

# 2012

## Avanza Bank

### Interim report January – September 2012

- Operating income decreased by 20 percent (+19 %) to SEK 430 million (SEK 538 m)
- The profit after tax decreased by 45 percent (+16 %) to SEK 130 million (SEK 236 m)
- Earnings per share decreased by 46 percent (+14 %) to SEK 4.54 (8.34)
- Net inflow totalled SEK 3,960 million (SEK 6,340 m), corresponding to 5 percent (8 %) of the total savings capital at the beginning of the year
- The number of accounts increased by 10 percent (+15 %) to 458,800 (417,200 as of 31st December 2011), and the total savings capital increased by 11 percent (–14 %) to SEK 82,200 million (SEK 74,200 m as of 31st December 2011)

#### Third quarter

- Operating income decreased by 31 percent (+32 %) to SEK 125 million (SEK 182 m)
- The profit after tax decreased by 64 percent (+44 %) to SEK 32 million (SEK 88 m)
- Earnings per share decreased by 64 percent (+42 %) to SEK 1.11 (3.10)
- Income and profit after tax was charged with SEK 9 million in respect of value adjustment of the holding in the Exchange Burgundy and non-recurring costs related to rationalization through personnel changes of SEK 3.5 million

# Interim Report January – September 2012

## Comments from the Managing Director

### Interest savings ever more popular in an uncertain market

"The third quarter continues to be characterised by uncertainty on the market, leading to investors in stocks and other listed products to adopt a cautious approach, despite an upturn of 8 percent on the Stockholm Stock Exchange so far this year. A clear sign of this is the reduced level of trading activity among our customers, down 35 percent compared with the same period during the previous year, which together with reduced prime lending rate has pushed revenues for the year. This trend applies to the entire market, although we have been able to defend our market share for trading in securities.

In a market where forecasted returns are declining, savers focus to an even greater degree on fees and high interest. Above all, we have noted a continued shift towards interest-based products, which has remained strong during the third quarter. Savings in Sparkonto+, for example, have increased by 64 percent compared with the same period during the previous year. In order to meet the growing demand in interest savings, we are continuing to develop our offering. During the last quarter we have expanded the Sparkonto+ family with corporate accounts, as well as accounts for children and young adults, as a response to the increased demand. During the quarter, we have also raised the number of exchange-traded credit-linked notes, which have quickly become popular among savers since being launched in the spring. Exchange-traded credit-linked notes, which we trade free from brokerage fees, offer a higher interest rate than a savings account and have, thus far, attracted over SEK 460 million in savings with Avanza Bank.

We continue to display good growth in terms of both customers and capital, despite the turbulent market. Net savings during the third quarter amounted to SEK 970 million, customers opened 10,900 new accounts during the quarter and savings capital has increased by 17 percent compared with the same period during the previous year. This creates the conditions for long-term growth in income, as there exists a clear, long-term connection between growth in savings capital and growth in operating income. The prevailing low interest rates and low levels of interest in the Stock Exchange are, however, hampering growth in the short-term.

### Balancing our focus on cost efficiency with investments for the future

During the year we have implemented a number of cost efficiencies, balanced by continued investments in our new internet-bank, an investment that we will expense immediately. We estimate that a modernization of our internetbank and underlying systems is critical to seriously meet a wider target group, while satisfying our savers future needs. New IT systems will also eventually allow for an even greater cost efficiency and scalability as continued growth in customers and accounts, but also a prerequisite for an effective broadening of the range. This is an important part of Avanza Bank's long-term ambition to combine the industry's lowest fees with Sweden's most satisfied savers for continued growth while leaving a good return to our shareholders. The project started in 2011 and is expected to close during the second quarter of 2013. The third quarter also was charged by non-recurring costs related to rationalization through personnel changes, with SEK 3.5 million and an impairment of the holding in Burgundy with SEK 9 million.

### Strong growth within pension savings

At the end of September, the results of the investigation regarding life insurance were presented, proposing that it should be possible for savers to transfer their pension savings freely between insurance companies. We assess that the proposal, implying that just over half of Swedish pension capital is entitled to transfer rights, will have a positive impact on our long-term growth. Unrestricted transfer rights mean that our customers can transfer previously-earned pension savings to Avanza Bank and, thereby, reduce the fees they are charged, subsequently increasing the amount of money they have left for their pension. In anticipation of the implementation of the proposal, we continue to gain customers within pension savings. Evidence of this can be seen in our occupational pension savings offering to companies and employees, in which new savings increased by 40 percent during the third quarter compared with the same period in the previous year.

We look forward to further product launches during the fourth quarter which will further strengthen Avanza Bank's offering and competitiveness."

Martin Tivéus, Managing Director of Avanza Bank

## Operations

### Market and sales

During the third quarter of the year, the Stock Exchange experienced an upturn of 5 percent and is, now, since the turn of the year, up by 8 percent. In spite of the relatively good return on the Stock Exchange during the year, savers have been wary of trading in stocks due to the turbulent market. Avanza Bank has retained its market share as regards trade on the Stockholm Stock Exchange, even though trading activity in stocks has decreased significantly compared with the same period during the previous year, in favour of interest-based investments. The exchange-traded credit-linked note launched during the spring, as well as the Sparkonto+ account, have proved popular products for interest savings, with savings capital of SEK 460 million and SEK 3,600 (2,200) million, respectively, as per 30 September 2012. Corporate bond funds have also attracted a number of fund savers, to the extent that this type of fund was the most purchased by customers during the third quarter.

