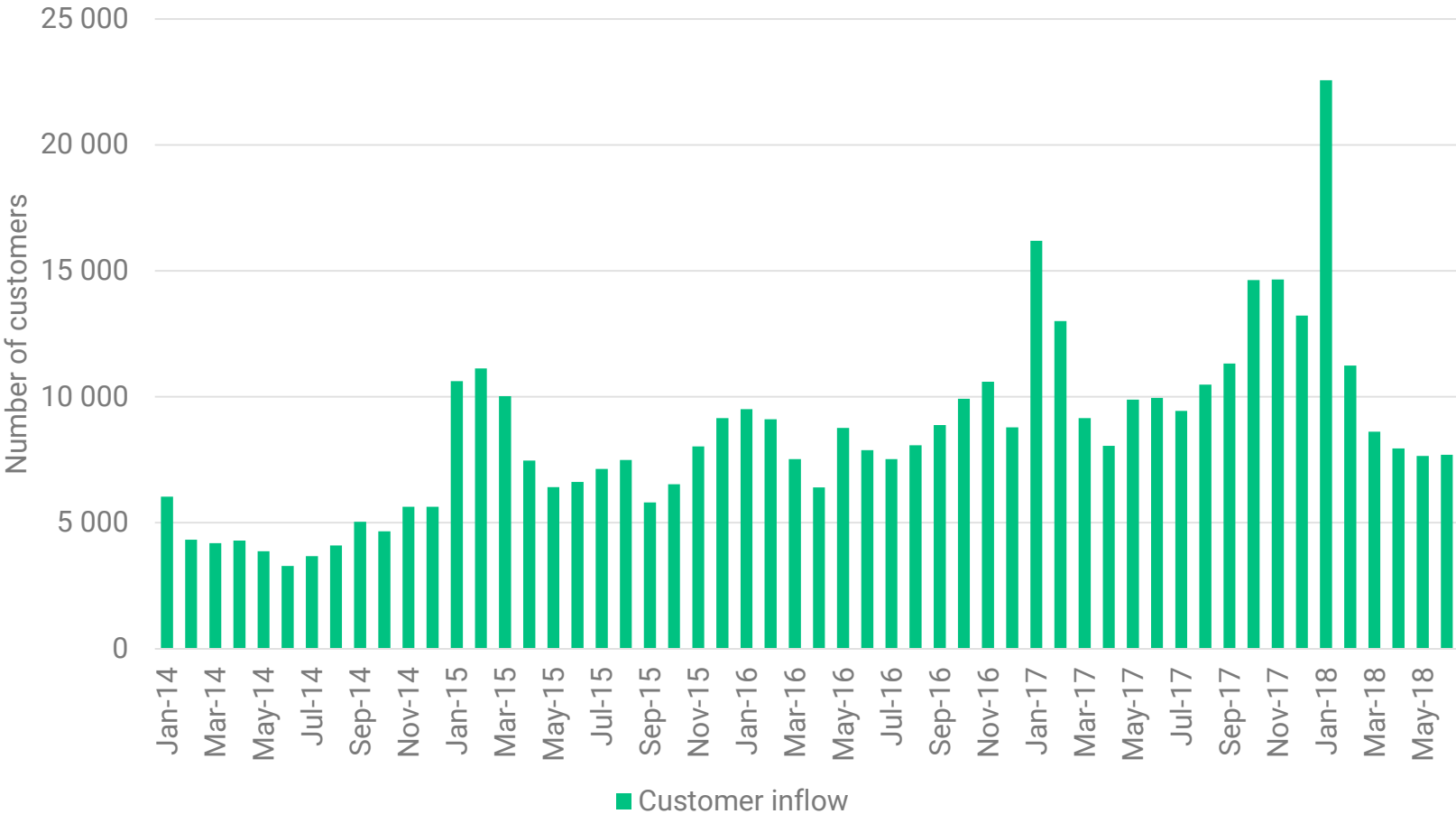
# Appendix

|                    |       |
|--------------------|-------|
| Operations         | 20-22 |
| Financials         | 23-32 |
| Balance sheet data | 33-34 |
| Contact details    | 35    |