On 28 September, the results of the investigation regarding life insurance were presented, proposing that statutory transfer rights for occupational pensions be extended. In short, the proposal stipulates that transfer rights for pension capital will cover defined contribution occupational pension insurance from previous employments, so-called waivers of insurance. Once the extended transfer rights gain legal force, Avanza Bank will have a good opportunity to increase its market shares in both the occupational pension market and the Swedish savings market. The net inflow in occupational pensions has remained at a good level during the third quarter, in terms of both capital and new accounts.

The new investment savings account (ISA) introduced this year continues to grow in terms of new accounts as well as savings capital. Compared with endowment insurance, ISA had a net inflow almost three times as high during the third quarter, and twice as many new accounts. Since the turn of the year, Avanza Bank's customers have deposited SEK 2,860 million in 12,000 ISA accounts.

Avanza Bank had a 1.8 (2.0) percent share of the total savings market in Sweden as of 30 June 2012. During the period July 2011 to June 2012, inclusive, Avanza Bank had a 1.7 (5.2) percent share of the total net inflow to the Swedish savings market. The total net inflow includes amortisation by Avanza Bank's customers on their loans from the Company amounting to SEK1.4 (+0.2) billion. Disregarding this amortisation, Avanza Bank's share amounted to 2.4 (5.1) percent.

The Swedish Central Bank lowered the prime lending rate in September 2012 by 0.25 percentage points, to 1.25 percent. This lowering of the prime lending rate has a negative impact on Avanza Bank's net interest items.

	2012	2011	Change	2012	2011	Change	2011-2012	2011
	Jul-Sep	Jul-Sep	%	Jan-Sep	Jan-Sep	%	Oct-Sep	Jan-Dec
<b>Activity</b>								
Net inflow, equity & investment fund accounts, SEK m	180	-10	-	2,520	-1,970	-	2,690	-1,800
of which, investment savings accounts, SEK m	330	-	-	2,860	-	-	2,860	-
Net inflow, savings accounts, SEK m	380	1,180	-68	-110	720	-	1,260	2,090
of which, external deposit accounts, SEK m	400	1,080	-63	260	1,390	-81	1,340	2,470
Net inflow, pension- & insurance-based accounts, SEK m	410	380	8	1,550	7,590	-80	130	6,170
of which, endowment insurance, SEK m	180	220	-18	730	6,970	-90	-890	5,350
of which, occupational pensions, SEK m	210	150	40	760	560	36	900	700
<b>Net inflow, SEK m</b>	<b>970</b>	<b>1,550</b>	<b>-37</b>	<b>3,960</b>	<b>6,340</b>	<b>-38</b>	<b>4,080</b>	<b>6,460</b>
Net inflow/Savings capital, %	5	8	-3	7	10	-3	5	8
No. commission notes per account & month	1.1	1.7	-35	1.4	1.8	-22	1.4	1.7
No. transactions per commission note	1.8	1.8	0	1.6	1.7	-6	1.7	1.7
Brokerage per commission note, SEK	75	80	-6	76	78	-3	76	78
<b>Market shares</b>								
NASDAQ OMX Stockholm, First North and Burgundy								
No. transactions, %	6.3	6.2	0.1	6.2	7.4	-1.2	6.2	7.1
Turnover, %	4.3	4.3	0.0	4.1	4.6	-0.5	4.2	4.6

For definitions, see page 10.

The level of trading activity on the market has been low during the third quarter, in spite of an upturn of 5 percent on the Stock Exchange. The financial uncertainty across Europe remains, and plays a part in savers' cautious approach to the stock market. During the third quarter, activity, expressed as the number of transactions per account, was 35 (0) percent lower than the corresponding period during the previous year. Brokerage fees per transaction was 6 (0) percent lower than during the third quarter of the previous year and 3 (-5) percent lower during the period January to September compared with the same period during the previous year. At the same time, Avanza Bank has increased its market share of the number of completed deals on the Stockholm Stock Exchange to 6.3 percent (6.2) during the third quarter.