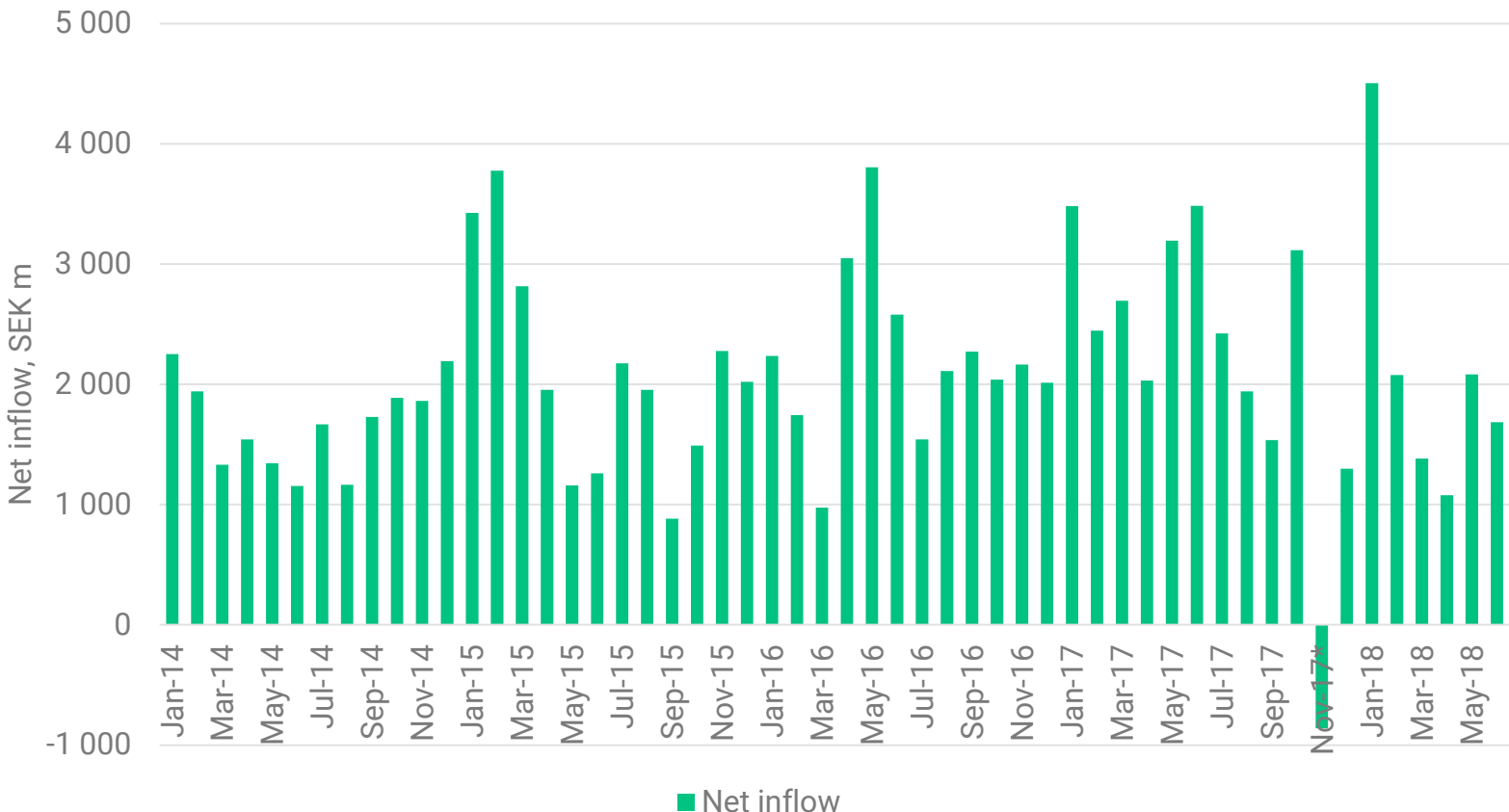
# Performance on targets 2017

| Long-term targets  | Outcome 2017 | Comments  |
|--|--------------|---|
| Sweden's most satisfied savers according to Swedish Quality Index                                  | √            | Achieved in 2017 for the eighth consecutive year  |
| Engaged employees, eNPS over 45  | 33           | Continued strong ambassadorship, although lower than last year due to Avanza's strong growth, ongoing organisational changes and leadership |
| Market share of at least 9 per cent<br>R 12M of the total net inflow to the Swedish savings market | 11.8%        | Adjusted upward to 10% as of 2018   |
| 1 million customers 2020   | 710,600      | Well on track to achieve the target already in the beginning of 2020  |
| Cost growth should not outpace income growth   | —            | Not achieved due to higher investments in future growth. Annual cost growth is expected to return to 8-10 per cent from 2018                |
| Dividend of at least 70 per cent of net profit for the year  | 83%*         | * Proposes dividend of SEK 10.50 per share  |