	30-09-2012	30-06-2012	Change %	31-12-2011	Change %	30-09-2011	Change %
<b>Savings capital</b>							
Savings capital, equity & investment fund accounts, SEK m	43,610	42,200	3	39,550	10	37,030	18
of which, investment savings accounts, SEK m	3,140	2,580	22	-	-	-	-
Savings capital, savings accounts, SEK m	4,490	4,100	10	4,550	-1	3,170	42
of which, external deposit accounts, SEK m	3,600	3,180	13	3,300	9	2,200	64
Savings capital, pension- & insurance-based accounts	34,100	32,400	5	30,100	13	30,100	13
of which, endowment insurance, SEK m	26,300	25,100	5	23,500	12	24,000	10
of which, occupational pensions, SEK m	2,940	2,650	11	2,040	44	1,830	61
<b>Savings capital, SEK m</b>	<b>82,200</b>	<b>78,700</b>	<b>4</b>	<b>74,200</b>	<b>11</b>	<b>70,300</b>	<b>17</b>
Equities, bonds, derivatives, etc. SEK m	52,080	50,000	4	46,860	11	44,520	17
Investment funds, SEK m	17,900	16,800	7	15,200	18	14,700	22
Deposits, SEK m	15,000	14,600	3	14,700	2	13,900	8
of which, external deposits, SEK m	3,600	3,180	13	3,300	9	2,200	64
Lending, SEK m	-2,780	-2,700	3	-2,560	9	-2,820	-1
<b>Savings capital, SEK m</b>	<b>82,200</b>	<b>78,700</b>	<b>4</b>	<b>74,200</b>	<b>11</b>	<b>70,300</b>	<b>17</b>
Deposits/Lending, %	540	541	-1	574	-34	493	47
Net deposits/Savings capital, %	15	15	0	16	-1	16	-1
Avanza Bank, SEK m	45,810	43,860	4	41,550	10	39,160	17
Mini, SEK m	1,430	1,440	-1	1,410	1	1,320	8
Private Banking, SEK m	32,500	31,100	5	29,100	12	27,800	17
Pro, SEK m	2,460	2,300	7	2,140	15	2,020	22
<b>Savings capital, SEK m</b>	<b>82,200</b>	<b>78,700</b>	<b>4</b>	<b>74,200</b>	<b>11</b>	<b>70,300</b>	<b>17</b>
Return, average account since Jan 1 st, %	6	2	4	-16	-	-21	-
OMX Stockholm Price Index since Jan 1 st, %	8	3	5	-17	-	-23	-

For definitions, see page 10.

	30-09-2012	30-06-2012	Change %	31-12-2011	Change %	30-09-2011	Change %
<b>Accounts</b>							
No. equity & investment fund accounts	233,900	230,300	2	214,800	9	211,900	10
of which, no. investment savings accounts	12,000	10,000	20	-	-	-	-
No. savings accounts	59,000	54,600	8	49,300	20	42,200	40
of which, no. external deposit accounts	31,200	27,400	14	23,000	36	17,100	82
No. pension- & insurance-based accounts	165,900	163,000	2	153,100	8	149,400	11
of which, no. endowment insurance	93,400	92,300	1	89,400	4	88,000	6
of which, no. occupational pensions	36,800	35,500	4	30,100	22	28,800	28
<b>No. accounts</b>	<b>458,800</b>	<b>447,900</b>	<b>2</b>	<b>417,200</b>	<b>10</b>	<b>403,500</b>	<b>14</b>
Avanza Bank, no. accounts	420,520	410,370	2	381,430	10	368,300	14
Mini, no. accounts	19,900	19,700	1	19,200	4	18,700	6
Private Banking, no. accounts	16,100	15,600	3	14,500	11	14,300	13
Pro, konton, no. accounts	2,280	2,230	2	2,070	10	2,200	4
<b>No. accounts</b>	<b>458,800</b>	<b>447,900</b>	<b>2</b>	<b>417,200</b>	<b>10</b>	<b>403,500</b>	<b>14</b>
No. accounts per customer	1.64	1.63	1	1.59	3	1.56	5

For definitions, see page 10.

Avanza Bank continues to gain new customers in spite of the turbulence on the market. The number of customers amounted to 278,900 (258,600) as per 30 September 2012. The number of accounts per customer represents a measure of savers' customer loyalty to Avanza Bank and, thereby, also a measure of our share of the customers' savings. The number of accounts per customer has increased during the period and now amounts to 1.64 (1.56) accounts. The launch of online electronic identification at the end of the second quarter has positively impacted the inflow of new customers during the third quarter.

The number of new occupational pension accounts was 6,700 (6,400) during the period January to September, which corresponds to 16 (12) percent of the total number of new accounts.

## Development

During the third quarter, we introduced the possibility for corporations, children and young adults to open Sparkonto+ accounts. This form of saving was also expanded further by the introduction of fixed-interest deposits for 24 months. As previously, Sparkonto+ accounts are offered in conjunction with three different partners with variable interest or fixed interest for periods of 3, 6 or 12 months.

At the end of the first quarter of this financial year, we launched the exchange-traded credit-linked note, which was, at that time, a completely new interest savings product. During the third quarter, the extension of this product family has continued to now encompass 11 different exchange-traded credit-linked notes which is part of our ambition to expand our offering in interest-based products.

Work on developing Avanza Bank's new internet presence and modernising the underlying systems has continued. At the end of the third quarter, we presented a number of changes to the beta version of the new site. These changes were made as a result of the opinions and suggestions we received from our customers via Avanza Labs during the spring and summer. The many changes include changes to the design, the detailed pages for securities and the account overview page. This work is expected to continue until spring 2013, with the goal of creating Sweden's best internet banking experience. New IT systems also lead to improved scalability and cost efficiency in conjunction with ongoing growth, which is important in our ambition to continue to offer the industry's lowest fees and also a good return for our shareholders.

Preparations are underway for the deregulation of the pensions market, whereby transfer rights for pensions will be increased, as presented in the results of the investigation regarding life insurance.

Further products aimed at improving Avanza Bank's competitive power will be launched during the fourth quarter.

## Financial overview

	2012	2011	Change	2012	2011	Change	2011-2012	2011
	Jul-Sep	Jul-Sep	%	Jan-Sep	Jan-Sep	%	Oct-Sep	Jan-Dec
<b>Income Statement, SEK m</b>								
Brokerage income	47	87	-46	170	238	-29	237	305
Fund commissions	16	16	0	47	57	-18	60	70
Net interest items	59	66	-11	183	192	-5	249	258
Other income, net *	3	13	-77	30	51	-41	41	62
<b>Operating income</b>	<b>125</b>	<b>182</b>	<b>-31</b>	<b>430</b>	<b>538</b>	<b>-20</b>	<b>587</b>	<b>695</b>
Personnel **	-48	-41	17	-154	-137	12	-206	-189
Marketing	-2	-5	-60	-15	-16	-6	-22	-23
Depreciation	-3	-3	0	-10	-8	25	-13	-11
Other expenses	-29	-30	-3	-87	-92	-5	-120	-125
<b>Operating expenses before credit losses</b>	<b>-82</b>	<b>-79</b>	<b>4</b>	<b>-266</b>	<b>-253</b>	<b>5</b>	<b>-361</b>	<b>-348</b>
<b>Profit before credit losses</b>	<b>43</b>	<b>103</b>	<b>-58</b>	<b>164</b>	<b>285</b>	<b>-42</b>	<b>226</b>	<b>347</b>
Credit losses, net	-1	0	-	-1	-6	-83	-1	-6
<b>Operating profit</b>	<b>42</b>	<b>103</b>	<b>-59</b>	<b>163</b>	<b>279</b>	<b>-42</b>	<b>225</b>	<b>341</b>
Operating margin, %	34	57	-23	38	52	-14	38	49
Profit margin, %	26	48	-22	30	44	-14	32	42
Cost/income ratio, %	66	43	23	62	47	15	61	50
Earnings per share, SEK	1.11	3.10	-64	4.54	8.34	-46	6.48	10.28
Earnings per share after dilution, SEK	1.11	3.09	-64	4.54	8.28	-45	6.48	10.21
Return on shareholders' equity, %	4	11	-7	15	28	-13	22	35
Investments, SEK m	0	9	-100	2	16	-88	7	21
Brokerage income/Operating income, %	38	48	-10	40	44	-4	40	44
Non-brokerage income/Operating income, %	62	52	10	60	56	4	60	56
of which, Fund commissions/Operating income, %	13	9	4	11	11	0	10	10
of which, Net interest items/Operating income, %	47	36	11	42	36	6	42	37
of which, Other income/Operating income, %	2	7	-5	7	9	-2	7	9
Non-brokerage income/Operating expenses, %	95	120	-25	98	119	-21	97	112
of which, Net interest items/Operating expenses, %	72	84	-12	69	76	-7	69	74
Operating income/Savings capital, %	0.16	0.24	-0.08	0.54	0.67	-0.13	0.76	0.88
of which, Net interest items/Savings capital, %	0.07	0.09	-0.02	0.23	0.24	-0.01	0.32	0.33
Average no. employees	275	263	5	269	255	5	268	256
No. trading days	65.0	66.0	-2	186.0	187.5	-1	249.5	251.0
Web service operational availability, %	100.0	100.0	0.0	100.0	99.9	0.1	100.0	99.9

	30-09-2012	30-06-2012	Change	31-12-2011	Change	30-09-2011	Change
			%		%		%
Shareholders' equity per share, SEK	27.64	26.53	4	30.97	-11	29.60	-7
Capital base/Capital requirement	2.41	2.34	3	2.06	17	2.08	16
No. employees	281	269	4	260	8	266	6
Market value, SEK	144.75	142.00	2	164.50	-12	164.00	-12
Market capitalisation, SEK m	4,180	4,100	2	4,650	-10	4,650	-10

For definitions, see page 10.

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

\* Including an impairment of the holding in Burgundy with SEK 9 million in the third quarter 2012.

\*\* Including non-recurring costs related to rationalization through personnel changes of SEK 3.5 million in the third quarter 2012.

Operating income decreased by 31 (+32) percent in the third quarter compared with the corresponding period during the previous year. Third quarter 2011 was a very strong quarter for brokerage income due to the fact that many investors sold their shares in the stock market fall after the summer. This, together with the low trading activity and lower prime lending rates in the third quarter of this year explains the decrease in revenues compared to the same quarter last year. The prime

lending rate was, on average, 0.54 percent lower during the third quarter of this year compared with the same period during 2011, which has had a negative impact on net interest items as well. As the financial uncertainty in Europe is still very much a current issue, clients' consideration of interest savings continues to rise.

A value adjustment of SEK 9 million of the holding in the Exchange Burgundy was charged to the third quarter results through reduced income. This is based on an assessment of expected future earnings. Burgundy's existence has led to an increase in competition and lower transaction costs for Avanza Bank in excess of the investment in Burgundy. The third quarter also was charged by non-recurring costs related to rationalization through personnel changes, with SEK 3.5 million.