# Customer inflow of 65,700 in 2018 (-1% Y/Y)



# Net inflow of SEK 12,800m in 2018 (-26% Y/Y)

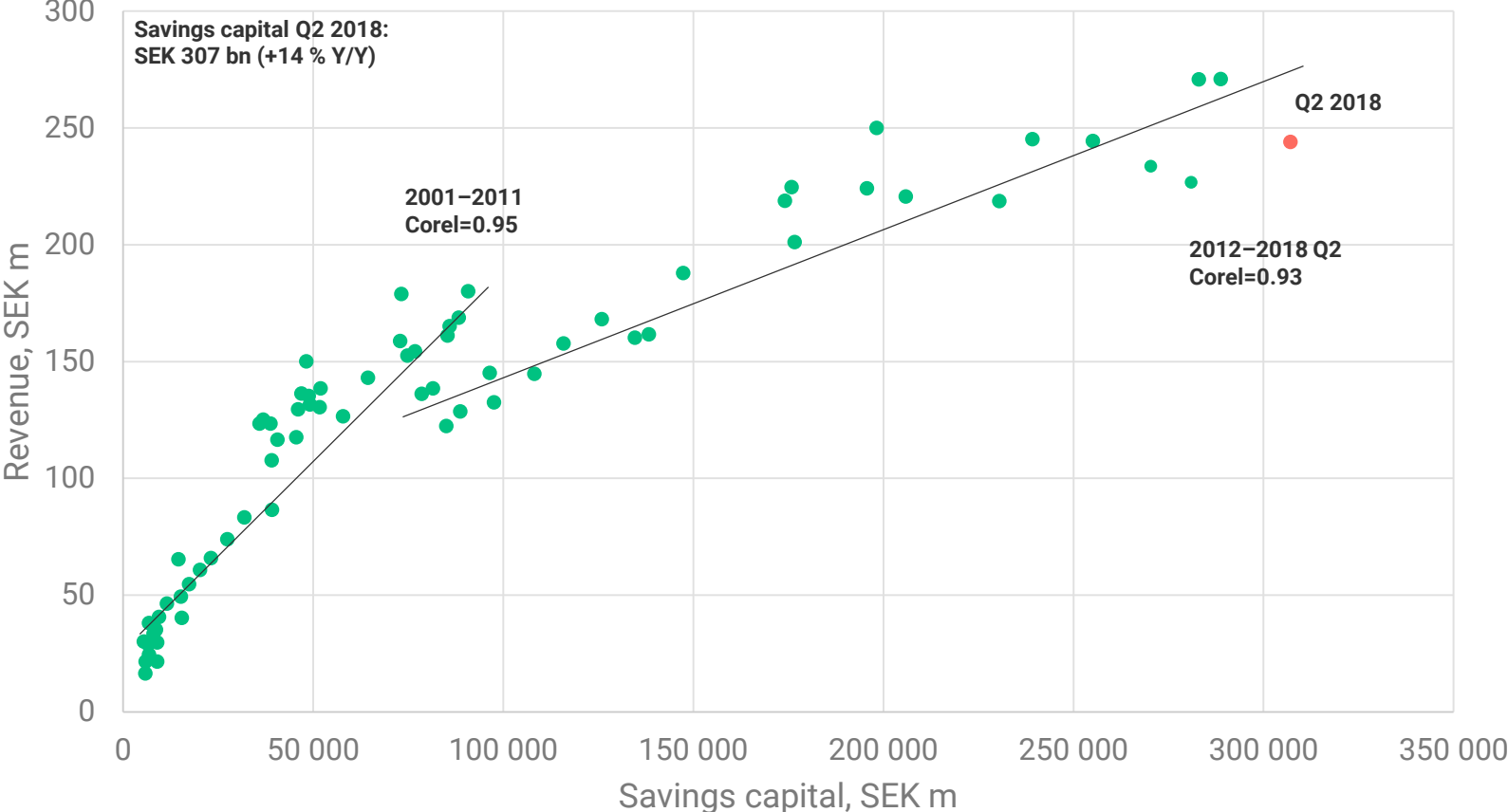


\* Net outflow in November 2017 is explained by a few withdrawals amounting to SEK 2,200m, connected to customers' M&A activities.