Expenses before credit losses increased during the third quarter by 4 (+23) percent compared with the corresponding period during the previous year. During the year we have implemented a number of cost efficiencies, balanced by continued investments in our new internet-bank, an investment that we expense immediately through the income statements. The investment in our new internetbank as well as modernization of the underlying systems started in 2011 and is expected to close during the second quarter of 2013.

Non-brokerage income amounted to 95 (120) percent of expenses during the third quarter of 2012. Non-brokerage income is comprised primarily of net interest items, fund commissions, net foreign exchange income, and fees from corporate finance. Our objective is that this item should exceed 100 percent in the long-run.

### Capital surplus

	30-09-2012	31-12-2011
Shareholders' equity, the Group	798	875
Intangible fixed assets and deferred tax receivables, SEK m	-25	-25
Capital requirement with reference to Avanza Bank's internal capital evaluation (IKU), SEK m	-307	-292
<b>Total capital surplus before dividend, SEK m</b>	<b>466</b>	<b>558</b>
Capital surplus per share, SEK	16.14	19.75

*Intangible fixed assets and deferred tax receivables are not included in the capital base under the capital adequacy rules and are thus not distributable and should be reduced from the equity. See also note 3, page 13.*

The capital surplus, i.e. the maximum scope available for dividend payments and buybacks of the company's own shares, totalled SEK 466 million as of 30 September 2012.

### Financial position

All of Avanza Bank's assets have a high level of liquidity. The majority of the assets can, therefore, be transferred within one day. The assets are deemed to be secure. Between 2001 and the third quarter of 2012 total credit losses amounted to SEK 8 million, which is the equivalent, on average, to less than 0.03 percent per year. Avanza Bank does not conduct, and has not previously conducted, trading in securities on its own behalf.

The statutory protection and guarantees (such as the state deposit guarantee) apply to customers in Avanza Bank in the same manner as applying to other Swedish banks and insurance companies. Additional information on Avanza Bank and security matters can be found on [avanzabank.se](http://avanzabank.se).

### The Parent Company, Avanza Bank Holding AB

Avanza Bank Holding AB is the Parent Company in the Avanza Bank Group. The operating result for the period January to September 2012 was SEK -4 (-4) million. The Parent Company does not report any sales. A dividend payment of SEK 283 million (SEK 266 m) has been made to the shareholders.

## Future outlook

During the second quarter of 2012, Avanza Bank conducted a review of its long-term growth targets, as the conditions on the market have changed dramatically since the most recent review conducted in 2008. Due to the various factors of uncertainty that imply difficulties in making an assessment of forthcoming years, we have chosen not to set explicit targets for profit growth. Instead, we have chosen to concentrate the work in the areas which drive the underlying growth of the company, in combination with thorough monitoring of expenses.

Factors which impact Avanza Bank's future growth outlook include:

### Growth of the savings market

Our assessment is that the Swedish savings market will grow by 6–8 percent per year in the long-term, which is in line with the growth over the last ten years. However, there is a risk that concerns regarding the housing market might spread to the savings market. Worries about falling housing prices, in combination with uncertainty regarding the stock market, may mean that more Swedes will choose to save by paying off their housing loans, which, in the short-term, may have a negative impact on the growth of the Swedish savings market. Avanza Bank's growth opportunities are not, however, limited to the growth of the Swedish savings market. This is because Avanza Bank currently has a market share of just under 2 percent of the Swedish savings market, in combination with capital moved from other savings institutions to Avanza Bank which is not included in the net inflow to the Swedish savings market.

### Possible deregulation of transfer market for pension savings

The investigation underway regarding life insurance presented in September 2012 a proposal for the extended right to transfer pension savings. The pensions and insurance market is twice the size of the market for direct savings in shares and funds. It is, therefore, estimated that Avanza Bank's customers will have more pension savings than direct share and fund savings. If there were to be an extension to the transfer rights for pension capital, customers would be able to transfer portions, or all, of their pension savings to Avanza Bank and, in doing so, receive a larger pension, as Avanza Bank offers the lowest fees and the widest product range for pension savings. A resolution in favour of unlimited transfer rights would, therefore, have a positive effect on Avanza Bank's growth opportunities. It has been proposed that the extension to transfer rights regarding life insurance becomes applicable as of 1 January 2015.

### Net inflow and growth in value

Avanza Bank aims to attract a minimum of 5 percent of the net inflow to the Swedish savings market, excluding transferred pension capital, per year, which is in line with recent years' market share of the net inflow. In addition to the net inflow, customers' savings capital also grows in value. Together, the net inflow and growth in value create growth in Avanza Bank's customers' savings capital. Furthermore, Avanza Bank aims to attract 20–30,000 new customers per year, as well as to utilise its advantages in terms of offering the market's widest range of savings products, as well as its lowest prices, in order to grow the Bank's share of customers' savings over time. Our assessment is that our customers today have half of their transferrable savings in Avanza Bank.