# Financial overview

|                                | Q2 18     | Q1 18      | Δ %        | Q2 17      | Δ %        |
|--------------------------------|-----------|------------|------------|------------|------------|
| Operating income, SEK m        | 244       | 271        | -10        | 234        | 4          |
| Operating expenses, SEK m      | -153      | -152       | 1          | -131       | 17         |
| <b>Operating profit, SEK m</b> | <b>90</b> | <b>120</b> | <b>-25</b> | <b>103</b> | <b>-13</b> |
|                                |           |            |            |            |            |
| Operating margin, %            | 37        | 44         | -7         | 44         | -7         |
| EPS, SEK                       | 2.64      | 3.45       | -24        | 2.97       | -11        |

# Relationship between long-term savings capital growth and revenue growth

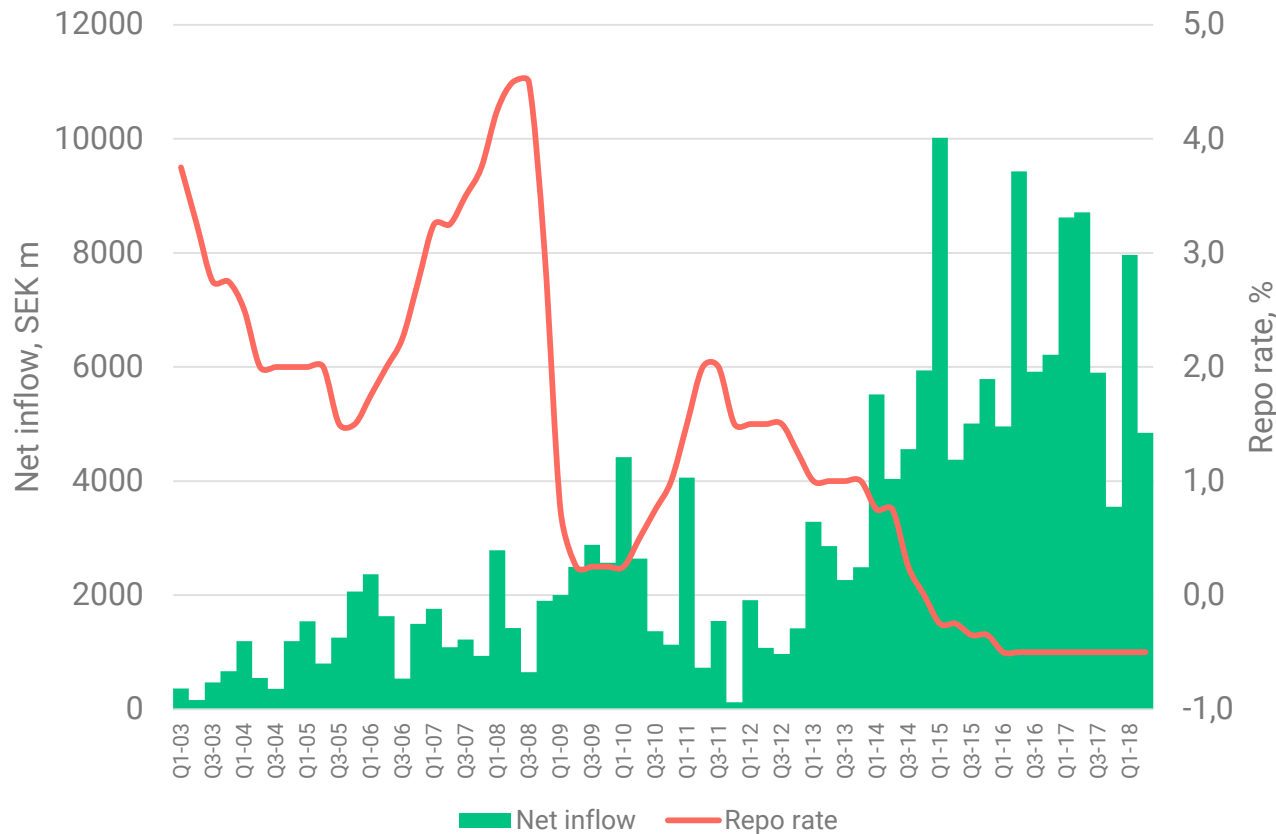




# Long-term revenue development

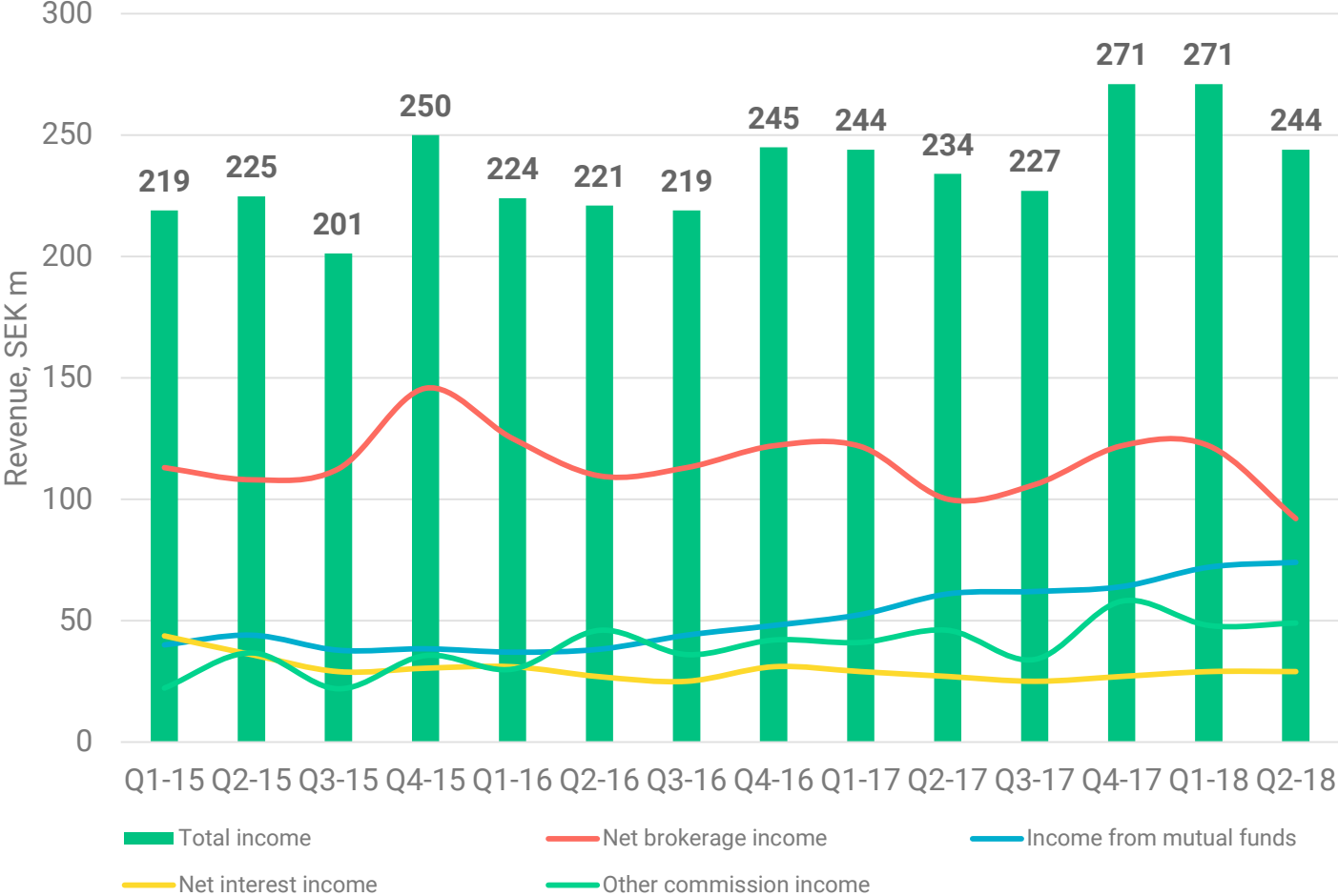


# Historical correlation between low market rates and growth



- Falling repo rate since Q3 2011 – historical negative rate since Q1 2015
- Low repo rates create a good growth environment but put pressure on NII (1% repo rate change close to SEK 250 m)

# Revenue development



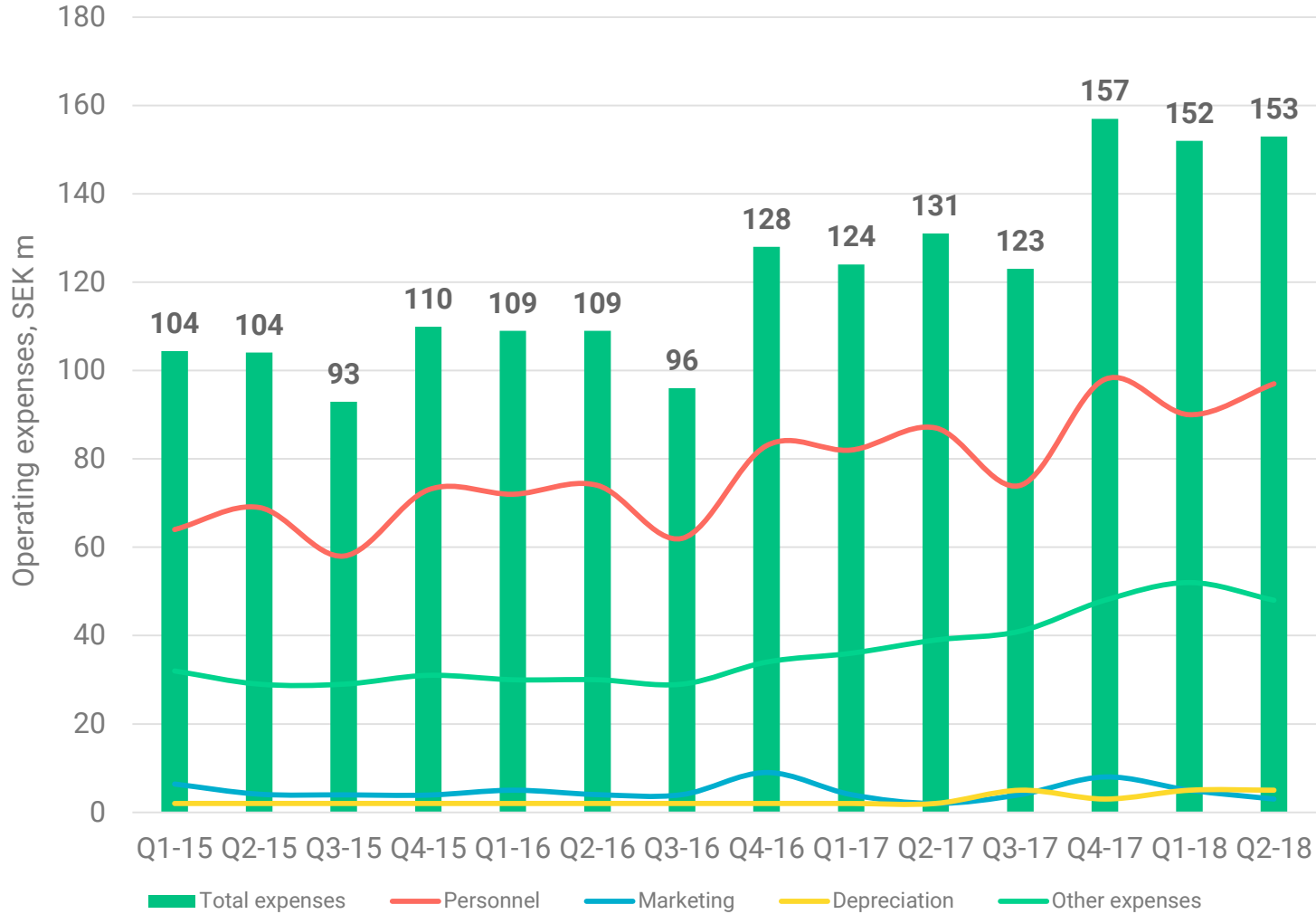
# Income split 6M 2018

|                                       | SEK m      | % of income | % of specific savings capital | % of total savings capital |
|---------------------------------------|------------|-------------|-------------------------------|----------------------------|
| Shares, bonds, options (transactions) | 213        | 41          | 0.26                          | 0.14                       |
| Mutual funds                          | 146        | 29          | 0.35                          | 0.10                       |
| Net interest income                   | 58         | 11          | 0.26*                         | 0.04                       |
| Other**                               | 97         | 19          | -                             | 0.07                       |
| <b>Total</b>                          | <b>515</b> | <b>100</b>  | <b>0.35</b>                   | <b>0.35</b>                |

\* Based on lending

\*\* Corporate finance fees, foreign exchange, AZA Markets, subscription and advertising income, additional services