### Link between growth in savings capital and growth in operating income

From a long-term perspective, there is a clear link between growth in savings capital and growth in operating income, for which reason an underlying growth in savings capital creates the conditions necessary for increased income. Income is primarily generated through brokerage income from trade in securities, net interest income from borrowing and lending, fund commissions and other compensation from suppliers of savings products. Income per krona saved has fallen by 5 percent per year over the last five years, due to price pressure combined with the effects of the product mix of savings, a lower short interest rate level and variations in trading activity on the stock market. Our assessment is that income per krona saved, with an unchanged repo rate, will fall at a lower rate than the historical rate from the current level. This assessment is based on our forecast of continued effects of the product mix of savings capital, as we believe that fund savings and interest savings will increase in the future, to the detriment of trade in shares, in conjunction with an increase in pension capital. Price pressure due to competitive pressure is however assessed to be limited.



### **Rate of increase of expenses**

As stated previously, Avanza Bank has reviewed the pace of increase of expenses prior to 2012. Given the company's substantial investments in the new internet presence, as well as the modernisation of the underlying systems which will be undertaken during 2012 and 2013, expenses for the coming years are not expected to increase at the same rate as income, which creates the conditions for increased operating margins. This is due to the fact that the new systems require less maintenance and facilitate increased efficiency in the operations, subsequently creating an improved scalability with continued customer growth. In the long-term, the target is that increases to expenses are not in excess of increases in income.

### **Future profit growth**

Avanza Bank aims to create long-term shareholder value through a high level of customer satisfaction, strong customer growth, a strong net inflow, good scalability in the operations and sound profit growth. Due to the various factors of uncertainty implying difficulty in making an assessment of forthcoming years, we have chosen not to announce explicit targets for profit growth. These factors of uncertainty include, among other things, the climate on the stock market, market rates, the anticipated results of the investigation regarding transfer rights for pension savings, and a possible regulation implying a ban on commission income for advisory services. For example, to illustrate the difficulty in assessing the development of net interest income, a change in the repo rate of 0.25 percent from the current level would historically have entailed an impact on net profit of MSEK 20–25 on an annual basis. Instead, we have chosen to concentrate the work in the areas which are under our control and which drive the underlying growth of the company, in combination with thorough monitoring of expenses – a strong net inflow, customer growth and satisfied customers.

## Other corporate events

### Significant risks and uncertainly factors

Avanza Bank'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 Bank 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 Bank's Annual Report for 2011, Note 31. It is deemed that there are no significant risks other than those risks described in the Annual Report and in this interim report.

### Transactions with associated parties

Avanza Bank's transactions with associated parties are presented in the Annual Report for 2011, Note 32. No significant changes have taken place since the publication of the Annual Report.

### Executive management

Peter Westling was appointed Marketing Director in August 2012 and is a part of the Group management. Peter has assumed responsibility for the marketing department, replacing the previous Customer Relations Manager. Peter has a 19-year professional background involving roles in communications, marketing and branding work. His most recent position was with Garbergs advertising firm.

### Incentives programme

Avanza Bank implemented an incentives programme for the Group's employees in the spring in accordance with a resolution passed by the Annual General Meeting held on 14th April 2011. The stock option programme is the second of a total of three stock option programmes approved for implementation between 2011 and 2013. This year's programme comprises warrants corresponding to the entitlement to subscribe for 490,000 new shares, and the redemption price is SEK 190.12. The term expires on 29 May 2015. The stock option programme has been implemented on market terms.

The redemption period of subsidiary programme 2 of the previous 2008–2010 stock option programme had redemption period from 2 to 25 May 2012. The redemption price was SEK 118.43 per share. 611,198 of a total of 611,569 shares have been subscribed for in respect of this subsidiary programme, and all shares subscribed for have been issued. There are a total of 28,873,747 registered and outstanding shares.

### Buy-back of the company's own shares

On 19 April 2012, the Annual General Meeting decided to authorise the Board of Directors to implement the acquisition of own shares, up to a maximum of 10 percent of the shares in Avanza Bank Holding AB. No shares were repurchased during the period January to September 2012 and the company holds no bought back shares as of 30 September 2012.

### Financial calendar

Preliminary Financial Statement, 2012	17 January 2013
Annual Report, 2012	March 2013
Interim Report, January – March 2013	17 April 2013
Annual General Meeting	17 April 2013
Interim Report, January – June 2013	10 July 2013
Interim Report, January – September 2013	10 October 2013