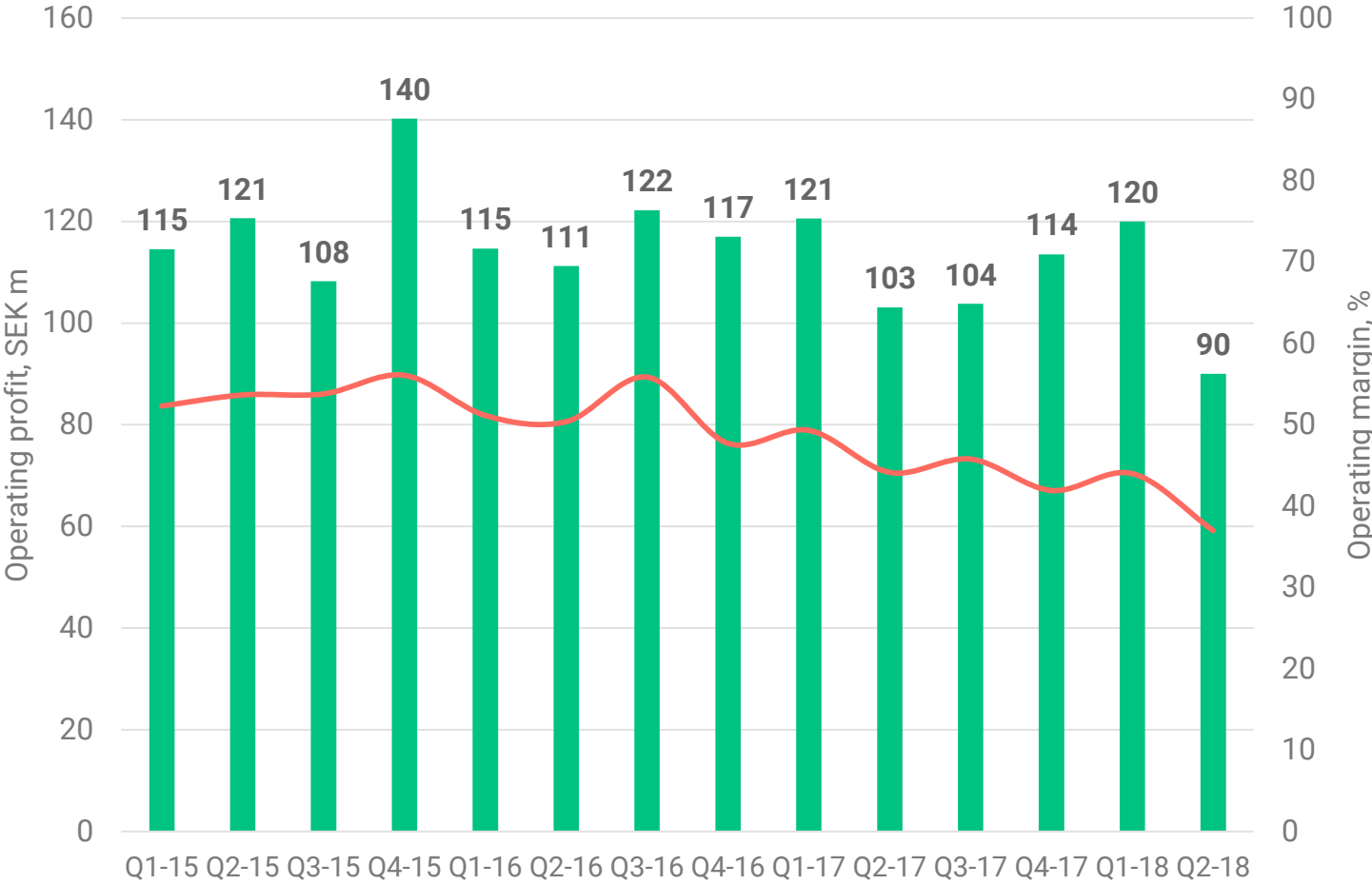
# Cost development



## Costs 6M 2018

|   | SEK m       | % of total costs | % of total income |
|---|-------------|------------------|-------------------|
| Personnel                               | -188        | 61               | 36                |
| IT                                      | -31         | 10               | 6                 |
| External services                       | -23         | 8                | 5                 |
| Marketing & Sales                       | -8          | 3                | 2                 |
| Depreciation                            | -10         | 3                | 2                 |
| Other                                   | -45         | 15               | 9                 |
| <b>Total costs before credit losses</b> | <b>-305</b> | <b>100</b>       | <b>59</b>         |
| Credit losses, net                      | 0           | -                | -                 |
| <b>Total costs after credit losses</b>  | <b>-306</b> | <b>-</b>         | <b>-</b>          |