## Definitions

<b>Account:</b>	An account opened with holdings.
<b>Brokerage income:</b>	Brokerage income less direct costs.
<b>Brokerage per commission note:</b>	Gross brokerage income for account customers in relation to the number of commission notes excluding investment fund commission notes.
<b>Capital base:</b>	The financial conglomerate's shareholders' equity, adjusted for deductions in accordance with the provisions governing credit institutions, fund management companies and insurance companies with regard to the way in which the capital base and capital requirement are determined.
<b>Commission note:</b>	Daily compilation of the buying and selling commissions completed by a customer and involving a specific security. A commission note may include one or more transactions. Brokerage fees are charged on the basis of the commission notes.
<b>Commission notes per account:</b>	Commission notes per account excluding savings accounts.
<b>Cost/income ratio:</b>	Costs before credit losses in relation to income.
<b>Deposits:</b>	Deposits by the public as per balance sheet with deduction for the portion which are covered in their entirety by cash pledged on endowment insurance accounts which entirely corresponds to the lending to the public and the addition of client fund deposits and external deposits.
<b>Earnings per share:</b>	Profit/loss after tax in relation to the average number of shares during the period.
<b>Equity per share:</b>	Shareholders' equity in relation to the number of outstanding ordinary shares before dilution at the end of the period.
<b>External deposits:</b>	Savings accounts in external banks and credit market companies, Sparkonto+, opened and managed by customers via Avanza Bank's website.
<b>Lending:</b>	Loans to the public as per balance sheet with deduction for the portion which are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts.
<b>Net deposits/Savings capital:</b>	Deposits, including client accounts, minus lending, in relation to the savings capital at the end of the period.
<b>Net interest items/Savings capital:</b>	Net interest items in relation to average savings capital during the period.
<b>Net inflow:</b>	Deposits, less withdrawals, of liquid assets and securities.
<b>Net inflow/Savings capital:</b>	The period's net inflow on an annual basis in relation to savings capital at the beginning of the period.
<b>Non-brokerage income:</b>	Income excluding brokerage income less direct costs.
<b>Operating expenses:</b>	Operating expenses before credit losses.
<b>Operating income/Savings capital:</b>	Operating income in relation to average savings capital during the period.
<b>Operating margin:</b>	Operating profit/loss in relation to operating income.
<b>Profit margin:</b>	Profit/loss after tax in relation to operating income.
<b>Savings capital:</b>	The combined value of accounts held with Avanza Bank.
<b>Return on equity:</b>	Profit/loss after tax in relation to the average shareholders' equity during the period. The return on shareholders' equity for interim periods is not recalculated at a yearly rate.
<b>Stock market:</b>	Refers to the OMXSPI share index, which comprises all shares listed on the Stockholm Stock Exchange.
<b>Transactions:</b>	Buying and selling transactions completed in different markets and involving different securities.

## Consolidated Income Statements (SEK m) \*

	2012	2011	2012	2011	2011-2012	2011
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Oct-Sep	Jan-Dec
<b>Operating income</b>						
Commission income	89	134	305	396	413	504
Commission expenses	-15	-19	-51	-54	-69	-72
Interest income	78	93	239	251	331	343
Interest expenses	-19	-27	-56	-59	-82	-85
Net result of financial transactions	-8	0	-8	1	-8	1
Other operating income	0	1	1	3	2	4
<b>Total operating income</b>	<b>125</b>	<b>182</b>	<b>430</b>	<b>538</b>	<b>587</b>	<b>695</b>
<b>Operating expenses</b>						
General administrative costs	-72	-62	-226	-201	-305	-280
Depreciation of tangible and intangible fixed assets	-3	-3	-10	-8	-13	-11
Other operating expenses	-7	-14	-30	-44	-43	-57
<b>Total operating expenses before credit losses</b>	<b>-82</b>	<b>-79</b>	<b>-266</b>	<b>-253</b>	<b>-361</b>	<b>-348</b>
<b>Operating profit before credit losses</b>	<b>43</b>	<b>103</b>	<b>164</b>	<b>285</b>	<b>226</b>	<b>347</b>
Credit losses, net	-1	0	-1	-6	-1	-6
<b>Operating profit</b>	<b>42</b>	<b>103</b>	<b>163</b>	<b>279</b>	<b>225</b>	<b>341</b>
Tax on profit for the period	-10	-15	-33	-43	-40	-50
<b>Net profit/loss for the period **</b>	<b>32</b>	<b>88</b>	<b>130</b>	<b>236</b>	<b>185</b>	<b>291</b>
Earnings per share, SEK	1.11	3.10	4.54	8.34	6.48	10.28
Earnings per share after dilution, SEK	1.11	3.09	4.54	8.28	6.48	10.21
Average no. shares before dilution, thousand	28,874	28,485	28,595	28,237	28,532	28,263
Average no. shares after dilution, thousand	28,874	28,635	28,595	28,463	28,532	28,473
Outstanding no. shares before dilution, thousand	28,874	28,380	28,874	28,380	28,874	28,263
Outstanding no. shares after dilution, thousand	28,874	28,516	28,874	28,516	28,874	28,401
No. shares upon full dilution, thousand	30,431	30,024	30,431	30,024	30,431	29,907

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

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

## Consolidated Balance Sheet (SEK m)

	30-09-2012	31-12-2011
<b>Assets</b>		
Loans to credit institutions	8,951	8,672
Loans to the public	Note 1	3,784
Shares and participations	0	10
Assets in insurance operations	31,608	27,990
Intangible fixed assets	23	24
Tangible assets	19	26
Other assets	234	407
Prepaid costs and accrued income	57	40
<b>Total assets</b>	<b>44,676</b>	<b>39,726</b>
<b>Liabilities and shareholders' equity</b>		
Deposits by the public	Note 2	11,643
Liabilities in insurance operations	31,608	27,990
Other liabilities	561	243
Accrued costs and prepaid income	66	57
Shareholders' equity	798	875
<b>Total liabilities and shareholders' equity</b>	<b>44,676</b>	<b>39,726</b>

## Changes in the Group's shareholders' equity (SEK m)

	2012	2011	2011
	Jan-Sep	Jan-Sep	Jan-Dec
<b>Shareholders' equity at the beginning of the period</b>	<b>875</b>	<b>813</b>	<b>813</b>
Dividend	-283	-266	-266
Warrants issue	3	5	5
Exercise of share warrants	72	79	79
Buyback of own shares	-	-27	-46
Net profit/loss for the period	130	236	291
<b>Shareholders' equity at the end of the period</b>	<b>798</b>	<b>840</b>	<b>875</b>

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

## Consolidated Cash Flow Statements (SEK m)

	2012	2011	2012	2011
	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
Cash flow from operating activities	15	38	53	287
Cash flow from operating activities' assets and liabilities	593	2,602	435	2,771
Cash flow from investment operations	0	-10	-2	-16
Cash flow from financial operations	0	-26	-207	-208
<b>Cash flow for the period</b>	<b>608</b>	<b>2,604</b>	<b>279</b>	<b>2,834</b>
<b>Liquid assets at the beginning of the period *</b>	<b>8,343</b>	<b>6,564</b>	<b>8,672</b>	<b>6,334</b>
<b>Liquid assets at the end of the period *</b>	<b>8,951</b>	<b>9,168</b>	<b>8,951</b>	<b>9,168</b>

\* Liquid assets are defined as loans to credit institutions.

At the end of the period SEK 592 (541) million of consolidated liquid assets are pledged as collateral.

## Parent Company Income Statements (SEK m)

	2012	2011
	Jan-Sep	Jan-Sep
Operating income	1	1
Operating expenses	-5	-5
<b>Operating profit/loss</b>	<b>-4</b>	<b>-4</b>
<b>Profit/loss from financial investments</b>	<b>-9</b>	<b>-</b>
Tax on profit/loss for the period	1	1
<b>Net profit/loss for the period</b>	<b>-12</b>	<b>-3</b>

## Parent Company Balance sheets (SEK m)

	30-09-2012	31-12-2011
<b>Assets</b>		
Financial fixed assets	408	417
Current receivables *	103	321
Liquid assets	0	0
<b>Total assets</b>	<b>511</b>	<b>738</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	510	733
Current liabilities	1	5
<b>Total shareholders' equity and liabilities</b>	<b>511</b>	<b>738</b>

\* Of which receivables from subsidiaries 102 (320).

## Accounting principles

The Consolidated Interim Report has been prepared in accordance with IAS 34, Interim Reporting, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and with the guidelines and general advice issued by the Swedish Financial Supervisory Authority concerning the annual accounts of credit institutions and securities companies (FFFS 2008:25). The Interim Report for the Parent Company has been prepared in accordance with the provisions of the Swedish Annual Accounts Act and the supplementary accounting rules for legal entities (RFR 2) issued by the Swedish Financial Reporting Board. Accounting principles and calculation methods remain unchanged from those applied in the 2011 Annual Report.

## Notes

### Note 1 – Loans to the public

Loans to the public are reported after deductions for actual and anticipated credit losses. SEK 1,006 million of loans to the public as of 30 September 2012, so-called account credits, are covered in their entirety by cash and cash equivalents pledged on endowment insurance accounts. This portion of the lending does not impact the net interest items, as the interest on deposits is the same as the lending rate. Collateral for the remainder of the loans to the public is in the form of securities, the basis for which is equivalent to loans to the public which was reported in previous quarters. This change is the result of a new solution for pledging endowment insurance from the 1 January 2012.

### Note 2 – Funds managed on behalf of third parties

In addition to the deposits reported in the Balance Sheet, Avanza Bank also has, as of 30 September 2012, deposits by third parties in client fund accounts totalling SEK 792 (823 as of 31st December 2011) million.

### Note 3 – Capital requirement for the financial conglomerate (SEK m)

	2012-09-30	2011-12-31
<b>Capital base</b>		
Shareholders' equity, the Group	798	875
Assumed/Proposed dividend	-119	-283
<b>Shareholders' equity, financial conglomerate</b>	<b>679</b>	<b>592</b>
<i>Less</i>		
Intangible fixed assets and deferred tax receivables	-25	-25
<b>Capital base</b>	<b>654</b>	<b>567</b>
<b>Capital requirement</b>		
Capital requirement for regulated units within the banking and securities sector	237	240
Capital requirement for regulated units in the insurance sector	31	31
Theoretical capital requirements for non-regulated units	3	4
<b>Capital requirement</b>	<b>271</b>	<b>275</b>
<b>Capital surplus</b>	<b>382</b>	<b>292</b>
<b>Capital base/Capital requirement</b>	<b>2.41</b>	<b>2.06</b>

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

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

The Board of Directors and the Managing Director 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, 11 October 2012

Martin Tivéus  
Managing Director

## Review report

We have reviewed this report for the period 1st January 2011 to 30th September 2012 for Avanza Bank Holding AB. The board of directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review..

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

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

Stockholm, 11 October 2012

Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
Authorised Public Accountant

The information contained in this report comprises information both that Avanza Bank Holding AB (publ.) is obliged to provide and that it has chosen to provide in accordance with the provisions of the Swedish Securities Market Act and the Swedish Financial Instruments Trading Act. The information has been released to the market for publication at 08.15 (CET) on 11 October 2012.

Avanza Bank 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 [avanzabank.se/keydata](http://avanzabank.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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