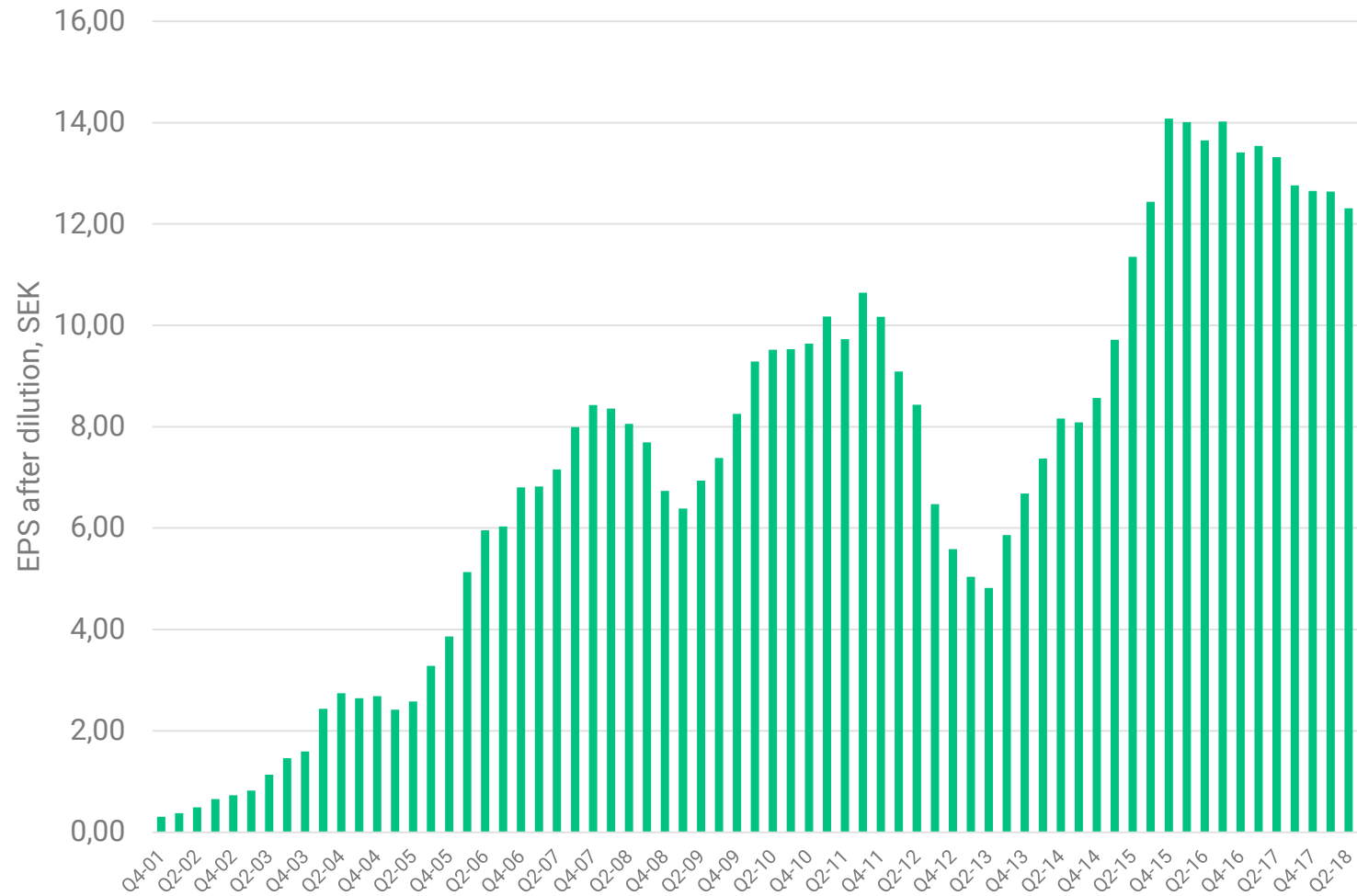
# Operating margin of 41% in 2018



Operating profit    Operating margin

# Earnings per share rolling 12M

CAGR 25% per year





# Balance sheet, 30 June 2018

| Assets                         | SEK m          | Liabilities & equity                | SEK m          |
|--------------------------------|----------------|-------------------------------------|----------------|
| Loans to credit institutions   | 1,852          | Deposits                            | 29,793         |
| Loans to the public            | 10,660         | Liabilities in insurance operations | 93,071         |
| Bonds                          | 15,362         | Other liabilities                   | 1,606          |
| Assets in insurance operations | 93,071         | Subordinated liabilities            | 100            |
| Other assets                   | 4,938          | Equity                              | 1,314          |
| <b>Total assets</b>            | <b>125,883</b> | <b>Total liabilities and equity</b> | <b>125,883</b> |

## Comments

- Mainly self-financed through shareholders' equity and customer deposits
- Over liquidity of SEK 18,420 m invested in covered bonds and O/N or with short duration with most stable Nordic banks (including SEK 1,206 m deposits in client fund accounts)

# Capital surplus for the Group

| SEK m  | 30 June 2018  |
|--|---------------|
| Shareholders' equity                                   | 1,314         |
| Solvency capital                                       | 1,163         |
| Less non-distributable solvency capital                | -373          |
| Subordinated bond                                      | 81            |
| Intangible fixed assets and deferred tax receivables   | -89           |
| <b>Capital base before dividend adjustment</b>         | <b>2,097</b>  |
| Capital requirement Pillar 1                           | -1,266        |
| Buffer requirement                                     | -273          |
| Capital requirement Pillar 2                           | -70           |
| <b>Capital requirement</b>                             | <b>-1,609</b> |
| <b>Capital surplus before dividend</b>                 | <b>488</b>    |
|  |               |
| <b>Capital surplus per share, SEK</b>                  | <b>16.25</b>  |
| <b>Total capital ratio (consolidated situation), %</b> | <b>16.9</b>   |

# **Historical financial key data 2001- Q2 2018**

**is available in Excel at:**

**[avanza.se/keydata](https://avanza.se/keydata)**

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+46 8-409 420 17**